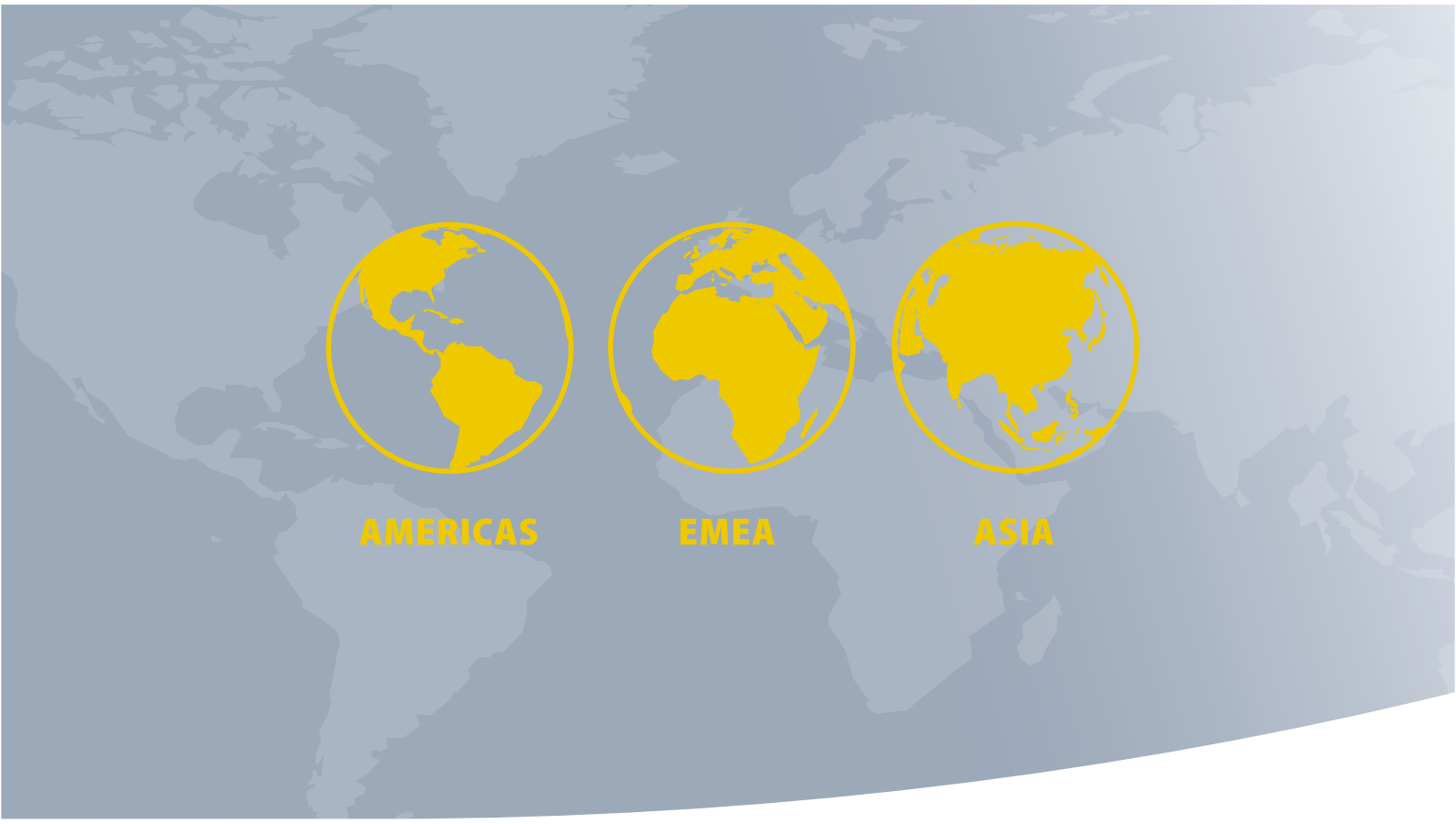
Annual Report 2015



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 74,000 people in 32 countries. LEONI develops and manufactures technically sophisticated products for the automotive segment and other industries – 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

Dieter Bellé

Shareholders' Letter

Dear Sir or Madam,

2015 was a challenging year for LEONI. While our sales growth was quite respectable, our earnings were disappointing. Demand for LEONI products held up well among both the global automotive industry and other important industrial sectors. We therefore succeeded in expanding our business Group-wide and in boosting our sales, thanks also to favourable currency translations effects, by 10 percent overall to about EUR 4.5 billion. Both divisions contributed to this growth, which exceeded our projections. Earning performance was unsatisfactory, on the other hand: consolidated earnings before interest and taxes decreased from EUR 182.5 million in the previous year to about EUR 151 million.

The main cause involved unexpectedly heavy charges in the Wiring Systems Division, which led to massive decreases in earnings in the course of the third quarter. They occurred in connection with structural difficulties in project management. We have comprehensively analysed the reasons for this and found need for significant change in project management. We have consequently launched measures to improve the poorly performing projects, are adjusting structures to avoid similar project-related risks in the future and will make our organisation leaner. These measures will improve our profitability. At no time were shipments to our customers compromised. Earnings also fell short of projections in our other division, Wire & Cable Solutions, because business involving data cables as well as cables for infrastructure projects and petrochemical plant performed more weakly than expected and because numerous exceptional factors exerted an adverse effect. We are counteracting this with, among other things, our WCS ON Excellence performance programme, which showed initial positive effect during the year under report.

The 2015 bottom line was consolidated net income of about EUR 77 million. We will propose to shareholders at the Annual General Meeting to pay out a dividend of EUR 1.00 per share, which would correspond to a payout ratio of approx. 42 percent of after-tax profit.

Overall, the financial year's result disappointed both our own expectations and those of our shareholders. Our most important concern is therefore to regain the lost confidence of our shareholders with improved performance and to lead LEONI back onto the target, profit-oriented growth course as quickly as possible. LEONI remains a profitable, solidly financed company with good prospects. In 2015, we had to master a record number of 27 larger-scale production ramp-ups involving significant new projects. The majority of these ran smoothly and will in the years ahead lead to sales growth and contribute corresponding earnings. We also booked numerous new orders in the past year – including strategically important orders from new customers in the automotive industry – that will ensure our targeted expansion over the long term. In total, LEONI generated order receipts worth EUR 5.9 billion, which therefore exceeded our sales by EUR 1.4 billion and will underpin the targeted growth in the medium term.

We continued to forge ahead with our globalisation as planned in 2015, expanding our operations in Asia and the Americas. Starting from our leading position in many segments of the European market, we regard these two regions as providing the best growth opportunities for LEONI in the future. This is also why a significant proportion of our capital investment in the past year was spent in the Americas and Asia. The Wire & Cable Solutions Division, for example, set up two new automotive cable plants in China and Mexico, while the Wiring Systems Division opened two new wiring systems plants in China and Paraguay. The enhancement of the Wire & Cable Solutions Division's regional, organisational structures in Asia and the Americas will also contribute to improving our market position and opportunity for new business. The same applies to our Wiring Systems Division's joint venture with state-owned, Chinese automotive component supply company Beijing Hainachuan Automotive Parts (BHAP), which was agreed in the past year.

LEONI is therefore increasingly on a global footing and has a good foundation for its target of business more evenly spread across the world's three most important economic areas. This provides reason enough for us to present our activity in the Americas, Asia and EMEA (Europe, Middle East and Africa) in more detail in the feature section of this Annual Report under the heading "LEONI goes global". The fact that expansion in Asia and the Americas has priority at LEONI does not mean, however, that we will neglect our structures in the EMEA region. On the contrary, in addition to expanding and setting up production capacity in Eastern Europe and North Africa, we also invested heavily in Germany in 2015. One example of this was the continued rebuilding and modernisation of the Wiring Systems Division's headquarter in Kitzingen. Following an increase in office space, the second step involved building a state-of-the-art Technical Competence Center that combines various development and technical departments. We furthermore gave the go-ahead to build the Factory of the Future at our long-standing cables location in Roth. At the beginning of 2015 we acquired a suitable site on which one of the most modern cable facilities in Europe will be built. We will expand our capacity at this location and establish a ground-breaking concept with efficient production processes.

For fiscal 2016 we have again planned an extensive capital investment programme to be able to supply our customers at their facilities around the globe as they are accustomed to; i.e. dependably with high-quality products. We estimate a slight decrease in consolidated sales this year to EUR 4.4 billion. To be taken into consideration in this respect is that the sales of our newly established joint venture in China, for which we sold 50 percent of the shares in our wiring systems plant in Langfang to BHAP, will no longer be included in the consolidated figure. An economic downtrend is further affecting our markets, such as China. The subdued trend in the commercial vehicle markets in the United States and Europe as well as the decreasing price of copper furthermore exerted a negative effect on our forecast for the amount of business. From today's perspective, earnings before interest and taxes will amount to EUR 105 million in 2016. This figure already takes into account EUR 30 million due to restructuring, which will improve our future situation.

These plans impose high demands on the entire LEONI team. On behalf of the Management Board, I thank all staff members very much for their great commitment and their good performance. Together we will master the great challenges that face us in 2016.

The Management Board's composition has changed significantly in the past twelve months. In May last year, I took over as President & CEO from Dr Klaus Probst, who left the Company at his own request, in addition to my position as Chief Financial Officer. I would at this point once again like to thank him very much for the many years of constructive collaboration and his successful work for LEONI. In the course of 2016 I will, once the position of Chief Financial Officer has been occupied, concentrate on chairmanship of the Management Board. Following Dr Andreas Brand's departure from the Company by mutual agreement in November 2015, having been the Management Board member in charge of the Wiring Systems Division, my colleague Dr Frank Hiller has been responsible for this division since the beginning of 2016. Bruno Fankhauser took over his former Management Board office with responsibility for the Wire & Cable Solutions Division on 1 February 2016. I look forward to working together on this changed Management Board. Together with all members of LEONI AG staff we will work hard and with focus on setting LEONI up on an ever more global footing and on making it more profitable.

Nuremberg, 29 February 2016

Dieter Bellé
President & CEO

Company information

Surprisingly heavy charges in the Wiring Systems Division, which not only have the close attention of the Management Board and the Supervisory Board, but have also compromised the price of LEONI's share considerably, marked the year 2015. At the same time, LEONI continued to forge ahead with its globalisation during the year under report, expanding its operations particularly in Asia and the Americas.

Dr Werner Rupp

Supervisory Board report

Dear Sir or Madam,

The Supervisory Board of LEONI AG in fiscal 2015 again dealt in depth with the situation and performance of the group of companies. It conscientiously and very diligently fulfilled its duties in accordance with statutory requirements, the provisions of the Company's Articles of Association, the German Corporate Governance 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 consultation between the Management Board and the Supervisory Board

The collaboration between the Management Board and the Supervisory Board was at all times constructive, open and defined by mutual trust. The Management Board informed the Supervisory Board regularly, immediately and comprehensively about all matters pertinent to LEONI involving strategy and planning as well as the Group's operating performance and status 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 involved the Supervisory Board in decisions of material importance.

The Supervisory Board was provided with detailed written Management Board reports in advance of its meetings. All topics, especially transactions requiring consent, were discussed in detail 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, 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 informed in detail 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 the exercise of their office during the period under report.

Changes in Management Board membership

The composition of the Management Board changed during the year under report: Dr Klaus Probst retired from the Management Board of LEONI AG at his own request upon close of the Annual General Meeting on 7 May 2015. The Supervisory Board expressed its resounding and sincere thanks to Dr Probst for the exceptional contribution he made to LEONI in his 25 years of service. It appointed Dieter Bellé as the new Chairman of the Management Board. Mr Bellé was appointed to the Management Board of LEONI AG in 2000 and has in the past 15 years made a key contribution to the Company's successful growth. Mr Bellé exercises the office of President & CEO in addition to his positions as Chief Financial Officer and Labour Director. On 9 November 2015, Dr Andreas Brand, member of the Management Board since 2012 and in charge of the Wiring Systems Division, resigned from his post by mutual agreement. The Supervisory Board thanks Dr Brand for his work at LEONI.

On 10 December 2015, the Supervisory Board decided, in accordance with the proposals made by the Personnel Committee, to assign responsibility for the Wiring Systems Division to Dr Frank Hiller, previously responsible for the Wire & Cable Solutions Division, from 1 January 2016. A further decision was made that Dieter Bellé will in future focus on his role as Management Board Chairman and that a new Chief Financial Officer will be appointed. The Management Board is thus due to be enlarged to four members 2016. The search for two new Management Board members was started in December 2015, with external advisors also involved in the process.

In an extraordinary meeting on 29 January 2016, the Supervisory Board appointed Bruno Fankhauser as the new Management Board member for the Wire & Cable Systems Division effective 1 February 2016. Bruno Fankhauser took over management of the Swiss cables company Studer in 2004 and joined the LEONI Group via its takeover of Studer. Since 2008 he has, as member of the senior executive at the level of the Wire & Cable Solutions Division, been in charge of a Business Group that specialises in the development, production and sale of cables and cable systems for various industries. The Supervisory Board appointed him mainly on account of his strategic vision and proven experience in the cables industry. These factors are essential to the further growth of the wire and cables business. His Management Board mandate initially expires on 31 December 2018.

A decision on the new Chief Financial Officer is still pending. Dieter Bellé will continue to act as CFO until an appointment has been made.

Changes in Supervisory Board membership

At the Annual General Meeting on 7 May 2015, shareholders elected Dr Ulrike Friese-Dormann to represent them on the Supervisory Board. She took over from Axel Markus, who had been substitute member since 2012 and member of the Supervisory Board of LEONI AG since 1 January 2015 and who resigned his office with effect from the end of the Annual General Meeting. The Supervisory Board thanks Mr Markus sincerely for his work on the Supervisory Board.

Dr Bernd Rödl, member of the Supervisory Board of LEONI AG since 2009, died on 9 November 2015. In Dr Bernd Rödl LEONI has lost a valuable advisor whose well-founded, independent and always pertinent assessments were of great help to the Supervisory Board and the Company. Dr Bernd Rödl was Chairman of the Audit Committee and member of the Nomination and Strategy Committees. On 10 December 2015, the shareholder representatives adopted the Nomination Committee's proposal resolved to propose Prof Dr Christian Rödl for judicial appointment. The Nuremberg local court appointed Prof Dr Christian Rödl as a member of the Supervisory Board on 22 December 2015. His appointment expires at the close of the Annual General Meeting of LEONI on 4 May 2016. After the judicial appointment Prof Dr Christian Rödl is to be proposed for election at the Annual General Meeting scheduled for 4 May 2016. Prof Dr Christian Rödl was appointed as member and Chairman of the Audit Committee. Dr Werner Lang was appointed as the successor of Dr Bernd Rödl in the Nominating Committee and Ingrid Hofmann as his successor in the Strategy Committee.

Main topics of discussion by the Supervisory Board

The Supervisory Board held five regular and three extraordinary meetings during the 2015 financial year. The regular meetings took place on 16 March, 7 May, 30 July, 17 September and 10 December. On 17 September 2015 the Supervisory Board meeting was held in Frankfurt am Main. On this occasion we visited the International Motor Show (IAA) and LEONI AG's booth at the Show to gain an impression of how LEONI and its customers present themselves. On 10 December 2015 the shareholder representatives additionally held a separate meeting. The employee representatives held a preliminary discussion prior to each Supervisory Board meeting.

The Supervisory Board had a quorum on each occasion. One member excused his/her absence from one meeting. All members of the Management Board attended each of the meetings so far as these did not cover topics requiring that they absent themselves. This included the deliberations on the changes in the Management Board's membership and Management Board contract and compensation matters.

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.

At its first regular meeting during the period under report on 16 March 2015 the Supervisory Board discussed the regular topics but also dealt in depth with the annual financial statements of LEONI AG and the Group for fiscal 2014. Both sets of statements were approved without any objection after detailed deliberation. Furthermore, it decided the agenda for the Annual General Meeting on 7 May 2015.

One focal point of the meeting on 7 May 2015 was the promotion of equal rights at LEONI. Legislation requires listed companies and/or companies subject to co-determination to set a specific target for the quota of women on the Supervisory Board, Management Board and the two management levels below. According to Article 96 (2) of the German Companies Act (AktG), the Supervisory Board must have a quota of at least 30 percent women and men each as of 1 January 2016. Prior to this stipulation coming into effect, the Supervisory Board had set a target for its composition that at least one third of its members should be women. The employee and shareholder representatives have decided to meet this quota separately. Accordingly, two women must be represented on the Supervisory Board on both sides. At present, the quota is fulfilled by the shareholder side on the Supervisory Board because it includes two women. The employee side is currently represented by only one woman because the terms of office of the employee representatives elected before the gender quota came into effect have not yet expired and there has therefore been no opportunity to appoint another woman. At the level of LEONI AG itself the Supervisory Board has set a target quota of 15 percent for the Management Board.

The Management Board has set the targeted women's quota at the two management levels below at 8 percent for the top management level and at 14 percent for the second management level. These target quotas were agreed with the Supervisory Board at its meeting on 30 July 2015. The Corporate Governance report provides regular updates on the progress made in reaching these quotas.

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Furthermore, at the meeting on 30 July 2015 the Supervisory Board was informed of the business situation of the Group and of the current status of the 'Factory of the Future' project in Roth, as well as on risk management in the event of terrorist attacks in risk countries with LEONI facilities. The new version of the German Corporate Governance Code and the necessary adjustments at LEONI were also discussed. In addition, the Supervisory Board decided to have the efficiency of its work fully reviewed by an external consultant for the first time. The Corporate Governance report includes further details on this topic.

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During their meeting on 17 September 2015 the Supervisory Board's members discussed, among other things, the review of the Management Board compensation for 2014 and the projection for 2015, which is commensurate with that paid by other MDAX companies. The Management Board also presented the realignment of compliance at LEONI. Further information on this topic can be found in the Corporate Governance report. Moreover, it approved the conclusion of contracts between LEONI AG and Supervisory Board members in accordance with Article 114 of the German Companies Act.

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The main topic of the Supervisory Board meeting on 17 September 2015 was the current business situation in the operating divisions, particularly in the Wiring Systems Division. The performance in the first half of the fiscal year seemed solid, reinforced in terms of sales by positive currency translation effects. This performance was based on the persistently high level of demand from the global automotive industry and from most of LEONI's other major customer industries. Only the infrastructure and petrochemicals businesses showed weaknesses. The large number of new projects starting up in the Wiring Systems Division also developed according to schedule in the first half of the year.

At the end of the third quarter some projects of the Wiring Systems Division surprisingly experienced considerable strain, resulting in considerably higher expenses and significantly reduced efficiency, which compromised earnings substantially. This prompted an ad hoc profit warning on 12 October 2015. The Supervisory Board immediately dealt with this issue in depth. It called an extraordinary Supervisory Board meeting on 19 October 2015 and was informed by the Management Board about the causes of the deterioration in earnings, and considered the countermeasures to be applied.

Two additional extraordinary meetings of the Supervisory Board were convened on this topic after the meeting on 19 October 2015: one on 4 November and one on 9 November 2015. The Supervisory Board meetings were at times held without any presence of Management Board members. The Supervisory Board requested additional information, especially on the implementation of the newly introduced matrix organisation, and regular updates on ongoing projects, and intensified its collaboration with the Management Board. In order to step up its efforts to analyse and remedy the problems thoroughly and rapidly, the Company involved outside consultants in the examinations. The Supervisory Board consequently accepted Dr Brand's decision to resign his Management Board mandate effective 9 November 2015 in order thereby to take responsibility for the problems that arose in the Wiring Systems Division. Regardless of this development, the Supervisory Board remains closely involved in addressing the problems.

The fifth extraordinary meeting of the Supervisory Board on 10 December 2015 once again deliberated extensively on the situation in the Wiring Systems Division, the business planning for 2016 and the 2016 – 2020 medium-term planning presented by the Management Board. The Supervisory Board approved the planning following detailed discussion. Other agenda items included the presentation of the findings of the efficiency review of the Supervisory Board's work and an update of the declaration pertaining to the Code pursuant to Article 161 of the German Companies Act. To comply with the recent changes to the Code, a provision on limiting the length of service was added to the rules of procedure for the Supervisory Board. Further details are contained in the Corporate Governance report.

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Work of the committees

The Supervisory Board of LEONI AG formed an Audit Committee, a Personnel Committee, a Nomination Committee and a Strategy Committee. In 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. It dealt in detail with the 2014 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 2015 financial year and dealt in depth with the upcoming quarterly reports as well as the half-year report. Other major topics involved the collaboration with the auditor during the audit of the annual financial statements, the effectiveness of risk management and of the internal control system, particularly in connection with the deteriorating earnings performance of the Wiring Systems Division, and internal auditing, the restructuring of compliance and the changes to the reporting to the Supervisory Board. The committee members also sought information on the status of the ongoing audit and on information security. The Audit Committee further discussed the sharp rise in requirements that affect the committee and that result from the EU reform of the statutory audit of annual financial statements, which are due to be adopted into national law by 17 June 2016.

- The **Personnel Committee** held six meetings during the period under report. Its deliberations focused on the changes on the Management Board, the changes to Management Board contracts and the Management Board compensation. The preparation of the resolution on setting a women's quota for the Management Board was also on the agenda. Following the departure of Dr Andreas Brand, the committee furthermore drafted proposals for the future assignment of Management Board responsibilities and initiated the search for suitable candidates to fill the vacant Management Board positions.

- The **Nomination Committee** met on two occasions in 2015. At the first meeting, it prepared the nomination of Dr Ulrike Friese-Dormann as a new Supervisory Board member; as a result of this appointment the shareholder side complied early with the recommendations of the Code and the announced legislation on the women's quota. The second meeting deliberated the judicial appointment of Prof Dr Christian Rödl as member of the Supervisory Board.

- The **Strategy Committee** met twice in 2015, on both occasions together with the Management Board. It dealt in depth with the strategy of the Company's two divisions and with the Group's IT as well as personnel strategy.

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

Corporate Governance and Declaration of Conformity

Again in fiscal 2015, the Supervisory Board dealt in detail with Corporate Governance at LEONI, taking the German Corporate Governance Code as its guide. The Declaration of Conformity pursuant to Article 161 of the German Companies Act was updated in December 2015. With one exception in each case, LEONI fulfilled all the recommendations of the Code in its current version. Further details can be found in the current version of the Declaration of Conformity and the Corporate Governance report.

Declaration of Conformity
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Corporate Governance report
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Audit of the annual financial statements

The Annual General Meeting of LEONI AG's shareholders on 7 May 2015 appointed Ernst & Young GmbH auditing company of Stuttgart as auditors for the 2015 financial year. Ernst & Young audited and granted an unqualified certificate for the 2015 financial statements and the management report of LEONI AG prepared in accordance with the German Commercial Code as well as the consolidated financial statements prepared in accordance with the IFRS and the Group management report. The auditors responsible pursuant to Article 319a (1) Sentence 4 of the German Commercial Code (HGB) were Udo Schuberth and Gero Schütz. The auditors stated that the management reports described the situation of LEONI AG and of the Group as well as the future risks and rewards in an appropriate manner and 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 15 March 2016. These financial statements and reports were comprehensively discussed during the regular meeting of the Supervisory Board on 22 March 2016. 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 2015 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 EUR 1.00 per share for fiscal 2015.

Thanks to the Management Board and staff

The Supervisory Board thanks all members of the Management Board as well as staff for their good work in the past financial year, which was affected by exceptional, adverse factors. We are convinced that they will together do everything to resolve the identified problems. We are aware that this entails particular challenges. The Supervisory Board wishes the Management Board and staff every success with the related tasks in 2016. It is confident that they will continue to confront these challenges with full commitment in order to help LEONI back to sustained profitability. The Supervisory Board will also continue to do everything to justify your confidence and will oversee LEONI closely as the Company addresses the tasks for the next financial year.

Nuremberg, 22 March 2016

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** | 68 | Burgthann	—
1st Deputy Chairman **Franz Spieß**[1] | 59 | Büchenbach 2nd senior authorised signatory of the administrative office in Schwabach of the IG Metall trade union	—
2nd Deputy Chairman **Prof. Dr Klaus Wucherer** | 71 | Ungelstetten / Winkelhaid Managing Director of Dr Klaus Wucherer Innovations- und Technologieberatungs-GmbH	DÜRR AG, Bietigheim-Bissingen (until 31/12/2015); SAP SE, Walldorf; Heitec AG, Erlangen (Deputy Chairman); Festo AG & Co. KG, Esslingen (Chairman)
Gabriele Bauer[1] | 59 | Prichsenstadt Member of the central works council of LEONI AG	—
Dr Ulrike Friese-Dormann | 45 | Munich Lawyer (as from 7/5/2015)	—
Josef Häring[1] | 54 | Grafenwiesen Chairman of the workforce council	—
Ingrid Hofmann | 61 | Hiltpoltstein Managing partner of I.K. Hofmann Unternehmensgruppe	—
Karl-Heinz Lach[1] | 57 | Eschweiler Chairman of the workforce council	—
Dr Werner Lang | 48 | Ergersheim Managing partner of MEKRA Lang Unternehmensgruppe	MEKRA Lang Otomotiv Yan Sanayi A.S., Ankara, Turkey (Chairman); MEKRA Lang Americas Management, Inc., Delaware, USA (sole representative); Lang America Ltd., Cayman Islands (sole representative); Daito Lang Mirror Co., Chonburi, Thailand; Changchun MEKRA Lang FAWAY Vehicle Mirror Co., Ltd., Changchun, China; MEKRA Lang North America Holdings, Inc., South Carolina, USA
Axel Markus | 72 | Schwabach Graduate industrial engineer (until 7/5/2015)	—
Richard Paglia[1] | 49 | Allersberg Senior Vice President Strategic Purchasing at LEONI Kabel Holding GmbH	—
Dr Bernd Rödl | 72 | Nuremberg Auditor, tax consultant, lawyer at Rödl & Partner GbR (until 9/11/2015)	—
Prof. Dr Christian Rödl | 46 | Nuremberg Managing partner at Rödl & Partner GbR (as from 22/12/2015)	Herrenknecht AG, Schwanau; Bayerische Landesbank AöR, Munich; Bayern LB Holding AG, Munich; UVEX Winter Holding GmbH & Co. KG, Fürth; Brose Fahrzeugteile GmbH & Co. KG, Coburg
Helmut Wirtz[1] | 65 | Stolberg 1st authorised signatory of the administrative office in Stolberg of the IG Metall trade union	—

[1] Employee representative

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	Prof. Dr Christian 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 Werner Lang, Prof. Dr Klaus Wucherer
Strategy Committee	Prof. Dr Klaus Wucherer, Chairman; Gabriele Bauer, Ingrid Hofmann, Dr Werner Lang, Richard Paglia, Dr Werner Rupp, Helmut Wirtz

Management Board

Dieter Bellé
President & CEO as well as CFO and Labour Director; Management Board member since 2000.

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 as the Chief Financial Officer of LEONI AG and has since then been in charge of most of the corporate departments. Since May 2015 he has been the Group's President & CEO as well as CFO.

Dr Frank Hiller
responsible for the Wire & Cable Solutions Division and the Corporate Marketing department (both 2015); Management Board member since 2014.

Dr Frank Hiller, born 1966 in Stuttgart, studied mechanical engineering in Kaiserslautern, earning a doctorate in Engineering. From 1997 he worked in senior positions at ThyssenKrupp AG. In 2005, he was appointed chief executive of F.X. Meiller Fahrzeug- und Maschinenfabrik 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 was in charge of the Wire & Cable Solutions Division until the end of 2015. He has been responsible for the Wiring Systems Division since January 2016.

LEONI 2015 – Review

January

FIRST CABLE HARNESS ORDER FROM HYUNDAI
Hyundai Motor Company, the South Korean carmaker, commissioned LEONI to supply cable harnesses for a mid-market car that is manufactured in Eastern Europe. LEONI's Wiring Systems Division thereby gained the current number four in the global automotive industry as a new customer. The contract is worth an eight-digit euro amount over six years.

March

LAUNCH OF THE FACTORY OF THE FUTURE
LEONI acquired a 134,000 m² site in Roth, Germany where the Factory of the Future is to be built by 2018. This state-of-the-art cable plant will boast high-tech production lines for top-quality cables and conductors, modern workplaces as well as a centre of expertise and services for the whole Wire & Cable Solutions Division. The new building will not only expand the capacity at this venerable production facility, but will also make processes more efficient.

May

DIETER BELLÉ BECOMES THE NEW PRESIDENT & CEO
Dieter Bellé took over chairmanship of LEONI AG's Management Board on 7 May 2015. The 59-year old has been a member of the Board since 2000, serving as Chief Financial Officer and Labour Director. He succeeded Dr Klaus Probst, who retired from the Management Board at his own request. Dieter Bellé took the chair of the Management Board in addition to his existing areas of responsibility.

JLR GLOBAL SUPPLIER AWARD FOR QUALITY AND RELIABILITY The carmaker Jaguar Land Rover (JLR) commended LEONI's wiring systems facility in Cairo, Egypt with its Global Supplier Award, thereby recognising the unabated product quality, dependable supply and high flexibility with which the plant responds to customer requirements. LEONI supports JLR's objective of reducing vehicle emissions with its distributor systems and components as well as alternative conductor materials.

June

NEW CABLE FACILITY IN MEXICO LEONI opened a further plant for automotive cables in Central America. The new facility in Celaya, the third-largest city in the state of Guanajuato, is LEONI's fifth expansion investment in Mexico in five straight years. On a production area covering around 6,000 m², single-core automotive cables are produced for multinational carmakers and their plants in the region.

BEST SUPPLIER AWARD FROM PSA FOR LEONI
In Poissy, France, customer PSA Peugeot Citroën presented LEONI's Business Group European Customers with the sought-after Supplier Award, which the carmaker gives to its best suppliers each year. LEONI was commended particularly for its cost-saving solutions when delivering standardised components.

July

LEONI NAMED „GREEN SUPPLIER OF THE YEAR"
Japanese wiring systems manufacturer Yazaki awarded US subsidiary LEONI Cable the title „Green Supplier of the Year" in recognition of its ecological and social activities. Its systematic commitment to the environment is evidenced, for example, by the dramatic reduction in water consumption and waste volumes at one Mexican facility. At the same site, LEONI has also launched education programmes at local schools and invites students to the facility in order to give them a better understanding of the correlations between industry and the environment.

August

INAUGURATION OF FIFTH WIRING SYSTEMS PLANT IN CHINA LEONI opened another production facility for wiring systems in China. Since January 2016, products for several vehicle models of new customer BMW Brilliance Automotive have been developed and manufactured in Tieling in the north of the country. All in all, LEONI has invested around € 35 million in the production lines and the building measuring 25,000 m².

September

CHINESE JOINT VENTURE STRENGTHENS MARKET POSITION LEONI agreed a joint venture with China's Beijing Hainachuan Automotive Parts and sold 50 percent of the shares in its wiring systems facility in Langfang. This plant previously produced exclusively cable harnesses for the car ranges of Mercedes-Benz's Chinese subsidiary. The new, equal joint venture in China gives LEONI the opportunity to gain additional orders and customers from the region.

October

GROUP FORECAST REVISED DUE TO UNEXPECTEDLY HEAVY CHARGES Surprisingly heavy and protracted charges in the Wiring Systems Division prompted LEONI to correct its forecast for fiscal 2015, lowering it substantially from the original target of at least € 200 million in earnings before interest and taxes (EBIT). The causes are structural difficulties in project management, which resulted in increased costs and diminished efficiency. The forecasts for 2016 were also revised.

November

DR BRAND RESIGNS AS MANAGEMENT BOARD MEMBER – FIRST STEPS TOWARDS PERFORMANCE OPTIMISATION Dr Andreas Brand, Management Board member with responsibility for the Wiring Systems Division, resigned from his position by mutual agreement. A task force headed by the two Management Board members Dieter Bellé and Dr Frank Hiller analysed the reasons and developed measures to counter the problems in the Wiring Systems Division.

FIRST FACILITY OPENED IN PARAGUAY

LEONI cut the ribbon on its first wiring systems plant in Paraguay. The new plant in San Lorenzo near the capital Asuncion produces cable harnesses for several customers in the automotive and commercial vehicle industries with production facilities in Argentina and Brazil. With a size of more than 28,000 m² and a production area of almost 10,000 m² the new plant is of major importance for the planned further expansion of business in the Americas.

EXCELLENT COMMITMENT IN OCCUPATIONAL TRAINING LEONI claimed the top spot nationwide in the SME category of the „That has Potential" SCHULEWIRTSCHAFT prize awarded by Germany's Federal Ministry for Economic Affairs in 2015. The award for outstanding commitment at the school/career interface was based on the efforts made by our facility in Roth, Germany in the areas of vocational guidance, career choice and internships. LEONI highlights prospects for the future in varied hands-on projects and works to ensure that young people discover their potential.

December

CAPACITY EXPANSION IN PANJIN LEONI has strengthened its regional market position with the new automotive cables facility in Panjin, in the north eastern Chinese province of Liaoning. The plant provides the ideal starting point to respond quickly to mounting customer requirements and to achieve shorter delivery lead times. LEONI manufactures single-core cables for automotive applications on a production area of around 8,000 m².

LEONI goes global

LEONI supplies customers worldwide with top-quality, high-performance wire & cable solutions as well as wiring systems. Our products are manufactured and sold in all three of the world's economic regions – in the Americas, Asia and EMEA (Europe, Middle East and Africa). The go-ahead for globalisation was given as long ago as the 1970s: as one of the first wiring system manufacturers to do so, LEONI began to set up production capacity in North Africa. Numerous plants in Asia, Eastern Europe and Central America followed in quick succession, and LEONI systematically developed from being a strong medium-sized enterprise to become an international group. We now have a global network of facilities for the production of wiring systems and cables in all of the world's key markets, meaning that we can normally supply anywhere 'from the region to the region'.

That does not mean, however, we are now standing still – rather, we continue to steadily expand our international structures, not only with new production facilities and sales offices, but also by gradually globalising other areas of operation. Many of our locations outside Germany were enhanced with development centres in the past ten years. Our executive functions will also be further internationalised in the future.

The objective of our globalisation strategy is to spread our business more evenly across the three economic regions of the Americas, Asia and EMEA.

Without abandoning our strong position in Europe, we are stepping up our activity particularly in Asia and the Americas to take greater advantage of the opportunities that present themselves there. We have in so doing already achieved substantial progress over the past ten years: whereas LEONI still generated more than three quarters of its total sales in Europe in 2005, the EMEA region now accounts for only about 65 percent. At the same time, the proportions of sales generated in Asia and the Americas grew to 18 and 17 percent, respectively. With the planned disproportionately strong expansion in these two growth regions we are placing LEONI on an ever more global footing.

On the subsequent pages you will find more about the three economic regions as well as our activity and plans in them.

Asia: between tradition and modernity

Around 4.4 billion people live in the Asia, making this the world's most populous economic area. The region is also rich in contrasts: featuring such highly developed economies as Japan and South Korea, such large emerging economic powers as China and India, but at the same time also such very poor countries as Cambodia and Myanmar. Tradition and modernity meet in a very restricted space, especially in Asia, not only at the borders but also within the individual countries. In the countryside the standard of living is often very low, whereas the large metropolises are growing extremely dynamically. Twenty out of the world's 34 metropolitan areas with a population of more than ten million are located in Asia, six of them in China. With the region's rapid progress its importance for companies with international operations, such as those from the automotive supply industry, is growing.

LEONI has been active in Asia since the early 1990s. In 1993, we established a joint venture in Singapore, with first production facilities in China. In line with the rapid economic growth and increasing involvement of the international automotive industry, we enjoyed rapid expansion over the subsequent years. Today we have thirteen production sites in China alone. At the five plants of the Wiring Systems Division we produce wiring systems and cable harnesses for the car and component supply industries. The seven manufacturing plants of the Wire & Cable Solutions Division produce wires and strands, standard and special cables and cable systems for various sectors: in addition to the cable and automotive industries they include automation, telecommunications, petrochemicals and solar technology as well as producers of household, electronic or medical devices. Both divisions also have production facilities in India and operate sales as well as development centres in this and other countries, such as Japan and South Korea.

Asia provides a prime example of our most recent globalisation activities. In 2015, we established two new plants in the region and gained important new customers from the automotive industry, such as the Korean Hyundai Motor Company. We intend to continue this growth. The mounting affluence and increasing urbanisation provide good sales opportunities especially in China and India for the automotive industry as well as for infrastructure, environmental technology and medical technology. This provides a good basis for the vigorous expansion of our business in the years ahead and for a further increase in its proportion of LEONI's total sales, currently 18 percent.

LEONI in Asia

Did you know?

New plant
New customer

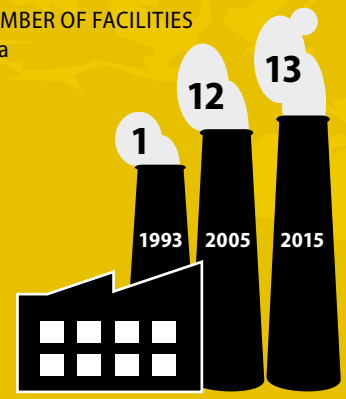
LEONI,
country & people

LEONI

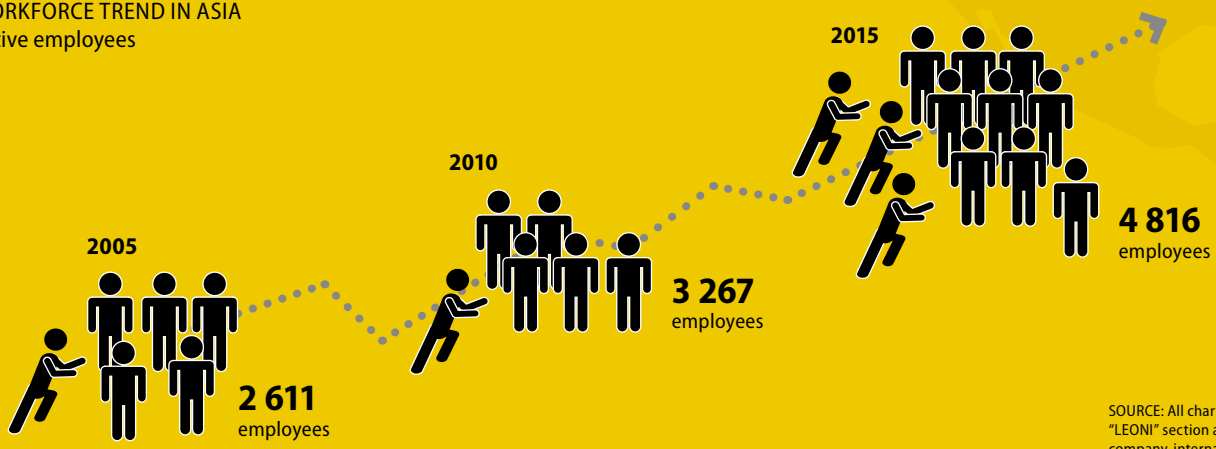
ASIA, EXTERNAL SALES IN 2015
in € million

ASIA, CAPITAL INVESTMENT IN 2015
in € million

NUMBER OF FACILITIES
Asia



WORKFORCE TREND IN ASIA
Active employees



SOURCE: All charts in the "LEONI" section are based on company-internal information of LEONI AG

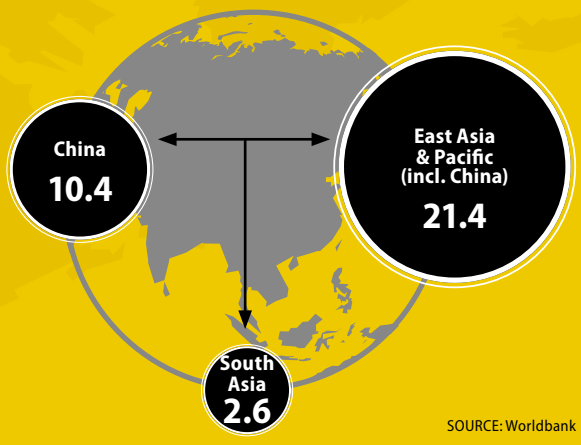
Inauguration of the fifth Chinese wiring systems plant in Tieling

China is the focal point of our activities in Asia. In order to keep pace with local growth, we opened a new wiring systems plant at Tieling in northern China in 2015 – the fifth plant so far in the Middle Kingdom. We also gained a new customer: BMW Brilliance Automotive (BBA), a joint venture between BMW and Brilliance China Automotive Holding. The inauguration of the LEONI plant in August of last year was a major event – as was the start of series production in January 2016, some twelve months after the first production tests. In Tieling we develop and produce customised wiring systems for several BBA vehicle models that have an average of between two and two and a half kilometres of cable installed.

All told, LEONI invested EUR 35 million for buildings and production lines in Tieling. Based on full capacity utilisation the plant with 25,000 m² of space can accommodate around 2,000 members of staff who produce up to 900 wiring systems per day around the clock in two or three-shift operation. As in the other four wiring systems plants in China – Shanghai, Jining, Penglai and Langfang – our customers are not far away in Tieling either. The new plant is also well-prepared for further growth. Around 6,000 m² in space that can be built on as required are available for additional projects.

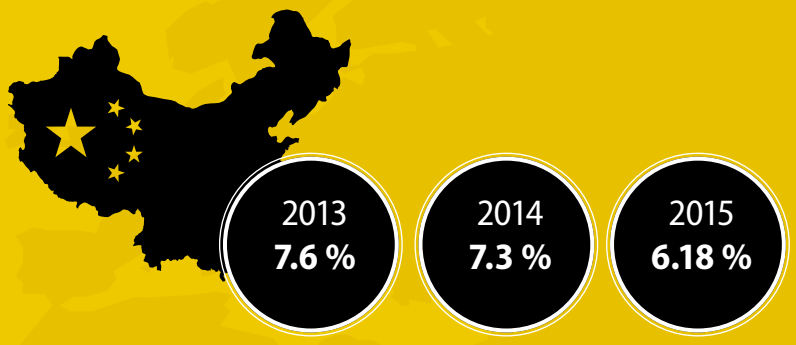
ECONOMY GENERALLY

GROSS DOMESTIC PRODUCT
as of 2014 in $ trillion



SOURCE: Worldbank

CHINA ECONOMIC GROWTH
2013 – 2015



SOURCE: Statista

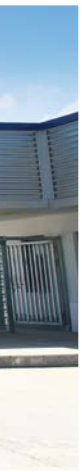
OUTPUT OF CARS & LIGHT COMMERCIAL VEHICLES
2015 in million units

Asia

EMEA

Americas

SOURCE: IHS Global Insight



GEOGRAPHY & POPULATION

AREA
Asia vs. Europe

44 000 000 km²

Asia has an area **4 times** the size of Europe (10 000 000 km²)

SOURCE: Statista

POPULATION
in 2015

SOURCE: Statista

The content of our pages was prepared with the greatest of care. We state the sources of the content not originating within the Company for correctness, completeness and up-to-dateness, but cannot assume any liability for such content.

Americas: region of many and varied opportunities

When people hear the word „America" they usually think first of the United States even though the word actually denotes the world's second-biggest continent. But with a gross domestic product of US$ 17.4 trillion (2014) the United States really is the most important country in the region from an economic perspective. Following well behind are the nations of Brazil, Canada and Mexico, which together merely represent just over one third of the United States' economic power. In population terms, too, the United States rank in first place with a population of around 319 million, compared to approximately 201.5 million in Brazil and 119.5 million in Mexico. And yet, not only the USA – the world's biggest economic power – but also Canada and a large number of emerging central and south American countries provide a variety of opportunities to companies with an international focus from all over the world. This goes for such traditional sectors as the automotive industry as well as for the high tech markets of medical and information technology.

LEONI first touched down on the twin continent in 1990, with the establishment of a subsidiary for its wire production in the USA. Since then, progress has been rapid: today we operate twelve companies in the Americas, which cover almost our entire product range. Seven of them form part of the Wire & Cable Solutions Division, which supplies mainly automotive cables but also wires, cables and cable systems for companies operating in industrial robotics, medical technology, petrochemicals as well as measurement and control technology within the region. All are located in Canada, Mexico and the United States. The largest plant of the division is situated in Mexico's Cuauhtémoc, where around four million kilometres of cable are produced every year. In addition, to standard automotive cables the product range also increasingly includes such special products as high-temperature, coaxial and data cables for driver assist systems. The Wiring Systems Division is active in the Americas with five companies; in the automotive industry's most important markets and production regions. At four plants in Brazil, Mexico and Paraguay it produces wiring systems, cable harnesses and components for the automotive and automotive supply industries. On top of this, there are two development centres in Mexico and the United States.

In 2015, we opened two new facilities in the Americas – one in Mexico and one in Paraguay. Over the coming years LEONI will continue its systematic growth in North and South America. The underlying conditions are favourable: we benefit from strong automotive demand, the growing trend towards automation in production and an innovative medical technology sector. For this reason, we intend to expand to an above-par extent in the Americas and to considerably increase the region's current 17 percent proportion of total sales.

LEONI in Americas

Did you know?

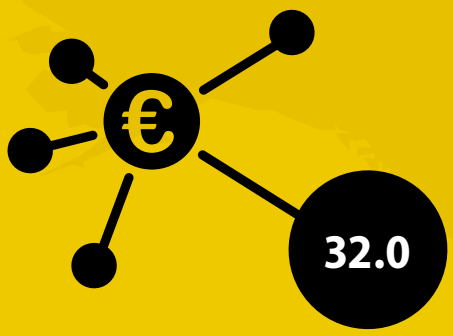
New plant
Proximity to the customer

LEONI,
country & people

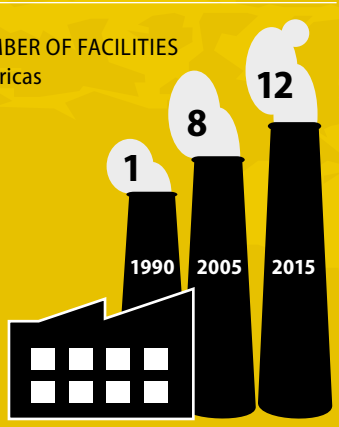
LEONI

AMERICAS, EXTERNAL SALES IN 2015
in € million

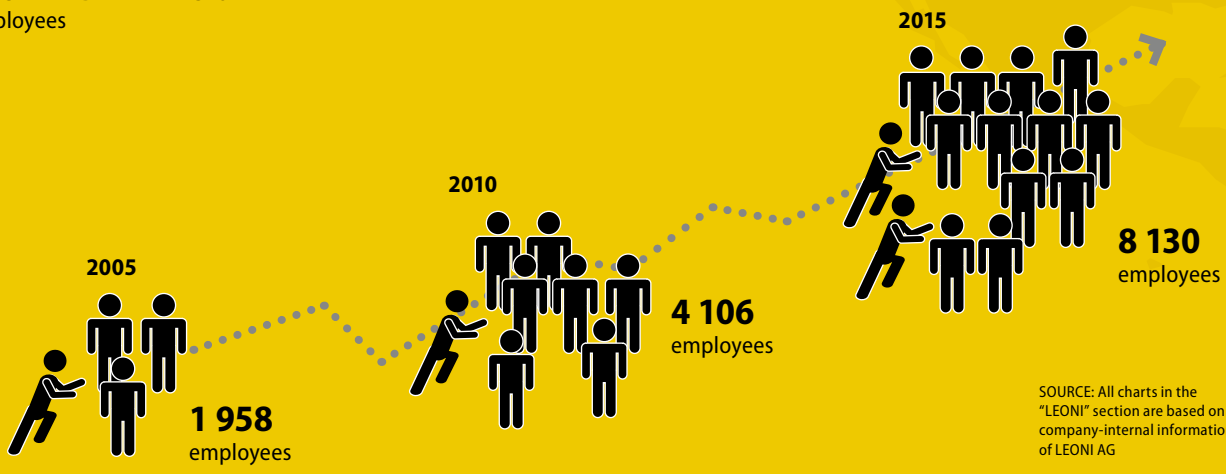
AMERICAS, CAPITAL INVESTMENT IN 2015
in € million



NUMBER OF FACILITIES
Americas



WORKFORCE TREND IN AMERICAS
Active employees



SOURCE: All charts in the "LEONI" section are based on company-internal information of LEONI AG

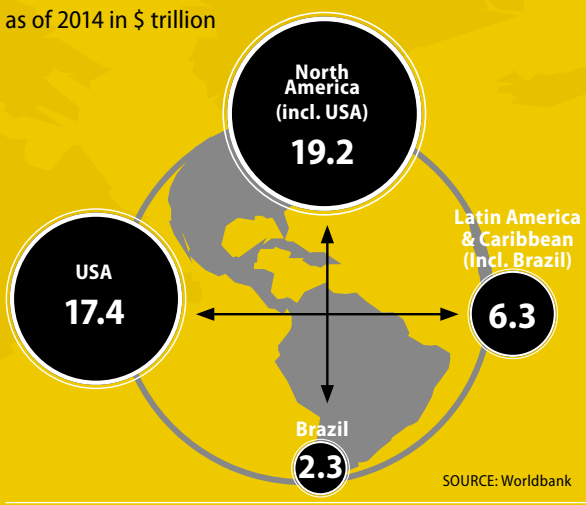
Celaya – second automotive cable plant in Mexico

Our most important production country in the Americas is Mexico. In 2015, the Wire & Cable Solutions (WCS) Division opened a new automotive cables production plant in Celaya in the state of Guanajuato. This plant has a decisive competitive advantage: it is located in southern Mexico, in the immediate vicinity of the plants of our customers – such major international wiring systems manufacturers as Yazaki, Sumitomo and Fujikura. We also supply LEONI Wiring Systems.

With Celaya we have created a satellite for our established WCS main plant in Cuauhtémoc, in the northern Mexican state of Chihuahua, which is also responsible for the sales and service for the new production plant. We employ a combined staff of around 800 at the two locations. In May 2015, LEONI started production in Celaya of single-core, temperature-resistant automotive cables, the most important basis for well-functioning electrical systems in a vehicle. This is cable production in its purest form and of the highest quality. Single copper wires are stranded in accordance with the high standards of international carmakers and coated with plastic. Based on full capacity utilisation, the plant can produce 750,000 kilometres of cable per year, equivalent to almost 19 times the Earth's circumference. For this, our employees work in two shifts, twenty-four hours a day, seven days a week. But even more is possible: provided that demand continues on its uptrend so far, we will be able to expand the plant without any problems.

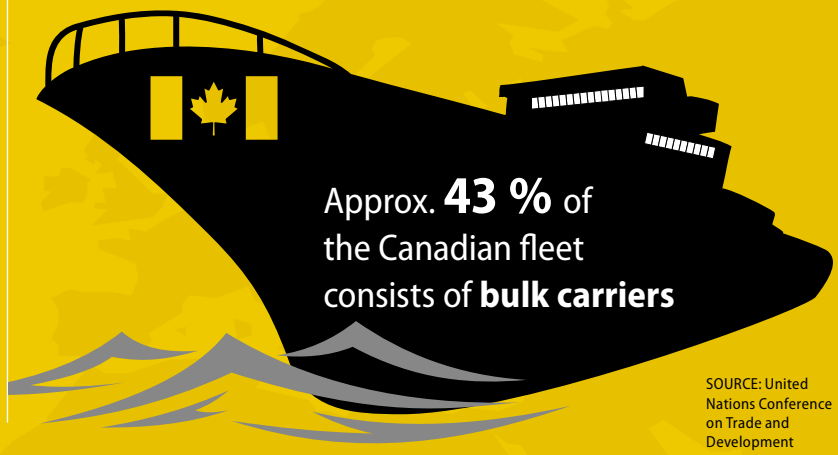
ECONOMY GENERALLY

GROSS DOMESTIC PRODUCT
as of 2014 in $ trillion



SOURCE: Worldbank

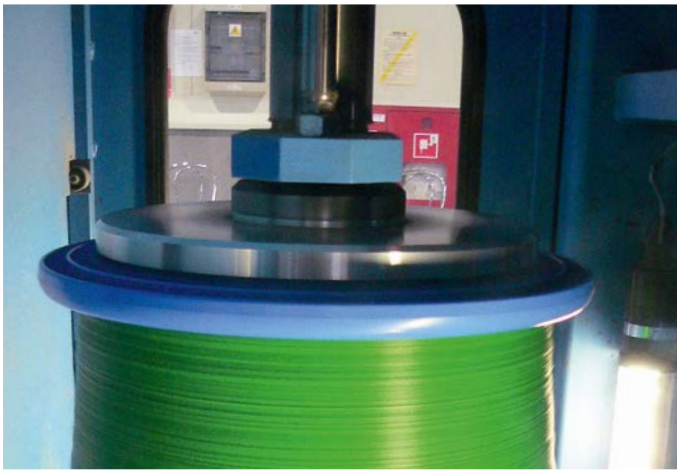
CANADIAN SHIPPING FLEET
as of 2015



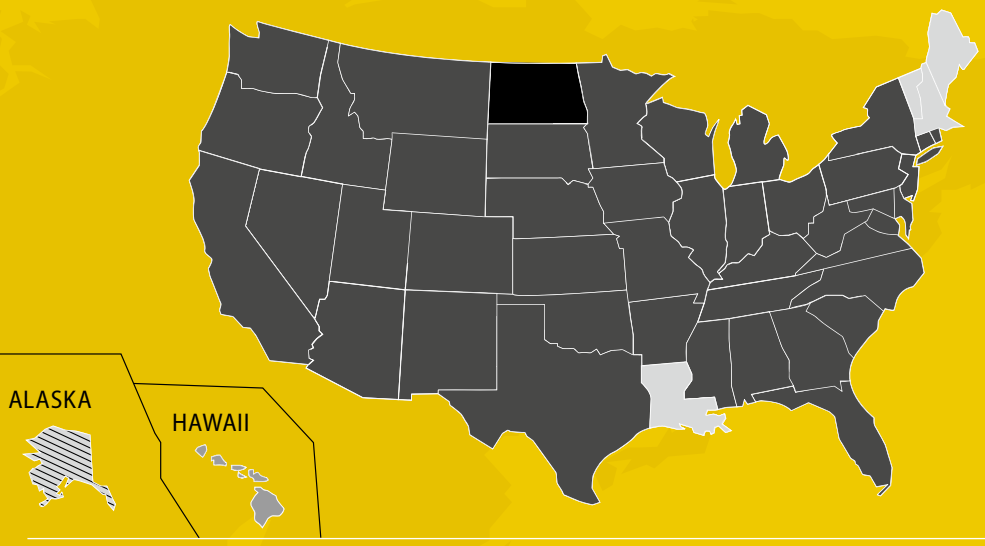
SOURCE: United Nations Conference on Trade and Development

OUTPUT OF MEDIUM & HEAVY COMMERCIAL VEHICLES
2015 in million units

SOURCE: IHS Global Insight



GEOGRAPHY & POPULATION

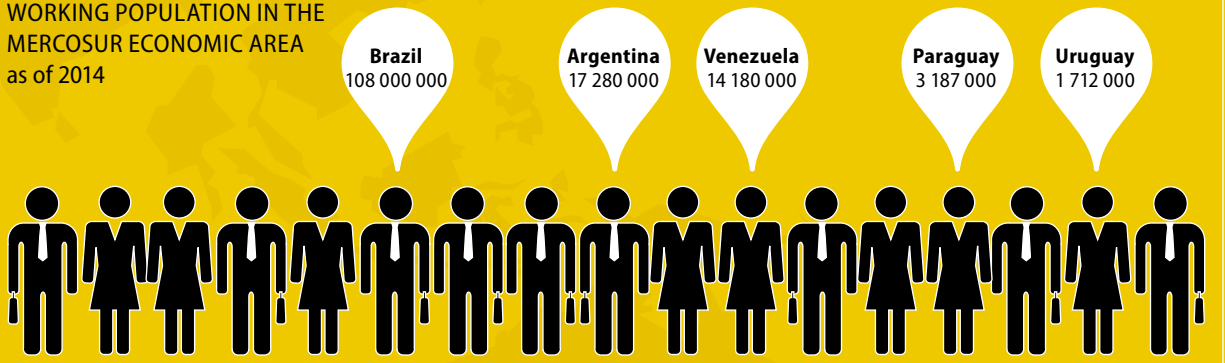


THE LANGUAGES MOST FREQUENTLY SPOKEN IN THE US
apart from English

- Spanish
- French
- German
- Yupik
- Tagalog

SOURCE: Die Welt, United States Census Bureau

WORKING POPULATION IN THE MERCOSUR ECONOMIC AREA
as of 2014



SOURCE: The World Factbook

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EMEA: economic area with many facets

The EMEA (Europe, Middle East and Africa) region is varied and characterised by different trends. In Europe, highly developed and affluent economies with large industrial metropolises, profitable agriculture and a growing service sector predominate. It is home to some of the world's richest countries: Germany, the United Kingdom, Norway, Sweden and Switzerland. By contrast, in Africa, the world's second most populous continent, the gap between the economically successful nations and the backward countries is very pronounced. In the Middle East, too, the poor and the rich live cheek by jowl. Here, it is mainly the ambitious, extremely dynamic Gulf states that provide opportunities for growth.

LEONI has its roots in Europe. Its origins date back to the Middle Ages, to a workshop for Lyonese wares in Nuremberg established in 1569. In the 20th century this developed into a German industrial SME, which rapidly rose to become a multinational group from the late 1980s onwards. Even now, the centre of our actions lies in Europe. This is where LEONI has its administrative head office and its two divisional headquarters together with a large number of development and production sites. The Wire & Cable Solutions Division is represented with all five Business Groups – Automotive Cables, Industry & Healthcare, Communication & Infrastructure, Electrical Appliance Assemblies and Conductors & Copper Solutions – and 31 subsidiaries. From here it supplies companies all over the world. The Wiring Systems Division develops and produces wiring systems, components and high-voltage cable harnesses for the car, commercial vehicle and component supply industries at eleven European locations – in Portugal, Romania, Russia, Slovakia, Serbia and the Ukraine. In North Africa we moreover operate eight wiring systems plants in Egypt, Morocco and Tunisia. LEONI also has a sales office in the United Arab Emirates to take advantage of the potential in the Middle East.

In the EMEA region, too, we are also continually seeking to strengthen our activities, through new and expanded facilities in Eastern Europe and North Africa or the Factory of the Future in Roth, Germany, where Europe's most modern cable plant is being built and will be completed in the near future. The EMEA region is also key to LEONI as a sales region: In 2015, we generated about 65 percent of consolidated sales in our traditional market, where we will continue to grow in the future. However, the proportion of the total sales will, as things stand at present, continue to decline due to the substantially more dynamic growth in the other two major economic regions.

LEONI in EMEA

Did you know?

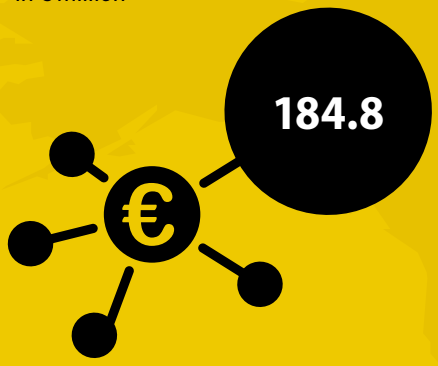
New technology centre
High efficiency

LEONI,
country & people

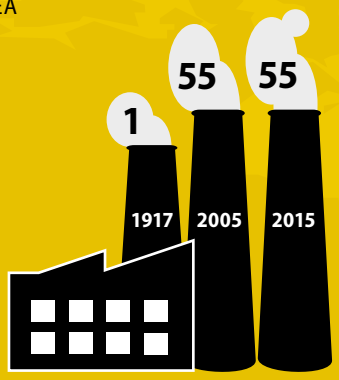
LEONI

EMEA, EXTERNAL SALES IN 2015
in € million

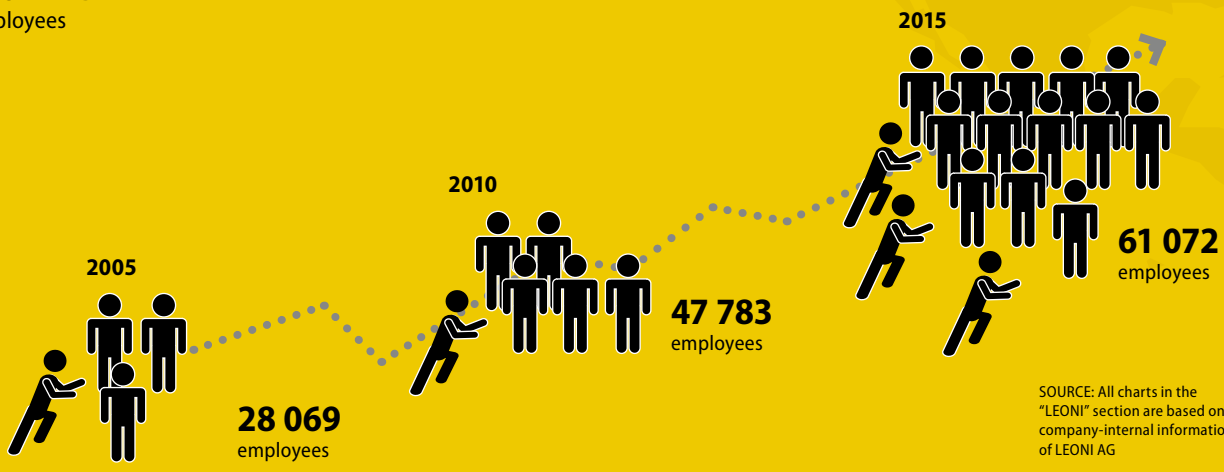
EMEA, CAPITAL INVESTMENT IN 2015
in € million



NUMBER OF FACILITIES
EMEA



WORKFORCE TREND IN EMEA
Active employees



SOURCE: All charts in the "LEONI" section are based on company-internal information of LEONI AG

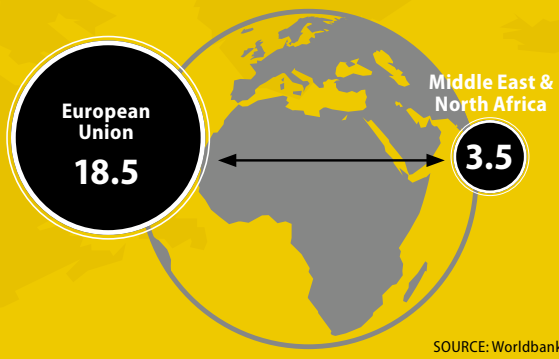
Expansion and modernisation of our WSD headquarters in Kitzingen

The headquarters of the Wiring Systems Division are getting a facelift: at present, we are shaping the former production halls at the Kitzingen site into modern, enlarged divisional headquarters in two steps. Here, technology, development and all other head office departments will work together efficiently and in keeping with the latest demands. The first restructuring phase was completed in 2014: within two earlier production buildings we have built state-of-the-art office workspaces that provide flexible opportunities for cooperation and communication through open structures with dynamic communication zones and meeting points.

The second construction phase started in October 2015 and is focusing on the modernisation, enlargement and rationalisation of capacities in the technical areas. At the new Technical Competence Centre various workshops, sample production, injection moulding technological expertise and process planning & engineering technology will move closer together, enabling them to use joint resources and to harness synergies. In addition, a state-of-the-art ESD (electro static discharge) area was created for highly accurate electro static discharge measurements. At the same time, we are establishing a new technology centre on the company's site, which will allow us to meet the high demands of our customers even better. In addition to traditional vehicle measurement, this will feature an EMC area to measure electromagnetic compatibility. To enable us to test our cable harness prototypes under real ambient influences, a shaker and a climate chamber will also be installed. The new technology centre is also setting standards in terms of sustainability: it is equipped with its own photovoltaic plant, which supplies a large percentage of the energy required at the site.

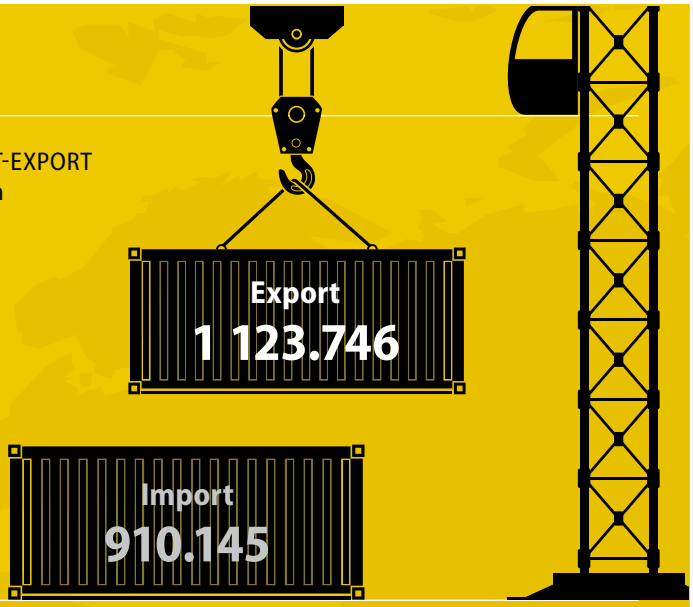
ECONOMY GENERALLY

GROSS DOMESTIC PRODUCT
as of 2014 in $ trillion



SOURCE: Worldbank

GERMAN IMPORT-EXPORT
2014 in in € billion



SOURCE: Statistisches Bundesamt

PATENT APPLICATIONS IN THE EU IN 2014
The top 5 fields

Medical technology	Electrical machinery, apparatus & energy	Digital communication	Computer technology	Transport
11 124	10 944	10 018	9 869	7 533

SOURCE: European Patent Organisation Statistics

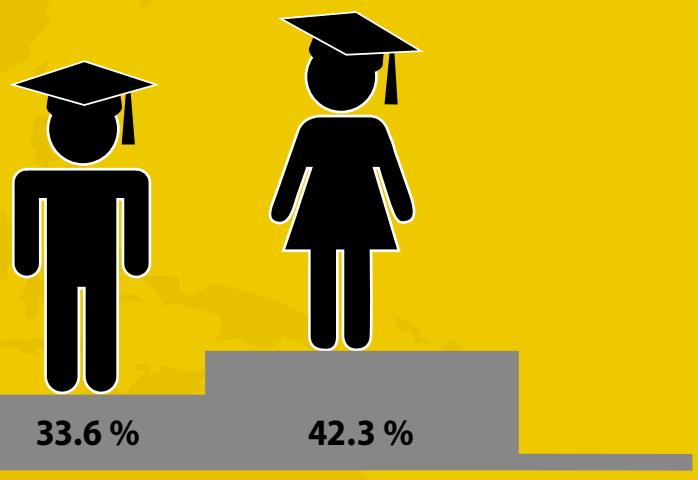
GEOGRAPHY & POPULATION

URBANISATION
as of 2014

In the EU, approx. **75 %**
of the population lives in cities

SOURCE: Statista

COMPLETED TERTIARY EDUCATION
in the EU (28 countries)



Percentage of 30 to 34 year-olds in the population with completed university or other higher education

SOURCE: Eurostat

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Corporate Governance report and statement

Corporate Governance at LEONI

LEONI pursues the objective of responsible and transparent Corporate Governance, forming the basis for which are 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'), which are considered in all decision-making processes. In keeping 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 2015 financial year, LEONI AG conformed to all the recommendations of the Code in its versions of 24 June 2014 and 5 May 2015 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 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 of the Code in its current version should be fulfilled in the future, too. LEONI AG voluntarily fulfils the non-obligatory Code suggestions with the exception of the suggestion in its Section 2.3.2, which states that a proxy should also be contactable during the Annual General Meeting. Proxies are contactable during the Annual General Meeting only for the shareholders present at the Annual General Meeting and their representatives. Shareholders not attending the 2015 Annual General Meeting were able to send instructions to their proxies via the shareholders' portal on the day of the meeting, but only until 11:00 hours. This time limit is necessary to ensure that the instructions are followed when voting takes place.

Declaration of Conformity
» page 37

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 international 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 with respect to differing career backgrounds, professional expertise and experience.

The rules of procedure for the Supervisory Board stipulate that all shareholder representatives must 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. The Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the LEONI Group. At least one Supervisory Board member is to be independent as defined by Article 100 (5) of the German Companies Act. Only candidates who, at the time of their election, are not older than 75 years and who normally have been Board members for no more than 15 years are to be proposed for election as a member of the Supervisory Board. Deviation from this rule is possible by Supervisory Board resolution.

All Supervisory Board members fulfil the stated requirements. Reference is made to the subsequent section on Implementation of diversity objectives regarding the proportion of women on the Supervisory Board.

Apart from these general stipulations, there is also to be specialist professional knowledge:

- 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.
- At least one independent member of the Supervisory Board is furthermore 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, the capital market as well as M&A.

These requirements are fulfilled.

Implementation of diversity objectives

Article 111 (5) of the German Companies Act provides that the Supervisory Board must set targets for the proportion of women on the Management Board. Pursuant to Article 76 (4) of the German Companies Act the Management Board must furthermore set target quotas for women at the two management tiers below the Management Board. According to Article 96 (2) of the German Companies Act (AktG), LEONI's Supervisory Board must furthermore have a quota of at least 30 percent women and men each as of 1 January 2016. Prior to this stipulation coming into effect, the Supervisory Board had set a target for its composition that at least one third of its members should be women.

With respect to the proportion of women and men on the Supervisory Board, both the Boards employee and shareholder representatives decided that they should fulfil this quota separately. Both the shareholder and employees sides have therefore dissented from overall fulfilment for the election to the Supervisory Board during the next, 2016 Annual General Meeting. The requirement for this election therefore is that the shareholder and employee sides each and separately will comprise at least 30 percent women or men, in other words each side must be occupied by at least two women. At present, the mandatory quota is fulfilled by the shareholder side on the Supervisory Board because it includes two women. The employee side is currently represented by only one woman because the terms of office of the employee representatives elected before the gender quota came into effect have not yet expired and there has therefore been no opportunity to appoint another woman.

In setting its target quotas for women on the Management Board and the two management levels below the Management Board, LEONI AG has, as a technically oriented company, taken into account sector-specific circumstances as well as the current proportion of women in the workforce. At the level of LEONI AG itself the Supervisory Board has set a target quota for women of 15 percent for the Management Board by 30 June 2017. This target quota is currently not met because the Management Board has three men as members and no woman. No new Management Board members were appointed in the 2015 financial year, meaning that there was no opportunity to meet this target by appointing a woman. Nor was a woman chosen when Mr Fankhauser was appointed to the Management Board on 29 January 2016 because he was, in the Supervisory Board's view, best qualified for this position. For the next two management levels below the Management Board of LEONI AG the Management Board has set target quotas for women of 8 percent for the first management level below the Management Board and of 14 percent for the second management level below the Management Board by 30 June 2017. There are currently no women at the first management level below the Management Board. No new appointments at this level were due in the 2015 financial year. The target quota for 2015 was therefore not met. The target quota set for the second management level below the Management Board was not reached either. There is currently no woman among the managers at this level, where there was one new appointment in fiscal 2015. This position was not filled with a woman because an internal candidate was already planned for it as a result of long-term succession planning.

Shareholders and Annual General Meeting

Each share in LEONI AG on principle has one vote. During the Annual General Meeting on 7 May 2015, 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 for the shareholders on the Company's website together with the agenda in both German and mostly also English. All other relevant information was published on LEONI's website and sent out upon request.

LEONI website
» **www.leoni.com**

To make it easier for shareholders not in attendance to exercise their rights, three voting right representatives were available during the Annual General Meeting to cast these votes as instructed. Shareholders were able at any time to authorise and instruct these representatives during the Annual General Meeting, who were available to all shareholders in attendance throughout the meeting. Authorisations and instructions could be given to these proxies by electronic means until 11 am on the day of the Annual General 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 will be available on our website until the next Annual General Meeting.

President & CEO's presentation
» **www.leoni.com/en/go/agm15pdf**

Corporate Governance by the Management Board

The Management Board is responsible for the Corporate Governance of LEONI AG. It acts in the interests of the Company 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. All the information on the system applicable since 1 January 2015 for compensating Management Board members is contained in the compensation report.

Compensation report
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The composition of the Management Board changed in 2015. President & CEO Dr Klaus Probst retired from the Management Board of LEONI AG at his own request upon close of the Annual General Meeting on 7 May 2015. Dieter Bellé became the new Chairman of the Management Board, for the time being taking over this office in addition to his existing duties as Chief Financial Officer and Labour Director. On 9 November 2015, Dr Andreas Brand, member of the Management Board with responsibility for the Wiring Systems Division, resigned from his office by mutual agreement.

As a consequence of these developments, the Supervisory Board decided on 10 December 2015 to assign responsibility for the Wiring Systems Division to Dr Frank Hiller, who was previously responsible for the Wire & Cable Solutions Division, from 1 January 2016. Dieter Bellé is, furthermore, in the future to concentrate on chairmanship of the Management Board with a new CFO to be appointed. The search for suitable candidates to succeed as senior executive for the Wire & Cable Solutions Division and in the position of Chief Financial Officer was started in December 2015.

During its extraordinary meeting on 29 January 2016, the Supervisory Board appointed Bruno Fankhauser as a new Management Board member with responsibility for the Wire & Cable Systems Division. He took office on 1 February 2016. His Management Board mandate initially expires on 31 December 2018. The appointment of the new Chief Financial Officer is still pending. Dieter Bellé will continue to act as CFO until an appointment has been made. Once a new CFO has been appointed, the Management Board will have four members again.

The Management Board thus comprised the following members in 2015:

Dieter Bellé, Graduate in business administration, 59	
First appointed:	2000
Appointed until:	31/12/2019
Areas of responsibility:	President & CEO (from 7/5/2015), Head of the Controlling, Accounting, Finance, Legal/Compliance, Information Management, Internal Audit, Investor Relations, Taxes, Information Security, Communications and Human Resources departments; Labour Director; Head of Risk Management (the latter not between 7/5/2015 and 9/11/2015); from 9/11/2015 until 31/12/2015 temporarily in charge of the Wiring Systems Division together with Dr-Ing. Frank Hiller.
Dr-Ing. Frank Hiller, Doctor of engineering, 49	
First appointed:	2014
Appointed until:	31/12/2017
Areas of responsibility:	Head of the Wire & Cable Solutions Division (until 31/12/2015, from 9/11/2015 Wiring Systems Division on a temporary basis and jointly with Mr Bellé) and of the Corporate Marketing department (the latter from 7/5/2015); from 1/1/2016 Head of the Wiring Systems Division
Dr-Ing. Andreas Brand, Doctor of engineering, 49	(until 9/11/2015)
First appointed:	2012
Appointed until:	31/12/2019 (resigned by mutual agreement on 9/11/2015)
Areas of responsibility:	Head of the Wiring Systems Division and the Risk Management department (the latter from 7/5/2015)
Dr-Ing. Klaus Probst, Doctor of engineering, 62	(until 07/05/2015)
First appointed:	1997 (with LEONI since 1989)
Appointed until:	07/05/2015
Areas of responsibility:	President & CEO

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. These criteria were defined in a requirements profile and summarised in a corresponding questionnaire, which forms a key basis for establishing the suitability of a candidate. Details of the changes in the Board's composition are contained in the Supervisory Board report.

Supervisory Board report
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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. He or she has not sat on the Management Board of LEONI AG in recent years. This applied to both Dr Bernd Rödl, who was a member of the Audit Committee until

in recent years. This applied to both Dr Bernd Rödl, who was a member of the Audit Committee until 9 November 2015, and Prof. Dr Christian Rödl, who was judicially appointed on 22 December 2015 as a member of the Supervisory Board until the Annual General Meeting scheduled for 4 May 2016, and who was appointed by the Supervisory Board as Chairman of the Audit Committee. 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 committee meetings in 2015 are comprehensively presented in the Supervisory Board report. The compensation report provides information on the breakdown and amount of compensation for Supervisory Board members.

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The Supervisory Board's rules of procedure were amended during the year under report due in particular to a new Code requirement limiting the length of service on a supervisory board; the rules of procedure were also adjusted to the legal requirements related to the new statutory quota rules. It was decided that the Nomination Committee would normally not, when selecting suitable candidates for the shareholders' side, propose any person who has already been a Supervisory Board member for 15 years. Deviation from this rule is possible by Supervisory Board resolution.

The Supervisory Board regularly audits the efficiency of its work based on a comprehensive questionnaire, the last efficiency audit having taking place in the autumn of 2015 and was carried out entirely by an outside consultant. In addition to the review using a questionnaire, the outside consultant also conducted interviews with every single member of the Supervisory Board. The findings were presented during the Supervisory Board's meeting on 10 December 2015. The external specialists confirmed the good efficiency of the Supervisory Board's work. In particular, they highlighted an open, objective and respectful culture of discussion and collaboration. The composition is also deemed as sufficiently diverse in terms of both expertise and gender. Potential for improvement was identified, on the other hand, in the organisational support and provision of information to the Board by the Personnel Committee and the Management Board in selecting and promoting people from within the Company as managers. It was furthermore decided to increase the meeting frequency of the Supervisory Board and its committees.

With the exception of Prof. Dr Klaus Wucherer and Prof. Dr Christian Rödl, 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, of which two are in market-listed companies. Prof. Dr Christian Rödl is a member of three other statutory supervisory boards. He is also a member of two comparable domestic and foreign Corporate Governance bodies of economic entities. None of the companies where he is a supervisory board member are market-listed. A precise overview of the mandates held by all Supervisory Board members is provided in the section Supervisory Board and Management Board.

Supervisory Board and Management Board
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The Supervisory Board deems advanced training to be an important element of its work. The Supervisory Board report provides information on the principal subject areas covered in the 2015 financial year. 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 commensurate costs.

Supervisory Board report
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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 members 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 Supervisory Board meetings in which the Management Board members were present, the chairmen of the two boards discussed all relevant, current matters on a fixed day every month as well as at other times. The Supervisory Board report also contains additional information on the collaboration between the Management Board and the Supervisory Board.

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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. Furthermore, the Audit Committee regularly reviewed the content, organisation and further development of compliance. The Management Board decided to realign compliance in 2015. This is intended to further strengthen the importance and action of the compliance function, to improve the efficiency of the Compliance Management System, to increase the frequency and depth of risk analyses, to enhance global and regional compliance expertise, to work on improving the awareness of and reporting for compliance and to strengthen regional conveying of global compliance messages. The Group management report contains further information on compliance.

Group management report
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Other Corporate Governance practices

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 throughout the reporting period. These include the UN Global Compact and the Diversity Charter as well as internal guidelines like the LEONI Social Charter, 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.

LEONI website
» www.leoni.com

Sustainability report
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Transparency

LEONI AG informed its shareholders, the shareholder associations, financial analysts, the media and the interested public equally, promptly and comprehensively during the year under report about the Company's performance and significant events, for which, as in the preceding years, the Company again made use of a wide variety of media. All mandatory publications as well as extensive supplementary information were always made available without delay 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
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Accounting and audit of financial statements

The consolidated financial statements for fiscal 2015 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). The Annual General Meeting on 7 May 2015 appointed accountants Ernst & Young GmbH of Stuttgart 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 2015:

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Date	Notifying party, function	Issuer	Transactions subject to mandatory disclosure	Place of transaction
13/11/2015	Dr Frank Hiller, Member of LEONI AG's Management Board	LEONI AG[1]	Purchase of 5,000 no-par-value LEONI shares[1] at a price of € 32.678 per share. Total amount: € 163,390.00	Xetra via Deutsche Bank
12/05/2015	Dieter Bellé, Member of LEONI AG's Management Board	LEONI AG[1]	Purchase of 2,700 no-par-value LEONI shares[1] at a price of € 56.42333333 per share. Total amount: € 152,343.00	Xetra via Ing-DiBa
12/05/2015	Richard Paglia, Member of LEONI AG's Supervisory Board	LEONI AG[1]	Purchase of 134 no-par-value LEONI shares[1] at a price of € 56.35 per share. Total amount: € 7,550.90	Stuttgart
12/05/2015	Dr Andreas Brand, Member of LEONI AG's Management Board	LEONI AG[1]	Purchase of 1,800 no-par-value LEONI shares[1] at a price of € 56.28202777 per share. Total amount: € 101,307.65	Xetra, via Sparkasse Mainfranken Würzburg

[1] WKN 540888, ISIN DE0005408884

Members of the Management Board and the Supervisory Board held shares issued by LEONI AG on 31 December 2015. These holdings broke down as follows:

Shareholdings	No. of shares on 31/12/2015	Percentage of share capital of 32.669 million shares
Supervisory Board members and related parties	17,043	0.05
Management Board members and related parties	48,430	0.15
Supervisory Board and Management Board, total	65,473	0.20

Declaration of Conformity

Declaration by the Management Board and Supervisory Board of LEONI AG on the recommendations of the 'Government Commission on the German Corporate Governance Code' in accordance with Article 161 of the German Companies Act (AktG)

LEONI AG has complied with all the recommendations of the German Corporate Governance Code ('Code') in the version of 5 May 2015 as published by the Federal Ministry of Justice in the official part of the Federal Gazette with the following exception and will also comply with the recommendations of the Code with the following exception in the future.

In accordance with its duties, LEONI AG concerns itself with the appropriateness of the compensation of the Management Board, giving consideration to the periodic developments of the company-internal salary and wage structures, however, without purposeful and structured application of the recommendation in Numeral 4.2.2., para. 2, sentence 3 of the Code. It is the conviction of the Supervisory Board that earlier practice and statutory specifications in accordance with Article 87 of the German Companies Act (AktG) suffice for determining the compensation of the Management Board in consideration of normal compensation. Standards of comparison are only beneficial if they are realistic, provide a basis for orientation, and allow sufficient leeway for considerations to be made on a case-by-case basis. It is the opinion of the Supervisory Board that the Code recommendation in Numeral 4.2.2., para. 2, sentence 3 does not satisfy these requirements in the case of a company such as LEONI, where the majority of the workforce is employed in non-European countries. A delineation of the upper management and the relevant workforce would, in the opinion of the Supervisory Board, be arbitrarily manipulable and would not result in standards of comparison which are more comprehensible. Therefore, the recommendation does not serve as an efficient tool for determining the compensation of the Management Board.

Since issuance of the last Declaration of Conformity on 4 December 2014, LEONI AG has complied with the recommendations of the Code in the version of 24 June 2014 as well as, since its publication in the Federal Gazette, in the version of 5 May 2015, with the aforementioned exception.

Nuremberg, 10 December 2015

LEONI AG

On behalf of the Management Board	On behalf of the Supervisory Board
Dieter Bellé	Dr Werner Rupp

The LEONI share

Share price performance 2015

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

Multi-year overview of key LEONI share figures

		2015	2014	2013	2012	2011
Number of shares at yearend	in millions	32.669	32.669	32.669	32.669	32.669
Earnings per share	€ / share	2.36	3.51	3.23	4.80	4.99
Equity per share	€ / share	30.5	28.09	25.33	24.00	23.65
Dividend per share	€ / share	1.00[1]	1.20	1.00	1.50	1.50
Total payout	€ million	32.7[1]	39.2	32.7	49.0	49.0
Payout ratio	%	42[1]	34	31	31	31
High for the year[2]	€ / share	62.81	60.66	55.08	40.21	42.31
Low for the year[2]	€ / share	32.10	39.02	28.97	23.42	21.69
Yearend closing price[2]	€ / share	36.45	49.40	54.33	28.55	25.75
Price/earnings ratio[3]		15.1	14.1	16.8	5.9	5.2
Dividend yield[3]	%	2.7[1]	2.4	1.8	5.3	5.8
Market capitalisation on 31 Dec	€ million	1.191	1,614	1,775	933	841
Average daily trading volume	no. of shares	281.773	247,842	226,364	284,545	343,845

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

Markets highly volatile in 2015

Major fluctuation characterised the worldwide equity market in 2015. Sharp corrections starting at the mid-year mark followed a strong first quarter during which many markets benefited from the European Central Bank's loose monetary policy and the depreciation of the euro. The weaker-than-expected performance of the Chinese economy, the persistently low level of commodity prices and the delayed change in the US key interest rate were among the causes. The market crash in China and the Greek crisis also weighed on prices. By the end of the year, particularly the market barometers of some of the emerging countries consequently traded well below their levels at the end of 2014. On balance, there was little movement in the major American indices, while both the Japanese Nikkei index and the Euro Stoxx 50 closed the year with considerable gains.

Germany's leading DAX index performed very well by international comparison in 2015: following a bullish start, the market barometer hit a new all-time high in April. Although the DAX thereafter at times dipped below the 10,000-point threshold again while fluctuating sharply, it recovered to 10,743 points by the end of December. This equated to an increase of almost 10 percent over the year as a whole. The MDAX index of medium-sized enterprises performed ever better, having recorded a year-on-year gain of nearly 23 percent. The sharp fluctuation in share prices during the period under report particularly affected Germany's automotive industry equities. Ultimately, the DAX 'Automobiles' sector index was up by just over 7 percent while the sub-index for the automotive suppliers gained more than 22 percent.

LEONI share down 26 percent

The performance of LEONI's share initially tracked that of the overall market: by the end of May, it rose to a new record level of € 62.81, before dipping significantly in the third quarter amid major fluctuation. However, at the beginning of the fourth quarter, following release of our profit warning because of surprisingly heavy charges in our Wiring Systems Division, LEONI's share again depreciated heavily and by mid October reached its low for the year of € 32.10. The price at the end of 2015 was € 36.45, which corresponded to a drop of about 26 percent from the level one year earlier. The market capitalisation of the roughly 32.7 million LEONI shares stood at about € 1,191 million on 31 December 2015, down from around € 1,614 million on 31 December 2014.

Trading volume up significantly

The amount of LEONI shares traded increased substantially in 2015: overall, about 71.3 million LEONI shares changed hands on the Frankfurt Stock Exchange and in the XETRA electronic system, as opposed to 62.5 million in the previous year. This works out to an average volume of 281,773 shares per trading day (previous year: 247,842). In total, LEONI shares worth about € 3,355 million were traded in the past year (previous year: € 3,154 million). LEONI thereby took 17th place in Deutsche Börse's MDAX ranking, down from 12th in the previous year.

Only minor change in the shareholder structure

There was no material change in our shareholder structure in 2015. All LEONI shares continue to be in free float. Some institutional investors did, however, take advantage of the significant share price drop in the fourth quarter to acquire shareholdings of 3 to 5 percent.

The following each declared shareholdings of more than 3 percent in LEONI in the past year: UK-based Schroders PLC, US-based State Street Bank and Trust Company, Pengg Kabel Holding AG of Austria and Classic Fund Management Aktiengesellschaft of Liechtenstein. The Swiss UBS Group AG reported that it has exceeded the 5 percent threshold. The US investment firm of T. Rowe Price, which has reported to have increased its stake from about 3 percent to just over 5 percent, was another significant individual investor at the end of the year. On the other hand, Wilms Beteiligungs GmbH of Germany and Oslo-based Norges Bank reduced their stakes to below 3 percent. All voting rights disclosures pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that LEONI received during the 2015 financial year can be viewed on our website.

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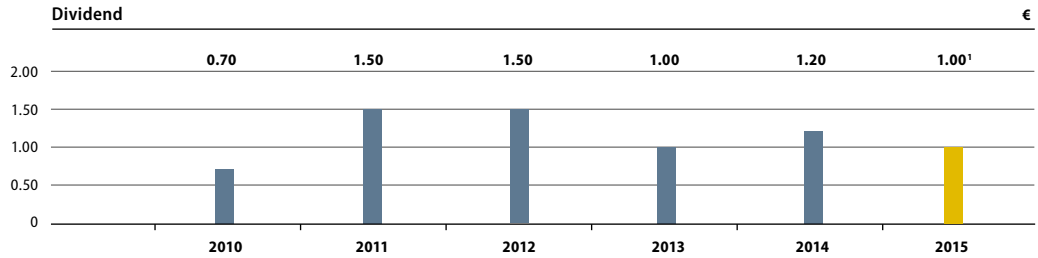
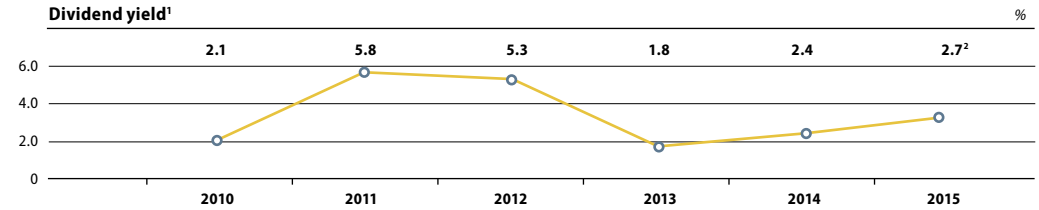
Overall, an unchanged proportion of around two thirds of the approximately 32.7 million LEONI shares were held by institutional investors at the end of the year. Private investors held about one third. The majority of the shares, namely about 60 percent, are held in Germany. The remainder is evenly distributed across the rest of Europe, where it is concentrated in the United Kingdom, as well as the United States.

Dividend payout

The dividend policy of LEONI AG provides, in principle, for about one third of consolidated net income to be paid out in dividends to give shareholders a commensurate return. For fiscal 2015, we will propose to shareholders at the Annual General Meeting on 4 May 2016 to pay a dividend of EUR 1.00 per LEONI share, down from EUR 1.20 in the previous year. This would mean a total payout of about EUR 32.7 million, or roughly 42 percent of net income, to shareholders (previous year: EUR 39.2 million).



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



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

Financial analysts reticent

As in the previous year, a total of 20 banks and investment firms monitored LEONI on a regular basis in 2015 (as at the end of December). Financial market specialists were significantly more restrained in their ratings for the LEONI share than in the months preceding release of our profit warning at the beginning of October. At the end of December, four investment professionals rated the LEONI share as buy, eleven recommended that the share be held and five advised to sell.

Analyst coverage of the LEONI share at the end of 2015

Baader Bank	J.P. Morgan
Bankhaus Lampe	Kepler Cheuvreux
Commerzbank	Landesbank Baden-Württemberg
Credit Suisse	Macquarie
Deutsche Bank	MainFirst
DZ Bank	Metzler
equinet	Nord LB
Exane BNP Paribas	Oddo Seydler
Hauck & Aufhäuser	quirin bank
Independent Research	Warburg Research

In-depth investor relations work

In keeping with good Corporate Governance, we attach importance to a high degree of transparency and close communication with shareholders and stakeholders. We advise LEONI's 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.

The profit warning issued in October 2015 resulted in a loss of confidence that was clearly reflected in our share's performance. To regain that lost confidence in our share and Company, we reported very openly and extensively in November 2105 while presenting our quarterly results on what caused the detrimental effect on earnings. At the same time we decided, due also to the reduced size of the Management Board team, to forsake participation in roadshows and investor conferences until the end of the year so that we could concentrate on restoring the profitability targeted in our Wiring Systems Division.

As a matter of principle, one-on-one dialogue with the aforementioned target groups is of particular importance to our investor relations work, which is why all members of the Management Board are closely involved in the corresponding activity. Again in the past year, LEONI AG's performance, strategy and prospects were presented at the analyst and investor conference we host each year to present our annual report. There were furthermore several investor events with international participation as well as numerous national and international roadshows, which, apart from Germany, took place mainly in the United Kingdom and the United States. Presentations were also once again held in Canada. Members of the Management Board furthermore met frequently for one-on-one dialogue with analysts and media representatives.

In addition, we again in 2015 provided 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 analyst presentations and the conferences calls, broadcast live and in full on the internet.

Interested parties will furthermore find extensive data and background information on our Company and LEONI's share on our website. This includes both basic information and also 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

Second-best MDAX share in the Investors' Darling 2015 competition

We also receive positive feedback on our IR work from third-party sources: in the Investors' Darling 2015 competition for the best capital market communication in Germany, we came second (after 1st place in the previous year) among the 50 MDAX companies in the past year. This ranking, published by Manager Magazin, rates the crucial tools used to communicate with the capital market, namely annual and interim reports as well as websites and presentations for investors. In so doing, the judges, Professor Henning Zülch and his team from the Leipzig Graduate School of Management, also paid attention to the consistency of the various tools. The response of the capital markets based on share performance over one, three and five years as well as the opinions of fund managers were furthermore incorporated in the assessment.

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.

Sources
The texts of the magazine section on pages 22, 24 and 26 were based on the following sources: German Foreign Office, Credit Suisse/GeVestor, International Monetary Fund, United Nations, Wikipedia and the World Bank.

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

LEONI at a glance

Financial report

2015

Group management report

The consolidated sales of LEONI AG rose by almost 10 percent to € 4.5 billion in 2015. Our products and solutions met with increased demand from both the international automotive industry and many other major industrial sectors. Earnings before interest and taxes declined by about 17 percent to € 151.3 million.

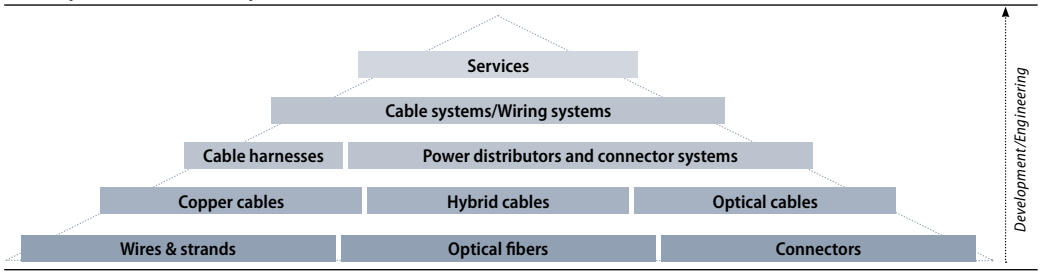
Group management report

Principles of the Group

Business model

LEONI is a leading provider of cables and cable systems for the automotive sector and other industries. Our portfolio comprises wires and optical fibers, cables and cable systems as well as related components, connectors 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 development, production and sale of cable harnesses, complete wiring systems as well as related components for the global automotive and component supply industry constitutes the main business of the Wiring Systems Division (WSD). Moreover, products for the international commercial vehicle industry and producers of leisure vehicles are of growing strategic importance for this division.

LEONI's products and services portfolio



The two divisions work closely together in many areas and form a complementary value chain. Multifaceted synergies in know-how and processes thus provide a crucial competitive edge. The close collaboration also facilitates synergies in purchasing, development and other corporate areas as well as in the development of regional markets. Our customers also benefit from high levels of specialist expertise, innovative power, quality and flexibility. LEONI systematically maps major market trends and develops appealing solutions across the divisions within its business model.

Organisational structure

In organisational terms, the LEONI Group consists of LEONI AG and the two corporate divisions together with their subsidiaries. LEONI AG acts as the holding company, performing overarching tasks for the LEONI Group with its corporate functions. The structure of the two divisions is guided by their respective customer groups and markets, subdivided into various business groups and business units. In this way we can, by communicating with and addressing them directly, respond quickly to the varying requirements of our customers. The detailed structure of the divisions is described in the reports by division/segment report.

Reports by division/
Segment report
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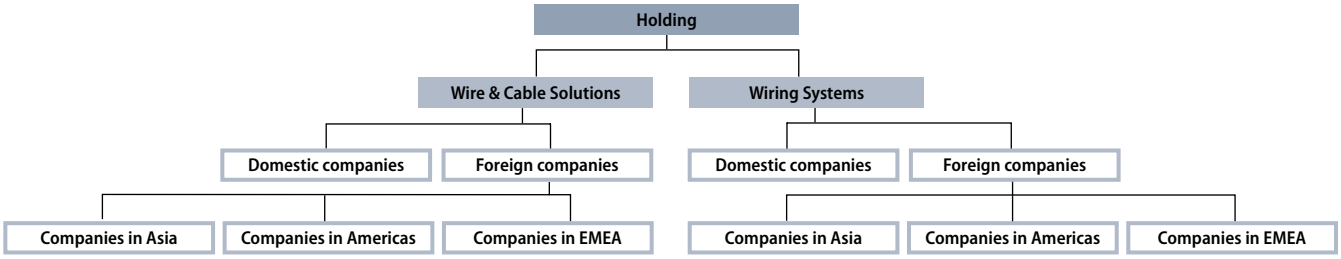
Organisation of LEONI Group



Principal facilities and changes in the scope of consolidation

At the end of 2015, LEONI was, with 79 subsidiaries and 92 production facilities in 32 countries, located in Europe, Asia, America and North Africa. The Wire & Cable Solutions Division consisted of 17 domestic and 26 foreign companies, of which five in Asia and seven in the Americas as well as 31 in the EMEA (Europe, Middle East and Africa) region. The Wiring Systems Division had three domestic and 28 foreign companies, eight of which were located in Asia, five in the Americas and 18 in the EMEA region. Additionally, four companies operate in the EMEA region for both divisions, and there is also the LEONI AG as the holding company.

In the context of a joint venture concluded in December 2015, LEONI sold 50 percent of shares in Langfang LEONI Wiring Systems Co. Ltd. to China's Beijing Hainachuan Automotive Parts Co. Ltd. (BHAP). Since 11 December 2015 the company has been accounted for in the consolidated financial statements of the Company as a joint venture using the equity method. Apart from this, there were only minor changes in the scope of consolidation during the year under report, details of which are contained in the Notes.

World map with the
principal facilities
» LEONI at a glance

Notes
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Customers and markets

The LEONI Group's customers principally include 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. The automotive industry is the most important customer sector: in 2015, it accounted for around 77 percent of LEONI's total sales (previous year: 75 percent). The company's sales to the five largest customers generated a business volume of approx. € 1.7 billion during the year under report (previous year: € 1.5 billion), which equated to around 38 percent of consolidated sales (previous year: 37 percent).

Our business is mostly focused on Europe, the Americas and Asia. Europe – including the Middle East and Africa (EMEA) – is LEONI's most important market with a share of some 65 percent of sales. The Americas account for approximately 16 percent and Asia for around 18 percent. More detail of the key customer groups and markets of the two divisions is comprised in the segment report.

Reports by division/ Segment report
» **page 62, 69**

Strategy

LEONI pursues an earnings-oriented strategy of sustained expansion. We aim to outpace the growth of the respective market segments and to generate disproportionately strong increase in profitability. Despite the currently weak profitability, we are still aiming for an EBIT margin (earnings before interest and taxes divided by sales) of 7 percent and a ROCE (return on capital employed) of 20 percent over the long term.

To achieve the targeted growth rate above the market average, our core business with the automotive and component supply industry, which is displaying a persistently dynamic performance, is targeted to grow substantially worldwide in both of our divisions. In addition, we aim to generate a significant share of sales in the industrial business and increase our volume in this area. Medium-term, the automotive business is to account for about 80 percent of consolidated sales, with industrial applications accounting for around 20 percent.

Thanks to the good opportunities for expansion in the Americas and Asia we plan to push our business growth outside Europe, in particular. 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.

Geared to global megatrends

Global megatrends form the basis of our strategic orientation and guide our activities. These long-term and overarching change processes are often of universal importance and have a time horizon of several decades. Global megatrends are interdependent, and in this complex interplay they also have an effect on the automotive industry and further industrial areas as LEONI's core markets. For the company this provides many different opportunities, which we use systematically in order to expand our position in important markets and to develop new fields of business.

The chart below illustrates the global trends of importance to LEONI and the resultant business fields with growth potential. Details on the innovations that LEONI is developing in these areas can be found in the section Research & Development.

Research & Development
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Megatrend	Opportunities for LEONI
Mobility	▪ Lightweight ▪ E-mobility ▪ Digitalisation ▪ Autonomous driving
Industrialisation & Automation	▪ Smart Factory: Digitalisation, Industry 4.0 ▪ New production processes
Environmental awareness & shortage of resources	▪ Multi-voltage wiring systems ▪ Lightweight ▪ Energy efficiency ▪ Miniaturisation ▪ Alternative energy technology ▪ Green/alternative conductor materials
Urbanisation	▪ Smart Home ▪ Intelligent Building ▪ Digitalisation ▪ Connected Car (vehicle networking)
Globalisation	▪ Glocalisation ▪ Frugal innovations ▪ Scalable products for global markets
Demographic change	▪ High performance medical devices ▪ Ambient Assisted Living ▪ Driver assistance systems

Mobility Because our activities focus on cables and cable systems for the motor vehicle industry, the increase in mobility, which in turn is influenced by increasing globalisation and urbanisation as well as growing environmental awareness and scarce resources, is of particular importance for LEONI. The opportunities this provides for us are mainly in the area of weight reduction. Here LEONI has for many years been working in the areas of alternative conductor materials, miniaturisation and intelligent wiring system architecture and will steadily optimise its product range further. Another important future market where LEONI already has a strong presence is products for the electromobility market. Demand for LEONI solutions is also growing for the increasing connectivity between a vehicle and its environment and for autonomous driving – for example, fail-safe wiring system architectures or high-quality special cables that ensure the reliable and fast transmission of growing data volumes between sensors, control units and vehicle components.

Industrialisation & Automation The most important trend in this area is the Industry 4.0 concept, i.e. digital interlinking of production by means of state-of-the-art IT and communication technology. To this end, LEONI is developing industrial Ethernet solutions, for example, while also expanding its offering to include such services as the planning of Wi-Fi networks, real-time data monitoring and remote diagnostics. Already now, our data cables and robotics dresspacks make a major contribution to the digitisation of our customers' production processes. LEONI's production itself is increasingly following this trend. At the 'Factory of the Future' being built on our site in Roth, Germany the production processes will be digitised and efficiently implemented. Furthermore, we are constantly examining the use of new technologies, such as generative production methods, the combination of extrusion and injection moulding or new production processes in the wiring systems area in order to make our products and processes more efficient, working in close collaboration with our customers.

Environmental awareness & shortage of resources Increasing ecological responsibility and the fact that commodities are limited not only change the demands placed on mobility solutions, they also result in a growing need for alternative energy generation. This provides expansion opportunities for LEONI with extremely lightweight or miniaturised vehicle components, energy-efficient wiring system architectures and products for cars with alternative drive technology. The solar industry and high-voltage direct current transmission also provide opportunities. Furthermore, we are steadily working to reduce our own ecological footprint, for example through research in bio-based materials for cable production.

Urbanisation The increasing urbanisation not only poses new challenges in terms of mobility, but also creates a need for intelligent infrastructure and building systems. One of the ways in which LEONI is responding to this need is through high-performance cable solutions for office buildings – for example, with Power over Ethernet products allowing the power supply of network enabled devices via the Ethernet cable. The increasing connectivity between motor vehicles and external information and control systems also provides opportunities for LEONI.

Globalisation The improved access to new sales markets on all continents generally speaking creates major growth opportunities for LEONI. Additional positive stimuli are provided by a standardised product programme that is adapted to meet local requirements and parameters (keyword "glocalisation"). We are also increasing our commitment to frugal innovations, that is, the search for new, simple and low-cost products that provide an equivalent functional solution especially for the emerging markets. But globalisation also changes the structures and requirements of our customers, for example through an increased number of globally standardised vehicle platforms or the merger of carmakers to form larger groups or conglomerates.

Demographic change The changing age structure in highly developed societies, in particular, places high demands on the entire healthcare system and the producers of medical technology devices. LEONI is able to benefit from this trend with innovative, specially coated cables and with the development of solutions in related technologies, for example patient positioning.

Ambient assisted living – in other words, systems that help people with disabilities or the aged to live an autonomous life – also provides opportunities. Driver assist systems that are controlled using high-quality wiring systems with high data transmission performance also play an important role in this regard.

Strategic levers

LEONI is using the four strategic levers of globalisation, innovation, systems business and efficiency to meet the opportunities and challenges resulting from the global trends in the best possible way.

Globalisation Our constant globalisation activities aim to achieve a balanced sales mix in the three major economic areas of the Americas, Asia and EMEA (Europe, Middle East and Africa), through which we will at the same time become less exposed to demand fluctuation in individual regions. Based on the large market shares LEONI has achieved in Europe, our main growth potential lies in the Americas and Asia. In order to support expansion in these two regions we are gradually establishing decentralised organisational structures there. The basis is provided by a global production network through which we provide our customers on site with local added value and a high degree of delivery flexibility. Building on this, we have begun to install a global development network. As a next step we will gradually be positioning additional units on a more global basis and shift decision-making functions increasingly to the regions to enable us to organise all important activities globally in the future.

Innovation Globalisation, new technologies, the dynamic development in many future markets and the large quantity of available knowledge intensify competition. For LEONI, innovative products and processes are a key requirement to consolidate and expand its market position. Innovations are also of major importance to widen our systems expertise. We therefore aim to develop ground-breaking solutions for existing and future customer requirements and to involve the relevant technologies in a proactive manner. We promote innovation expertise within the Company through internal and external networking, knowledge sharing and transfer and improved innovation management. Yet in keeping with our outlook on sustained business, we not only seek to expand sales with new products and solutions further, but also want to increase the percentage of green technologies.

Systems business Extending the value chain and thus widening our systems expertise is the main earnings-oriented growth driver for LEONI. That is why we are developing towards being systems suppliers to additional fields of work and offer more high-end services in such areas as engineering. This allows us to stand apart from pure product suppliers and to open up additional, profitable business opportunities. Moreover, by positioning ourselves as systems suppliers, we seek to increase customer retention – for instance, in the development segment, where we support our principals as early as the concept phase through to readiness for production.

Efficiency Steadily increasing efficiency is a key success criterion for LEONI's competitiveness. To this end, we are realising synergies, rationalising as well as optimising our business processes and production network. The establishment of global standards and a consistent database also contribute to efficiency improvements. This allows us to offset increases in staff and material costs while at the same time increasing our profitability.

Strategy of the Wiring Systems Division

As a systems provider for the distribution of information and electrical energy within the vehicle the Wiring Systems Division pursues three main targets in its strategy:

- Leading market position: Consolidation and expansion of its market position as one of the world's leading providers of wiring systems.
- Balanced business portfolio: Securing significant market shares in all product segments and regions in order to increase the independence from individual markets.
- Profitable growth: To generate appropriate profits in order to fund global growth, to meet shareholder expectations and to secure LEONI's long-term future.

The key guides for the market success that enables the Group-wide, earnings-oriented growth and profitability targets the Company is aiming for are: to strengthen its expertise in Asia and the Americas, to expand activity in the commercial and power sports vehicle segments, focused customer growth strategy and expansion of business with components. Information on the progress made in 2015 is provided in sections segment report and Research & Development

Reports by division/ Segment report
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Research & Development
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Strategy of the Wire & Cable Solutions Division

The strategy of the Wire & Cable Solutions Division is guided closely by the four strategic levers of globalisation, innovation, system business and efficiency. Our profitable growth is based, in particular, on Business Groups Automotive Cables and Industry & Healthcare. Part of the infrastructure business, such as the railway and solar industries, also promises good growth opportunities. Expansion is due to be mostly organic; selective acquisitions have not been ruled out. Starting from a strong position in Europe, the focus is on the American and Asian continents in order to balance out the division's global business over the medium term. To support globalisation we are increasingly creating regional organisational structures in Asia and the Americas and are forging ahead with the expansion of production facilities. In addition, existing plants are supported through the launch of new products and by strengthening local development. Details of specific progress made during the 2015 financial year can be found in sections segment report and Research & Development.

Reports by division/ Segment report
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Research & Development
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Collaboration of the two divisions

The close collaboration of the two divisions is of strategic importance for the success of LEONI AG, for example through joint work on trend analysis and in innovation management. The cross-divisional Innovation Board is a corporate body for networking and for sharing long-term technological developments in a pre-competition setting. The specialists of the two divisions collaborate closely in selected areas, including data communication within a vehicle.

Details of the Group-wide financing strategy are contained in the section on the Financial situation. LEONI does not have any strategic equity interests.

Financial situation
» page 80

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.

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), return on capital employed (ROCE) and free cash flow (FCF). Information on the relevant performance indicators is contained in the Notes. The table below shows the planned and actual figures involving the key benchmarks for 2015. Elaboration on this is to be found in 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 2016 are contained in the Forecast.

Corporate Governance report
» page 28

Compensation report
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Notes
» page 152

Overview of LEONI's performance
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Forecast
» page 129

Performance indicators LEONI Group

		Original forecast March 2015	Updated forecast November 2015	Actual 2015 figures
Consolidated sales	*€ billion*	approx. 4.3	≥ 4.4	4.5
EBIT	*€ million*	> 200	> 130	151.3
Return on sales	*%*	approx. 4.7	approx. 3	3.4
Return on capital employed	*%*	approx. 14	approx. 9	10.0
Free cash flow*	*€ million*	approx. 0	approx. (30)	(12.1)

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

Business and underlying conditions

Macroeconomic trend

The global economy on the whole grew at a subdued pace last year. According to the International Monetary Fund (IMF), the global economy grew by 3.1 percent in 2015; the IMF revised its forecast slightly downwards on several occasions in the course of the year. At 4.0 percent the growth rate in the developed and emerging countries was down on the previous year for the fifth consecutive time. All told, the industrialised nations recorded a gain of 1.9 percent, up from 1.8 percent in 2014.

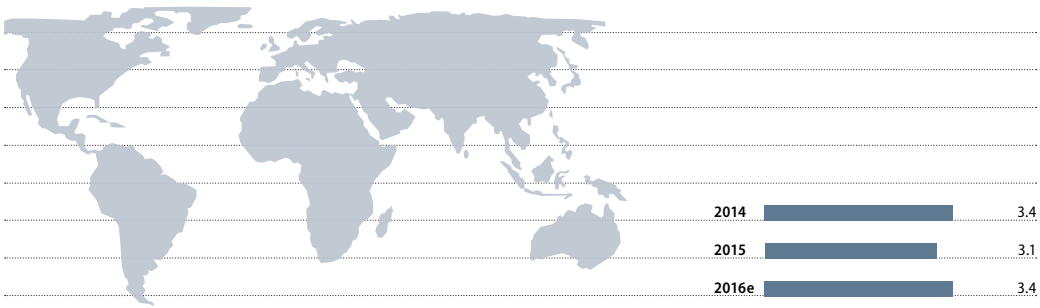
Several factors were decisive for this modest performance. The slower momentum of the Chinese economy and fears of a further slowdown exerted a major impact. This put a damper on the economy in many other countries for which the country is a major trading partner. Nevertheless, China still expanded by 6.9 percent in 2015. Among the major emerging markets only India performed better with a growth rate of 7.3 percent. By contrast, Brazil and Russia slipped into a recession.

The long-awaited lift-off of US interest rates that was implemented at the end of the year also had an adverse effect on the global economy. The US economy itself grew at a robust rate of 2.5 percent although it was weighed down at the start of the year due to the harsh winter, the strong US dollar and the fall in energy prices, thus falling short of original forecasts.

The substantial decline in commodity prices, above all for oil, had the opposite effect: although it resulted in a recovery in some importing countries, many oil-exporting countries felt a negative impact not only in the petrochemical industry but also in other areas of the economy.

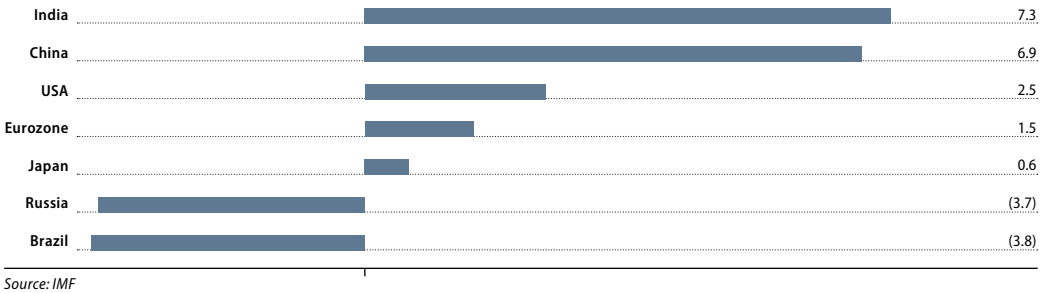
The eurozone economy benefited from the low commodity prices but also from the weaker common currency and, with 1.5 percent growth, performed better than projected. Germany provided important support in this respect with a growth rate of also 1.5 percent.

Global economic growth 2014 to 2016 %



Source: IMF

Economic growth 2015 in selected regions %

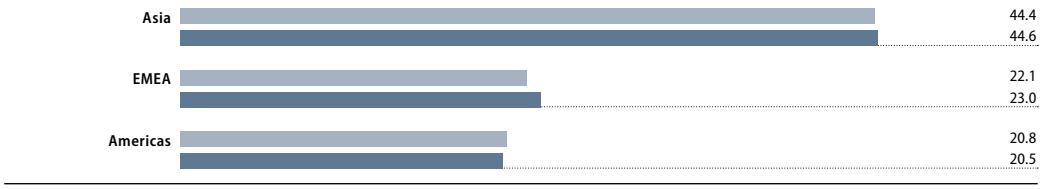


Source: IMF

Business by sector

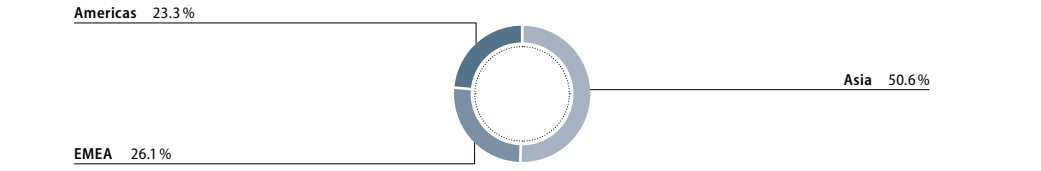
The international **automotive industry**, which is LEONI's most significant customer sector, recorded a positive trend of sales in its three most important markets in 2015: according to the VDA (German Association of the Automotive Industry), motor vehicle sales in Western Europe rose by a surprisingly strong 7 percent, by 5 percent in the United States and by 4 percent in China. Although this contrasted with the registration figures in Russia, Brazil and Japan, which experienced a double-digit decline in some areas, the global car market as a whole grew by around 1 percent. Accordingly, on a global basis just under 1 percent more cars and light commercial vehicles were produced than in the previous year, based on estimates by market research institute IHS Automotive. At the same time, light trucks continued to gain in importance when compared with conventional cars. Thus companies in China, Europe and North America moderately increased their output of light commercial vehicles whereas car production in some key regions such as China, Japan, Korea and South America declined perceptibly. All told, volumes were below expectations as a 3 percent increase was expected at the beginning of the year.

Production of cars and light commercial vehicles (LCVs) by regions *2014* *2015e* *million units*



Source: IHS Automotive

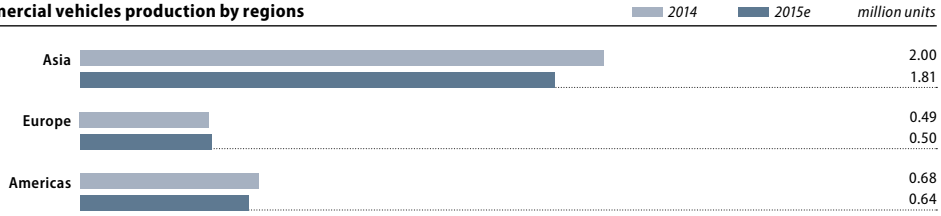
Production of cars and light commercial vehicles (LCVs) by regions *2015e*



Source: IHS Automotive

Demand and thus production in the **commercial vehicles sector** showed wide regional variations in 2015: while the output of heavy trucks in Europe and North America increased slightly thanks to the economic recovery and to necessary fleet renewal, they declined substantially, especially in China but also in South America. According to IHS Automotive, overall output fell by 7 percent year on year after a rise of 2 percent was forecast at the start of the year. The international agricultural machinery industry also reduced its output during the period under report, producing slightly fewer agricultural vehicles than in 2014 according to estimates of the Power Systems Research institute.

Heavy commercial vehicles production by regions



Source: IHS Automotive

The global market for the **electrical goods industry** expanded by around 5 percent in 2015, according to estimates of the ZVEI (German Electrical and Electronic Manufacturers' Association). With a gain of 7 percent, Asia recorded an above-par growth, but the Americas and Europe also grew, by 4 percent and 2 percent, respectively. Automation technology (up 7 percent) and electromedicine (up 6 percent) showed a particularly strong performance. The power engineering and household appliances sectors each grew by 5 percent. According to provisional ZVEI figures, the German electrical engineering and electronics industry increased its sales by 3.7 percent and its order receipts by 6.7 percent. The growth driver was international business, where the industry generated substantial gains.

Business in the international **machinery and plant engineering** sector was more muted. The VDMA (German Engineering Federation) says that the sector's sales were up 1 percent worldwide. Sales of plant and machinery were slightly up in the Eurozone and China, unchanged in the United States and down significantly in both Brazil and Russia versus the previous year. The output of the export-heavyweight German mechanical engineering companies, which supply domestic and other European customers and also, in particular, customers in the United States and China, stagnated at the previous year's level while their order receipts increased by 1 percent.

The market for **information technology and telecommunication** products and services grew by 3 percent worldwide, according to sector association BITKOM (German Association for Information Technology, Telecommunications and New Media). The telecommunications segment recorded disproportionately strong growth while growth in information technology was slightly more muted. India was the market with the strongest sales momentum, followed by Brazil and China. The United States and Europe also posted gains. According to BITKOM, information technology, telecommunications and consumer electronics (ITC) sales in Germany rose by 2 percent. Positive stimuli came mainly from information technology, which was also attributable to the trends towards digitisation, intelligent mobility and to Industry 4.0. The telecommunications segment grew slightly while demand for consumer electronics contracted.

Other factors

The macroeconomic and sector-specific conditions play a key role with respect to LEONI's business performance, as do a number of other factors:

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

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

We keep a very close eye on the **political situation** in the countries of importance to us; countries where we produce and sell. In 2015, we were once again concerned by the situation in Ukraine even though our production facility lies in the west of the country and thus remains not directly affected by the conflict and even though the situation has tended to stabilise. The risk and opportunity report contains additional information.

Risk and opportunity report
» page 114 et seq.

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

Although **exchange-rate fluctuation** has an impact on sales, thanks to appropriate hedging transactions it does not normally have any major impact on LEONI's earnings. If exchange-rate parities change very substantially, however, they might nevertheless have a certain effect on results.

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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. Suitable market, economic and sector data are analysed in order to derive key findings on future business prospects. 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. The resultant findings allow us to derive statements about the projected direction of significant cost items.

Macroeconomic trend and Business by sector
» page 58 et seq.

Reports by division/ Segment report
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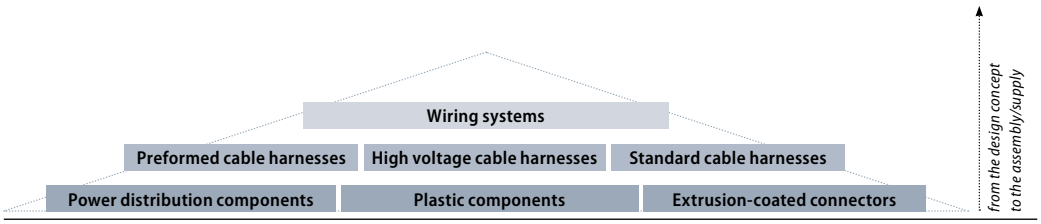
Reports by division/Segment report

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 2015 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 customers are principally from the following sectors:

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

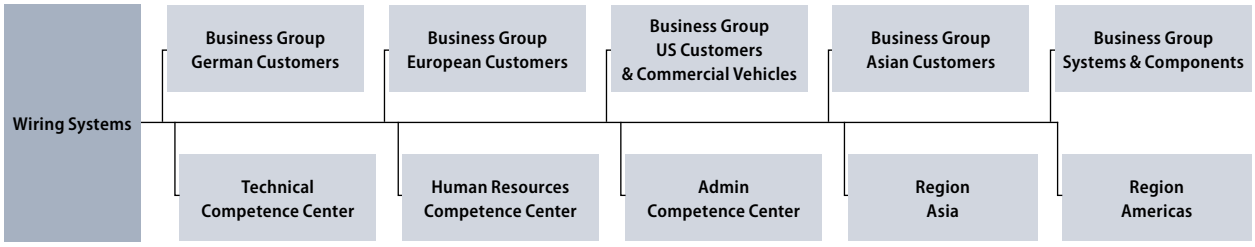
The automotive industry is the most important **customer group**. We supply most of the manufacturers worldwide, from the small vehicle to compact and mid-range car brackets and up to vehicles in the premium and luxury segments. In 2015, we were able to expand our customer base further, acquiring two major new customers in Hyundai and Volvo. In addition, the commercial and leisure vehicle industries are of major strategic importance to us.

Order book further enlarged
» **page 67**

Our components, cable harnesses and wiring systems are developed in tandem with a new vehicle in close collaboration with the relevant 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, until now 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 these business groups are the corporate functions Technical Competence Center, Human Resources Competence Center and Admin Competence Center.

Organisation of the Wiring Systems Division



The fact that we are sharply focused on our customers ensures that each individual customer has one and the same LEONI contact worldwide. In **sales** the principal customers are looked after via a key account management structure. The WSD organisation will be optimised further in 2016.

The worldwide **production network** of the Wiring Systems Division consists of 48 production facilities in 19 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 2015, we expanded our production network especially in China, Paraguay, Romania and Serbia.

Capital expenditure
» page 84

Competitive situation and advantages

The Wiring Systems Division is Europe's leading producer of cable harnesses and wiring systems. We rank 4th worldwide, according to calculations by the Automotive Wiring Harness Market. Our 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. Furthermore, 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.

Strategically important projects in 2015

In the past financial year the Wiring Systems Division made further progress in expanding its activities in Asia and the Americas, thereby improving the basis for future growth in these regions:

Inauguration of fifth plant in China LEONI constructed a further wiring systems facility in Tieling in northern China, which was opened in August 2015 and has been developing and producing products for several vehicle models of new customer BMW Brilliance Automotive since the beginning of 2016. We invested around € 35 million in technical equipment and a building with more than 25,000 m² of space at the location. The plant is LEONI's fifth wiring systems production facility in China and marks another important step to positioning ourselves strongly in this growth market.

Joint venture established with BHAP In December 2015 we established a joint venture with Beijing Hainachuan Automotive Parts Co. Ltd. (BHAP), a subsidiary of state-owned Beijing Automotive Industry Corporation (BAIC). To this end, we sold 50 percent of the shares in our wiring systems subsidiary Langfang LEONI Wiring Systems Co. Ltd. to BHAP. To date the Langfang plant has exclusively been making cable harnesses for the car ranges of Beijing Benz Automotive Co Ltd, a joint venture between Daimler AG and BAIC. The equal joint venture will improve our market position in China further over the medium term. In addition, it increases the opportunities to gain additional orders from BAIC and other automotive producers. Since 11 December 2015 the joint venture has been accounted for by the equity method in the consolidated financial statements.

Opening of new production facility in Paraguay We opened our first plant in Paraguay in November 2015. The wiring systems plant near the capital Asuncion will produce cable harnesses for various customers from the motor vehicle and commercial vehicle industries and help realise additional growth in the Americas.

Performance in 2015

Key figures Wiring Systems

		2015	2014	Change
External sales	*€ million*	2,668.2	2,399.6	+ 11.2 %
EBIT	*€ million*	87.4	104.6	(16.4) %
Adjusted EBIT [1]	*€ million*	81.2	112.6	(27.9) %
Return on sales	*%*	3.3	4.4	—
Capital expenditure [2]	*€ million*	168.3	139.2	+ 20.9 %
Employees (as at 31 December)	*Number*	64,745	59,056	+ 9.6 %

[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*

Solid sales growth The external sales of the Wiring Systems Division rose by around 11 percent or € 268.6 million to € 2,668.2 million in 2015. Thanks to a persistently good level of demand for cable harnesses and wiring systems from the global automotive industry, the division generated growth of € 148.8 million from its own resources. Positive foreign exchange effects contributed € 119.1 million to sales growth. The changes in the price of copper resulted in a slight gain of € 0.7 million. Broken down by region, business in the EMEA region grew by 12.5 percent to € 1,914.9 million and in the Americas by 20.5 percent to € 341.6 million, while declining by just under 1 percent to € 411.7 million in Asia.

Sales growth in 2015

Wiring Systems sales growth

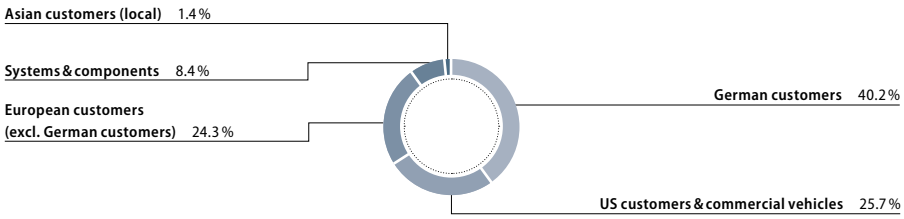
	€ million	in %
2014 sales	2,399.6	
Organic growth	148.8	6.2
Currency effects	119.1	5.0
Copper price effects	0.7	0.0
2015 sales	2,668.2	11.2

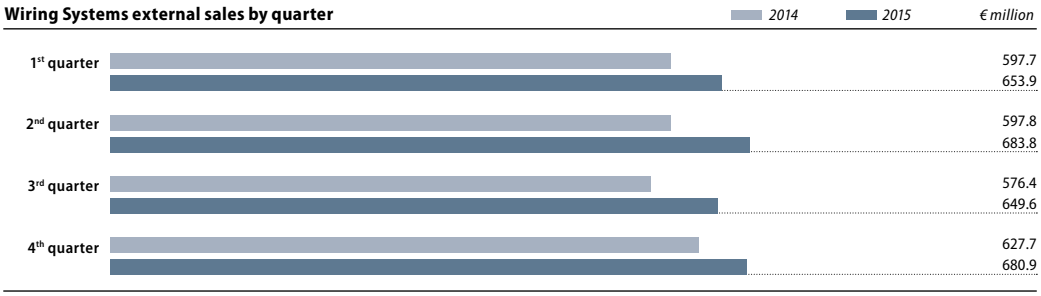
Products for automotive producers from Europe, the Americas and Asia remained the most important sales generators during the period under report; business volume was spread across all vehicle categories and regions. Sales to the export-heavyweight German carmakers recorded a particularly substantial increase. We also expanded shipments to other European and Asian carmakers. By contrast, business with the US automotive industry declined due to the on-schedule end of projects.

Sales to international commercial vehicle manufacturers, to which we supply mainly with engine cable harnesses, and to the automotive component supply industry continued to rise in the year under report. Finally, we recorded substantial sales gains with products for electric and hybrid cars as well as leisure vehicles.

Wiring Systems external sales *€ million*

Wiring Systems breakdown of sales *2015*

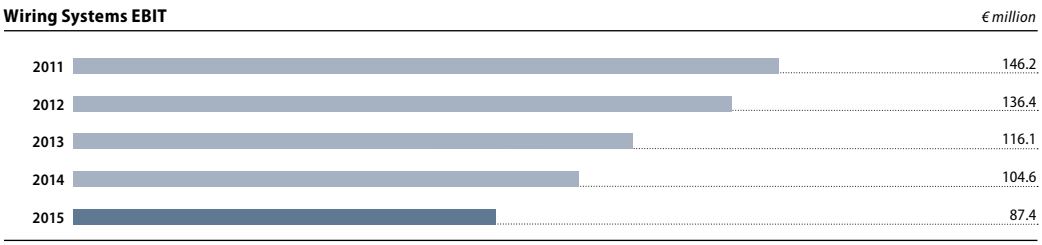




Numerous new products 2015 saw the start of series production for a large number of new and follow-on contracts. In the first half we began the production of wiring systems and cable harnesses for various new compact, mainstream and premium models of German, French and US carmakers, including electric cars. Moreover, we began to deliver engine cable harnesses for various vehicles of international commercial vehicle makers. Furthermore, there were numerous new, smaller-scale start-ups for the global component supply industry.

Heavy charges due to several project starts At the end of the third quarter, some project ramp-ups involved exceptionally heavy expenses and reduced production efficiency, which compromised earnings substantially. The charges were incurred in connection with several project start-ups taking place at the same time, although supplies to our customers were ensured at all times. They were principally caused by the considerable challenges posed by a new matrix organisation introduced in the wake of increasing globalisation and by deficits in project management and calculation on account of changed requirements. As the region around a plant in Romania that was affected to a particular extent has full employment, we also had to recruit staff from other countries and outsource manpower at short notice and had to train those working only temporarily for us at considerable cost. In addition, there were unexpectedly large wage cost increases due to the minimum wage having been raised in Romania, which was not taken into account in our budgeting to that extent.

Furthermore, the earnings situation was weighed down by fewer call-forwards and the early end to profitable projects involving, for example, the agricultural sector and some car models. All told, the Wiring Systems Division's earnings before interest and taxes decreased from € 104.6 million in the previous year to € 87.4 million in 2015. This figure included a positive effect from the sale of the 50 percent share in Langfang LEONI Wiring Systems Co. Ltd. of € 19.6 million in the year under report.



Measures to improve earnings A task force headed by the President & CEO was assembled to resolve the problems in the Wiring Systems Division. Supported by external specialists, it analysed the causes, scrutinised processes and checked all major projects in order to ensure their reliable and efficient execution. As a next step various measures were defined, some of which were initiated in 2015 but most of which will not be implemented until 2016 and will take effect in the following years. There are essentially three approaches:

1. Improving the performance of the critical projects that were responsible for the loss of earnings. To this end, we will implement an array of measures at the locations affected, particularly in Romania, which will lead to an improvement.

2. Adjustment of structures in order to rule out similar project risks in future. This includes the systematic optimisation of processes and definition of responsibilities.

3. Simplified organisational structure in order to facilitate more rapid decision-making, clearer responsibilities and increased efficiency, which will also reduce costs.

The above-mentioned measures, particularly the tightening and streamlining of the organisational structure, will entail restructuring expenses of around € 25 million in 2016.

Forecast, performance of the Wiring Systems Division
» page 125 et seq.

Order book further enlarged During the year under report the Wiring Systems Division booked numerous new and follow-on contracts worth a total of about € 4.1 billion (previous year: € 2.3 billion), which will consolidate our order book and secure the planned growth over the coming years. Initial orders from two new customers were of strategic importance as they improve our market position and broaden our customer base: firstly, Hyundai Motor Company commissioned us with the supply of cable harnesses for a mid-market vehicle that will be produced in Europe. Secondly, Volvo Car Corporation ordered cable harnesses for future vehicle models that we will also deliver to one of the customer's European plants. The two new orders strengthen our Business Group Asian Customers, to which both Hyundai and Volvo Car Corporation, which belongs to the Chinese automotive company Geely, have been allocated. We also received a very large new order from a carmaker with global operations. It involves the fitting of two new vehicle generations with wiring systems at locations in China and Europe.

In addition, we secured new and follow-on projects from various car and commercial vehicle manufacturers in Germany and the rest of Europe, the Americas and Asia as well as from component suppliers with international operations. These involve both complete wiring systems and cable harnesses for engines as well as other vehicle components. Several customers also ordered cable harnesses for electric vehicles.

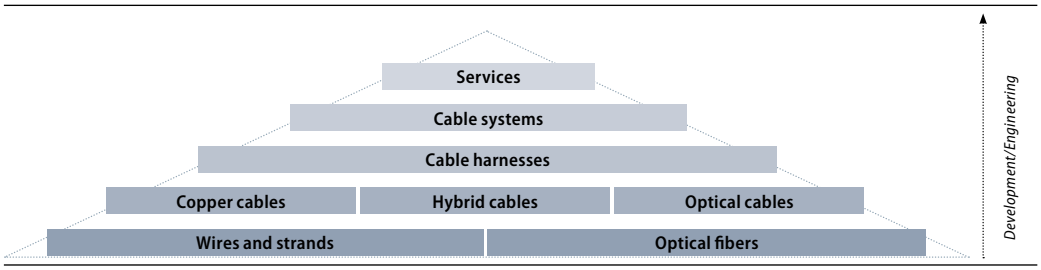
At the end of 2015, the order backlog of the Wiring Systems Division stood at about € 13 billion for the next five years (previous year: € 12 billion). The exact amount and timing of the shipments will depend on what our customers actually call forward.

Wire & Cable Solutions Division

Business model and organisational structure

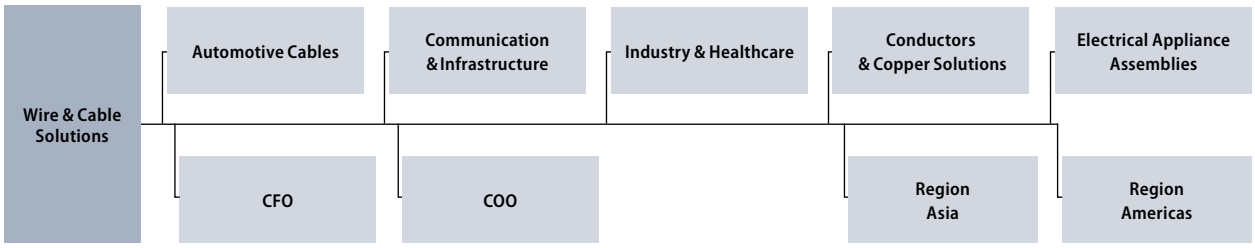
The Wire & Cable Solutions Division's **range of products and services** encompasses wires, strands and optical fibers, standardised cables, special cables and completely assembled systems as well as related services for customers in the automotive, capital goods, medical technology, telecommunications, infrastructure as well as household and electrical appliance sectors. In this respect, in the industrial business in particular we focus on technologically sophisticated products as well as customer-specific applications for niche markets. The products we offer are guided by the global trends of mobility, population growth and demographic change, urbanisation, globalisation, environmental awareness and shortage of resources as well as industrialisation and automation, for which we develop application-oriented solutions. Furthermore, we are adjusting our products increasingly to the specific local market requirements in the emerging markets, which are of growing importance to LEONI. Our range of products and services did not materially change in the year under report.

Products and services Wire & Cable Solutions



In organisational terms, the Wire & Cable Solutions Division is subdivided into five business groups (BGs): Automotive Cables, Industry & Healthcare, Communication & Infrastructure, Electrical Appliance Assemblies as well as Conductors & Copper Solutions, which address our five core markets. The operations of the business groups are handled by a total of 15 business units. They function flexibly and are in worldwide charge of products, plants, markets as well as customers and are responsible for profitability. To underpin the greater globalisation we are targeting, we operate two additional units in Asia and the Americas that coordinate and expand our local activities. These market-oriented structures are supplemented by two cross-section segments for commercial and technical/operational functions (CFO and COO organisation).

Organisation of the Wire & Cable Solutions Division



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 60 countries. We maintain close relationships with our customers and are in permanent contact with them, especially via our sales and development. In many projects LEONI is closely involved as a provider of development work or systems solutions as early as the design and planning phase.

The most important sales region is Europe, followed by Asia and North America. Our international **sales network** is continually being expanded to further raise our market penetration in already 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.

The up-to-date **production facilities** of the Wire & Cable Solutions Division are located in the most significant economic regions around the world: in Western and Eastern Europe, North America as well as Asia. In 2015, we expanded our capacity further, especially in the growth markets of Asia and the Americas. Our 45 facilities in 14 countries are in strategically favourable locations in proximity to our customers. Moreover, we optimise our production networks and supply chain continually to make the best possible use of available capacity and to reduce the complexity of structures.

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 good competitive position is principally based on 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 provide additional competitive advantages.

Strategically important projects in 2015

In 2015, we made further progress in the globalisation of our activities and continued the efficiency-enhancing programmes we have initiated. The following projects were of strategic importance:

Second automotive cables facility in Mexico In order to step up our growth in the Americas we expanded our capacity in Mexico and established a second automotive cables facility in Celaya in the south of the country. The plant with around 6.000 m^2 of space started producing single-core automotive cables towards the middle of the year. Form there, we supply manufacturers of cars and light commercial vehicles in the region which produce mostly for the US market.

New automotive cables plant in China The capacity for automotive cables was also expanded in China in order to push ahead the planned expansion in the region, to enable us to respond faster to customer requirements and to shorten delivery times. At the end of 2015, LEONI opened a second plant for automotive cables in Panjin in the northeast of the country. It has a production area of around 8,000 m^2 and several extruder lines, multi-wire drawing lines, stranding as well as twisting machines to manufacture single-core cables for automotive applications.

Factory of the Future in Roth In the first quarter we acquired a piece of land at the long-established LEONI site in Roth where a state-of-the-art cable production is to be established by the end of 2017. In the course of the year we applied for building permission and received approval, and so the actual work can begin in 2016. The new factory on an industrial estate outside the city centre, which will take the place of the previous production site in the centre, will not only expand our development and production capacity but also modernise it and make it more efficient. At the same time, the Factory of the Future will serve as a centre of excellence and service for the entire division.

WCS ON Excellence As part of the WCS ON Excellence performance programme, a large number of measures were implemented in order to optimise all areas of business, with initial progress made. The programme launched last year aims mainly to increase efficiencies in the areas of procurement, technology, production and sales. In 2015, it already made a positive earnings contribution of more than € 4 million less the pre-production spending incurred in this respect. Further savings of around € 10 million are to be expected in 2016.

Business Process Harmonization (BPH) With the successful completion of the pilot project to harmonise our business processes during the year under report, we reached an important milestone to increase our efficiency over the long term. The new ERP system designed to this effect was successfully installed at the Roth site and is now operational. We thus have a secure basis for the introduction of the system at other important locations in 2016.

Performance in 2015

Key figures Wire & Cable Solutions

		2015	2014	Change
External sales	€ million	1,834.7	1,703.8	+ 7.7 %
EBIT	€ million	63.9	78.1	(18.2) %
Adjusted EBIT [1]	€ million	65.6	80.3	(18.3) %
Return on sales	%	3.5	4.6	—
Capital expenditure [2]	€ million	67.7	68.0	(0.4) %
Employees (as at 31 December)	Number	9,007	8,679	+ 3.8 %

[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 8 percent to € 1.8 billion The external sales of the Wire & Cable Solutions Division rose by around 8 percent year on year or € 130.9 million to € 1,834.7 million in 2015. The division generated growth of € 76.7 million from its own resources. Changes in exchange rates had a positive effect of € 126.6 million. By contrast, the lower copper price diminished sales by € 72.4 million. Broken down by region, increases were realised throughout; the growth in Asia and the Americas was attributable in full to positive exchange-rate effects. The amount of business in the EMEA region rose by around 3 percent to € 1,030.9 million. We generated a gain of just under 13 percent to € 408.3 million in Asia and one of 17 percent to € 395.5 million in the Americas.

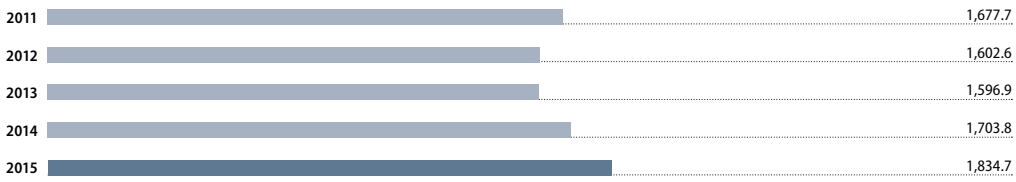
Sales growth in 2015

Wire & Cable Solutions sales growth

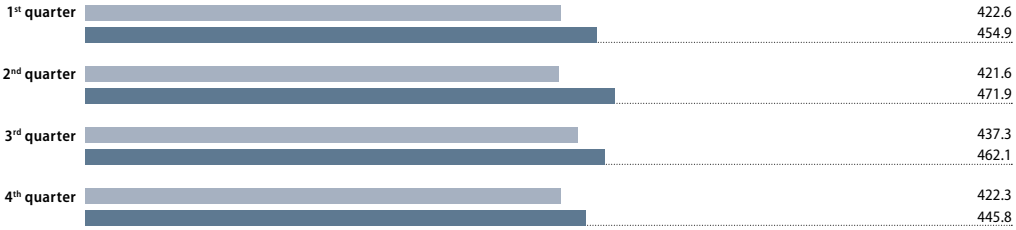
	€ million	in %
2014 sales	1,703.8	
Organic growth	76.7	4.5
Currency effects	126.6	7.4
Copper price effects	(72.4)	(4.2)
2015 sales	1,834.7	7.7

Business Group Automotive Cables once again performed well with sales growth of some 10 percent. Demand for LEONI's standard automotive and special cables was heavy worldwide. In the industrial sectors the amount of business increased by 5.7 percent in total, underpinned above all by Business Group Industry & Healthcare. Here, demand for cables and cable harnesses for robotic applications and high-speed cables was high, whereas the medical technology business was rather muted. By contrast, the increases in Business Group Communication & Infrastructure and Business Group Electrical Appliance Assemblies were largely attributable to positive exchange-rate effects. In particular, demand for data cables and cables for petrochemical plant and infrastructure projects fell short of our expectations. The performance of the BG Conductors & Copper Solutions was roughly steady.

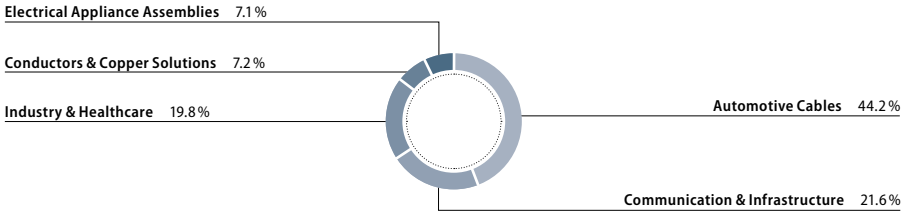
Wire & Cable Solutions external sales *€ million*



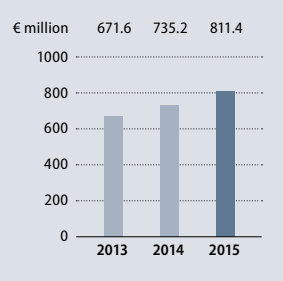
Wire & Cable Solutions external sales by quarter *2014* *2015* *€ million*



Wire & Cable Solutions breakdown of sales *2015*



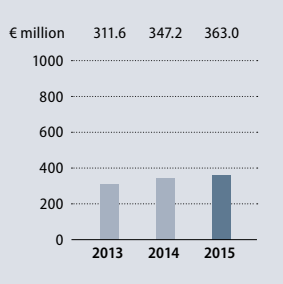
Performance of the business groups



Business Group Automotive Cables

Cables for

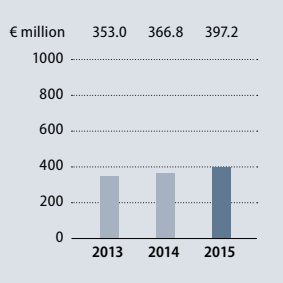
- Wiring systems
- Communications/telematics
- Drive and engine systems
- Exhaust systems
- Hybrid and fuel cell vehicles
- Safety and assist systems
- Electrical appliances
- Building services and lighting technology
- Electromobility



Business Group Industry & Healthcare

Cables, cable systems, optical technologies and services for

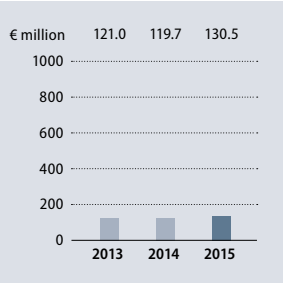
- Machinery
- Automation and drive technology
- Robotics
- High-frequency technology
- Sensor technology and image processing
- Medical technology



Business Group Communication & Infrastructure

Cables, cable systems and full service for

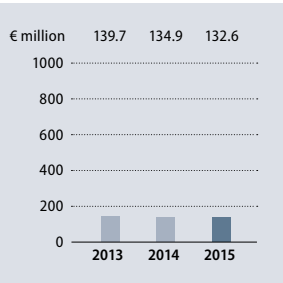
- Transportation and building infrastructure
- Large plant and refineries
- Energy generation and distribution
- Solar power and wind turbines
- Traffic infrastructure
- Rolling stock, air traffic and marine technology
- Electron-beam irradiation and sterilisation



Business Group Electrical Appliance Assemblies

Cable systems for

- Household appliances
- Small appliances
- Consumer electronics
- Tools
- Lighting industry
- Industrial cleaning
- ICT devices



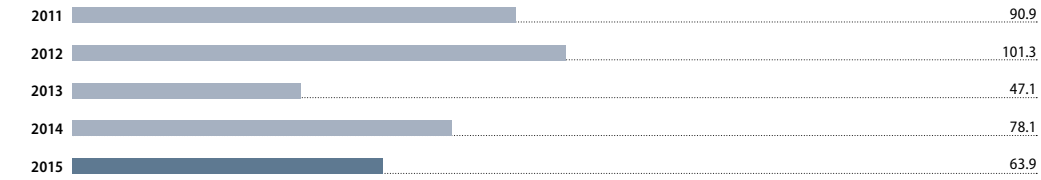
Business Group Conductors & Copper Solutions

Wires, strands and copper braids for

- Special cable industry
- Heating system manufacturers
- Solar and wind power industry
- Carbon brush industry
- Components industry

Earnings of € 63.9 million The WCS Division's earnings before interest and taxes decreased from € 78.1 million to € 63.9 million in 2015. The decline in performance was attributable to several factors: an unfavourable product mix in the automotive business that recorded relatively strong growth and lower-than-expected sales in Business Group Communication & Infrastructure exerted an effect on operations. On top of this, expenses for the BPH software pilot project and pre-production spending on the WCS ON Excellence performance programme were incurred, but the latter on balance contributed more than € 4 million to earnings already. Moreover, the 2014 EBIT figure included a positive effect from changes in the copper price whereas the effect during the period under report was negative. Negative exchange-rate effects, severance payments, write-downs on receivables and various exceptional charges also reduced EBIT.

Wire & Cable Solutions EBIT *€ million*



New orders worth € 1,836.3 million During the period under report the Wire & Cable Solutions Division received new orders amounting to € 1,836.3 million. Order receipts were thus above the amount for the same period in the previous year of € 1,722.0 million and slightly above the 2015 business volume, but like sales they were influenced by positive exchange-rate effects. Business Group Automotive Cables once again received several major new orders that will ensure good utilisation of capacity at our facilities worldwide. Among other things, various wiring systems manufacturers ordered special and battery cables for various in-vehicle applications and data cables for driver assist systems and multimedia solutions. A large special cable order worth an eight-digit euro figure came from America. In addition, orders for the delivery of standard automotive cables for plants in Asia and the Americas were received from several customers. Orders relating to the increasing digitisation in vehicles and for charging cables for cars with alternative drive systems were of strategic importance.

Among the various new projects in the international oil and gas industry for Business Group Communication & Infrastructure one major order to wire an offshore oil field in the Arabian Gulf stood out during the year under report. Moreover, we received orders, for example, to supply fiber optic cable systems for wind and hydro power plants. In the area of data cables a German carmaker ordered the wiring for administrative areas and a development centre in China. Business Group Electrical Appliance Assemblies also booked significant new orders involving cables and cable systems for the household and electric appliances of various multinational premium manufacturers, thereby bolstering our position as a systems provider in this market.

Business report

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

Group key figures

		2015	2014	Change
Consolidated sales	€ million	4,502.9	4,103.4	+ 9.7 %
EBIT	€ million	151.3	182.5	(17.1) %
Adjusted EBIT [1]	€ million	146.9	192.7	(23.8) %
Return on sales	%	3.4	4.4	—
Consolidated net income	€ million	77.3	115.1	(32.8) %
Free cash flow [2]	€ million	(12.1)	(37.9)	+ 68.1 %
Return on capital employed	%	10.0	13.7	—
Capital expenditure on property, plant and equipment as well as intangible assets	€ million	247.5	215.8	+ 14.7 %
Employees (as at 31 December)	Number	74,018	67,988	+ 8.9 %

[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/divestments and taking related costs into account*

The **consolidated sales** of LEONI AG rose by almost 10 percent to € 4.50 billion in 2015. We recorded increased demand from the international automotive industry and in many other industrial businesses of importance to LEONI. Only the infrastructure and petrochemicals businesses showed weaknesses. Alongside organic growth, positive exchange-rate effects made a substantial contribution to sales growth. The amount of business increased by just over 11 percent to € 2.67 billion in the Wiring Systems Division (WSD) and by almost 8 percent to € 1.83 billion in the Wire & Cable Solutions (WCS) Division. Overall, sales performance was thus in line with the adjusted forecast issued in November of at least € 4.4 billion for the Group, around € 2.55 billion for the WSD and around € 1.85 billion for the WCS Division. The target figures issued in early 2015 (Group approx. € 4.3 billion, WSD approx. € 2.45 billion, WCS approx. € 1.85 billion) were exceeded because the business volume of the Wiring Systems Division for the year as a whole was larger.

Consolidated earnings before interest and taxes (EBIT) contracted from € 182.5 million to € 151.3 million. The decline was principally attributable to higher-than-planned expenses relating to a number of new projects of the Wiring Systems Division that led to a major shortfall in earnings in the third and fourth quarters. This contrasted with a non-recurring gain of € 19.6 million resulting from the sale of our wiring systems plant in Langfang, China as part of a joint venture being signed. All told, EBIT for the division dropped to € 87.4 million (previous year: € 104.6 million). EBIT in the Wire & Cable Solutions Division fell to € 63.9 million (previous year: € 78.1 million) mainly on account of the weaker performance of the said industrial sectors, the lower copper price and of various exceptional charges. The earnings forecast issued at the start of the year that projected consolidated EBIT of more than € 200 million, with WSD contributing about € 115 million and WCS about € 85 million, was thus not matched.

In November, due to the problems in the Wiring Systems Division, we released an updated EBIT forecast of more than € 130 million at Group level, with more than € 50 million accounted for by WSD and approx. € 80 million for WCS. After deducting the non-recurring effect from the sale of shares in our Langfang facility, consolidated EBIT corresponded to this adjusted forecast. However, the WSD segment reported higher EBIT due to the additional sales, while the WCS segment showed lower EBIT on account of various non-recurring effects, most of which occurred in the fourth quarter.

After taxes, we generated **consolidated net income** of € 77.3 million (previous year: € 115.1 million). We will propose at the Annual General Meeting to pay out a **dividend** of € 1.00 per share (previous year: € 1.20).

The LEONI Group's financial and asset situation remained solid in 2015. Despite a further increase in **capital expenditure** slightly above the budgeted amount to € 247.6 million (previous year: € 215.8 million), **free cash flow** improved from negative € 37.9 million to negative € 12.1 million and negative € 5.2 million after acquisitions/divestments. This means that due to reduced earnings, free cash flow did not reach the more or less neutral level expected, but thanks to optimised working capital management it was better than projected in the adjusted forecast issued in November (approx. negative € 30 million). The **equity ratio** rose from 34.4 percent to 35.1 percent and **net financial liabilities** increased only slightly to € 321.6 million (previous year: € 316.2 million). Both figures were thus better than projected, partly as a result of the sale of the Langfang shares.

All in all, the Management Board rates the LEONI Group's earnings, financial and asset situation as solid at the time the Group management report was prepared. The earnings do not correspond to our expectations while we view the financial and asset situation as satisfactory.

Group sales and earnings

Consolidated sales rise by 10 percent to € 4.5 billion

LEONI AG's consolidated sales rose by just under 10 percent or € 399.5 million to € 4,502.9 million in 2015. The increase was generated in both divisions, which expanded their business volume both from their own resources and thanks to favourable exchange-rate effects. Demand was particularly high for cables, cable harnesses and wiring systems for the international automotive industry but also for cables and cable systems for various industrial sectors, such as robotics and high-speed applications. Organic growth of the LEONI Group came to € 225.5 million. On top of this, € 245.7 million stemmed from favourable exchange-rate effects due to the weak euro. By contrast, the lower price of copper had a negative effect of € 71.7 million.

Sales growth 2015

Group sales growth

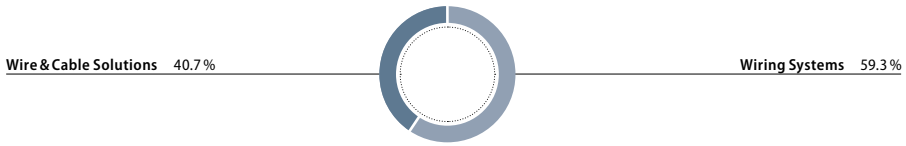
	€ million	in %
2014 sales	4,103.4	
Organic growth	225.5	5.5
Currency effects	245.7	5.9
Copper price effects	(71.7)	(1.7)
2015 sales	4,502.9	9.7

The sales growth was spread across all regions: the business volume in the EMEA region grew by almost 9 percent to € 2,945.8 million. In the two largest individual EMEA markets in volume terms, Germany and Eastern Europe, we recorded a gain of around 4 percent to € 1,150.3 million and of more than 10 percent to € 748.4 million, respectively. Sales in Asia increased by around 6 percent to € 820.0 million and those in the Americas by approx. 19 percent to € 737.1 million; in the Americas the increase was partly attributable to changes in exchange rates, in Asia it was fully attributable to this effect. This means that Asia accounted for 18.2 percent, the Americas for 16.4 percent and the EMEA region for 65.4 percent of consolidated sales.

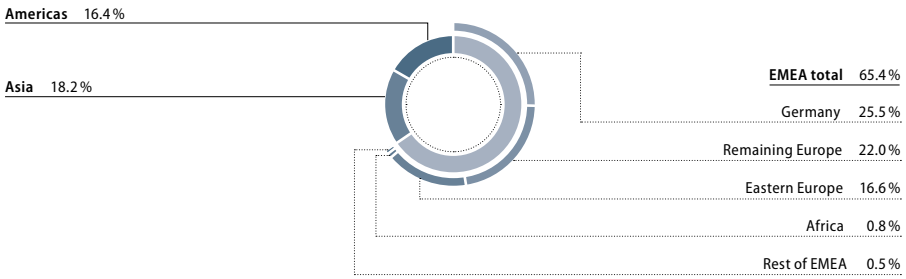
Consolidated sales *€ million*

Consolidated sales by quarter *2014* *2015* *€ million*

Consolidated sales by division *2015*



Consolidated sales by region *2015*



EBIT declines to € 151.3 million

In the year under report, the cost of sales of the LEONI Group rose by around 11 percent to € 3,780.0 million, thus slightly outpacing business growth. The main reasons were the unplanned additional expenses and the reduced efficiency in the Wiring Systems Division. This also reflected lower-than-expected business with data cables and cables for infrastructure projects and petrochemical plants and the correspondingly lower utilisation of capacity in the Wire & Cable Solutions Division. Gross profit on sales improved by 2.9 percent to € 722.9 million, equating to a **gross margin** of 16.1 percent, down from 17.1 percent in the previous year.

Selling expenses increased by about 9 percent to € 233.8 million and thus by slightly less than sales. By contrast, general administrative costs rose by just under 20 percent to € 236.1 million, mainly on account of collective bargaining wage increases and non-recurring spending on efficiency enhancement measures and strategic IT projects. Research and development costs, essentially relating to pre-production spending on new customer projects of the Wiring Systems Division, were up by just under 10 percent to € 119.8 million.

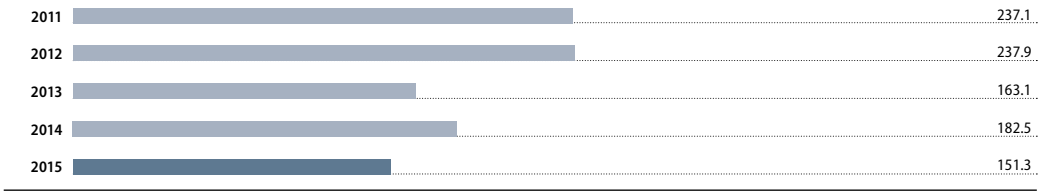
Other operating income increased from € 12.6 million to € 44.0 million. The sharp rise is principally attributable to the sale of 50 percent of the shares in our subsidiary in Langfang, China. In addition there were larger grants, especially for a facility in Eastern Europe. Other operating expenses rose from € 12.0 million to € 25.6 million, reflecting the transaction costs for the Langfang joint venture and a write-down on a held-for-sale site in Morocco. The balance of other operating expenses and income increased from € 0.6 million to € 18.3 million.

All in all, **consolidated earnings before interest and taxes** (EBIT) declined from € 182.5 million to € 151.3 million in 2015. The net income from the sale of the 50 percent stake in Langfang included in this figure came to € 19.6 million. EBIT adjusted for the impact of allocating purchase prices, restructuring charges and divestment amounted to € 146.9 million (previous year: € 192.7 million). On the other hand, the **financial result** including other investment income improved from a negative balance of € 31.8 million to negative € 25.5 million. Here, LEONI benefited from more favourable financing terms as a result of refinancing borrower's note loans in the year under report. As a result, finance costs decreased by around 17 percent to € 27.0 million.

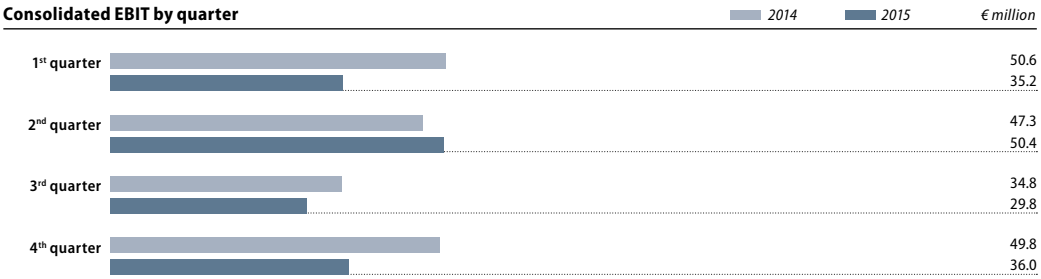
Financial situation
» page 81

Earnings before taxes fell from € 150.7 million to € 125.9 million. Income taxes rose to € 48.6 million (previous year: € 35.7 million) due to the non-recognition of deferred tax assets against current losses. Moreover, due to the muted prospects, we were forced to partially write down capitalised deferred taxes on loss carryforwards. This worked out to a tax rate of 38.6 percent for the period under report, up from 23.7 percent in the previous year. All in all, **consolidated net income** fell from € 115.1 million to € 77.3 million in 2015 while earnings per share declined from € 3.51 to € 2.36.

Consolidated EBIT *€ million*



Consolidated EBIT by quarter



Value creation increased

The LEONI Group increased its net value creation to € 1,077.0 million in 2015 versus € 999.5 million in the previous year. It presents our own output and is calculated on the basis of sales revenues and other operating income less cost of materials, depreciation/amortisation and other advance payments. By far the largest part of the value created, 85.9 percent, is spent on our staff in the form of personnel costs and social security contributions. Our shareholders received 3.0 percent, our lenders 2.4 percent and the government 4.5 percent. To strengthen our financial base, 4.1 percent was retained in the Company.

Accruement

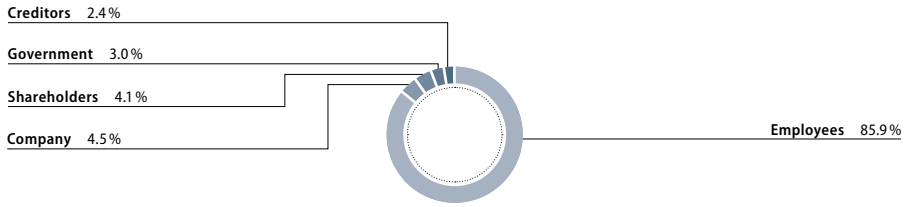
€ million	**2015**	**2014**
Sales revenues	4,502.9	4,103.4
Other income	44.0	12.6
Cost of materials	(2,675.8)	(2,436.3)
Depreciation/amortisation	(147.0)	(123.4)
Advance payments	(647.1)	(556.8)
Net value added	**1,077.0**	**999.5**

Distribution

€ million	**2015**	**2014**
to staff (personnel costs, social security contributions)	925.5	816.8
to the Company (retained income) [1]	44.6	75.9
to shareholders (dividend) [2]	32.7	39.2
to government (income taxes) [3]	48.6	35.7
to creditors (financial result) [4]	25.6	31.9
Net value added	**1,077.0**	**999.5**

[1] *consolidated net income less dividend*
[2] *subject to the approval of shareholders at the Annual General Meeting*
[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 *2015*



Financial situation

Finance strategy

The LEONI Group attaches importance to 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. No official rating exists 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 aim to ensure 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 key objectives of financial management are 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 2015 were denominated in Chinese yuan, euros, Indian rupees, South Korean won and Russian roubles.

Among other means, we manage the **liquidity** of the LEONI Group 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 2015 to ensure liquidity. On 31 December 2015 there were short and medium-term credit lines from banks amounting to € 561.7 million (previous year: € 545.8 million) with terms up to 42 months, of which € 68.0 million were drawn down at year-end (previous year: € 41.3 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 2015, factoring reduced trade receivables by the amount of € 148.8 million (previous year: € 126.2 million). Of the other liabilities, € 30.6 million (previous year: € 21.3 million) was due to the receipt of payment on receivables that were sold within factoring agreements. Moreover, reverse factoring transactions are used for supplier financing in connection with copper procurement. These agreements are used

mainly to take advantage of longer payment terms. At 31 December 2015, trade liabilities amounting to € 94.8 million (previous year: € 104.1 million) were transferred to factoring companies in the context of signed reverse 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 where necessary. An interest rate swap with a nominal volume of € 63.5 million expired in fiscal 2015. As at 31 December 2015 there were no other interest rate swaps.

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 2015, they amounted to € 814.6 million versus € 628.9 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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Financing terms substantially improved

In the year under report existing borrower's note loans in the amount of € 177 million were repaid early for the most part and refinanced with new loans at lower interest rates and with a longer term. All told, new borrower's note loans in the amount of € 225.5 million were raised. Thanks to more favourable refinancing, our financing costs decreased gradually in the course of the year despite larger loans. In addition, we took out or extended foreign currency loans amounting to some € 17 million in 2015 and repaid corresponding loans in the amount of € 10.8 million. Furthermore, term loans in US dollars amounted to € 36.6 million on the balance sheet date. Following the sale of 50 percent in Langfang LEONI Wiring System Co. Ltd. in China, the loans will be reduced by a further € 37.0 million.

The following table provides an overview of the existing material long-term finance:

Finance structure **Long-term finance**	**Amount** *in € million*	**Placed** *year*	**Term** *to year*
Borrower's note loan	63.0	2012	matures 2017
Borrower's note loan	25.0	2012	matures 2018
Borrower's note loan	48.5	2012	matures 2019
Borrower's note loan	25.0	2013	matures 2020
Borrower's note loan	6.0 87.0 77.5	2015	matures 2020
Borrower's note loan	9.0	2012	matures 2022
Borrower's note loan	21.0 19.0	2015	matures 2022
Borrower's note loan	12.0	2015	matures 2025
EIB loan	100.0	2013	matures 2018

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 ensure sufficient liquidity is available for the Company's development through profit retention.

Cost of capital and ROCE

The weighted average cost of capital (WACC) for the LEONI Group decreased to 6.32 percent in 2015 (previous year: 6.69 percent). The return on capital employed (ROCE) declined to 10.0 percent (previous year: 13.7 percent). This means that the target figure of around 9 percent updated in November was slightly exceeded.

Calculation of Group WACC

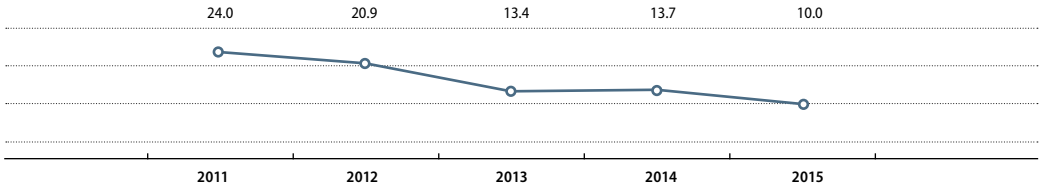
		2015		2014
Risk-free interest		1.5 %		1.5 %
Market risk premium		6.0 %		6.0 %
Beta factor		1.31		1.23
Cost of equity after tax		**9.36 %**		**8.88 %**
Borrowing costs before tax		2.12 %		2.63 %
Tax rate	29.00 %	0.61 %	28.00 %	0.74 %
Borrowing costs after tax		**1.51 %**		**1.89 %**
Equity proportion		61.22 %		68.72 %
Proportion of borrowed funds		38.78 %		31.28 %
Cost of capital after taxes (WACC)		**6.32 %**		**6.69 %**

Calculation of return on capital employed

€ million	2015	2014
EBIT	**151.3**	**182.5**
Intangible assets	79.3	82.7
Goodwill	149.9	147.7
Property, plant and equipment	902.3	810.1
Inventories	547.9	564.2
Trade receivables	562.2	544.9
Others	316.1	279.2
Total assets	**2,557.7**	**2,428.8**
Trade liabilities	735.7	704.9
Other liabilities and received payments up to 1 year	207.0	184.4
Others	146.4	154.8
Total equity and liabilities	**1,089.1**	**1,044.1**
Capital employed on the reporting date	**1,468.6**	**1,384.7**
Capital employed, annual average*	**1,513.7**	**1,332.6**
ROCE	**10.0 %**	**13.7 %**

* *Calculation of the annual average is based on the past five quarterly reporting dates.*

Return on capital employed %



Statement of cash flows: cash provided by operating activities rises to € 228.0 million

In 2015, cash provided by operating activities of the LEONI Group improved from € 180.8 million in the previous year to € 228.0 million. The lower net income figure was more than offset by a reduction in the amount of funds tied up in working capital. Thanks to optimised inventory management, inventories were reduced despite the expansion of business.

The cash used for investments came to € 233.2 million during the period under report and was more than the previous year's € 218.7 million. This was mainly due to increased capital expenditure because we expanded capacity at various facilities in both divisions. Free cash flow before acquisitions and divestments improved from negative € 37.9 million in the previous year to a negative amount of € 12.1 million in 2015.

Capital expenditure
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Cash used for financing activity amounted to € 46.1 million (previous year: € 64.8 million). The large amount of cash inflows and outflows following the restructuring of our financial liabilities, which on balance resulted in an inflow of € 85.3 million, was partly offset by the dividend payment of € 39.2 million.

Financing terms substantially improved
» page 81

All told, the LEONI Group's cash and cash equivalents taking into account exchange-rate-related changes came to € 279.7 million at the end of 2015 (previous year: € 232.0 million).

Operating cash flow *€ million*

Consolidated statement of cash flows

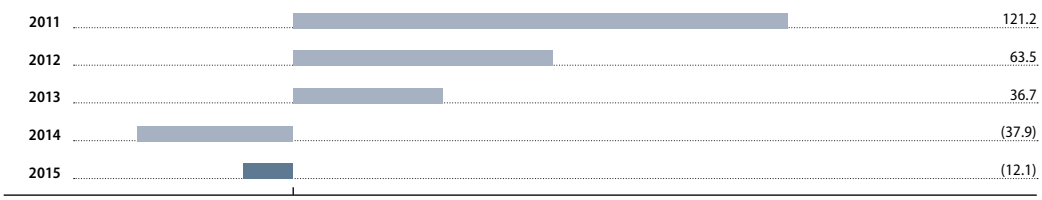
€ million (abridged version)	2015	2014
Cash flows from operating activities	228.0	180.8
Cash flows from capital investment activities	(233.2)	(218.7)
Cash flows from financing activities	46.1	64.8
Change of cash and cash equivalents	40.9	26.9
Cash and cash equivalents on 31 December	279.7	232.0

Calculation of free cash flow

€ million	2015	2014
Net income	77.3	115.1
Write-downs/impairment cost	147.0	123.4
Changes in working capital	6.5	(68.2)
Other	0.6	10.7
Cash flows from operating activities excl. acquisitions/divestments*	**231.4**	**180.8**
Cash flows from capital investment activities excl. acquisitions/divestments	(243.5)	(218.7)
Free cash flow excl. acquisitions/divestments*	**(12.1)**	**(37.9)**

** taking related costs into account*

Free cash flow before acquisitions and divestments*



** taking related costs into account*

Capital investment up by 15 percent

Capital investment in the LEONI Group increased by a total of around 15 percent to € 247.6 million in fiscal 2015. This involved almost entirely property, plant and equipment as well as intangible assets.

The Wiring Systems Division increased its capital investment by 21 percent to € 168.5 million (previous year: € 139.2 million). Important projects included the establishment of our fifth wiring systems facility in Tieling in northern China and the construction of our first production plant in Paraguay. On the basis of various customer orders we also expanded several other facilities in America and Asia. Capacity in North Africa and Eastern Europe was also enlarged, particularly in Romania and Serbia. In Germany we commenced the second expansion and modernisation phase of the divisional headquarters in Kitzingen.

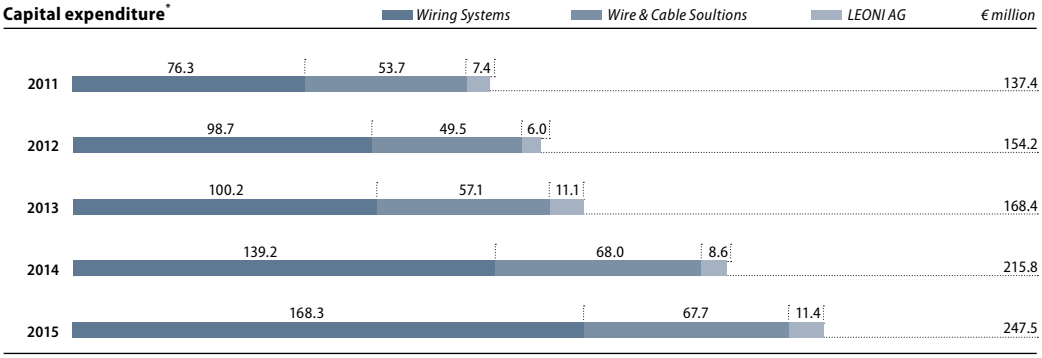
Capital expenditure in the Wire & Cable Solutions Division in 2015 amounted to € 67.7 million and was of a similar size to the previous year's figure (€ 68.0 million). The focus was on equipment, machinery and infrastructure for two new automotive cable plants in China and Mexico. Other focal points included a special cables production line of Business Group Industry & Healthcare in Eastern Europe, the expansion of high speed cable production at the facility in Friesoythe, Germany and the expansion of solar box production in China. Moreover, during the year under report the land for the Factory of the Future at the Roth site was acquired. Further information on the capital investment projects of the two divisions is contained in the segment report.

Reports by division/ Segment report
» **page 64, 70**

LEONI AG's capital investment increased by around one third to € 11.4 million. Its main purpose was extensive IT projects to prepare for future growth.

Broken down by region, the following picture emerges: capital investment in the EMEA region rose by around 30 percent to € 184.8 million and by just under 11 percent to € 32.0 million in the Americas. By contrast, it declined by almost 32 percent to € 30.6 million in Asia for project cycle-related reasons.

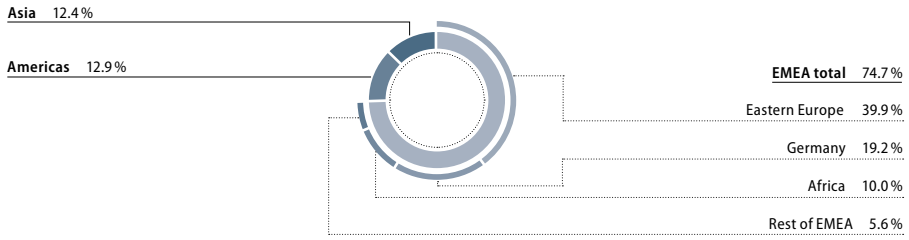
Capital expenditure*



*excluding acquisitions and investments

Group capital expenditure by region*

2015



*excluding acquisitions and investments

Asset situation

Equity ratio improved to 35.1 %

The LEONI consolidated balance sheet as at 31 December 2015 was enlarged by just over 6 percent to € 2,837.5 million. It must be remembered that the completion of the joint venture with Chinese company BHAP and the associated sale of 50 percent of shares in our wiring systems plant in Langfang have led to a reduction in various balance sheet items. In particular, this concerned inventories, property, plant and equipment, trade receivables and trade liabilities as well as non-current financial liabilities. The corresponding contraction in the balance sheet was essentially more than offset by the expansion of business and high positive exchange-rate effects resulting from the weak euro, which also made themselves felt in several items.

On the asset side, there was an increase in **current assets** by a total of around 5 percent to € 1,546.3 million. Thanks to our optimised inventory management, inventories were reduced by just under 3 percent to € 547.9 million. Trade receivables, which rose by 7.3 percent to € 603.2 million, also included receivables of Group companies from Langfang LEONI Wiring Systems Co. Ltd., which is no longer included in the scope of consolidation. The item 'held-for-sale assets', which decreased from € 9.6 million to € 7.0 million, reflected among other things the depreciation of a held-for-sale site in Morocco. At € 93.6 million the other current assets were roughly at the previous year's level.

Non-current assets rose by around 8 percent to € 1,291.2 million, principally due to an increase in spending on property, plant and equipment from € 810.1 million to € 902.3 million in connection with the extensive capacity expansion measures. Furthermore, investments in associates and joint ventures increased to € 13.0 million (previous year: € 0.7 million), essentially due to the carrying amount of the joint venture in China which has been consolidated according to the equity method since 11 December 2015. There were no notable changes in intangible assets (€ 79.3 million) and goodwill (€ 149.9 million) compared with one year earlier.

On the liabilities side, **current liabilities** rose by 4.5 percent to € 1,113.9 million. This increase was principally due to trade liabilities, including other financial liabilities, which grew by 7.2 percent to € 797.7 million as a result of business expansion. Current financial liabilities (€ 102.4 million), provisions (€ 32.7 million) and other liabilities (€ 149.1 million) were all roughly at the year-end 2014 level.

Asset and capital breakdown

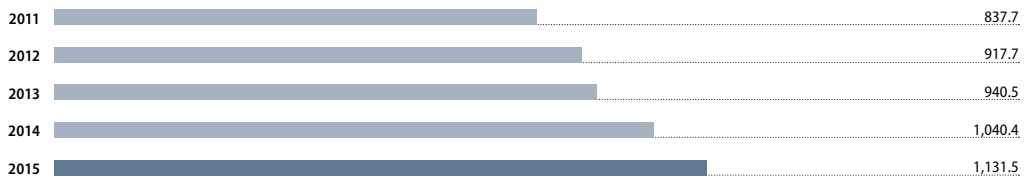
€ million	31/12/2015	31/12/2014
Current assets	1,546.3	1,471.7
Non-current assets	1,291.2	1,195.5
Total assets	**2,837.5**	**2,667.2**
Current liabilities	1,113.9	1,065.8
Non-current liabilities	727.2	683.7
Equity	996.3	917.8
Total equity and liabilities	**2,837.5**	**2,667.2**

Financing terms substantially improved
» page 81

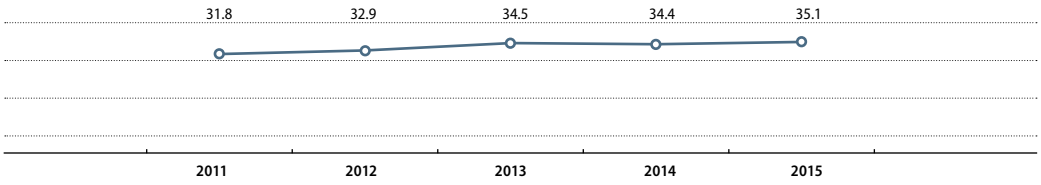
The rise in **non-current liabilities** of just over 6 percent to € 727.2 million resulted principally from the increase in non-current financial liabilities of around 11 percent to € 498.8 million in the context of the restructuring of our financing. In addition, other provisions grew by about 11 percent to € 26.7 million due to increased allocations for partial retirement agreements and anniversaries. By contrast, pension provisions fell by some 4 percent to € 150.7 million because their valuation could be adjusted on account of the slight increase in the level of market interest rates. Non-current financial liabilities were also reduced, falling from € 7.5 million to € 3.1 million thanks to lower liabilities from measurement of hedge contracts.

Equity on balance grew by just under 9 percent to € 996.3 million and was boosted by the increase in retained earnings to € 657.2 million (previous year: € 619.3 million) as well as by the substantial increase in accumulated other comprehensive income. Thanks to large positive exchange-rate effects and to actuarial gains it was reported at € 13.9 million, compared with a negative figure of € 26.6 million on the same closing day one year earlier.

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



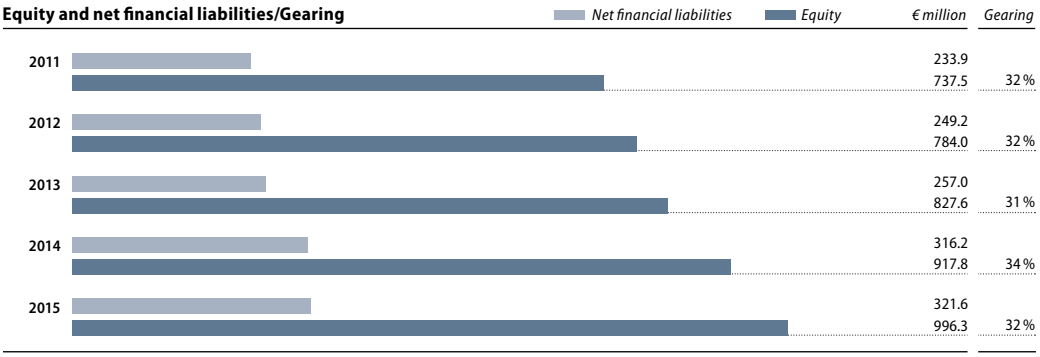
Equity ratio %



Calculation of net financial liabilities

€ million	2015	2014	Change
Cash and cash equivalents	279.7	232.0	+47.7
Current financial liabilities	(102.4)	(99.8)	(2.6)
Non-current financial liabilities	(498.8)	(448.4)	(50.4)
Net financial position	(321.6)	(316.2)	(5.3)

Equity and net financial liabilities/Gearing



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 than are not to be entered on the balance sheet as assets because of the chosen contractual structure.

Other indicators

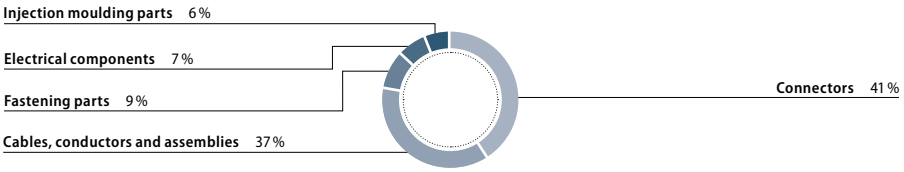
Procurement

Procured raw materials and plastics as well as components continued to be a major cost item for LEONI during the year under report. Group-wide, the cost of materials rose by nearly 10 percent to € 2,675.8 million in 2015. This works out to a cost-of-materials ratio unchanged from the previous year of 59.4 percent.

In the Wire & Cable Solutions Division the cost of materials rose from € 1,206.7 million in the previous year to € 1,315.2 million, which corresponded to 65.4 percent of the division's sales (previous year: 65.0 percent). The most important raw material was again copper in 2015, with a volume of about 130,000 tons that continues to rise. Alongside such other metals as nickel, silver and tin, the increasing quantities of plastics form the second largest group of materials with an amount well above 50,000 tons. These included such special insulation materials as polyurethane, thermoplastic elastomers and fluoropolymers; such standard plastics as polyvinyl-chloride 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 continue to be procured largely from third parties. We stepped up the globalisation of our procurement activity in 2015 to be able to respond to the increasing, worldwide requirements of our customers.

Cost of materials in the Wiring Systems Division *proportions of key material groups 2015*



Connectors remained the most important group of materials with a 41 percent share, followed by cables and conductors with 37 percent, fixings with 9 percent, electronic components with 7 percent as well as injection moulded parts with a 6 percent share. The division's cost of materials came to € 1,538.1 million or 57.6 percent of segment sales in the period under report, up from € 1,384.2 million (57.7 percent) in the previous year, in the process of which we achieved savings for our various facilities by matching terms and conditions internationally.

Increasing volatility of key metals prices

LEONI sources its key raw material, copper, from major strategic suppliers, with the price geared to that quoted on the London Metal Exchange. While copper initially appreciated strongly to a high of € 5.87 per kg in May, the price thereafter dropped significantly: the 2015 low of € 4.27 per kg was reached in mid December. It subsequently recovered and rose to € 4.42 per kg by the yearend. On average, a kilogramme of copper cost € 5.06 during the period under report and thus about 4 percent less than in the previous year.

Development of copper price 2015 *(low DEL price)* *€/100 kg*

The price of silver continued to stabilise in the course of 2015. A kilogramme traded at an average level similar to that of the previous year of € 454.21. By contrast, nickel and tin prices dropped considerably: on an annual average, the price of nickel dipped by 16 percent to € 10.64 per kg, while the price for a kilogramme of tin was about 12 percent lower than in 2014 at € 14.59.

Plastics prices continue to rise

Last year's major slump in the price of oil did not have any effect on the cost of plastics: on the contrary, standard plastics in some cases even appreciated substantially in the period from March to September. Any easing in this respect is to be expected to a minor extent only. The supply situation involving plastics was, apart from a few exceptions, relatively balanced: special plasticisers continue to be in short supply and therefore expensive because of the major power that the few suppliers on the market have.

Component procurement: expansion of facilities in 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. Setting up and expanding procurement activity at our facilities in Asia and the Americas played an especially important role during the year under report. In addition, LEONI continued to develop its local expertise in Romania and North Africa.

Targeted advantage taken of performance potential

It is of great importance to LEONI to cultivate and further broaden its relationships with suppliers. The WCS Division therefore diversified its procurement management further during the year under report to involve high-performing and innovative suppliers in product creation at an early stage. The Purchasing Excellence project launched in 2014 is already far advanced and will lead to a procurement organisation that is set up better. This ambitious plan stems from the division-wide WCS ON Excellence performance programme and is intended to tap global procurement synergies. In addition, LEONI established a function-overarching team to holistically assess and optimise the materials and value creation chain.

In the Wiring Systems Division, we continued the programmes to improve performance. Defined principles, which are being implemented globally, apply for all key suppliers – we thereby ensure worldwide fulfilment of the high requirements imposed on the supplied parts and components. This global purchasing management supports our increasingly international operations and entry into new markets together with our customers. With the help of best-in-class processes, which we have implemented worldwide in our Wiring Systems Division's purchasing, we are developing a procurement structure that comprises both localisation of suppliers and optimisation of the supplier panel as well as a high degree of standardisation and new technologies. Thanks to this supply strategy, we are able to support our projects exceptionally well and are thereby boosting our high competitiveness.

Employees

Core workforce grows to about 74,000 employees

In the past financial year, the LEONI Group's number of permanent staff increased by 6,030 year on year to 74,018 people. The growth took place above all in the EMEA region and was related to new wiring system projects at facilities in Egypt, Romania and Serbia.

In the Wiring Systems Division the overall increase in the number of staff was one of 5,689 to 64,745 employees. Alongside the numerous new projects running on schedule, this also reflected a temporarily increased need for staff to handle project ramp-ups at a plant in Romania that were more extensive and complex than expected. The Wire & Cable Solutions Division employed 9,007 people at the end of 2015, which were 328 more people than one year earlier. Here there was recruitment especially for expansion of automotive cables production at facilities in Asia and the Americas. The LEONI AG holding company had 266 employees on the reporting date, up from 253 one year earlier.

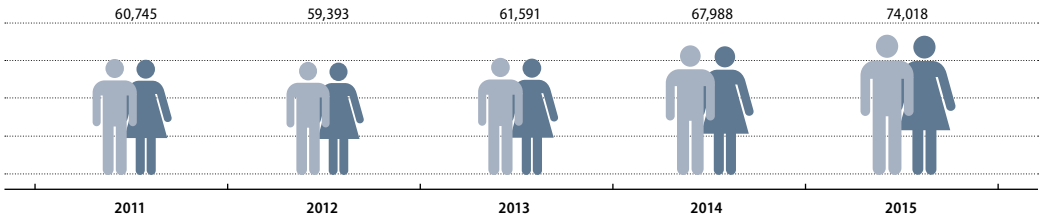
The large majority of LEONI's overall workforce – 69,659 people (previous year: 63,680) or 94.1 percent (previous year: 93.7 percent) – still worked outside Germany. The proportion of employees in Germany was 5.9 percent or 4,359 staff (previous year: 4,308). 9.5 percent (previous year: 9.9 percent) of all employees worked in high wage countries and 90.5 percent (previous year: 90.1 percent) worked in low-wage countries.

To be able to respond quickly to cyclical fluctuation, LEONI employed 11,279 people (previous year: 13,453) on temporary contracts at the end of 2015. 4,366 people (previous year: 6,366) worked for the Company on contracts with manpower agencies. This involved a decrease in the number of part-time workers in China because of projects coming to a scheduled end, while the complex project start-ups in Eastern Europe required us to draw more on agency manpower.

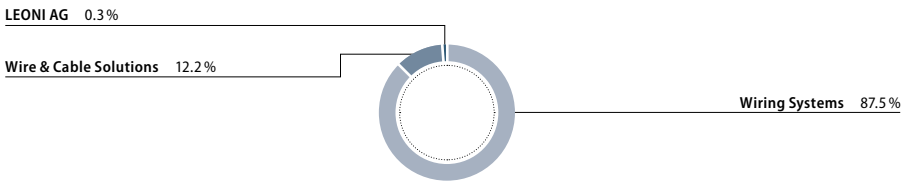
On average in 2015, LEONI employees in Germany were 41.0 years old (previous year: 41.0 years) and they have been with the Company for twelve years (previous year: eleven). 93 employees celebrated their 25th anniversary with the Company (previous year: 87). The proportion of people with a severe disability rose from 3.3 percent to 3.4 percent of the total workforce. Overall, 336 people (previous year: 345) worked part-time and a further 112 were in partial retirement (previous year: 86).

Again in 2015, all significant personnel measures were applied in close agreement and trusting cooperation between management and the general works council in Germany, the European Works Council as well as with local employee representatives and works councils. The new composition of these bodies (European Works Council, general works council, general advisory council) and newly established committees further enhanced this collaboration.

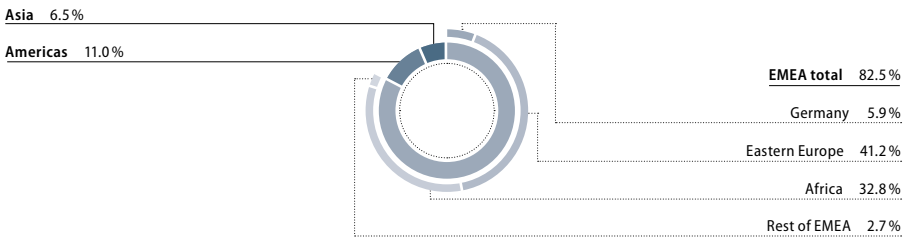
Group employees *as of 31 December*



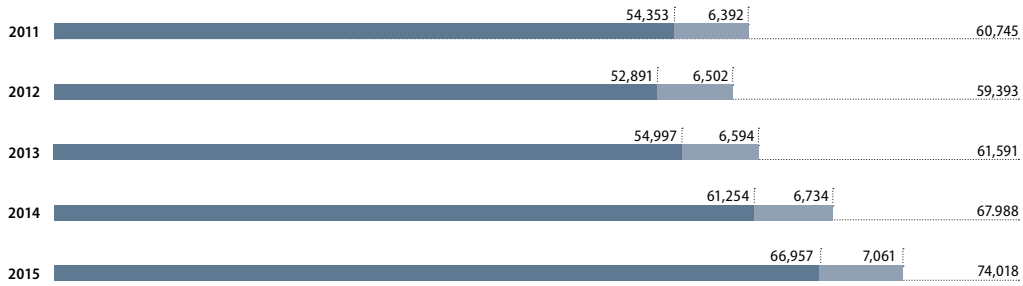
Employees by division *as of 31 December 2015*



Employees by region *as of 31 December 2015*



Development of number of employees by wage region



Human resource strategy and organisation

The principal objective of LEONI's human resource strategy is to make sure the Company is positioned as an attractive employer in the future, too, and thereby to underpin corporate strategy especially with respect to the planned global growth. The key elements of our HR strategy, which is focused on innovative and efficient personnel management structures and process, are applied within the framework of our strategic oneHR programme. OneHR establishes globally harmonised and standardised core HR processes and provides a modern, worldwide IT system for all master HR data. This is the basis for making effective use of such HR tools that are important to business success as strategic personnel planning as well as career and succession planning. The programme will lead to enhanced efficiency, improved service quality and a broadened HR performance portfolio, within which we will establish, among other things, a new organisation with Shared Service Centers (SSCs) and harmonised core HR processes with global management structures. The aim is to rapidly yield cost benefits for the respective facilities and countries, focussed by setting up regional SSCs (Europe, North Africa and the Americas) in quick succession and subsequent, parallel introduction of global HR processes.

The focus of attention in 2015 was on further standardisation of payroll and clocking systems; on setting up the organisational and technical framework for the Shared Service Centers and especially on implementing new recruiting systems in now a total of 13 countries where LEONI is present.

LEONI as an attractive employer

LEONI strives to provide its staff with interesting jobs that involve a high degree of personal responsibility in a motivating, encouraging and constructive environment in order, as an attractive employer, to find skilled and committed employees as well as to retain them within the Company. In so doing, we rely among other things on targeted, international talent management, an extensive range of advanced training options, flexible working-time models and performance-related compensation. Occupational health and safety is also of major importance for the appeal of a job. Information on this is provided in the sustainability report.

Sustainability report
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The Top Employers Institute also provided third-party confirmation of LEONI's appeal as an employer by again commending our company as the 'Top Employer Germany' in 2015.

Talent management Ongoing further development of staff and managing talent are core elements of our corporate responsibility. We have multifaceted personnel development measures in place for this purpose. We organised various talent conferences around the world in 2015 intended to plan worldwide for the succession to key positions and to present employees with options for changing their jobs. To ensure that staff members can be deployed in the best possible way within the Company in accordance with their capabilities and qualifications as well as being fostered in line with their needs, we also launched the pilot phase in Kitzingen of a new concept for employee development interviews that establish clarity about the current and future demands on jobs and employees.

International assignment In response to the growing demand for trade-specific know-how in Asia and the Americas, LEONI set up a new programme in the past year to promote managers from the respective regions. This involved employees with high potential from the Americas and Asia transferring to a Center of Excellence in Europe for one to two years and subsequently taking the specialist expertise acquired there back home. One of the focal areas in 2015 was transferring know-how to South Korea. Properly re-integrating staff members who returned home after their assignment also played an important role.

Advanced training Again in the past year, LEONI employees were offered the opportunity to take advantage of an extensive range of advanced training options, which primarily comprised in-house courses in the areas of trade, leadership and management skills, soft skills, project management, IT, languages and physical health. As required, the Company offered additional outside seminars, especially to acquire specialist and methodology expertise. In Germany alone, LEONI organised 712 events during the year under report (previous year: 832) with 3,468 participants (previous year: 3,968). There were, furthermore, initial pilot events for a new, international management training scheme focused on the subjects of feedback culture and appreciation.

Working-time models LEONI staff can take advantage of a range of flexible working-time arrangements, like part-time, flexitime and trust-based working, job-sharing and teleworking. Our aim with this is to enable our employees to achieve a better work-like balance, and thereby also greater diversity in the workforce. Under an agreement reached in 2015 with the general works council in Germany, our facilities can now also offer their staff members the option of working at home for up to four days a month to further improve their work-life balance.

Company suggestion scheme In order to themselves proactively shape their Company and contribute to its success, our employees again in 2015 played a major part in managing ideas: worldwide, approximately 18,650 suggestions for improvement were deemed useful and implemented during the year under report (previous year: about 17,500). 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. Preparation began in 2015 for introduction of a pan-divisional IT system for managing ideas to further raise the efficiency of our suggestions scheme.

Broadening diversity

LEONI regards diversity as a strategic success factor for the Company's future viability because heterogeneous teams are better able to master complex tasks. Always bearing diversity in mind also underpins our corporate culture. Our activity in this regard is aimed particularly at having appropriate participation of women in management and being more international.

The systematic fostering of women at LEONI comprises a host of other measures along with providing a better work-life balance with flexible working-time models. For instance, we support women with potential by providing targeted qualifications and with such mentoring as the development programme for female (junior) managers of the Bavarian Industry Association. A disproportionately larger number of women are considered for personnel development schemes and management training. We also ask recruitment consulting firms to give priority to identifying and introducing female candidates. We furthermore endeavour as part of our recruitment of young people to familiarise girls with technical careers, for example by hosting Girls' Days at several of our facilities. LEONI moreover supports a programme of female technology mentors run by the Georg Simon Ohm University of Applied Sciences in Nuremberg.

During the year under report, women accounted for a 52 percent share (previous year: 53 percent) of LEONI's total, worldwide workforce. The proportion of women in management position increased to about 29 percent (previous year: 28 percent). LEONI thereby succeeded in slightly raising the proportion of women in leading positions. Further details on implementation of diversity targets are contained in the Corporate Governance report.

Corporate Governance report
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Special mentoring programmes, conferences, workshops, eLearning tools and international awareness training sessions serve to further internationalise management at LEONI. International experience is increasingly considered in the process of selecting job candidates. In 2015, further senior management positions in Germany were filled by non-Germans.

Overall, 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. Of particular significance in this respect is our Social Charter, which was drawn up as long ago as 2003 against the backdrop of increasing globalisation. In this Declaration on Social Rights and Industrial Relations we commit 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 Office (ILO) of the United Nations. Fulfilment of these standards is regularly reviewed at all of our plants by our internal auditing. We also encourage diversity among our business partners: for instance, in France we are also increasingly working with companies that employ people with disabilities. Our general purchasing conditions furthermore require suppliers to observe our Social Charter 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.

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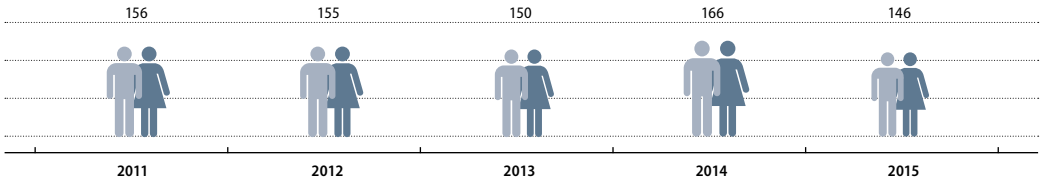
Training and starting a career

At the end of December 2015, LEONI had 146 young apprentices in Germany learning for a career (previous year: 166). Their training in 16 commercial and trade apprenticeship programmes took place at our facilities in state-of-the-art classrooms and, in some cases, in dedicated training workshops. LEONI thus again trained more people than needed in-house – especially so future machinery and plant operators in apprenticeships promoted via the Training and Development Centers of the Bavarian Employers' Associations.

Number of apprentices in Germany *as of 31 December*



At our key apprenticeship facility in Roth, our young talents once again had the opportunity to acquire overarching skills in the LEONI Junior Group – a company within the Company that is run by apprentices with full responsibility. All German apprentices had the opportunity to get to know other employees and business divisions during a works outing.

To give young people starting on their career additional motivation, LEONI grants a bonus per apprenticeship for achievement of a specific grade point average. Several apprentices furthermore received a special bonus in the past year for their outstanding final exam results. In addition, there were 16 scholarships, supported by both of our divisions, for people who successfully completed their initial training at LEONI and then opted for higher education at, for example, a university of applied sciences.

In 2015, 27 young people completed their twin-track university course at LEONI (previous year: 23). The Georg Simon Ohm University of Applied Sciences in Nuremberg has been our new partner university since 2015. The thereby enhanced proximity between the places of study and practical work has increased flexibility for the students and raises the awareness of LEONI as an appealing employer in the region.

We furthermore stepped up our training activity outside Germany during the period under report: together with other wiring system manufacturers, our Wiring Systems Division signed a collaboration agreement with the Ministry of Education in Morocco, which provides for the creation of a total 30,000 apprenticeship places by 2019. As part of this project, LEONI will foster and oversee more than 5,000 young people in the country over a four-year apprenticeship. Our apprentices in China continue to receive their vocational training in the mechanical and electrical fields at a Technical Training Center based on the German model.

As in the preceding years, university graduates had opportunity to join LEONI directly in a particular role or via a trainee programme. Our Wire & Cable Solutions Division broadened its range of traineeships in the past year and enhanced its collaboration with the Wiring Systems Division is this area to tap synergies and for trainees' better networking. Globalisation is playing an increasing role in this respect as well. Firstly, many trainee programmes provide for a foreign assignment and, secondly, more and more young people from other countries are learning their trades as trainees.

Human resource marketing and recruitment of young talent

In 2015 we stepped up particularly our international human resource marketing to improve the awareness of LEONI as a global employer of choice. Implementation of our employer branding concept and introduction of the TALEO international applicant tracking system contributed in this respect.

We also stepped up our collaboration with schools and universities. Alongside application coaching and a careers day, the Apprenticeships Evening held in Roth was again among the most significant projects for young people. It gave them the opportunity to familiarise themselves with LEONI as a possible employer. Our facility in Roth was also commended for its great commitment in the areas of vocational guidance, career choice and internships: we won first prize in the SME category of the "That has Potential" SCHULEWIRTSCHAFT prize awarded by Germany's Federal Ministry for Economic Affairs.

During the year under report, we substantially broadened our international contact with high schools and universities to make LEONI more well-known among students outside Germany as well. In addition to 30 university and corporate networking fairs in Germany, LEONI participated in similar events in numerous other countries where it has its own operations, among them in Egypt, Morocco, the United Kingdom, Switzerland, Serbia and Tunisia. In Egypt, LEONI also again offered a Summer Internship Program, which enabled students to get to know the Company.

Within the framework of the Scholarship Germany programme, LEONI AG sponsored 13 scholars at Erlangen University in Nuremberg and at Technical University of Munich. Numerous students also completed internships or wrote their final papers in collaboration with LEONI.

As in the preceding years, we also again supported wide-ranging university initiatives; for example several teams taking part in the Formula Student competition as well as workshops on various technical topics. Since the 2015 winter semester, the University of Applied Sciences in Landshut, Germany has offered a new masters degree course in wiring system development in collaboration with LEONI and other companies.

Research & Development

R&D objectives

LEONI conducts in-depth research and development (R&D) work. The objective is to develop new products and solutions in order to further enhance our leading competitive position in many markets as well as to develop 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. With newly developed products we also want to contribute to broadening of our systems expertise and to becoming the most innovative cable provider.

Organisation and work in 2015

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. In 2015, we expanded our R&D capacity particularly in Asia – with the focal areas of China and South Korea. We also expanded our development facility in Slovakia. Joint research and advance development work with our customers was stepped up and our innovation management was further optimised during the year under report to enhance our systems expertise and power of innovation.

The Wire & Cable Solutions Division has a division-wide development network with customer-oriented and efficient units. In addition, there are centres of excellence in Germany and Switzerland as well as corporate units that focus on optimising production. Our strategic technology and innovation management, corporate advance development and professional patent management ensure that new developments are applied and safeguarded. Work in this area was pooled at the beginning of 2015 in our new Development & Compounding department in order to optimise and streamline R&D for the key field of insulation materials.

There are many fields of close collaboration between the R&D specialists of our two divisions. LEONI can thereby combine a wide variety of know-how for specific tasks, thus achieving synergies also in the interests of customers. In 2015 we set up a division-overarching Innovation Board that serves to improve networking and exchange of ideas with a long-term view on technological developments in a precompetitive setting.

Focal areas of development

The most important R&D subject in the Wiring Systems Division continued in 2015 to be the project-related development of customised wiring systems. Optimising weight and installation space to lower the CO_2 emissions of vehicles remained a priority task in the process. Given the increasing number of driver assist systems and the consequently growing complexity of wiring systems, we are, in the search for future concepts, also working on bionic models. Other focal areas involved the development of a 48 volt wiring system to improve the energy balance in cars as well as broadening of our product range for electric and hybrid vehicles.

The Wire & Cable Solutions Division also pursued numerous customer and market-specific projects during the year under report, especially so for the automotive industry, medical technology, the capital goods industry and the infrastructure sector. The focal areas continued to be widening of the portfolio of halogen-free cables, miniaturised cables, fiber optic cables and products for high-frequency applications, the development of 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 systematic realisation of cost and weight optimisation potential. We also maintained our commitment to green technology. In the area of production processes we licensed a special injection moulding technology for manufacturing connecting components, which is in the next step being developed further for cable production because it will there present us with entirely new kinds of options.

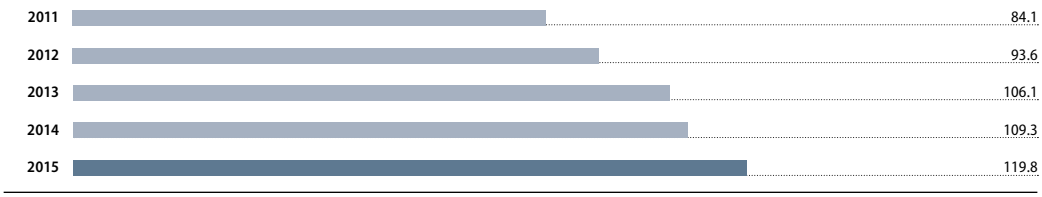
R&D spending up by 10 percent in 2015

The LEONI Group's spending on research and development increased by nearly 10 percent to € 119.8 million in 2015, which equated to an unchanged 2.7 percent proportion of consolidated sales. Assets furthermore included € 2.9 million in capitalised development costs (previous year: € 2.7 million). As in the year before, the deferred development costs and those capitalised as receivables amounted to € 22.7 million in fiscal 2015.

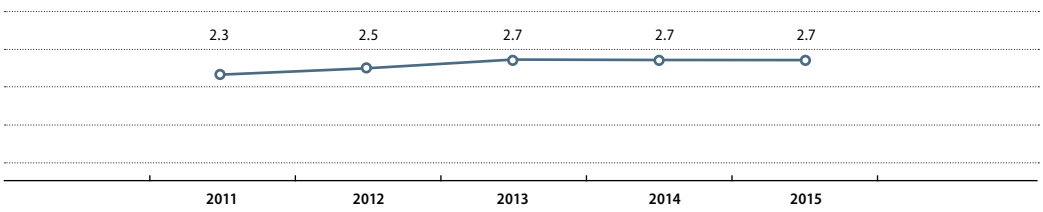
The Wiring Systems Division increased its R&D spending by 9.5 percent to € 108.0 million, or 4.1 percent of segment sales, in 2015 primarily in connection with the numerous new project start-ups. In the Wire & Cable Solutions Division the item increased by about 3 percent to € 13.1 million or 0.7 percent of segment sales.

On 31 December 2015, 2.3 percent (previous year: 2.4 percent) of the Group's workforce, or 1,669 employees (previous year: 1,637), worked in R&D. Of that total, 448 people (previous year: 356) worked in the Wire & Cable Solutions Division and 1,221 (previous year: 1,281) in the Wiring Systems Division.

R&D spending in the Group *€ million*



R&D spending as a proportion of consolidated sales %



Results of R&D work

Again in 2015 LEONI completed various customer-specific development projects, took products to the marketability stage and registered proprietary rights. The number of submitted patents and utility models dipped from 55 to 42, of which 16 stemmed from the Wiring Systems Division (previous year 23) and 26 from the Wire & Cable Solutions Division (previous year 32).

Below we report on significant new developments in 2015. Many of these innovations are concerned with weight reduction and the use of environmentally friendly materials and thereby strengthen our position in the green technology segment.

Y splitter for high-voltage wiring systems To simplify the wiring of hybrid and electric vehicles, the Wiring Systems Division developed a compact and robust product for safe and low-resistance connection of ancillaries in a high-voltage wiring system. Our new type of Y splitter makes it possible to split, securely and in a space-saving way, the power between two high-voltage units, as for instance between the air-conditioning compressor and the auxiliary electric heater, which is becoming necessary ever more frequently in high-voltage wiring system architectures. This innovative product was presented at the International Motor Show (IAA) in September 2015.

Integrated pyroswitch for more safety Likewise at the IAA, LEONI presented a pyroswitch that, in the event of an accident, breaks the circuit in the automotive cables within three milliseconds. The product can be integrated directly in pre-fuse boxes and power distributors and is coupled to the car's airbag signal. Thanks to the correspondingly short response time, the impact will only damage the cable after the circuit has been broken. The risk of a short circuit and a consequent vehicle fire is thereby minimised.

Fuse and relay boxes with connector sockets To broaden our systems expertise in the components business, we have developed a wide range of fuse and relay boxes with special connectors that ensure the best possible interface covering between the box and the cable harness. We can thereby offer our customers dedicated, comprehensive solutions to match their particular requirements.

48 volt wiring system Together with a German manufacturer of premium cars, LEONI has conceived a demonstration vehicle with solutions for introducing 48 volt wiring systems. The higher voltage has major advantages in view of the growing number of electronically controlled comfort and safety applications. On the one hand, it facilitates fundamentally more energy-efficient demand management of these driver assist systems. Thanks to the reduced current, it on the other hand permits significantly smaller cable cross sections, which in turn reduces wiring system weight.

New kinds of cable materials In 2015, the Wire & Cable Solutions presented various, particularly lightweight, high-performance and environmentally friendly new cables made of innovative or alternative materials. The focus was on plastic compounds for such ultra-thin automotive cables as LEONI FLUY, which enables the same good insulation properties while having a reduced wall thickness, thereby contributing to installation space and weight reduction. We also developed insulation materials for example for data cables capable of higher transfer rates and a USB cable made of bio-based raw materials.

Innovative fire retardant cables We have also launched a range of new products for the crucial area of fire safety, such as a high-flex, halogen-free HFFR (halogen free flame retardant) material for use in household appliances. In the data cables segment, we developed various cables with system integrity in the event of a fire that are based on silicone or – in the case of high-frequency applications – with mica foil.

Solutions for specific local requirements The increasing globalisation of the Wire & Cable Solutions Division's activity calls for more products and solutions that meet the specific demands in the growth markets of importance to us. During the year under report, we therefore worked, among other things, on a new, flame-retardant cable insulation material for the Indian railway industry as well as on plastic compounds for automotive cables that are made with raw materials from China.

New fiber optic technologies The iEVC (illuminated electric vehicle charging cable) concept presented in 2014, which is an innovative charging cable with a status-indicating illumination function for electric and hybrid vehicles, was developed further during the year under report and the technology was tested for possible additional areas of application, e.g. in our Business Groups Industry & Healthcare as well as Electrical Appliance Assemblies. The universally deployable iEVC displays the charge status via an integrated illumination unit along the cable; it is especially energy efficient through the use of LED technology and just as robust as conventional charging cables.

Development projects and collaboration

Both of our divisions continued in 2015 to work together with partners on various, in some cases subsidised development projects. The Wiring Systems Division participated, for example, together with carmakers and other component suppliers in a programme to promote 48-volt wiring system technology of the French automotive industry association PFA, Filiere Automobile et Mobilités. With the Friedrich-Alexander University in Erlangen-Nuremberg, furthermore, we have a collaborative scheme to promote research into automation potential in the production of wiring systems as well as the search for innovative product ideas to support automated cable harness production.

Among others, the Wire & Cable Solutions Division is pursuing two projects in the field of fiber optic technologies. We are trialling laser light applications for vehicles in collaboration with two manufacturers of premium cars and, in the year under report, gained a larger-scale sponsored project from the aviation industry, which involves research into new light fibers for cabin wiring. We also continued with the EU-sponsored programme for research into a new kind of fire protection agent based on nanotechnology and worked with the Research Division Polymeric Materials and Composites PYCO of Fraunhofer Institute on new methods for improving cable properties. We had in place further collaborative projects with the Georg Simon Ohm University of Applied

Sciences in Nuremberg in the field of characterising optical fibers as well as with the University of St. Gallen in the field of technology and innovation management with the focus on frugal innovation. 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.

LEONI is also a member 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' to exchange ideas on the latest technological trends with other companies and the scientific community. Serving the same purpose is our development partnership with two teams participating in the international 'Formula Student' universities design competition.

Group strategy
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Sustainability report

Sustainability has especially high priority for LEONI. We understand this to mean both a long-term business outlook and integration of ecological as well as social aspects in our management. We thereby contribute both to safeguarding the Company's future and towards sustainable development of business as well as in society. Our guidelines is this respect are – alongside legal requirements – such recognised standards as the German Corporate Governance Code, the UN Global Compact and the Charter of Diversity. There are furthermore internal sets of rules like our Social Charter, the LEONI Code of Ethics and guidelines on quality policy as well as occupational safety, health and the environment (abbreviated SHE). Management systems for quality as well as SHE are in place in both of our divisions to implement these requirements and to systematically improve our orientation towards sustainability.

Corporate Governance report
» page 28

In 2015, LEONI launched a pan-divisional project to develop an improved plan for sustainability. The objective is to step up the corresponding activity of the divisions in a coordinated fashion and gradually to enhance orientation towards sustainability throughout the Company. To this end, we plan to incorporate and enhance the already existing management systems of the two divisions within the Group organisation.

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. Further information on the topic of sustainability can be found in our annual Communication on Progress (COP), which LEONI issues under the UN Global Compact. The latest version 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 website
» www.leoni.com

UN Global Compact Index
» page 226 et seq.

Risk and opportunity report
» page 113, 120 et seq.

Quality management

LEONI works continuously in both of its divisions on improving its quality management systems to ensure the high level of quality and reliability of its products, services and processes.

In the Wiring Systems Division, responsibility for quality management and the LEONI Productivity System (LPSplus) was combined during the year under report and the corresponding management system was focused even more sharply on continuous improvement. For this purpose, we introduced a division-wide improvement and coaching system based on the Kata method, which is used for optimising all processes. We achieved quality improvement in terms of the number of fault-free products delivered in 15 of the total 16 business units. We also responded in the fourth quarter of 2015 with various Kata projects to the performance problems involving some new product start-ups. We successfully passed the repeat audits pursuant to the ISO/TS 16949 automotive industry standard that were due 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.

At the beginning of January 2015, the Wire & Cable Solutions Division launched a division-wide project to harmonise business processes in quality management and assurance at the pilot facility in Roth. Implementation at the plants in India, Poland and Turkey began in October. As in the preceding years, many of our business units were also subjected to oversight and repeat audits to uphold their existing certification. All of the division's 54 entities are therefore still certified to the ISO 9001 quality standard. Ten plants are furthermore certified to the ISO/TS 16949 automotive industry standard, three to the ISO 13485 medical technology standard and two to the EN/AS 9100 aerospace standard.

The high quality of our products as well as our dependability as a partner to our customers was again commended with various awards in the past year:

Customer Awards 2015

Division	Award	Customer
WSD, BG European Customers	**Supplier Excellence Award** in bronze	Jaguar Land Rover
WSD, BG European Customers	**Best Plants Award** for the sites in Bouzkoura (Morocco) and Pitesti (Romania)	PSA
WSD, BG European Customers	**Best Supplier Award** in the category "Cost Savings"	PSA
WSD, BG European Customers	**Logistics Award** for the site in Pitesti (Romania)	Renault Dacia
WSD, BG US Customers & Commercial Vehicles	**Quality Systems Basics certification** of the Durango site (Mexico)	General Motors
WSD, BG US Customers & Commercial Vehicles	**Best Practices Recognition** for the sites in Durango and Hermosillo (both in Mexico)	Paccar
WCS, BU Automotive Standard Cables	**Bulk Commodity Green Supplier of the Year in North and Central America**	Yazaki North America
WCS, BU Healthcare	**Quality Improvement Award**	United Imaging, China

Social matters

LEONI commits itself to various social projects and institutions. In keeping with our sponsorship plan, we again supported particularly social activity at various of the Group's facilities in 2015. To a lesser extent there were in addition contributions to culture, education and science as well as sport. The focus in terms of region was on the Ukraine in the past year: here we sponsored two schemes to improve the medical equipment of hospitals in the region around our facility in Stryj. In addition, we devoted ourselves to various social activities in Germany; for example the 'Student Company' project of the German Children and Youth Foundation, the objective of which is true-to-life learning and sustainable business management. Other partnerships that have been ongoing for several years include the 'KISS' programme (teaching of swimming at Nuremberg schools), a hospice and a facility to care for children with cancer.

Occupational safety, health and environmental protection

LEONI website
» www.leoni.com

Both of LEONI's divisions have SHE (safety, health and environment) guidelines that are consistent in their content to prevent accidents and illnesses at work as well as to reduce environmental impact. Work began in 2015 on setting up standardised reporting structures in the divisions to make it possible in the future to gather information that is consistent Group-wide on SHE-relevant key figures. There were furthermore organisational changes in the Wiring Systems Division so as to better reflect its increasingly global operations and to strengthen international SHE-related expertise.

Occupational health and safety

LEONI is intent on precautionary risk identification and effective threat aversion to ensure the health and safety of its employees as well as to avoid injuries and illnesses. In so doing we take as a guide such internationally recognised standards as OHSAS 18001. In the past year, five Wiring Systems Division facilities in China, France, Romania and Tunisia passed repeat audits under this occupational health and safety standard. In the WCS Division, a facility in Switzerland and thus the division's second legal entity was successfully validated according to OHSAS 18001.

There was a range of activity during the year under report to further raise safety at work and health protection. Here, too, we forged ahead with division-overarching collaboration and standardisation. We furthermore improved, for example, the fire protection at North African wiring systems plants and implemented a very extensive safety standard for goods in, out and storage in the Wiring Systems Division. As in the previous year, our occupational health management promoted a large number of preventive measures. Based on progression of division-wide activity, we also analysed the status quo of existing health protection structures and support measures at all wiring system facilities.

Environmental management

Our environmental management is geared to the internationally recognised ISO 14001 standard. In the Wiring Systems Division, about three quarters of the plants are meanwhile certified. Initial certification took place at five facilities overall in 2015. Furthermore, 16 organisational units worldwide were audited by the WSD head office SHE department and an energy efficiency audit was started.

In the Wire & Cable Solutions Division there were several oversight and repeat audits according to the ISO 14001 environmental protection standard, which about 52 percent of WCS entities fulfil. Six of these are also EMAS validated. Following the successful, first-time certification of another facility in Germany to ISO 50001, a total of four WCS entities also met the international standard for energy management systems in 2015.

Environmental protection measures

Given what is in some cases our energy-intensive production – especially in the Wire & Cable Solutions Division – the focus of our activity in the area of environmental protection is on improving energy efficiency. An environmental target under the heading 'Efficient Lighting' was consequently set for 2015, which obliges all larger facilities to assess their existing lighting based on a checklist. The feedback was used to work out measures to improve the fitted lighting. Some plants already implemented the corresponding improvement measures during the year under report; the others will follow in 2016. The topic of efficient lighting likewise played an important role in the Wiring Systems Division during the year under report: the division updated its Energy Management standard to make more use of LED technology.

Our plants furthermore check for and carry out other efficiency-enhancement measures on an ongoing basis. In 2015, for instance, the compressor station at the wire production line in Weissenburg, Germany was rebuilt and extended to include a heat recovery system, among other things. Having applied these measures yields an energy saving of 700,000 kWh per year. At our WCS facility in Trencianska Tepla, Slovakia we invested in a new steam generation system, set this up in a demand-optimised way and simultaneously reduced the heat loss in the system. At the same level of production capacity utilisation, this has lowered gas consumption by 60 percent. The second phase of rebuilding the Wiring Systems Division headquarters in Kitzingen, Germany, which was started in 2015, is also guided by energy-efficiency aspects. For instance, the new technology centre being built there will be equipped with its own photovoltaic plant, which will supply much of the energy required at the site.

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. The figures available by the date of the management report refer to 2014: that year we consumed about 170 MWh of energy per € 1 million of sales, either directly or indirectly emitting about 47 tons of CO_2. The corresponding data for 2015 will be made public in the next UN Global Compact Communication on Progress, which will probably be issued in August 2016. In the wake of setting up a Group-wide sustainability management system, we standardised the calculation methods and the areas included, which is why a comparison with the data released in the preceding year is possible to a limited extent only.

LEONI in 2015 again took part in the Carbon Disclosure Project, which, on behalf of institutional investors, collects data and information on CO_2 emissions, climate risks as well as reduction targets and strategies from companies using a standardised questionnaire and on a voluntary basis. For this, too, the calculation methodology was standardised and the data availability and quality was substantially improved. LEONI thereby succeeded in making significant progress in its disclosure score.

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, Nature Conservation, Building and Nuclear Safety (BMUB), and is very well positioned in many of these sectors.

The table below provides an overview of our fields of application for green technology:

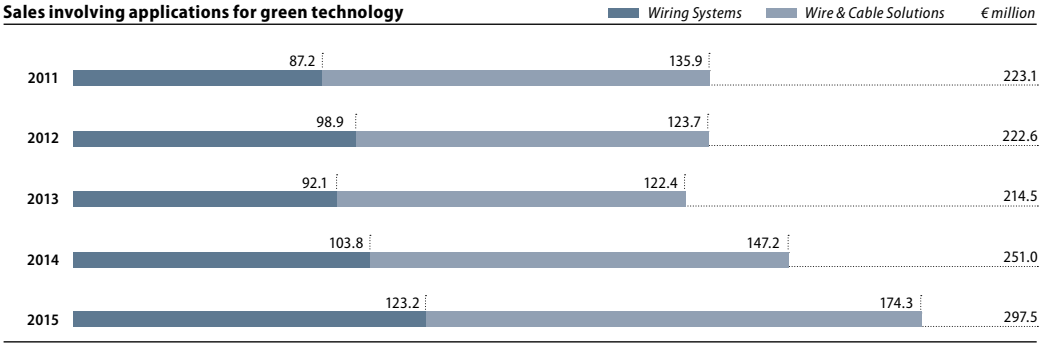
Market segment	Examples of applications for LEONI products
Environmentally-friendly energy generation and storage	▪ Solar energy (e.g. photovoltaic and solar thermal plants) ▪ Bioenergy (e.g. biogas and biomass power plants) ▪ Hydro power (e.g. tidal and pumped storage power plants)
Energy efficiency	▪ 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

Research & Development
» **page 99 et seq.**

LEONI expanded its range of products and services in the area of green technology further in 2015. Specifics concerning the new developments are contained in the section headed Research & Development. Group-wide, sales of products and solutions for green technology were up by 18.5 percent to € 297.5 million in the past financial year (previous year: € 251.0 million).

Sales involving applications for green technology

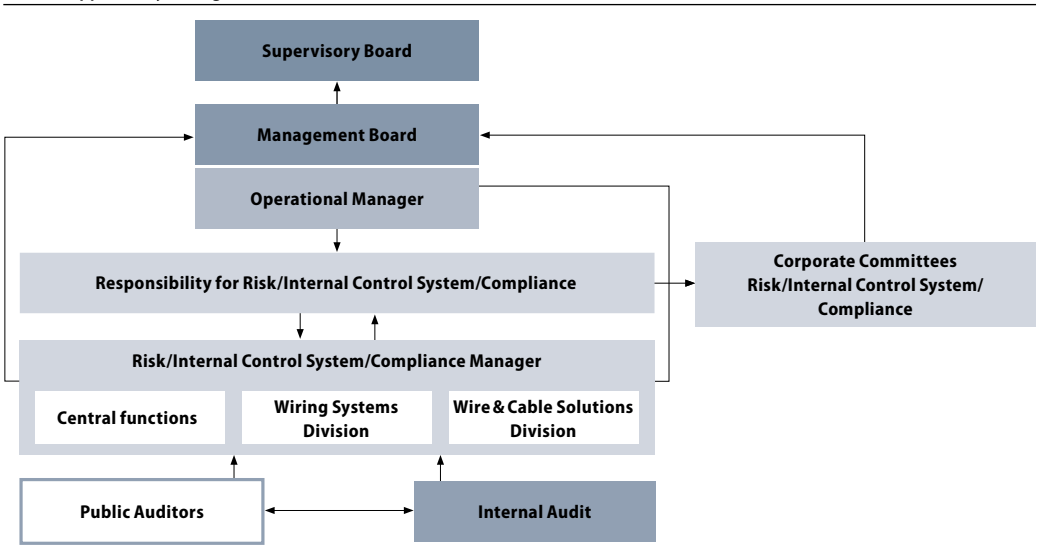


We also assess our production processes with respect to green technology. Group sales of products that are made in environmentally certified facilities or using energy efficient plant and machinery rose from € 3,143.7 million to € 3,390.8 million in 2015. The Wire & Cable Solutions Division contributed € 1,174.9 million (previous year: € 1,128.5 million) to this total and the Wiring Systems Division € 2,215.9 million (previous year: € 2,015.2 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 with a probability bordering on certainty. 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 possible 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. Risk aggregation (by means of Monte Carlo simulation) is applied for early identification of developments that might threaten the Company's continued existence (cf. Art 91 (2) of the German Companies Act). This Group-wide system encompasses the corporate risk manager and three 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 (Chief Risk Officer).

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. Alongside risk management in the narrower sense, the Company thus also has a farther-reaching system for monitoring opportunities and risks, which also evaluates material information from all management systems with respect to opportunities and risks (risk management in the wider sense).

Risk analysis Our risk analysis involves systematically identifying risks and describing the material risks with respect to the probability of occurrence and quantitative effects. 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 (e.g. sales, capital, procurement and human resource markets) 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 managing risk always remains with respective operational management as the risk owner. The division's controlling and risk management supports operational management in this process of identification and quantification.

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

An aggregation of the risks by means of Monte Carlo simulation is made for early identification of developments that might threaten the Company's continued existence and to determine the overall risk. The risk aggregation includes the respective net risks, i.e. the risks based on consideration of the risk mitigation measures applied.

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. This information and the twelve most significant (TOP 12) risks are presented to the Management Board and the Supervisory Board on an annual basis. The risk report will furthermore be updated if there is any material change in the Company's risk profile.

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 checked for plausibility 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 for the LEONI Group
- Risk status and trend relative to loss cover potential
- Current risks with a potential maximum loss above a defined threshold amount
  - Material changes in a serious risk
  - Realised risks; i.e. such risks that will trigger deviation from the budget so far as these are deemed to be material.
- Status of the LEONI Group's internal control system and compliance

The Management Board is furthermore given supplementary risk analyses on key commercial decisions (e.g. acquisitions or major investments) in order, if need be, to draw attention to consequent, material changes to the scope of risk.

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 risk managers exchange information, under the chairmanship of the Corporate Risk Officer, with the principal risk field managers. 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.

An outside risk management expert reinforced LEONI AG's risk workshop in 2015. The resulting improvement potential will, together with installation of GRC (governance, risk and compliance) software that will be integrated in our standard ERM (enterprise resource management) and controlling system, be realised in 2016.

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 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 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. We integrated a quarterly opportunities report in our risk management system for this purpose 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. Corporate risk management is notified of information provided by the Internal Control System on existing, material risks. To that extent the Internal Control System may also be interpreted as being a part of risk management that deals specifically with process-related risks.

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 strategic/market, 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.

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 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 (CMS)

In the course of 2015, the Management Board initiated a review of the Compliance Programme that has been in place for several years in order to further underpin the importance of compliance. This involved the decision to restructure the Compliance Management System (CMS) and to develop it further ('Compliance 2.0'). The new structure is broadly outlined in the sections below. Further development of the related measures is a longer-term process and will occur gradually.

Further development of the CMS

As part of the realignment, Compliance will be detached from the Risk Management department and coupled with the Legal department. The new Corporate Legal & Compliance department will have two independent teams working separately from one another on the respective tasks. The position of Chief Compliance Officer will be filled with an outside expert on 1 April 2016.

The Compliance 2.0 programme will entail revision of the hitherto eight compliance fields. To increase effectiveness, there will initially be concentration on key risk areas that have already been identified. This will underpin the competition law, prevention of corruption, tax compliance and data protection fields. Using an update of risk-based analyses, preventive measures, especially content-specific consulting and training courses, will then be devised and carried out in a risk-oriented way and across the board. The other existing compliance fields will remain under Risk Management and will be overseen by the specialist departments.

Our global and regional compliance organisation as well as expertise will also be further enhanced. Specialised compliance officers will be deployed in the EMEA region, in Asia and the Americas in order, alongside the existing and other persons responsible for compliance, to even more efficiently ensure adherence to the compliance measures and requirements and especially to ensure that the global compliance messages are conveyed regionally.

Areas of the CMS

LEONI's CMS breaks down into the three areas of prevent, detect and react.

Prevent: Measures to avoid infringement of law comprise particularly the introduction of specific guidelines, rules and processes, conducting of tailored eLearning and classroom training sessions as well as providing the business groups and units with specialist advice on compliance.

Detect: Management Self Assessments and Compliance Reviews, among other measures, will be carried out regularly to detect any increased compliance risks or possible infringements at an early stage. As a key element of early detection, we have also implemented a comprehensive process for due diligence reviews of business partners and business activities.

React: Indications of misconduct will initially be assessed by a compliance desk and, if required, will be resolved in the context of either internal or external investigations. The reaction to infringements of compliance comprises, among other action, resolute sanctioning of misconduct as well as improving the processes to ensure rule-compliant conduct.

Under Compliance 2.0, existing elements of the CMS will be reviewed and developed further if required. There will furthermore be ongoing review of the CMS to ascertain whether the respective set-up is sufficient or whether more measures are needed to reduce risks or to ensure that compliance requirements are observed.

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 include mainly the following among the strategic and market risks

- 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 five principal risks are:

Location/country risks The LEONI Group had a total of 92 production facilities in 32 countries in 2015. Policy on choice of location is geared closely to the requirements of our customers, which LEONI follows into foreign markets. The 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, Mexico 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.

The economic cycle 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 that continues to prevail in the automotive industry towards sharing development costs with supplier and unexpectedly substantial, but necessary price concessions therefore constitute a heavy risk.

Copper price fluctuation LEONI uses copper as a key input material in both of its business divisions. The global market price of this raw material, which is subject to significant fluctuation, therefore exerts a major influence on the cost of materials in the Group, which is why this is regarded as a risk in itself. 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. We purchase copper forward only with a corresponding hedged item to safeguard the invoicing plan agreed with our customers. If the price has fallen sharply up to the reporting date, copper inventories may be exposed to the risk of devaluation. A shortage of copper stocks could lead to supply bottlenecks and higher copper prices. LEONI prefers long-term and direct supply relationships with copper suppliers to avoid supply bottlenecks.

Fluctuation in the cost of materials (excluding copper) 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 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 globalise 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 processes 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 price fluctuation 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 include mainly the following among operational risks

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

The five principal risks are:

Start-up and project costs Apart from the project-overarching risks, such as the location/country risks and fluctuation in personnel costs, there are also project-specific cost risks, which can, due to special measures to safeguard our customers' product starts during the ramp-up phase and such cost risks as miscalculation, impact on the whole term of a project.

In fiscal 2015, we started the largest ever number of new projects in a single year. From the middle of the third quarter, several production starts at the same time at a facility in Romania and one in Serbia led to heavy charges that weighed massively on earnings in the fourth quarter and will also have a major, adverse impact in 2016. 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.

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 system, 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 department that 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/AS 9100 (aerospace) and ISO 13485 (medical technology) certification. 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 as to ensure a structured emergency management system.

Loss of a customer The loss of one or several major customers we supply could temporarily result in losses of earnings/contributions to profit and additional capacity adjustment costs. 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 normally 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 people 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. Surges can occur in this respect due minimum wage hikes. 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 retain staff by being 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, business with new customers provides good opportunity to outperform expectations in the Wiring Systems Division. 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 include mainly the following among financial risks

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

The four 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.

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M & A risks Risks stemming from planned acquisitions are systemically identified and quantified as part of the respective due diligence examination of the acquisition target. Risk management studies the implications of these risks for the Company's overall risk in advance of any decision to acquire.

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 and reports these to corporate risk management. Hedging transactions are executed in line with the existing underlying transactions or the planned transactions. Selection of the hedging instrument to be used is based on regular, in-depth analysis of the underlying transaction to be hedged. The

objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, we primarily take advantage of the option of netting foreign currency items within the Group to hedge our operating business activity. As a further currency-hedging measure, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency.

Economic currency risks furthermore stem from the effects on the price competitiveness of individual facilities (plants) as a consequence of changes in the exchange rate.

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

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Compliance risks

We include mainly the following among compliance risks

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

The three principal risks are:

Infringement of anti-corruption rules Risks can arise for LEONI due to corrupt conduct involving either the acceptance of benefits (passive corruption) by LEONI employees or the granting of benefits in order, for example, to obtain an order from a customer (active corruption). While passive corruption entails particularly the economic risk of paying an excessive price to a supplier, active corruption can have such far-reaching consequences as fines, back-payments, black-listing and claims for damages and can also, depending on the country, lead to imprisonment of managers as well as a major loss of reputation.

Commission-dependent contractual relationships with such business partners as trade representatives or agents, who are deployed in the sale of LEONI products, may be identified as primary risks. Prohibited actions by business partners could be attributed to LEONI. Indications of such risks were pursued in 2015 and confronted with the Group-wide introduction of a specific guideline and implementation of a detailed process for scrutinising such business partners.

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.

In November 2015, the Brazilian competition authority initiated proceedings against a LEONI company as well as other wiring system manufacturers, presumably in connection with the cartel proceedings before the European Commission that were already concluded in 2013. The authority is investigating alleged breaches of Brazilian competition law. The proceedings are still at a very early stage, meaning that it is not yet possible to say anything about an outcome.

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 to the LEONI Group increased in the project, impairment and economic cycle-related areas in 2016. 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 and opportunities for LEONI, their year-on-year change and the potential financial loss. The risk aggregation shows that developments which might threaten the Company's continued existence can largely be ruled out during the planning period. The Company's risk cover potential is sufficient to safeguard its continued existence.

The most significant individual risks to and opportunities for LEONI

Opportunities and threats (risks)	Opportunities year on year	Relevance	Balance of opportunities or risks
Break in the supply chain to our customers	Stable	High	Risk overhang
Impairment	Increased		
Start-up and project costs development			
Economic development			Balanced
Compliance risks	Stable		Risk overhang
Selling price development		Medium	Balanced
Copper price development			
Loss of a customer			Risk overhang
Product liability and recall			
Currency development			Balanced
Development in personnel costs			Risk overhang
New sales potentials through electromobility			Opportunity overhang

Medium: net income may be considerably diminished
High: net income may be wholly absorbed

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
Short decision-making channels and flat hierarchies	Expansion of system business
	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 industrial 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

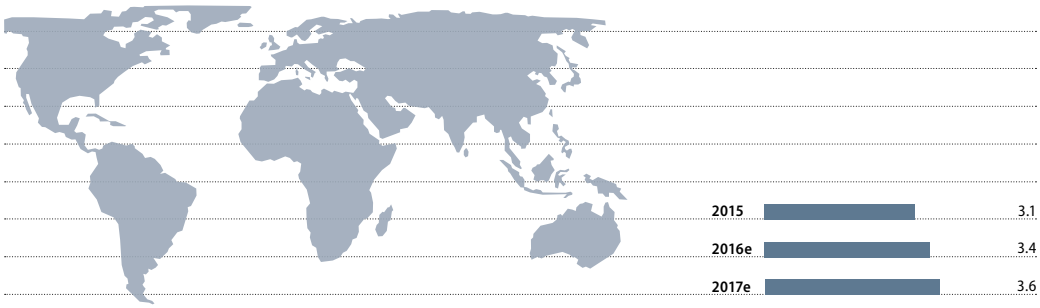
Business and underlying conditions

Macroeconomic setting

According to the International Monetary Fund, the global economy will expand by 3.4 percent in 2016 and consequently slightly more strongly than in 2015. That does, however, make the IMF more cautious than in the past autumn when it still projected 3.6 percent growth. The more subdued prospects concern both the emerging countries, where the estimated rate of increase is down from 4.5 percent to 4.3 percent, and the industrialised nations with a gain of 2.1 percent rather than 2.2 percent.

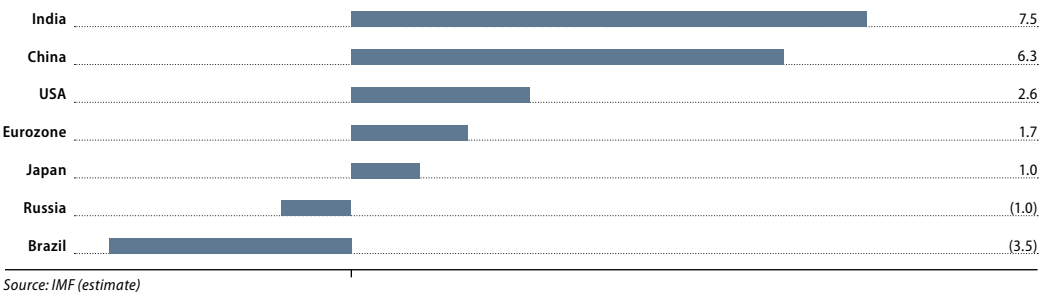
The IMF stated a number of reasons for its more subdued assessment. According to this, the biggest risks lie in a slowdown of growth in China, tightened monetary policy in the United States together with the strong dollar and a possible escalation in the numerous geopolitical tensions. The continued slump in the oil price also still weighs on the economies of the producing countries. The oil-importing countries are likely to continue to benefit from this, on the other hand. The IMF therefore believes that the economy in most countries in the eurozone as well as in Japan will perform better than in 2015. Overall, the eurozone is forecast to grow by 1.7 percent – a 1.7 percent increase is also projected for Germany. The US economy should grow by 2.6 percent and thus likewise somewhat more dynamically than in the previous year. Among the emerging countries, the prospects for India are up (7.5 percent), while the growth rate forecast for the Chinese economy is down to 6.3 percent. For Russia and Brazil the experts continue to anticipate recession, although this should in Russia at least turn out to be significantly less severe than in 2015.

Global economic growth 2015 to 2017 %



Source: IMF

Economic growth 2016 in selected regions %

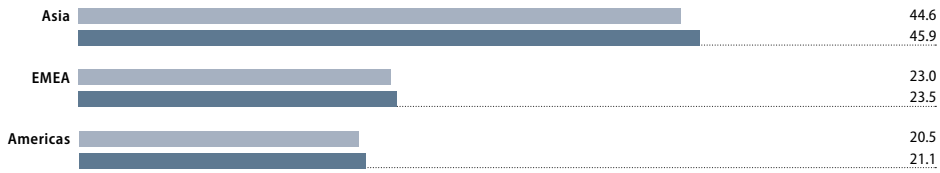


Source: IMF (estimate)

Sector trend

The increasingly uncertain macroeconomic conditions are also making their mark on the customer sectors of significance to LEONI. According to the German Association of the Automotive Industry (VDA), there will nevertheless be another moderate increase in **car sales** in 2016. IHS Automotive expects the vehicle manufacturers to increase their output of cars and light commercial vehicles by 3 percent overall this year – with much of this rise involving light trucks.

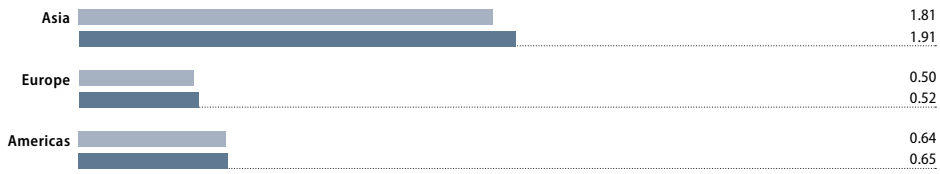
Production of cars and light commercial vehicles (LCVs) by regions



Source: IHS Automotive

For the **commercial vehicle industry** IHS Automotive also projects another rise in output, namely by 5 percent worldwide, involving sales increases in Asia as well as in Europe and North America. Only in South America is a decrease to be expected.

Heavy commercial vehicles production by regions



Source: IHS Automotive

The German Electrical and Electronic Manufacturers' Association (ZVEI) believes that the favourable trend in the **electrical and electronics industry** will continue in 2016 as well. The global market for electrical goods is forecast to again grow by 5 percent. Asia should once more be in the vanguard with a 7 percent increase, underpinned by the strong demand in China. The projection for the Americas is a 4 percent increase in sales and for Europe it is one of 3 percent. The market segments of importance to LEONI, i.e. automation, power engineering, electromedicine and electric household appliances, are forecast to each grow by 5 to 6 percent globally.

The German Engineering Federation (VDMA) estimates a 1 percent worldwide increase in sales for the **mechanical engineering** sector. Our key customer regions of Europe and the United States are expected to make about equally strong contribution to this growth, while a slight decline is projected for China. The German manufacturers are hoping to be able to maintain their output level of 2015 despite less favourable underlying conditions. According to the VDMA, the positive effects from the EU partner countries will turn out to be weaker than in the previous year and demand in many of the emerging markets will continue to be subdued.

The companies in the **information technology, telecommunications and consumer electronics** (ITC) industry in Germany will, from today's perspective of their BITKOM sector association, increase their sales by 1.5 percent in 2016. This involves projection of slightly weaker PC and telecommunications device businesses than in the previous year.

Business performance and future direction

The LEONI Group's business performance

The Management Board of LEONI AG forecasts **consolidated sales** of € 4.4 billion for the 2016 financial year. Compared with the previous year, that equates to a slight decrease of approximately 2 percent, which is spread between the two divisions. What should be noted in this respect is that the business of our Chinese subsidiary in Langfang will, in contrast to the previous year, no longer be included in 2016 consolidated sales because of the joint venture concluded wit BHAP at the end of 2015. Weaker business performance is furthermore to be expected in China because of the slower momentum of the country's economy as well as further downturn in other markets that are in any case weak. In addition, there is the significantly lower price of copper. In regional terms, sales will therefore decline in Asia. We anticipate a steady trend for the Americas and the EMEA region.

Consolidated EBIT will probably dip to € 105 million in 2016. Alongside missing profit contributions due to the smaller amount of business, the critical projects in the Wiring Systems Division will, from today's perspective, fall significantly short of the previously budgeted profit contributions. In addition there will be restructuring and exceptional expenses of approximately € 30 million, pertaining mostly to the Wiring Systems Division. In 2015, EBIT including the income of € 19.6 million from the sale of the shares in the Langfang company amounted to € 151.3 million. Adjusted for this beneficial, exceptional item for fiscal 2015 and the restructuring expenses of the current year, EBIT will improve slightly in 2016.

This forecast is based on the **premise** that the customer sectors material to LEONI perform in line with expectations. A lower average price of € 4.20 per kg was applied for copper. Increases in personnel costs differing by country have been budgeted, which are based on our many years of experience in these regions.

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 on principle to provide for a payout of about one third of annual net income.

Performance of the Wiring Systems Division

For the Wiring Systems Division we estimate external sales of about € 2.6 billion for 2016 (previous year: € 2.67 billion). This is based on the amount of business in the EMEA region and in the Americas remaining largely stable. In Asia we anticipate a dip in sales because of the joint venture concluded in 2015, the slowdown in the Chinese economy and the on-schedule end of a high-volume project. Broken down by business group, the amount of business with our customers based in European countries other than Germany will probably increase, whereas sales to other customer groups are likely to decrease slightly.

The Wiring Systems Division's earnings before interest and taxes will, from today's perspective, amount to about € 30 million (previous year: € 87.4 million). This takes account of restructuring and exceptional expenses amounting to approximately € 25 million. The previous year's EBIT, on the other hand, included exceptional income of € 19.6 million from the joint venture agreed in China.

The focus of the WSD's activity this year will be on improving its project business, especially so the project planning and controlling. Above all, we will improve the performance of the critical start-ups from 2015, although the formerly budgeted earnings targets will not be met. We will furthermore apply measures to avoid similar risks in the future, which include the definition and resolute implementation of processes and responsibilities. Finally, we will simplify and streamline the organisation to enhance efficiency. With this leaner organisation we will strive for quicker decision-making, clear responsibilities and lower costs. We have launched a transformation programme, which is scheduled to run for two years, to systematically implement these improvement measures.

In strategic terms, our focus remains on further improvement of our market position in Asia and the Americas – underpinned above all by the commercial vehicle industry, our Power Sports unit and the components business. Medium-term, we also see growth opportunities in strengthening our passenger car business in the Americas, stepping up our activity in Asia via the joint venture in China and increasing the proportion of product we supply to selected customers in Europe. In terms of product, we intend to improve our position in the segments of components and connectors in order to enhance our systems expertise. Generally speaking, we will continue to expand our product range in a customer-oriented way, for example with innovative weight reduction solutions, and to adapt to such global trends as connectivity in and digitalisation of vehicles.

Performance of the Wire & Cable Solutions Division

We estimate that the Wire & Cable Solutions Division will generate sales of about € 1.8 billion in 2016 (previous year: € 1.83 billion). The decrease is attributable mainly to the lower price of copper, which is likely to lead to slight declines in all business groups. Broken down by region, the amount of business will probably hold steady in Asia and the Americas, whereas a minor decrease is projected for the EMEA region.

The division's EBIT should amount to about € 75 million this year (previous year: € 63.9 million). This takes account of restructuring expenses of about € 5 million primarily for capacity and portfolio adjustments. Further increases in both efficiency and profitability are also on the agenda in the WCS Division. We will furthermore scrutinise the portfolio. The WCS Division's focus in 2016 will be concentrating on its core business. This will also include expanding some areas of our industrial business where we already, in some cases, command a market-leading position. We also anticipate positive impetus from the WCS ON Excellence programme and further harmonisation of our business processes. The corresponding ERP system will – following the successful pilot project of the previous year – be introduced at additional facilities in 2016.

Expansion of our market position in Asia and the Americas will continue to be of strategic importance. Not only the two new automotive cable plants in China and Mexico will contribute to this, but, for example, also our in-house production of junction boxes for the solar industry, which we intend to set up in India. In Germany we plan to start construction of the Factory of the Future on our site in Roth in order to have a modern cable production there by the end of 2017. Our product range will be broadened further this year to include especially lightweight, space-saving and simultaneously extremely efficient and safe cable products as well as related services. Furthermore, we will increasingly provide solutions in line with the trend towards environmentally friendly materials as well as the growing digitalisation and networking of production processes, mobility and other walks of life.

Capital expenditure

The LEONI Group will probably be able to only reduce its capital expenditure to € 230 million in 2016 because the existing order backlog points to further growth in the subsequent years. In the Wiring Systems Division we have therefore budgeted for spending about € 135 million. This is intended to provide for the production capacity for current and new projects as well as model changes among our customers in the Americas, Asia, Eastern Europe and North Africa. The Wire & Cable Solutions Division will probably invest about € 80 million. Alongside construction of the Factory of the Future and other plans, the focus here will be on expanding capacity in Business Groups Automotive Cables, Industry & Healthcare as well as Communication & Infrastructure. The capex planned for LEONI AG is approximately € 15 million, pertaining primarily to capitalisation of project services.

Financial and asset situation

The LEONI Group's financial and asset situation will remain sound in 2016. Maturing financial liabilities will be refinanced on schedule, taking advantage of opportunities as the case may be. Liquidity remains assured based on the concluded long-term finance and the extensive credit lines. Due to the once again substantial amount of capital expenditure, free cash flow will from today's perspective come to a negative figure of € 30 million in 2016. We have budgeted for net financial liabilities of € 390 million. The equity ratio is projected at 35 percent.

Procurement

We will further improve the purchasing organisation of the Wire & Cable Solutions Division in 2016 by centralising, pooling procured volumes and optimising suppliers. In so doing, we will be guided by best practice and total cost of ownership principles. In the Wiring Systems Division's procurement management we will continue the initiated global activity. The focus will be on establishing and enhancing local expertise in Asia and the Americas, but also in Eastern Europe and North Africa.

Employees

From today's perspective, LEONI's workforce across the Group will shrink slightly in 2016. In the Wiring Systems Division we anticipate a slight decrease in the workforce. The Wire & Cable Solutions Division will probably keep the number of its employees worldwide unchanged.

The oneHR programme to further harmonise and standardise human resource processes worldwide will be continued in the current year. The plan includes introduction of the new HR organisation and TALEO, the globally standardised application management system, in additional countries; the first Shared Service Center for Europe will go into operation in Romania and further core processes will be launched in initial pilot countries.

Research & Development

In the Wiring Systems Division, we will focus our R&D work this year primarily on the areas of lightweight construction, resource efficiency and intelligent wiring system architectures. In addition, we intend to optimise our development processes in close coordination with our customers in order to raise efficiency, as well as to expand our global R&D network with the focus on Asia. In Germany, too, we will strengthen our development capability: a new technology building will be erected at our Kitzingen site in 2016 to provide additional testing facilities and thereby to support the introduction of new technologies. The Wire & Cable Solutions Division will extend its product range to include, among other things, solutions for modern Industry 4.0 applications for customers in the robotics industry. In terms of production processes, we will continue our work on the injection moulding technology licensed in 2015. We will probably be able in 2016 to complete the advance development work and to start making initial samples. We also plan to evaluate other new technologies for customised production of connectivity solutions.

Sustainability

Both divisions will further enhance their sustainability and health management in 2016. The plan in the Wiring Systems Division is, for example, to implement a matrix system within occupational health and safety so as to coordinate activity even better in the future. We will also gradually adapt our management systems to the revised ISO 14001 standard and to prepare for the impending amendment of the OHSAS 18001 standard to ISO 45001. The Wire & Cable Solutions Division again set itself an overarching environmental target in 2016 that commits all larger plants to increased energy efficiency. The number of accidents at work will furthermore be measurable by a consistent definition thanks to the gradual introduction of a harmonised key figures system for operational management of the plants.

We will adapt our quality management to the changed requirements of our customers as well as the various ISO standards in 2016. In the Wiring Systems Division, the focus in this respect will be on extending the QS management system in line with the ISO 26262 (functional safety) standard. The main task in the Wire & Cable Solutions Division will involve overhauling system documentation in keeping with the revised base ISO 9001 and ISO 14001 standards in order to reinforce process orientation as well as to integrate new and amended requirements.

Due to the increasing strategic importance of sustainable business growth, LEONI intends to control its sustainability management Group-wide in the 2016 financial year. We will also again participate in the Carbon Disclosure Project.

General statement on future growth

2016 will be an important year for LEONI, during which the focus will be on resolving the problems in the Wiring Systems Division as well as raising the level of efficiency within the group of companies. The measures defined to achieve this are being applied at full pace, but will incur restructuring expenses totalling about € 30 million in the Group, meaning that EBIT will, from today's perspective, drop to € 105 million. We estimate a slight decrease in consolidated sales to € 4.4 billion. The reasons for this are absence of the sales from the subsidiary in Langfang, China that will in the future be consolidated by the equity method, the more subdued economic prospects in China and other important markets as well as the lower price of copper.

As a well positioned and financed company, which continues to have good prospects, LEONI will thoroughly and permanently eliminate the current margin problem and return to a course of profit-oriented growth.

The LEONI Group's targets

		Actual 2015 figures	Forecast for 2016
Consolidated sales	*€ billion*	4.5	4.4
EBIT	*€ million*	151.3	105
Capital expenditure	*€ million*	247.6	230
Free cash flow	*€ million*	(5.2)	(30)
Net debt	*€ million*	321.6	390
Equity ratio	*%*	35.1	35
Return on capital employed	*%*	10.0	6

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 member income. Also described are the details of benefits that have been promised to members of the Management Board for the event of termination of their mandate as well as the principles for and amounts of compensation for members of the Supervisory Board.

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 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 components and their effect on future Management Board compensation. It also comprises a comparison with 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 Code. The current Declaration of Conformity explains this deviation in detail.

Declaration of Conformity
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Basic principles of the compensation system

The Management Board compensation system that is valid for the reporting period has been in force since 1 January 2015 and applies until 31 December 2019. If differs in only a few points from the previous system, which ended on 31 December 2014. The compensation system is aimed towards establishing incentives for successful and long-term business growth and increase in enterprise value, in which the Management Board members are to participate. Exceptional performance is to be rewarded; any failure to meet targets is to result in a considerable reduction of compensation.

In accordance with the Code, we hereinafter explain the principles of the system for compensating the members of LEONI AG's Management Board and the specific structure of the individual components. The table below provides an overview of the structure and system:

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. As all the other compensation components are variable and can drop to nil, the fixed component is the minimum amount of Management Board compensation. It is commensurate with the amounts paid by other MDAX companies.

Variable components

In addition to the fixed compensation, there are three variable compensation components, each of which have upper limits in absolute terms and can drop to nil. The short-term component refers to the respectively completed financial year, whereas the medium-term component takes account of a three-year period and is geared to sustainability. The weighting between the short and medium-term components is approx. 50/50.

Short-term compensation component – annual bonus: An annual bonus will be assessed depending on the net income generated, whereas amounts that exceed 150 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 150 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. It is paid in the fourth year, while 50 percent of the 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: 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.

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.

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 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 expert's independence. In summary, it may be concluded that the 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, depending on the contractual agreement, continue to be paid for a period of nine 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 widow and orphaned children will be paid pensions.

For plans up to the end of 2014 there is, 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. Pensionable is defined as a contractually agreed proportion of the final fixed salary.

The option of a defined contribution pension is given for plans from 2015. This involves, in the case of first-time plans, there being for each Management Board member 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 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.

The 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, the Management Board members in some cases have 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 2015

The Management Board compensation is presented in line with the reference tables 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 (until 7 May 2015)				Dieter Bellé President/CEO (from 7 May 2015) Chief Financial Officer/CFO			
	2014	2015			2014	2015		
€ '000			(min)	(max)			(min)	(max)
1. Total compensation pursuant to GCGC								
Components not performance-related								
Fixed compensation	775	338	338	338	575	671	671	671
Fringe benefits	32	16	16	16	39	28	28	28
Total	**807**	**404**	**404**	**404**	**614**	**699**	**699**	**699**
Performance-related components (targets)								
Short-term compensation component (100 %)	1,241	833	0	917	832	675	0	743
Medium-term compensation component (100 %)	683	0	0	0	461	820	0	943
Long-term compensation component (100 %)	450	225	0	225	300	329	0	329
Total	**2,374**	**1,058**	**0**	**1,142**	**1,593**	**1,824**	**0**	**2,015**
Service costs	202	83	83	83	183	261	261	261
Total compensation pursuant to GCGC	**3,383**	**1,545**	**487**	**1,629**	**2,390**	**2,784**	**960**	**2,975**
2. Reconciliation of the compensation from GCGC to IFRS (Expenses)								
Total compensation pursuant to GCGC	3,383	1,545			2,390	2,784		
Short-term compensation component:								
– Target (100 %)	(1,241)	(833)			(832)	(675)		
+ actual compensation	1,151	298			771	237		
Medium-term compensation component:								
– Target (100 %)	(683)	0			(461)	(820)		
+ entitlement to compensation based on actual target attainment	460	0			311	340		
Long-term compensation component:								
– Target pursuant to GCGC	(450)	(225)			(300)	(329)		
+ actual expenses for the financial year	222	0			376	169		
– Income from reversal of provisions	0	(225)			0	0		
Settlement for premature contract termination	0	0			0	0		
Expenses of the compensation pursuant to IFRS	**2,842**	**560**			**2,255**	**1,706**		
3. Reconciliation of the compensation from GCGC to HGB (Art. 314)								
Total compensation pursuant to GCGC	3,383	1,545			2,390	2,784		
Short-term compensation component:								
– Target (100 %)	(1,241)	(833)			(832)	(675)		
+ actual compensation	1,151	298			771	237		
Medium-term compensation component:								
– Target (100 %)	(683)	0			(461)	(820)		
+ entitlement to compensation based on actual target attainment	460	0			311	340		
– compensation components for which the condition precedent has not yet been fulfilled	0	0			0	(340)		
+ compensation components for which the condition precedent has been fulfilled	424	0			286	0		
Long-term compensation component:								
± deviation from the target	0	(225)			0	0		
– service costs	(202)	(83)			(183)	(261)		
Compensation pursuant to HGB (Art. 314)	**3,292**	**702**			**2,282**	**1,265**		

Allocations	Dr Klaus Probst President/CEO				Dieter Bellé Chief Financial Officer / CFO			
€ '000	2014	2015			2014	2015		
Components not performance-related								
Fixed compensation	775	388			575	671		
Fringe benefits	32	16			39	28		
Total	**807**	**404**			**614**	**699**		
Performance-related components (actual figures)								
Short-term compensation component	1,151	298			771	237		
Medium-term compensation component	672	0			454	170		
Long-term compensation component	450	0			300	329		
Total	**2,273**	**298**			**1,525**	**736**		
Service costs	202	83			183	261		
Total compensation pursuant to GCGC	**3,282**	**785**			**2,322**	**1,696**		

[1] *Due to the premature contract termination there was, in addition, a settlement payment of € 3,148 k in 2015. Together with the compensation for Management Board service the payout amounts to € 3,943 k.*

[2] *Due to the premature termination of his contract, Dr Brand was also paid a settlement of € 3,148 k in 2015. The payout in 2015 therefore totals € 6,985 k.*

Dr Andreas Brand Board Member (until 9 November 2015)				Dr Frank Hiller Board Member (from 1 April 2014)				Total	
2014	2015			2014	2015			2014	2015
		(min)	(max)			(min)	(max)		
350	386	386	386	244	350	350	350	1,944	1,795
32	29	29	29	20	26	26	26	122	99
382	**415**	**415**	**415**	**263**	**376**	**376**	**376**	**2,066**	**1,894**
305	385	0	424	163	303	0	333	2,540	2,196
305	385	0	443	163	367	0	415	1,612	1,572
200	208	0	208	150	225	0	225	1,100	987
809	**978**	**0**	**1,075**	**476**	**895**	**0**	**973**	**5,252**	**4,755**
0	0	0	0	0	0	0	0	385	344
1,191	**1,393**	**415**	**1,490**	**739**	**1,271**	**376**	**1,349**	**7,703**	**6,993**
1,191	1,393			739	1,271			7,703	6,993
(305)	(385)			(163)	(303)			(2,540)	(2,196)
282	138			151	108			2,356	781
(305)	(385)			(163)	(367)			(1,612)	(1,572)
205	196			151	155			1,127	691
(200)	(208)			(150)	(225)			(1,100)	(987)
324	0			0	0			922	169
0	(75)			0	0			0	(300)
0	3,148			0	0			0	3,148
1,194	**3,822**			**565**	**639**			**6,856**	**6,727**
1,191	1,393			739	1,271			7,703	6,993
(305)	(385)			(163)	(303)			(2,540)	(2,196)
282	138			151	108			2,356	781
(305)	(385)			(163)	(367)			(1,612)	(1,572)
205	196			151	155			1,127	691
0	0			(151)	(155)			(151)	(495)
222	0			0	0			932	0
0	(162)			(150)	(225)			(150)	(612)
0	0			0	0			(385)	(344)
1,292	**795**			**414**	**448**			**7,280**	**3,246**

Dr Andreas Brand Board Member (until 9 November 2015)				Dr Frank Hiller Board Member (from 1 April 2014)				Total	
2014	2015			2014	2015			2014	2015
350	386			244	350			1,944	1,795
32	29			20	26			122	99
382	**415**			**263**	**376**			**2,066**	**1,894**
282	138			151	108			2,356	781
316	196			76	77			1,518	443
200	46			0	0			950	375
799	**380**			**227**	**185**			**4,823**	**1,599**
0	0			0	0			385	344
1,181	**795**[1]			**490**	**561**			**7,275**	**3,837**[2]

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

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 individually attainable upper and lower limits would have applied. This total compensation (GCGC) would have corresponded to an amount of € 6,993 k in fiscal 2015 (previous year: € 7,703 k). As this involves budgeted figures that would only have been matched in the event of 100 percent target fulfilment, these 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 € 6,727 k (previous year: € 6,856 k) and pursuant to Article 314 HGB consequently to € 3,246 k (previous year: € 7,280 k).

The year-on-year change in compensation under IFRS is due on the one hand to the departure during the year of Dr Klaus Probst and, on the other hand, the impact of the settlement payment for Dr Andreas Brand in the amount of € 3,148 k as well as adjustments to the contracts of present Management Board members, which increased this expenditure item. The settlement payment for Dr Brand of € 3,148 k corresponds to two years' compensation in line with the arrangement proposed by the German Corporate Governance Code. Excluding this settlement payment, the expense according to IFRS would have amounted to € 3,579 k and would thus have been significantly less than in the previous year, which would have been in keeping with the weaker consolidated earnings.

The change in compensation pursuant to HGB takes account only of the compensation components for Management Board service. The settlement paid to Dr Brand for premature termination of his contract is disregarded under Art. 314 HGB.

The 'receipts' table, finally, also shows what cash amounts the Management Board members received from the individual compensation components pursuant to the GCGC. In total, the Management Board members were paid compensation for their service on the Board of € 3,837 k for the 2015 financial year (previous year: € 7,275 k). This does not include the settlement paid to Dr Brand in the amount of € 3,148 k for premature termination of his contract in 2015.

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

The fiscal 2015 expense for Management Board members' disability and other benefits amounts to € 344 k (previous year: € 385 k). The defined benefit obligation amounts to € 4,816 k (previous year: € 10,366 k). The individual figures are presented in the table below.

Pension commitments (excl. deferred compensation)	Service costs		Defined benefit obligation	
€ '000	**2014**	**2015**	**2014**	**2015**
Dieter Bellé [1]	183	261	3,845	4,816
Dr Klaus Probst [1]	202	83	6,521	— [2]
Total	385	344	10,366	4,816

[1] Commitment to payment of an age-related, disability and surviving dependents' pension, which is computed according to the period of Management Board service and the pensionable fixed salary
[2] From 2015, the defined benefit obligation is presented under the details for former Management Board members.

The 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 Dieter Bellé and Dr Klaus Probst, who served until May 2015, 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.

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. 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 2015

€ '000		Fixed compensation (net)	Attendance money	Compensation for committee work	Other	Total
Dr Werner Rupp [1]	2015	170	10	48	—	228
	2014	170	9	48	—	227
Franz Spieß [2]	2015	128	9	16	—	153
	2014	128	9	16	—	153
Gabriele Bauer	2015	85	7	16	—	108
	2014	85	5	16	—	106
Dr Ulrike Friese-Dormann [3]	2015	55	5	0	2	62
	2014	0	0	0	—	0
Josef Häring	2015	85	7	0	—	92
	2014	85	5	0	—	90
Ingrid Hofmann	2015	85	7	0	—	92
	2014	85	5	0	—	90
Karl-Heinz Lach	2015	85	7	0	—	92
	2014	85	5	0	—	90
Dr Werner Lang	2015	85	7	8	—	100
	2014	85	5	8	—	98
Axel Markus [4]	2015	30	1	0	—	31
	2014	0	0	0	—	0
Richard Paglia	2015	85	10	16	—	111
	2014	85	9	16	—	110
Dr Bernd Rödl [5]	2015	73	10	32	—	115
	2014	85	9	32	—	126
Wilhelm Wessels [6]	2015	0	0	0	—	0
	2014	85	5	0	—	90
Helmut Wirtz	2015	85	7	8	2	102
	2014	85	5	8	1	99
Prof. Dr-Ing. Klaus Wucherer [7]	2015	128	7	32	—	167
	2014	128	4	32	—	164
Total	**2015**	1,178	94	176	4	1,452
	2014	1,190	75	176	1	1,442

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] *Member of the Supervisory Board from 7 May 2015*
[4] *Member of the Supervisory Board until 7 May 2015*
[5] *Member of the Supervisory Board until 9 November 2015*
[6] *Member of the Supervisory Board until 31 December 2014*
[7] *2nd Deputy Chairman of the Supervisory Board*

Disclosures pursuant to Articles 289 (4) and 315 (4) of the German Commercial Code as well as explanatory report for fiscal 2015

Composition of the share capital: The Company's share capital amounted to € 32,669,000.00 on 31 December 2015 (previous year: € 32,669,000.00). This is divided into 32,669,000 registered no-par-value shares. The shares are paid up in full. According to Article 4 2) of the Articles of Association, the shareholder's right to securitize his, her or its shareholding is precluded so far as securitisation is not required under the rules of a stock market on which the shares are then admitted. With respect to LEONI AG, Article 67 (2) sentence 1 of the German 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. The individual rights and obligations of the shareholders are stipulated by the requirements of the German Companies Act, especially so its Articles 12, 53 et seq., 118 et seq. and 186.

Constraints concerning the voting rights or the transfer of shares: Each share provides one vote at the Annual General Meeting and is key to the shareholders' share of the profit. Treasury shares held by the Company, from which the Company does not derive any rights, are excluded from this principle. In the cases described in Art. 136 of the German Companies Act, the voting rights of the affected shares are nullified by law. Infringements of reporting obligations as defined by Article 21 (1) 1a of the German Securities Trading Act (WpHG) may, under Art. 28 of the German Securities Trading Act, lead to rights from shares and also the voting right not existing, at least temporarily.

LEONI AG is not aware of any other constraints affecting voting rights, especially so any contractual constraints. Legal requirements, especially under Article 135 of the German 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 Board and executives receive or have received in the context of a long-term incentive programme are subject to a holding period of 50 months.

LEONI AG has not received report or become otherwise 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 Companies Act as well as in Article 31 of Germany's Co-determination Act. Pursuant to Article of 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 chairperson and a deputy chairperson of the Management Board.

Articles 119 (1) no. 5 and 179 (2) of the German Companies Act stipulate that any amendment of the Articles of Association requires a shareholder resolution at the Annual General Meeting. 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 that 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 2012 and after expiry of the term of authorisation. Furthermore, the Board was authorised by a shareholder resolution at the Annual General Meeting on 7 May 2015 to amend the Articles of Association in line with the respective utilisation of authorised capital 2015 and after expiry of the term of authorisation.

The Annual General Meeting adopts its resolutions by a simple majority of votes and, to the extent that a majority of shares is required, with a simple majority of shares, unless bindingly provided otherwise by law or by the Articles of Association or by Article 103 (1) sentence 2 of the German Companies Act (Art. 16 (3) of the Articles of Association). Therefore, shareholder resolutions at the Annual General Meeting that amend the Articles of Association also require, in addition to a simple majority of the votes, the majority of the share capital represented upon adoption of the resolution, provided no greater majority is required by law.

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

Purchase of treasury shares – The Company's Management Board is authorised, in the cases stipulated in Article 71 of the German Companies Act, to buy back own shares and to sell shares bought back. A shareholder resolution at the Annual General Meeting on 7 May 2015 pursuant to Article 71 (1) section 8 of the German Companies Act authorised the Management Board of LEONI AG, with the approval of the Supervisory Board, until 6 May 2020 to acquire own shares accounting for a pro-rated amount of the share capital totalling no more than 10 percent of the existing share capital at the time of this authorisation taking effect or – if this amount is smaller – at the time when this authorisation is exercised. At no time may the total of shares acquired by virtue of this authorisation and other shares of the Company already acquired and still held by the Company or attributable to it pursuant to Articles 71d and 71e of the German Companies Act (AktG) exceed 10 percent of the Company's share capital. The purchase may also be made through entities that are dependent on or are majority-owned by the Company or by third parties for the account of an entity that is dependent on or majority-owned by the Company. Such purchase may only be made via the stock market or by means of a public purchase offer made to all shareholders and must satisfy the principle of equal treatment of the shareholders. The authorisation may be used in full or several partial amounts spread across several purchase times. The Management Board is authorised to use the treasury shares acquired on the basis of this authorisa-

tion for all legally permitted purposes, including those stated in the authorisation. Shareholders at the Annual General Meeting authorised the Management Board to do as follows with the shares acquired on the basis of this authorisation:

1. to resell them through means other than the stock market or by offer to all shareholders, on condition that the acquired shares are sold for cash and at a price that is not significantly lower than the market price for Company shares of the same category at the time of sale. This authorisation to exercise is limited to shares accounting for a pro-rated amount of the share capital totalling no more than 10 percent of the Company's share capital, neither at the time of this authorisation taking effect nor – if this amount is smaller – at the time when this authorisation is exercised. Further details are contained in the authorisation granted by the Annual General Meeting.

2. to transfer them to third parties provided this is done for the purpose of acquiring businesses, parts of businesses or shares in businesses or other assets or for executing business combinations.

3. to fulfil subscription or conversion rights, which arise from exercise of option or conversion rights or fulfilment of option exercise or conversion obligations, which were granted or imposed as part of the issue of warrant-linked or convertible bonds, profit-sharing rights or participating bonds (or combinations of these instruments) of the company or its group companies.

4. to transfer them to employees of the Company or to employees or board members of subordinated, affiliated companies within the meaning of Articles 15 et seq. of the German Companies Act.

5. to redeem them without any further resolution by the Annual General Meeting. Any such redemption may also be carried out without a reduction of capital by adjusting the pro-rata share of the other no-par-value shares in the Company's share capital. In this case, the Management Board is authorised to adjust the number of no-par-value shares stated in the Articles of Association.

6. to pay a scrip dividend.

If the acquired treasury shares are used for one of the purposes stated in Fig. 1 to 4 of this section, shareholders' rights to subscribe shall be excluded. If the acquired treasury shares are used for the purpose stated in Fig. 6, the Management Board is authorised to exclude the right to subscribe. If the acquired treasury shares are sold via the stock market, there is no shareholders' right to subscribe either. In the event of disposal of acquired treasury shares by means of a public offer to the shareholders, which is made based on upholding the principle of equal treatment, the Management Board is authorised to exclude the subscription right of shareholders for fractional amounts.

The Management Board may make use of the authorisations in Fig. 1 to 4 and 6 only with the approval of the Supervisory Board. The Supervisory Board may furthermore stipulate that the Management Board's measures on the basis of this authorisation are executed only with its approval.

No use of this authorisation has been made to date. The Company did not hold any treasury shares on 31 December 2015, nor did it on 31 December 2014.

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 be granted a right to subscribe. However, the Annual General Meeting authorised the Management Board, with the approval of the Supervisory Board, to rule out shareholders' subscription rights in the cases of:

1. a capital increase for cash, if the issue price of the new shares is not materially – within the meaning of Article 203 (1) and (2), Article 186 (3) sentence 4 of the German Companies Act – below the market price of shares of the Company with the same status at the time the issue price is set, which is to take place as soon as possible after the new bearer shares are placed. This exclusion of the subscription right shall in total not exceed 10 percent of the Company's share capital, with the lowest amount of Company share capital at the following three times being decisive: on 16 May 2012, at the time this authorisation came into effect or at the time it is exercised. More detail is contained in Article 4 (5) of the Articles of Association.

2. a capital increase on a non-cash basis for the acquisition of businesses, parts of businesses or investing in companies where this exclusion of the subscription right shall in total not exceed 10 percent of the existing share capital, with the lowest amount of Company share capital at the following three times being decisive: on 16 May 2012, at the time this authorisation came into effect or at the time this authorisation is exercised.

3. if this is necessary in order to grant the holders of conversion and/or option bonds issued by the Company or by its direct or indirect group companies a subscription right to new shares to the extent of their entitlement after the exercise of the conversion or option right or after fulfilment of the conversion obligation;

4. in order to exclude fractional amounts from the right of subscription.

Contingent capital – The Management Board is authorised, based on the shareholder resolution at the Annual General Meeting on 7 May 2015 and Article 4 (6) of the Articles of Association, with the approval of the Supervisory Board, until 6 May 2020 once or several times to issue warrant-linked or convertible bonds, profit-sharing rights or participating bonds (or combination of these instruments; collectively referred to as 'bonds') with a total par value of up to € 500,000,000 and to grant the holders the respective partial debentures with the same rights warrant-linked or conversion rights for registered Company shares with a pro-rated amount of the share capital totalling up to € 6,533,800.00 in accordance with the warrant-linked or convertible bond terms. More detail is contained in the authorisation resolution. The legal right to subscribe to bonds is granted to shareholders in the manner that the bonds are taken on by a bank or the members of a banking syndicate or by a company of equal standing as defined by Article 186 (5) Sentence 1 of the German Companies Act (AktG) with the obligation that they be offered to shareholders for subscription.

The Management Board is authorised, however, with the approval of the Supervisory Board to:

1. exempt maximum amounts, which might arise due to the subscription ratio, from the subscription right of the shareholders and also to exclude subscription right to the extent required so that holders of previously issued bonds with warrant-linked or conversion rights, or warrant-linked or conversion obligations may be granted right to subscription in the amount that would be due to them after exercising their warrant-linked or conversion rights, or fulfilling their warrant-linked or conversion obligations as shareholders.

2. fully exclude the right of shareholders to subscribe to bonds issued for cash, with warrant-linked or conversion rights or with warrant-linked or conversion obligations if the Management Board comes to the conclusion, after due examination, that the issue price of the bonds does not fall substantially below their theoretical market value, calculated in accordance with recognised, particularly financial mathematical methods. This authorisation to exclude the subscription right shall apply to bonds with warrant-linked/conversion rights or warrant-linked/conversion obligations for shares accounting for a pro-rated amount of the share capital totalling no more than 10 percent of the Company's share capital, neither at the time of the authorisation taking effect nor – if this amount is smaller – at the time when the authorisation is exercised. This upper limit of 10 percent of the share capital is reduced by the pro-rated amount of the share capital accounted for by those shares issued or sold during the term of this authorisation while excluding the subscription right pursuant to or in accordance with Article 186 (3) sentence 4 of the German Companies Act; the other details being contained in the authorisation resolution.

3. so far as profit sharing rights or participating bonds are issued without warrant-linked rights/conversion rights or warrant-linked/conversion obligations, shareholder subscription rights may be excluded entirely if these profit sharing rights or participating bonds are structured in the same way as bonds, i.e. they do not provide any membership rights in the company, they do not grant any share of liquidation proceeds and the yield is not calculated on the basis of the amount of net income, the distributable profit or the dividend. In this case the interest and the issue amount of the profit sharing rights or participating bonds must also correspond with the market terms prevailing at the time of the issue. An issue of bonds that excludes subscription rights under this authorisation may only be exercised so far as the amount of the new shares to be issued on the basis of such bonds, together with the shares that are issued by the Company during the term of this authorisation under another authorisation with exclusion of the shareholders' right to subscribe, or are to be issued on the basis of such bonds during the term of this authorisation and exclusion of the shareholders' right to subscribe, must not exceed 20 percent of the Company's current share capital at the time this authorisation takes effect.

The share capital was increased by up to € 6,533,800 on a contingent basis (contingent capital 2015) for the purpose of granting shares to the holders and/or creditors of convertible bonds and/or warrant-linked bonds that are issued on the basis of this authorisation of the Management Board. The contingent capital increase is only to be performed to the extent that option and/or conversion rights are exercised, or that the holders and/or creditors obliged to exercise the option and/or convert have met their option exercise and/or conversion obligation, or so far as the Company exercises its right under such instruments either entirely or partially to grant shares in the Company instead of paying the cash amount due and provided no other forms of fulfilment are used. More detail is contained in Article 4 (6) of the Articles of Association.

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 2012, 2013 and 2015 in the total amount of € 393 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.

Agreements on compensation that the Company has reached with members of the Management Board or staff for the event of a takeover bid: The service contracts of the Management Board members in some cases include a change-of-control clause. In the event that the Company receives notification pursuant to Article 21 (1) sentence 1 of the German Securities Trading Act (WpHG) whereby the party obliged to report declares that they have reached or exceeded 30 percent or 50 percent of the voting rights in the Company, or notification pursuant to Article 35 WpHG stating that a shareholder has taken control of the Company as defined by Article 29 WpHG, the corresponding Management Board member is entitled to terminate his or her contract of employment with a notice period of three months to the end of the calendar month and to resign from his or her office as a member of the Management Board with the same notice period. The Board member is in this case entitled to payment of a settlement for the remaining term of his or her contract of employment. This is to be based on an amount of annual compensation that comprises (1) the average fixed compensation of the most recently ended and the current financial year, (2) the average annual bonus for the most recently ended financial year and the annual bonus budgeted for the current financial year, (3) the average of the notional annual bonus from the most recently ended financial year and the notional annual bonus budgeted for the current financial year as well as (4) the average of the share bonus for the most recently ended financial year and 80 percent of the maximum payable amount for the share bonus of the current financial year. Such settlement is limited to three years' compensation and shall not exceed the annual compensation for the balance of the employment contract. There shall be no entitlement to a settlement if the change of control takes effect within twelve months prior to the start of the corresponding Management Board member's retirement, or the service contract would automatically have ended within the next six months regardless of a change of control, or if the Company extraordinarily terminates the contract for good cause. More information is to be found in the compensation report.

Compensation report
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Nuremberg, 29 February 2016
The Management Board

Dieter Bellé | Bruno Fankhauser | Dr Frank Hiller

Consolidated financial statements

LEONI AG further strengthened its financial and asset situation in 2015. When refinancing our long-term liabilities we took advantage of the favourable terms on the capital market and lowered our financing costs significantly. The Group's equity ratio was up slightly to 35.1 percent at the end of 2015.

Consolidated financial statements

Consolidated income statement

[€ '000] 01/01/ to 31/12/	Notes	2015	2014
Sales		4,502,940	4,103,434
Cost of sales		(3,780,009)	(3,401,152)
Gross profit on sales		**722,931**	**702,282**
Selling expenses		(233,834)	(213,816)
General and administration expenses		(236,101)	(197,458)
Research and development expenses		(119,849)	(109,338)
Other operating income	[6] [7]	43,965	12,621
Other operating expenses	[6]	(25,617)	(11,987)
Result from associated companies and joint ventures		(168)	201
EBIT		**151,327**	**182,505**
Finance revenue	[8]	1,425	665
Finance costs	[8]	(26,993)	(32,595)
Other income from share investments		100	144
Income before taxes		**125,859**	**150,719**
Income taxes	[9]	(48,590)	(35,659)
Net income		77,269	115,060
attributable to: Equity holders of the parent company		77,158	114,674
Non-controlling interests		111	386
Earnings per share (basic and diluted) in Euro	[29]	2.36	3.51
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	2015	2014
Net income		**77,269**	**115,060**
Other comprehensive income			
Items that cannot be reclassified to the income statement:			
Actuarial gains or losses on defined benefit plans		13,733	(39,098)
Income taxes applying to items of other comprehensive income that are not reclassified		(5,031)	9,899
Share of the actuarial gains and losses that pertain to associates and joint ventures		(125)	0
Items that can be reclassified to the income statement:			
Cumulative translation adjustments			
Gains arising during the period		36,051	38,963
Less reclassification adjustments included in the income statement		(1,727)	29
Total cumulative translation adjustments		34,224	38,992
Cash flow hedges			
Losses arising during the period		(10,299)	(4,641)
Less reclassification adjustments included in the income statement		7,267	129
Total cash flow hedges		(3,032)	(4,512)
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures		(50)	0
Income taxes applying to items of other comprehensive income that are reclassified	[10]	759	2,696
Other comprehensive income (after taxes)	[10]	**40,578**	**7,977**
Total comprehensive income		**117,847**	**123,037**
attributable to: Equity holders of the parent company		117,639	122,584
non-controlling interests		208	453

Consolidated statement of cash flows

[€ '000] 01/01/ to 31/12/	2015	2014
Net income	**77,269**	**115,060**
Adjustments to reconcile cash provided by operating activities:		
Income taxes	48,590	35,659
Net interest	26,082	30,467
Dividend income	(100)	(144)
Depreciation and amortisation	147,029	123,392
Losses on assets held for sale and Intangible assets	4,253	0
Other non-cash expenses and income	168	(201)
Result of asset disposals	1,671	1,282
Effect of revaluation and deconsolidation	(23,048)	0
Change in operating assets and liabilities		
Change in receivables and other financial assets	(53,210)	(48,258)
Change in inventories	16,548	(54,481)
Change in other assets	(5,568)	(12,518)
Change in provisions	10,548	(7,928)
Change in liabilities	38,171	54,915
Income taxes paid	(41,883)	(32,741)
Interest paid	(19,548)	(24,169)
Interest received	961	379
Dividends received	100	144
Cash flows from operating activities	**228,033**	**180,858**
Capital expenditures for intangible assets and property, plant and equipment	(247,594)	(219,655)
Capital expenditures for other financial assets	(154)	(5)
Cash receipts from disposal of assets	4,246	924
Income from the disposal of associated companies	0	0
Income from the disposal of a business operation/subsidiaries less cash and cash equivalents paid	10,275	0
thereof: Disposal proceeds € 12,875 k (previous year: € 0 k)		
Cash and cash equivalents paid € 2,600 k (previous year: € 0 k)		
Cash flows from capital investment activities	**(233,227)**	**(218,736)**
Cash receipts from acceptance of financial debts	251,035	135,311
Cash repayments of financial debts	(165,725)	(37,588)
Dividends paid by LEONI AG	(39,203)	(32,669)
Dividends paid to the non-controlling interest shareholders	0	(249)
Cash flows from financing activities	**46,107**	**64,805**
Change of cash and cash equivalents	40,913	26,927
Currency adjustment	6,789	7,077
Cash and cash equivalents at beginning of period	231,978	197,974
Cash and cash equivalents at end of period	279,680	231,978

Consolidated statement of financial position

Assets [€ '000]	Notes	31/12/2015	31/12/2014
Cash and cash equivalents		279,680	231,978
Trade accounts receivable and other financial assets	[11]	603,227	562,350
Other assets	[12]	93,583	92,630
Receivables from income taxes		14,881	10,919
Inventories	[13]	547,918	564,179
Assets held for sale	[14]	6,965	9,601
Total current assets		**1,546,254**	**1,471,657**
Property, plant and equipment	[15]	902,307	810,073
Intangible assets	[16]	79,324	82,661
Goodwill	[18]	149,915	147,676
Shares in associated companies and joint ventures	[19]	13,040	658
Trade receivables from long-term development contracts	[11]	54,246	55,146
Other financial assets		8,339	7,535
Deferred taxes	[9]	58,596	72,004
Other assets		25,430	19,771
Total non-current assets		**1,291,197**	**1,195,524**
Total assets		**2,837,451**	**2,667,181**

Equity and liabilities [€ '000]	Notes	31/12/2015	31/12/2014
Current financial debts and current proportion of long-term financial debts	[20]	102,409	99,776
Trade accounts payable and other financial liabilities	[21]	797,557	744,219
Income taxes payable		32,143	42,454
Other current liabilities	[22]	149,132	150,985
Provisions	[23]	32,660	28,329
Liabilities held for sale		0	0
Total current liabilities		**1,113,901**	**1,065,763**
Long-term financial debts	[20]	498,836	448,402
Long-term financial liabilities		3,093	7,522
Other non-current liabilities		9,898	9,072
Pension provisions	[24]	150,735	157,183
Other provisions	[23]	26,735	23,961
Deferred taxes	[9]	37,925	37,523
Total non-current liabilities		**727,222**	**683,663**
Share capital	[25]	32,669	32,669
Additional paid-in capital	[25]	290,887	290,887
Retained earnings	[25]	657,207	619,252
Accumulated other comprehensive income		13,850	(26,631)
Equity holders of the parent company		994,613	916,177
Non-controlling interests		1,715	1,578
Total equity	[25]	**996,328**	**917,755**
Total equity and liabilities		**2,837,451**	**2,667,181**

Consolidated statement of changes in equity

				Accumulated other comprehensive income					
[€ '000]	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Cash flow hedges	Actuarial gains and losses	Equity holders of the parent company	Non-controlling interests	Total
1 January 2014	**32,669**	**290,887**	**537,247**	**29,674**	**(2,653)**	**(61,562)**	**826,262**	**1,335**	**827,597**
Net income			114,674				114,674	386	115,060
Other comprehensive income				38,925	(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							0	39	39
31 December 2014	**32,669**	**290,887**	**619,252**	**68,599**	**(4,469)**	**(90,761)**	**916,177**	**1,578**	**917,755**
1 January 2015	**32,669**	**290,887**	**619,252**	**68,599**	**(4,469)**	**(90,761)**	**916,177**	**1,578**	**917,755**
Net income			77,158				77,158	111	77,269
Other comprehensive income				34,177	(2,273)	8,577	40,481	97	40,578
Total comprehensive income							*117,639*	*208*	*117,847*
Dividend payment			(39,203)				(39,203)	0	(39,203)
Disposal of non-controlling interests								(71)	(71)
31 December 2015	**32,669**	**290,887**	**657,207**	**102,776**	**(6,742)**	**(82,184)**	**994,613**	**1,715**	**996,328**

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 2015 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 2015 are in line with those of the previous year with the exception of the new IFRS requirements applied for the first time in the 2015 financial year. These are explained under Note 2.

The Management Board on 29 February 2016 authorised the presented consolidated financial statements for the year ended 31 December 2015 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 36 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	31/12/2015	31/12/2014
Brazil	Real	BRL	4.31390	3.24100
China	Renminbi Yuan	CNY	7.07240	7.55500
United Kingdom	Pound	GBP	0.73500	0.78180
Korea	Won	KRW	1277.02840	1,337.35340
Mexico	Peso	MXN	18.92400	17.92340
Poland	Zloty	PLN	4.26360	4.29020
Romania	Leu	RON	4.52290	4.48450
Russian Federation	Rubel	RUB	80.41680	67.58950
Switzerland	Franc	CHF	1.08220	1.20240
USA	Dollar	USD	1.08920	1.21660

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

Country	Currency	ISO Code	2015	2014
Brazil	Real	BRL	3.70325	3.12670
China	Renminbi Yuan	CNY	6.99042	8.17091
United Kingdom	Pound	GBP	0.72810	0.80513
Korea	Won	KRW	1257.28373	1,396.14821
Mexico	Peso	MXN	17.66548	17.68462
Poland	Zloty	PLN	4.18935	4.19202
Romania	Leu	RON	4.44368	4.44131
Russian Federation	Rubel	RUB	68.57447	51.01988
Switzerland	Franc	CHF	1.07384	1.21351
USA	Dollar	USD	1.11255	1.32612

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.

Factoring

Some trade receivables, mainly from carmakers and their suppliers, are sold to factoring companies to realise cash receipts early. Such receivables are derecognised from the consolidated balance sheet at the time of sale because the risk of default is transferred to the purchaser. The security deposit assessed by the factor is recognised in current other financial assets. The liabilities from cash receipts for sold receivables are reported under other financial liabilities.

Reverse factoring

Reverse factoring transactions are used to finance suppliers in connection with copper procurement. These agreements serve primarily to make use of extended payment terms. There is no effect, however, either in terms of recognition or under civil law that would entail reclassification of the trade liabilities to another type of liability on the balance sheet.

Inventories

Inventories encompass raw materials, production supplies and goods purchased as well as work in progress and finished goods. They are stated at the lower of cost and the net realisable value. Raw materials, production supplies 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	max. 15 years
Factory and office equipment	max. 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 three 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 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 2015 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 2015 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 acquisitions 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 2015 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 accu-

mulated 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 cost is recognised in the income statement at the time of the change to the plan.

The amount recognised as a defined benefit asset or liability comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly. The value of a defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The interest costs relating to the net obligation are presented under finance costs.

Other provisions

Other provisions are recorded when a present legal or constructive obligation to a third party has been incurred from past events, the payment is probable and the amount can be reasonably estimated. So far as the Group expects repayment for an accrued provision at least in part for example from an insurance policy, such repayment is recognised as a separate asset provided the inflow of the repayment is virtually certain. The provisions are valued according to IAS 37 with the best estimate of the amount of the obligation. Where provisions do not become due until after one year and a reliable estimate of the payment amounts and dates is possible, the present value for the non-current proportion is determined on a discounted basis. 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 that are applicable to the corresponding period. Uncertain income tax items for tax years not yet finally assessed are considered at the best possible estimate based on experience.

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 legally independent entities are assessed individually in this respect, with any history of loss included in the assessment. Further details are presented in Note 9. 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 17 and 18.

Management must, with respect to accounting for capitalised deferred taxes relating mainly to unused loss carryforwards, make estimates and judgments concerning the amount of taxable profit available in the future for use of the loss carryforwards. So far as this has been made sufficiently specific, future tax planning strategies and the expected timing of the income from it will be considered in the process. Deferred tax assets are recognised regularly to the extent that deferred tax liabilities in the same amount and with the same term applicable to them are expected. Furthermore, deferred tax assets are recognised only if future taxable income is with high probability expected 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

Application of several minor amendments and clarifications involving various Standards was mandatory for the first time for 2015. However, they did not have any material effect on either the consolidated financial statements or the interim consolidated financial statements.

Future, new accounting requirements

A) Accounting requirements endorsed by the European Union (EU)

The accounting requirements that have been issued by the IASB as well as IFRIC and have been endorsed by the EU are not relevant to LEONI and are not mentioned for this reason.

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]), which supersedes both IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together the three project phases accounting for financial instruments: Classification and Measurement, Impairment and Hedge Accounting. IFRS 9 applies for the first time to financial years beginning on or after 1 January 2018. Earlier application is permitted. With the exception of hedge accounting, the Standard is to be applied retroactively, but presentation of comparative information is not required. The requirements for hedge accounting must generally and apart from a few exceptions be applied prospectively. LEONI began during the financial year to analyse the impact of the new Standard and intends to apply it with effect from the set date of it coming into force.

- 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 2018. It requires either full retrospective application or modified retrospective application. Early application is permitted, although LEONI intends to apply the new Standard with effect from the set date of it coming into force and to choose the fully retrospective method. A project group was formed during the year under report that analyses the impact of the new Standard and considers possible scenarios for applying the changes throughout the organisation.

- In January 2016, IASB issued the new IFRS 16, according to which lessees must recognise assets and liabilities for most leases in the statement of financial position. For lessors there will be only minor changes compared with accounting pursuant to IAS 17 Leases. As a consequence of its application for the first time, the majority of the obligations from operating leases currently presented under Note 27 'Contingent liabilities and similar obligations' will probably have to be presented as extending the balance sheet. These new requirements must be applied to financial years beginning on or after 1 January 2019.

Application of the above requirements will be binding in the future so far as they are endorsed by the EU. The IASB also issued amendments other than the aforementioned updates. These will probably not be 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 58 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		
	31/12/2015	31/12/2014
Germany	21	21
Outside	58	62
Total	**79**	**83**

Two Chinese companies as well as two Spanish companies were merged into respectively one legal entity during the period under report. One company was established in Slovakia and included within the scope of consolidation; subsidiaries in Poland and Malaysia that no longer operate were liquidated. A previously full consolidated company in China was consolidated as a joint venture and therefore by the equity method.

A complete list of the fully consolidated subsidiaries as well as of the associates and joint ventures on 31 December 2015 is shown at the end of these notes.

4 | Acquisitions and disposals of subsidiaries

Fiscal 2015:

As part of the joint venture agreed with the Chinese company Beijing Hainachuan Automotive Parts Co Ltd. (BHAP), 50 percent of the shares in Langfang LEONI Wiring Systems Co. Ltd., based in Langfang, China were sold. All formal and material conditions for loss of control were met on 11 December 2015. From this date the company has, with the remaining 50 percent shareholding, been included within the scope of consolidation as a joint venture using the equity method. The consideration to be paid by the purchaser for the 50 percent shareholding amounted to € 12,875 k. A fair value of € 12,875 k was applied as the cost to purchase the remaining 50 percent share, which simultaneously corresponds to 50 percent of the fair value of deconsolidated business. From the sale the Group recognised a gain on revaluation and deconsolidation totalling € 19,632 k. This included an exchange loss in the amount of € 203 k, which was reclassified from other comprehensive income to the income statement presented under other operating expenses.

The at-equity result and thus the contribution to consolidated earnings for the remainder of fiscal 2015 amounted to € 342 k (cf. also Note 19).

The Group took in a payment of € 12,875 k from its sale of the share in the Langfang plant, which therefore, when taking the deconsolidated cash and cash equivalents amounting to € 2,600 k into account, provided the Group with cash totalling € 10,275 k in fiscal 2015.

The overview below shows the deconsolidated assets and liabilities as well as how the gain on revaluation and deconsolidation is derived:

	Deconsolidated upon disposal
[€ '000]	**2015**
Trade accounts receivable	34,176
Inventories	14,912
Other current assets	4,555
Property, plant and equipment	25,131
Other non-current assets	2,282
Deconsolidated assets	81,056
Trade accounts payable	36,545
Total current liabilities	4,503
Long-term financial debts	37,001
Other non-current liabilities	508
Deconsolidated liability	78,557
Net assets	**2,499**
Consideration received	12,875
Deconsolidated net assets	(2,499)
Deconsolidated OCI	(203)
Top-up amount from revaluation of the remaining interests at fair value	12,875
Effect of revaluation and deconsolidation	23,048
Transaction costs	(3,416)
Effect on income of revaluation and deconsolidation	**19,632**
of which from revaluation of the remaining shares	12,875

Fiscal 2014:

There were no business acquisitions or any disposals of subsidiaries in the previous year.

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
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.

Wiring Systems
The development, manufacture and sale of cable harnesses, complete wiring systems as well as related components and connectors for the international automotive and supply industry constitutes the main business of the Wiring Systems Division.

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 2015 and 2014 financial years are as follows:

	Wire & Cable Solutions		Wiring Systems		Reconciliation		LEONI Group	
[€ '000]	2015	2014	2015	2014	2015	2014	2015	2014
Sales	2,012,375	1,857,684	2,668,492	2,399,845	(177,927)	(154,095)	4,502,940	4,103,434
Less intersegment sales	177,671	153,870	256	225	(177,927)	(154,095)		
External sales	1,834,704	1,703,814	2,668,236	2,399,620			4,502,940	4,103,434
domestic	383,577	397,752	766,731	710,597			1,150,308	1,108,349
abroad	1,451,127	1,306,062	1,901,505	1,689,023			3,352,632	2,995,085
abroad in %	79.1	76.7	71.3	70.4			74.5	73.0
EBIT	63,855	78,059	87,407	104,580	65	(134)	151,327	182,505
as a percentage of external sales	3.5	4.6	3.3	4.4			3.4	4.4
Financial result and other investment income							(25,468)	(31,786)
Income before taxes							125,859	150,719
Income taxes							(48,590)	(35,659)
Consolidated income							77,269	115,060
Earnings from measurement under the equity method	0	0	(168)	201	0	0	(168)	201
Depreciation and amortisation	46,794	42,790	94,117	75,073	6,118	5,529	147,029	123,392
EBITDA	110,649	120,849	181,524	179,653	6,183	5,395	298,356	305,897
as a percentage of external sales	6.0	7.1	6.8	7.5			6.6	7.5
Restructuring expenses	360	926	1,291	863	0	0	1,651	1,789
Total assets	1,378,621	1,090,010	1,872,819	1,569,592	(413,989)	7,579	2,837,451	2,667,181
Average capital employed	698,844	627,372	812,430	701,005	2,388	4,227	1,513,662	1,332,604
ROCE	9.1 %	12.4 %	10.8 %	14.9 %			10.0 %	13.7 %
Investment in property, plant and equipment as well as intangible assets	67,716	67,954	168,335	139,225	11,423	8,584	247,474	215,763
Acquisitions/investments in financial assets	0	0	154	5	0	0	154	5
Average number of employees	8,867	8,509	63,632	57,505	261	241	72,760	66,255

Segment information by geographical regions:

	EMEA total		thereof:							
			Germany		Eastern Europe		Rest of Europa		Rest of EMEA	
[€ '000]	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
External sales										
Wire & Cable Solutions	1,030,934	1,003,690	383,577	397,752	345,188	325,128	273,887	258,486	28,282	22,324
Wiring Systems	1,914,910	1,701,857	766,731	710,597	403,167	353,009	717,108	616,143	27,904	22,108
	2,945,844	2,705,547	1,150,308	1,108,349	748,355	678,137	990,995	874,629	56,186	44,432
Non-current assets	717,997	632,542	175,783	160,892	328,799	264,066	106,951	101,560	106,464	106,024

	Americas		Asia		Reconciliation		LEONI Group	
[€ '000]	2015	2014	2015	2014	2015	2014	2015	2014
External sales								
Wire & Cable Solutions	395,490	338,010	408,280	362,114			1,834,704	1,703,814
Wiring Systems	341,644	283,407	411,682	414,356			2,668,236	2,399,620
	737,134	621,417	819,962	776,470			4,502,940	4,103,434
Non-current assets	112,100	90,720	167,361	170,131	(2,787)	0	994,671	893,393

The Americas region in particular accounted for 18.6 percent of the sales growth during the period under report, with a proportion of this increase due to currency translation effects.

As in the previous year, China accounts for the most significant proportion of consolidated external sales in Asia with a 14.2 percent share while, in the Americas, the United States account for 11.0 percent (previous year: 9.9 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 2015 financial year, sales to one customer of the Wiring Systems Division totalled € 617,493 k (previous year: € 481,957 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]	2015	2014
Income from revaluing and deconsolidating Langfang	23,251	0
Government grants	11,559	8,435
Reversal of provisions	665	1,561
Others	8,490	2,625
	43,965	**12,621**

The sale of 50 percent of the shares in our company in Langfang, China initially resulted in income from revaluation of the remaining shares of € 12,875 k and further deconsolidation income of € 10,376 k.

The performance-related government grants of € 11,559 k pertained almost exclusively to the Wiring Systems Division as in the previous year (€ 8,435 k). More detailed explanation of this is to be found in Note 7. The reversal of provisions involved almost exclusively provisions for restructuring, with € 648 k pertaining to the Wiring Systems Division (previous year: Wiring Systems € 1,260 k, Wire & Cable Solutions Division € 301 k).

The other operating expenses in the amount of € 25,617 k (previous year: € 11,987 k) contained the following:

[€ '000]	2015	2014
Other taxes	4,655	132
Transaction costs on disposal of shares in Langfang	3,416	0
Impairment of intangible assets	3,253	0
Loss on disposals of property, plant and equipment as well as intangible assets	2,426	1,721
Factoring cost	2,421	2,973
Exchange losses	2,215	4,722
Restructuring cost	1,651	1,789
Impairment of a building held for sale	1,000	0
Others	4,580	650
	25,617	**11,987**

The item other taxes contains mainly expected back-payments and fines for disputed value added tax matters in Turkey.

Note 4 contains information on disposal of the shares in Langfang LEONI Wiring Systems Co. Ltd.

The impairments involve an impairment of intangible assets with a finite useful life. More detailed explanation of this is to be found in Note 17.

The exchange losses amounted to € 2,215 k (previous year: € 4,722 k) and pertained mainly to translation of forex items of the Chinese and Polish companies. Combined with the exchange gains on financing activity in the amount of € 514 k (an exchange loss in the previous year of € 1,464 k), which were included in finance costs, there was an exchange loss totalling € 1,701 k (previous year: € 6,186 k).

The restructuring expenses of € 1,291 k (previous year: € 863 k) in the Wiring Systems Division involved further measures at a plant in Tunisia and of € 360 k (previous year: € 926 k) in the Wire & Cable Solutions Division almost exclusively measures at facilities in Germany. This comprised primarily spending on severance, which also includes the additions to restructuring provisions (cf. explanations in Note 23 in this regard). The restructuring expenses related to the cost of sales in the amount of € 1,286 k (previous year: € 1,582 k), to general administrative costs in the amount of € 345 k (previous year: € 176 k) and to research and development costs in the amount of € 20 k (previous year: € 31 k).

This item also included expenses of € 1,000 k due to writing down a held-for-sale building in Morocco to its current market value less cost to sell. Further information on held-for-sale assets is contained in Note 14.

7 | Government grants

The Group obtained various government grants related to income in the 2015 financial year. Of these, € 1,136 k (previous year: € 1,396 k) pertained mainly to integration subsidies 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 € 11,559 k (previous year: € 8,435 k), which pertained mainly to the Wiring Systems Division, were presented in other operating income. Of this, € 6,252 k was attributable to government grants for building plants in Serbia and € 3,590 k to promotion of export business in Egypt.

In the 2015 financial year, the Group also received further grants in Serbia for building a second plant to produce wiring systems, which amounted to € 2,625 k as in the previous year. An amount of € 930 k was not yet recognised in the income statement. This part is 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.

Government grants for capital investment in property, plant and equipment in the amount of € 3,077 k (previous year: € 68 k) were recognised in fiscal 2015. These were deducted from the costs to purchase and manufacture the related property, plant and equipment.

8 | Finance revenue and costs

The favourable refinancing terms are now fully reflected in the financial result, i.e. the balance of finance revenue and costs. The favourable refinancing terms more than offset the increased interest expenses due to the larger average amount of debt.

The finance revenues in the amount of € 1,425 k (previous year: € 665 k) involved exchange gains amounting to € 514 k (previous year: € 0 k) and interest income of € 911 k (previous year: € 665 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]	2015	2014
Interest expenses	22,807	25,768
Finance cost from pension obligations	3,946	4,318
Interest expense from measurement of other provisions	240	1,046
Exchange losses	0	1,463
Finance cost	**26,993**	**32,595**

The interest expenses of € 22,256 k (previous year: € 23,266 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 2015 and fiscal 2014:

[€ '000]	2015	2014
Current taxes		
Germany	498	3,289
Outside	39,645	36,855
	40,143	**40,144**
Deferred taxes		
Germany	1,618	(3,904)
Outside	6,829	(581)
	8,447	**(4,485)**
Income taxes	**48,590**	**35,659**

In the 2015 financial year, the Group recognised tax expenses of € 48,590 k (previous year: € 35,659 k) in the income statement. Tax expense of € 4,272 k (previous year: tax income of € 12,595 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 2015 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 € 462 k (previous year: a loss of € 84 k). The reconciliation below takes the impact of each of these tax rate changes into account.

The table below reconciles the statutory income tax expense or the expected tax expense at the reported tax rate to the effective income taxes presented in the financial statements for the respective financial year. To calculate the projected income tax expense we multiplied the pre-tax earnings by the combined income tax rate in Germany of 29.6 percent (previous year: 29.6 percent) applicable to the financial year.

	2015		2014	
	[€ '000]	[%]	[€ '000]	[%]
Expected tax expense (2015: 29.6 %; 2014: 29.6 %)	37,254	29.6	44,613	29.6
Foreign tax rate differentials	(12,746)	(10.1)	(16,278)	(10.8)
Change in valuation allowances on deferred tax assets	19,017	15.1	2,256	1.5
Non-deductible expenses	8,447	6.7	5,517	3.7
Foreign tax at source	2,512	2.0	1,456	1.0
Prior-period tax income/expense	(4,481)	(3.6)	(2,977)	(2.0)
Other	(1,413)	(1.1)	1,072	0.7
Effective income taxes/tax rate	**48,590**	**38.6**	**35,659**	**23.7**

The year-on-year increase in the tax rate is attributable primarily to not having recognised deferred tax assets against current losses.

The change in valuation allowances on deferred tax assets in the amount of € 19,017 k (previous year: € 2,256 k) in the fiscal year involved particular tax assets not capitalised in the amount of € 17,817 k (previous year: € 6,966 k). As in the previous year, these valuation allowances concerned primarily deferred tax assets from loss carryforwards to the extent it is considered more likely than not that such benefits will be used in future years. In determining the valuation allowance all factors including legal factors and information available were taken into account. Deferred tax assets, which in preceding periods we applied primarily to loss carryforwards, were written down in the amount of € 3,252 k (previous year: € 513 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 € 2,032 k (previous year: a negative amount of € 5,095 k). The item included a negative amount of € 20 k (previous year: negative € 128 k) for the use of loss carryforwards for which no tax assets were recognised in the previous years.

In the case of entities that incurred a tax loss in either the current or previous year, and where the deferred tax assets on loss carryforwards are not covered by a net deferred tax liability, deferred tax assets on loss carryforwards were recognised in the amount of € 13,718 k (previous year: € 17,963 k). Based on management's assumptions for and estimates of future business performance, which were derived from experience as well as the currently available information and forecasts, realisation of this tax asset appears to be sufficiently probable. The judgement is based on sufficient account having been taken in the planning for the subsequent years of the performance problems that occurred in the 2015 financial year with significantly more conservative margin projections.

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]	**2015**	**2014**	**2015**	**2014**
Inventories	8,894	8,183	553	(1,798)
Accounts receivable and other assets	9,094	6,352	1,309	1,073
Property, plant and equipment	5,724	4,423	1,355	232
Intangible assets	512	657	(167)	(86)
Non-current financial assets	782	469	325	5
Tax loss carryforwards	74,760	77,535	(3,840)	10,092
Liabilities and provisions	15,066	15,068	351	36
Pension provisions	31,224	34,695	334	757
Total	146,056	147,382		
Valuation allowance	(48,692)	(38,296)	(8,548)	(5,145)
Deferred tax assets (before offsetting)	**97,364**	**109,086**		
Inventories	5,796	7,900	2,367	576
Accounts receivable and other assets	2,584	3,633	957	730
Property, plant and equipment	32,602	29,553	(1,512)	(1,597)
Intangible assets	20,675	22,575	2,259	(435)
Non-current financial assets	9,221	8,333	(919)	(2,772)
Liabilities and provisions	4,805	1,384	(3,487)	3,195
Pension provisions	1,010	1,227	216	(378)
Deferred tax liabilities (before offsetting)	**76,693**	**74,605**		
Deferred tax income/expense			**(8,447)**	**4,485**
Net deferred tax assets/tax liabilities	**20,671**	**34,481**		

No deferred tax assets on temporary differences and tax loss carryforwards were recognised in the amount of € 48,692 k (previous year: € 38,296 k) because realisation of the tax assets in the foreseeable future does not seem sufficiently certain.

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

[€ '000]	2015	2014
Deferred tax assets	107,288	110,300
Valuation allowance	(48,692)	(38,296)
Net deferred tax assets	**58,596**	**72,004**
Deferred tax liabilities	**37,925**	**37,523**
Net deferred tax assets/tax liabilities	**20,671**	**34,481**

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 € 353,952 k on 31 December 2015 (previous year: € 334,458 k).

On the balance sheet date the Group had mainly foreign income tax but also German corporate tax loss carryforwards totalling € 269,963 k (previous year: € 258,428 k), of which € 157,580 k (previous year: € 116,958 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 2035 at the latest if not utilised.

The table below shows the usability of the loss carryforwards:

[€ '000]		2015
Useable until	2016	982
Useable until	2017	1,654
Useable until	2018	2,546
Useable until	2019	4,577
Useable until	2020	10,644
Useable until	2021	8,558
Useable until	2022	33,440
Useable until	2023	25,522
Useable until	2024	11,280
Useable until	2025	12,398
Useable until	2033	170
Useable until	2034	293
Useable until	2035	320

The Group's German trade tax loss carryforwards amounted to € 46,262 k on the balance sheet date (previous year: € 30,927 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. There were foreign loss carryforwards for US state tax in the amount of € 20,154 k on the balance sheet date (previous year: € 24,684 k).

In the financial year, German trade tax loss carryforwards amounting to € 268 k (previous year: € 5,288 k) and German corporate tax loss carryforwards amounting to € 289 k (previous year: € 239 k) were utilised. Foreign income tax loss carryforwards were used in the amount of € 14,578 k (previous year: € 12,399 k). Loss carryforward for US state tax were used in the amount of € 3,905 k in the financial year (previous year: € 0).

10 | Other comprehensive income

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

01/01/ – 31/12/	2015			2014		
[€ '000]	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Change in actuarial gains/losses	13,733	(5,031)	8,702	(39,098)	9,899	(29,199)
Foreign currency translation adjustments	34,324	0	34,324	38,992	0	38,992
Change in unrealised gains/ losses on cash flow hedges	(3,032)	759	(2,273)	(4,512)	2,696	(1,816)
Changes in the share of other comprehensive income accounted for by associates and joint ventures	(175)	0	(175)	0	0	0
Other comprehensive income	**44,850**	**(4,272)**	**40,578**	**(4,618)**	**12,595**	**7,977**

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 € 34,324 k (previous year: € 38,992 k). This effect was attributable mainly to translation of the Chinese renminbi, the Swiss franc as well as the US dollar into the euro reporting currency. The increase in the discount rate on pension obligations in Germany and the United Kingdom resulted in actuarial gains amounting to € 13,733 k (previous year: losses of € 39,098 k).

Taking deferred taxes into account, the overall result was other comprehensive income of € 40,578 k (previous year: € 7,977 k).

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

[€ '000]	2015	2014
Trade receivables	562,200	544,936
Receivables from associated companies and joint ventures	16,487	10
Other financial assets	24,540	17,404
	603,227	**562,350**
Non-current trade receivables from development contracts	**54,246**	**55,146**

Trade receivables were non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to € 148,837 k (previous year: € 126,222 k).

The trade receivables pertaining to development orders involved customer-specific development contracts accounted for in accordance with IAS 11. The short-term proportion of receivables from development contracts in the amount of € 18,239 k (previous year: € 13,310 k) is included in trade receivables. The sales for the financial year include revenue amounting to € 22,708 k (previous year: € 22,659 k) from such development contracts. The expenses recognised corresponded to the sales.

The allowances for trade receivables were as follows:

[€ '000]	2015	2014
Allowance as of 1 January	**7,135**	**5,543**
Currency translation adjustments	75	727
Additions (allowances recognised as expense)	4,897	3,019
Usage	(910)	(726)
Reversal	(1,805)	(1,428)
Allowance as of 31 December	**9,392**	**7,135**

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:

[€ '000]	Carrying amount	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					
			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
	31/12/2015							
Trade receivables	562,200	511,427	33,291	7,078	2,523	3,275	1,337	3,757
Long-term trade receivables from development contracts	54,246	54,246	0	0	0	0	0	0
Receivables from associated companies and joint ventures	16,487	16,487	0	0	0	0	0	0
Other financial receivables	20,755	18,123	1,093	429	703	38	154	392
	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
Receivables from associated companies and joint ventures	10	10	0	0	0	0	0	0
Other financial receivables	17,616	15,724	826	175	355	55	153	328

The other financial receivables include the short and long-term other financial assets in the amount of € 31,813 k (previous year: € 23,873 k) less derivate financial assets in the amount of € 11,058 k (previous year: € 6,257 k).

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 € 139,442 k (previous year: € 142,927 k).

12 | Other assets

[€ '000]	2015	2014
Receivables for VAT	53,415	50,482
Prepaid expenses	14,039	13,470
Advanced payment	12,959	14,588
Insurance technical reserves	3,161	5,815
Receivables for other taxes	2,748	2,529
Other assets	7,261	5,746
	93,583	**92,630**

13 | Inventories

[€ '000]	2015	2014
Raw materials and manufacturing supplies	252,562	261,322
Work in progress	96,408	95,893
Finished products and merchandise	198,948	206,964
	547,918	**564,179**

The amount of impairment of inventories, recognised as expense, is € 21,176 k (previous year: € 19,164 k). As in the previous year, the fiscal 2015 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 € 2,675,797 k (previous year: € 2,436,320 k).

The carrying amount included inventories in the amount of € 29,954 k (previous year: € 23,059 k) that were measured at net realisable value.

14 | Assets held for sale

The assets held for sale in the amount of € 6,965 k (previous year: € 9,601 k) concern the Wiring Systems Division and include a building in Bouznika, Morocco. Negotiations to sell are currently under way with potential buyers, a sale of the property having failed to come about during the year under report.

The year-on-year decrease in assets held for sale is the result of an impairment of € 1,000 k in the amount recoverable from selling the building in Morocco. Further information on this is presented in Note 6.

Furthermore, a former production building in Poland with a carrying amount of € 1,636 k was sold.

15 | Property, plant and equipment

[€ '000]	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Advance payments and assets under construction	Total
Net book value on 1 January 2014	**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**
Acquisition costs on 1 January 2015	406,487	966,017	253,150	89,404	1,715,058
Currency differences	6,407	20,371	3,847	2,187	32,812
Additions	9,125	65,093	21,723	135,043	230,984
Disposals	4,154	43,721	15,454	741	64,070
Disposals due to changes in scope of consolidation	4,315	19,298	5,231	1,071	29,915
Transfers	13,214	74,376	17,520	(105,110)	0
31 December 2015	426,764	1,062,838	275,555	119,712	1,884,869
Accumulated depreciation on 1 January 2015	140,850	592,768	171,325	42	904,985
Currency differences	1,792	9,916	1,851	(12)	13,547
Additions	15,874	85,761	26,873	215	128,723
Disposals	3,396	41,721	14,792	0	59,909
Disposals due to changes in scope of consolidation	608	2,592	1,584	0	4,784
31 December 2015	154,512	644,132	183,673	245	982,562
Net book value on 31 December 2015	**272,252**	**418,706**	**91,882**	**119,467**	**902,307**

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 2014	**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**
Acquisition costs on 1 January 2015	100,949	134,537	13,497	12,236	261,219
Currency differences	1,285	2,319	867	49	4,520
Additions	6,985	0	2,944	6,561	16,490
Disposals	5,451	13,509	2	0	18,962
Disposals due to changes in scope of consolidation	115	0	0	0	115
Transfers	7,115	0	546	(7,661)	0
31 December 2015	110,768	123,347	17,852	11,185	263,152
Accumulated amortisation on 1 January 2015	75,870	92,711	9,850	127	178,558
Currency differences	928	839	681	1	2,449
Additions	8,348	9,357	562	41	18,308
Increase in impairment	0	0	3,253	0	3,253
Disposals	5,214	13,509	0	0	18,723
Disposals due to changes in scope of consolidation	17	0	0	0	17
31 December 2015	79,915	89,398	14,346	169	183,828
Net book value on 31 December 2015	**30,853**	**33,949**	**3,506**	**11,016**	**79,324**

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 € 5,765 k (previous year: € 6,743 k); the average residual useful life is 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 € 33,949 k (previous year: € 41,826 k), the average residual useful life of which was 5.4 years.

Amortisation of intangible assets with a finite useful life was included in the following function costs:

[€ '000]	2015	2014
Cost of sales	11,614	10,242
General and administration expenses	5,116	4,975
Selling expenses	1,076	857
Research and development expenses	502	488
Total	**18,308**	**16,562**

The increase in impairment by € 3,253 k involved a devaluation of development costs capitalised in accordance with IAS 38. More detailed explanation of this is to be found in Note 17.

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

Property, plant and equipment as well as intangible assets were tested for impairment where there were possible signs of depreciation pursuant to IAS 36.13. The existing brands were also tested for possible impairment as part of the impairment test that must be carried out at least once a year. For this impairment testing, the expected cash flows were in all cases extrapolated from the business planning as approved by management for a period of five years.

The brands were tested for impairment on 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 the recoverable amount of the respective cash-generating unit on the value in use and for simplification purposes initially without considering a growth discount. In the case of the Business Group Industry & Healthcare brand, the fair value less cost to sell was furthermore drawn upon and determined on the basis of the level three parameters pursuant to IFRS 13.

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 12.01 percent (previous year: 11.85 percent). The impairment test did not result in any need for write-down.

In the case of the Business Group Industry & Healthcare brand, the fair value less cost to sell was drawn upon for the impairment test. The after-tax discount rate was 8.23 percent (previous year: 8.10 percent); in accordance with the five-year detailed planning period a discount rate of 6.73 percent (previous year: 6.60 percent) was applied, which equates to a growth rate of 1.5 percent as the previous year. The impairment tests did not result in any need for write-down. From an increase in the after-tax discount rate of more than 0.87 of a percentage point (previous year 0.79), the recoverable amount of the tested unit of Business Group Industry & Healthcare would, all other parameters being equal, drop below the carrying amount.

In the case of a cash-generating unit of the Wiring Systems Division, the impairment test was also based on the fair value less cost to sell and determined on the basis of the level three parameters pursuant to IFRS 13. The after-tax discount rate applied was 8.30 percent (previous year: 8.08 percent); in accordance with the five-year detailed planning period a discount rate of 6.80 percent (previous year: 6.58 percent) was applied, which equated to a growth rate of 1.5 percent as the previous year. The test did not find any need for write-down. From an increase in the after-tax interest rate by more than 1.11 percentage points (previous year 2.27) the fair value less cost to sell would, all other parameters being equal, drop below the carrying amount.

In the case of a cash-generating unit of the Wiring Systems Division the impairment test was based on the value in use. The pre-tax discount rate was 10.91 percent; a discount rate of 9.41 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 1.56 percentage points the value in use would, all other parameters being equal, drop below the carrying amount.

In a second case in the Wiring Systems Division the value in use was also drawn upon for the impairment test of the cash-generating unit. The pre-tax discount rate was 8.08 percent (previous year: 9.58); in accordance with the five-year detailed planning period a discount rate of 6.58 percent (previous year: 8.08 percent) was applied, which equated to a growth rate of 1.5 percent as the previous year. From an increase in the pre-tax interest rate by more than 1.06 percentage points (previous year: 2.23) 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 there was furthermore a test of the development costs capitalised in accordance with IAS 38. Due to the generation-specific further technical development of the project concerned, the test found a need for write-down in the amount of € 3,253 k. This was recognised in other operating expenses.

18 | Goodwill

Goodwill in the financial year is summarised as follows:

[€ '000]	2015	2014
Acquisition costs on 1 January	155,845	156,586
Accumulated allowance	8,169	8,169
Carrying amount 1 January	**147,676**	**148,417**
Subsequent purchase price adjustment	0	(839)
Currency translation differences	2,239	98
Carrying amount on 31 December	**149,915**	**147,676**
Acquisition costs on 31 December	158,084	155,845
Accumulated allowance on 31 December	8,169	8,169
Carrying amount on 31 December	**149,915**	**147,676**

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 combinations. The principal goodwill allocations were as follows: In the Wiring Systems Division, the largest item of goodwill in the amount unchanged from the previous year of € 66.6 million was allocated at segment level. In the Wire & Cable Solutions Division, Business Group Industry & Healthcare accounted for goodwill of € 37.3 million (previous year: € 37.1 million). Goodwill totalling € 31.0 million (previous year: € 28.9 million) was allocated to Business Group Communication & Infrastructure and € 4.1 million (previous year: € 4.2 million) to Business Group Automotive Cables.

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 and for simplification extrapolated without applying a growth rate. The pre-tax discount rates applied were as follows: for the Wiring Systems Division 11.46 percent (previous year: 11.63 percent), for Business Group Automotive Cables 13.90 percent (previous year: 13.30 percent), for Business Group Industry & Healthcare 11.15 percent (previous year: 11.00 percent) and for Business Group Communication & Infrastructure 10.41 percent (previous year: 10.16 percent).

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

The Group's management holds the basic view that, by prudent judgment, 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. There is one exception in the Wire & Cable Solutions Division:

An item of goodwill in the amount of € 31.0 million is allocated to the Business Group Communication & Infrastructure, which was tested for impairment. The pre-tax discount rate was 10.41 percent (previous year: 10.16); in accordance with the five-year detailed planning period a discount rate of 8.91 percent (previous year: 8.66 percent) was applied, which, as the previous year, equated to a growth rate of 1.5 percent after the five-year period. Based on the assumptions made, the value in use exceeded the carrying amount of € 233.5 million (previous year: € 235.7 million) by € 30.1 million (previous year: € 74.4 million). From an increase in the discount rate by 1.00 percentage point (previous year 2.44) the value in use would, all other parameters being equal, match the carrying amount.

19 | Shares in associated companies and joint ventures

The shares in associated companies and joint ventures involved primarily Langfang LEONI Wiring Systems Co. Ltd. based in Langfang, China, in which the Group holds a 50 percent stake and which is included on the consolidated financial statements with this share. The business purpose of this joint venture is the production of cable harnesses for car model series. Further information on this is to be found in Note 4.

The following key figures may be extrapolated from the financial statements prepared in accordance with IFRS for the aforementioned, significant joint venture. The figures are stated at 100 percent and do not reflect LEONI's share in these amounts. There is furthermore a reconciliation of the pro-rata net assets with the carrying amount of the share held by LEONI in this joint venture.

[€ '000]		2015
Current assets		56,302
of which cash and cash equivalents	2,483	
Non-current assets		43,304
Current liabilities		43,943
of which current financial liabilities	40,470	
Non-current liabilities		39,855
of which non-current financial liabilities	35,418	
Sales		16,326
Interest income		3
Interest expenses		252
Depreciation/amortisation		1,226
Expenses		15,544
Income before taxes		**(693)**
Income tax expense or revenue		9
Earnings after taxes		**(684)**
Other comprehensive income		(101)
Total comprehensive income		**(785)**
pro-rata comprehensive income		(393)
Net assets (excl. goodwill)		**15,808**
pro-rata net assets		7,904
pro-rata goodwill		4,429
Carrying amount of investment		**12,333**
Average number of employees		**541**

The carrying amount of joint ventures and associated companies that are individually not significant was € 707 k (previous year: € 658 k). The summarised financial information, based on the values pertaining to LEONI, is presented below:

[€ '000]	2015	2014
Income from continuing operations	125	224
Other earnings after taxes	49	(23)
Total comprehensive income	**174**	**201**

20 | Financial debts

The financial liabilities comprised liabilities to banks, notes payable and other loan obligations. They totalled € 601,245 k on 31 December 2015 (previous year: € 548,178 k). Current financial liabilities and the short-term proportion of long-term loans amounted to € 102,409 k on the reporting date (previous year: € 99,776 k). Long-term financial liabilities rose by € 50,434 k to € 498,836 k. This is attributable to having issued borrower's note loans in the first half of 2015. Borrower's note loans were issued in the amount of € 222,500 k and repaid in the amount of € 177,000 k to take advantage of the favourable level of market interest rates.

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

Nominal value [€ '000]	Carrying amount 31/12/2015 [€ '000]	Payment year	Repayment	Interest	Interest rate hedging instrument
63,000	63,383	2012	matures 2017	fixed income	none
25,000	25,165	2012	matures 2018	fixed income	none
48,500	48,851	2012	matures 2019	fixed income	none
25,000	26,876	2013	matures 2020	fixed income	fair value hedge
6,000	6,044	2015	matures 2020	fixed income	none
87,000	87,080	2015	matures 2020	variable rate	none
77,500	78,054	2015	matures 2020	fixed income	none
9,000	9,079	2012	matures 2022	fixed income	none
21,000	21,026	2015	matures 2022	variable rate	none
19,000	19,182	2015	matures 2022	fixed income	none
12,000	12,167	2015	matures 2025	fixed income	none

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

21 | Trade payables and other financial liabilities

[€ '000]	2015	2014
Trade liabilities	735,717	704,881
Liabilities to associated companies and joint ventures	1,168	840
Other liabilities	60,672	38,498
	797,557	**744,219**

Trade liabilities in the amount of € 94,767 k (previous year: € 104,084 k) were transferred to banks as at 31 December 2015 within the framework of reverse factoring contracts.

Other liabilities included payables amounting to € 30,622 k (previous year: € 21,262 k) from the receipt of payment on receivables that were sold within factoring contracts.

22 | Other current liabilities

[€ '000]	2015	2014
Liabilities to employees	83,563	88,365
Tax liabilities	33,416	27,998
Liabilities connected with social security	15,618	16,112
Advance payments received	8,131	8,234
Government grants received	1,357	4,557
Other accruals	7,047	5,719
	149,132	**150,985**

More detailed information on the government grants received is to be found in Note 7.

23 | Provisions

The changes in provisions are summarised as follows:

[€ '000]	01/01/2015	Usage	Dissolution	Allocation	Allocation of interest	Currency differences	**31/12/2015**	current provisions 2015	non-current provisions 2015	current provisions 2014	non-current provisions 2014
Personnel-related-provisions	21,924	3,090	924	6,759	234	18	**24,921**	2,923	21,998	2,778	19,146
Provisions for product warranties	16,257	4,484	4,231	4,689	0	515	**12,746**	12,746	0	16,257	0
Other provisions for purchasing and distribution	4,231	2,133	213	5,494	0	207	**7,586**	7,275	311	3,839	392
Restructuring provisions	3,480	1,458	648	292	6	1	**1,673**	987	686	2,797	683
Other provisions	6,398	557	293	6,930	0	(9)	**12,469**	8,729	3,740	2,658	3,740
Total	**52,290**	**11,722**	**6,309**	**24,164**	**240**	**732**	**59,395**	**32,660**	**26,735**	**28,329**	**23,961**

The personnel-related provisions involved mainly long-term provision for anniversary bonuses in the amount of € 11,014 k (previous year: € 10,319 k) and for partial retirement agreements in Germany in the amount of € 7,563 k (previous year: € 6,399 k). The provision for anniversary bonuses is paid out according to the age structure of the workforce upon the employees' respective anniversaries of service. Based on the current workforce, payments will mostly become due in the next 19 years. The payments relating to provisions for partial retirement will probably be spread over the next six years.

The product warranties were determined on the basis of past experience, with goodwill concessions also taken into account. Provisions were added in the amount of € 4,689 k (previous year: € 4,922 k) for claims under warranty and/or for compensation in fiscal 2015. These provisions for claims under warranty and/or for compensation were offset by claims against the insurer in the amount of € 3,064 k (previous year: € 5,802 k).

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

The restructuring provisions in the amount of € 1,673 k (previous year: € 3,480 k) pertained to the Wiring Systems Division in the amount of € 1,395 k (previous year: € 2,729 k) and to the Wire & Cable Solutions Division in the amount of € 278 k (previous year: € 751 k). The non-current proportion of the restructuring provisions involved mostly severance costs in Spain and 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 payments and lease obligations pertaining to the Wire & Cable Solutions Division in Germany as well as to the Wiring Systems Division for severance payments in Italy, Spain and Morocco. The additions in the amount of € 292 k pertained mostly to the Wiring Systems Division.

The other provisions in the amount of € 12,469 k (previous year: € 6,398 k) included an addition in the Wiring Systems Division of € 4,155 k for expected back-payments and fines for disputed value added tax matters in Turkey.

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 97.2 percent (previous year: 97.1 percent) and 99.3 percent (previous year: 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. From the 2016 financial year, amounts of deferred compensation will earn interest at a rate of about 5 percent to take account of the current trend towards lower guaranteed interest rates on life insurance policies.

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 was € 47,772 k (previous year: € 54,358 k), equating to 24.8 percent (previous year: 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 and the change in the fair value of plan assets is as follows:

Change in defined benefit obligations 2015 [€ '000]	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the beginning of the fiscal year	184,178	108,124	83,828	11,080	387,210
Current service cost	1,855	4,024	2,522	1,121	9,522
Interest cost	7,031	2,128	938	306	10,403
Actuarial (gains)/losses	(7,044)	(8,818)	1,027	497	(14,338)
Past service cost	0	0	0	(1,005)	(1,005)
Contributions by plan participants	37	2,412	2,326	0	4,775
Currency differences	11,756	0	9,283	84	21,123
Transfers under Swiss Law	0	0	3,477	0	3,477
Benefits paid	(4,965)	(2,509)	(6,706)	(782)	(14,962)
Defined benefit obligations at the end of the fiscal year	**192,848**	**105,361**	**96,695**	**11,301**	**406,205**

Change in plan assets 2015 [€ '000]	UK	Germany	Switzerland	Other	Total
Fair value of plan assets at the beginning of fiscal year	129,820	31,123	67,749	1,335	230,027
Interest received	5,031	614	759	53	6,457
Return on plan assets (excl. interest income based on discount rate)	1,343	319	(2,242)	(25)	(605)
Currency differences	8,200	0	7,526	58	15,784
Contributions by the employer	6,408	421	2,260	880	9,969
Contributions by plan participants	37	2,412	2,326	0	4,775
Administrative costs, fees and taxes	(798)	0	0	0	(798)
Transfers under Swiss Law	0	0	3,477	0	3,477
Benefits paid	(4,965)	(1,411)	(6,706)	(534)	(13,616)
Plan assets at the end of the fiscal year	**145,076**	**33,478**	**75,149**	**1,767**	**255,470**
Net liability due to defined benefit plans	**47,772**	**71,883**	**21,546**	**9,534**	**150,735**

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 income	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**

The pension obligations are presented on the balance sheet as a net liability in the amount of € 150,735 k (previous year: € 157,183 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 € 358,642 k (previous year: € 334,725 k) in funded obligations and € 47,563 k (previous year: € 52,485 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:

2015 [€ '000]	UK	Germany	Switzerland	Other	Total
Current employees with non-vested benefits	49,306	57,235	67,918	4,350	178,809
Current employees with vested benefits	0	0	0	6,853	6,853
Former employees with non-vested benefits	69,090	18,954	0	0	88,044
Pensioners	74,452	29,172	28,777	98	132,499
Defined benefit obligations at the end of the fiscal year	**192,848**	**105,361**	**96,695**	**11,301**	**406,205**

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**

The income generated from plan assets comprises the interest income of € 6,457 k (previous year: € 7,498 k) included in consolidated net income and the loss on plan assets of € 605 k (previous year: income of € 8,507 k) included in other comprehensive income.

The actuarial gains or losses on revaluation were recognised in accumulated other comprehensive income. The trend in the Group's actuarial losses, including the share pertaining to associated companies, is presented in the overview below:

[€ '000]	2015	2014
Actuarial losses at the beginning of the financial year	117,807	78,709
Actuarial (gains)/losses		
– due to the change in demographic projections	922	(11)
– due to the change in financial estimates	(9,876)	49,931
– due to adjustments based on experience	(5,262)	(2,076)
Return on plan assets (excl. interest income based on discount rate)	608	(8,507)
Change in capping of plan assets at the asset ceiling	0	(239)
Actuarial losses at the end of the fiscal year	**104,199**	**117,807**

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:

	2015				2014			
	UK	Germany	Switzerland	Total	UK	Germany	Switzerland	Total
Discount rate	3.76 %	2.42 %	0.70 %	2.63 %	3.60 %	2.00 %	1.00 %	2.54 %
Rate of wage and salary increase	2.99 %	2.50 %	1.00 %	2.36 %	2.99 %	2.50 %	1.00 %	2.39 %
Rate of compensation increase	2.89 %	1.75 %	0.00 %	1.84 %	2.89 %	2.00 %	0.00 %	1.94 %

The assumptions made for calculating net periodic pension costs are shown in the table below:

	2015				2014			
	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 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 S2NA mortality table including updates of the CMI 2014 core model index from 2007. This took account of the current trend in the life expectancy projection. The 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 obligation:

2015	[€ '000]	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the end of the fiscal year		192,848	105,361	96,695	11,301	406,205
Discount rate + 1 percentage point	Change:	(30,057)	(13,279)	(12,149)	(1,190)	(56,675)
	Defined benefit obligations:	162,791	92,082	84,546	10,111	349,530
Discount rate – 1 percentage point	Change:	39,298	16,571	15,541	1,417	72,827
	Defined benefit obligations:	232,146	121,932	112,236	12,718	479,032

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

The assumptions concerning the trends in salaries, pensions and mortality with respect to the pension plan in the Group have the effect on the defined benefit obligation set out below. It should be noted that a drop in the pension level is ruled out by law in Switzerland.

		2015			2014		
[€ '000]		UK	Germany	Switzerland	UK	Germany	Switzerland
Defined benefit obligations at the end of the fiscal year		192,848	105,361	96,695	184,178	108,124	83,828
Salary trend + 0.5 percentage point	Change (absolute):	1,361	37	290	2,558	45	251
	Change (relative):	0.71 %	0.04 %	0.30 %	1.39 %	0.04 %	0.30 %
Salary trend – 0.5 percentage point	Change (absolute):	(1,361)	(35)	(290)	(2,558)	(42)	(251)
	Change (relative):	(0.71) %	(0.03) %	(0.30) %	(1.39) %	(0.04) %	(0.30) %
Rate of compensation increase + 0.5 percentage point	Change (absolute):	12,245	3,530	8,993	8,954	4,031	3,521
	Change (relative):	6.35 %	3.35 %	9.30 %	4.86 %	3.73 %	4.20 %
Rate of compensation increase – 0.5 percentage point	Change (absolute):	(10,884)	(3,215)	n/a	(8,954)	(3,652)	n/a
	Change (relative):	(5.64) %	(3.05) %	n/a	(4.86) %	(3.38) %	n/a
Life expectancy + 1 year	Change (absolute):	5,442	2,628	2,224	5,116	2,768	1,593
	Change (relative):	2.82 %	2.49 %	2.30 %	2.78 %	2.56 %	1.90 %

The mortality trend is taken into account in the three major pension plans through the use of generation tables. Calculation of the defined benefit obligation with a one-year rise in life expectancy raises the defined benefit obligation of the plans as follows: in the United Kingdom by 2.82 percent (previous year: 2.78 percent), in Germany by 2.49 percent (previous year: 2.56 percent) and in Switzerland by 2.30 percent (previous year: 1.90 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]	2015	2014
Current service cost	9,522	6,559
Net interest cost	3,946	4,318
Past service cost	(1,005)	(103)
Administrative costs and taxes related to plan management	798	626
Defined benefit plan expense recognised in consolidated net income	**13,261**	**11,400**
Actuarial (gains)/losses	(14,216)	47,844
Return on plan assets (excl. interest income based on discount rate)	608	(8,507)
Change in capping of plan assets at the asset ceiling	0	(239)
Income/expense relating to defined benefit plans recognised in other comprehensive income	**(13,608)**	**39,098**
Defined benefit plan expense recognised in comprehensive income	**(347)**	**50,498**

The net interest expense that arose from applying the discount rate to the balance of defined benefit obligation less plan assets (net pension obligation) was presented under finance costs.

The past service cost resulted from a plan change involving pension commitments in France, where the terms of the two companies merged in 2009 were harmonised in accordance with collective agreement requirements.

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

[€ '000]	2015	2014
Cost of sales	4,075	2,994
General and administration expenses	1,802	1,721
Selling expenses	1,424	960
Research and development expenses	2,014	1,407
Finance costs	3,946	4,318
Defined benefit plan expense recognised in consolidated net income	**13,261**	**11,400**

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 risks, 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:

	2015 [€ '000]	[%]	2014 [€ '000]	[%]
Equity instruments	81,099	31.7	72,928	31.7
Debt instruments	61,641	24.1	71,265	31.0
Property	33,956	13.3	27,728	12.1
of which: prices not quoted on an active market	*22,834*	*8.9*	*19,598*	*8.5*
Securities funds	29,450	11.5	12,982	5.6
Qualifying insurance policies	33,512	13.1	31,154	13.5
Other plan assets	9,337	3.7	8,049	3.5
of which: prices not quoted on an active market	*7,834*	*3.1*	*6,491*	*2.8*
Cash and cash equivalents	6,475	2.5	5,921	2.6
Total plan assets	**255,470**	**100.0**	**230,027**	**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:

2015	UK [€ '000]	[%]	Switzerland [€ '000]	[%]
Equity instruments	66,445	45.8	14,654	19.5
Debt instruments	18,280	12.6	43,361	57.7
Property	21,181	14.6	12,775	17.0
of which: prices not quoted on an active market	*21,181*	*14.6*	*1,653*	*2.2*
Securities funds	29,450	20.3	0	0.0
Other plan assets	7,834	5.4	1,503	2.0
of which: prices not quoted on an active market	*7,834*	*5.4*	*0*	*0.0*
Cash and cash equivalents	1,886	1.3	2,856	3.8
Total plan assets	**145,076**	**100.0**	**75,149**	**100.0**

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**

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. The trustee continuously monitors the investment strategy especially for the plan in the United Kingdom. A reduced share of debt instruments and an increased weighting of securities is, while maintaining earning power at an equal level, intended to ensure the best possible congruity with respect to long-term structure and interest rate as well as inflation sensitivities between pension obligations and the plan assets (liability-driven investments).

LEONI did not make any own use of plan assets.

The contributions to plan assets amounted to € 9,969 k and were projected at € 9,319 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]
2014	12,362
2015	**15,090**
Expected pension payments	[€ '000]
2016	14,404
2017	14,817
2018	14,677
2019	15,857
2020	16,839
2021 to 2025	89,629
Expected pension payments until 2025	**166,223**

The average, weighted Macaulay duration of benefit obligations was 18 years in the United Kingdom and 14 years in both Germany and 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 € 69,180 k in the financial year (previous year: € 64,524 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, shareholders at the Annual General Meeting entitled the Management Board, with the approval of the Supervisory Board, to rule out shareholders' subscription rights in cases specified in the Articles of Association.

Contingent capital

Furthermore, the Annual General Meeting on 7 May 2015 authorised the Management Board to issue convertible bonds and/or warrant-linked bonds until 6 May 2020. This involved a contingent increase in share capital by up to € 6,534 k. The contingent capital increase is only to be performed to the extent that option and/or conversion rights are exercised, or that the holders and/or creditors obliged to convert have met their conversion obligation, or so far as the Company exercises its right under such instruments either entirely or partially to grant shares in the Company instead of paying the cash amount due and provided no other forms of fulfilment are used.

Dividend payment

A dividend for the 2014 financial year of € 39,203 k was paid out in fiscal 2015. This corresponded to a dividend of € 1.20 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 2015 distributable profit of LEONI AG, amounting to € 34,583 k as determined under the German Commercial Code (HGB) and the German Companies Act (AktG), a dividend of € 32,669 k and to carry the remainder of € 1,914 k forward. This corresponds to a dividend of € 1.00 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 € 31,313 k in the financial year (previous year: € 25,650 k). The future (undiscounted) minimum rental payments on non-cancellable operating leases are:

Fiscal years	[€ '000]
2016	23,290
2017	18,914
2018	15,480
2019	12,245
2020	10,182
as of 2021	15,930
Total	**96,041**

Purchase order commitments

Purchase order commitments for property, plant and equipment as well as intangible assets amounted € 15,827 k on the balance sheet date (previous year: € 2,243 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.

In November 2015, the Brazilian competition authority initiated proceedings against a LEONI company as well as other wiring system manufacturers, presumably in connection with the cartel proceedings before the European Commission that were already concluded in 2013. The authority is investigating alleged breaches of Brazilian competition law. The proceedings are still at a very early stage, meaning that it is not yet possible either to say anything about the potential outcome.

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]	2015	2014
EMEA	**51**	**46**
thereof: Great Britain	9	6
Germany	8	8
Hungary	5	6
Italy	3	4
France	3	2
Others	23	20
Asia	**31**	**37**
thereof: China	23	24
South Korea	3	6
Others	5	7
Americas	**18**	**17**
thereof: USA	15	15
Others	3	2

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

	2015 [%]	2015 [total share in %]	2014 [%]	2014 [total share in %]
Largest customer	9	9	10	10
Second largest customer	5	5	9	9
Third to fifth largest customer	4 – 5	15	3 – 6	13
Other customers	< 4	71	< 4	68

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

25 percent (previous year: 28 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. 53 percent (previous year: 50 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: 22 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:

[%]	2015	2014
Receivables (insured)	25	28
exempt from compulsory cover	53	50
no covers	22	22

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, reverse 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, there were on the balance sheet date credit lines from first-rate banks amounting to € 561,662 k (previous: € 545,778 k) with terms up to 42 months. These credit lines were drawn via current accounts and fixed deposits in the amount of € 68,028 k (previous year: € 41,346 k). Together with the short-term proportion of long-term loans, current liabilities to banks amounted to € 99,510 k (previous year: € 69,725 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:

2015 [€ '000]	Carrying amount 31/12/2015	Cash flow 2016	Cash flow 2017	Cash flow 2018 – 2020	Cash flow starting 2021
Non-derivative financial liabilities					
Trade payables	(735,717)	(735,717)			
Liabilities to banks	(204,313)	(81,457)	(6,912)	(102,647)	(398)
Liabilities on bills of exchange and other financial debts	(25)	(25)			
Borrower's note loans	(396,907)	(7,947)	(70,945)	(284,141)	(63,842)
Other financial liabilities	(38,317)	(37,453)	(576)	(288)	
Derivative financial liabilities					
Currency derivatives without a hedging relationship	(12,754)	220,343			
		(233,334)			
Currency derivatives in connection with cash flow hedges	(13,382)	361,939	40,117		
		(372,460)	(40,766)		
Commodity future transactions	(480)	(480)			

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)
Borrower's note loans	(350,761)	(36,440)	(8,607)	(259,496)	(82,301)
Other financial liabilities	(28,274)	(26,145)	(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)			

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 rates. Such contracts are signed exclusively by LEONI AG. The interest rate derivative existing on the most recent balance sheet date in the nominal amount of € 63,500 k matured in March 2015. The reclassification to finance costs amounted to € 556 k.

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 four years and ten months, and the EURIBOR was agreed as the reference interest rate for one year. The reduction in the interest rate swap's fair value excluding accrued interest (clean fair value) by € 51 k (previous year: € 1,826 k) was netted as an expense in the financial result with the corresponding positive amount from measurement of the borrower's note loan. There was no ineffectiveness.

The changes in market value of the interest rate derivatives totalled € 478 k in the financial year (previous year: € 4,155 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. Risks of changes in interest rates that impact on other comprehensive income did not have to be considered.

When calculating the sensitivity of the interest rates we assume a parallel shift in the yield curve. 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:

2015		[€ '000]
Changes in interest, earnings	+ 0.50 %	(0.25) %
CNY	194	(97)
EUR	(540)	39

2014		[€ '000]
Changes in interest, earnings	+ 0.50 %	(0.25) %
CNY	458	(229)
EUR	(755)	378

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 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 € 814,552 k (previous year: € 628,922 k), maturing within 15 months. The total market value of forward exchange transactions existing as of the balance sheet date was negative € 16,905 k (previous year: negative € 13,769 k). Foreign exchange transactions amounting to € 452,800 k (previous year: € 277,149 k) met the conditions for hedge accounting (cash flow hedge). The ones that met the conditions for hedge accounting were all completed in the 2014 and 2015 financial years. Their total fair value of negative € 9,562 k (previous year: negative € 6,224 k) was recognised in other comprehensive income. The cash flow from the underlying transactions is expected in the 2016 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 € 10,299 k in the financial year (previous year: negative € 4,641 k). A negative amount of € 6,758 k (previous year: positive € 2,092 k) was derecognised via the income statement as shown in the table below.

[€ '000]	2015	2014
Sales	(1,015)	169
Cost of sales	(6,195)	1,744
Other operating income/expenses (Inefficiency)	452	179
Total	**(6,758)**	**2,092**

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.

2015		[€ '000]
Changes in exchange rates, equity	+ 10 %	(10) %
EGP	2,544	(2,081)
USD	(6,919)	5,660
CNY	1,388	(1,135)
RON	17,616	(14,413)
GBP	7,287	(5,963)
Changes in exchange rates, earnings	+ 10 %	(10) %
EGP	(47)	38
USD	21	(14)
CNY	(764)	622
RON	(811)	663
GBP	(268)	220

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)
Changes in exchange rates, earnings	+ 10 %	(10) %
EGP	(179.8)	147
USD	94	1,084
MXN	(653)	534
CNY	1,791	254
RON	(216)	177

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. 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]	2015	2014
Debt	601,245	548,178
less cash and cash equivalents	(279,680)	(231,978)
Net financial debts	321,565	316,200
Equity	996,328	917,755
[%]		
Gearing	**32 %**	**34 %**

At the end of fiscal 2015, gearing stood at 32 percent (previous year: 34 percent), which is attributable primarily to the increase in equity by 9 percent together with only a slight increase (2 percent) in net financial liabilities.

Overview of financial instruments

The tables below show financial instruments held in the Group on 31 December 2015 and in the previous year:

		Amounts recognised in balance sheet according to IAS 39					
[€ '000]	Category in accordance with IAS 39	**Carrying amount 31/12/2015**	Amortised cost	Cost	Fair Value recognised in equity	Fair Value recognised in profit or loss	**Fair Value 31/12/2015**
Assets							
Cash and cash equivalents	LaR	**279,680**	279,680				**279,680**
Trade receivables	LaR	**562,200**	562,200				**562,200**
Long-term trade receivables from development contracts	LaR	**54,246**	54,246				**54,246**
Other financial receivables	LaR	**37,243**	37,243				**37,243**
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	**5,411**				5,411	**5,411**
Derivatives with a hedging relationship	n/a	**5,647**			3,820	1,827	**5,647**
Total equity and liabilities							
Trade payables	FLAC	**735,717**	735,717				**735,717**
Liabilities to banks	FLAC	**204,313**	204,313				**208,976**
Borrower's note loans	FLAC	**396,907**	396,907				**410,926**
Other financial liabilities	FLAC	**38,342**	38,342				**38,342**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**13,234**				13,234	**13,234**
Derivatives with a hedging relationship	n/a	**13,382**			13,382		**13,382**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**933,369**	933,369				**933,369**
Available-for-Sale financial assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**5,411**				5,411	**5,411**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**1,375,279**	1,375,279				**1,393,961**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**13,234**				13,234	**13,234**

[€ '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 31/12/2014
		Amounts recognised in balance sheet according to IAS 39					
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**
Borrower's note loans	FLAC	**350,761**	350,761				**361,010**
Other financial liabilities	FLAC	**28,274**	28,274				**28,274**
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**

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]	31/12/2015 Nominal value	31/12/2015 Fair value	31/12/2014 Nominal value	31/12/2014 Fair value
Assets				
Currency contracts	175,043	9,231	181,005	4,389
Forward exchange transactions				
CNY	33,586	627	1,861	147
GBP	19,993	86	87,862	828
MXN	24,371	892	23,210	1,117
PLN	13,137	166	0	0
RON	6,522	26	25,331	396
USD	19,055	223	13,398	110
Others	58,379	7,211	29,343	1,791
(thereof hedge accounting)	*45,885*	*3,820*	*54,861*	*1,774*
Derivative interest rate contracts	25,000	1,827	25,000	1,869
Interest swaps	25,000	1,827	25,000	1,869
(thereof hedge accounting)	*25,000*	*1,827*	*25,000*	*1,869*
Total equity and liabilities				
Currency contracts	639,508	26,136	447,917	18,158
Forward exchange transactions				
CNY	70,503	1,378	42,587	2,260
GBP	132,388	3,505	12,714	67
MXN	65,346	4,392	39,224	3,711
PLN	17,140	217	30,332	236
RON	164,202	2,500	101,431	1,053
USD	154,465	13,591	181,916	10,020
Others	35,464	553	39,713	811
(thereof hedge accounting)	*406,915*	*13,382*	*222,288*	*7,996*
Derivative interest rate contracts	0	0	63,500	529
Interest swaps	0	0	63,500	529
(thereof hedge accounting)	*0*	*0*	*0*	*0*
Commodity future transactions	16,643	480	14,113	166

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]	**2015**	**2014**	**2015**	**2014**
Loans and receivables (LaR)	7,064	5,216	(4,873)	(2,714)
Derivatives (HfT)	(9,203)	(9,706)	0	0
Financial Liabilities measured at Amortised Cost (FLAC)	(3,814)	2,782	0	0
Total	**(5,953)**	**(1,708)**	**(4,873)**	**(2,714)**

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:

31/12/2015 [€ '000]	Gross figures	Netting	**Net figures**	Offsetting agreements	**Net figures**
Other financial assets					
Derivatives	9,231	0	**9,231**	(8,899)	**332**
Other financial liabilities					
Derivatives	(26,154)	0	**(26,154)**	8,899	**(17,255)**

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)**

28 | Measurement of fair value

The measurement of the fair values of assets and liabilities by hierarchy levels was as follows:

31/12/2015 [€ '000]	Prices quoted on active markets (step 1)	Valuation methods where all principal parameters are based on observable market data (step 2)	Valuation methods where all principal parameters are *not* based on observable market data (step 3)	**Total**
Assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	0	5,411	0	**5,411**
Derivatives with a hedging relationship	0	5,647	0	**5,647**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	480	12,754	0	**13,234**
Derivatives with a hedging relationship	0	13,382	0	**13,382**

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

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**

29 | Earnings per share

Basic earnings per share are calculated as follows:

		2015		2014	
		Total amount	Earnings per share	Total amount	Earnings per share
		[€ '000]	[€]	[€ '000]	[€]
Numerator:	Income before taxes Attributable to equity holders of the parent company	125,778	3.85	150,299	4.60
	Consolidated net income Attributable to equity holders of the parent company	77,158	2.36	114,674	3.51
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 2015, 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 2015:

[€ '000]	2015	2014
Audit	904	773
Auditor's review of the half-year financial statements	203	200
Tax consulting services	572	344
Other assurance services	30	25
Other payments	146	8
Total	**1,855**	**1,350**

31 | Personnel expenses and employees

[€ '000]	2015	2014
Wages and salaries	754,640	659,555
Social-security contributions, expenses for pensions and retirement and fringe benefits	170,813	157,196
	925,453	**816,751**

The latter item includes the following retirement benefit expenses:

[€ '000]	2015	2014
Net periodic pension cost	13,261	11,400
Costs of defined contribution plans	69,180	64,524
	82,441	**75,924**

Annual average number of employees:

	2015	2014
Salaried staff	12,592	11,970
Wage earners	60,168	54,285
	72,760	**66,255**

The Group employed 74,018 people on the balance sheet date (previous year: 67,988), of which 69,659 worked outside Germany (previous year: 63,680).

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. The compensation for members of the Management Board breaks down as follows:

[€ '000]	2015	2014
Benefits due in the short term	2,675	4,422
Benefits due in the long term	560	2,049
Post-employment benefits	344	385
Payments for premature contract termination	3,148	0
	6,727	**6,856**

The short-term benefits included, along with the fixed compensation, a variable component of € 781 k (previous year: € 2,356 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 2015 was € 169 k (previous year: € 922 k); the reversal of provisions provided income of € 300 k. Also included is a settlement payment of € 3,148 k for the premature termination of Dr Andreas Brand's contract. The receipts of the Management Board members pursuant to Article 314 (1) no. 6a of the German Commercial Code (HGB) totalled € 3,246 k (previous year: € 7,280 k).

The compensation for members of the Supervisory Board in the year under report totalled € 1,452 k (previous year: € 1,442 k). The basic principles of the compensation system and the receipts of individual Management Board and 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 € 355 k (previous year: € 378 k). On 31 December 2015 there were liabilities in the amount of € 29 k (previous year: 30 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 € 528 k (previous year: € 522 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 € 13,944 k (previous year: € 9,719 k). The significant year-on-year increase in provision for former Management Board members is due mainly to the departure of Dr Probst from the Management Board.

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 with related entities and persons is presented in the following table:

[€ '000]	2015	2014
Receivables from short-term loans	13,005	0
Trade receivables	3,482	12
Trade liabilities	1,168	842
Income from disposals and services	1,730	45
Purchases and services obtained	1,618	1,771
Interest income from short-term loans	38	0

This includes primarily the business relationships with the joint venture in Langfang, China from December 2015.

Other relationships with related parties

Dr Bernd Rödl was a member of the Supervisory Board from 14 May 2009 until 8 November 2015. Dr Rödl was a shareholder in all the entities of the Rödl & Partner Group in and outside Germany. On 22 December 2015, the Nuremberg registry court appointed Prof. Dr Christian Rödl as a member of the Supervisory Board. He is also the managing partner of the Rödl & Partner Group, which provided services for the LEONI Group. These amounted to € 43 k in the 2015 financial year (previous year: € 104 k). On 31 December 2015, there were liabilities to these companies in the amount of € 7 k (previous year: € 4 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 2015, services were sourced from this temporary employment company amounting to € 699 k (previous year: € 738 k) and there was a liability to the company on 31 December 2015 of € 0 (previous year: € 31 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 Grundstücksgesellschaft Lang GbR. In the 2015 financial year LEONI sold product to MEKRA Lang GmbH & Co. KG. in the amount of € 1,448 k (previous year: € 1,344 k). On the balance sheet date there were liabilities to this company in the amount of € 89 k (previous year: € 104 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 Companies Act (AktG)

In December 2015, the Management Board and the Supervisory Board issued the updated Declaration of Conformity pursuant to Article 161 of the German Companies Act and made this available to shareholders on a permanent basis by publishing it on its website (www.leoni.com). The Declaration of Conformity is also included in the Corporate Governance report, which is published in the 2015 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, 29 February 2016

LEONI AG
The Management Board

Dieter Bellé | Bruno Fankhauser | Dr Frank Hiller

Scope of consolidation

		Ownership in %
I. Consolidated companies		
LEONI AG, Nuremberg, Germany		
Federal Republic of Germany		
LEONI Kabel Holding GmbH, Nuremberg	*	100
LEONI Kabel Verwaltungs-GmbH, Nuremberg	*	100
Haarländer GmbH, Roth	*	100
KB Kabel Beteiligungs-GmbH, Nuremberg		100
LEONI Cable Assemblies GmbH, Roth	*	100
LEONI Draht GmbH, Nuremberg	*	100
LEONI elocab GmbH, Georgensgmünd	*	100
LEONI Fiber Optics GmbH, Neuhaus-Schierschnitz	*	100
LEONI HighTemp Solutions GmbH, Halver	*	100
LEONI Kabel GmbH, Nuremberg	*	100
LEONI Kerpen GmbH, Stolberg	*	100
LEONI protec cable systems GmbH, Schmalkalden	*	100
LEONI Special Cables GmbH, Friesoythe	*	100
LEONI Studer Hard GmbH, Bautzen		100
j-fiber GmbH, Jena	*	100
j-plasma GmbH, Jena		100
FiberCore Machinery Jena GmbH, Jena	*	100
LEONI Bordnetz-Systeme GmbH, Kitzingen	*	100
LEONI Kabelsysteme GmbH, Neu-Ulm	*	100
LEONI Con-Tech GmbH, Kitzingen	*	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		100
LEONI Kabel Polska sp. z o.o., Kobierzyce, Poland		100
LEONI Kablo ve Teknolojileri Sanayi ve Ticaret Ltd. Sirketi, Mudanya, Turkey		95
LEONI Slovakia spol. s r.o.,Trencin, Slovakia		100
LEONI Cables Assemblies Slovakia s.r.o., Trencianska Tepla, Slovakia		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
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

	Ownership in %
LEONI Wiring Systems RO S.R.L., Bistrita-Nasaud, Romania	100
LEONI Wiring Systems Spain S.L., Santa Perpetua/Barcelona, Spain (formerly: 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	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	100
LEONI Wiring Systems Southeast d.o.o., Prokuplje, Serbia	100
LEONI Wiring Systems S.R.L., Chisinau, Moldova	100
Outside Europe	
LEONI Fiber Optics, Inc., Williamsburg, Virginia, USA	100
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	100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	100
LEONI Wiring Systems de Hermosillo S.A. de C.V., Cuauhtemoc, Chihuahua, Mexico	100
LEONI Elocab Ltd., Kitchener, Ontario, Canada	100
LEONI Engineering Products & Services, Inc., Troy, Michigan, USA	100
LEONI Cable Solutions (India) Pvt. Ltd., Pune, India	100
LEONI Wire, Inc., Chicopee, Massachusetts, USA	100
LEONI Wire & Cable Solutions Japan K.K., Nagakuteshi, Japan	99
LEONI Middle East FZE, Dubai, United Arab. Emirates	100
LEONI Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil	100
LEONI Electrical Systems (Shanghai) Co., Ltd., Shanghai, China	100
LEONI Wiring Systems (Tieling) Co., Ltd., Tieling City, China	100
LEONI Wiring Systems Tunisia SARL, M'Saken-Sousse, Tunisia	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

	Ownership in %
II. Associated companies and joint ventures	
Federal Republic of Germany	
Intedis GmbH & Co. KG, Würzburg, Germany	50
Intedis Verwaltungs-GmbH, Würzburg, Germany	50
Other European countries	
LEONI Furukawa Wiring Systems S.A.S., Montigny le Bretonneux, France	50
Langfang LEONI Wiring Systems Co. Ltd, Sanhe downtown, China	50

[*] Companies that make use of the exemption under Article 264, Section 3 of the German Commercial Code.

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, the consolidated statement of changes in equity, and the notes to the consolidated financial statements for the business year from January 1 to December 31, 2015.

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, 2015 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, 2015. 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 conducted 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, 29 February 2016

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, 29 February 2016

The Management Board

Dieter Bellé | Bruno Fankhauser | Dr Frank Hiller

Additional information

Due to the more muted economic outlook and substantial restructuring costs, the Management Board anticipates a decrease in both sales and earnings in the 2016 financial year. As a well positioned and financed company, which continues to have good prospects, LEONI will thoroughly eliminate the current margin problem and return to a course of profit-oriented growth.

Additional information

Extract from the financial statement of LEONI AG

LEONI AG income statement

[€ '000] 01/01/ – 31/12/ under HGB	2015	2014
1. Own work capitalised	412	0
2. Other operating income	112,003	87,248
3. Personnel expenditure:		
a) salaries	26,580	24,130
b) social security contributions and expenditure for retirement benefits and support payments	3,614	3,107
	(30,194)	(27,237)
4. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(5,113)	(5,122)
5. Other operating expenses	(86,289)	(56,619)
6. Income from profit transfer agreement	49,890	49,529
7. Income from financial loans	23,043	21,547
8. Other interest and similar income	7,067	6,156
9. Writedowns on investments	(5,415)	(10,766)
10. Interest and similar expenses	(18,732)	(18,291)
11. **Income before taxes**	**46,672**	**46,445**
12. Income taxes	(3,100)	(1,882)
13. Other taxes	(208)	(31)
14. **Net income**	**43,365**	**44,532**
15. Earnings brought forward from the previous year	1,219	890
16. Transfer to other retained earnings	(10,000)	(5,000)
17. **Retained income**	**34,583**	**40,422**

LEONI AG balance sheet

[€ '000]	under HGB	2015	2014
Assets	Intangible assets	11,749	7,308
	Property, plant and equipment	3,550	4,262
	Shares in affiliated companies	488,824	488,824
	Loans to affiliated companies	531,979	483,175
	Investments	1,020,803	971,999
	Fixed assets	**1,036,102**	**983,569**
	Accounts receivable and other assets	503,334	453,370
	Cash and cash equivalents	195,755	112,576
	Current assets	**699,089**	**565,946**
	Deferred charges	**2,997**	**2,623**
	Total assets	**1,738,189**	**1,552,138**
Equity and liabilities	**Equity** (contingent capital € 6,534 k)	**561,207**	**557,045**
	Pension plans and similar obligations	17,595	15,317
	Tax provisions	2,257	388
	Other provisions and accruals	14,141	22,379
	Provisions and accruals	**33,993**	**38,084**
	Debt	**562,855**	**493,792**
	Other liabilities	**580,134**	**463,218**
	Total equity and liabilities	**1,738,189**	**1,552,138**

Appropriation of profits

Retained earnings for fiscal 2015 determined under the German Commercial Code (HGB) amount to	**€ 34,583,315.78**
We propose to pay a dividend from this distributable profit of € 1.00 per dividend share, equal to a total payout of	**€ 32,669,000,00**
The remainder of has to be carried forward.	**€ 1,914,315.78**

Nuremberg, 29 February 2016

LEONI AG
The Management Board

Ten-year overview

under IFRS		2015	2014	2013
Sales [1]	Group [€ '000]	**4,502,940**	4,103,434	3,917,886
	Germany [%]	**25.5**	27.0	27.8
	EMEA (without Germany) [%]	**39.9**	39.0	40.6
	Americas [%]	**16.4**	15.1	14.7
	Asia [%]	**18.2**	18.9	16.9
	Germany [%]			
	Europe (without Germany) [%]			
	Rest of world [%]			
	Wire & Cable Solutions [%]	**40.7**	41.5	40.8
	Wiring Systems [%]	**59.3**	58.5	59.2
Expenses	Cost of materials [€ '000]	**2,675,797**	2,436,320	2,354,687
	Cost of materials [% of sales]	**59.4**	59.4	60.1
	Personnel expenses [€ '000]	**925,453**	816,751	766,038
	Personnel expenses [% of sales]	**20.6**	19.9	19.6
	Depreciation and amortisation [€ '000]	**147,029**	123,392	120,992
	Depreciation and amortisation [% of sales]	**3.3**	3.0	3.1
Earnings	EBITDA [€ '000]	**298,356**	305,897	284,137
	EBIT [€ '000]	**151,327**	182,505	163,145
	EBIT margin [% of sales]	**3.4**	4.4	4.2
	Income/loss before taxes (from continuing operations) [€ '000]	**125,859**	150,719	131,220
	Net income/loss [€ '000]	**77,269**	115,060	105,896
Cash flow	Cash provided by operating activities [€ '000]	**228,033**	180,858	187,442
	Cash used for capital spending activities [€ '000]	**233,227**	218,736	150,654
	Free cash flow before acquisitions and divestments [2] [€ '000]	**(12,053)**	(37,878)	36,668
Balance sheet	Property, plant and equipment, intangible assets, goodwill [€ '000]	**1,131,546**	1,040,410	940,455
	Reinvestment rate [%]	**168.3**	174.9	139.2
	Net debt [€ '000]	**321,565**	316,200	256,990
	Equity [€ '000]	**996,328**	917,755	827,597
	Equity [% of balance sheet total]	**35.1**	34.4	34.5
	Return on equity (ROE) [%]	**7.8**	12.5	12.8
	Return on capital employed (ROCE) [%]	**10.0**	13.7	13.4
Employees	Employees [as per 31 December]	**74,018**	67,988	61,591
	employed abroad [%]	**94.1**	93.7	93.1
Share	Market capitalisation 31 December [€ million]	**1,190.6**	1,613.7	1,774.9
	Consolidated net income/loss per share [€]	**2.36**	3.51	3.23
	Dividend per share [€]	**1.00** [3]	1.20	1.00
	Dividend yield [%]	**2.7** [3]	2.4	1.8

[1] *revised presentation by region from 2010*
[2] *taking related costs into account*
[3] *subject to approval by shareholders at the Annual General Meeting*

2012	2011	2010	2009	2008	2007	2006
3,809,007	3,701,487	2,955,671	2,160,117	2,911,964	2,366,779	2,108,244
27.0	28.8	31.8				
42.9	46.8	46.5				
15.1	12.8	11.2				
15.0	11.6	10.5				
			34.4	31.4	38.1	41.2
			42.0	44.6	34.1	32.2
			23.6	24.0	27.8	26.6
42.1	45.3	44.7	43.3	48.1	58.3	54.7
57.9	54.7	55.3	56.7	51.9	41.7	45.3
2,294,370	2,238,455	1,738,408	1,253,333	1,767,181	1,434,792	1,248,514
60.2	60.5	58.8	58.0	60.7	60.6	59.2
730,873	669,119	607,687	530,663	596,194	449,276	399,412
19.2	18.1	20.6	24.6	20.5	19.0	18.9
116,202	107,045	110,282	111,457	110,229	72,669	64,255
3.1	2.9	3.7	5.2	3.8	3.1	3.0
354,094	344,186	241,006	(4,862)	165,913	210,771	193,629
237,892	237,141	130,724	(116,319)	55,684	138,102	130,574
6.2	6.4	4.4	(5.4)	1.9	5.8	6.2
199,326	196,250	89,599	(157,309)	15,760	116,531	116,599
157,049	155,959	67,246	(138,081)	5,197	86,219	79,325
211,710	246,105	142,297	88,783	132,726	190,837	136,099
125,499	126,901	95,512	87,000	137,256	401,464	181,376
63,483	121,194	50,697	2,122	(13,924)	101,372	60,649
917,691	837,693	809,617	796,567	839,423	537,482	489,198
132.7	128.4	93.5	73.4	143.7	128.9	130.2
249,169	233,922	444,558	495,367	533,225	473,211	236,912
783,972	737,481	481,160	369,126	447,688	525,642	481,701
32.9	31.8	23.8	21.0	24.2	32.9	35.1
20.0	21.1	14.0	(37.4)	1.2	16.4	16.5
20.9	24.0	13.9	(12.0)	5.4	15.4	18.9
59,393	60,745	55,156	49,822	50,821	36,855	35,129
93.0	93.4	93.2	92.4	91.7	89.0	89.0
932.7	841.2	978.6	485.6	385.8	997.9	917.7
4.80	4.99	2.26	(5.04)	0.17	2.87	2.64
1.50	1.50	0.70	0.00	0.20	0.90	0.80
5.3	5.8	2.1	0	1.5	2.7	2.6

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 Charter Art. 1 Fundamental objectives 1.1 Human rights COP*, pages 6 – 7	www.leoni.com / Company / Sustainability / Employees
Principle 2 sensure that they are not complicit in human rights abuses.	LEONI Social Charter Art. 2 Implementation, 2.3 COP*, 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 Charter Art. 1 Fundamental objectives 1.2 Freedom of association COP*, pages 8 – 9	www.leoni.com / Company / Sustainability / Employees
Principle 4 the eradication of forced labour in all forms, …	LEONI Social Charter Art. 1 Fundamental objectives 1.4 Free choice of employment COP*, pages 8 – 9	www.leoni.com / Company / Sustainability / Employees
Principle 5 the abolition of child labour and …	LEONI Social Charter Art. 1 Fundamental objectives 1.5 No child labour COP*, 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 Charter Art. 1 Fundamental objectives 1.3 No discrimination LEONI Code of Ethics 3. h) COP*, 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*, pages 10 – 12	page 104 page 105
Principle 8 launch initiatives to instil greater awareness of responsibility for the environment, and …	Environmental protection measures COP*, pages 10 – 12	page 105
Principle 9 promote the development and spread of environmentally friendly technologies.	Green Technology COP*, pages 10 – 12	pages 106 – 107

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*, page 13 Risk and opportunity report	www.leoni.com / Company / Sustainability / Employees page 108

COP: Communication on Progress, UN Global Compact COP Report

Glossary

A	**Admin Competence Center**	Center for administrative expertise
	Advanced Manufacturing	Production using state-of-the-art manufacturing technologies
	Alternative drive technologies	Power engine with hybrid, electric or fuelcell technology
	Ambient Assisted Living	Products and systems that enable the aged or people with disabilities to live an independent life
	Asset Deal	Purchase of all the economic goods of a company
C	**Capital Employed**	Non-interest bearing assets less non-interest bearing liabilities
	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
	Cybercrime	Crime using computers
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
	Due diligence investigation	Thorough investigation of risks, e.g. when buying or disposing of businesses
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 Resource Planning System
F	**Factoring**	Sale of receivables
	Financial covenants	Provisions included in a loan agreement
	Free cash flow	Performance of operating cash flow taking capital expenditures into consideration
	Frugal innovation	Simple, cost-effective innovations for use in emerging countries
G	**Gearing**	Ratio of net debt to equity
	Global trends	Future social developments
	Glocalisation	Adaptation of a standardised product line to local requirements and stipulations
	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 tests	Review of the value of asset items
	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
P	**Power over Ethernet**	Power supply via an Ethernet cable
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
	Reverse factoring	Factoring agreement to pre-finance supplier liabilities
	ROCE	Return on capital employed
S	**Segment**	Division
	SHE	Safety, Health, Environment
	Single source supply	Sourcing from a single supplier
	Solar heat	Conversion of solar power into useable thermal energy
	SWOT	Strengths, Weaknesses, Opportunities, Threats
T	**Technical Competence Center**	Center of technical expertise
	True Sale Factoring	Complete sale of receivables including risk overhang
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.

Sources
The texts of the magazine section on pages 22, 24 and 26 were based on the following sources: German Foreign Office, Credit Suisse/GeVestor, International Monetary Fund, United Nations, Wikipedia and the World Bank.

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

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