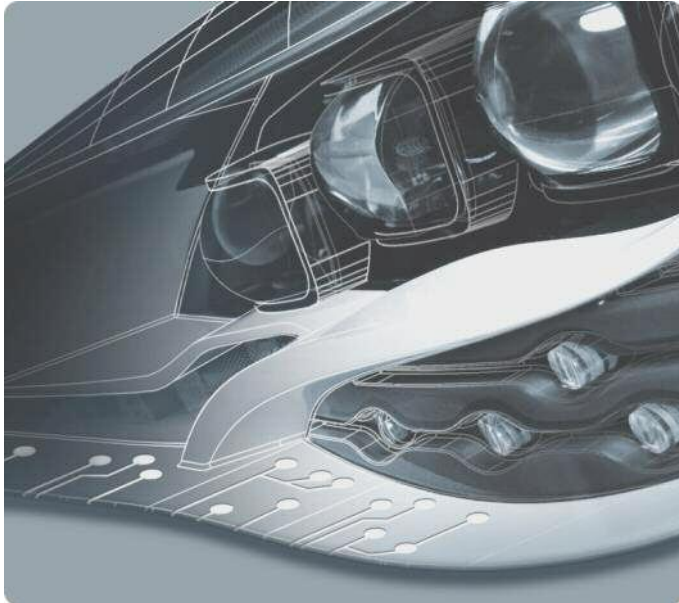




# **HELLA**

## **14th German Corporate Conference**



January 2015

## Disclaimer

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This document may contain forward-looking statements and information on the markets in which the HELLA Group is active as well as on the business development of the HELLA Group. These statements are based on various assumptions relating, for example, to the development of the economies of individual countries, and in particular of the automotive industry. Various known and unknown risks, uncertainties and other factors (including those discussed in HELLA's public reports) could lead to material differences between the actual future results, financial situation, development or performance of the HELLA Group and/or relevant markets and the statements and estimates given here. We do not update forward-looking statements and estimates retrospectively. Such statements and estimates are valid on the date of publication and can be superseded.

This document contains an English translation of the accounts of the Company and its subsidiaries. In the event of a discrepancy between the English translation herein and the official German version of such accounts, the official German version is the legal valid and binding version of the accounts and shall prevail.

## Today's presenting team

Dr. Wolfgang Ollig



- CFO
- *Joined HELLA in 2004*
- *In current position since 2006*

Carl Pohlschmidt



- *Corporate Finance & Tax*
- *Joined HELLA in 2004*
- *In current position since 2006*

# HELLA – Market and technology leadership as guiding principles

|                      |  | Sales / EBIT Margin<br>2013/14*<br>(€bn) / (%)  |   |
|----------------------|--|---|---|
| Group                |               | <ul style="list-style-type: none"> <li>• Partner of the automotive industry and the aftermarket for over 100 years</li> <li>• Family-owned and global reach: &gt;100 locations in &gt;35 countries</li> <li>• More than 30,000 employees worldwide, thereof 5,880 in R&amp;D**</li> </ul> | €5.3bn / 7.4%***  |
|                      |  |   |   |
| Automotive           | Lighting      | <ul style="list-style-type: none"> <li>• European market and technology leader in LED</li> <li>• Contributed 41% of FY 2013/14 HELLA's sales****</li> </ul>   | <br>~73%   |
|                      | Electronics  | <ul style="list-style-type: none"> <li>• Market and technology leadership in defined electronic segments</li> <li>• Contributed 33% of FY 2013/14 HELLA's sales****</li> </ul>  |   |
| Aftermarket          |             | <ul style="list-style-type: none"> <li>• Aftermarket Solutions: Spare parts, wholesale, diagnostics, software and service</li> </ul>  | <br>~20% |
| Special Applications |             | <ul style="list-style-type: none"> <li>• Transfer of HELLA know-how to new non-automotive applications</li> </ul>   | <br>~6%  |
|                      |  |   | €1.1bn / 6.8%   |
|                      |  |   | €0.3bn / 8.1%   |





# Agenda

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## 1. Key Investment Highlights

## 2. 1<sup>st</sup> Half Year 2014/15 Performance

## Key Investment Highlights

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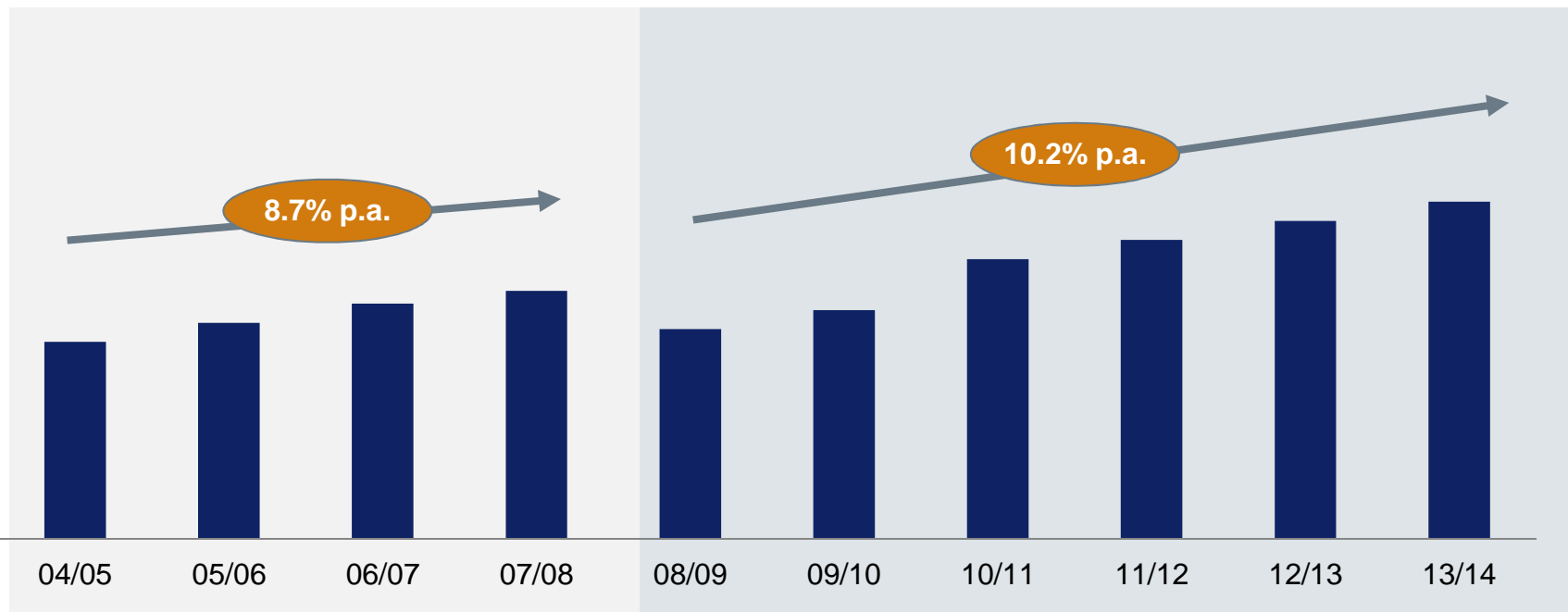
- 1 **Strong growth track record**
- 2 **Strong competitive position and growth path supported by technological excellence and innovation leadership**
- 3 **Market leading positions in attractive market segments**
- 4 **Favorable customer mix and regional exposure**
- 5 **Unique and proven network strategy** as further lever to generate growth and secure competitiveness
- 6 **Resilient business portfolio** due to anti-cyclical nature of strong Aftermarket business
- 7 **Proven operational excellence**



# 1 HELLA – Track record of steady growth across the cycle

Sales in €bn

CAGR\*



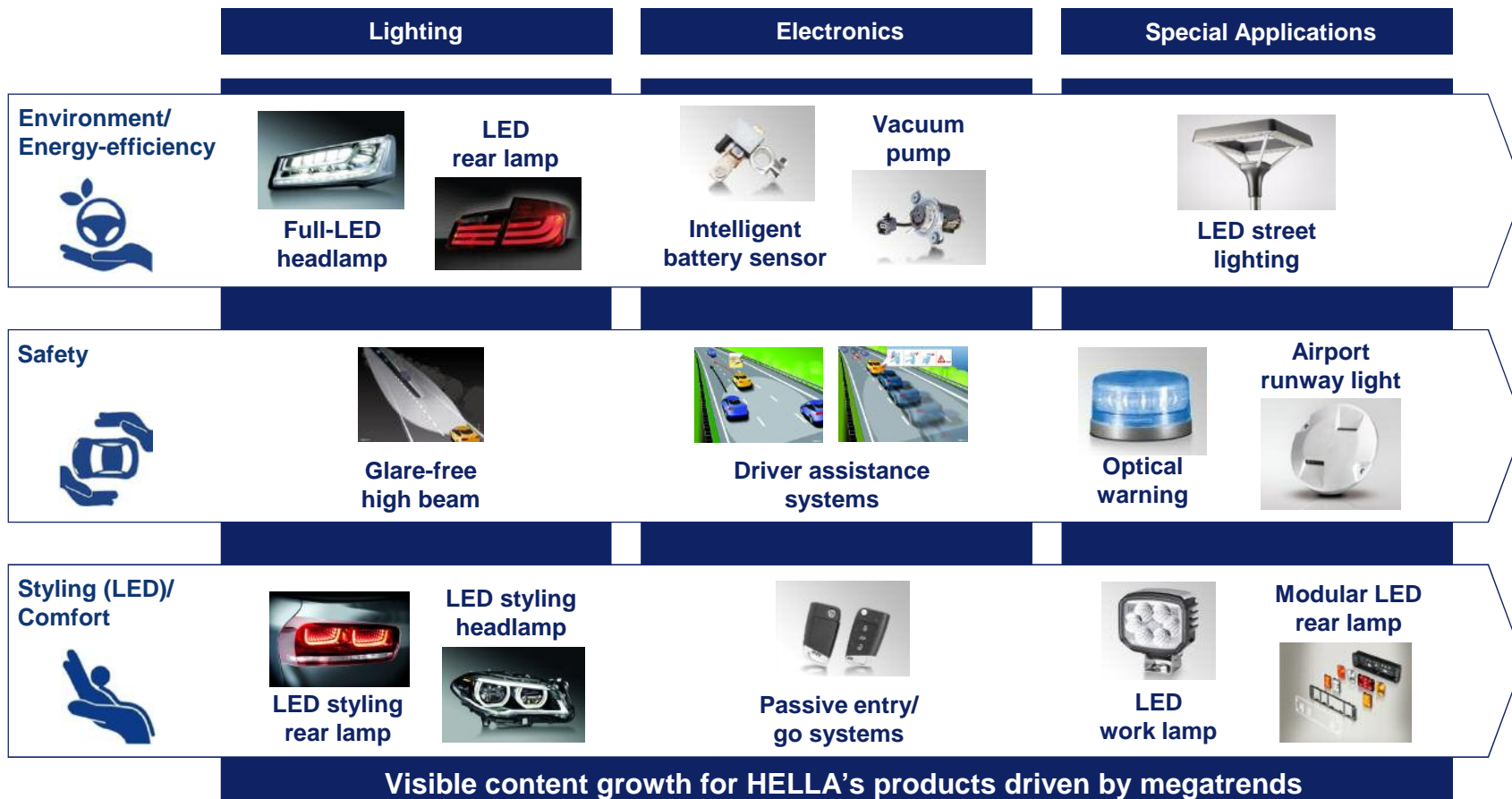
**Strong growth since crisis**

→ Sustainable long term growth across the cycle during the last ten years with a clear focus on organic growth (CAGR of 6.3% p.a. since FY 2004/05)

\*Compound Annual Growth Rate; Based on sales as reported; w/o adjustments for consolidation or accounting changes

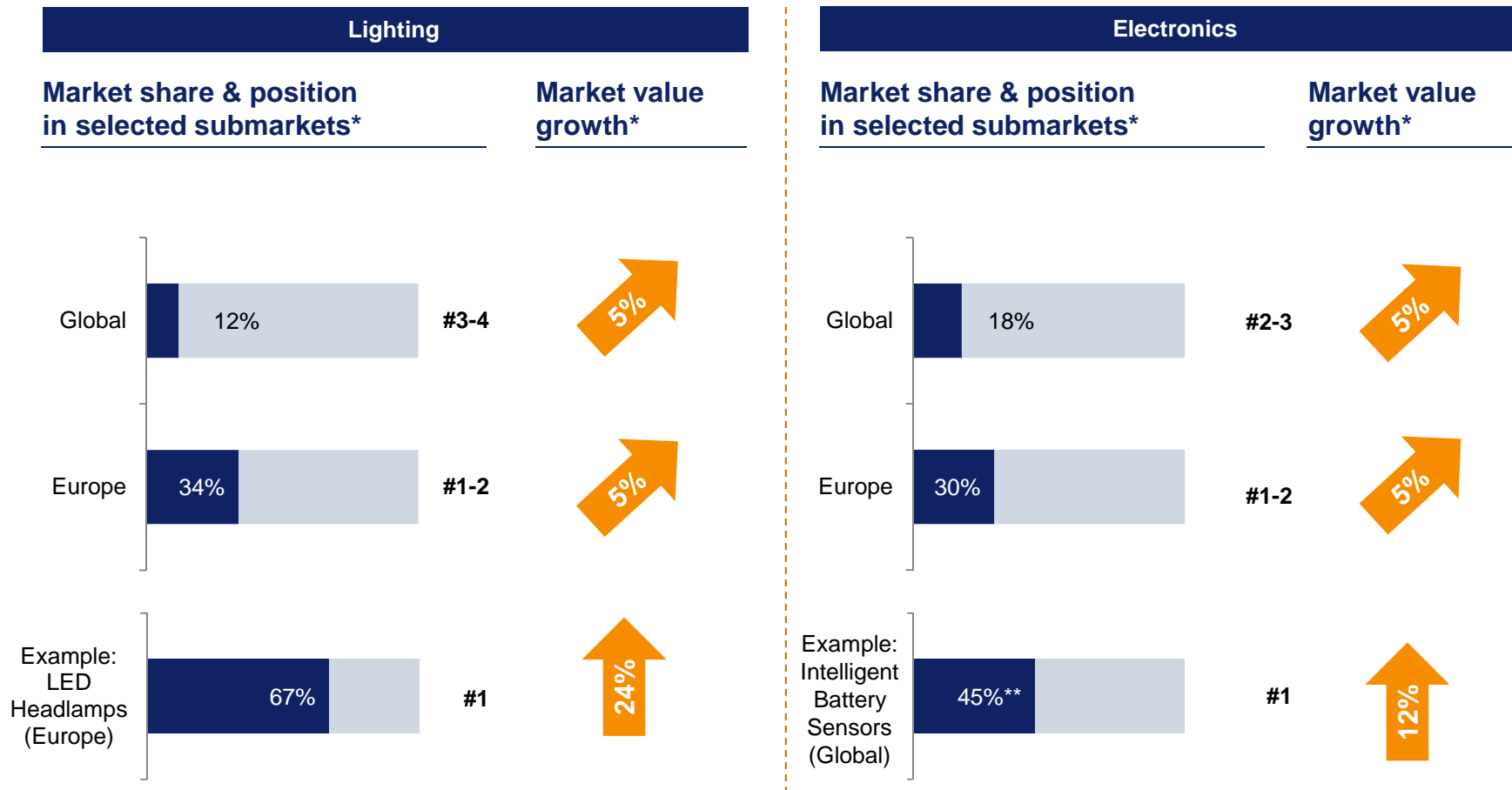
## 2 HELLA – Strong positioning along global megatrends

Continued strong investments in R&D led to recent high-growth product innovations



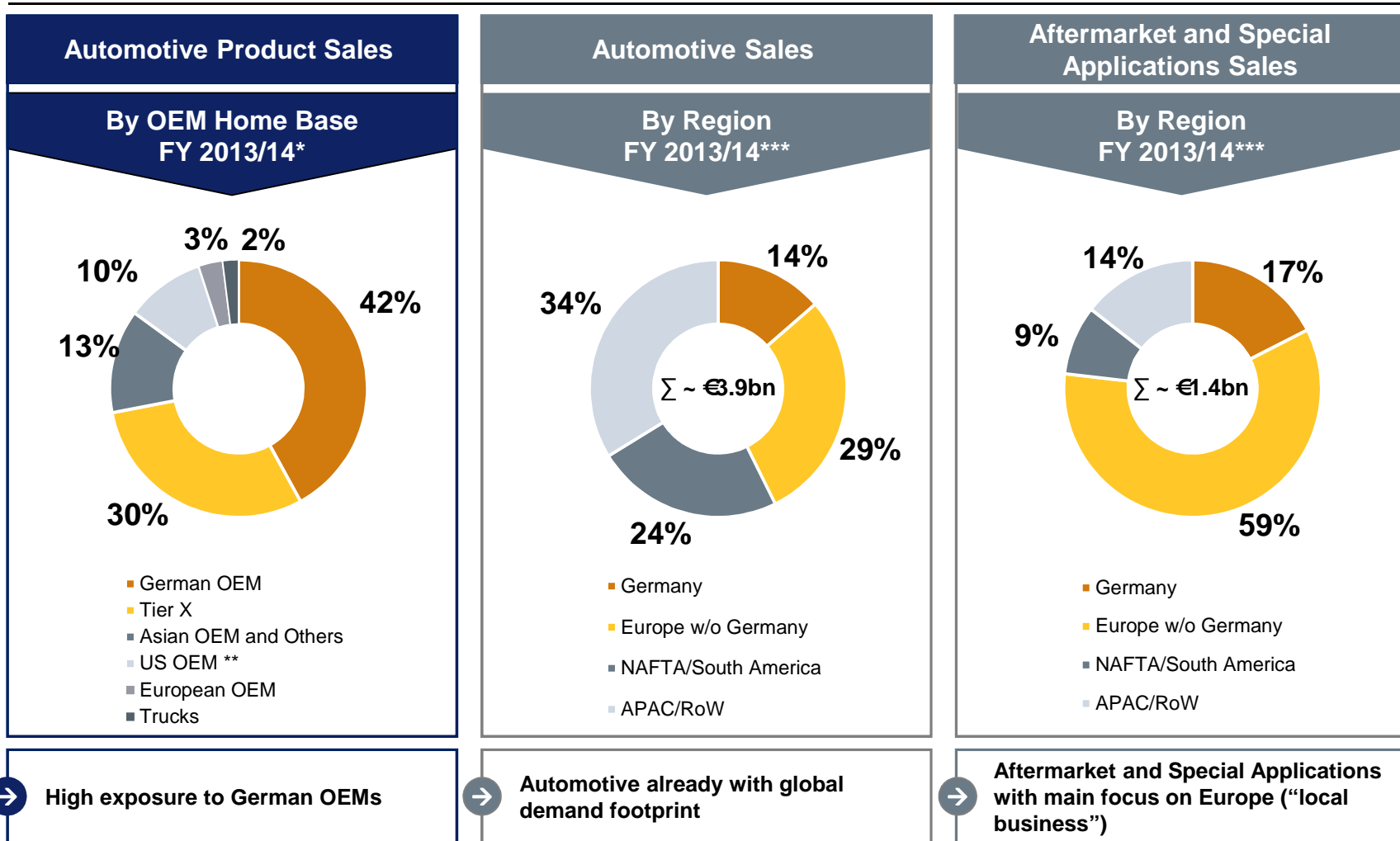


### 3 Leading market positions in Lighting (in particular LED) and selected electronics products



\*Source: L.E.K. market analysis (May 2014); all figures relating to selected markets and product categories based on HELLA's product portfolio, as covered in L.E.K. report; Growth: CAGR 2013/14-2018/19 \*\*Including 100% of related JV sales

## 4 Favorable customer mix and regional exposure



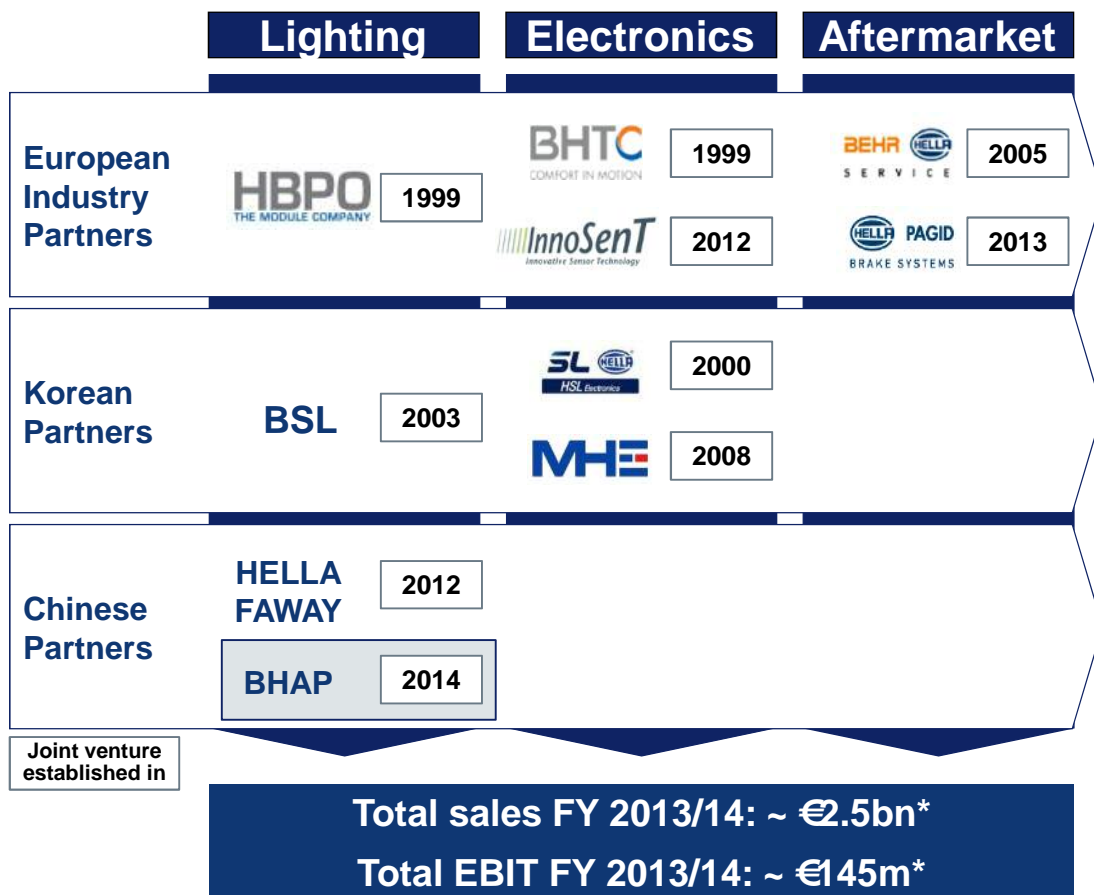
\* Automotive sales excl. non-product sales, e.g. customer reimbursements \*\* Thereof ~40% with Europe-based production locations \*\*\* External sales volume, not including inter-segment sales

# 5 HELLA's network approach provides additional lever to growth and profitability development

## HELLA network strategy

- HELLA counts on JVs and partnerships for **more than 15 years**
- **Key strategic rationale**
  - **Access to technology know-how** in order to strengthen product portfolio offer
  - **Access to new markets or customer groups** via partners' established network
  - **Economies of scale** in operations, e.g. purchasing and production

## Selected examples from the HELLA network



\*Based on non-audited, internal IFRS reporting as of May 31, 2014; all equity accounted investments added together (on a hypothetical 100% basis, irrespective of HELLA's percentage share)



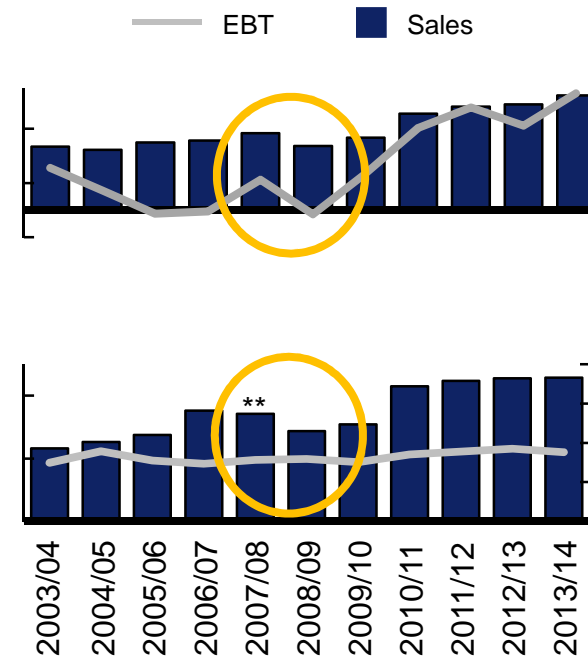
## 6 High resilience of business model through strong share of Aftermarket business

### Aftermarket business characteristics

- **Large number of customers** (fragmented wholesale and garage markets)
- **Car population** as main driver (vs. new car production)
- **High entry barriers** due to importance of scale effects, branding, and logistics- and process competence

Auto-  
motive\*

After-  
market\*



### High financial resilience of Aftermarket business with stable cash flow generation

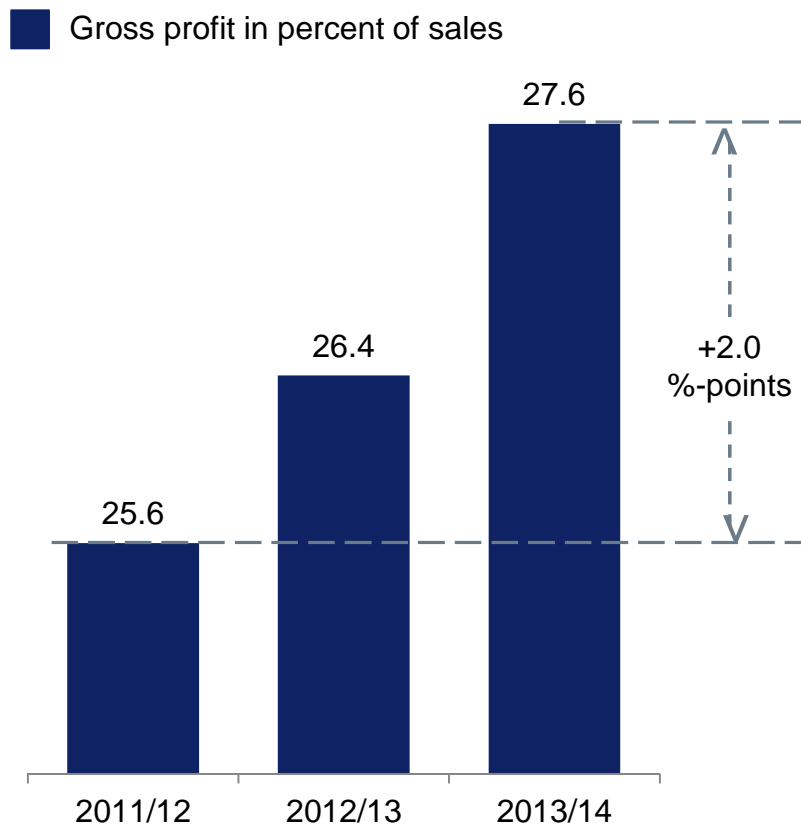
- Generally **anti-cyclical behavior of Aftermarket** business without dependence on car demand
- Relatively **low variance in growth rates**, both for sales and especially for profits
- **Stable Aftermarket business share** in HELLA's overall business

\*All figures as reported; w/o adjustments for consolidation or accounting changes; 03/04 – 06/07 based on HGB accounting, thereafter IFRS accounting

\*\* incl. sale of Danish subsidiary Holger Christiansen A/S

## 7 Operational excellence: Example Gross Margin improvement

### Gross Profit Margin\*



### Comments

- **Continuous improvement of gross profit margin** by ~ 2.0%p in the last two years
- **Attractive product portfolio** in Automotive
- Improvement driven by **focus on scale effects** based on new profitable product generations, and operational excellence:
  - **Footprint optimization**
  - **Cost-saving measures**
  - **Supply chain optimization**
- **High-tech launches** in Lighting **tightening gross profit** temporarily

\* FY 12/13 adjusted to reflect new IFRS 11 and IAS 19, FY 11/12 adjusted to reflect new IFRS 11

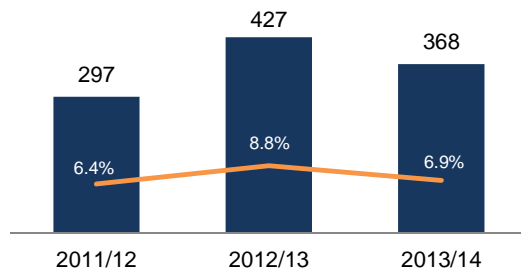
# 7 Globalization initiative supports technological leadership and optimized global footprint

Focus on global capabilities, innovation and structures through dedicated programs with investments to secure strong global positioning & technological leadership

## Globalization, Innovation and Competitiveness

### Net CapEx\*

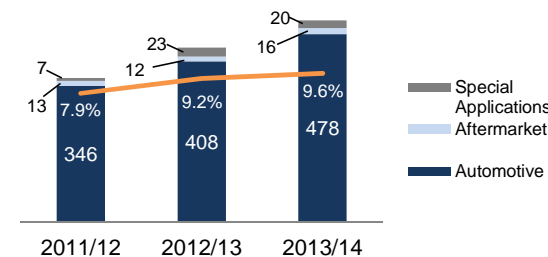
in €m and as % of sales



Further extension of global network along requirements by OEMs

### R&D\*

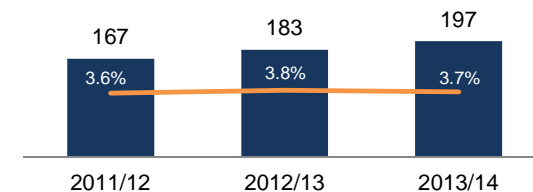
in €m and as % of sales



High investments in R&D to secure positioning at the top of technological key trends

### Administrative cost\*

in €m and as % of sales



Strong focus on efficiency improvements and utilization of synergy effects in HCC network

\* FY 12/13 adjusted to reflect new IFRS 11 and IAS 19, FY 11/12 adjusted to reflect new IFRS 11  
 Net CapEx defined as CapEx less pre-payments by customers for series production





# Agenda

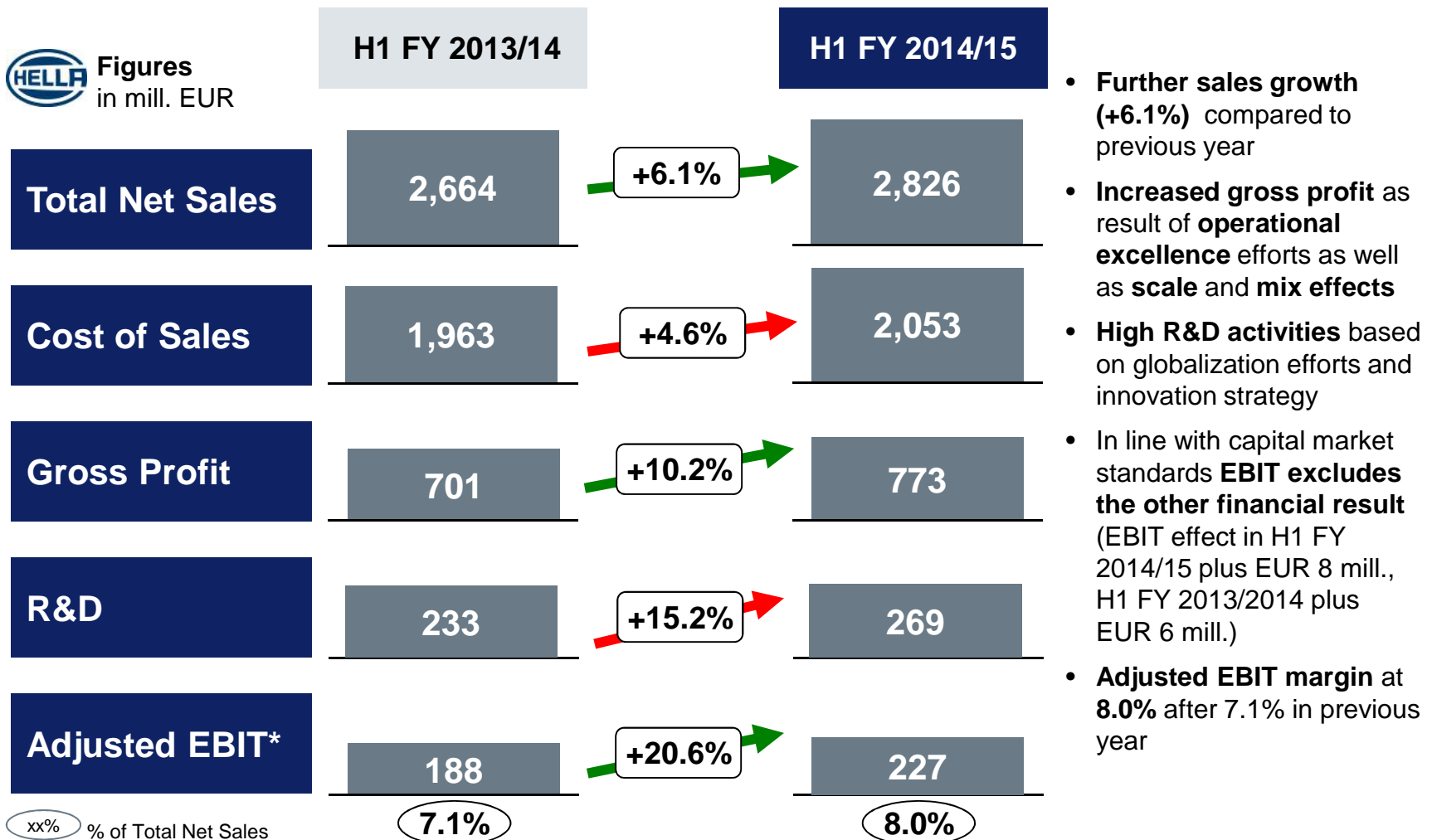
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1. Key Investment Highlights

**2. 1<sup>st</sup> Half Year 2014/15 Performance**

# Strongly improved EBIT compared to H1 of the previous year

## Key Financials – H1 FY 2013/14 vs. H2 FY 2014/15



- **Further sales growth (+6.1%)** compared to previous year
- **Increased gross profit** as result of **operational excellence** efforts as well as **scale** and **mix effects**
- **High R&D activities** based on globalization efforts and innovation strategy
- In line with capital market standards **EBIT excludes the other financial result** (EBIT effect in H1 FY 2014/15 plus EUR 8 mill., H1 FY 2013/2014 plus EUR 6 mill.)
- **Adjusted EBIT margin** at **8.0%** after 7.1% in previous year

\* Adjusted for one-off effects related to the voluntary severance and partial retirement program of EUR 5.4 mill. (H1 FY 2014/15) and of EUR 16.5 mill. (H1 FY 2013/14)



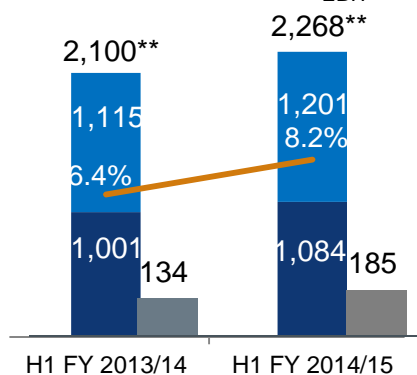
# Growth is mainly driven by Automotive segment

## Segment results – H1 FY 2013/14 to H1 FY 2014/15

### Automotive\*

in mill. EUR

■ Electronics ■ Lighting ■ EBIT Margin ■ EBIT

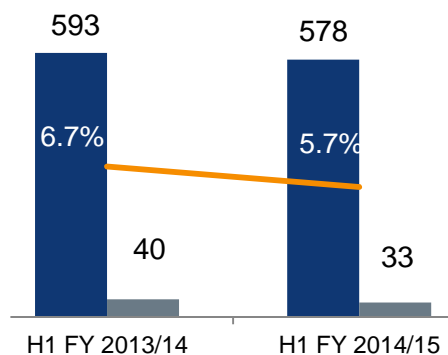


- Strong demand for innovative electronics and LED products geared to megatrends energy efficiency, safety, and styling
- Strong position in premium customer segment
- Global presence in growth markets

### Aftermarket\*

in mill. EUR

■ Sales ■ EBIT ■ EBIT Margin

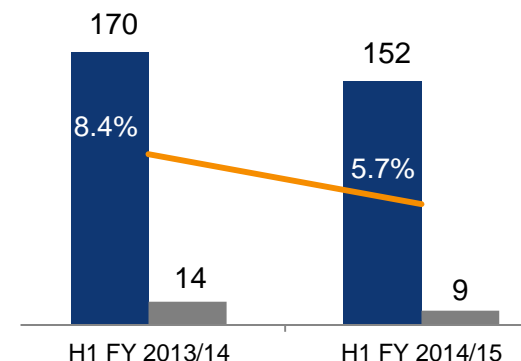


- Market slow-down especially in the German independent Aftermarket
- Consolidation of customer base
- Over proportional reduction of profitability due to fix cost structure

### Special Applications\*

in mill. EUR

■ Sales ■ EBIT ■ EBIT Margin



- Reduced sales due to slump in the target group Agriculture (Ukraine crisis)
- Unfavorable product mix

\* Total sales including intersegment sales

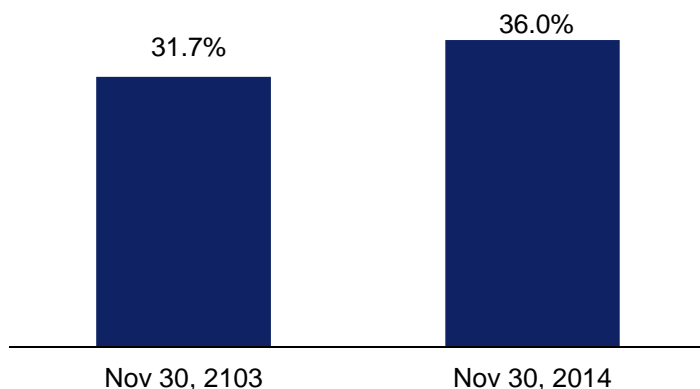
\*\* Sales figures for Lighting & Electronics do not add up to Automotive sales due to sales between those two business divisions

# Growth supported by solid financial position

## Financial policy reinforces strategy

### Solid financial position

Equity Ratio in %



- Increase of equity ratio by 6pp compared to the beginning of the financial year after capital increase with net inflow of 272 mill. EUR
- Despite debt repayment still **high liquidity position** with around 1 bill. EUR available financial assets
- Solid financial structure with Net Debt / EBITDA (LTM) at 0.4x

### Reinforcement of Growth Strategy

- 1 Financing of further **organic growth** in all segments
  - Continuous investments in innovative technologies and products
  - Expansion of global footprint
  - Expansion into new business models
- 2 Continuation of **growth path** with new external partners along established **HELLA network strategy**
- 3 **Anorganic growth with focus on smaller acquisition** in the business activities Electronics, Aftermarket and Special Applications