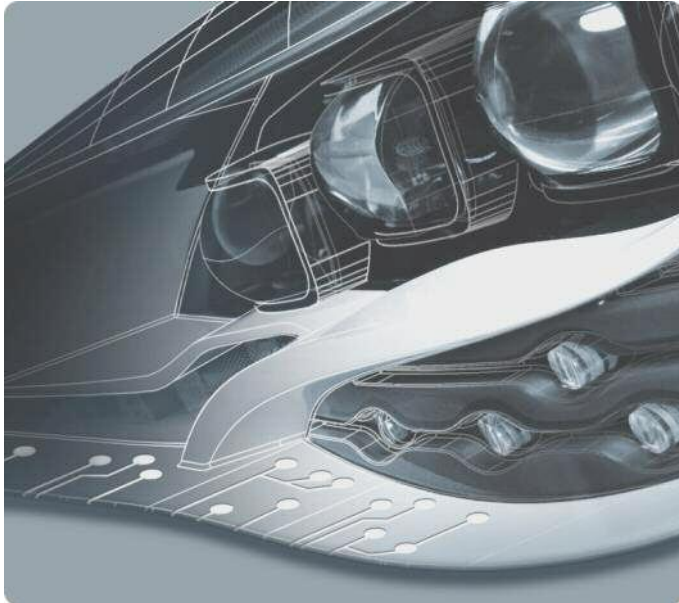




# **HELLA**

## **H1 2014/15**

### **Roadshow Presentation**



February 2015

## Disclaimer

This document was prepared with reasonable care. However, no responsibility can be assumed for the correctness of the provided information. In addition, this document contains summary information only and does not purport to be comprehensive and is not intended to be (and should not be construed as) a basis of any analysis or other evaluation. No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, targets, estimates and opinions contained herein.

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 Such statements and estimates are valid on the date of publication and can be superseded.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.



# Agenda

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## 1. Introduction

## 2. Key Investment Highlights

## 3. Strong H1 2014/15 Performance

## 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 2013/14* (€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%***
		<p><b>Automotive</b></p> <p><b>Lighting</b></p>  <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>	 <p>~73%</p>
<p><b>Electronics</b></p>  <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>	€3.9bn / 6.9%		
<b>Aftermarket</b>	 <ul style="list-style-type: none"> <li>• Aftermarket Solutions: Spare parts, wholesale, diagnostics, software and service</li> </ul>	 <p>~20%</p>	€1.1bn / 6.8%
<b>Special Applications</b>	 <ul style="list-style-type: none"> <li>• Transfer of HELLA know-how to new non-automotive applications</li> </ul>	 <p>~6%</p>	€0.3bn / 8.1%

5 • External sales volume, not including inter-segment sales  
 ... Employee figures as of May 31, 2014  
 ... Adjusted for one-off-effects related to the voluntary severance and partial retirement program  
 .... External sales volume, not including inter-segment sales and sales between the shown business divisions





# Agenda

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1. Introduction

**2. Key Investment Highlights**

3. Strong H1 2014/15 Performance

## Key Investment Highlights

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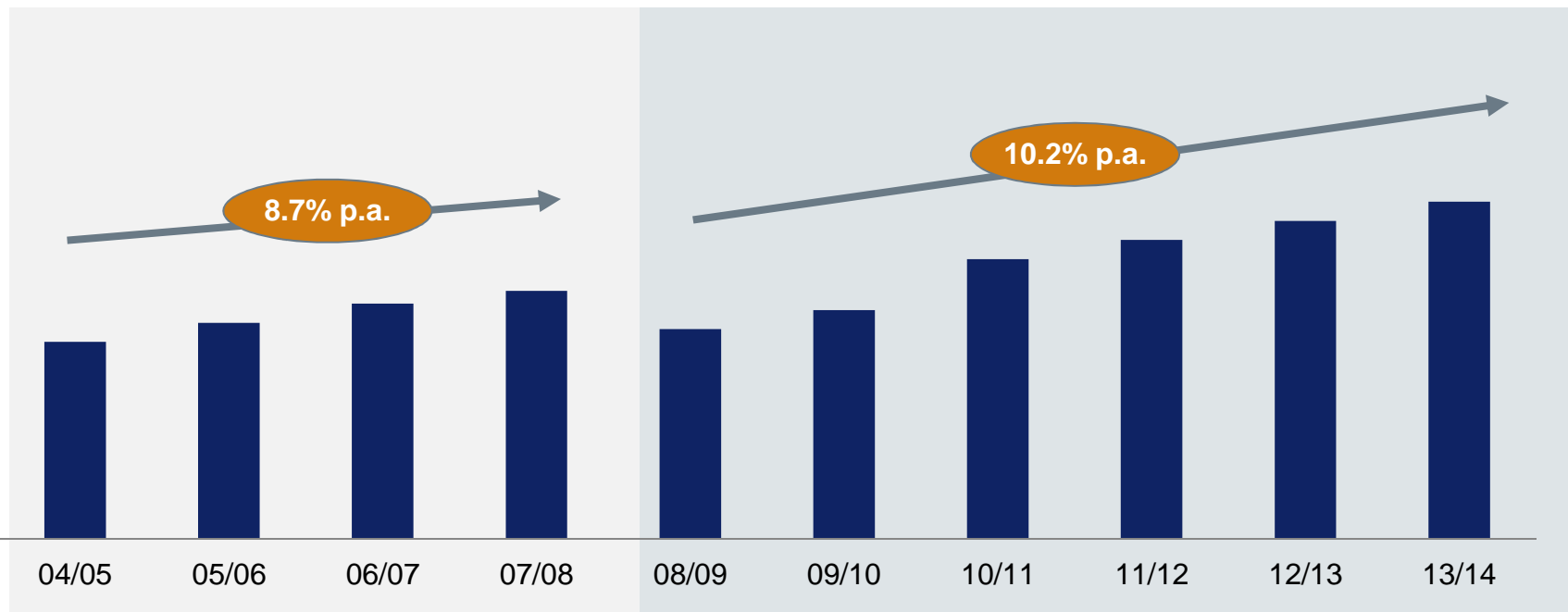
- 1 **Strong growth track record**
- 2 **Strong competitive position and growth path supported by technological excellence and innovation leadership**
- 3 **Market leading positions in attractive market segments**
- 4 **Favorable customer mix and regional exposure**
- 5 **Unique and proven network strategy** 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)

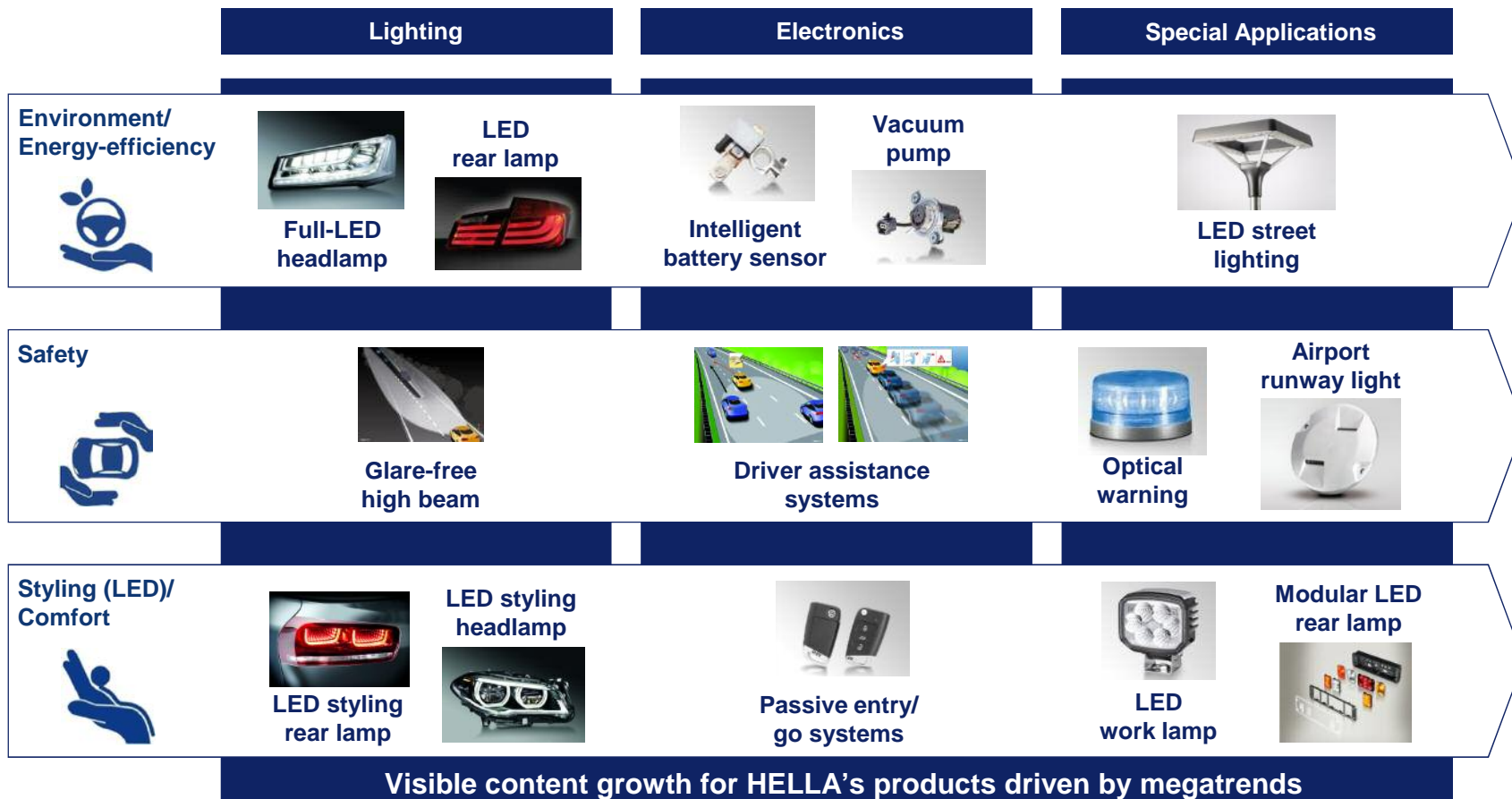
\*Compound Annual Growth Rate; Based on sales as reported; w/o adjustments for consolidation or accounting changes



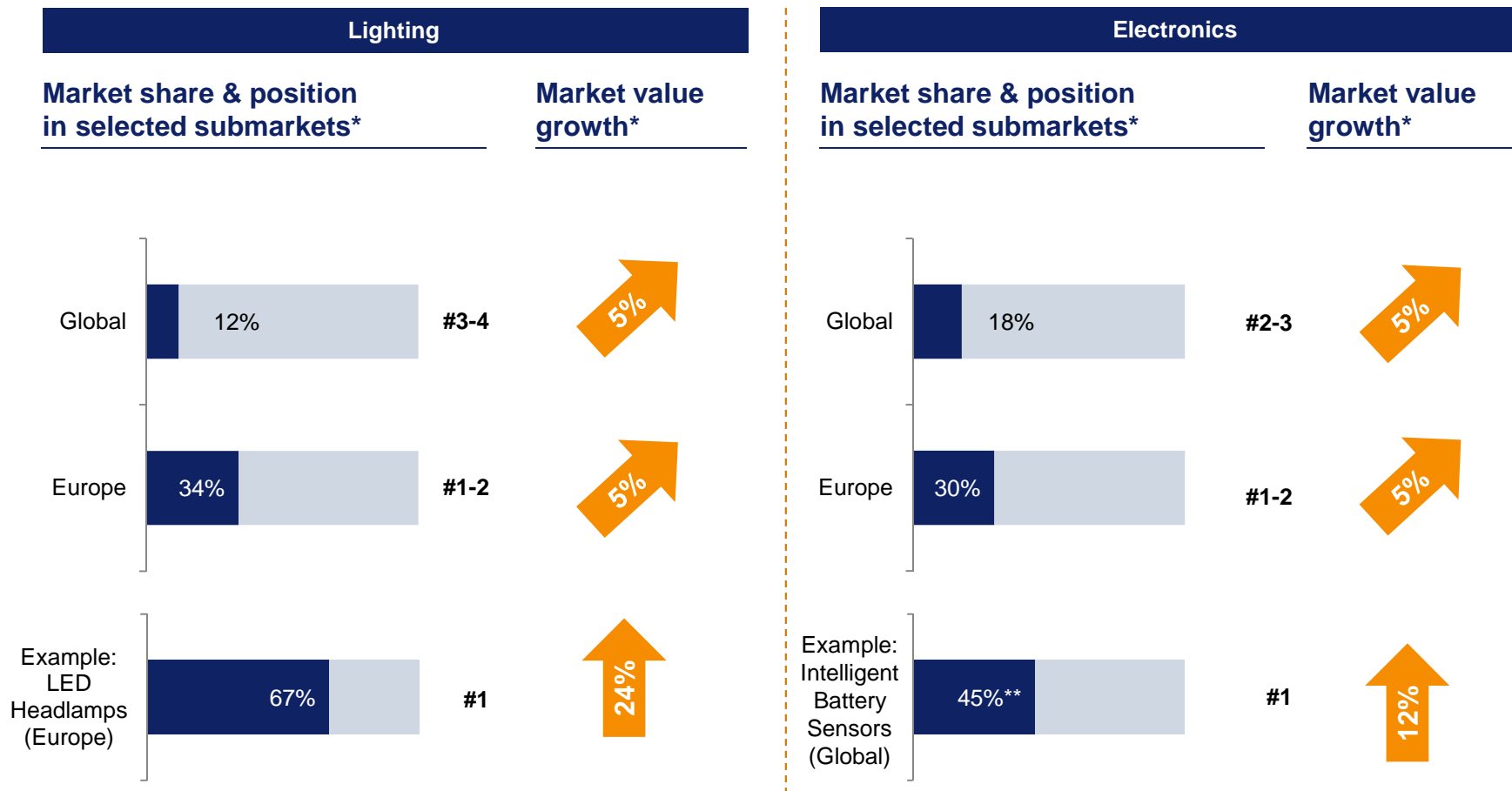


## 2 HELLA – Strong positioning along global megatrends

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



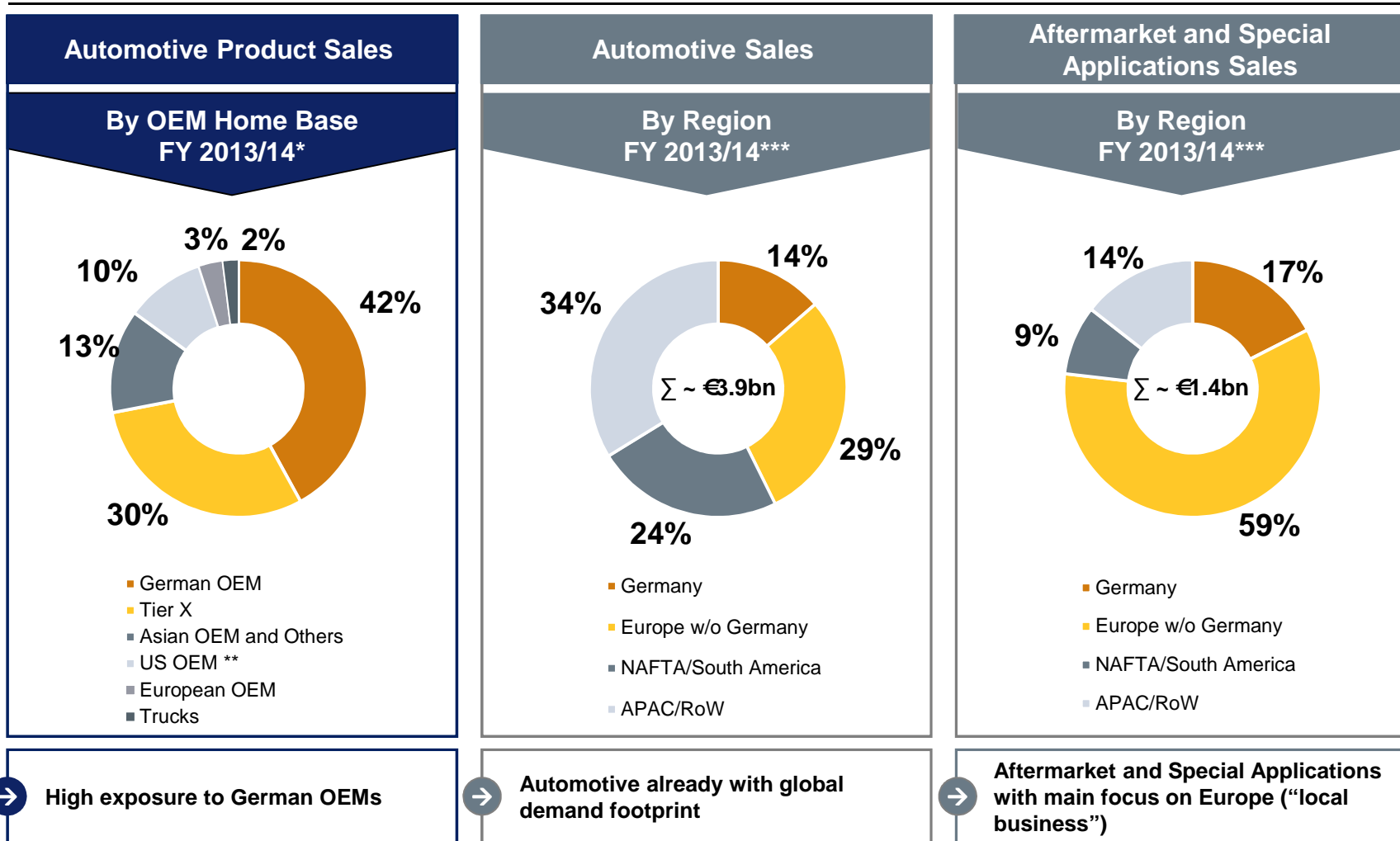
### 3 Leading market positions in Lighting (in particular LED) and selected electronics products



\*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



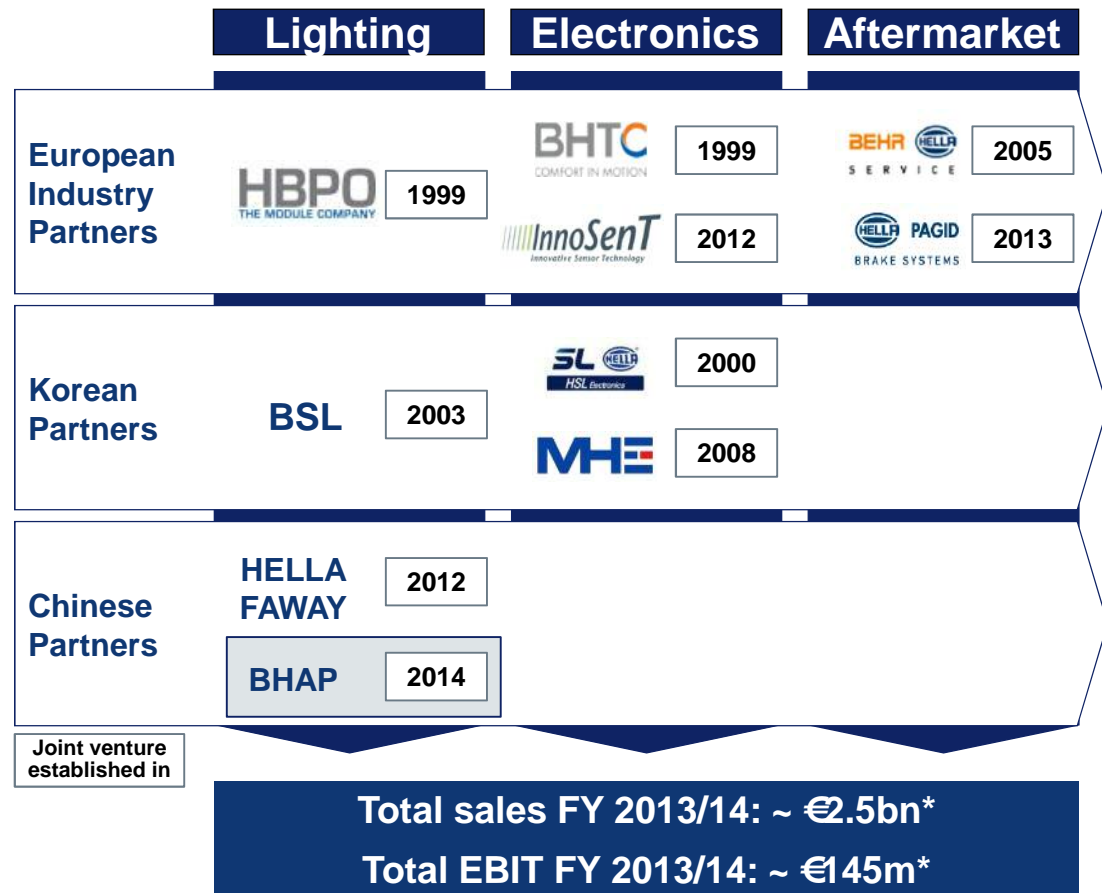
\* Automotive sales excl. non-product sales, e.g. customer reimbursements \*\* Thereof ~40% with Europe-based production locations \*\*\* External sales volume, not including inter-segment sales

# 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 Competitive advantage through complete aftermarket solutions

### Independent Aftermarket

- Sale of parts to independent wholesalers
- Particularly strong position of sales network and brand presence in European home market



### Wholesale

- Sale of full product range to garages
- Market leader in Denmark, and second largest wholesaler in Poland



### Workshop Equipment

- Sale of diagnostic equipment and software to garages
- One of the two largest suppliers in German-speaking markets



→ HELLA provides the full portfolio including services and solutions and can deliver the entire value chain which generates push and pull effects

Source: L.E.K. market analysis (May 2014).

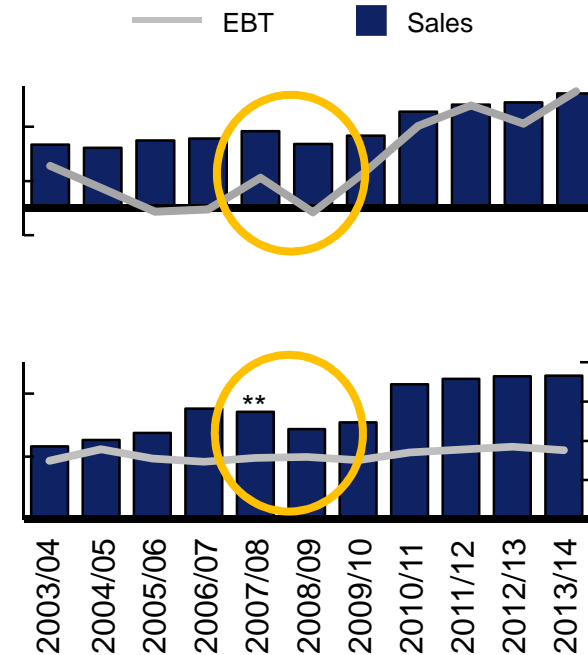
## 6 High resilience of business model through strong share of Aftermarket business

### 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

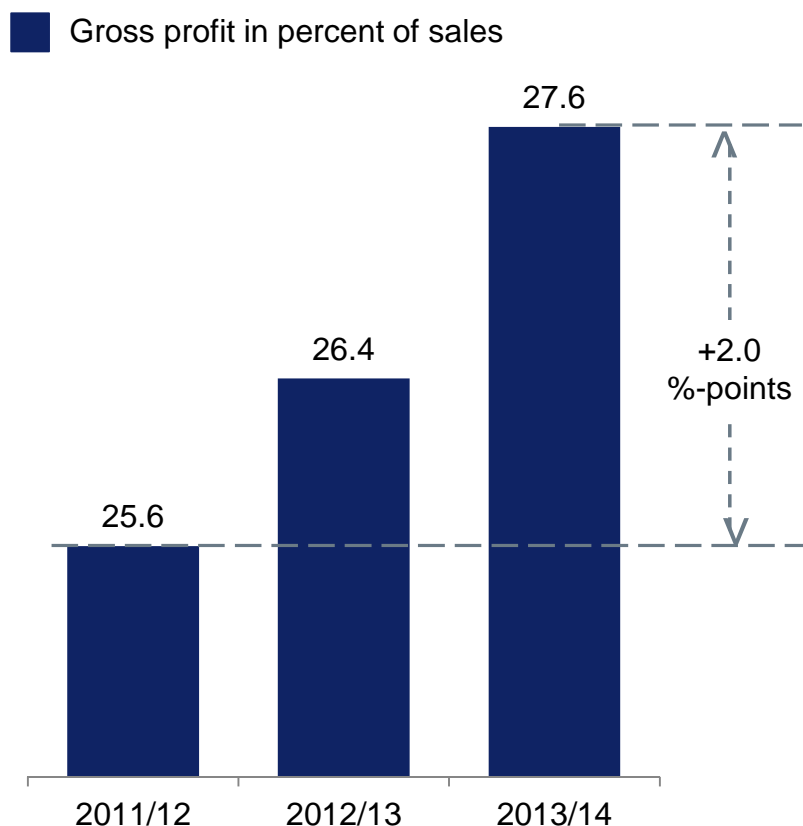
- Generally **anti-cyclical behavior of Aftermarket** business without dependence on car demand
- Relatively **low variance in growth rates**, both for sales and especially for profits
- **Stable Aftermarket business share** in HELLA's overall business

\*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

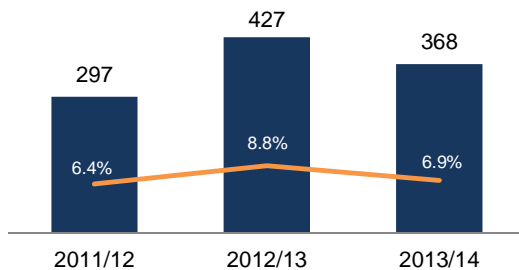
# 7 Globalization initiative supports technological leadership and optimized global footprint

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\*

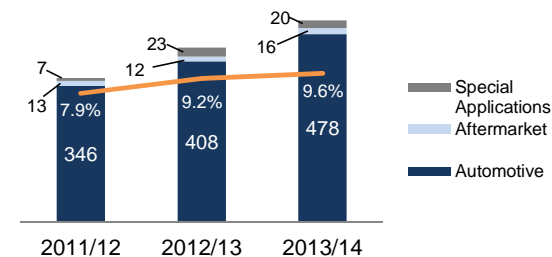
in €m and as % of sales



Further extension of global network along requirements by OEMs

### R&D\*

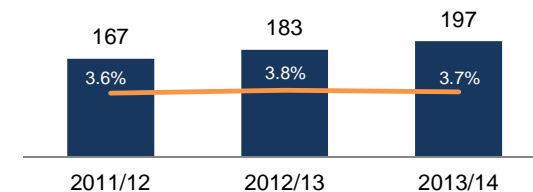
in €m and as % of sales



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







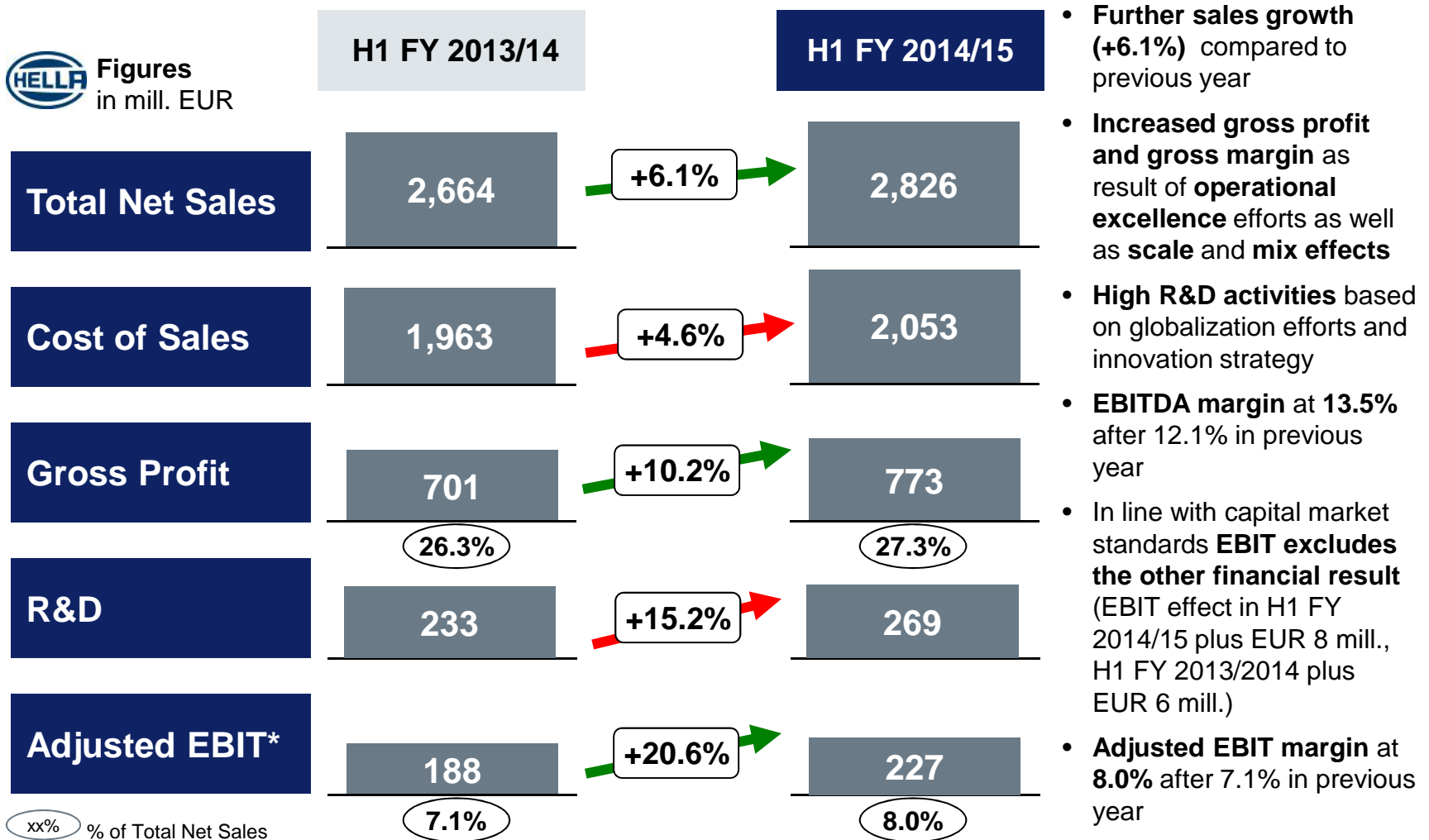
# Agenda

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1. Introduction
2. Key Investment Highlights
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# Strongly improved EBIT compared to H1 of the previous year

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



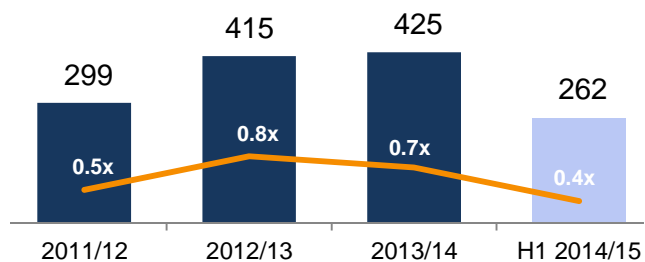
\* Adjusted for one-off effects related to the voluntary severance and partial retirement program of EUR 5.4 mill. (H1 FY 2014/15) and of EUR 16.5 mill. (H1 FY 2013/14)

# Conservative financial policy and solid balance sheet

## Baa2 rating (stable outlook)

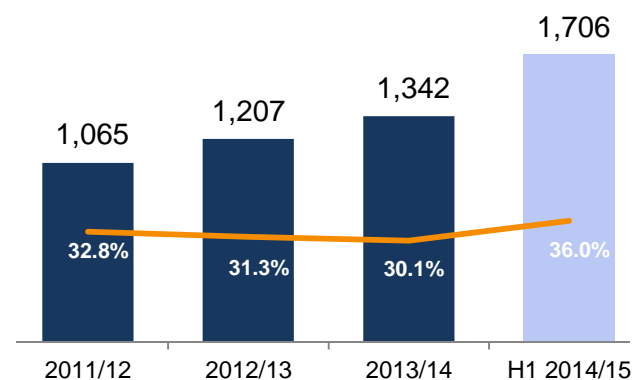
### Net debt\*

in €m and as ratio net debt / EBITDA



### Equity\*

in €m and as equity ratio



- Sustainable low ratio of Net debt / EBITDA, which is considerably below 0.5x
- High diversification with regards to maturities of financial debt
- Competitive dividend policy (30% of net income attributable to shareholders going forward)

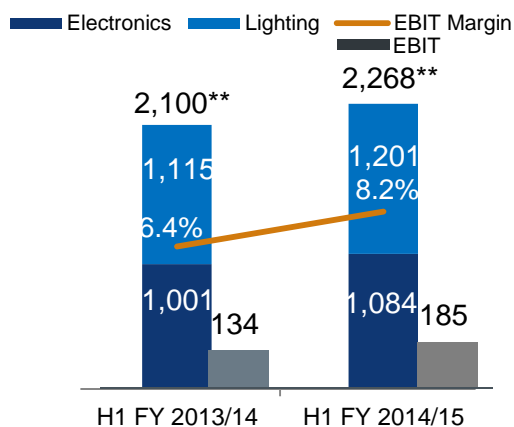
\* FY 12/13 adjusted to reflect new IFRS 11 and IAS 19, FY 11/12 adjusted to reflect new IFRS 11

# Growth is mainly driven by Automotive segment

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

### Automotive\*

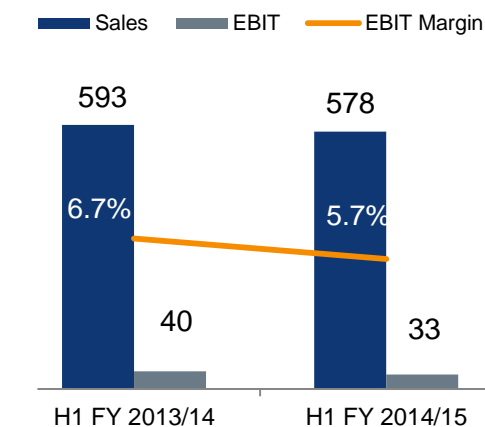
in mill. EUR



- 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\*

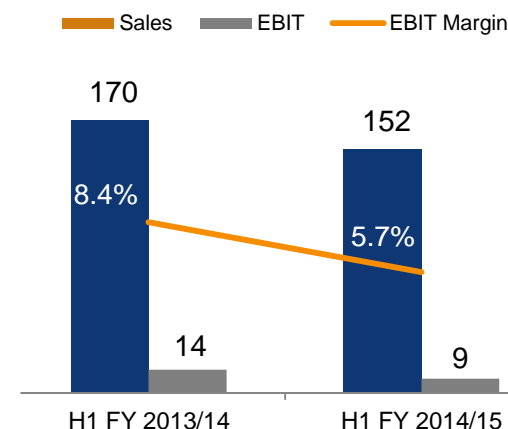
in mill. EUR



- 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



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

\* Total sales including intersegment sales

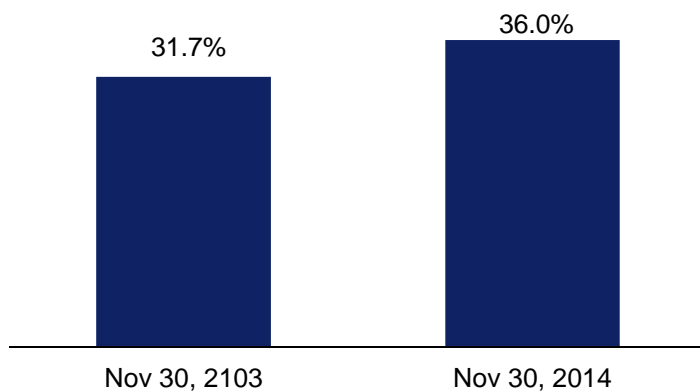
\*\* Sales figures for Lighting & Electronics do not add up to Automotive sales due to sales between those two business divisions

# 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

# HELLA – Technology leader with global footprint and favorable customer mix

## Technology leadership

- Track record of innovative and technological leadership in global competition forms the pillars of HELLA's success
- Continue high investment in innovation
- Early involvement in platform development
- Focus on market segments, where HELLA can be successful (market leadership)
- HELLA products require high level of know how and expertise and therefore not easily copyable



## Global footprint and distribution network

- HELLA is present in all key automotive markets
- Global aftermarket network with particularly strong presence in Europe
- Network strategy of successful joint ventures unique in the industry



## Strong relationship to OEMs

- Strategic focus on favorable OEMs
- HELLA as credible alternative for OEMs to mega suppliers such as Bosch and Continental

DAIMLER



HYUNDAI



Audi



Key pillars of continued profitable growth

# Agenda

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## Appendix

- **Examples Technology Leadership**
- **Financial Result H1 2014/15**

# Examples Technology Leadership

## Lighting: Audi A8 headlamp innovation

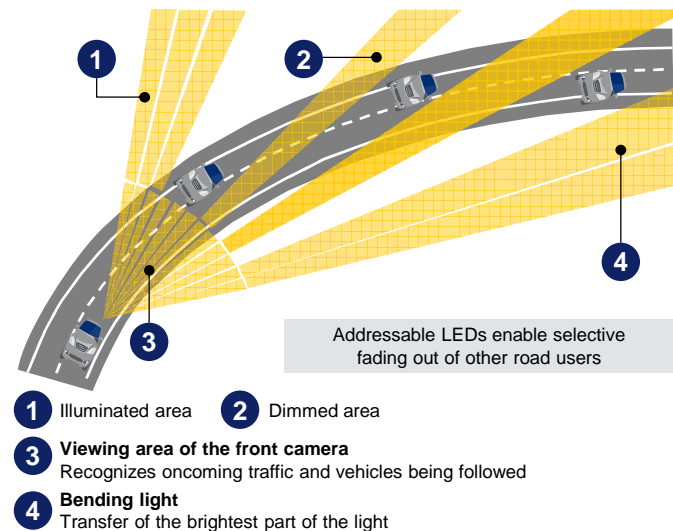
### Audi A8 matrix LED headlamp

#### Product description

- The latest model of the Audi flagship offers customers the opportunity to order the world's first ever matrix LED with a glare-free high beam and a dynamic indicator light
- Combination of traffic recognition by camera technology and intelligent control of the headlamp
- Splitting up of the high beam into five reflectors, each one having a chip containing 5 LEDs allows permanent driving with high beam without glaring oncoming or ahead traffic
- By the shutting down or dimming of individual LEDs, oncoming or ahead traffic is blanked out of the field of high beam light distribution in real time
- The implementation of Matrix technology allows, for the first time, several tunnels to open simultaneously, masking out up to 8 different road users
- 25 individually controlled segments per headlamp
- Evidence of synergies between Lighting and Electronics

#### Benefits

- Best illumination without glaring any oncoming vehicles or the vehicles ahead – high-safety feature
- Helps the driver with better visibility (implementation of matrix technology allows, for the first time, several light tunnels to open simultaneously)
- Nearly achieves daylight quality for light impression at night
- Mechanism-free realization of light function with dynamic behaviour
- Navigation-based light control



→ Addressing key mega trends: environment, safety, styling & comfort



# Examples Technology Leadership

## Electronics: European leadership in the high growth market of rear applications based on 24 GHz radar\*



### Safety

“Growing complexity and challenges in today’s traffic require support by electronic systems to improve traffic safety.”

OEM’s and government organizations are continuously striving to reduce the frequency of accidents and severity of injuries in vehicles.

HELLA delivers technologies for driver assurance and works closely with OEM’s in the development of innovative solutions for a safer driving experience.



24 GHz Radar

- HELLA is considered the European leader in the high growth market of rear applications based on 24 GHz radar and belongs to the top market players worldwide
- 2 sensor comfort system enable following functions
  - Lane Change Assist (LCA)
  - Blind Spot Detection (BSD)
  - Pre-Crash Rear (PCR)
  - Rear Cross Traffic Alert (RCTA)
- Cost effective solution with scalable functional spectrum
- Successful series developments with more than 25 carlines at 8 OEMs



Lane Change Assist (LCA)



Pre-Crash Rear (PCR)



Blind Spot Detection (BSD)



Rear Cross Traffic Alert (RCTA)

\*Source: L.E.K. market analysis (May 2014)

Source: L.E.K. research; HELLA



# Agenda

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## Appendix

- **Examples Technology Leadership**
- **Financial Result H1 2014/15**

# Financial Result H1 2014/15

## Key figures

Figures in mill. EUR	Key Financial Metrics		
	November 30, 2014 Actual	November 30, 2013 Actual	Delta
<b>Sales</b>	<b>2,826</b>	<b>2,664</b>	<b>+6%</b>
<b>EBITDA</b>	<b>381</b>	<b>323</b>	<b>+18%</b>
<b>EBIT</b>	<b>221</b>	<b>171</b>	<b>+29%</b>
<b>Net Debt</b>	<b>262</b>	<b>521</b>	<b>-50%</b>
<b>Equity</b>	<b>1,706</b>	<b>1,236</b>	<b>+38%</b>
<b>Equity Ratio</b>	<b>36.0%</b>	<b>31.7%</b>	<b>+4.3pp</b>
<b>Gross CAPEX</b>	<b>242</b>	<b>270</b>	<b>-10%</b>
<b>Net Debt / EBITDA (LTM)</b>	<b>0.4x</b>	<b>0.9x</b>	
<b>Interest coverage ratio (min. 5x)*</b>	<b>17.1x</b>	<b>18.5x</b>	
<b>Gearing (max. 1.3x)**</b>	<b>0.2x</b>	<b>0.4x</b>	

## Financial Result H1 2014/15

### Income statement – H1 FY 2014/15

in mill. EUR	H1 FY 2014/15		H1 FY 2013/14	
Sales	2.826	100,0%	2.664	100,0%
Cost of sales	(2.053)	-72,7%	(1.963)	-73,7%
<b>Gross Profit</b>	<b>773</b>	<b>27,3%</b>	<b>701</b>	<b>26,3%</b>
Research and development costs	(269)	-9,5%	(233)	-8,8%
Distribution costs	(222)	-7,9%	(218)	-8,2%
Administrative costs	(95)	-3,4%	(89)	-3,4%
Other income and expenses	6	0,2%	(11)	-0,4%
Income from associates	28	1,0%	22	0,8%
<b>EBIT</b>	<b>221</b>	<b>7,8%</b>	<b>171</b>	<b>6,4%</b>
Financial income	13	0,4%	9	0,3%
Financial expenses	(37)	-1,3%	(30)	-1,1%
<b>Earnings before taxes</b>	<b>197</b>	<b>7,0%</b>	<b>151</b>	<b>5,7%</b>
Taxes on income	(46)	-1,6%	(41)	-1,5%
<b>Earnings for the period</b>	<b>151</b>	<b>5,4%</b>	<b>109</b>	<b>4,1%</b>

## Financial Result H1 2014/15

### Balance sheet – Assets: November 30, 2014

in mill. EUR	November 30, 2014		November 30, 2013	
Cash, cash equivalents and financial assets	988	20,8%	558	14,3%
Trade receivables	790	16,7%	735	18,8%
Other receivables and non-financial assets	195	4,1%	133	3,4%
Inventories	658	13,9%	600	15,4%
<b>Current assets</b>	<b>2.631</b>	<b>55,4%</b>	<b>2.027</b>	<b>52,0%</b>
Property, plant and equipment and intangible assets	1.651	34,8%	1.461	37,5%
Shares in associated companies and joint ventures and other investments	258	5,4%	227	5,8%
Other non-current assets	205	4,3%	184	4,7%
<b>Non-current assets</b>	<b>2.114</b>	<b>44,6%</b>	<b>1.872</b>	<b>48,0%</b>
<b>Total assets</b>	<b>4.745</b>	<b>100,0%</b>	<b>3.899</b>	<b>100,0%</b>

## Financial Result H1 2014/15

### Balance sheet – Equity and liabilities: November 30, 2014

in mill. EUR	November 30, 2014		November 30, 2013	
Financial liabilities	101	2,1%	254	6,5%
Trade payables	637	13,4%	481	12,3%
Other liabilities	415	8,7%	513	13,2%
Provisions (current)	105	2,2%	86	2,2%
<b>Current liabilities</b>	<b>1.258</b>	<b>26,5%</b>	<b>1.334</b>	<b>34,2%</b>
Non-current financial liabilities	1.149	24,2%	825	21,2%
Deferred tax liabilities	70	1,5%	60	1,5%
Other non-current liabilities	251	5,3%	186	4,8%
Other provisions	311	6,6%	258	6,6%
<b>Non-current liabilities</b>	<b>1.781</b>	<b>37,5%</b>	<b>1.329</b>	<b>34,1%</b>
Total equity	1.706	36,0%	1.236	31,7%
<b>Total equity &amp; liabilities</b>	<b>4.745</b>	<b>100,0%</b>	<b>3.899</b>	<b>100,0%</b>

# Financial Result H1 2014/15

## Cash Flow – H1 FY 2014/15

in mill. EUR	H1 FY 2014/15	H1 FY 2013/14
EBIT	221	171
Gross depreciation	160	152
Working capital changes	(114)	(156)
Payments received for serial production	43	76
Tax payments	(60)	(49)
Other operating activities (e.g. change in provisions)	(39)	25
Gross Capital Expenditures	(260)	(270)
Revenue from sale of assets	22	7
<b>Operative Free Cash Flow</b>	<b>(27)</b>	<b>(45)</b>
Dividends paid	(59)	(55)
Acquisitions	(20)	(3)
Capital increase	272	0
Restructuring payments, Consolidation group changes, FX effects & other evaluation effects	(5)	(4)
Pension, Factoring, Operating Lease	2	0
<b>Change in financial net debts</b>	<b>163</b>	<b>(106)</b>

- **Operative Free Cash Flow influenced by** continuous growth (e.g. working capital) as well as seasonal effects
- **Increase in net capex\*** from 186 mill. EUR to 194 mill. EUR mainly due to lower customer reimbursements
- **Net inflow from capital increase** of 272 mill EUR

\*Includes gross capital expenditures, less revenue from sale of assets, and less payments received for serial production

# Financial Result H1 2014/15

## Financial Debt Structure – November 30, 2013 vs. November 30, 2014

<b>Figures</b> in mill. EUR <b>Financial Debt Structure</b>				
in mill. EUR	Maturity	Nov. 30, 2013	Deviation	Nov. 30, 2014
AFLAC Notes and Loan*	2032/33	175	0	175
7.25% Notes 2009/2014**	2014	200	-200	0
2.375% Notes 2013/2020**	2020	500	0	500
1.25% Notes 2014/2017**	2017	0	300	300
Loan European Investment Bank	2015	150	0	150
Other Financial Debt, Accruals and Revaluation		54	71	125
<b>Gross Financial Debt</b>		<b>1,079</b>	<b>171</b>	<b>1,250</b>
Cash and cash equivalents		348	281	629
Financial Assets		210	148	358
<b>Net Debt</b>		<b>521</b>	<b>-259</b>	<b>262</b>
Revolving credit facility (2011-2016) of 550 mill. EUR				
<b>Net Debt / EBITDA (LTM)</b>		<b>0.9x</b>		<b>0.4x</b>

<b>Changes</b>	<ul style="list-style-type: none"> <li><b>New issue of bond with a volume of 300 mill. EUR in March 2014</b></li> <li><b>Slight increase of other financial debt, accruals and revaluation (+71 mill. EUR)</b></li> <li><b>Capital increase in November 2014 benefits cash position with net inflow of 272 mill. EUR</b></li> </ul>
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