

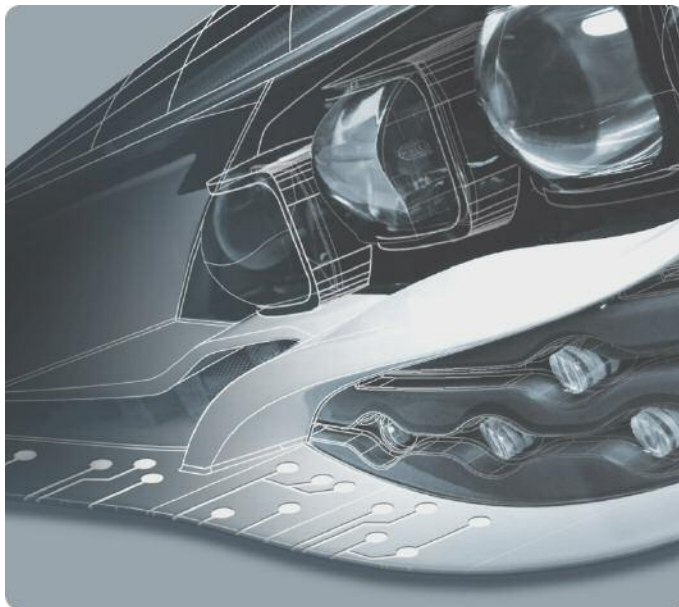


Technology with Vision

# HELLA Investor Update FY 2014/15

Conference Call on August 14th, 2015

**Dr. Wolfgang Ollig**, Chief Financial Officer  
**Carl Pohlschmidt**, Finance Director



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 Such statements and estimates are valid on the date of publication and can be superseded.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



# HELLA Investor Update FY 2014/15

## Outline

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- HELLA Group Key Achievements

- Outlook

- Q&A

- Annex

# HELLA Group Key Achievements

## Financial Highlights FY 2014/15

### FINANCIAL HIGHLIGHTS

#### Sales

- **HELLA Group sales up 9.2% YoY to 5.8 bill. EUR**, thereof **2.3%-points FX** effects (mainly USD and CNY)
- **Third party sales development per segment compared to previous year:**
  - **Automotive: 11.2%** driven by presence in **growing markets**, **product launches** and **product portfolio geared to industry megatrends**
  - **Aftermarket: +5.1%** driven by **recovering independent aftermarket** and **positive trends** in the **wholesale** and **workshop equipment** business
  - **Special Applications: -10.0%** driven by continuing **market slow-down** in the **agricultural sector**

#### Profitability

- **Gross Profit margin** at 26.6% (-1%-point YoY), especially driven by **segment mix** and **one-offs**
- **R&D cost ratio** at **9.3%** (-0.3%-points YoY), **Distribution expenses** at **7.8%** (-0.3%-points YoY), **administrative expenses** at **3.4%** (-0.3%-points YoY)
- **EBIT** at **EUR at 430 mill. EUR** (+83 mill. EUR), **margin** at **7.4%** (+0.9%-points YoY), including 15 mill EUR restructuring expense  
**Adjusted EBIT** at **445 mill. EUR** (+46 mill. EUR), **margin** at **7.6%** (+0.1%-points YoY)
- **EBITDA** at **766 mill. EUR** (+110 mill EUR), **margin** at **13.1%** (+0.8%-points YoY)
- **ROIC** at **17.3%** (+1.5%-points\* YoY)

#### Liquidity

- **Operative Free Cash Flow** at **+120 mill. EUR** compared to +51 mill. EUR in FY13/14

\*ROIC FY 13/14 at 15.8% after reclassification of income from securities and net other financial income/expenses

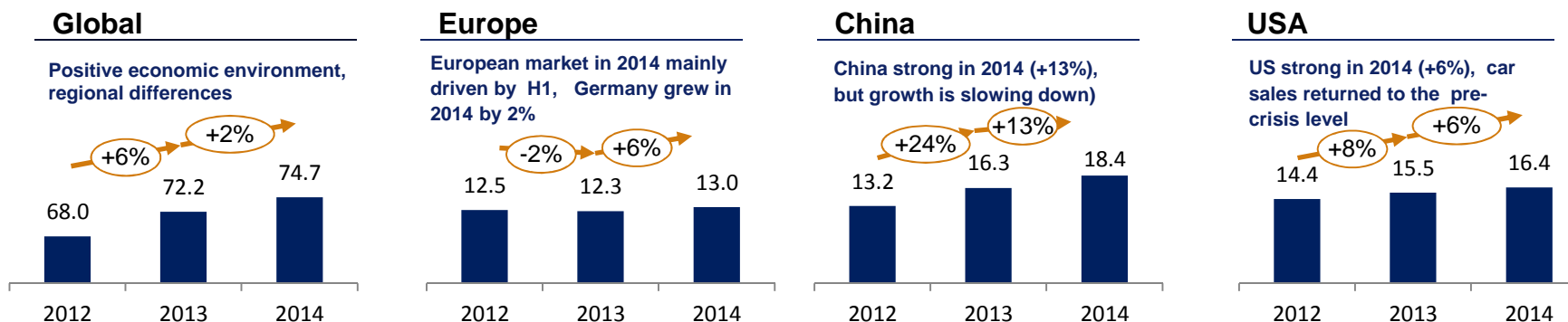
Hella Investor Update FY 2014/15, Conference Call on August 14, 2015



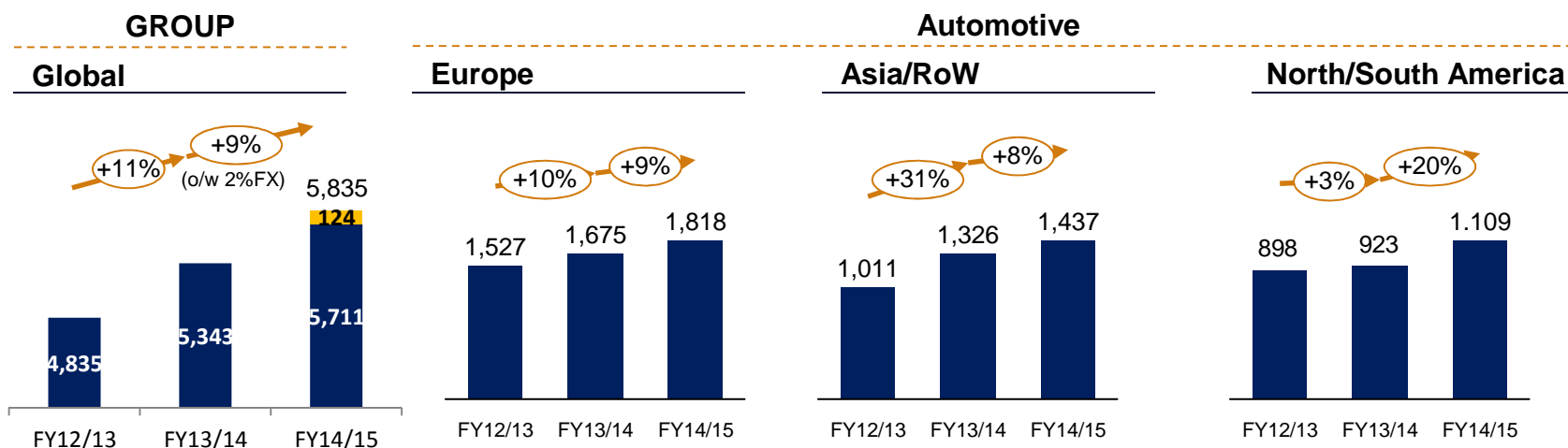
# HELLA Group Key Achievements

## Sales (I) – Outperforming Markets FY 2014/15

### New passenger car registration (registrations in millions; growth in %)



### HELLA revenue\* (in EUR millions, growth in %)



HELLA organic sales growth outperformed the automotive market by approx. 5%-points

Source: HELLA; VDA Research \* Regional market coverage by end customers; FY 12/13 adjusted to reflect new IFRS 11 and IAS 19

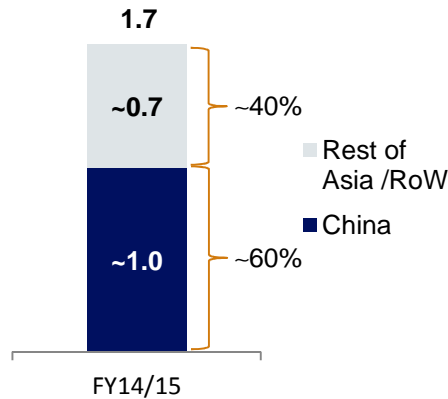


# HELLA Group Key Achievements

## Sales (II) – China

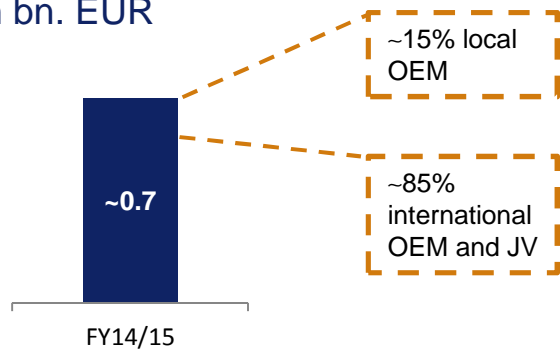
### Sales\* by end customer

in bn. EUR



### Sales\* by China entities

in bn. EUR



\* Consolidated sales, China approximation based on HELLA analysis  
 \*Source: VDA, HELLA

### Comment

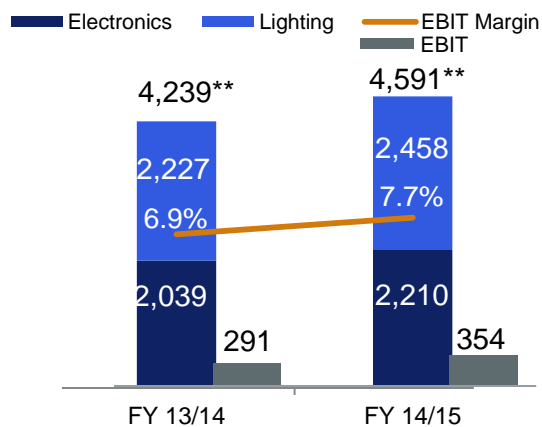
- **China** as important **growth driver**
- Approx. **60%** of Asia /RoW end customer **sales in China**
- Around **0.7 bn. EUR** sales of **China entities**, thereof around **15% share with local customers**, expecting to increase in the next years
- **Top local customers**
  - Great Wall, BAIC Motor, Geely
  - ChangAn, GAC, Chery
- **Further focus on operative excellence to increase productivity and efficiency**
- **Continuous expansion** and innovations of tailored products to strengthen positioning in China
- **Increasing localization** in recent years
- **No structural investments (CAPEX) needed** near term
- R&D capacity built up: from over **5.700 employees** (incl. JVs with ~730 employees) are **600 in R&D**

# HELLA Group Key Achievements

## Segment Highlights – FY 2013/14 to FY 2014/15

### Automotive\*

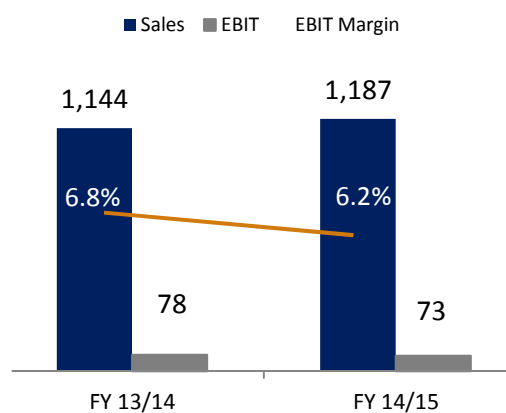
in mill. EUR\*\* and in % sales



- Strong demand for **innovative electronics** and **lighting products**
- Strong position in **premium customer** segment
- **Global presence** in growing markets

### Aftermarket\*

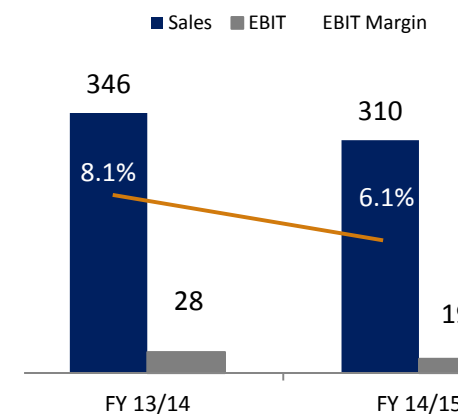
in mill. EUR and in % sales



- **Recovery** in independent aftermarket
- **Wholesale** and **workshop** equipment business **positive**
- **Negative volume** and **mix-effect** effect on profitability

### Special Applications\*

in mill. EUR and in % sales



- Reduced sales due to **weak** demand in **Agriculture** sector
- Other client groups' business more stable
- **Stabilization** on **low level** in Q4

\* Total sales including intersegment sales

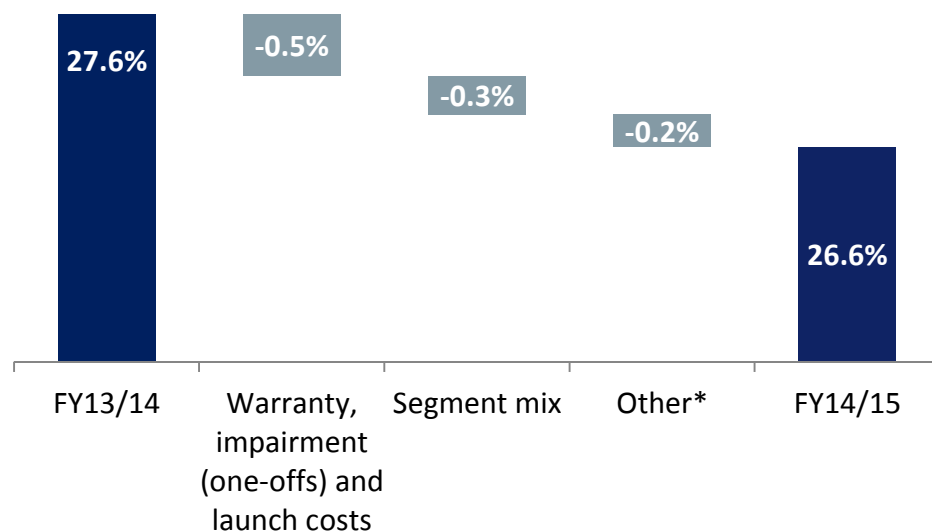
\*\* Sales figures for Lighting & Electronics do not add up to Automotive sales due to sales between those two business divisions

# HELLA Group Key Achievements

## P&L (I) – FY 2013/14 to FY 2014/15

### Gross Profit Margin – development FY13/14 to FY 14/15

in % of sales



\*includes asset sale, F&E reallocation and FX effects

### Comment

- Gross Profit margin FY 14/15 especially influenced by **segment mix** and **one-offs**
  - **Launches** of new technology projects in **automotive / investments** in product complexity as well as warranty claims decreased FY14/15 margin by **0.5%-points**
  - **Segment mix** has **negative influence** on FY14/15 margin of **0.3%-points**

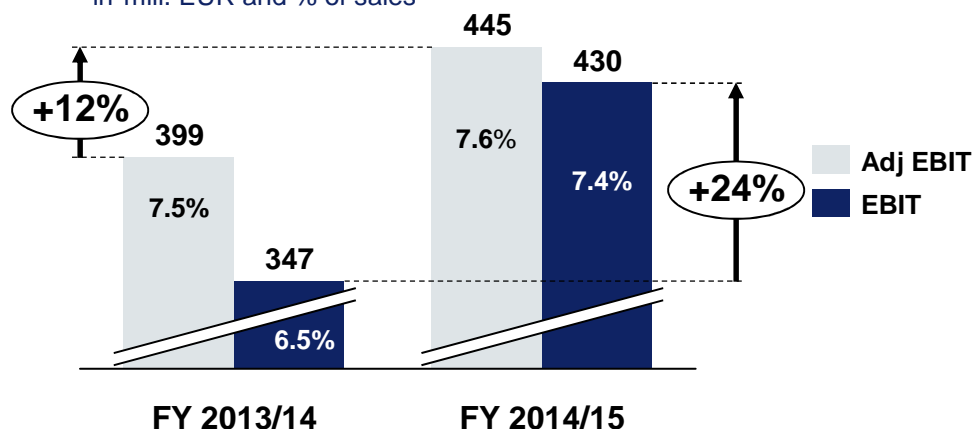


# HELLA Group Key Achievements

## P&L (II) – FY 2013/14 to FY 2014/15

### EBIT and Adj. EBIT

in mill. EUR and % of sales

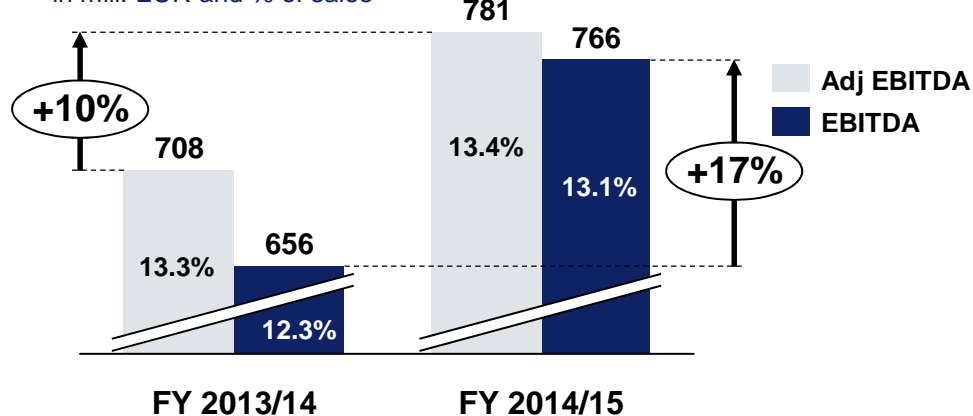


### Comment

- **Adjusted EBIT** increased 12% to **445 mill. EUR**, margin increased by 0.1%-points to **7.6%** in FY14/15
- **Scale effects, increased efficiency** on structural costs and **higher JV contribution** (0.9% of sales vs. 0.7% FY13/14) drove margin
- **EBIT** increased 24% to **430 mill. EUR**, margin increase by 0.9%-points to **7.4%**
- **Restructuring expenses** decreased from 52 mill. EUR to **15 mill. EUR** in FY 14/15

### EBITDA and Adj. EBITDA

in mill. EUR and % of sales



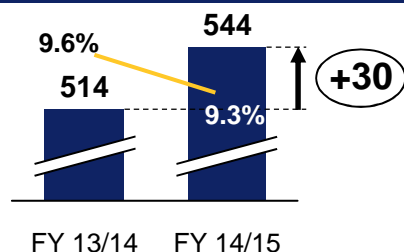
### Comment

- **Adjusted EBITDA** increased 10% to **781 mill. EUR**, margin increased by 0.1%-points to **13.4%** in FY 14/15
- **Depreciation & amortization** increased 8.8% to **336 mill. EUR**
- **EBITDA** increased 17% to **766 mill. EUR**, margin increase by 0.8%-points to **13.1%**

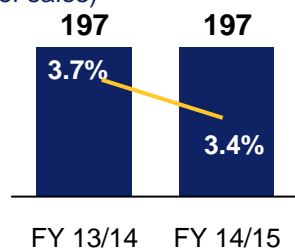
# HELLA Group Key Achievements

## P&L (III) – FY 2013/14 to FY 2014/15

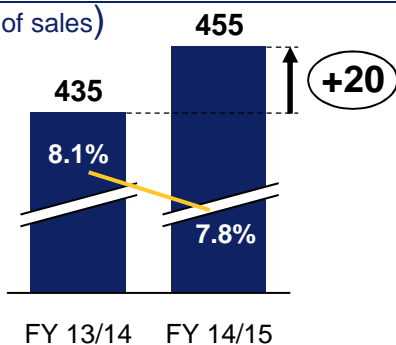
### R&D costs (in mill. EUR, % of sales)



### Administrative costs (in mill. EUR, % of sales)



### Distribution costs (in mill. EUR, % of sales)



### Comment

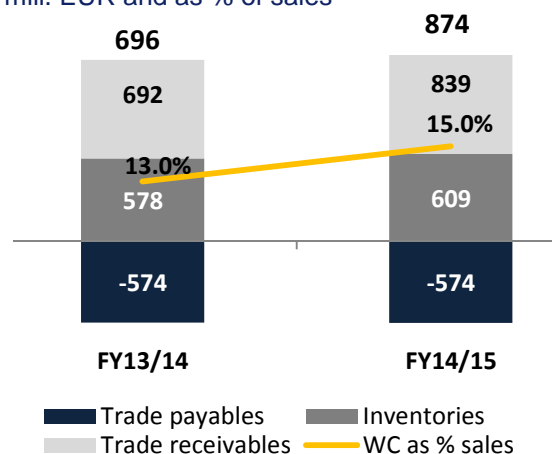
- **R&D expenses increased by 30 mill. EUR to 544 mill. EUR** driven by build-up of **local know-how**, high investment in **new technologies** (basic research), **increased product complexity** and **new product categories** (e.g. radar)
- **R&D ratio decreased by 0.3%-points to 9.3%** driven by strong top line growth
- **Administrative** expenses stayed at **197 mill. EUR**, ratio decreased by 0.3%-points to **3.4%**
- **Efficiency gains** through re-location to best cost countries and shared service center as driver
- **Restructuring initiatives** continue in FY15/16
- **Distribution expenses increased by 20 mill. EUR to 455 mill. EUR**, ratio decreased by 0.3%-points to **7.8%**
- **Efficiencies gains, tailored cost measures** as well as **declining aftermarket business** as driver

# HELLA Group Key Achievements

## Balance Sheet and CF (I) - FY 2013/14 to FY 2014/15

### Trade working capital

in mill. EUR and as % of sales

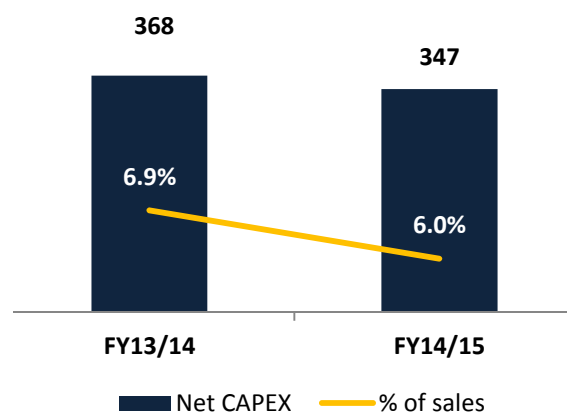


### Comment

- **Working capital** increased by 178 mill. EUR to **874 mill. EUR**, ratio increased by 2%-points to **15.0%**
- **Receivables\*** increased by 147 mill. EUR to **839 mill. EUR** particularly due to **longer payment periods in Asia**, excluding **currency effects (47 mill. EUR)** receivables grew **14%**
- **Inventory\*** increased by 31 mill. EUR to **609 mill. EUR** due to continuing **optimization programs in logistics**, excluding **currency effects (27 mill. EUR)** inventory grew only **1%**

### Net CapEx

in mill. EUR and as % of sales



### Comment

- **Gross CAPEX** decreased by 21 mill. EUR to **478 mill. EUR**, ratio decrease by 1.1%-points to **8.2%**
- **Net CAPEX** decreased by 21 mill. EUR to **347 mill. EUR**, ratio decreased by 0.9%-points to **6.0%**
- Continuous **investments** in customer-specific **equipment** with increased product complicity and **footprint** investments **ongoing**
- **Reimbursements** constant at **131 mill. EUR**

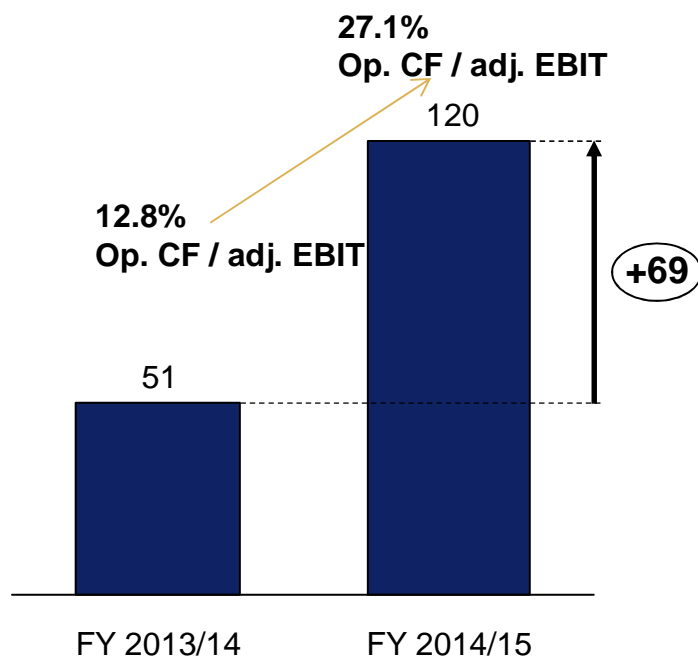
\*Cash change excl. effects from currency conversion and other: receivables +129 mill. EUR, inventory +8 mill. EUR

# HELLA Group Key Achievements

## Balance Sheet and CF (II) - FY 2013/14 to FY 2014/15

### Operative CF development

in mill. EUR and cash conversion ratio (Operative Cash Flow / adj. EBIT)



### Comment

- **Operative CF\*** increased by 69 mill. EUR to **120 mill. EUR**, whereby **cash settlements for restructurings of 38 mill. EUR** (15 mill. EUR in FY 13/14) are **excluded**
- **Cash conversion ratio\*** increased by 14.3%-points to **27.1%**
- After two years of globalization initiative **strong increase in line with expectations** driven by profitable top-line growth and under-proportional increase of cash-effective working capital

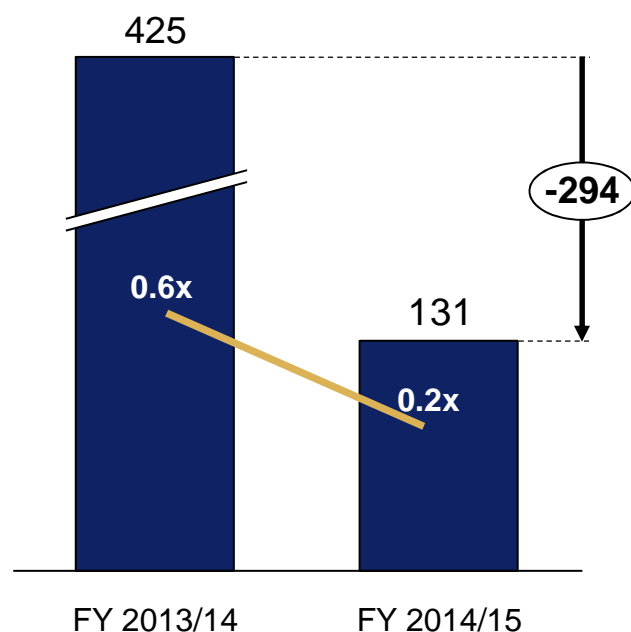
\* Operative Cash Flow before dividends and net capital expenditure on financial assets or shares in associates (excluding cash restructuring payments)

# HELLA Group Key Achievements

## Balance Sheet and CF (III) - FY 2013/14 to FY 2014/15

### Net Debt and Net Debt / EBITDA

in mill. EUR and as % of sales

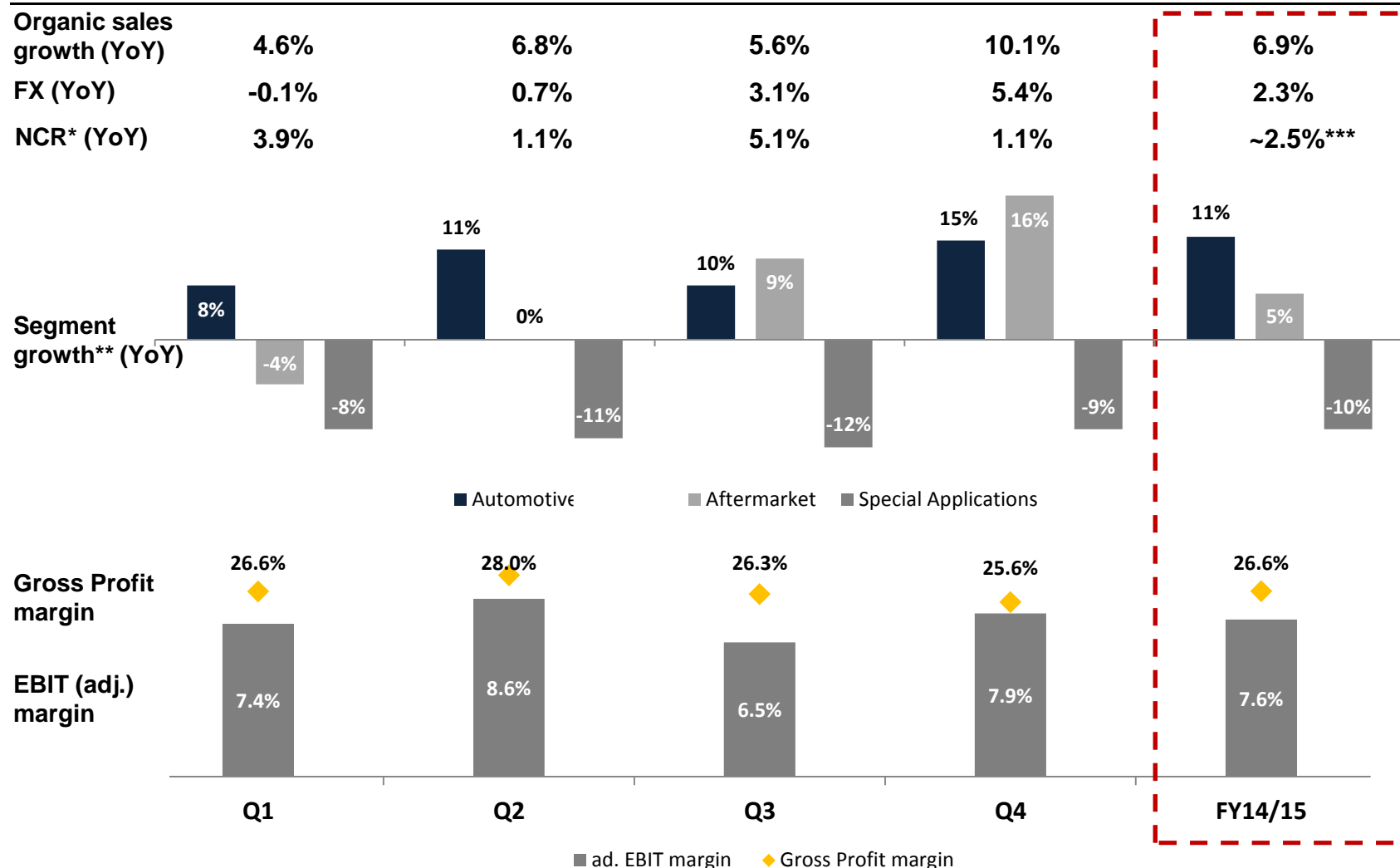


### Comment

- **Gross debt** decreased by 279 mill. EUR to **1,139 mill. EUR**, driven by repayment of 200 mill EUR high yield bond and 150 mill. EUR repayment of EIB loan
- **Cash and short-term financial investments** available for sale increased by 16 mill EUR to **1,008 mill. EUR**
- **Net debt reduction by 294 mill. EUR**
  - **+272 mill. EUR capital increase**
  - **- 59 mill. EUR dividends** to shareholders
  - **+ 120 mill EUR operative cash flow**
  - **- 38 mill. EUR restructuring expenses**
  - Investment in shares (15 mill. EUR for 8% FTZ) balanced by reflows from other investments

# HELLA Group Key Achievements

## Quarterly Comparison – FY 2014/15



\*new car registrations according to HELLA fiscal year, does not include all regions due to limited data availability, source: VDA, HELLA analysis  
 \*\*third party sales only, \*\*\* approximation based on timing split and data availability, growth in calendar year 2%

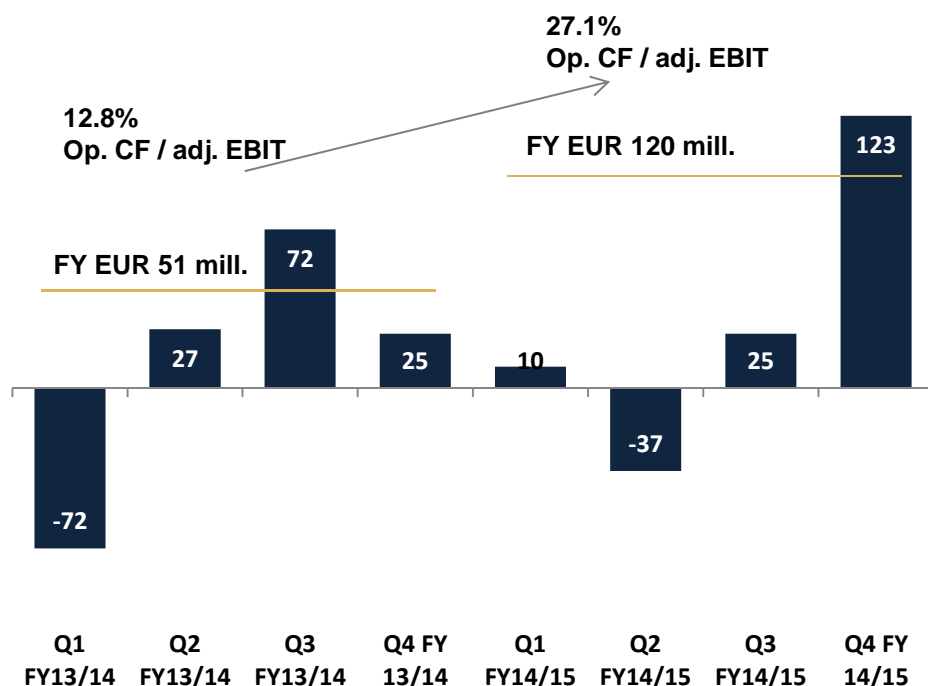


# HELLA Group Key Achievements

## CF generation – Volatility though quarters FY 2013/14 to FY 2014/15

### Operative CF development

in mill. EUR and cash conversion ratio (Operative Cash Flow / adj. EBIT)



### Comment

- **Operative CF volatile on quarterly level, but improving**
- **Customer reimbursements of 64 mill. EUR cashed-in in Q4**
- **CF from operating activity include 38 mill. EUR restructuring payments compared to 15 mill. EUR in FY 2013/14**
- **Working capital increased** due to new product launches along HELLA growth path
- **CF conversion strengthened** through strong profitability increase

Aggregated view on fiscal year reduces quarterly reporting date effects and hence volatility



# HELLA Investor Update FY 2014/15

## Outline

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- HELLA Group Key Achievements

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# Outlook

## Market specific outlook

Region	Outlook Automotive Sales (in m pieces)		Comment
Germany	3.0 2014	3.1 2015 <i>+2%</i>	<ul style="list-style-type: none"> <li>Positive development of new car registrations in the first months of 2015</li> <li>Modest expected economic growth of approx. 1% for 2015</li> </ul>
Western Europe incl. Germany	12.1 2014	12.6 2015 <i>+4%</i>	<ul style="list-style-type: none"> <li>Positive growth to or above pre-crisis levels in most Western European countries</li> <li>Recovery gaining momentum in the first half of 2015</li> </ul>
USA	16.4 2014	16.7 2015 <i>+2%</i>	<ul style="list-style-type: none"> <li>Strong winter in the beginning of 2015; nevertheless economic growth expected</li> <li>Favorable economic environment and solid domestic demand based on low fuel prices</li> </ul>
China	18.4 2014	19.5 2015 <i>+6%</i>	<ul style="list-style-type: none"> <li>Despite decline in economic growth to around 7%, China still remains the largest and fastest growing car market</li> <li>Impairment of economic situation could influence consumption and demand for automobiles negatively</li> </ul>
TOTAL	75 2014	~76 2015 <i>+2%</i>	<ul style="list-style-type: none"> <li>Overall growing expectations with significant regional differences. Assumed growth includes risk assessment on global economic development</li> </ul>

Source: VDA, HELLA own analysis

# Outlook

## Company specific outlook

- Presuming no serious economic turmoil, we assume further positive development of the HELLA business in the FY 2015/16:
  - Sales to grow in the medium to high one-digit percentage range
  - EBIT margin will remain at the level of FY14/15, leading to a growth in absolute EBIT in the medium to high one digit percentage range
  - Expenses related to restructuring activities will occur around EUR 20 mill.

### Guidance

<b>Sales</b> Group Management Report 2014/2015	<b>Grow medium to high one-digit percentage range</b>
<b>EBIT-Margin</b> Group Management Report 2014/2015	<b>Remain at the level of FY14/15</b>
	<b>Restructuring ~20 mill. EUR</b>
<b>EBIT</b> Group Management Report 2014/2015	<b>Grow medium to high one-digit percentage range</b>



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# HELLA Investor Update FY 2014/15

## Outline

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# Annex

## Key figures

<b>Figures</b> in mill. EUR if not otherwise stated		<b>Key Financial Metrics</b>	
	31. Mai 15 Actual	31. Mai 14 Actual	
<b>Sales</b>	<b>5,835</b>	<b>5,343</b>	
<b>EBITDA</b>	<b>766</b>	<b>656</b>	
<b>EBIT</b>	<b>430</b>	<b>347</b>	
<b>Gross CAPEX</b>	<b>478</b>	<b>499</b>	
<b>% of Sales</b>	<b>8.2%</b>	<b>9.3%</b>	
<b>EPS (EUR)</b>	<b>2.70</b>	<b>2.23</b>	
<b>Operating FCF</b>	<b>120</b>	<b>51</b>	
<b>Net Debt</b>	<b>131</b>	<b>425</b>	
<b>Equity</b>	<b>1,910</b>	<b>1,342</b>	
<b>Equity Ratio</b>	<b>38.8%</b>	<b>30.1%</b>	
<b>Net Debt / EBITDA</b>	<b>0.2x</b>	<b>0.6x</b>	
<b>Interest coverage ratio (min. 5x)*</b>	<b>21.1x</b>	<b>17.2x</b>	
<b>Gearing**</b>	<b>0.1x</b>	<b>0.3x</b>	

\*EBITDA (LTM) / Financial Result \*\*Net Debt / Equity; Interest coverage and Gearing are covenants for Syn Loan

## Annex

### Income statement – FY 2014/15

in mill. EUR	12 months FY 2014/15		12 months FY 2013/14	
Sales	5,835	100%	5,343	100.0%
Cost of sales	(4,281)	-73.4%	(3,866)	-72.4%
<b>Gross Profit</b>	<b>1,554</b>	<b>26.6%</b>	<b>1,477</b>	<b>27.6%</b>
Research and development costs	(544)	-9.3%	(514)	-9.6%
Distribution costs	(455)	-7.8%	(435)	-8.1%
Administrative costs	(197)	-3.4%	(197)	-3.7%
Other income and expenses	16	0.3%	(24)	-0.5%
Income from associates	55	0.9%	38	0.7%
Other income from investments	0	0.0%	2	0.0%
<b>EBIT</b>	<b>430</b>	<b>7.4%</b>	<b>347</b>	<b>6.5%</b>
Financial income	38	0.7%	37	0.7%
Financial expenses	(74)	-1.3%	(75)	-1.4%
<b>Earnings before taxes</b>	<b>394</b>	<b>6.7%</b>	<b>309</b>	<b>5.8%</b>
Taxes on income	(98)	-1.7%	(79)	-1.5%
<b>Earnings for the period</b>	<b>295</b>	<b>5.1%</b>	<b>230</b>	<b>4.3%</b>

## Annex

### Balance sheet – Assets: May 31, 2015

in mill. EUR	May 31, 2015		May 31, 2014	
Cash, cash equivalents and financial assets	1,008	20.5%	992	22.3%
Trade receivables	839	17.1%	692	15.5%
Other receivables and non-financial assets	180	3.7%	150	3.4%
Inventories	609	12.4%	578	13.0%
<b>Current assets</b>	<b>2,636</b>	<b>53.6%</b>	<b>2,412</b>	<b>54.1%</b>
Property, plant and equipment and intangible assets	1,833	37.3%	1,620	36.3%
Shares in associated companies and joint ventures and other investments	267	5.4%	240	5.4%
Other non-current assets	181	3.7%	187	4.2%
<b>Non-current assets</b>	<b>2,281</b>	<b>46.4%</b>	<b>2,046</b>	<b>45.9%</b>
<b>Total assets</b>	<b>4,917</b>	<b>100.0%</b>	<b>4,459</b>	<b>100.0%</b>

## Annex

### Balance sheet – Equity and liabilities: May 31, 2015

in mill. EUR	May 31, 2015		May 31, 2014	
Financial liabilities	100	2.0%	296	6.6%
Trade payables	574	11.7%	574	12.9%
Other liabilities	603	12.3%	467	10.5%
Provisions (current)	73	1.5%	109	2.4%
<b>Current liabilities</b>	<b>1,349</b>	<b>27.4%</b>	<b>1,446</b>	<b>32.4%</b>
Non-current financial liabilities	1,039	21.1%	1,121	25.1%
Deferred tax liabilities	25	0.5%	69	1.5%
Other non-current liabilities	236	4.8%	219	4.9%
Other provisions	358	7.3%	262	5.9%
<b>Non-current liabilities</b>	<b>1,658</b>	<b>33.7%</b>	<b>1,671</b>	<b>37.5%</b>
Total equity	1,910	38.8%	1,342	30.1%
<b>Total equity &amp; liabilities</b>	<b>4,917</b>	<b>100.0%</b>	<b>4,459</b>	<b>100.0%</b>



## Annex

### Cash Flow – FY 2014/15

in mill. EUR	FY 2014/15	FY 2013/14
EBIT	430	347
Gross depreciation	336	309
Working capital changes	-97	-71
Payments received for serial production	131	131
Tax payments	-119	-80
Other operating activities (e.g. change in provisions)	-82	-85
Gross Capital Expenditures	-498	-516
Revenue from sale of assets	20	17
<b>Operative Cash Flow</b>	<b>120</b>	<b>51</b>
Dividends paid	-59	-55
Acquisitions	-11	-4
Capital increase	272	0
Restructuring payments, Consolidation group changes, FX effects & other evaluation effects	-36	-3
Pension, Factoring, Operating Lease	7	0
<b>Change in financial net debts</b>	<b>294</b>	<b>-11</b>

- **Higher operative Cash Flow** mainly due to increased profitability
- **Decrease in net capex\*** from 368 mill. EUR to 347 mill. EUR; customer payments still high on previous year's level (131 mill. EUR)
- **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

## Annex

### Financial Debt Structure – May 31, 2014 vs. May 31, 2015

<b>Figures</b> in mill. EUR				
<b>Financial Debt Structure May 31, 2014 vs. May 31, 2015</b>				
	Maturity	May 31, 2014	Deviation	May 31, 2015
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	300	0	300
Loan European Investment Bank	2015	150	-150	0
Other Financial Debt, Accruals and Revaluation		93	71	164
<b>Gross Financial Debt</b>		<b>1,418</b>	<b>-279</b>	<b>1,139</b>
Cash and cash equivalents		637	-34	603
Financial Assets		355	50	405
<b>Net Debt</b>		<b>425</b>	<b>-294</b>	<b>131</b>
Revolving credit facility (2015-2020) of 450 mill. EUR				
<b>Net Debt / EBITDA</b>		<b>0,6x</b>		<b>0,2x</b>

Changes

- Increase of other financial debt, accruals and revaluation (+71 mill. EUR) including also additional loans of 105 mill. EUR to finance footprint expansion in China in January 2015
- EIB Loan repayment (150 mill. EUR) in January 2015 and redemption of 200 mill. EUR for a bond maturing in October
- Refinancing and reduction of synloan facility to 450 mill. EUR in June

\* hedged value    \*\* nominal amount



Technology with Vision

**Thanks for your attention**

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