

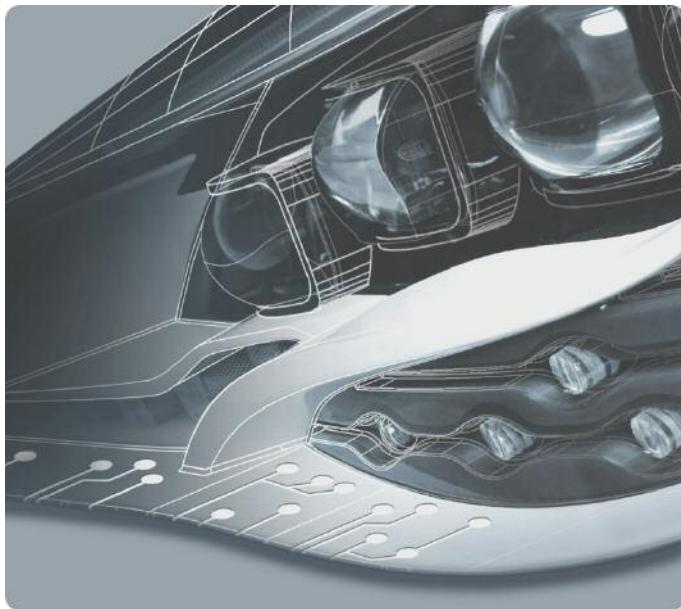


Technology with Vision

HELLA Investor Update Q1 2015/16

Conference Call on September 25th, 2015

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



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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 Q1 2015/16

Outline

- HELLA Group Key Achievements

- Outlook

- Q&A

- Annex

HELLA Group Key Achievements

Financial Highlights Q1 2015/16

FINANCIAL HIGHLIGHTS

Sales

- **HELLA Group sales up 13.5% YoY to 1.5 bill. EUR**, thereof **4.0%-points FX** effects (mainly USD and CNY)
- **Third party sales development per segment compared to previous year:**
 - **Automotive: +15%** driven by **product launches** in innovative **LED technologies**, electronic components for **industry megatrends** as well as strong **position in premium segments**
 - **Aftermarket: +10%** driven by **recovering independent aftermarket in Europe** after consolidation phase especially
 - **Special Applications: -2%** driven by continuing **market weakness** in the **agricultural sector**

Profitability

- **Gross Profit margin at 25.1% (-1.5%-point YoY)** driven by **supplier default**, excluding one-offs margin at **26.7%**, especially driven by automotive **product mix** and **hedge costs**
- **R&D cost ratio at 9.3% (+0.4%-points YoY)** as temporary effect, **Distribution expenses at 7.9% (-0.2%-points YoY)**, **administrative expenses at 3.5% (+/-0%-points YoY)**
- **EBIT at 69 mill. EUR (- 26 mill. EUR)**, **margin at 4.6% (-2.6%-points YoY)**, excluding supplier case **EBIT at 98 mill. EUR**, margin at **6.6%**
- **Adjusted EBIT at 101 mill. EUR**, **margin at 6.8%**, excluding supplier case and **3 mill. EUR restructuring expense**

Liquidity

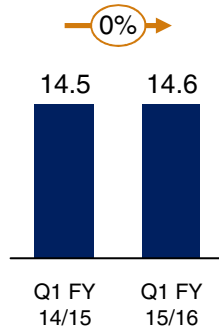
- **Operative Free Cash Flow at 65 mill. EUR** compared to 9 mill. EUR in Q1 FY14/15

HELLA Group Key Achievements

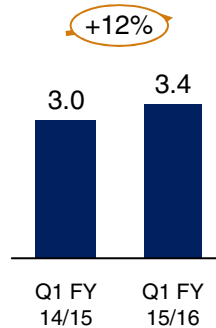
Sales (I) – Outperforming Markets Q1 2015/16

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

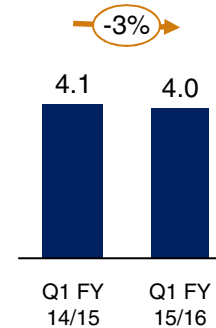
Global¹



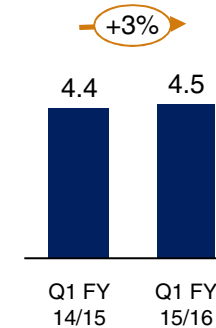
Europe



China



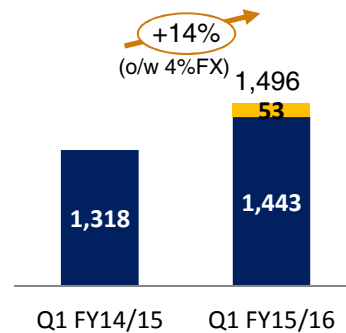
USA



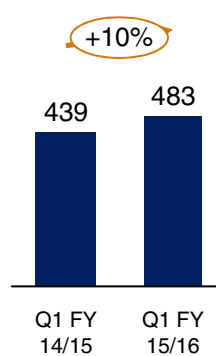
HELLA revenue² (in EUR millions, growth in %)

GROUP

Global

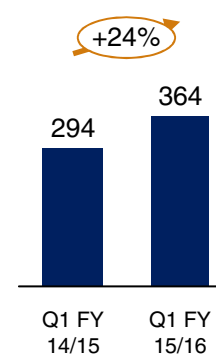


Europe

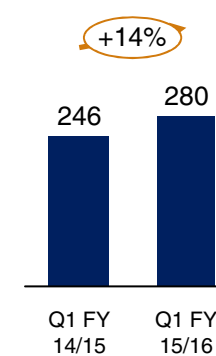


Automotive

Asia/RoW



North/South America



Source: HELLA; VDA Research 1. Approximation including only most important markets; 2. Regional market coverage by end customers

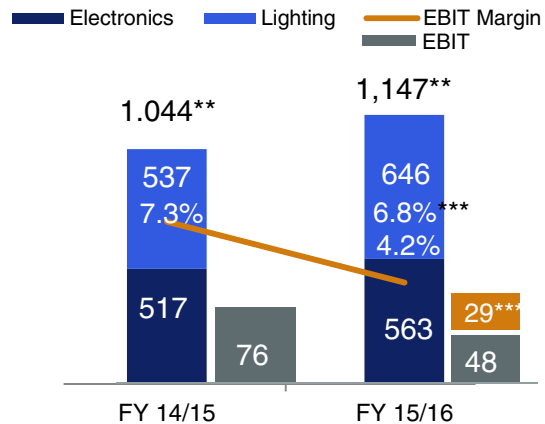


HELLA Group Key Achievements

Segment Highlights – Q1 2014/15 to Q1 2015/16

Automotive*

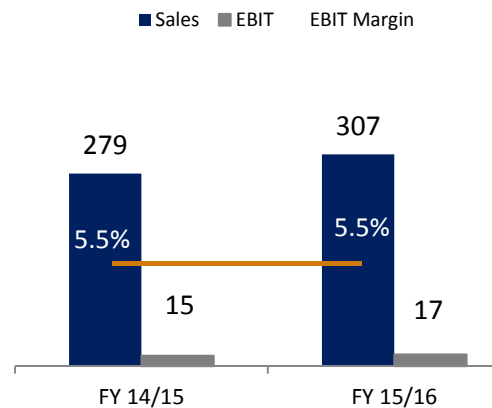
in mill. EUR** and in % sales



- Strong demand for innovative electronics and lighting products based on megatrends
- Positive demand in Europe, NAFTA, new product launches in China
- Tech roll-out of complex products with LED technology affects margin
- Non-recurring charges after supplier failure decrease EBIT by 29 mill. EUR

Aftermarket*

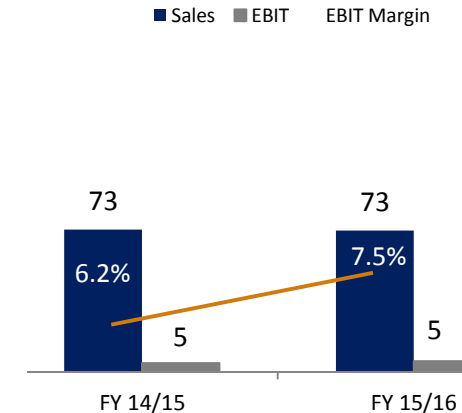
in mill. EUR and in % sales



- Recovery in independent aftermarket in Europe
- Wholesale and workshop equipment business positive
- Negative product mix-effect compensated by increased distribution efficiency

Special Applications*

in mill. EUR and in % sales



- Further weak demand in Agriculture sector, however stabilization
- Outdoor lighting sales reduced
- Positive product mix affects margin

* 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

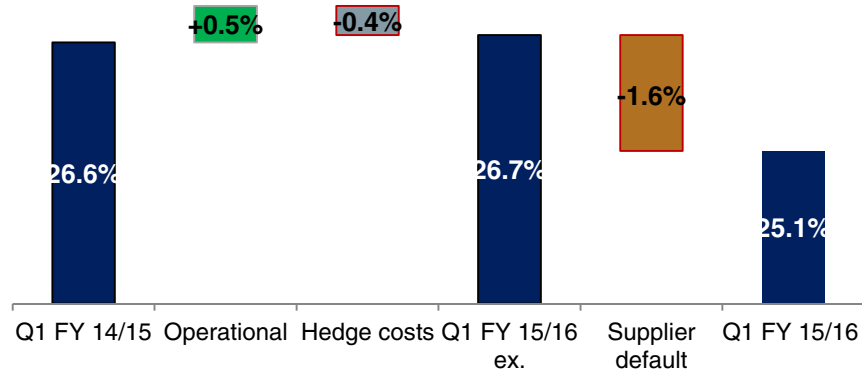
*** Supplier failure effect; 6.8% margin ex. supplier failure

HELLA Group Key Achievements

P&L (I) – Q1 2014/15 to Q1 2015/16

Gross Profit margin

in % of sales*

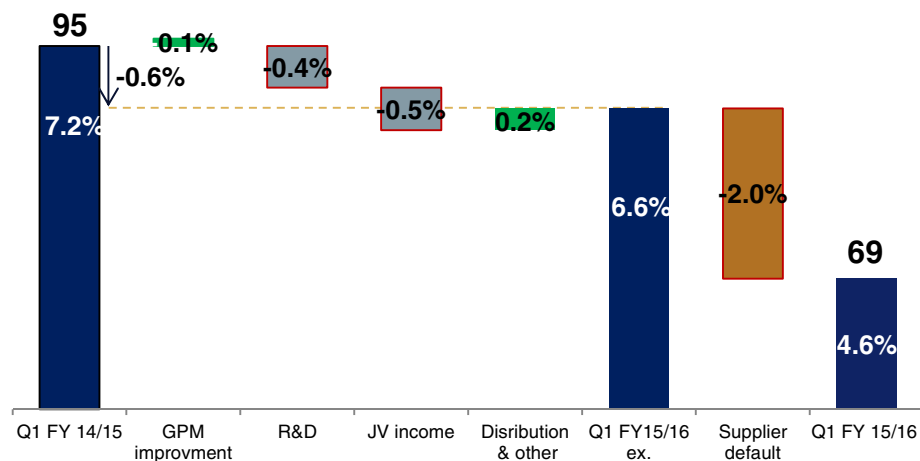


Comment

- Excluding one-off charges from the supplier default, **positive gross profit margin** development by **+0.5%-points** due to operational improvements
- Negative impact of **hedging costs** by -0.4% YoY
- **Gross profit margin** improvement of **0.1%-point YoY**
- **Extraordinary expenses** increases COGS by around **24 mill. EUR**, including 12 mill. EUR asset impairment
- **Gross profit margin after one-off charges** at **25.1%**

Preliminary EBIT development

in mill. EUR and in % of sales*



Comment

- Excl. one-offs, EBIT growth of around 4% expected, leading to a **EBIT margin** of **6.6%**
- **Decline by 0.6%-points** mainly caused by **higher R&D expenses** and **lower JV earnings**.
- **JV income declined by 5 mill. EUR** to 8 mill EUR due to less positive sales development in Korea and additional tax payment in one JV
- **Supplier failure** caused **29 mill. EUR one-off** charges, negative margin impact of **2.0%-points**
- **EBIT Q1 FY15/16** declined by ~27% to approx. **69 mill EUR**, **EBIT margin** declined by 2.6%-points to **4.6%**

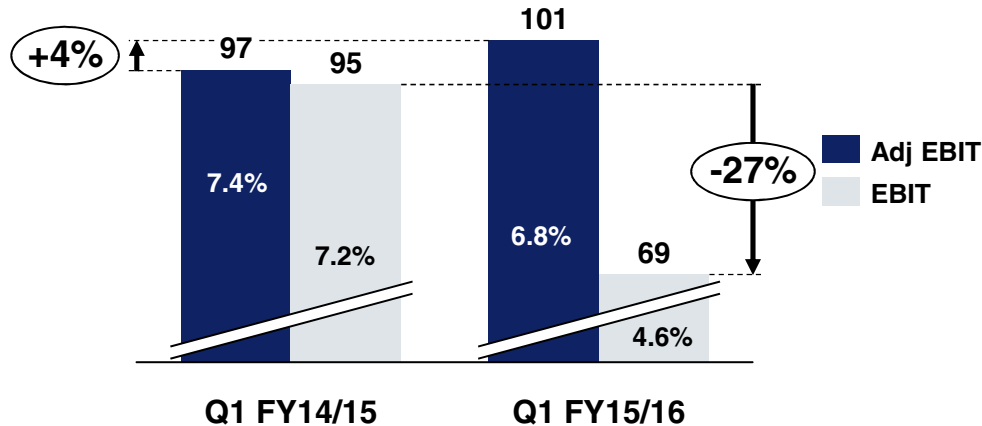
* Differences in the presentation may arise as a result of commercial rounding

HELLA Group Key Achievements

P&L (II) – Q1 2014/15 to Q1 2015/16

EBIT and Adj. EBIT

in mill. EUR and % of sales



Comment

- **Adjusted EBIT** (excluding restructuring costs and supplier failure) increased 4% to **101 mill. EUR**, margin decreased by 0.6%-points to **6.8%** in FY15/16
- **Supplier failure** in China leads to one-off charges of 29 mill. EUR
- **EBIT** decreased 27% to **69 mill. EUR**, margin decreased by 2.6%-points to **4.6%**
- **Restructuring expenses** on prior year level **3 mill. EUR**

Comments to main cost driver

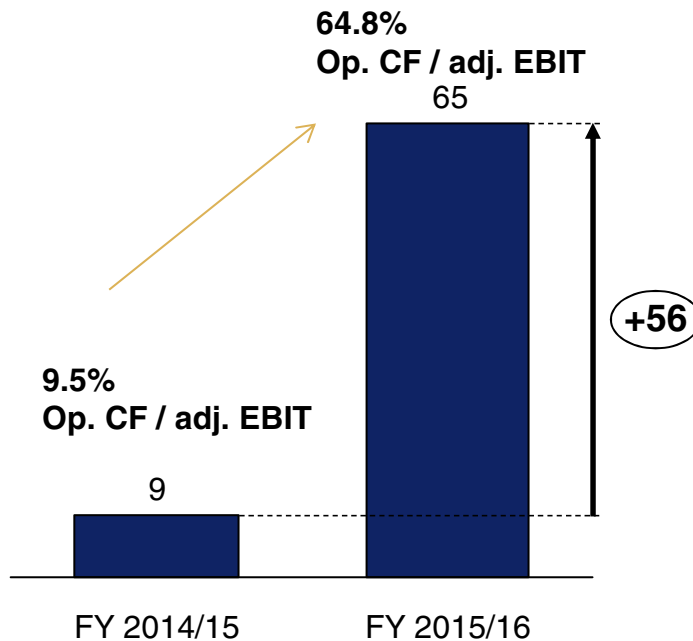
- **R&D expenses increased** by 23 mill. EUR to 140 mill. EUR driven by **high-tech product launches**, R&D effort for **high order intake** and a **low comparable** basis **Q1 FY 14/15**: shift of development costs in Q2 FY 14/15. **R&D ratio increased** by 0.4%-points to **9.3%** to level of previous full year
- **Administrative** expenses with constant ratio of **3.5%** after realized efficiency gains and continuing restructuring initiatives in FY15/16
- **Distribution** expenses ratio decreased by 0.2%-points to **7.9%** due to **leverage** of the existing aftermarket **distribution network**

HELLA Group Key Achievements

Operative CF - Q1 2014/15 to Q1 2015/16

Operative CF development

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



Comment

- **Operative CF*** increased by 56 mill. EUR to **65 mill. EUR**, whereby **cash settlements for restructurings of 3 mill. EUR** (3 mill. EUR in FY 14/15) are **excluded**
- **Cash conversion ratio**** increased by 55.3%-points to **64.8%**
- After two years of globalization initiative **strong increase in line with expectations** driven by profitable top-line growth and reduced net CAPEX

* Excl. restructuring costs and one-off effect from supplier default

** Operative Cash Flow before dividends and net capital expenditure on financial assets or shares in associates (excluding cash restructuring payments and one-off effect from supplier default)



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Outlook

Market specific outlook

Region	Outlook Automotive Sales (in m pieces)		Comment
Germany	<p>2014: 3.0 2015: 3.1 +2%</p>	<ul style="list-style-type: none"> • Positive development of new car registrations in the first months of 2015 • Modest expected economic growth of approx. 1% for 2015 	
Western Europe incl. Germany	<p>2014: 12.1 2015: 12.8 +6%</p>	<ul style="list-style-type: none"> • Positive growth to or above pre-crises levels in most Western European countries • Recovery gaining momentum in the first 8 months of 2015 	
USA	<p>2014: 16.4 2015: 16.9 +3%</p>	<ul style="list-style-type: none"> • Positive growth in the first months of the calendar year 2015 of around 4% • Favorable economic environment and solid domestic demand based on low fuel prices 	
China	<p>2014: 18.4 2015: 19.1 +4%</p>	<ul style="list-style-type: none"> • Decline in economic growth during 2015, uncertainty on full year development • Impairment of economic situation could influence consumption and demand for automobiles negatively 	
TOTAL	<p>2014: 75 2015: ~76 +2%</p>	<ul style="list-style-type: none"> • Overall growing expectations with significant regional differences. Assumed growth includes risk assessment on global economic development 	

Source: VDA, HELLA own analysis



Outlook

Company specific outlook FY 2015/16

Presuming no serious economic turmoil, we assume a further positive development of the operative HELLA business, however a decline in EBIT due to one-off charges in the FY 2015/16:

	<u>Guidance</u>	<u>Comment</u>
Sales	Growth in medium to high one-digit percentage range	<ul style="list-style-type: none">▪ Sales still expected to grow in the middle to high single-digit percentage range over the full financial year
One-off charges (supplier failure)	Up to 50 mill. EUR	<ul style="list-style-type: none">▪ Extraordinary strains predominantly in COGS also in remaining quarters, particularly Q2 FY 15/16
EBIT	Below previous year	<ul style="list-style-type: none">▪ Drag on EBIT in the first quarter and the remainder of the year cannot be offset by strong sales development



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Annex

Key figures

Figures

in mill. EUR if not otherwise stated

Key Financial Metrics

	31-Aug-15 Actual	31-Aug-14 Actual
Sales	1,496	1,318
EBITDA	175	174
EBIT	69	95
Gross CAPEX	129	174
% of Sales	8.6%	13.2%
EPS (EUR)	0.37	0.62
Operating FCF	65	9
Net Debt	68	423
Equity	1,919	1,393
Equity Ratio	39.7%	30.9%
Net Debt / EBITDA (LTM)	0.1x	0.6x
Interest coverage ratio (min. 5x)*	23.2x	20.7x
Net Debt / Equity	0.0x	0.3x

* Interest coverage and Gearing are covenants for Syn Loan

Annex

Income statement – Q1 2015/16

in mill. EUR	3 months FY 2015/16		3 months FY 2014/15	
Sales	1,496	100.0%	1,318	100.0%
Cost of sales	-1,121	-74.9%	-968	-73.4%
Gross Profit	375	25.1%	350	26.6%
Research and development costs	-140	-9.3%	-117	-8.9%
Distribution costs	-119	-7.9%	-108	-8.2%
Administrative costs	-52	-3.5%	-46	-3.5%
Other income and expenses	-3	-0.2%	2	0.1%
Income from associates	8	0.5%	13	1.0%
Other income from investments	0	0.0%	0	0.0%
EBIT	69	4.6%	95	7.2%
Financial income	5	0.3%	4	0.3%
Financial expenses	-15	-1.0%	-16	-1.2%
Earnings before taxes	59	4.0%	82	6.2%
Taxes on income	-16	-1.1%	-19	-1.4%
Earnings for the period	43	2.9%	64	4.8%

Annex

Balance sheet – Assets: August 31, 2015

in mill. EUR	August 31, 2015		August 31, 2014	
Cash, cash equivalents and financial assets	1,050	21.7%	1,014	22.5%
Trade receivables	745	15.4%	639	14.2%
Other receivables and non-financial assets	195	4.0%	160	3.6%
Inventories	658	13.6%	642	14.2%
Current assets	2,647	54.8%	2,456	54.5%
Property, plant and equipment and intangible assets	1,763	36.5%	1,627	36.1%
Shares in associated companies and joint ventures and other investments	235	4.9%	225	5.0%
Other non-current assets	188	3.9%	202	4.5%
Non-current assets	2,185	45.2%	2,054	45.5%
Total assets	4,833	100.0%	4,510	100.0%

Annex

Balance sheet – Equity and liabilities: August 31, 2015

in mill. EUR	August 31, 2015		August 31, 2014	
Financial liabilities	68	1.4%	315	7.0%
Trade payables	581	12.0%	491	10.9%
Other liabilities	544	11.2%	472	10.5%
Provisions (current)	80	1.6%	108	2.4%
Current liabilities	1,273	26.3%	1,387	30.8%
Non-current financial liabilities	1,050	21.7%	1,122	24.9%
Deferred tax liabilities	37	0.8%	69	1.5%
Other non-current liabilities	220	4.6%	233	5.2%
Other provisions	334	6.9%	305	6.8%
Non-current liabilities	1,641	33.9%	1,729	38.3%
Total equity	1,919	39.7%	1,393	30.9%
Total equity & liabilities	4,833	100.0%	4,510	100.0%

Annex

Cash Flow – Q1 2015/16

in mill. EUR	FY 2015/16	FY 2014/15
EBIT	69	95
Gross depreciation	106	80
Working capital changes	21	27
Payments received for serial production	23	15
Tax payments	-26	-23
Other operating activities (e.g. change in provisions)	1	-10
Gross Capital Expenditures	-131	-174
Revenue from sale of assets	2	1
Operative Free Cash Flow	65	9
Dividends paid	-1	0
Restructuring payments, Consolidation group changes, FX effects & other evaluation effects	4	-4
Pension, Factoring, Operating Lease	-5	-3
Change in financial net debts	63	2

- **Higher operative Cash Flow** mainly due to lower gross capital expenditures
- **Decrease in net capex*** from 159 mill. EUR to 106 mill. EUR; customer payments exceeding previous year's level (23 vs 15 mill. EUR)
- **Operative Free Cash Flow** of 65 mill. EUR

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

Annex

Financial Debt Structure – August 31, 2014 vs. August 31, 2015

Figures
in mill. EUR

Financial Debt Structure August 2014 vs. August 2015

	Maturity	Aug 31, 2014	Deviation	Aug 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		112	31	143
Gross Financial Debt		1,437	-319	1,118
Cash and cash equivalents		646	77	723
Financial Assets		367	-41	327
Net Debt		423	-355	68
Revolving credit facility (2015-2020) of 450 mill. EUR				

Net Debt / EBITDA (LTM)	0,6x	0,1x
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Changes

- Increase of other financial debt, accruals and revaluation (+31 mill. EUR) including also additional external loans of 44 mill. EUR in China
- 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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