Technology with Vision

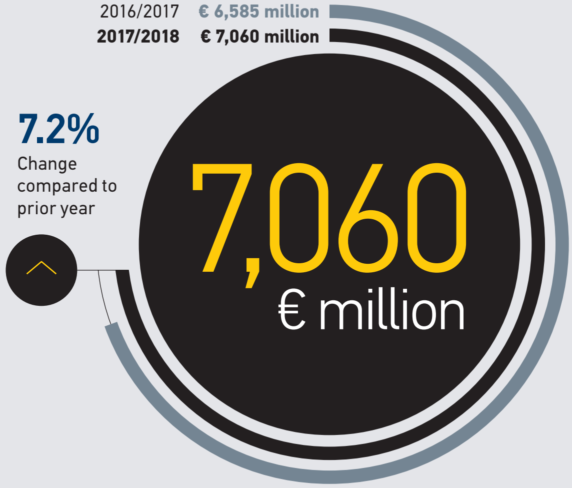
ANNUAL REPORT
2017/2018

360°
AUTONOMOUS

The trend towards autonomous driving is transforming mobility. This means great opportunities for HELLA. As one of the world's leading automotive suppliers for lighting technology and electronics, we have already set the course early on. Thanks to sophisticated sensor technologies and complex test procedures, we are benefiting from the trend towards autonomous driving already today while developing new lighting functions for future autonomous driving scenarios. Furthermore, we are tirelessly promoting technological progress by aiming to make tomorrow's mobility even safer and more comfortable. A strategy with vision: **360° autonomous**

9.3% CURRENCY-ADJUSTED SALES GROWTH

SALES
in € million



2017/2018
BUSINESS DEVELOPMENT

In fiscal year 2017/2018, HELLA substantially improved in terms of sales and earnings and experienced stronger growth than the automotive market as a whole. When adjusted based on currency, the consolidated sales increased by 9.3%, while reported sales rose by 7.2% to € 7.1 billion. Adjusted earnings before interest and taxes improved by 8.8% to € 581 million and the adjusted EBIT margin to 8.2%. Thus, HELLA has fulfilled its company outlook that was presented in June 2017.

ADJUSTED EARNINGS BEFORE INTEREST AND TAXES (ADJUSTED EBIT)
in € million

2016/2017	Change	2017/2018
534	+9%	581

in % of sales

2016/2017	Change	2017/2018
8.1%	+0.1 percentage points	8.2%

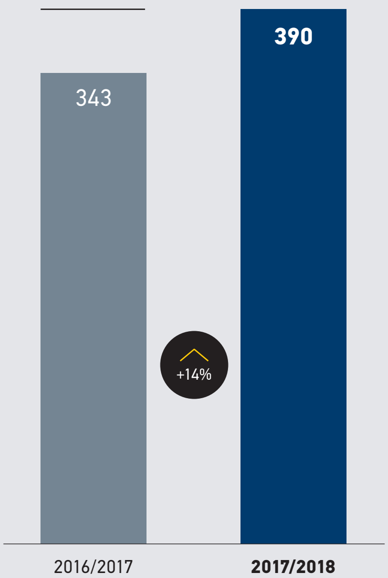
EARNINGS BEFORE INTEREST AND TAXES (EBIT)
in € million

2016/2017	Change	2017/2018
507	+13%	574

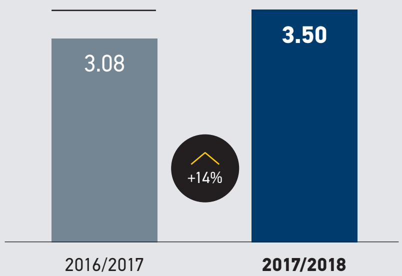
in % of sales

2016/2017	Change	2017/2018
7.7%	+0.4 percentage points	8.1%

EARNINGS FOR THE PERIOD
in million € and change compared to prior year in %



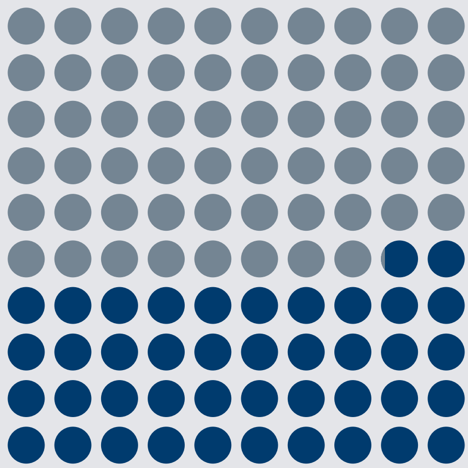
EARNINGS PER SHARE
in € and change compared to prior year in %



NET CAPITAL EXPENDITURE
in fiscal year 2017/2018

432 € million

EQUITY RATIO
as at 31 May 2018



41.9%

SEGMENT SALES
in million € and change compared to prior year in %

AUTOMOTIVE

+8.0%
5,433
5,029

AFTERMARKET

+0.4%
1,228
1,222

SPECIAL APPLICATIONS

+11.6%
430
385

2017/2018
2016/2017

PERMANENT EMPLOYEES

+7%

40,263
2017/2018

37,716
2016/2017

NET FINANCIAL DEBT / EBITDA
as at 31 May 2018

0.2x

Contents

Foreword

Dr. Rolf Breidenbach

Ladies and Gentlemen,

The automotive sector is undergoing a fundamental transformation. Key market trends such as autonomous driving, efficiency and electrification, connectivity and digitalization as well as individualization are shaping this revolution. The mobility of the future is changing fundamentally as a result—not only for drivers, but also for automobile manufacturers and suppliers.

In this dynamic, challenging environment, HELLA has made a statement that stands for continuity and reliability. We have continued our profitable growth path of past years in fiscal year 2017/2018 and thus confirmed our forecast for the year formulated as part of the Capital Market Day 2017.

We have continued our profitable growth path of recent years and thus confirmed our forecast for the fiscal year.

A strong foundation for sustainable growth

Our currency-adjusted consolidated sales increased in the past fiscal year by 9.3%; taking negative exchange rate effects into account, the reported sales increased by 7.2% to 7.1 billion euros. Thus, HELLA grew at a significantly faster rate than the market.

This growth provides additional confirmation that our strategic alignment along central automotive market trends is successful and that we have positioned ourselves correctly with our product portfolio. The automotive segment has again been the central driving force of our growth. Special Applications continues the growth path with a significant increase in sales. The Aftermarket segment has also increased sales with external customers.

We also profit from our global structure, as is evident in our business results. In the regions of Asia/Pacific, North, Central and South America and Europe not including Germany, we experienced double-digit growth in each region compared to the previous year. We now earn more than two-thirds of our consolidated sales in these core markets.

The real driving force behind all these results and the many projects and initiatives that HELLA pushes worldwide is the over 40,000 employees on our team. The Management Board extends its thanks to all of them—not only for the successes, but most of all for the dedication to the company each of them shows around the world. Particularly in times of industry transformation, the knowledge and experience, motivation and passion of our colleagues is priceless.

One of our most important principles of success has always been reacting to changes at an early stage and in a sustainable manner. This ensures that we secure our corporate success for the long term.

Good earnings enable a suggested dividend of 1.05 Euro

Not only is HELLA growing faster than the market, HELLA is above all growing profitably. In the past fiscal year, we have improved our adjusted earnings before interest and taxes by 8.8% to 581 million euros. The adjusted EBIT margin thus increases from its already high level by 0.1 percentage points to 8.2%. This is particularly good news because in the past fiscal year, we not only implemented numerous production ramp-ups, but also invested further in expanding our international network and in our research and development activities.

We want to repay the trust our shareholders have placed in us and let them share in HELLA's corporate success. Therefore, the Management Board will recommend that the 2018 annual general meeting grant a dividend of 1.05 euros per share for fiscal year 2017/2018. This represents a total of € 117 million euros and is approximately 14% over the prior year's figure.

Taking advantage of the opportunities the transformation presents—Example: autonomous driving

To stay on our path of success, we must continue to evolve and develop, because the dynamic pace of innovation in the marketplace will continue to increase and the transformation of the automotive industry will accelerate. Therefore, it is essential to lay the correct groundwork for the future. One thing is clear: we understand this transformation primarily as an opportunity. One of our most important principles of success has always been reacting to changes at an early stage and in a sustainable manner. This ensures that we secure our corporate success for the long term. One part of this is that we regularly review our business models with a critical eye, evolve them and adapt them if necessary.

We want to make a targeted effort to take advantage of the growth opportunities that the mobility of tomorrow affords us. Therefore, we align ourselves squarely with the market trends of the automotive industry. Example: autonomous driving. Our core competencies of lighting and electronics will play a central role in this regard. For example, our camera software and sensor solutions will contribute to moving automated vehicles through road traffic safely. The communication between self-driving vehicles and other road users can be largely implemented using innovative lighting technology solutions. In addition, we will provide corresponding lighting concepts to set the scene in the vehicle interior, which is increasingly becoming a living room or a place to work. These are only a few examples to show how we will assert and continue expanding our position as one of the world's leading automotive suppliers in the age of autonomous driving—with a clear strategic direction and innovative products.

Continuous further development of the HELLA network as the principle of success

HELLA has the right conditions in place. Enthusiasm for innovation and technological success is an elementary part of our corporate culture. Going forward, we will pursue an even more agile structure to keep our innovative drive moving fast and at a high level.

Our network strategy plays an especially important role here. We intentionally develop our network of partners and expand it by adding new, open and flexible partnerships in a targeted manner. The collaboration with ZF, which we have undertaken at the beginning of the last fiscal year in the area of developing and marketing state-of-the-art driver assistance systems and autonomous driving systems, is a good example of how we employ partnerships to stay on top of central market trends and create added value for our customers.

To take advantage of growth opportunities in central core markets of the automotive industry such as China or the NAFTA area and continue to boost our leading market position, we are also making targeted investments into expanding our global network. Just recently, we opened a new electronics plant in Mexico. Others are currently being built in India and Lithuania. In the growth market of China, we are continuing to expand our electronics plant in Shanghai and pushing to set up a new joint venture plant in the electronics area. As recently as the end of last year, we opened a new plant for lighting systems in China with our longtime partner, BHAP. We have also significantly expanded our capacities in two HELLA lighting plants in Mexico. These are ambitious and comprehensive investments, but central cornerstones of the continued sustained growth of the HELLA Group all around the world.

The success we have had in recent years gives us confidence and makes us feel like the wind is at our back for our future endeavors. However, we have set the bar even higher than this. We strive for continuous further improvement and want to make active use of the opportunities the industry transformation provides to create sustained added value for our customers, stockholders and employees. Our entrepreneurial spirit and fascination for Technology with Vision will continue to show us the way forward.

"The investments in our international network are ambitious and comprehensive, but they are central cornerstones of continued profitable growth.

Lippstadt, August 2018

Dr. Rolf Breidenbach
President and CEO

THE MANAGEMENT BOARD
of HELLA GmbH & Co. KGaA

Stefan Osterhage
Human Resources,
Logistics and Process
Management

Dr. Frank Huber
Business Division
Lighting (Deputy)

Dr. Rolf Breidenbach
President and CEO, Business Segment Automotive, Purchasing, Quality, Legal and Compliance

Bernard Schäferbarthold
Finance, Controlling and Information Technology

Dr. Werner Benade
Business Division Aftermarket and Special Applications

AT A GLANCE
The HELLA share

Initial stock market quotation	November 11, 2014
Ticker symbol	HLE
ISIN	DE000A13SX22
SIN	A13SX2
Share class	No-par value ordinary bearer shares
Market segments	Prime Standard (Frankfurt Stock Exchange) Regulated market (Luxembourg Stock Exchange)
Index	MDAX

€ 222,222,224
NOMINAL CAPITAL

111,111,112
NUMBER OF SHARES ISSUED

€ 5.98 billion
MARKET CAPITALIZATION
On May 31, 2018

€ 58.75
HIGHEST PRICE
in fiscal year 2017/2018

€ 42.36
LOWEST PRICE
in fiscal year 2017/2018

AVERAGE DAILY TRADING VOLUME
in fiscal year 2017/2018

€ 8.28 million
162,914 shares

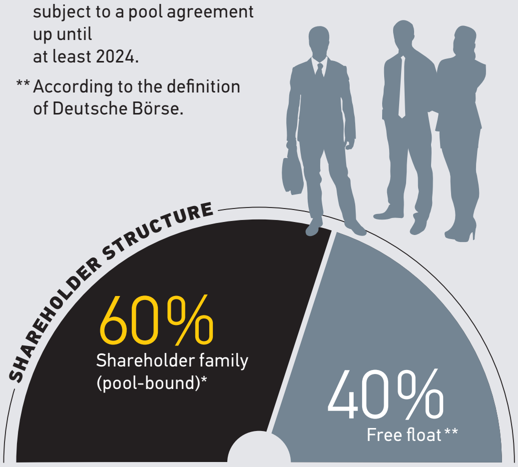
2017/2018

HELLA SHARE

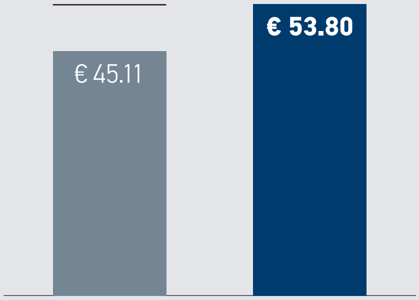
In fiscal year 2017/2018, the HELLA share performed significantly better than the relevant benchmark indices. As a result, the XETRA closing price for the share was 53.80 euros at the end of the fiscal year, 19% more than its value in the previous year. During the same period, the Prime Automotive benchmark index rose by just 8% and the MDAX by 5%. The positive market trend of the HELLA share also has been bolstered due to the company's consistent positioning along central topics regarding the future of the automotive industry.

* 60% of the shares are subject to a pool agreement up until at least 2024.

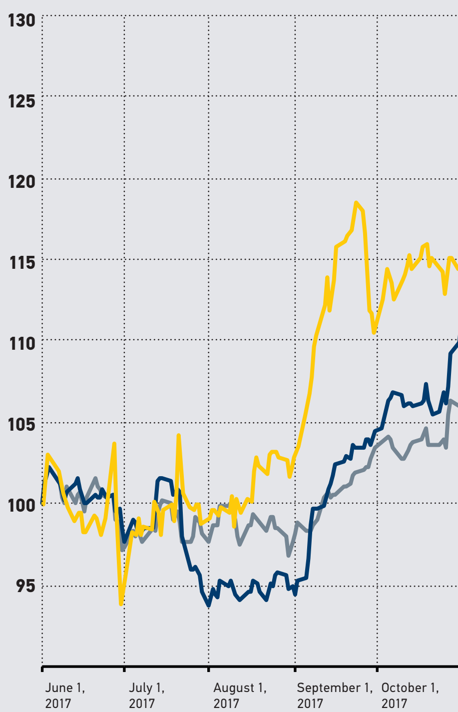
** According to the definition of Deutsche Börse.



PERFORMANCE OF THE HELLA SHARE
in fiscal year 2017/2018 and compared to the index



HELLA SHARE
Price performance during the reporting period compared to selected indices (indexed on June 1, 2017)

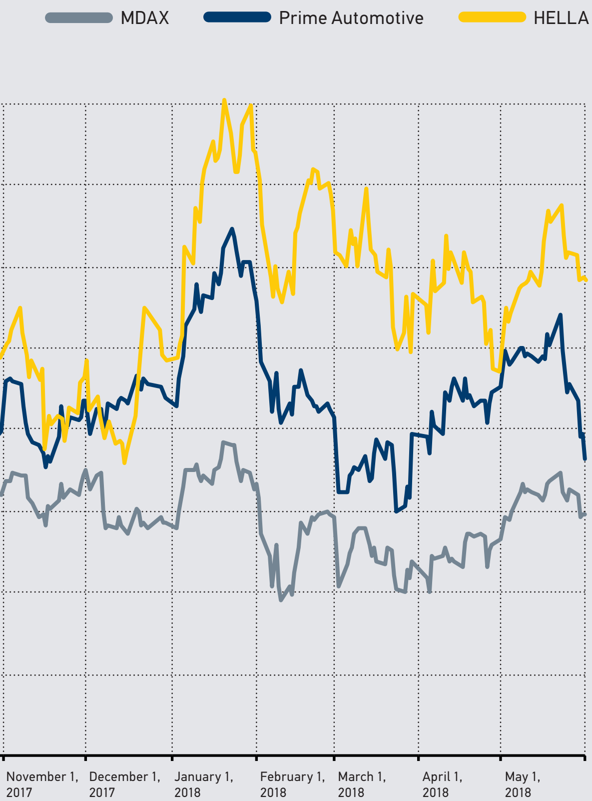


€ 1.05
is the amount of **DIVIDEND** per share the annual general meeting will be asked to approve in 2018

+19%
HELLA SHARE

+8%
PRIME AUTOMOTIVE

+5%
MDAX



€ 117 million
is the **TOTAL AMOUNT DISTRIBUTED AS DIVIDEND**

LOOKING BACK AT **OUR EQUITY MARKET YEAR**

CAPITAL MARKETS IN A VOLATILE ENVIRONMENT

There was overall positive performance of the capital markets in fiscal year 2017/2018 (June 1, 2017 to May 31, 2018). During this period, the shares of German automotive stocks (Prime Automotive) reported a rise of 8%, while MDAX rose by 5%.

Both indices showed good performance, especially in the first half of the fiscal year. During this period, Prime Automotive rose by 12% and MDAX by 8%. During the first three months of the fiscal year, it was primarily export-oriented sectors that were still under the negative influence of risks related to economic policy and geopolitics as well as the increasing strength of the euro. In the second quarter, a sustained global economic upturn with positive leading indicators for 2018, a monetary policy that is still expansive and the announcement of tax cuts in the US resulted in improved performance of the capital markets.

This performance diminished in the second half of the fiscal year. Both Prime Automotive and MDAX fell by approximately 3% during this period. The causes of this include a high level of debt around the globe, the introduction of possible trade restrictions and the consequences of Brexit that are not yet known.

HELLA SHARE OUTPERFORMS BENCHMARK INDICES

During the fiscal year, the HELLA share recorded a rise of about 19% compared to the previous year and thus substantially outperformed Prime Automotive and the MDAX.

In the first quarter of the fiscal year, the HELLA share distanced itself from the negative capital market trend and recorded a price increase of just under 3%. In particular, the company news regarding Capital Markets Day in June 2017 that involved the announcement of the forecast for fiscal year 2017/2018 received a positive reception from the capital market.

In the second quarter, the HELLA share benefited from a positive capital market environment, recording a rise in price of 11%. September was marked by sustained positive performance, an upturn that was supported in part by the presentation on future technologies at IAA. With respect to financial statement for the first quarter, some investors sold their shares. Nevertheless, the share stabilized by the end of the first half of the fiscal year at a price well over 50 euros and closed out this period with a rise of 14%.

In the second half of the fiscal year, the share initially rose substantially, assisted in part by the six month report. Consequently, it reached a record high of 58.75 euros in mid-January. After a decline was reported in the interim, the performance of the share was supported in part by introducing the strategic alignment for automated driving as part of Capital Markets Day 2018. In the fourth quarter, the share price initially fell slightly, due in part to profit taking. However, it has since stabilized above the 53 euro mark and the second half of the fiscal year closed out with a rise of 4%.

LIQUIDITY OF THE HELLA SHARE

The liquidity of the HELLA share, which has an average daily XETRA trade volume of about 163,000 shares (after 154,000 shares in the previous year), has increased again in the reporting period. In the course of two private placements in November 2017 and April 2018, about 1.2 million shares were placed. The shares are from holdings of the shareholder family that formed part of the free float.

AVERAGE GROWTH
in the last five fiscal years

SALES

7.2%

per year

ADJUSTED EARNINGS BEFORE INTEREST AND TAXES (ADJUSTED EBIT)

9.8%

per year

SALES DISTRIBUTION BY REGION COMPANY HEAD OFFICE OF THE HELLA CUSTOMER
Fiscal year 2017/2018 (in € million) and in % of consolidated sales

2,497 — 35%
Europe not including Germany

2,134 — 30%
GERMANY

1,221 — 17%
NORTH, CENTRAL AND SOUTH AMERICA

1,208 — 17%
ASIA, PACIFIC, ROW

INVESTMENTS IN RESEARCH AND DEVELOPMENT

9.8%

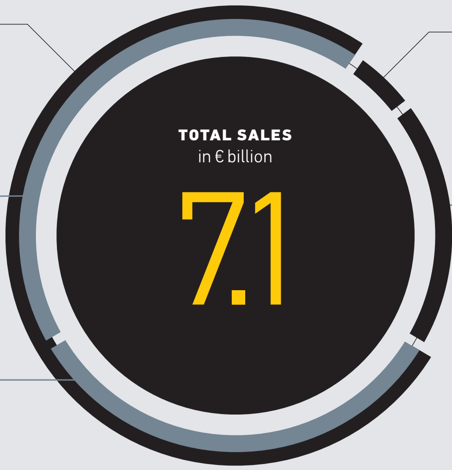
of sales

EXTERNAL SALES BY BUSINESS SEGMENT
Fiscal year 2017/2018

76%
AUTOMOTIVE
€ 5,383 million

43%
AUTOMOTIVE LIGHTING
€ 3,014 million

34%
AUTOMOTIVE ELECTRONICS
€ 2,368 million



6%
SPECIAL APPLICATIONS
€ 418 million

17%
AFTERMARKET
€ 1,225 million

AUTOMOTIVE LIGHTING
In the business division Lighting, HELLA develops and produces headlamps, rear combination lamps, and body and interior lighting products for almost all of the well-known automobile manufacturers worldwide. A current area of focus is the development of complex, software-based Matrix LED headlamp systems for the premium and volume segments. At the same time, HELLA is accelerating the development of new body and interior lighting concepts that support the trends towards individualization and autonomous driving.

AUTOMOTIVE ELECTRONICS
HELLA electronics solutions provide crucial help in making driving safer, more efficient and more comfortable. The range of services includes innovative product solutions in the areas of driver assistance, energy management, body and lighting electronics, sensors and actuators and power steering. HELLA has front camera software and radar sensors, which are core technologies for functions such as assisted and automated driving. HELLA is also catering to the trend towards electric driving by offering battery management systems and voltage converters.

AFTERMARKET
The HELLA Aftermarket business segment is based on three pillars: in the independent aftermarket we are one of the most important partners in the spare parts trade as well as in independent garages in Europe, offering a large selection of spare parts, wear parts and accessory parts as well as a comprehensive range of services. These activities are complemented by the business activities with high-grade workshop equipment, such as vehicle data equipment as well as professional diagnostic tools and garage devices, which enable specialist vehicle repair and maintenance at the garage. HELLA is active as a wholesaler in the markets of certain countries. This is the third pillar.

SPECIAL APPLICATIONS
In the Special Applications segment, HELLA develops, manufactures and sells lighting and electronics products for special vehicles such as construction equipment, agricultural vehicles, buses or motorhomes, as well as for the marine sector. In this process, the company transfers its high level of technological expertise from the core automotive business to these target groups. For example, innovative lighting solutions from HELLA ensure safe use of special vehicles by projecting warnings and marking lines on the action area of the vehicle.

HELLA GROUP
AT A GLANCE

2017/2018
SHORT PROFILE

HELLA is a family-run company listed on the stock market and one of the 100 largest German industrial companies. As one of the top 40 automotive suppliers worldwide, HELLA specializes in innovative lighting systems and vehicle electronics and is also an established provider in the European aftermarket. In fiscal year 2017/2018, the HELLA Group achieved sales of € 7.1 billion and currently has over 40,000 employees at more than 125 sites in some 35 countries.

EUROPE not including Germany
GERMANY
NORTH, CENTRAL AND SOUTH AMERICA
ASIA, PACIFIC, ROW

7,425 **EMPLOYEES** worldwide work in research and development at HELLA.

ATTRACTIVE BUSINESS PORTFOLIO

HELLA has been a partner to the automotive industry and aftermarket for more than 100 years. The company, headquartered in Lippstadt (Germany), was founded in 1899. The business portfolio comprises three segments: Automotive, Aftermarket and Special Applications. The Automotive segment is split into two business divisions: Lighting and Electronics. Within these business divisions, HELLA develops, produces and distributes vehicle-specific solutions for automobile manufacturers and other automotive suppliers throughout the world. In the Aftermarket business segment, HELLA combines the trading of automotive parts and accessories with diagnostic units in the independent replacement parts market. In the Special Applications business segment, we incorporate our lighting technology and electronic core expertise into applications for special purpose vehicles.

TECHNOLOGICAL EXCELLENCE

Research and development are part of HELLA's DNA and are therefore an essential foundation on which our competitive strength is built. Approximately one in every five employees work in this area. Research and development expenses in fiscal year 2017/2018 accounted for 9.8% of consolidated sales. More than 90% of the expenses are accounted for by the Automotive business segment. The main focus here is on the development of innovative technologies for the key market trends within the automotive industry autonomous driving, efficiency and electrification, connectivity and digitalization and individualization.

LEADING MARKET POSITION

In the markets in which HELLA is active, we are constantly pursuing a leading market position. A consistent focus on technology and innovation leadership is helping us achieve this goal. As a result, HELLA is a leading supplier of sophisticated Matrix LED headlamps, the world market leader in 24 GHz radar sensors and a leading supplier of voltage converters in the automotive sector.

GLOBAL POSITIONING AND CUSTOMER PROXIMITY

HELLA has a global presence. This ensures our proximity to our customers and enables us to leverage opportunities in the most important automotive industry growth markets. The international positioning is reflected in our sales distribution. In fiscal year 2017/2018, we generated around one-third of our sales with customers in the growth regions of Asia/Pacific and North, Central and South America, another third with customers in our home market of Germany, and the remaining third with customers from other European countries.

COMPREHENSIVE PARTNER NETWORK

We rely on a strong network of partners. This means that HELLA works together with a number of industry partners in different forms of cooperation in order to successfully develop new technologies, business models and markets. In order to further increase its agility and innovative power, HELLA is increasingly focusing on open, flexible partnerships with partners inside and outside the automotive industry as part of the network strategy.

COMMITTED EMPLOYEES

Our employees are the basis of our success. At the end of the fiscal year 2017/2018, we had more than 40,000 permanent employees worldwide. Approximately a quarter of these employees are in Germany. The remaining 76% work at HELLA's international locations, particularly in China, India, Eastern Europe, the USA and Mexico.

The Highlights of the Fiscal Year

JUNE 2017

Autonomous driving

ZF and HELLA collaborate in an open partnership in the area of autonomous driving. This aids ZF in further strengthening its portfolio as a systems supplier of both modern assistance systems and autonomous driving functions. HELLA strengthens its market access and drives the development of key technologies such as radar and camera software.

OCTOBER 2017

Expansion of the start-up network

HELLA steps up networking with dynamic start-up companies and joins Europe's largest innovation platform "Startup Autobahn". "Plug and Play", the largest start-up network in the world, awards HELLA the "Corporate Innovation Award 2017" for extraordinary dedication.

PLUGANDPLAY

JULY 2017

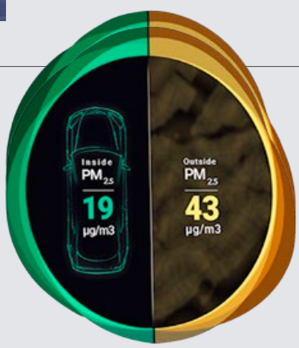
Sustainable human resources management

For the fourth time in succession, the ertragswerkstatt initiative certifies HELLA as an excellent company for trainees. The company also receives the certificate of excellence by "Deutscher Unternehmenspreis Gesundheit 2017" for successful and sustainable workplace health management.

NOVEMBER 2017

Chinese joint ventures

HELLA and BHAP, which is part of the BAIC Group, open a new joint venture plant for lighting systems near the Chinese metropolitan area of Tianjin. In addition, the two partners found a joint electronics venture. The new joint venture is expected to start series production in 2020.



NOVEMBER 2017

Air quality management

HELLA and Israel-based start-up BreezoMeter collaborate to create a cloud-based air quality management system. For example, a new HELLA sensor measures the amount of particulate matter inside and outside the vehicle. BreezoMeter augments this data with additional air quality data. As such, new functions can be created to protect passengers, such as route planning that takes the air quality into account.

NOVEMBER 2017

Powerful projection module

New HELLA VISIOTECH projection technology increases occupational safety when using special vehicles. Based on technology integrated in a lighting module, warning signals and symbols can be projected onto the ground, such as for defining specific work areas.

JANUARY 2018

Innovative lighting concept

HELLA has implemented a comprehensive lighting concept for the new A8 in collaboration with Audi. The HD Matrix LED headlamp with optional laser high beam ensures the best visibility on the road. In the interior, HELLA has developed customizable, dynamic lighting functions and produced a rear combination lamp with OLED technology in large-scale series production for the first time.

JANUARY 2018

Successful spin-offs

The Berlin-based HELLA incubator launches its first spin-offs. The start-up Brighter AI uses deep learning applications to recreate daylight images from night images taken by infrared cameras. The second spin-off, YPTOKEY, has developed a software solution for digital key and access authorization systems.

YPTOKEY

BrighterAI

JANUARY 2018

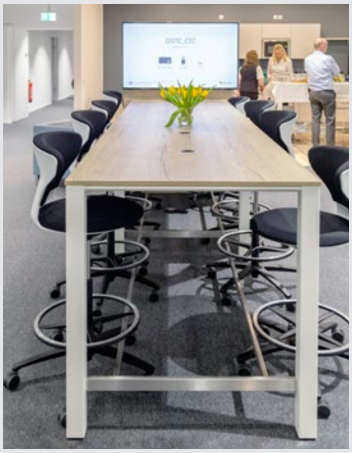
Fast and secure diagnostics

HELLA puts the new mega macs 77 diagnostic unit on the market and paves the way for faster and more secure workshop processes. The mega macs software enhances the new model with large Full HD touchscreen and a docking station that can be connected over Ethernet. In addition, it offers features such as targeted interpretation of error codes and guided electrical measurements.

MAY 2018

New electronics plants

HELLA has put a new electronics plant into operation in Mexico. In addition, the foundation has been laid for a new plant in the Kaunas region in Lithuania. HELLA also builds another electronics plant in India. This plant is expected to start series production at the beginning of 2019.



FEBRUARY 2018

Modern working environments

HELLA continues to invest in the working environment of its employees. As such, innovative office concepts are being implemented gradually at the corporate headquarters in Germany. A modern, open design is being implemented in an effort to make the work environment more attractive and to further strengthen collaboration.

360°

AUTONOMOUS

Autonomous driving is one of the major trends in the automotive industry. HELLA is actively promoting this development and is therefore tapping into new growth opportunities. For our company's core competencies—lighting technology and electronics—play a central role in autonomous driving scenarios.

“We are already profiting today”

The future is self-driven and HELLA is at its forefront. In an interview, HELLA CEO Dr. Rolf Breidenbach explains how HELLA is benefiting from the trend towards autonomous driving already today—and where the journey will lead in this area.

16

Sensors for (almost) any scenario

Innovative sensor technologies turn the vision of autonomous driving into a reality. As component supplier, HELLA is playing a key role throughout as it bundles competencies in a targeted manner so that more complex partial functions of autonomous driving can be realized. Example: automated parking.

22

One million kilometers

The more elaborate the assistance systems, the more complex the interplay of different sensors. For the systems to function safely and reliably, they must be fed with a great amount of data and require extensive testing. HELLA ensures this via hundreds of thousands of miles that have to be driven inside the lab and under real conditions.

28

Clear signals

Vehicle automation will also increase the importance of automotive lighting technology. Already today, HELLA is thus developing innovative lighting concepts supporting communication among automated and non-automated road users while increasingly transforming the vehicle interior into a living and work space.

34

360°
AUTONOMOUS

Autonomous driving will change a lot: The driver will become a passenger. Vehicles will have a different design. Driving will become even more comfortable, convenient, safe and efficient. New concepts and business models will come into being and push new providers onto the market. In brief: Mobility will be entirely reimagined.

"We are already profiting today"

The future is self-driven and HELLA is at its forefront. The foundation for this is made of high-end sensor solutions, exceptional software know-how and the innovative strength of 40,000 employees worldwide. In an interview, Dr. Rolf Breidenbach, President and CEO of HELLA, tells us how the company is already profiting from the trend towards vehicle automation and where HELLA is headed in this area.

Dr. Breidenbach, how did you get to the office today from your home, which is about 70 kilometers (43 miles) away?
The same way as millions of other commuters: I drove by car. I used the commute time to talk to a few Chinese colleagues on the phone. Due to the time difference, the morning drive is well suited to this purpose. I usually make calls in the other direction when driving home. Then, I usually have colleagues from the USA, Mexico or Brazil on the line.

Would you have liked to make the drive in a self-driving car?
I would have liked to at least have had the opportunity. Autonomous driving gives me precisely this option. It gives me the freedom to decide whether I want to work during the commute, relax or maybe even drive myself.

When do you expect the self-driving car to break through in the market? Will people even be allowed to still get behind the wheel?
Time well tell. It is still a long way until steering wheels and pedals become obsolete. This would be the highest level of automation. Seen from a technical standpoint, a great deal of this is possible even today. However, many aspects still need to be clarified. The important thing is that legislation also keeps pace with >

what is technologically possible and specifies a clear framework. Not all questions have been resolved with finality, for example with regard to ethical issues. Technically speaking, the most important aspect will be that vehicles are able to measure their surroundings with highest precision and in real time. To do so, technologies must be developed further and made more precise. Artificial intelligence will play an important role in this regard. In light of these facts, many experts forecast an increasing market penetration of self-driving cars from 2030. This seems like a realistic timeline to me personally.

2030 is still fairly remote future. How do you assess the more short-term development steps?
We expect the share of vehicles that have simple to moderately complex driver assistance functions to increase significantly within a few years. In my opinion, in 2025, only one-third of all new vehicles worldwide will not have any type of assistance functions whatsoever. The demand for sensor solutions will increase, and we are already profiting significantly from this trend.

Many people still hold a skeptical view of autonomous driving. Do you share this assessment?
I can completely understand this skepticism. After all, we are handing control and safety over to a machine. On the other hand, this is already common practice in aviation; there, an autopilot does most of the flying. The pilots in the cockpit only monitor this autopilot. Statistically speaking, the airplane is one of the safest means of transport.

What has to happen to overcome possible reservations with regard to autonomous driving?
I think the skepticism will fade gradually. The autonomous vehicle will not arrive overnight, but in an incremental, evolutionary process, more so for certain driving scenarios than for others. For example, on freeways or in clearly delineated areas more so than in dense urban traffic with difficult-to-control traffic movements. We will become accustomed to transferring, step by step, more responsibility to the car.

What are the advantages of autonomous driving?
The driver will become a passenger. Instead of driving themselves, they can read and write e-mails, immerse themselves in documents, books or movies, watch the landscape passing by or sit back and take a nap, not to mention give their full attention to the other people in the car. People who today need help to get from point A to point B also gain greater mobility with self-driving cars. Above all, this new type of mobility is considerably safer. About 90 percent of accidents can be traced back to human error. Classic causes of accidents such as inattentiveness, negligence or microsleep will no longer exist in autonomous driving. By inter-connecting vehicles the flow of traffic should become smoother and energy consumption will continue to decrease.

It seems as though many companies are falling over themselves to get a piece of the autonomous driving trend. To what extent will this change the industry?
Autonomous driving will change a lot, not only the car, but also the fundamental idea of mobility. Entirely new concepts and

The levels of autonomous driving

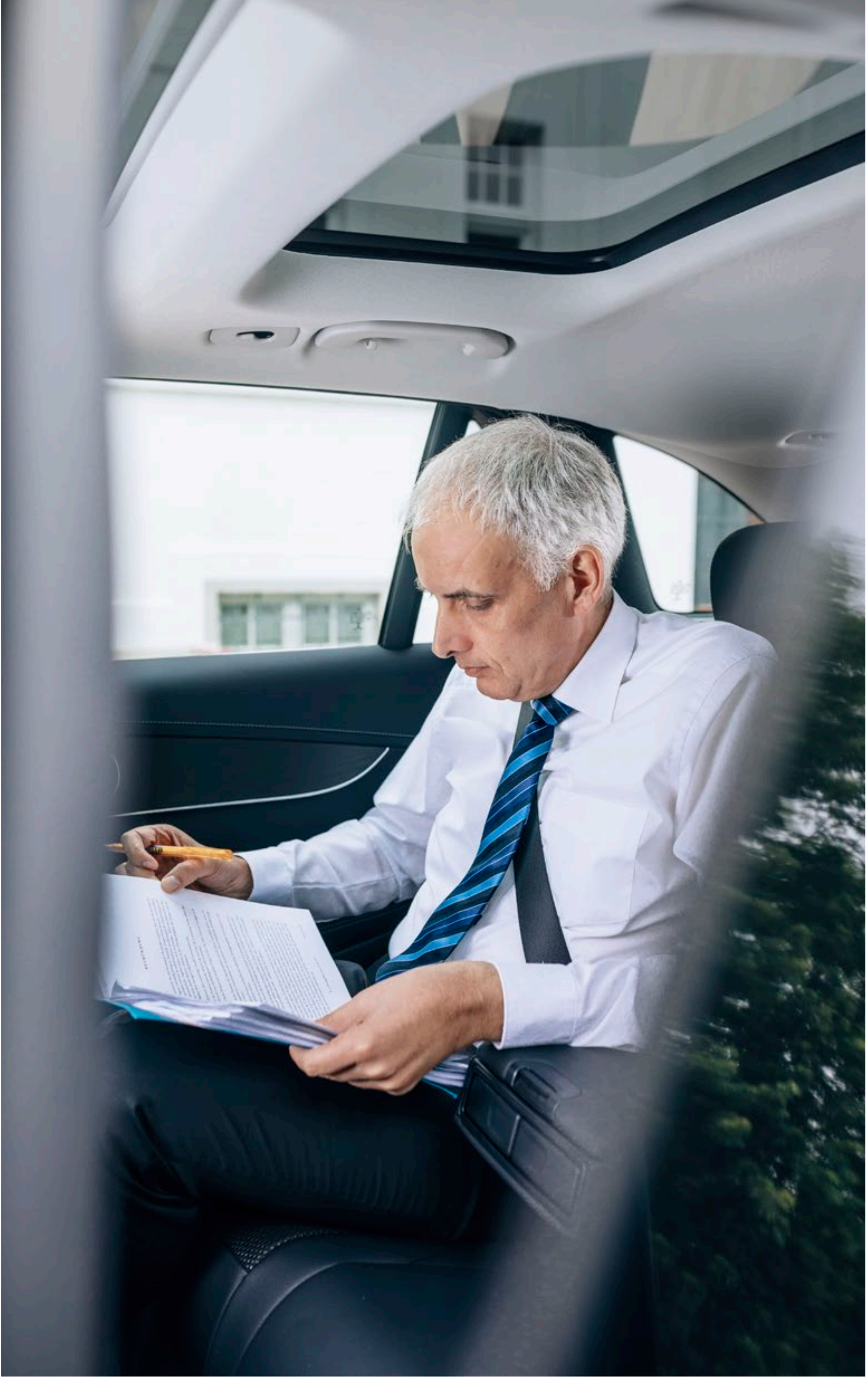
Level 1 (assisted driving):
The vehicle supports the driver with simple technical functions, such as lane change warning or cruise control for distance control. The driver must hold on to the steering wheel throughout and pay attention to traffic. These functions are already very popular.

Level 2 (partially automated driving):
Certain driving maneuvers are carried out autonomously by the vehicle. A congestion assistant can for example autonomously follow the preceding vehicle, brake and accelerate without the driver's intervention. Such functions no longer require the vehicle to be steered at all times but it must be monitored. Many manufacturers are already at this level today.

Level 3 (conditional automation):
At this level, autonomous driving begins. The car assumes more demanding functions autonomously, e.g. a more sophisticated congestion control and it can drive fully autonomously on the highway. The driver no longer needs to permanently monitor the vehicle but must be prepared to assume steering control within a very short period. First series at this automation level are already in production. Vehicles at level 3 will be significantly more frequent by 2030.

Level 4 (high automation):
The car can complete longer distances or more complex driving maneuvers autonomously, the driver can do other things in these situations. The car only hands back control when there are situations that the system cannot handle. We anticipate a significant increase of level 4 vehicles by 2035.

Level 5 (full automation):
The car drives permanently autonomously, it can handle all trips and maneuvers by itself. Human intervention is no longer required. There is no longer any driver in charge. The driver, in fact, becomes a passenger. Level 5 vehicles could become a reality at greater quantities around 2040.



The demand for sensor solutions will increase considerably. We are already profiting today with our radar and camera software solutions. The demand for sensor solutions will increase considerably.

business models pertaining to this topic will come into being. In addition to established automobile manufacturers and suppliers, new competitors will push their way to the market, ranging from flexible, highly innovative start-ups to large IT companies. The market will re-sort itself to a certain extent.

How can HELLA assert itself successfully in this environment?

We have all the requirements needed to make a great contribution. Our core competencies in the areas of lighting and electronics will play a critical role as the automation of vehicles rolls on. We focus on central core technologies and attractive use cases. We are already profiting with our radar and camera software solutions. In addition, we will continue to maintain our innovative speed at a high level. Therefore, we are investing just under 10 percent of our sales into research and development and consistently align our activities in this regard with relevant megatrends. In view of the increasing technological complexity and innovation, we make targeted use of partnerships. We can't do it all by ourselves, nor do we want to. Take, for example, our collaboration with ZF in the area of developing and marketing state-of-the-art driver assistance systems and autonomous driving functions. Together, we create added value for our customers, but also strengthen our position in the area of assisted/automated driving.

Does anyone still need sophisticated lighting technology if all cars will someday be self-driving?

The lights on the vehicle won't go out. On the contrary, lighting will take over new functions. Say you're a pedestrian crossing a busy street. You probably try to make eye contact with the driver. But what if there are no drivers anymore? What do you do then? As a pedestrian, how can you make sure that the vehicle has recognized you and will come to a stop? In exactly these situations, new lighting

functions can come into play to signal to the pedestrian that the vehicle is aware of their presence and that they can cross the street safely. Light can make a major contribution to the communication between self-driving vehicles and other road users.

Do you see further growth fields for the lighting area as part of vehicle automation?
The vehicle interior will be entirely redefined. This includes new interior lighting concepts that can be adjusted specifically for various tasks. Even today, we are working intently on developing highly individualized vehicle interior lighting concepts, which enable a wide variety of new functions and can be adapted to the various needs of vehicle passengers and driving situations.

And in the electronics area? With which solutions is HELLA positioning itself with respect to autonomous driving?
For more than ten years, we have been highly involved in the areas of radar sensors and front camera software. These are two essential key technologies, both for basic driver assistance functions and for advanced autonomous driving solutions. With our 24 GHz radar sensor solutions for applications in the rear of the vehicle such as lane change assistant and blind spot detection, HELLA is among the world market leaders. Our camera functions such as lane detection, light control, traffic

"Our core competencies of light and electronics will play a central role in autonomous driving.

sign detection and object detection are in demand on the market. We will consistently further develop these core technologies. For example, we are preparing for the market launch of the latest 77 GHz-based radar technology, which is required for 360° detection of the area surrounding the vehicle. We have already won an initial large-scale order for this. We expect series production to start in 2021. In addition, we are advancing our new business model for front camera software. An open, flexible system that customers can assemble in accordance with their own requirements.

Beyond this, will there be additional technologies or applications that HELLA will contribute to vehicle automation?
Absolutely. In a few months, for example, series production of our SHAKE sensor will start. This is a sensor that uses structure-borne sound to enhance the current environment detection range in the close-range area immediately surrounding the vehicle. This makes it possible to detect moisture on the road, for example. In addition, we are working on new, significantly more advanced methods for detecting the environment and for processing data, for example in the area of artificial intelligence. These are necessary for higher automation levels. Moreover, we are working on functions that are of central importance as subsystems for automated driving.

Which kind of subsystems are these exactly?
At the moment, we are looking at solutions for automated parking, such as valet parking. These scenarios enable drivers to park their cars automatically in parking garages, for example. To do so, they just have to stop the car in a certain zone, and the rest takes place automatically. Later, the driver can order the vehicle back to the handover location using their smartphone. We will be able to draw on our core competencies to a great extent to implement these functions. In large part, we will use development partnerships to address any missing aspects.

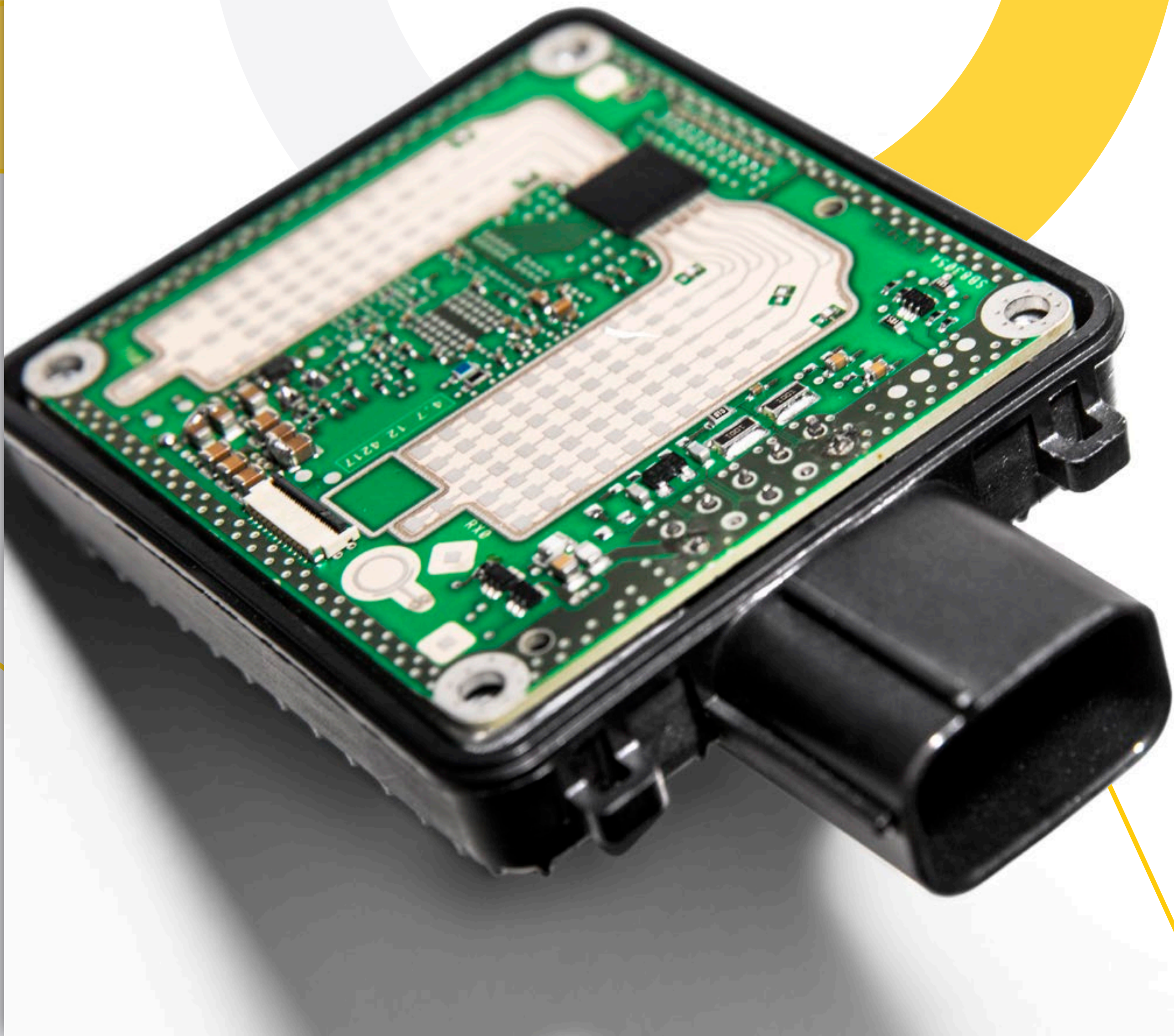
”
In view of the increasing technological complexity and speed of innovation, we make targeted use of partnerships.

Will we ever see the self-driving HELLA car on our roads?
What a great vision! But no, that’s not our goal. In terms of autonomous driving, we see ourselves very clearly in the role of component supplier, software specialist and system development partner.

Let’s conclude by taking a leap into the future. How will you get to the office in 2030?
Well, I’ll be 67 years old then, so I may not be concerned with how I get to the office. I probably won’t be going to work anymore at that point. Still, I’m sure that by then I’ll have a car at home that is both automated and electric—both in large part thanks to innovative HELLA technologies.

360° AUTONOMOUS

Close-up of a 77 GHz radar sensor—along with front camera software and a structure borne sound sensor, the radar sensor is one of the key components that is enabling the vision of autonomous driving to become reality. Bringing advanced, safe functions to the road requires a variety of technologies that interact and complement each other.



Sensors for (almost) any scenario

Powerful sensor technologies are indispensable for autonomous driving. As a leading supplier of radar sensors and front camera software, HELLA not only plays a key role as a component supplier, but also bundles sensor and data processing solutions systematically to also map complex sub-functions of autonomous driving. Example: automated parking.

B

Berlin-Tempelhof, the test workshop on the ground floor of HELLA Aglaia. The workshop features a bare concrete ceiling with yellow power outlet boxes hanging from it and is illuminated by industrial lighting. Parked in the middle of the workshop hall is a mid-range car, millions of which can be seen on the roads. Only upon second glance is it evident that the vehicle is a prototype with sophisticated automotive technology. The vehicle's numerous radar, structure-borne sound and ultrasonic sensors are installed so that they are nearly invisible. Though the laser scanners and the cameras are visible from the outside, they are not very noticeable components. The control computer that gathers the data from all sensors is hidden in the trunk.

Lars-Peter Becker, program manager at HELLA Aglaia, walks around the test vehicle and checks the sensors. "Simple assistance functions, which primarily cover the lower levels of automated driving, can usually be implemented using just a few sensors," says Becker. "On the other hand, bringing advanced, safe automated driving functions to the road requires a variety of sensors that interact with and complement each other as complementary technologies. For example, a radar detects the environment differently than a front camera. Therefore, we always need redundant multi-sensor architectures."

HELLA Aglaia's test vehicle has many eyes and a sense of touch. It perceives more than a human driver and is faster and more attentive. It can perform a variety of automated driving maneuvers safely and independently.

"The trend towards automated driving is more complex and comprehensive than any other trend before. This makes clear strategic positioning all the more important.

Carsten Roch,
Head of Assisted and Automated Driving at HELLA

Bent over laptops and tablets, employees examine data and make final preparations. Others make additional adjustments to the settings on the control computer. One employee then backs the car out of the workshop. The test drive can now begin. The car navigates the curve with neither driver nor passengers, drives 20 meters (66 feet) into the workshop, then parks in the space provided. The successful test provides valuable data. The maneuver is a use case that enables many aspects of automated driving to be studied.

Vehicles with simple driver assistance systems have been reality for a long time. The degree of automation is increasing continuously. Forecasts indicate that as early as 2025, two-thirds of all new vehicles will have at least basic assistance func- >

The successful automated parking test provides Lars-Peter Becker (left) and Oliver Klenke (right) with valuable data.

tions. Experts assume that the number of vehicles with a higher level of automation will increase significantly within the next five to ten years. Implementing all these development stages requires different solutions for perceiving the surroundings and processing data.

"The trend towards automated driving is more complex and comprehensive than any other automotive trend before. This makes a clear strategic positioning all the more important," says Carsten Roch, Head of Assisted and Automated Driving at HELLA. "A central direction for us is that we develop individual key components, on the one hand, but always cater our development work toward architectures and the needs of complex functions. This enables us to offer our customers specific use cases. Automated parking is a classic example."

Accordingly, HELLA could conceivably provide an automated valet parking function for parking garages. This would entail the vehicle navigating independently from a drop-off point to the parking space and back. The distance that the vehicle could cover driving autonomously would be a few hundred meters. Realizing that kind of complex functionality requires a plethora of different technologies that complement each other to some degree, such as radar sensors, laser scanners and camera software, structure-borne sound sensors as well as environmental data. Not all sensors come solely from HELLA, but may also have been integrated through development partnerships.

"Thanks to SHAKE's modular design, we can implement various application options based on customer requirements.

Marco Döbrich,
Head of Sensors and the Technical Center at the HELLA location in Bremen

Radar sensor development is controlled centrally by the headquarters in Lippstadt. They register moving and stationary objects in the vehicle environment; for example, they measure the size of a parking space, the height of the sidewalk and the speed, distance and direction in which an approaching car or bicyclist is moving. Compared to the ultrasound system used until now, radar has a substantially greater range and the ability to distinguish between objects. In automated driving situations, that is a critical factor.

"Radar sensors are already a central topic for automobile manufacturers because many basic driver assistance solutions are created using radar," says Roch. "We are pursuing a platform idea that ensures the required scalability and competitiveness precisely in the sensor segment and enables market penetration into the volume segment."

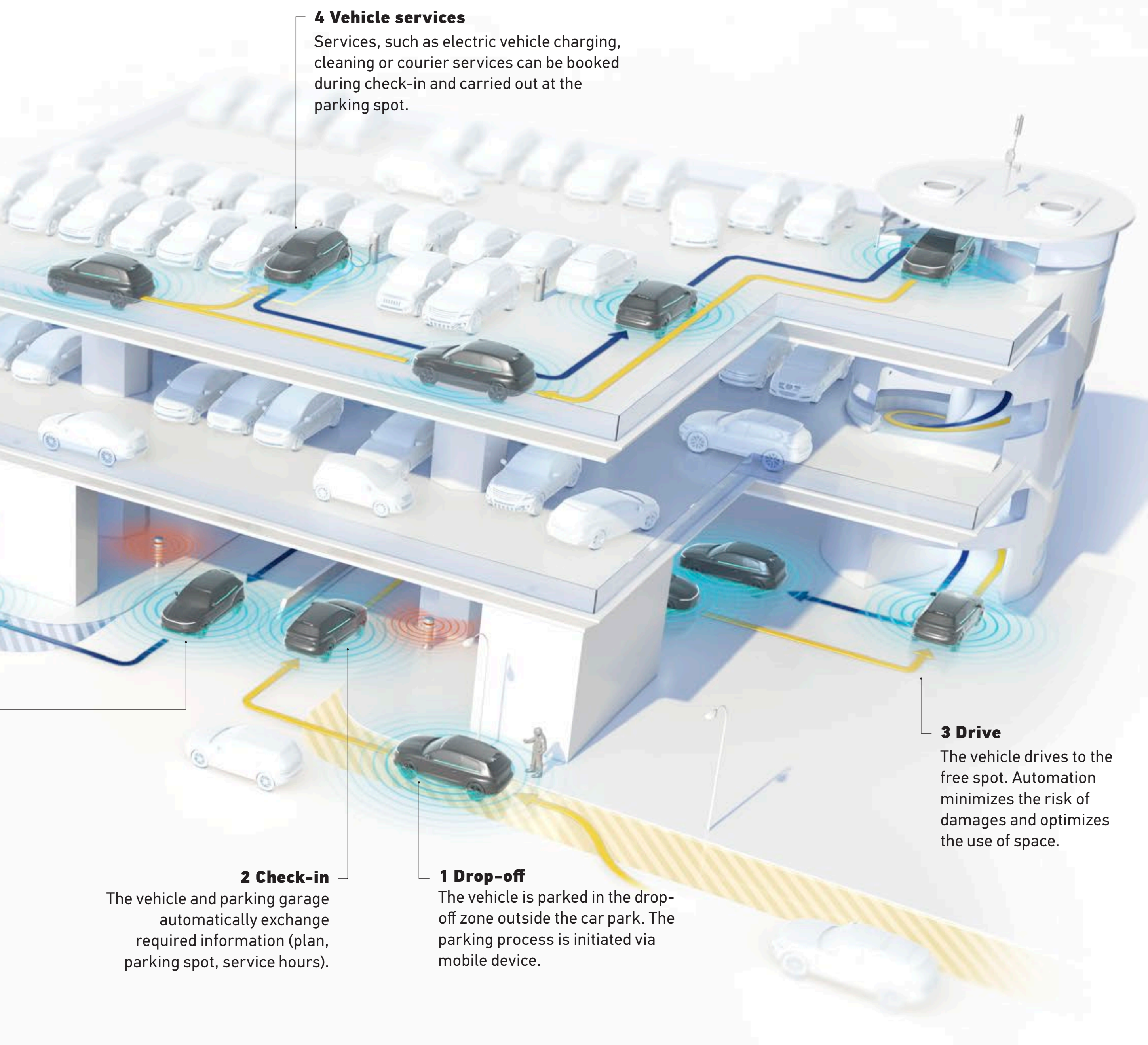
Shortly after the turn of the millennium, HELLA entered the radar business. A sensor was developed with a 24 GHz transmitting frequency to support traditional rear functions such as blind spot detection or a lane change assistant. It went into production in 2006 >

Valet parking

Visions turn into concrete applications: in a few years, scenarios in which vehicles autonomously enter parking garages and park in their spots could become a reality. The illustration shows how so-called valet parking works.

5 Checkout and pickup
Upon returning, the car is requested via a smartphone. It's stationed in the pickup zone, payment and service report are conveniently managed digitally.

77 GHz radar sensors determine distance, speed and movement direction of static and moving objects near and far while allowing for virtually seamless 360° ambient recognition. The radar especially detects distances when parking and removing the car.



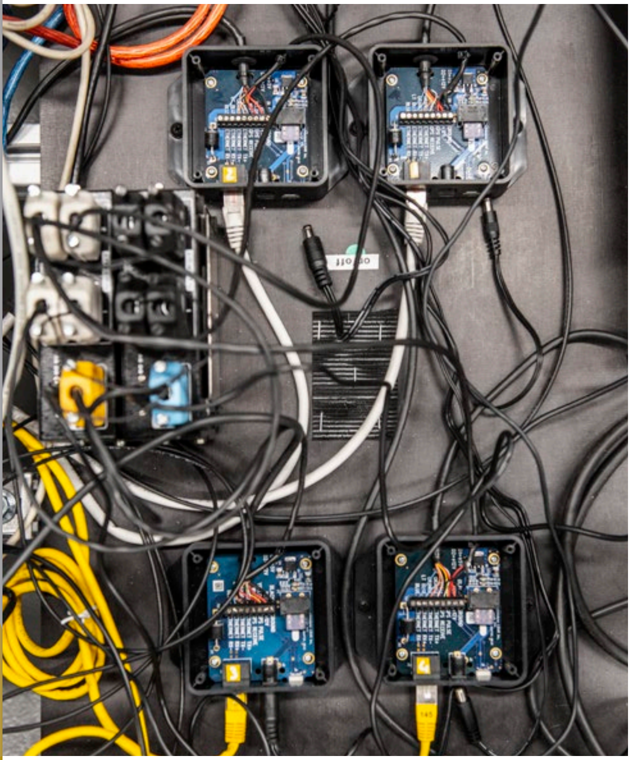
Cameras can use corresponding software to recognize the appropriate car lane and identify objects and signals around the vehicle. This also comprises markings on the ground, which a radar would be incapable of detecting.

SHAKE can for example detect even the slightest touch to the vehicle body. The technology covers the immediate vehicle proximity and thus complements existing assistance systems. SHAKE can serve as emergency stop assistant during valet parking.

Ultrasound works similar to a radar: the sensors emit sound waves and thus measure the distance to objects nearby. They are very popular, for example, with parking aids. Eventually, they will however be likely replaced by radars since those are more performative and allow for more design freedoms.

LIDAR sensors also resemble radars but emit laser beams. LIDAR is in particular characterized by its precise ambient recognition at great distances. For automated parking, it is advantageous for the vehicle to drive longer distances autonomously.

The **communication with the environment** enables the vehicle to exchange information with other road users or, in the case of valet parking, receive the site plan of the car park or information regarding free spots.



Sensors for detecting the environment are only half the battle. This is because the sheer volume of information regarding the vehicle's environment would be largely useless if the car had no central control unit for analyzing the environmental data to draw the right conclusions and maneuver correctly.

and the fourth generation of this sensor rolled off the line in 2017. Today, HELLA is the world market leader in the area of rear applications with 20 million 24 GHz sensors produced. "In addition, we began developing an even higher performance radar sensor early on that further advances the higher development stages of automated driving, in particular," adds Roch.

Compared to 24 GHz technology, the 77 GHz radar sensors not only have more than three times the transmitting frequency, but also an available bandwidth that is about five times as large. In other words, while the 24 GHz variant perceives two objects as just one if they are closer than 1.5 meters (4.9 feet) together, the 77 GHz sensor can distinguish two vehicles from one another even when they are only 30 centimeters (11.8 inches) apart. In addition, the sensor enables 360-degree detection of the exterior vehicle surroundings. This seamless detection of the vehicle surroundings is a central element for automated driving functions such as automated parking. Plans are underway to install the first generation in a production model by 2021.

While radar primarily measures distances during parking, the cameras detect what kind of objects are in the immediate surroundings. For example, they can also identify markings on the ground that radar cannot detect. When it comes to associated camera software, HELLA has specialized in applications for the front camera and offers an entirely new business model on the market: an open software system whose functions for light control as well as detection of lanes, traffic signs, pedestrians and objects can be configured by customers based on their needs. This includes upgrades with more complex automated driving functions that require considerably more sophisticated image processing methods and are implemented with artificial intelligence methods.

"The camera plays an important role during the automated parking process by critically supplementing the information from the radar sensors," says Oliver Klenke, Director Automated Driving Software at HELLA Aglaia in Berlin. "But its function is also critical for staying in a lane, passing other vehicles and emergency braking in situations such as freeway driving. There is still great potential here as we move closer toward autonomous driving."

However, particularly for simpler development stages of automated parking there can be situations in which radar, camera or ultrasound can help only under certain circumstances. One example: The car is driving slowly into a narrow garage with only a little wall clearance on both sides. Suddenly a door opens at the back of the garage. A child comes running in and touches the car. Even for the 77 GHz radar sensor, this would be a difficult situation because the person is very close to the vehicle. "Therefore it is important that we have our sensors cover the immediate surroundings of the vehicle, too. The SHAKE sensor performs this function," says Marco Döbrich, who is responsible for the area of sensors at the HELLA location in Bremen. "Its advantage: At the slightest touch, the SHAKE can immediately emit a signal to stop the car. In the valet parking scenario, the SHAKE can function as an emergency stop assistant and is particularly important in the intermediate development stages of automated parking."

In the automotive area, this sensor is an innovation—a piezoelectric sensor that can measure the structure-borne sound on the vehicle's shell. The SHAKE sensor converts even light touches into electric

Front camera software plays an important role in automated parking and other functions as well. There is great potential here on the path towards autonomous driving.

Oliver Klenke,
Director Automated Driving Software, HELLA Aglaia

Bringing automated driving to the road requires technologies that complement each other.

Lars-Peter Becker,
Program Manager for Automated Driving, HELLA Aglaia

signals and enables them to be measured and recorded. It gives the car the sense of touch. “Due to the sensor’s modular design, there are even more application options that we can implement depending on our customers’ requirements,” says Döbrich.

Since it can register every type of damage and localize it on the car, it is ideal for performing functions such as recording the condition of vehicle fleets in real time. This means that even different applications can be implemented as part of shared mobility concepts. At higher levels of autonomous driving, the SHAKE can also monitor the condition of the road surface, such as the level of a water film on a road wet from rain. The sensor will go into series production as a component in an aquaplaning warning system as early as the end of 2018.

Back to Berlin, where employees in the test workshop at HELLA Aglaia are analyzing data on computers again, because the ability of sensors to detect the vehicle environment is only half the battle. The volume of information, which, in the case of valet parking, is also augmented by external information about the parking garage, such as layout plans and configurations, would be largely useless if the car had no central control unit for analyzing the environmental data to maneuver correctly.

“The higher the automation level, the more complex the functions become. At the end of the day, this also increases the demands on data processing. This is why a central computer with immense computing power will act as the hub,” says Lars-Peter Becker. “After all, it is software that bundles the sensor data, evaluates it and implements automated driving functions based on this information. As a result, value creation in the automotive industry is gradually shifting. To a large extent, the future of cars is substantially being written by programmers and software developers.”

Vehicles with simple driver assistance systems have been a reality for a long time. The degree of automation is increasing continuously. Forecasts indicate that, as early as 2025, two-thirds of all new vehicles will have at least basic assistance functions.

360°

AUTONOMOUS

Traffic school in the digital age: For state-of-the-art driver assistance systems to function safely and reliably, they require extensive testing. The basis for this is the hundreds of thousands of miles that have to be driven in the lab and under real-world conditions.

One million kilometers

Do the cameras identify all road signs and objects? Do the sensors detect special weather conditions such as moisture or fog? Do the algorithms estimate the behavior of other road users correctly? Do they draw the correct conclusions? A behind-the-scenes view of software tests at HELLA Aglaia in Berlin.

Welcome to Fabulous Las Vegas – the desert town with its flashy hotels and casinos is on countless people's bucket list. However, Las Vegas is also a must if you are training self-driving cars. Here, as well as in other regions of the US, unusual marks called Botts' Dots are used to demarcate the lanes. The dots are made of ceramic, metal or plastic. "A human driver recognizes their meaning and purpose immediately and intuitively," Ulrich Kellner says. "Does this also apply to the sensors and software systems that will soon enable vehicles to be self-driving?" Kellner, a test expert at HELLA Aglaia, responds with a smile. "That's exactly what we're trying to find out."

With over 350 employees, HELLA subsidiary Aglaia is one of the world's leading suppliers of intelligent visual sensor systems. HELLA Aglaia develops products including software solutions for sensing the environment and making ambient data usable. Briefly put, to provide vehicles with radar sensors and front cameras that give them the ability to "see" digitally. Aglaia also develops software for energy management. Recently, an additional pillar has become important. HELLA Aglaia is a service provider for original equipment manufacturers; the company provides automobile manufacturers with test infrastructures developed in-house, gathers and uses data, and tests autonomous driving functions, even if components are involved that are not from HELLA.

The number of test miles that automated assistance systems must have verifiably driven in order to be deemed safe differs from case to case. The requirements vary from one original equipment manufacturers to the other because there are no applicable stat- >

utory requirements. For some, it is 600,000 kilometers, for others, a million, while others demand even more. Therefore, the solutions from HELLA Aglaia are in great demand. They primarily test front cameras: do they identify all vehicles, pedestrians, road signs, lane markings and other objects correctly? Do the sensors detect special weather conditions such as frost, moisture or fog? Do the algorithms behind the driver assistance systems estimate the behavior of other road users correctly? Do they draw the correct conclusions?

Aglaia tests a wide range of different traffic scenarios. A few basic functions of assisted and automated driving, such as traffic sign or object detection, can be tested on special test courses. Tests for more complex functions of automated driving, on the other hand—for example, those that require advanced methods of artificial intelligence—have to take place in real-world conditions in cities or on country roads. Alternatively, they have to use the data collected there. "One reason is that such tests give us developers a significantly better feel for how

Las Vegas is a must when training self-driving cars.

a software program functions in real-world conditions," says Kellner.

When the drivers of HELLA Aglaia drive on real roads, they use cameras to record the environment so that these images can be used for virtual test drives. The systems being tested then call up their functions based on the images that they are fed. The process is called "Capture & Replay". Once the images are acquired, they can be played back at any time, providing a virtual test drive. This saves money and requires significantly less effort. Only this way can driving hundreds of thousands of test miles be feasible. Aglaia can also generate special scenarios in computers for special requirements for which neither real-world roads nor test tracks are sufficient. These tests are based on huge data volumes.

Kellner is responsible for acquiring, evaluating and marking them so that they can be found when they are needed. This is done, for example if you want to find out whether a new driver assistance system for object recognition detects the Botts' Dots in Las Vegas correctly. Kellner, who studied mechanical engineering, began his career at HELLA in 1984. In 2008, he joined Aglaia in Berlin. He uses an example from the analog era to describe his job. "Let's say you have a huge library with thousands of books. This library is truly useful only if you have arranged and categorized all books correctly. Without a well-maintained card catalog system, it would be useless."

Ulrich Kellner walks over to his computer workstation and opens the directory of the latest project in the database management system specially developed by HELLA Aglaia. A data record has a size of 13 gigabytes and represents just under a minute of video data, shot by a camera that creates a life-like representation of its environment. The goal is to pull the visual world into the database, identify elements and filter for those segments that are relevant for tests. "However, these data volumes are necessary to test assistance functions to an adequate extent and with the highest standards of reliability," says Kellner.

Moreover, the requirements will become more stringent the more vehicles are equipped with driver assistance solutions, especially considering that these are becoming more elaborate

"The more elaborate the assistance systems, the more complex the interplay of different sensors. This also increases the requirements for us in terms of testing these components and their functions.

Tom Lüders,
Director of Testing Solutions, HELLA Aglaia

and complex all the time. "Every step towards self-driving cars demands new test methods. Earlier vehicles had a single front camera on board," explains Tom Lüders, Director Testing Solutions at HELLA Aglaia. "Soon, the number of cameras will increase to up to 14, supplemented by radar sensors, laser scanners and additional sensors for measuring the vehicle environment." All of these components have to be tested to make sure their functions are working properly. The more elaborate the driver assistance systems become, the more complex the interplay of different sensors will also become. This also increases the requirements for us in terms of testing these components and their functions—especially considering the continuously increasing data protection regulations we comply with in our test methods." >

Object recognition becomes a challenge **especially in rural areas** when the assistance systems have to assess mixed situations containing pedestrians, cyclists and other road users.

Once HELLA Aglaia receives a new test order, the first step for the company is to write the script for the project, in the truest sense of the word. According to customer requirements, the experts draft a route plan that contains all relevant situations and special regional features. This phase shows, which scenarios already exist in the database with suitable markings. Which may still have to be driven on the road? Some situations can be simulated on neutral test courses, while others need real-world conditions.

This is the basis for the data required for the respective test, called “ground truth”. This is run though the system being tested until the algorithm functions flawlessly. This is how traffic school works in the digital age.

Kellner travels by car a lot for work, occasionally as a test driver. How many miles has he driven in his lifetime? “Who knows? And who can count that high?” he says with a laugh. He also encounters surprises and novel situations all the time though. Recently, he saw a soft-sided semitrailer on the freeway with a large stop sign printed on the tarp along with an advertising slogan. “Of course, I knew that this was advertising. But how does an algorithm react in such a situation? How do we make sure that the software processes this as advertising and not as a street sign?”

The object detection system is even more complex. In addition to the Botts’ Dots in Las Vegas and another national idiosyncrasies such as the speed bumps of French roads or Dutch bollards, the system must look out for careless pedestrians, speedy cyclists, and vehicles—not to mention deer crossing the road. Each of these living, moving objects not only looks different depending on the

A futuristic vision: When vehicles become self-driving, test scenarios also change. Driving data can be collected in real time, possibly by employing a crowd-sourcing principle. Entire fleets of vehicles could feed data from their daily routes right into the system. The system then assesses especially relevant situations and continuously updates the assistance systems.

wind, weather and time of day, it also behaves differently. This is further complicated by specific lighting conditions in the various regions. In Las Vegas, the sun is exceptionally high in the sky. In general, the US uses text on traffic signs to a greater extent than other countries. On the Atlantic coast in the south of France, the landscape is characterized by alternating tunnels and sunny roads. Tree-lined avenues in Germany are characterized by alternating light and shadow, while busy pedestrian crossings in Tokyo offer an unusual density of road users—all of them in a hurry. “Our test solutions have to work internationally,” Lüders says. Our focus is on the core markets of Europe, Asia and the US. However, data is also in demand about roads in South Africa, in the Middle East or in Australia and New Zealand.

Currently, the function tests are concerned with Level 3 of autonomous driving, known as conditional automation. The technology steers, brakes and accelerates. It also monitors the entire surrounding area and takes over driving modes. However, a human being still sits behind the wheel, and must be ready and able to intervene. “The complexity of the tests will take another leap for Levels 4 and 5, when the system has sole responsibility,” says Lüders. Then, the machine will have to be a verifiably better than any human driver. “Validating this will require an amount of data even huger than that used now,

”The data volumes are necessary to test assistance functions comprehensively and with the highest standards of reliability.

Ulrich Kellner,
Head of Testing Solutions Operations, HELLA Aglaia

as well as new test solutions,” Lüders notes.

This scenario is still a futuristic vision. When vehicles drive in highly or fully automated mode, occasional updates for the on-board software will no longer be enough. Updates will take place at shorter intervals, as is the case today for computers and smartphones. The test scenarios for the algorithms have to change accordingly. New driving data will be fed into the test systems continuously and in real time. A type of crowdsourcing principle is conceivable here. Entire fleets of cars could send their camera data from their daily routes directly to the system, where especially relevant or critical situations are isolated and validated via data mining. This could enable the software components to stay up-to-date at all times and downloaded to the vehicles if updates are necessary.

The vision for the system safety of the future would then be for autonomous vehicles to test their own component software around the clock. Given the current era in which there is much discussion of artificial intelligence, this is ultimately only a logical step.

Clear signals

When the driver becomes a passenger—what is the role for vehicle lighting? As lighting specialist, HELLA is developing innovative solutions for car body and interior lighting. The company is thus actively co-shaping the trend towards autonomous driving while tapping into new growth opportunities early. The goal: further increasing human safety and comfort.

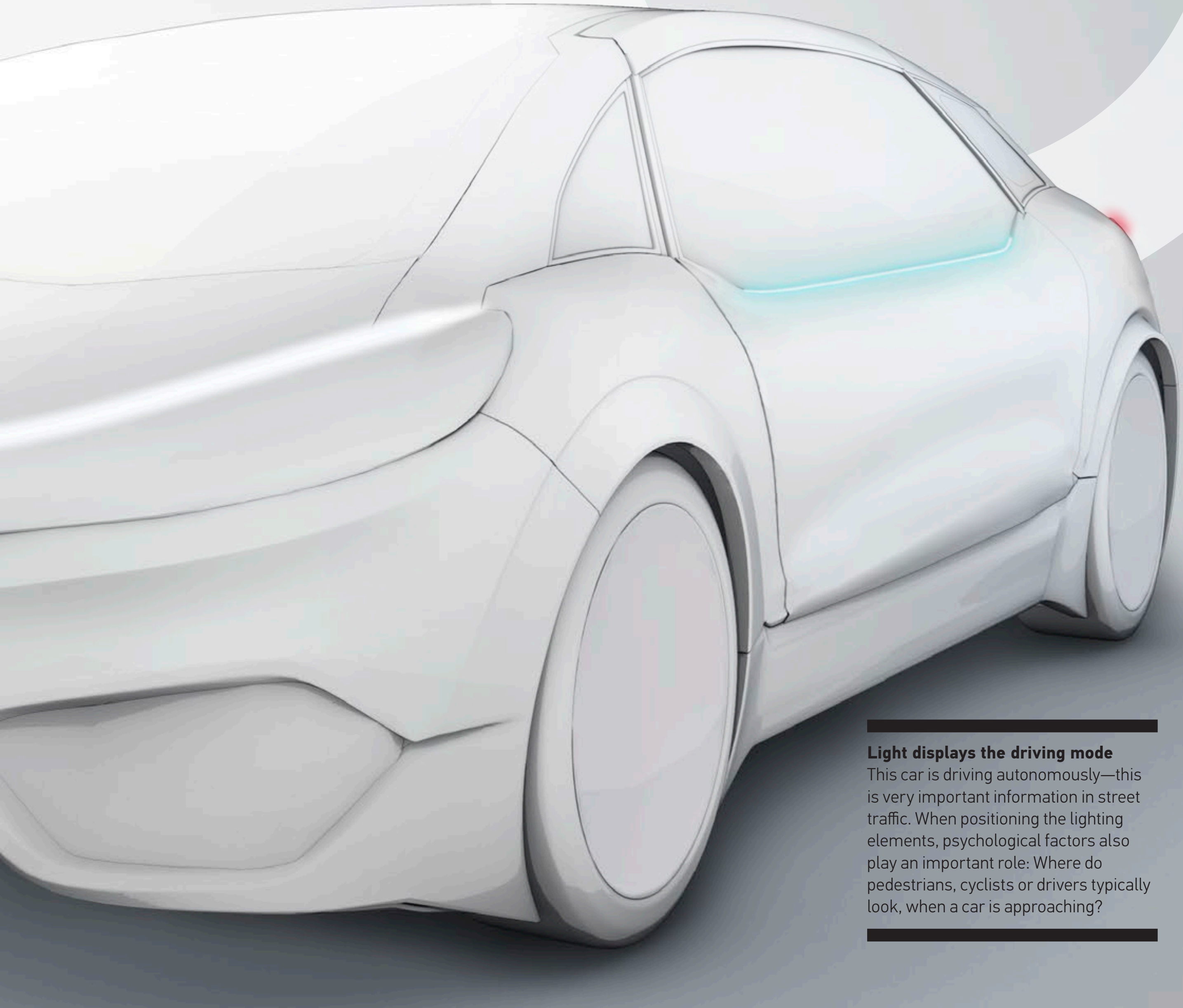
W

Will the car of the future still have headlamps? This is the question that John Kuijpers has to often address when talking about tomorrow's mobility. If vehicles will soon drive totally autonomously while perceiving their environment primarily via sensors and cameras, what will be the purpose of traditional vehicle lighting after all?

"Cars will still have headlamps in twenty years, for safety reasons alone," replies the Dutch native without hesitation. "I cannot imagine that fully automated cars will be driving around completely without lights at night. After all, traffic area illumination also serves the camera-based assistance systems. We must furthermore not forget that light is a central design and differentiation feature of vehicles," adds Kuijpers, who at HELLA is responsible for the Interior & Car Body Lighting business. "The trend towards autonomous driving will however cause automotive lighting technology to assume entirely new functions, such as communication among road users. Safety and comfort will further increase that way." >

360° AUTONOMOUS

Vehicle automation will cause automotive lighting technology to assume completely new functions. Lighting elements can thus show whether a vehicle drives autonomously, they can give other road users warning signs and help to transform the vehicle interior into a living and work space. A trip to the future–together with HELLA.



Light displays the driving mode
This car is driving autonomously—this is very important information in street traffic. When positioning the lighting elements, psychological factors also play an important role: Where do pedestrians, cyclists or drivers typically look, when a car is approaching?

Let’s jump to the year 2035. A typical traffic situation: pedestrians, cyclists and cars are simultaneously using the roads of a megacity’s suburb. A man with a stroller wants to get to the other side of the road. He waits by a pedestrian crossing, a vehicle is approaching from the left. The car is driving autonomously—immediately visible for everyone on the outside by the turquoise LED light band above the door frame. The vehicle slows down, diodes on the vehicle’s body start to light up. For the man, it signals that the system has recognized him and the car is stopping. He will now enter the pedestrian crossing with the stroller, thus safely crossing the street.

“In the future, more and more traffic situations will occur where automated vehicles encounter non-automated road users. It is all the more important for road users to be able to communicate with each other,” says Kuijpers. “New lighting technologies can play an important role throughout.”

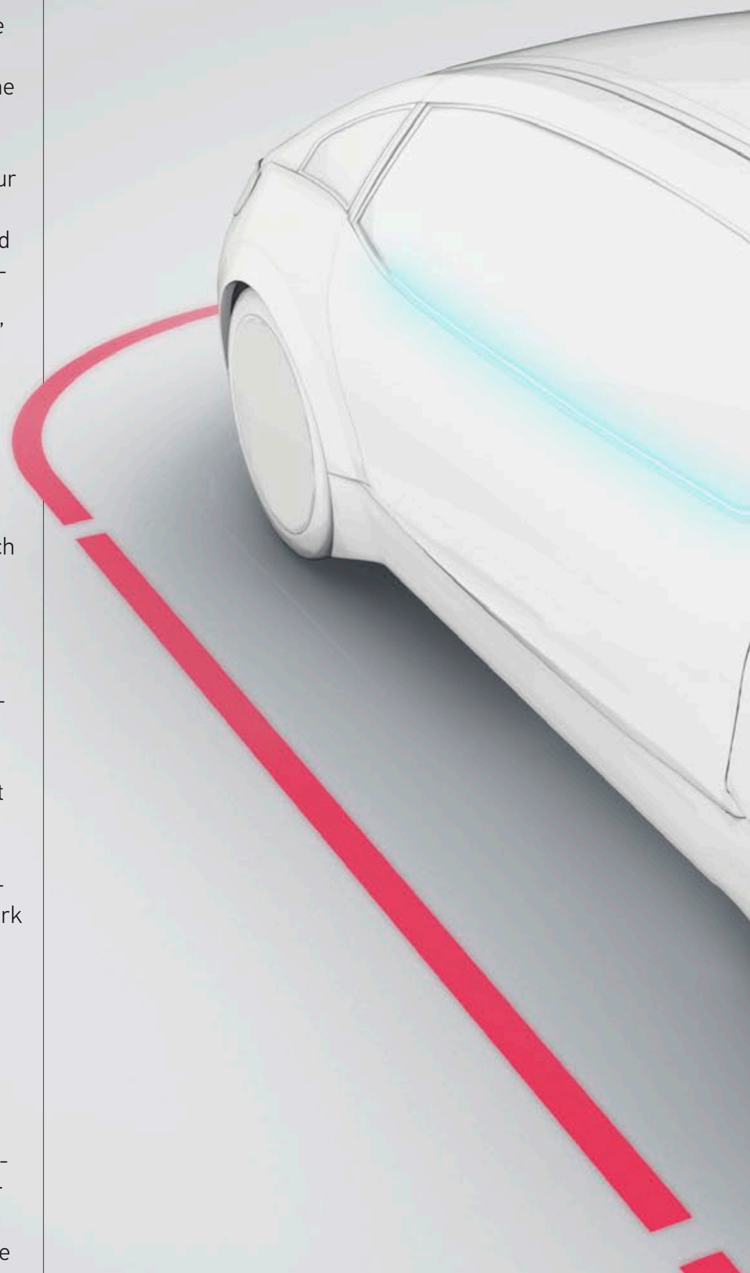
HELLA is already working towards the respective solutions. In the context of an international research project together with other industry and science partners, the company is for example exploring the question of what situations require communication and which lighting technologies can implement this. “After all, communication must function flawlessly not only at night but also during the day when it is bright,” explains Kuijpers. “It must furthermore work internationally, be universally intelligible and unambiguous.”

Throughout, it will also be key to intelligently integrate new lighting functions in everyday communication that has emerged over the years—whether it be projections, symbols or colors. A possible color for signaling an autonomous driving mode must for example not compete with other vehicle lamps. This would for example already exclude the color red since it is, among other things, reserved for stop lights. A cyan hue would for example be conceivable to display a vehicle’s driving mode.

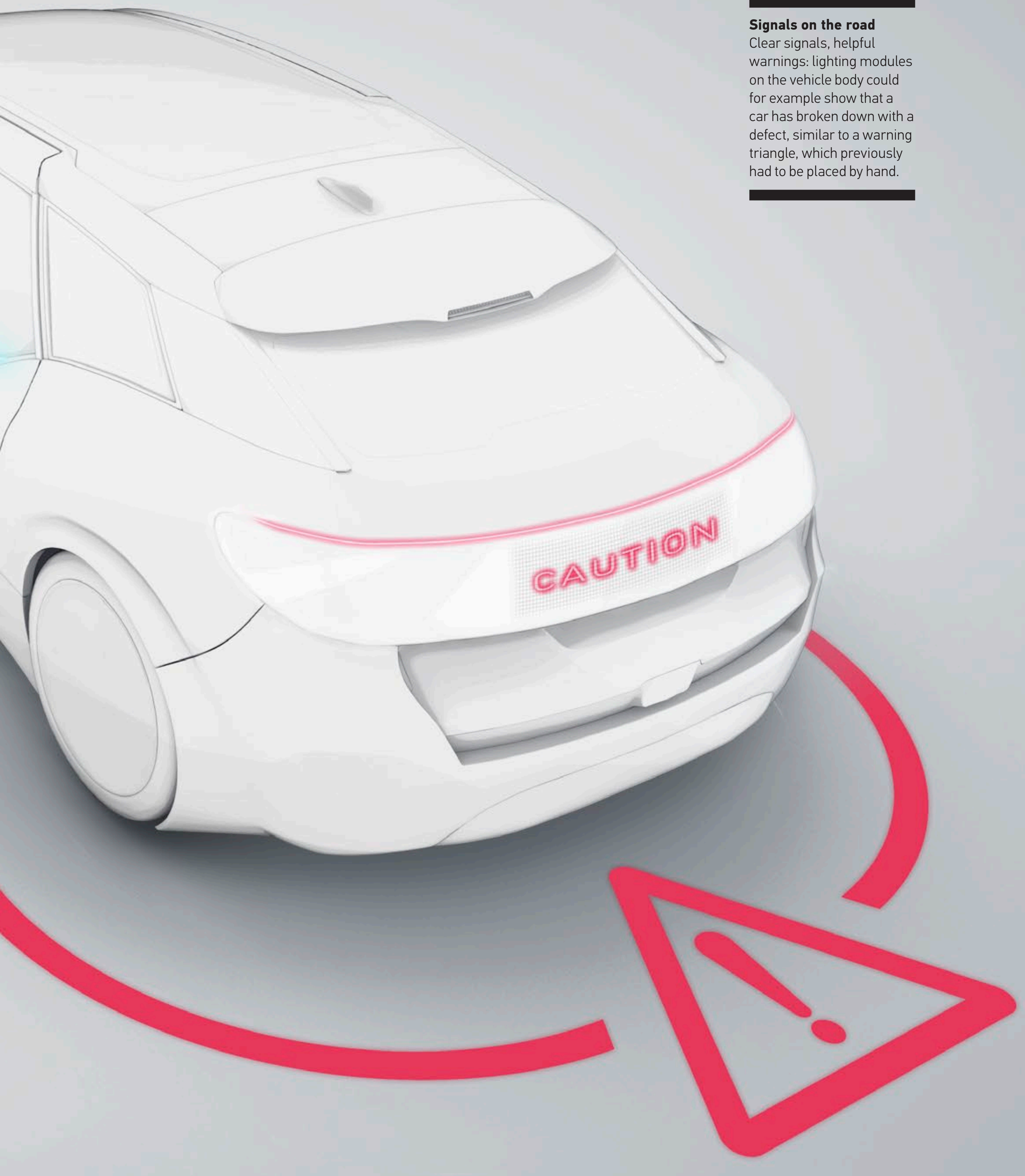
Other application cases for lighting functions, especially at night and dusk, are also in sight: signs and symbols projected onto the tarmac to reduce risks and provide assistance. A respective vehicle’s light signal could for example automatically indicate to other road users that the door is about to open or that the car has broken down due to a defect. If there is a breakdown, it would also be conceivable to display a safety zone around the vehicle or to project a warning triangle onto the road. The use of such light projections could already become a reality within a few years. >

”Automotive lighting technology will become more important than ever. For the new trend towards autonomous driving will cause it to assume entirely new tasks while contributing to more safety and comfort on the road.

John Kuijpers,
Head of Interior & Car Body Lighting, HELLA



Signals on the road
Clear signals, helpful warnings: lighting modules on the vehicle body could for example show that a car has broken down with a defect, similar to a warning triangle, which previously had to be placed by hand.

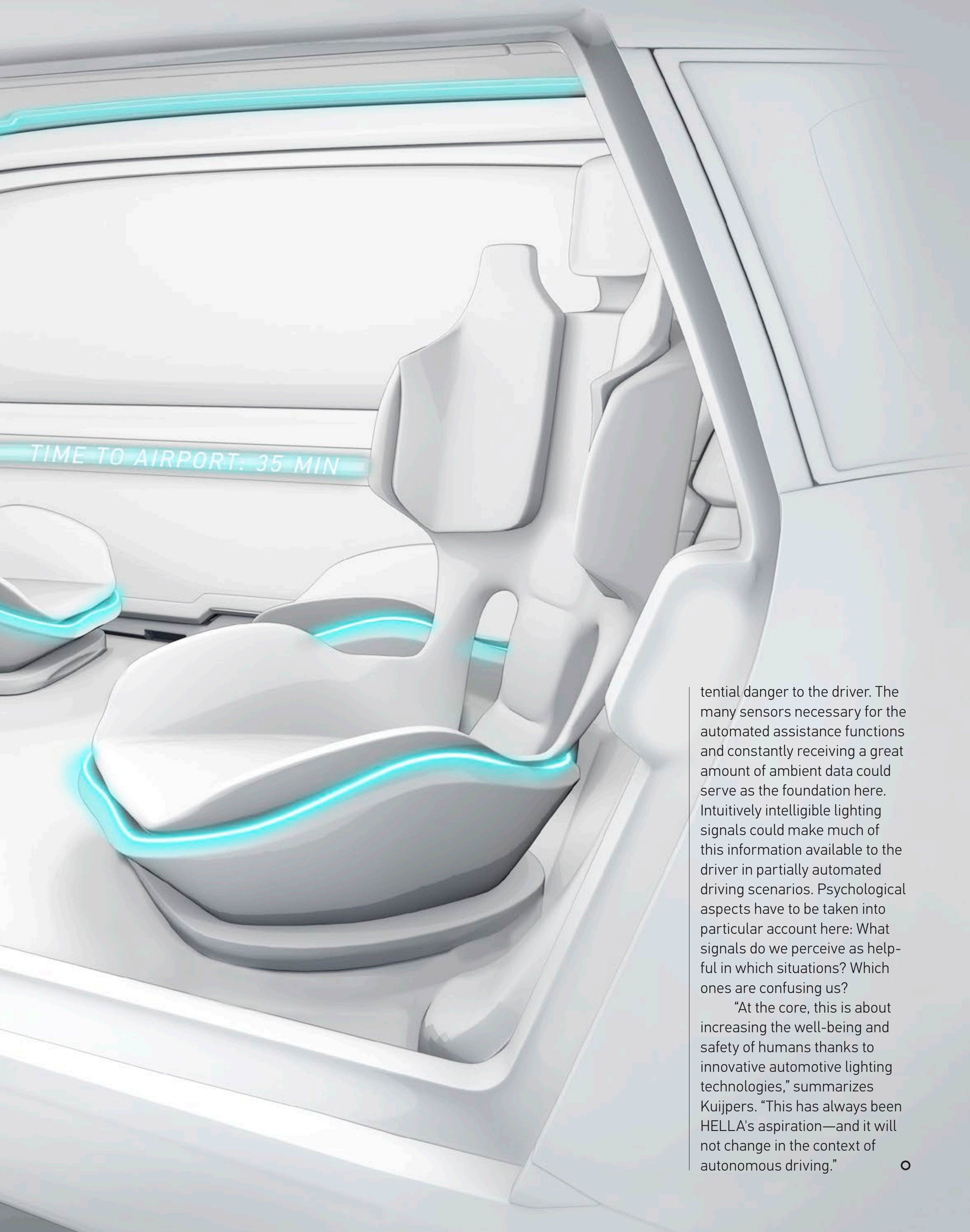


Back to the year 2035. This time, we're taking a night drive along the US-west coast. The car is driving entirely autonomously. Both vehicle passengers are doing different things. A woman is working on a presentation in the vehicle's back. The interior lighting is precisely adjusted for her needs while she has the information regarding the remaining travel time displayed on an LED on-screen bar next to her. Opposite her, a man is sitting. He uses the drive to relax. In his zone, the lighting is soothing and keeps changing among pleasant colors mimicking a sunset while he's scanning through current headlines on an on-screen bar. As soon a the vehicle approaches the travel destination, the interior space automatically becomes brighter. The interior space is bathed in a gentle blue increasing the travelers' concentration and attention while preparing for the impending arrival.

"Ambient interior vehicle lighting is already playing an important role today. The trend towards autonomous driving will further accelerate this development—since the vehicle interior can be used in many different ways as soon as the traditional function of the driver's seat is dropped," says John Kuijpers. "The car is thus increasingly turning into a living and work space. Dynamic, personalizable lighting is crucial here."

On the path towards fully automated driving, interior lighting could however also assume additional safety and comfort functions. Keyword: Smart Lighting. The interior could thus for example light up red when obstacles or other cars get too close, thus pointing out the po-

A new form of ambiance
When drivers are becoming passengers, they have time for alternative activities. The vehicle interior will thus increasingly become living and work space—highly functional, dynamic and customizable. Lighting scenarios personalized for individual preferences increase comfort while displays will additionally provide relevant information to the driver.



tential danger to the driver. The many sensors necessary for the automated assistance functions and constantly receiving a great amount of ambient data could serve as the foundation here. Intuitively intelligible lighting signals could make much of this information available to the driver in partially automated driving scenarios. Psychological aspects have to be taken into particular account here: What signals do we perceive as helpful in which situations? Which ones are confusing us?

"At the core, this is about increasing the well-being and safety of humans thanks to innovative automotive lighting technologies," summarizes Kuijpers. "This has always been HELLA's aspiration—and it will not change in the context of autonomous driving."

Group management report and consolidated financial statements of HELLA GmbH & Co. KGaA

Fiscal year 2017/2018

General information on the HELLA Group

Business model

HELLA GmbH & Co. KGaA (formerly: HELLA KGaA Hueck & Co.) is a global, listed, family-owned company with more than 125 locations in around 35 countries. With sales of € 7.1 billion in fiscal year 2017/2018 HELLA is one of the top 40 international automotive suppliers and among the 100 largest German industrial companies. The company's business activities are divided into three segments: Automotive, Aftermarket and Special Applications.

The Automotive segment combines the company's business activities in original equipment and the corresponding original replacement part business. The Automotive segment is split into two business divisions: Lighting and Electronics. Within these business divisions, HELLA develops, produces and distributes vehicle-specific solutions for automobile manufacturers and other automotive suppliers throughout the world. The product portfolio of the business division Lighting includes business with headlamps, rear combination lamps, car body lighting, interior lights and radomes. The business division Electronics focuses on the product divisions of body electronics, energy management, driver assistance systems and components, steering as well as lighting electronics.

In the Aftermarket business segment, HELLA combines the automotive parts and accessories business with workshop equipment in the independent spare parts market. Additionally, HELLA acts as a service partner for wholesalers and workshops and complements these activities with a range of high-grade workshop equipment, such as professional diagnostic tools and workshop devices and services as well as vehicle data, which enable specialist vehicle repair and maintenance at the workshop. In addition, HELLA is currently active as a wholesaler in markets of specific countries. However, in July 2018, HELLA announced that it will sell the Danish wholesale distribution company FTZ and the Polish wholesale distribution company Inter-Team. Subject to approval from the responsible cartel authorities, the sale is expected to be concluded in the third quarter of the 2018 calendar year.

In the Special Applications segment, HELLA develops, manufactures and distributes lighting technology and electronic products for specialist vehicles such as construction and agricultural machinery, buses, motor homes and the marine sector.

Please refer to the company profile starting on PAGE 10 of the annual report for more information on the business model.

Goals and strategies

CORPORATE STRATEGY

HELLA pursues the overall goal of following a profitable growth path. This strategic alignment encompasses four pillars overall. First is the constant expansion of the company's technological and innovation leadership. Second is ensuring and further strengthening a leading market position in prioritized business fields. Third is maintaining a stable, low-risk business model. Fourth is further improving operational excellence.

HELLA promotes the expansion of its technological and innovation leadership through consistent positioning along key market trends in the automotive industry. The trends of autonomous driving, efficiency and electrification, connectivity and digitalization as well as individualization are particularly significant for HELLA. The individual segments and business divisions pursue distinct strategic approaches in this context. In the business division Lighting, HELLA offers a full range of lighting technology products for vehicles. In the business division Electronics, HELLA focuses on service activities in specific product fields—based on its core competencies as well as regional or global focuses, such as business with sensors and actuators.

HELLA is active in the Aftermarket segment, offering solutions catered to target groups in the areas of aftermarket spare parts and workshop services and as a wholesaler in the markets of certain countries. As part of a strategic realignment of the segment, the activities in the independent spare parts market, which are based on the the company's expertise in the area of original equipment, and those in the workshop equipment business will be further strengthened and interlinked with each other and new business models will be developed gradually in areas, such as the digital diagnostics and maintenance services area. In this context, HELLA also announced the disposal of the Danish wholesale distribution company FTZ and the Polish wholesale distribution company Inter-Team to Swedish wholesaler Mekonomen. In conjunction with the realignment of the aftermarket segment, HELLA also performs regular and systematic reviews of the strategic set-up of the existing Aftermarket network some of which relate to the joint venture Behr Hella Service.

The Special Applications segment predominantly applies technological concepts, innovations and competencies from the Automotive segment to meet the individual needs of manufacturers of commercial vehicles such as trucks, trailers, agricultural machinery and construction vehicles but also for ship lighting, caravans and vans.

Secondly, for prioritized business fields, HELLA pursues the strategic goal of a leading market position. This is achieved by a specific segment, product line and region. The economies of scale achieved in this way contribute to strengthening the company's competitiveness and profitability. In relation to the Automotive segment, HELLA strives to attain a position among the three leading providers in the respective competitive market segments. The most important regional markets of the segment are Europe, China and the NAFTA area. In order to expand its position in these core markets further, HELLA is investing in expanding its international development and production network. HELLA also strives to attain a leading market position in the Aftermarket and Special Applications segments in each of the relevant target group markets and sales regions. The Aftermarket business activities focus on the European market in addition to international business in Asia/Pacific as well as North, Central and South America. Europe is the core market of the Special Applications business segment.

The goal of market leadership is also supported by an established network strategy. In this context, the company forges partnerships with other companies, for example, as part of joint ventures. In particular, this is done to gain access to complementary technologies, develop new markets or customer groups and benefit from economies of scale. Due to the increasing innovation dynamics on the market, HELLA is also relying more heavily on open, flexible partnerships as part of the network strategy.

Third, HELLA pursues the goal of a resilient and risk-diversified business model. In this way, HELLA tries to maintain balanced and stable business development, which is as independent as possible of economic fluctuations and market cycles. First, the international position and the associated diversification of the company's customer portfolio reduce economic dependence on individual customers and markets. It also enables participation in the growth opportunities in core markets of the automotive industry. That is why HELLA continuously expands its global network in this context. Second, the Aftermarket and Special Applications segments contribute to stable business development. Compared to the Automotive business, the Aftermarket segment is anti-cyclical. This means that when demand for new vehicles is lower, the need for repairs and replacement parts tends to increase. The product groups in the Special Applications segment are partly subject to different demand cycles than Automotive business.

In the context of the fourth strategic pillar, HELLA promotes continuous improvement of operational excellent in relation to all processes at the company. The foundation of this includes consistent, effective quality management. In addition, HELLA strengthens operational excellence through optimization of global production and development capacities and through long-term process standardization as well as systematic promotion and further education of its staff.

FINANCIAL STRATEGY

A solid financial strategy is an integral part of HELLA's corporate strategy and the basis for corporate action with a long-term focus and investments in further profitable growth. In this context, HELLA strives for a strong equity base and a balanced ratio between equity and borrowing. In addition, the company has the goal of not exceeding a value of 1.0 for the ratio between net financial debts and earnings before interest, taxes, depreciation and amortization (EBITDA).

The finances of the HELLA Group are managed by the parent company. Funding is largely raised centrally and made available to the Group companies as required. HELLA generally has a long-term funding horizon, which ensures the liquidity

HELLA GmbH & Co. KGaA

<table>
<tr><td rowspan="2">Corporate structure</td><td colspan="4">The Management Board of HELLA GmbH & Co. KGaA</td></tr>
<tr><td colspan="2">Business Segment Automotive</td><td>Business Segment Aftermarket</td><td>Business Segment Special Applications</td></tr>
<tr><td>Finance, Controlling and Information Technology
Bernard Schäferbarthold

Human Resources, Logistics and Process Management
Stefan Osterhage

Purchasing, Quality, Legal and Compliance
Dr. Rolf Breidenbach</td>
<td>Business Division Lighting
Dr. Rolf Breidenbach
Dr. Frank Huber (Deputy)

Executive Board:
Marcel Bartling,
Dr. Christof Hartmann,
Sascha Heißenbüttel,
John Kuijpers,
Dr. Ulf Merschmann,
Andreas Rummert,
Michael Sohn</td>
<td>Business Division Electronics
Dr. Rolf Breidenbach

Executive Board:
Heiko Berk,
Dr. Naveen Gautam,
Jens Grösch,
Michael Jaeger,
Ralf Kuhl,
Gerold Lucas,
Andreas Lütkes,
Bernd Münsterweg,
Frank Petznick,
Björn Twiehaus,
Jörg Weisgerber,
Joachim Ziethen</td>
<td colspan="2">Business Division Aftermarket and Special Applications
Dr. Werner Benade

Executive Board:
Dr. Andreas Brinkhoff,
Stefan van Dalen,
Dominik Görts,
Dr. Andreas Habeck,
Dr. Nicolas Wiedmann</td></tr>
</table>

International HELLA companies

General partner

Hella Geschäftsführungsgesellschaft mbH

Managing Directors of Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach (Chair), Dr. Werner Benade, Dr. Frank Huber, Stefan Osterhage, Bernard Schäferbarthold

Chairman of the Supervisory Board

Prof. Dr. Michael Hoffmann-Becking

Shareholder Committee

Manfred Wennemer (Chair), Dr. Jürgen Behrend, Roland Hammerstein, Dr. Gerd Kleinert, Klaus Kühn, Dr. Matthias Röpke, Konstantin Thomas

As at: July 23, 2018

and creditworthiness of the company as well as access to the capital market at all times even in the event of cyclical fluctuations. In order to achieve these goals in financial strategy, HELLA maintains a high level of diversification in terms of the financing instruments it uses. Thus the company currently utilizes first and foremost capital market bonds, private placements and a syndicated credit facility.

Management systems

MANAGEMENT OF THE HELLA GROUP

The HELLA Group's organization is managed via a multidimensional matrix. It includes the three segments of Automotive, Aftermarket and Special Applications with the business divisions and strategic business fields, the regions of North, Central and South America, Asia/Pacific/Rest of World and Europe as well as the central functions. While the segments and regions are organized as profit centers, the central functions are managed as cost centers, including in a shared service center (HELLA Corporate Center). The segments have chief responsibility for strategic and operational business development. The central functions fulfill a governance and control function for the Group and the segments. In the global network, the German locations in particular assume a leadership role in terms of technological development and the industrialization of the international locations.

The Group management currently consists of the managing directors of Hella Geschäftsführungsgesellschaft mbH. Since the resignation of Dr. Jürgen Behrend as Managing General Partner effective end of day on September 30, 2017, group management is being carried out solely by the Managing Directors of Hella Geschäftsführungsgesellschaft mbH.

In fiscal year 2017/2018, the Shareholder Committee of HELLA GmbH & Co. KGaA resolved to continue working with Dr. Rolf Breidenbach as President and CEO for another five years and to extend his employment contract as CEO until January 31, 2024. In addition to his previous functions, Dr. Breidenbach has also assumed leadership of the business division Lighting and leads the entire Automotive segment as a result. In this function, he is succeeding Markus Bannert, who left the company at his own request. At the same time, Dr. Frank Huber assumed the role of Deputy Managing Director for the Lighting division and, in this function, became a member of the HELLA Management Board on April 1, 2018. The previous Managing Director for Automotive Sales, Dr. Matthias Schöllmann, left the company upon personal request with the expiration of his contract at the end of March 2018. In addition to these personnel decisions, the task assignment of the management department has been reorganized. Thus, the Automotive Sales corporate function has been integrated into the business divisions Lighting and Electronics . This approach is intended to facilitate a closer union between sales and the product divisions.

In the segments and business divisions, the respective Executive Boards support the responsible Management Board in operational and strategic management. Entrepreneurial self-responsibility is the basic principle for managing the business at all levels. For key business transactions, the Group Management Board requires the approval of the HELLA GmbH & Co. KGaA Shareholder Committee, which codetermines the significant guidelines for business by means of this process. As the central representative body of the shareholders, the Shareholder Committee is involved on an ongoing basis in monitoring and providing advice to the Group Management Board. Besides this, the Shareholder Committee has responsibility for personnel matters involving the managing directors of Hella Geschäftsführungsgesellschaft mbH. Along with the Shareholder Committee, monitoring tasks are also performed by the Supervisory Board, which primarily deals with auditing and approving the annual and consolidated financial statements as well as the interim financial statements. Certain tasks in this context are delegated to the Audit Committee nominated by the Supervisory Board. The Audit Committee primarily audits the financial reports and functional capability of the internal control system and the risk and compliance management system.

Strategic planning and operational budget planning are significant internal control instruments for the company. Each month, a detailed review takes place at the meeting of the Management Board of the HELLA Group and the Executive Boards to discuss the budget and development compared with the previous year; the Shareholder Committee as well as the Supervisory Board are informed about this. Furthermore, the half-year financial reports and quarterly statements are created.

PERFORMANCE INDICATORS

The Management Board references financial and non-financial performance indicators in its management of the company. Their target values are based on multiple comparative values, for example, market conditions and competition, internal performance standards and allocation of resources. The four main key financial performance indicators are the currency and portfolio-adjusted sales growth, the adjusted EBIT margin, return on invested capital (ROIC) and adjusted free cash flow from operating activites (adjusted OFCF). The key performance indicators of currency and portfolio-adjusted sales growth and the adjusted EBIT margin take on great importance compared to the other key financial indicators in the management of the Company. Accordingly, they are the Group's most important key performance indicators. In the current fiscal year 2018/2019, the earnings are adjusted by the restructuring measures and portfolio effects. No portfolio effects to be adjusted accrued in the prior fiscal year 2017/2018.

The currency and portfolio-adjusted sales growth, if specifically applicable, the adjusted EBIT margin and the adjusted free cash flow from operating activities are key performance indicators that are not defined in the International Financial Reporting Standards. HELLA discloses them as additional information however. They are used because they serve as the company's essential guideline in terms of performance indicators. Therefore, the key performance indicators in use are intended to provide a transparent picture of the company's operational performance. Since extraordinary effects can negatively affect the assessment of the company's performance, however, HELLA relies on adjusted instead of reported key performance indicators in relation to the two most important financial performance indicators. In this way, the company's economic position and results of operations can be presented with greater precision and the ability to compare values over time is improved.

In addition to financial key performance indicators, HELLA utilizes non-financial performance indicators, primarily in the area of quality. One indicator of quality and customer satisfaction is the customer line return, which is measured as the number of defects identified after delivery per one million parts ("parts per million" - ppm). Key characteristics of the HELLA quality management are ensuring compliance with market-driven standards, durability and reliability with a high degree of user comfort.

Research and development

In fiscal year 2017/2018, HELLA invested a total of € 692 million in research and development (prior year: € 636 million). This put the expenses for research and development relative to the consolidated sales at 9.8% (prior year: 9.7%). More than 90% of research and development expenses are accounted for by the Automotive business segment. The ratio of capitalized development costs to development expenses in accordance with the consolidated income statement came to 13.4%, after 8.9% in the prior fiscal year.

Along with operational performance, HELLA's exceptional research and development culture provides the foundation for competitive ability and the leading market position in many product divisions. First, expenses in future technologies aiding the central automotive market trends such as autonomous driving, efficiency and electrification, connectivity and digitalization as well as individualization are a key part of the corporate strategy and make a critical contribution to expanding and strengthening HELLA's technological leadership. Second, investments in research and development result from the preparation and implementation of several complex production ramp-ups in the Automotive segment during the past fiscal year. Third, HELLA has strengthened and further expanded global research and development capacity. Thus, the number of employees active in research and development compared to the reporting date of the previous fiscal year increased by 9.8% to 7,425 employees. This means more than 18% of all employees throughout the Group work in research and development. In addition, as part of its research and development activities, HELLA also works closely together with external service providers, academic institutes and research facilities.

Research and development

	2017/2018	**2016/2017**	**+/-**
R&D employees (May 31 of each year)	7,425	6,764	+9.8%
R&D expenses in € million			
Automotive	658	605	+8.8%
Aftermarket and Special Applications	35	32	+9.2%
Total	**692**	**636**	**+8.8%**
in relation to sales	9.8%	9.7%	

Where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.

AUTOMOTIVE

Particularly in the Automotive segment, the research and development activities throughout the entire group help to strategically and clearly align the HELLA business portfolio along the central automotive market trends and to implement opportunities for further profitable growth. Firstly, HELLA has powerful research and development departments that maintain the innovative power in the Automotive segment over the long term. Secondly, HELLA has further expanded activities in the global start-up environment through approaches such as using incubators and participating in international innovation networks.

The worldwide development is coordinated principally from Germany. In addition, local development centers in central growth markets are responsible for adapting development activities to the respective region. They also drive independent developments for the respective markets. In this way, HELLA achieves market-driven customization of technologies and product designs to meet customer needs. In certain product divisions, development also occurs through strategic partnerships.

BUSINESS DIVISION LIGHTING

In the business division Lighting the digitalization of automotive lighting technology is an overarching trending topic that is steadily gaining in importance. In this connection HELLA pursues a double-pillar strategy: first, innovative lighting technologies are increasingly being rolled out in the volume segment by means of modularization concepts. This applies in particular to the development of complex Matrix LED headlamp systems that are increasingly controlled by software to ensure that new safety-related and comfort and convenience-related functions such as an adaptive, glare-free high beam can be implemented using individually controllable lighting elements. Thanks to their modular design as single-, double- or triple-row systems, Matrix LED headlamp systems can be efficiently offered to original equipment manufacturers in a scalable version based on customer requirements. In this context, HELLA integrated the HD84 headlamp module into additional vehicle series of the premium and volume segments in the previous fiscal year. This module was first developed in 2016 as a collaborative project with Daimler AG. HELLA is also working on modularization and standardization concepts in a number of research projects.

In the area of headlamp technologies, HELLA has continued to develop high-resolution headlamp systems and to work on digital, software-controlled lighting systems with high-definition headlamps that can enable a wide variety of new functions in the future through a significantly higher resolution. In this context, the research and development strategy of HELLA clearly aligns itself with customer benefits. The technological applications that can be used to implement high-resolution headlamp systems depend largely on which lighting functions original equipment manufacturers want to offer end consumers. Therefore, HELLA follows a broad-based research and development approach so that it can meet the various market requirements and needs. In addition to continued development of high-resolution Matrix LED headlamp systems, the company is also working on further highly innovative headlamp technologies. In the past fiscal year, HELLA also worked with a premium original equipment manufacturer based in Germany to implement series production of a dynamic laser high beam for the first time.

In the past fiscal year, HELLA has further reinforced the system expertise required here, obtained by integrating the light module, control unit and data processing software that returns the object data for the light control unit. As such, software expertise across the entire HELLA Group has been further improved. HELLA is also working on new methods for real-time capable calculation of light distribution, which is critical for high-resolution headlamp systems. In addition, this is resulting in an innovative development environment for defining target light distribution.

Due to new automotive lighting technology requirements in automated driving scenarios, in the past fiscal year, HELLA has accelerated development activities in the area of body and vehicle interior lighting that, in conjunction with autonomous driving, is continuously increasing in importance as a communication instrument. As a result, various driving modes can be indicated or safety and protection zones in the immediate vicinity of the vehicle projected using the car body lighting. As part of the international research project interACT, which is promoted by the EU, HELLA is working together with other project partners on communication concepts between automated vehicles and non-automated road users such as pedestrians, cyclists and other motorists. A key area of focus here is passenger vehicles in urban areas.

In addition, HELLA is working intently on developing new vehicle interior lighting concepts, which enable a wide variety of new functions and can be adapted to the various needs of drivers and driving situations. Furthermore, the trend towards individualization and uniqueness is creating new interior lighting requirements. With that said, HELLA has continued to develop customizable interior lighting concepts in fiscal year 2017/2018; the thematic focus included the development of 2nd generation RGB LED modules that the driver can use to design the interior color scheme according to their individual preferences. HELLA began series production of the 2nd generation RGB LED modules in early 2018. Compared to the 1st generation, the 2nd generation has a more powerful chip and a more compact design.

Other activities that HELLA is implementing to align the lighting portfolio along the individualization trend are focused on developing customizable radomes, lighting elements for the radiator grille and innovative "coming home" and "leaving home" light animations for front and rear lighting. In this context, HELLA worked together with a premium original equipment manufacturer based in Germany to begin large-scale series production of a rear lamp with OLED technology for the first time in fiscal year 2017/2018.

In addition to its own research and development department, HELLA has been jointly operating the L-LAB as a research institute for lighting technology and mechatronics together with the University of Paderborn since 2000. L-LAB was expanded in April 2015 with the addition of the Hamm-Lippstadt University of Applied Science and is examining current issues relating to vehicle lighting. Some of the topics of focus in the past fiscal year include the use of remote laser light sources with a digital mirror device chip, which enable a wide variety of new functions and the use of holography in vehicle headlamps in the high-resolution headlamp area.

In addition, HELLA expanded its global development capacities. In this regard, HELLA for example has opened a new development center for automotive lighting technology in India at the beginning of fiscal year 2017/2018.

BUSINESS DIVISION ELECTRONICS

As part of the research and development activities in the business division Electronics, HELLA supports automobile manufacturers and suppliers in the development and implementation of forward-looking functions and technologies along the global market trends of autonomous driving, efficiency and electrification, connectivity and digitalization and individualization. In this context, HELLA is pursuing the strategic goal of developing new product solutions and bringing them to market maturity, as well as developing its own system understanding further. In certain product divisions, this also occurs through strategic partnerships (e.g. in the area of autonomous driving or developing cloud-based product solutions).

With regard to the market trend of autonomous driving, HELLA further intensified the research and development activities in radar technology during the past fiscal year. For example, HELLA has driven development of 77 GHz radar technology and won an initial order for a premium original equipment manufacturer. The 77 GHz radar technology is required for NCAP requirements and autonomous driving functions. It enables fundamental safety and assistance functions in the rear and front areas (advanced blind spot monitoring, detection of cross traffic ahead) and 360 degree monitoring of the area around the vehicle. This is required in scenarios such as assisted and automated parking. In addition, HELLA has continued to develop established 24 GHz radar narrow-band technology that is primarily used in the rear area of vehicles, which in turn strengthens its long-standing position as a market leader in this area.

By means of its subsidiary HELLA Aglaia, HELLA is furthermore undertaking in-depth development work in camera-based driver assistance systems. In this context, HELLA has already put a new business model on the market and developed an open software platform in the past fiscal year. This enables customers to assemble hardware components and software functions for series production, such as traffic sign or pedestrian recognition, individually based on requirements. The expected launch for the software system is 2019. Furthermore, HELLA Aglaia is also concerned with new technologies, e.g. artificial intelligence, required to implement autonomous driving functions, and with developing specific functions for autonomous driving subsystems, such as automated parking.

HELLA has continued to expand the research and development network in the area of autonomous driving. For example, HELLA concluded a strategic partnership with ZF Friedrichshafen AG at the beginning of fiscal year 2017/2018. The purpose of this collaboration is to develop and market state-of-the-art driver assistance systems and autonomous driving functions for vehicles, commercial vehicles and off-highway applications and to focus on the technology fields of radar sensors, camera systems and image recognition. In addition, HELLA Aglaia is collaborating with other industrial companies in the area of camera-based driver assistance systems, including Renesas Electronics, Nvidia, NXP Semiconductors, Texas Instruments, LG Electronics and Samsung Electronics.

Moreover, HELLA is researching and developing innovative new sensor solutions such as SHAKE (short for structural health and knock emission), a structure-borne sound sensor, which uses piezoelectric sensors in order to, for example, detect even the tiniest amount of contact (gravel throw, scratches, water drops) and thus enables a body control unit to initiate customer-specific functions. This area is not covered by previous proximity detection solutions. In an initial use case, the sensor can detect moisture on the road surface. The information on the condition of the road is forwarded to the driver or to other vehicles via cloud-to-vehicle or vehicle-to-vehicle communication and used as an important input variable for automated driving scenarios. The modularity of the sensor moreover opens up further application options, which can be implemented specifically depending on the original equipment manufacturer's requirements. The pending start of series production is currently in the preparation phase, and is planned for late 2018.

Another environment detection technology that supports autonomous driving is Lidar (light detection and ranging). HELLA is analyzing and testing technologically innovative approaches, including intelligent algorithms developed by US-based start-up AEye. In this context, HELLA began strategic collaboration with AEye in the past fiscal year.

With regard to the market trends of efficiency and electrification, HELLA's focus is, among other things, on the electronics of battery management systems for lithium-ion batteries that were developed specifically for full hybrids and electric vehicles and launched for the first time in the past fiscal year. In fiscal year 2017/2018, HELLA started developing the second generation of battery management systems with higher performance. HELLA's other activities are geared towards the development of the second generation of high-performance DC/DC voltage transformers. These offer the option of using recovered energy stored in the 48-volt vehicle electrical system to supply 12-volt loads. Building on this, the 48-volt hybridization outlines a cost-effective solution for significantly reducing CO_2 emissions. In driving scenarios where the internal combustion engine is switched off (e.g. during active and passive coasting), it ensures a reliable supply to the vehicle electrical system over two voltage networks. HELLA launched its first generation of high-performance DC/DC voltage transformers on the market at the beginning of fiscal year 2017/2018.

In addition, the research and development activities of HELLA also continue to aid in optimizing vehicles regardless of drive train, such as conventional internal combustion engines with the goal of achieving a higher level of efficiency. This includes projects such as developing an electric coolant pump. Based on a corresponding initial order at first, they have been specifically developed for hybrid and electric vehicles and assist them through efficient cooling of components including the battery, power electronics and electric motor. In addition, they can also be integrated into vehicles with internal combustion engines and optimize aspects such as cooling for the turbocharger and exhaust gas recirculation.

To strengthen the digitalization and connectivity trend, HELLA expanded its activities in the air quality management area in the past fiscal year. Thus, series production of a sensor developed by HELLA for measuring the fine particulate matter content both inside and outside the vehicle is planned to begin in 2020 for a German premium original equipment manufacturer. In addition, HELLA has reached an agreement in this context for strategic cooperation with the Israeli provider of cloud-based air quality analyses, BreezoMeter. As part of this collaboration, HELLA is contributing the sensor systems for measuring the fine particulate matter content; BreezoMeter supplements this data with additional cloud-based air quality data. The goal of the collaboration is the reliable generation and provision of real-time data on air quality inside and outside the vehicle. Based on this technology, various scalable function packages can be provided to protect passengers. This includes improved route planning with consideration for air quality as well as active health management in the vehicle cabin which is controlled by smart devices.

HELLA has also been developing domain computers. These are an essential feature of new, service-oriented vehicle electric system architectures where the software functions are concentrated in a few control units that have very high performance. By using them, original equipment manufacturers and end consumers are able to map complex functions extending between control units and to update them throughout the vehicle's entire service life. This can even include subsequent over-the-air updates and upgrades with new functions.

In the area of individualization HELLA is among other things developing and producing new technologies for key fobs. For example, thanks to their high-end appearance, tailored to match the vehicle interior, new surface technologies meet the rising demands of end-customers with regard to quality and individuality. In fiscal year 2017/2018, HELLA has also stepped up development of new, safety-related technologies in the area of key fobs. The first products with these technologies are set to go into production in Summer 2019.

In the business division Electronics HELLA has further expanded the capacity of the international research and development organization. For example, the official founding of the Forschungsinstitut für Kraftfahrzeug-Elektronik (E-LAB) (research institute for vehicle electronics) was prepared with TU Dortmund University and Hamm-Lippstadt University of Applied Sciences in the previous fiscal year. Professors from other universities, such as RWTH Aachen University and Ruhr University Bochum, also contributed to this collaboration in certain research areas. The E-LAB works together with these universities to develop solutions to long-term trends in vehicle electronics, in areas such as micro-gesture control in vehicle interiors, the use of LED light sources for communication between vehicles or in the area of battery management.

Moreover, HELLA maintains various research cooperations in collaboration with other partners. In the area of autonomous driving, redundant monitoring of safety-relevant driving functions is optimized in the "AutoKonf" project. In addition, HELLA is working together with additional collaborative partners from the science and economic sectors to develop a close-to-production fusion platform with open interfaces, which enables affordable implementation of highly and fully automated functions as part of the research project "Open Fusion Platform", which is funded by the Federal Ministry of Education and Research in Germany. In the area of energy management, high-voltage charging converters with high energy density are examined and developed further as part of the "HELENE" project. There is also competition related to innovation, which will strengthen collaboration between the preliminary electronics development team, sales team and innovative suppliers at HELLA.

In addition, HELLA is increasingly relying on creating spin-off start-up companies, whose basic technologies have been developed at HELLA's incubator. In the past fiscal year 2017/2018, HELLA created the spin-off start-ups Brighter AI and YPTOKEY. Brighter AI uses deep learning applications to create life-like daylight variants of night images. YPTOKEY has put a software solution for digital key and access authorization systems on the market.

AFTERMARKET

Research and development expenses are being incurred in the Aftermarket segment, particularly in the area of complex workshop equipment. HELLA is mapping the entire innovation, development and production process through the subsidiary Hella Gutmann Solutions. In the past fiscal year, the research and development activities included development of powerful diagnostic units. A main area of focus was further expansion of software expertise related to the diagnostic and workshop equipment business. In this context, Hella Gutmann Solutions put the new mega macs 77 diagnostic unit on the market for the first time in fiscal year 2017/2018. This unit is an expansion of the established mega macs diagnostic systems and enables functions such as faster scanning and interpretation of error codes. In addition, other areas of focus related to expansion of diagnostic expertise in the area of sensor technologies and calibration methods. In the past fiscal year, HELLA has advanced business activities in the area of cloud-based diagnostic services by investing in the start-up company CarForce. The strategic objective is to develop new digital business models. Other development activities focused on further expanding the maintenance, repair and diagnostic portfolio by adding electric vehicles and through further development of existing expertise in the area of emissions testing.

SPECIAL APPLICATIONS

The strategic pillar of the Special Applications business segment is applying core expertise related to light technology and electronics from the Automotive segment to special vehicle applications. One key theme of the research and development activities of the segment is therefore the accelerated introduction of LED technology in special original equipment and retrofitting special vehicles. This includes subsequent steps for rolling out the modular series Shapeline and intensive development of modularization concepts in the area of LED-based work lights. In addition, HELLA is accelerating the development of intelligent lighting systems in the Special Applications segment, in areas such as Matrix LED work lights, which can be used to implement new safety functions (such as anti-glare protection in work use) through a more accurate and customized activation of the light source. In addition, the new projection module VISIOTECH is being presented for the first time in fiscal year 2017/2018. This module can be used to project warnings or customer-specific logos onto the ground in order to visually warn vehicles and passengers or to define specific work areas. In addition, the development, marketing and sales activities of the segment are being focused to extend the electrical system/electronics business. The in-house development expertise is also further expanded in this area. The product focus area here is on the actuator, sensor and energy management product divisions. Electronics products are adapted to the special customer requirements.

In fiscal year 2017/2018, HELLA has further expanded development capacities in the segment due to high growth potential in the Special Application segment resulting from the knowledge and technology transfer for lighting technology and electronics applications. HELLA also cooperates with a network of other OEM suppliers and academic partners in developing and equipping a future-oriented concept cabin for agricultural and construction vehicles. In fiscal year 2017/2018, tasks in this research cluster were resumed.

Human Resources

HELLA had 40,263 permanent employees worldwide as at the balance sheet date of May 31, 2018. This equates to an increase of 6.8% compared to the prior year. HELLA employs temporary staff supplied by personnel services companies in addition to its own permanent workforce, due to fluctuating order and production volumes. To avoid skewing HR management indicators, staff indicators for the personnel services companies are not included in the aforementioned management indicators of the company and those listed below.

Permanent staff in the HELLA Group (at May 31 of each year)

For more information on Human Resources, please refer to the description in the consolidated notes from PAGE 132.

The strongest growth in fiscal year 2017/2018 (June 1, 2017 to May 31, 2018) was reported by the regions of North, Central and South America and Europe not including Germany. Compared to the prior year, the number of permanent employees increased by 19.1% to 7,175 employees (prior year: 6,027 employees) in North, Central and South America. This increase is largely linked with comprehensive capacity expansions and new production launches, primarily in a Mexican lighting plant and construction of a new electronics plant, which is also in Mexico.

In the Europe not including Germany region, the number of permanent employees increased by 8.4% to 16,880 employees compared to the prior year (prior year: 15,568 employees). Due to higher production volumes and the preparation of production launches during this current fiscal year, there has been an increase in employees in this region, particularly production employees. In addition, production employees from a temporary worker pool were made permanent employees in fiscal year 2017/2018. In addition, HR capacities have been expanded in the Europe not including Germany region in management roles and in the area of research and development.

Compared to the prior year, the number of employees in Germany grew by 1.3% to 9,831 employees (prior year: 9,707 employees). This increase was the result of a strengthening of central administrative functions and the research and development departments.

In the Asia/Pacific/Rest of World region, the number of employees (6,377 employees) remained almost constant compared to the prior year (prior year: 6,414 employees). The number of employees grew particularly in the area of research and development.

Further information related to qualification, promotion and further training of employees can be found in the Non-financial report from PAGE 95.

Permanent employees in the HELLA Group by region

	May 31, 2018	+/-	Share
Germany	9,831	+1.3%	24%
Europe not including Germany	16,880	+8.4%	42%
North, Central and South America	7,175	+19.1%	18%
Asia / Pacific / RoW	6,377	-0.6%	16%
Permanent employees worldwide	**40,263**	**+6.8%**	**100%**

Economic report

General economic conditions

- **Global gross domestic product (GDP) grows by 3.7% in calendar year 2017**
- **Economic strength increases by 2.5% in the European Union, by 6.9% in China and 2.3% in the United States**
- **Economy maintains positive trend in first quarter of 2018: Increase of 2.4% in the European Union, 6.8% in China and 2.0% in the United States**

The global economy experienced positive growth in calendar year 2017. As a result, the global gross domestic product (GDP) increased by 3.7% in this period according to International Monetary Fund (IMF) estimates updated in July 2018. The growth was stronger than it has been since 2011. Of particular note, IMF data shows strong growth above 4% in the second half of the year. Several factors contributed to this upswing, including an increase in investment activity in industrialized countries, additional economic growth in developing countries in Asia and favorable financing conditions. Good performance in many regions of the world, including in the core countries relevant to HELLA, drove this growth.

According to Eurostat, the European agency for statistical information, the GDP of the European Union grew by 2.5% in calendar year 2017. This is the highest growth rate in ten years. The major factors contributing to this were increased domestic demands, e.g. as a result of increasing capital expenditure, and additional growth drivers due to the monetary policy from the European Central Bank. In the third quarter of calendar year 2017, the growth was 2.8% compared to the previous year and 2.7% in the fourth quarter. In the first quarter of the new calendar year, the gross domestic product increased by 2.4% compared to the previous year. Particularly in Great Britain, however, uncertainties due to the initiated exit from the European Union have had a noticeable impact. As a result, Great Britain's economy saw its weakest growth since 2012.

In Germany, the GDP experienced a price-adjusted and calendar-adjusted increase of 2.5% in 2017 according to estimates from Destatis, the German Federal Statistical Office. The German economy saw solid growth in the second half of the year in particular, with growth of 2.7% in the third quarter and 2.9% in the fourth quarter. In the first quarter of 2018, economic growth in Germany was 2.3%.

The GDP in China grew 6.9% in calendar year 2017 according to data from the IMF and the Chinese Bureau of Statistics. The primary reasons for this include stronger foreign trade and the growing construction sector. Economic growth in both the second half of 2017 and the first quarter of 2018 was 6.8% compared to the respective periods in the previous year.

In the United States, GDP growth was 2.3% in calendar year 2017 according to estimates from the Bureau of Economic Analysis. This growth was facilitated primarily by a positive trend in domestic demand as well as good job market performance in calendar year 2017. In the United States, economic potential saw dynamic development in the second half of the year and increased by 3.2% in the third quarter and 2.9% in the fourth quarter. At the beginning of calendar year 2018, GDP in the United States experienced 2.0% growth in the first quarter according to the estimates updated in May 2018. The tax reform that took effect at the start of calendar year 2018 led to positive effects. In contrast, the intention announced by the US administration to renegotiate the free trade agreement NAFTA led to economic uncertainties shortly before the start of fiscal year 2017/2018.

Industry development

- **Global light vehicle production increases by 1.5% in fiscal year 2017/2018**
- **Primary growth drivers are Europe not including Germany (+4.9%) and Asia/Pacific/Rest of World (+1.9%)**
- **Decrease in light vehicle production in Germany (-3.3%) and North, Central and South America (-2.3%)**
- **Growth in light vehicle production at 1.6% in the first half of the year and 1.4% in the second half of the year**

In the past fiscal year 2017/2018 (June 1, 2017 to May 31, 2018), the international automotive sector improved overall. According to the IHS market research institute data updated in July 2018, the production of passenger cars and light commercial vehicles increased by 1.5% to 96.0 million units (prior year: 94.6 million units). The first half of the fiscal year saw 1.6% growth, with 1.4% in the second half of the reporting period. The regions of Europe not including Germany and Asia/Pacific/Rest of World were the main growth drivers in the past fiscal year. In contrast, the number of new vehicles produced has decreased in Germany and in the region of North, Central and South America in comparison to the previous year. As a whole, the automobile industry experienced significantly weaker growth than in the same period in the previous fiscal year 2016/2017 (+5.7%).

In the region of Europe not including Germany, the number of new vehicles produced increased by 4.9% compared to the previous fiscal year to 16.7 million units (prior year: 15.9 million units). In contrast, the selective German automotive market saw a 3.3% decrease in new production down to 5.7 million units (prior year: 5.9 million units) during the reporting period.

In the region of Asia/Pacific/Rest of World, the number of new units produced compared to the previous year increased by 1.9% to 51.2 million units (prior year: 50.3 million units) in fiscal year 2017/2018. In this region, the Chinese market was a major growth driver. Thus the number of new vehicles produced in China compared to the previous year increased by 2.2% to 28.0 million units (prior year: 27.4 million units).

In contrast, the region of North, Central and South America experienced a downward trend in the past fiscal year. The number of new vehicles produced decreased by 2.3% to 20.3 million units (prior year: 20.8 million units). The critical factor behind this was the market in the United States, which experienced a significant decrease of 7.8% to 10.9 million vehicles (prior year: 11.8 million units).

Business development of the HELLA Group

- **Currency-adjusted sales increase by 9.3% in fiscal year 2017/2018**
- **Reported consolidated sales rise by 7.2% to € 7,060 million**
- **Reported sales increase by 8.0% in the first half of the fiscal year and 6.5% in the second half**
- **Adjusted earnings before interest and taxes grow by 8.8% to € 581 million**
- **Adjusted EBIT margin improves by 0.1 percentage points to 8.2%**
- **Adjusted free cash flow from operating activities rises by 62% to € 241 million**

RESULTS OF OPERATIONS

In fiscal year 2017/2018 (June 1, 2017 to May 31, 2018), the currency-adjusted sales of the HELLA Group increased by 9.3% and improved by 7.2% to € 7,060 million (prior year: € 6,585 million) taking into account the effects of negative exchange rates. This entailed reported sales growth of 8.0% in the first half of the fiscal year (prior year: 1.2%) and 6.5% in the second half (prior year: 6.1%). The Automotive and Special Applications segments in particular supported the company's renewed growth in sales. The Aftermarket segment also saw growth in sales in terms of business with external customers.

With regard to sales by region, the reported sales in Europe not including Germany increased by 12.6% to € 2,497 million (prior year: € 2,218 million), while sales in the German market decreased by 4.9% to € 2,134 million (prior year: € 2,243 million). Reported sales in the region Asia/Pacific/Rest of World increased by 13.6% to € 1,208 million (prior year: € 1,063 million) and in the region North, Central and South America by 15.1% to € 1,221 million (prior year: € 1,061 million).

In addition, HELLA's profitability also improved in the reporting period. As a result, adjusted earnings before interest and taxes (adjusted EBIT) of the HELLA Group increased by 8.8% year-over-year to € 581 million (prior year: € 534 million). This additional improvement is due to higher sales growth and an increased gross profit margin throughout the Group in particular. Thus, the adjusted EBIT margin in relation to the reported consolidated sales increases to 8.2% (prior year: 8.1%).

Taking special effects into account, the reported earnings before interest and taxes (EBIT) in fiscal year 2017/2018 increased by 13.2% to € 574 million (prior year: € 507 million), with the reported EBIT margin increasing to 8.1% (prior year: 7.7%). The earnings before interest and taxes were

HELLA Group sales
(in € million, reported growth and currency and portfolio-adjusted growth year-over-year in %)

adjusted for restructuring measures in Germany (€ 7 million) in the past fiscal year. In the first half of the previous fiscal year 2016/2017, adjustments were necessary in conjunction with the uncontested ruling of the proceedings of the European Commission at the start of the completed fiscal year (€ 16 million). In addition, adjustments for restructuring measures in Germany (€ 10 million) took place in the previous year.

The reported gross profit increased in fiscal year 2017/2018 by 8.5% to € 1,966 million (prior year: € 1,812 million), the reported gross profit margin is consequently at 27.8% (prior year: 27.5%). All of the segments of the HELLA Group contributed to this improvement in the margin which is the result of several factors, including higher production volume.

The adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) increased by 8.3% year-over-year to € 1,024 million (prior year: € 946 million). The adjusted EBITDA margin increases to 14.5% (prior year: 14.4%) as a result. The reported earnings before interest, taxes, depreciation and amortization (EBITDA) improved during this period by 10.7% to € 1,018 million (prior year: € 919 million). This corresponds to a reported EBITDA margin of 14.4% (prior year: 14.0%).

Research and Development (R&D) expenses increased to € 692 million in the reporting period (prior year: € 636 million). In relation to sales, this corresponds to an R&D ratio of 9.8% (prior year: 9.7%). As part of the company's strategic alignment, expenses were incurred in particular from the expansion and the drive to bolster HELLA's leading technological position along automotive market trends. Trends particularly relevant to HELLA here are autonomous driving, efficiency and electrification, connectivity and digitalization, as well as individualization. Further capital expenditures were incurred in relation to the preparation and implementation of numerous production rollouts, and in further expanding international development capacities.

The distribution expenses increased to € 523 million (prior year: € 506 million) in fiscal year 2017/2018 as a result of higher sales growth. Due to lowered costs, the distribution expenses in relation to the consolidated sales have not increased proportionately, leading the distribution expense ratio to drop to 7.4% during the reporting period (prior year: 7.7%).

In fiscal year 2017/2018, the administrative costs increased to € 242 million (prior year: € 230 million). Further strengthening of central administrative functions and global administrative capacities led to this increase. In relation to consolidated sales, the administrative cost ratio is 3.4%, slightly below the level from the previous year (prior year: 3.5%).

The balance of other income and expenses in the past year was at € 21 million, above the level from the previous year (prior year: € 15 million). In the reporting period of the prior year, this was strained especially due to expenses resulting from the uncontested rulings of proceedings of the European Commission. In relation to sales, the balance of other income and expenses corresponds to a ratio of 0.3% (prior year: 0.2%).

The contribution to earnings made by joint ventures and other associates decreased to € 44 million (prior year: € 52 million) in fiscal year 2017/2018. In relation to the Group-wide reported EBIT, this corresponds to a contribution to earnings of 7.6% (prior year: 10.2%). This development can be attributed to the lower earnings of South Korean and Chinese joint ventures as a result of lower sales by South Korean original equipment manufacturers in China.

The net financial result during the fiscal year 2017/2018 period is € -44 million (prior year: € -44 million). Expenses relating to income taxes amount to € 140 million in the reporting period (prior year: € 120 million).

This represents an increase in earnings for the period in fiscal year 2017/2018 to € 390 million (prior year: € 343 million). In

Adjusted earnings before interest and taxes (adjusted EBIT; in € million and as a % of sales)

relation to the reported consolidated sales, this corresponds to a ratio of 5.5% (prior year: 5.2%). Earnings per share thus rise to € 3.50 in the reporting period (prior year: € 3.08).

FINANCIAL STATUS

The finances of the HELLA Group are managed centrally by the parent company. Funding is largely raised centrally and made available to the Group companies as required. HELLA generally has a long-term funding horizon, which ensures liquidity at all times even in the event of cyclical fluctuations. The investment and funding policies are based on a balanced portfolio. Financial management aims to safeguard the Group's liquidity and creditworthiness.

For more information relating to HELLA's financial strategy, please refer to the "General information on the HELLA Group" chapter in the group management report.

At present, HELLA essentially employs three financial instruments in the non-current segment:

- **CAPITAL MARKET BONDS**
  At the balance sheet date, HELLA had two outstanding capital market bonds of seven years each. These comprise a bond of € 500 million maturing in January 2020 and a bond of € 300 million issued in May 2017 that matures in 2024.

- **PRIVATE PLACEMENT**
  A total of JPY 22 billion with a 30-year term was raised in 2002 and 2003. This foreign currency liability is fully hedged against exchange rate fluctuations over its entire term. The value of the liability on May 31, 2018 was € 177 million.

- **SYNDICATED CREDIT FACILITY**
  In June 2015, a five-year syndicated credit facility of € 450 million was agreed upon with a syndicate of international banks. This credit line has been renewed two times for one year each and now expires in June 2022.

The net cash generated from operating activities improved by € 113 million year-over-year to € 826 million (prior year: € 713 million). This development was financed by significantly higher earnings. Thus, cash generated from reported earnings before non-cash depreciation and amortization (EBITDA) increased significantly year-over-year and increased by 10.7% year-over-year to € 1,018 million (prior year: € 919 million).

This sales growth was accompanied simultaneously by an accumulation of working capital. In the higher working capital area, increased liabilities had a positive effect. These liabilities were offset by higher receivables and inventories due to stronger growth in conjunction with production rollouts. The working capital arising from the increase in receivables and other assets amounted to € 85 million,

The inventories were € 123 million. Trade liabilities and other liabilities increased by € 73 million.

Gross capital expenditure excluding payments for the acquisition of company shares or the increase or repayment of capital dropped by € 41 million to € 608 million (prior year: € 649 million). They included, first, capital expenditures in long-term expansion of the worldwide development, administrative and production network pursued further by HELLA in the past fiscal year. Second, these capital expenditures predominantly included maintenance capital expenditures for buildings, machinery, systems and other equipment. Third, HELLA made significant investments in customer-specific operating equipment, which is recognized in the Group's non-current assets as economic property on account of the opportunity and risk structure. In view of the considerable up-front investments in such operating equipment, HELLA receives reimbursement payments from customers—sometimes as an advance on the delivery of parts. These payments are reported as prepayments within deferred income. These customer payments came to € 176 million in the past fiscal year (prior year: € 132 million).

Regional market coverage by customer—HELLA Group

	2017/2018		2016/2017	
	Absolute (in € million)	Relative	Absolute (in € million)	Relative
Germany	2,134	30%	2,243	34%
Europe not including Germany	2,497	35%	2,218	34%
North, Central and South America	1,221	17%	1,061	16%
Asia / Pacific / RoW	1,208	17%	1,063	16%
Consolidated sales	**7,060**	**100%**	**6,585**	**100%**

Reported free cash flow from operating activities accordingly amounted to € 218 million (prior year: € 69 million) in fiscal year 2017/2018. When adjusted for payments for restructuring measures in Germany (€ 13 million) and payments related to the uncontested ruling of the proceedings of the European Commission (€ 10 million), the adjusted free cash flow from operating activities improved to € 241 million (prior year: € 149 million). In the previous year, the free cash flow from operating activities was adjusted for payments for restructuring measures in Germany (€ 10 million) and suspension of the factoring program (€ 70 million).

Total outflows from financing activities came to € 305 million (prior year: € 135 million). Net new borrowing stood at € 155 million (prior year: € 68 million net drawn credit). In the second half of fiscal year 2017/2018, HELLA also took out a USD $200 million loan in Mexico. The loan consists of one three-year portion and one five-year portion. The € 300 million bond issued in 2014 was repaid in September 2017. In May 2017, HELLA issued a new corporate bond on the capital market valued at € 300 million for its refinancing.

As part of active management of the liquidity available to the Group, € 21 million was expended from securities during the reporting year (prior year: € 12 million received). For liquidity management purposes, capital is usually invested in short-term securities or securities with a liquid market, so that these funds can be made available for potential operating requirements on short notice.

The dividends of € 0.92 per share enacted at the annual general meeting on September 28, 2017 amounted to a total of € 102 million. In addition, approximately € 1 million was paid as dividends to shareholders who hold non-controlling shares.

Liquidity from cash and cash equivalents decreased by € 96 million year-over-year to € 688 million (prior year: € 784 million). Including current financial assets, which essentially comprise securities of € 333 million (prior year: € 314 million), available funds decreased to € 1,021 million (prior year: € 1,098 million). On this basis, HELLA is able to satisfy its payment obligations.

FINANCIAL POSITION

Total assets increased by € 283 million to € 5,921 million in the past fiscal year (prior year: € 5,638 million). The equity ratio stood at 42% at the end of fiscal year 2017/2018 and was thus above the level from the previous year (prior year: 39%). The equity ratio in relation to total assets adjusted for liquidity comes to 51%.

Current and non-current financial liabilities decreased by € 169 million to € 1,208 million (prior year: € 1,377 million).

Net financial debt as the balance of cash and cash equivalents and current financial assets less current and non-current financial liabilities decreased by € 92 million to € 187 million (prior year: € 278 million). At the reporting date, the ratio of net financial debt to EBITDA stood at 0.2 (prior year: 0.3).

Alongside the financial liabilities shown on the face of the balance sheet, obligations from operating leasing agreements exist but are of minor importance. The present value of the resultant minimum lease payments came to € 110 million at the balance sheet date (prior year: € 63 million).

The corporate rating issued by Moody's remains in the investment grade segment at Baa2 with a positive outlook. Moody's last confirmed its credit opinion in September 2017.

Regional market coverage by customer—Automotive

	2017/2018	2016/2017
Germany	34%	38%
Europe not including Germany	27%	25%
North, Central and South America	21%	19%
Asia / Pacific / RoW	18%	17%

FURTHER EVENTS IN FISCAL YEAR 2017/2018

Collaboration between ZF and HELLA

In fiscal year 2017/2018, the two automotive suppliers ZF and HELLA entered into a strategic partnership. Both partners will benefit from this cooperation on sensor technology, particularly for front camera systems, image recognition and radar systems; ZF will further strengthen its portfolio as a systems supplier of both modern assistance systems and autonomous driving functions. HELLA on the other hand will drive the development of its key technologies, which will provide the company with broader market access within the scope of the cooperation. An initial joint development project in camera technology starts immediately and is aiming for a market launch in 2020. Furthermore, the cooperation partners will also identify opportunities to collaborate on radar systems to offer attractive series solutions by jointly aligning their product portfolios in the short to medium term.

HELLA expands its international presenceover the long term

In October 2017, the joint venture Beijing HELLA BHAP Automotive Lighting opened a new lighting plant near the Chinese metropolis of Tianjin. In addition, HELLA began series production at a newly built electronics plant at the beginning of the current fiscal year; moreover, additional series production has started in two existing Mexican lighting plants that had their capacity expanded in late 2017. HELLA is also currently expanding electronics production in Shanghai and is building further electronics plants in India and Lithuania. At the company headquarters in Lippstadt, HELLA announced construction of a new administration, visitor and exhibition center and, together with other partners, the opening of an innovation quarter. In Northville, Michigan (USA) HELLA is opening a new regional administration and technology center.

Cooperation with BreezoMeter by agreement

HELLA and the Israeli start-up BreezoMeter are working together. The objective of the cooperative effort with BreezoMeter, a provider of cloud-based air-quality analyses, is reliable generation and provision of real-time data on the air quality inside and outside the vehicle. Personalized offers for active health management are issued based on this cloud-based technology.

OLED technology for automotive applications

In collaboration with a premium original equipment manufacturer, HELLA has produced a rear combination lamp with OLED technology in large-scale series production for the first time. HELLA is driving the possibilities for personalized rear combination lamp design forward with this technology. For example, these lamps allow the implementation of various coming home and leaving home scenarios and much more.

Digitalization of workshop business

HELLA is developing new business models in the area of digital diagnostic services and, as part of these efforts, has invested in the start-up CarForce. This company launched a cloud-based software solution for transferring vehicle data to workshops. Via the cloud, data on the condition of the vehicle, such as tire pressure or battery condition data, can be passed to independent workshops. This gives them the option of creating customized maintenance and repair offers for customers on short notice, the moment the transmitted condition data indicates a potentially critical area. For end-consumers, this can reduce wait time and downtime during the repair process. In terms of prospects, collaboration with CarForce is primarily intended to further promote the Hella Gutmann Solutions subsidiary.

Regional market coverage by customer—Aftermarket and Special Applications

	2017/2018	2016/2017
Germany	17%	19%
Europe not including Germany	63%	61%
North, Central and South America	7%	7%
Asia / Pacific / RoW	13%	13%

- **New electronics joint venture in China**
  HELLA founds a new joint venture for electronics components together with BHAP, a member of the BAIC automotive group. HELLA is expanding its presence in the Chinese market further with this joint venture. HELLA BHAP Electronics is the second joint venture that HELLA has entered into with BHAP and HELLA's first for electronic components in China. Both partners have equal shares in the joint venture. The joint venture's production facility is in Zhenjiang. A new electronics plant is currently being built at the location. The start of series production is planned for early 2020; at first, the initial product groups will be a variety of electronic control units for customers of the BAIC Group.

Business development of the segments

AUTOMOTIVE

- **Reported sales in the Automotive segment increase by 8.0% to € 5,433 million**
- **Adjusted earnings before interest and taxes increase by 3.3% to € 459 million; adjusted EBIT margin at 8.5%**
- **Ongoing capacity expansions and R&D expenses for expanding technological leadership reduce segment earnings during the reporting period**

In fiscal year 2017/2018, the Automotive segment maintained the growth dynamics established in the prior year and the reported segment sales increased by 8.0% to € 5,433 million (prior year: € 5,029 million). Growth of reported sales was 9.1% in the first half of fiscal year 2017/2018 (prior year: 0.7%) and 7.0% in the second half (prior year: 7.0%). The increased sales are the result of new production rollouts and higher production volumes. These are the result of increased demand for innovative lighting systems and electronics solutions, especially in the areas of driver assistance systems and energy management.

In addition, sales growth in the Automotive segment was driven by positive business development in central core markets of the automotive industry. Thus, Automotive sales increased by 14.9% to €1,457 million in the region of Europe not including Germany (prior year: € 1,268 million). In contrast, sales in the selective German market decreased by 4.1% to € 1,827 million (prior year: € 1,906 million). Sales in the Automotive segment increased by 14.9% to € 987 million in the region Asia/Pacific/Rest of World (prior year: € 858 million) and by 17.3% to € 1,112 million in the North, Central and South America region (prior year: € 948 million).

In the reporting period, the adjusted EBIT of the segment increased by 3.3% to € 459 million (prior year: € 444 million). As a result, the adjusted EBIT margin is 8.5% (prior year: 8.8%). The segment earnings were adjusted by € 3 million during the reporting period for restructuring measures in Germany; no adjustments were made in the Automotive segment in the same period from the prior year. Therefore, at € 457 million, the reported EBIT in fiscal year 2017/2018 is approximately 2.8% above the level from the previous year (prior year: € 444 million), corresponding to a reported operating result margin of 8.4% (prior year: 8.8%).

In fiscal year 2017/2018, the Automotive segment earnings were reduced due to the capacity expansion and construction of new plants at an initially low capacity utilization. In addition, the contribution of joint ventures and other associates to segment earnings was reduced as a result of lower earnings of Chinese and South Korean joint ventures in the reporting period, especially in the first half of the fiscal year. Furthermore, negative exchange rates and higher expenses for research and development to prepare and execute production rollouts as well as to expand technological leadership and also higher costs for sales and administration had a minimizing effect on the segment earnings. Moreover, the gross profit margin of the segment was strained by several factors, including rising raw material costs, in the second half of fiscal year 2017/2018.

In € million	**2017/2018**	+/-	2016/2017
Sales with external customers	5,383	+8.1%	4,980
Intersegment sales	50		49
Segment sales	**5,433**	**+8.0%**	**5,029**
Cost of sales	-4,048		-3,751
Gross profit	**1,385**	**+8.4%**	**1,278**
Gross profit in relation to sales	25.5%		25.4%
Research and development expenses	-658		-605
Distribution expenses	-138		-120
Administrative expenses	-193		-178
Other income and expenses	18		24
Earnings from investments accounted for using the equity method	43		46
Earnings before interest and taxes (EBIT)	**457**	**+2.8%**	**444**
Earnings before interest and taxes (EBIT) in relation to sales	8.4%		8.8%
Earnings before interest and taxes after adjustments in the segment result (adjusted EBIT)	**459**	**+3.3%**	**444**
Adjusted earnings before interest and taxes (adjusted EBIT) in relation to sales	8.5%		8.8%

AFTERMARKET

- **Aftermarket increases reported sales with external customers by 3.4%**
- **Positive business development in wholesale distribution and the independent aftermarket as well as workshop equipment in the second half of the year**
- **Significant improvement in profitability in the Aftermarket: EBIT increases by 19.3%, EBIT margin increases to 7.1%**

Reported sales with external customers in the Aftermarket segment rose by 3.4% in the past fiscal year to € 1,225 million (prior year: € 1,185 million). In relation to overall sales, the reported segment sales of € 1,228 million in the reporting period is slightly more than the prior year's level (prior year: € 1,222 million). The activities in the independent aftermarket business and wholesale trade experienced good performance. In the second half of the fiscal year, business with workshop equipment and diagnostic devices increased due to several factors, including higher demand for diagnostic and workshop products as well as the sale of software updates and licenses. The sales contribution of the FTZ and Inter-Team wholesale distribution companies that are currently being sold was approximately € 500 million during the reporting period.

In addition, the reported earnings before interest and taxes (EBIT) in the Aftermarket segment increased significantly during the reporting period. Thus, the EBIT increased by 19.3% to € 87 million year-over-year (prior year: € 73 million), resulting in an increase in the reported EBIT margin to 7.1% (prior year: 6.0%). The second half of the fiscal year in particular contributed to the higher profitability of the segment due to an improved gross profit margin and due to significantly lower sales and administrative cost ratios. FTZ and Inter-Team achieved an EBIT of approximately € 35 million in fiscal year 2017/2018.

In € million	2017/2018	+/-	2016/2017*
Sales with external customers	1,225	+3.4%	1,185
Intersegment sales	3		38
Segment sales	**1,228**	**+0.4%**	**1,222**
Cost of sales	-799		-805
Gross profit	**429**	**+2.7%**	**417**
Gross profit in relation to sales	34.9%		34.1%
Research and development expenses	-13		-13
Distribution expenses	-326		-323
Administrative expenses	-19		-29
Other income and expenses	11		14
Earnings from investments accounted for using the equity method	6		6
Earnings before interest and taxes (EBIT)	**87**	**+19.3%**	**73**
Earnings before interest and taxes (EBIT) in relation to sales	7.1%		6.0%

* Prior-year figures were adjusted. Please refer to the consolidated financial statements for fiscal year 2016/2017 for further information.

SPECIAL APPLICATIONS

- **Reported segment sales increase by 11.6%: Positive development in business for agricultural and construction vehicles**
- **Special Applications with significant improvement in earnings: EBIT increases to € 48 million, EBIT margin is 11.2%**

In the reporting period, the Special Applications segment saw positive development in business performance. Thus, the reported segment sales increased substantially by 11.6% to € 430 million in fiscal year 2017/2018 (prior year: € 385 million). A positive development, particularly for agricultural and construction vehicles as well as truck accessories, has supported the sales growth of the segment. In addition, the increased sales result from a disproportionate number of calls from customers in Australia. In light of the altered customer and demand structures, this location is expected to undergo realignment in fiscal year 2018/2019, which is currently underway.

In addition, the profitability of the segment improved substantially in the reporting period. Thus, the segment's EBIT increased by € 28 million to € 48 million (prior year: € 20 million). Consequently, the segment's EBIT margin increases significantly to 11.2% (prior year: 5.1%), supported in particular by significantly improved profitability in the first half of the past fiscal year. In this context, the disproportionate number of calls at the Australian location in addition to sales had a positive impact on the segment's gross profit margin. In contrast, efforts towards realignment of the Australian location had the effect of reducing earnings during the reporting period, while lower administrative and distribution cost ratios contributed to increased profitability for the segment. In the prior year, the segment earnings were strained due to negative effects from the sale of the Industries and Airport Lighting business activities (prior year: € 9 million in the first half of the year and € 6 million in the second).

In € million	**2017/2018**	+/-	2016/2017*
Sales with external customers	418	+ 8.7%	384
Intersegment sales	12		1
Segment sales	**430**	**+11.6%**	**385**
Cost of sales	-276		-261
Gross profit	**153**	**+23.5%**	**124**
Gross profit in relation to sales	35.7%		32.2%
Research and development expenses	-21		-19
Distribution expenses	-59		-63
Administrative expenses	-29		-28
Other income and expenses	4		5
Earnings from investments accounted for using the equity method	0		0
Earnings before interest and taxes (EBIT)	**48**	**+143%**	**20**
Earnings before interest and taxes (EBIT) in relation to sales	11.2%		5.1%

* Prior-year figures were adjusted. Please refer to the consolidated financial statements for fiscal year 2016/2017 for further information.

Target achievement and overall statement

- **HELLA fulfilled the company outlook for the fiscal year 2017/2018 presented in June 2017**
- **Recommended dividend increases to € 1.05 per share; the total distribution amount is € 117 million**

Fiscal year 2017/2018 was very positive from the company management's perspective. HELLA has continued to pursue the profitable growth strategy in the past fiscal year and further increased sales as well as earnings. Thus, currency-adjusted consolidated sales increased by 9.3% and reported values increased by 7.2% to € 7,060 million. HELLA has also further increased profitability. Adjusted earnings before interest and taxes increased by 8.8% to € 581 million; accordingly, the adjusted EBIT margin at 8.2% is 0.1 percentage points above the level from the previous year. During the reporting period, all of the segments contributed to the positive business development and supported the boost in sales and earnings for the HELLA Group.

For fiscal year 2017/2018, HELLA had anticipated 5% to 10% growth for both currency-adjusted consolidated sales and adjusted EBIT as well as a target value of about 8% for the adjusted EBIT margin. HELLA presented this forecast at the occasion of the Capital Market Day in June 2017 and confirmed it in the annual report for 2016/2017 as well as in financial reporting during the year. Thus, the performance of currency-adjusted sales, adjusted EBIT and adjusted EBIT margin are within the scope of this forecast.

Therefore, the company management will recommend that the annual general meeting taking place on September 28, 2018 grant a dividend of € 1.05 per share (prior year: € 0.92). As there are 111,111,112 no-par value shares, this is equivalent to a distribution amount of € 117 million (prior year: € 102 million).

The HELLA Group's financial position and net assets remained solid in the past fiscal year. Adjusted for payments for restructuring measures in Germany, the adjusted free cash flow from operating activities increased to € 241 million (prior year: € 149 million). At the reporting date, the ratio of net financial debt to EBITDA stood at 0.2 (prior year: 0.3). As the good business development continued at the start of the new fiscal year 2018/2019, the company management takes a generally positive view of the results of operations, financial position and net assets at the time the group management report was prepared.

Internal control in group accounting

The Group-wide internal control system for accounting is an important component and includes organization, review and monitoring structures that ensure that business transactions are properly recorded, evaluated and applied to the financial reporting. Various analyses and evaluations are carried out as part of risk management with the objective of identifying influencing factors on accounting and reporting early and to enable suitable measures for proper recording. Regulations that are applicable throughout the Group which, together with annual financial statement planning, determine the process for preparing the financial statements are codified in an accounting handbook. If there are changes to legal regulations and accounting standards, they are analyzed promptly in terms of their impact on financial reporting and, where necessary, directly included in consolidated reporting.

The local companies are supported and monitored by the Group's central accounting department when creating their separate financial statements, which they are responsible for creating themselves. Finally, the consistency of the reported and verified financial statement data is ensured through the relevant IT systems. The consolidation of the separate financial statements in the consolidated financial statements is largely carried out centrally. In justified individual cases, for joint ventures for example, the financial statements of sub-groups are also included in the consolidated financial statements. The effectiveness of the internal accounting controls is reviewed on a continuous basis by the Internal Audit department.

The employees responsible for financial reporting receive regular training. Where necessary, support is provided by external experts for the measurement of complex items, such as pension liabilities. Moreover, the control system incorporates further risk avoidance measures and measures to improve transparency, such as comprehensive plausibility checks, segregation of duties, and the four eyes principle. Furthermore, the analyses carried out as part of risk management help to identify risks which influence financial reporting and to enable measures to be taken to mitigate these risks. The effectiveness of this internal control system is assessed by the responsible Group companies and departments using an IT-based system and audited in spot checks performed by the Internal Audit department. The Management Board and supervisory bodies are regularly informed of the results.

Opportunity and risk report

Opportunity and risk report

As an international automotive supplier, HELLA is confronted with numerous opportunities and risks arising from the Group's corporate actions and its business strategy. The aim of opportunity and risk management is to use opportunities and to identify risks early on and manage them responsibly.

Opportunity management

HELLA takes a decentralized approach to opportunity management. Opportunity management is part of the strategy and controlling process which also makes use of external market analyses and forecasts. The strategic alignment of HELLA is subjected to a systematic review as part of a continuous process and is adjusted as needed. During these efforts, new opportunities are also identified and evaluated, and implemented if suitable. Opportunities arising from day-to-day business are identified and acted on by operational management.

Opportunities for HELLA can occur as a result of the market environment in particular. Thus the automotive industry is currently being shaped by the key market trends of autonomous driving, efficiency and electrification, connectivity and digitalization as well as individualization. HELLA has identified these market trends as an opportunity for further corporate activity and strategically positioned itself alongside these trends consistently.

For example, HELLA has positioned itself in the area of autonomous driving as a supplier of components and subsystems and as a development partner. In addition, HELLA develops innovative lighting solutions for automated driving situations, such as supporting communication between automated vehicles and other road users. HELLA is benefiting from the trend towards efficiency and electrification using specific electronic solutions developed both for electric and full hybrid vehicles and for contributing to the vehicle's improved energy efficiency independently of the respective drive train. In the area of digitalization, HELLA is advancing the digitalization of automobile lighting technology with software-controlled matrix LED headlamp systems. Developing new digital business models, such as cloud-based software solutions, is another focus. HELLA has reached an agreement for strategic cooperation with the Israeli provider of cloud-based air quality analyses BreezoMeter and is strengthened its business activities in the area of digital diagnostic services through investment in the start-up company CarForce. HELLA is supporting the trend towards individualization in several ways, including through development of individualized interior and body lighting for vehicles.

There are also opportunities for additional business development for HELLA in relevant regional growth markets due to its global positioning. The markets of Europe, China and North America are of particular note for HELLA here. HELLA pursues a specific strategic path for these regions to meet the requirements of the respective sales markets. In this regard, HELLA has invested in the long-term expansion of the worldwide development and production network in fiscal year 2017/2018.

For details about the corporate strategy and research and development activities, please refer to the General information on the HELLA Group from PAGE 42 of the Group management report.

Risk management

ORGANIZATION OF RISK MANAGEMENT

Risk is understood as to be internal or external events that could jeopardize the achievement of strategic or operational aims. The Group's risk management is therefore the entirety of all measures for a systematic handling of risks and a core component of corporate governance. In this context, HELLA applies a uniform methodology to implement an effective risk management process across the entire Group that identifies and analyzes risks at an early stage and derives measures to optimize the risk-to-opportunity ratio.

The Management Board of the HELLA Group bears the overall responsibility and oversight duty for Group-wide risk management. The Management Board mandates the implementation of risk management, which is carried out together with the Risk Management Board. The Risk Management Board reviews the risk management system at the Group level and defines the overall risk position of the company. In addition, clear responsibilities for risk management are defined at the management level of the Group. This includes the HELLA Group's Management Board as well as the business divisions and central functions of the company.

RECORDING, EVALUATING AND REPORTING RISKS

The process of risk management is coordinated and managed centrally by a risk management officer. The position functions as a bridge between responsible specialists in the operational units and the Management Board. Another task of the risk management officer is to develop and provide methods and tools for risk management, to monitor the risk portfolio, to ensure the plausibility of risk information, to consolidate risks and to report on them accordingly. The risk management officer reports to the head of risk management, who defines the essential guidelines for Group-wide risk management in coordination with the company's Management Board.

The primary responsibility for recording and managing risks along the value chain lies in the first instance with the specialist personnel in the operating units. They thereby take on the role of a risk leader. They have various tools for detecting and evaluating risks, such as regular risk management workshops. In the respective business divisions and central functions, additional higher level risk managers are designated who review the overall plausibility of the risks for each business division and central function. Together with the risk management officer, they support the individual risk leaders in identifying and evaluating the risks.

In order to identify new developments early on that may have a critical impact on the company, new substantial risks and changes that have occurred in previously reported risks are reported. They are then documented systematically and managed by the risk leaders.

On the basis of these regular reports and evaluations of risks, the risk management officer creates an overall company risk report every quarter. This report lists, rates and reports all substantial risks to the HELLA Management Board. In the event of any material changes arising in the risk position in the intervening period, the Management Board is also promptly notified. This ensures that the Management Board exercises its supervisory duties and is able to respond to new developments in a timely manner.

Furthermore, the risk management system and the Group's general development are regularly reviewed in close consultation with the Shareholder Committee and the Supervisory Board. The risk management system and the underlying methodology for identifying, evaluating, managing and reporting risks are also subjected to continuous development.

METHODOLOGY OF THE RISK DOCUMENTATION

To detect in good time possible "developments threatening the continuation of the company" (see section 91(2) German Stock Corporation Act) due to the combined effects of several individual risks, risk aggregation is performed at HELLA using a Monte Carlo simulation. Due to the multi-layered nature of the risk management system, the complexity of the data and the stringent requirements of data security, the risk documentation takes place in a risk management tool developed specifically for this purpose.

In order to be able to measure and manage identified risks effectively, HELLA quantifies them to the extent feasible according to the dimensions of probability of occurrence and economic impact in the event of occurrence. The company aggregates risks to the extent possible using statistical methods for risk factors.

For consolidation and clear representation of the risk position, all risks from the risk portfolio are classified into primary risk categories. These are based on the globally recognized framework concept from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

General situation for business risks

The Group's risk profile did not change significantly in fiscal year 2017/2018. Compared to the period from the previous year, the risk scope has reduced in the areas of miscellaneous compliance risks and external risks, while it has increased in relation to quality risks in the previous year comparison. These changes can essentially be traced back to methodological adjustments in risk management that are intended to enable a more precise determination, recording and rating of

Overview of potential effects of earnings (net consideration) from risk evaluation*

Category	Scope of risk**
Strategic risks	■■□□
Financial risks	■■□□
Compliance risks	
Product safety	■■□□
Other	■□□□
Operational risks	
Quality	■■■□
Production process and procurement	■□□□
Information management	■□□□
Personnel, other operational risks	■□□□
External risks	■□□□

* Not including opportunities
** In relation to a 95% confidence level per category based on the risk inventory on the balance sheet date. Not suitable for addition.

< € 50 mill.	■□□□
>= € 50 mill. < € 150 mill.	■■□□
>= € 150 mill. < € 300 mill.	■■■□
>= € 300 mill.	■■■■

risks. As a whole, risk management has contributed to efficient management of overall risks in the Group. From today's perspective, the Group's risks are limited and there are no risks posing an existential threat. Nor is the company aware of any actual or potential developments that could seriously threaten its going-concern status in the foreseeable future.

Central risk fields of the HELLA Group

Based on the classifications of the COSO model, HELLA distinguishes between five main risk categories:

- Strategic risks
- Financial risks
- Compliance risks
- Operational risks
- External risks

The respective measures taken by the HELLA Group to restrict risks are included in the rating of individual risks (net review). Hitherto unknown risks can also have a negative impact on HELLA's economic or financial situation.

STRATEGIC RISKS

Strategic risks at HELLA essentially arise from the business model, from the global positioning and from changes in the industry environment.

Risks from the business model

As an automotive supplier, HELLA relies on a limited number of customers. This brings with it risks arising from potential worsening of the economic situation and performance of individual customers. They can result from aspects such as new regulatory requirements for original equipment manufacturers. HELLA follows a risk-reduced business model overall for this reason. For example, HELLA maintains long-term, trusting and cooperative customer relationships as well as a balanced, diversified customer portfolio in all relevant core markets of the automotive industry, which simultaneously minimizes the risks of a possible default by individual customers. Furthermore, the Aftermarket and Special Applications segments contribute to a balanced business portfolio.

Risks arising from the company's global positioning

As an international automotive supplier HELLA is represented worldwide in all major core markets. Due to this global positioning, regional or macroeconomic market fluctuations, potential trade restrictions and negative currency effects can affect the company's sales and profit performance. In order to reduce the risks from the company's international positioning and to utilize opportunities for growth in the core markets of the automotive industry, HELLA pursues corporate strategies tailored to specific regions. In addition, the company's global presence overall contributes to a balanced and risk-reduced business strategy, as individual local or regional volatilities that can result from economic, industry or customer factors can balance each other out.

Risks arising from changes in the industry environment

The automobile industry is currently undergoing a profound change. This transformation process is essentially determined by four major trends: autonomous driving, efficiency and electrification, connectivity and digitalization as well as individualization. Risks can occur for HELLA as part of this industry change and the associated increasing innovation dynamics. Furthermore, risks result from the increasing complexity of strategy and management processes as well as the requirements of adapting the business model in conjunction with the changes in the industry environment. To reduce these risks, HELLA pursues a regular and systematic strategy process. The business model is consistently geared towards industry developments and market trends as a result of this process. In order to better anticipate industry and technology trends, HELLA has further intensified activities in the start-up environment in addition to the research and development departments. These activities include the use of incubators and commitments as part of international, cross-industry innovation platforms. Furthermore, HELLA maintains a venture capital arm in Silicon Valley and various cooperation programs with universities and other academic institutions, such as the Research Institute for Automotive Lighting Technology (L-LAB) and Automotive Electronics (E-LAB).

FINANCIAL RISKS

The international focus and operations of the HELLA Group pose a series of financial risks particularly due to exchange rates, potential disruption to the liquidity situation and the increased requirements for accounting and transfer pricing strategy.

For information on the material risks arising from the use of financial instruments, please also refer to the presentation of the financial instruments from PAGE 168 in the consolidated notes.

Exchange rate risks

Various exchange rate risks may arise for the HELLA Group in connection with receivables, liabilities, cash and cash equivalents, securities and contracts which must be performed in another currency. The company initially minimizes these risks by sourcing materials locally within the respective currency and sales region. Currency risks are pooled, evaluated and coordinated centrally to additionally optimize risk management. HELLA's Foreign Currency Guideline defines a clear strategy for addressing currency risks for each company in the Group. Risk is initially analyzed at the local level. A hedging proposal based on the local data is prepared, which takes into account the extent of the risk and the limits set in the Foreign Currency Guideline. The Treasury Committee then makes a decision on the proposal. Currency risks are primarily hedged by means of currency forwards, which are structured on the basis of expected foreign-currency cash flows.

Risks arising from disruption to liquidity

HELLA pursues a strategy of solid financial policy. Despite this, risks can arise from a potential disruption to the company's liquidity position. Thus, this can be adversely affected over the long term by a customer default for instance. Furthermore, the company's trade credit receivables are also rising along with the growing complexity of the products and customer deliveries. These are continually monitored by specialist departments, so that potential deficiencies in customer deliveries are identified early on and HELLA's overall liquidity situation is permanently monitored. The Group's liquidity position is adequately secured by long-term loans, euro bonds and yen bonds. All commitments in the financing agreements which, if breached, could lead to extraordinary termination rights for the lender with potentially accelerated payment obligations, are monitored continuously. HELLA also took out a USD $200 million loan in Mexico in the past fiscal year of 2017/2018. This loan consists of one three-year portion and one five-year portion. In May 2017, HELLA also successfully placed a corporate bond of over € 300 million maturing in 2024 on the capital market.

Risks due to complexity in the transfer pricing strategy, Group accounting and tax conditions

European and international legislation is undergoing continuous evolution. As a result, transfer pricing strategy, intercompany transaction processing as well as accounting and tax requirements are becoming more and more complex. This can create new financial risks for HELLA that can arise from process inefficiencies, accounting errors or breaches of tax regulations. Regular and cross-departmental coordination processes take place to minimize the risks of deficiencies in the application of internal corporate regulations. In addition, HELLA has a comprehensive and transparent transfer pricing policy. This is kept up to date by the Transfer Pricing department. A global network of contacts has also been established to facilitate communication and collaboration within the Group and to avoid transfer pricing errors. Furthermore there are continuously evolving networks of internal experts for avoiding errors in accounting or violations of tax regulations in Taxes and Accounting.

COMPLIANCE RISKS

At HELLA, top priority is given to the observance of laws and internal rules in order to avert any compliance breaches. However, given the increasing complexity of regulatory frameworks and despite taking extensive precautionary measures, risks caused by illegal conduct of individual employees can not be completely eliminated. At HELLA, compliance risks are divided into the subcategories of product safety and miscellaneous compliance risks. For HELLA, risks in terms of product safety refer to risks such as cyber crime and risks due to non-compliance with functional safety standards. In the area of miscellaneous compliance risks, the risks fall into the realm of non-compliance with antitrust law regulations and risks due to non-compliance with data privacy regulations, risks due to environmental protection and safety requirements and patent risks.

Risks due to cyber crime

In the automotive industry, computer-assisted systems are being used to a great extent in the production and operation of vehicles. For example, various sensors and audiovisual systems are fitted to vehicles to heighten safety and performance and enable other driving functions to be performed. Because of strong interconnectedness in the operation of vehicles as well as in production, the risk of cyber crime is increasing. Increased use of software applications in automobiles enables the potential for an attack by hackers from careless use. HELLA strives to minimize this risk by participating in the international standardization process in the automotive industry and by developing and implementing secure software and hardware architecture. In light of this, HELLA has put in effort to strengthen cyber security throughout the organization.

Risks from non-compliance with functional safety standards

Risks of potential non-compliance with functional safety standards arise in particular from the use of complex technologies. The scope of this risk depends on several factors, including the technological complexity and the integration of a component into the respective vehicle function. In this context, if the occurrence of a malfunction in a function classified as relevant to safety results in a vehicle accident, this can lead to financial risks, personal liability of the persons involved and a substantial negative effect on the company reputation in the event of serious injury or damages. Through established procedural validation, high standards in research and development, production and quality assurance as well as an established product safety committee, claims with verified non-compliance with the standards of functional safety have been avoided as of the balance sheet date.

Risks due to non-compliance with antitrust law regulations

In exceptional cases, there is a risk of individual employees violating antitrust law regulation. This could entail investigations by antitrust authorities, result in fines and claims for compensation for damages by third parties with a direct impact on the company's results of operations and reduce the company's reputation. In order to reduce the risks resulting from non-compliance with antitrust law regulations and to raise awareness among employees at the company, HELLA supports several initiatives, including extensive preventative informational and training activities. These are managed centrally by the corporate compliance office. As shown in fiscal year 2016/2017 and during the fiscal year, the proceedings of the European Commission were conjointly ended at the beginning of fiscal year 2017/2018. HELLA has already stated that it will pay a fine of € 10.4 million related to these proceedings. The action initiated by the US International Trade Commission in 2012 has not been pursued any further by the applicable agencies and has exceeded its statute of limitations.

Risks due to non-compliance with data protection requirements

Since HELLA holds personal data, it must adhere to the requirements of data protection legislation as a result. With regard to the EU Data Protection Regulation effective May 2018 in particular, HELLA's European subsidiaries face new requirements in the area of data protection. Failure to observe data protection rules may have legal ramifications and harm the company's reputation. In order to minimize risks resulting from failing to handle personal data as stipulated by law, HELLA has tasked a data privacy office with handling central governance for Group-wide data protection within the organization. This is the first point of contact for all questions related to data protection within the HELLA Group. It is tasked with establishing and developing the HELLA data protection system, developing suitable procedures for this task as well as preparing and coordinating additional suitable data protection measures.

Risks due to environmental protection and safety requirements

As the volume of environmental rules is rising, HELLA may need to observe additional environmental and safety rules in the future. Moreover, changes in legal requirements may have an adverse impact on market demand for HELLA products. As an internationally active Group, HELLA must also comply with different regulatory systems. In particular, environmental protection and health regulations may be subject to frequent change and become increasingly more stringent. This may result in additional costs for the company to comply with the new requirements. HELLA is continually working to improve its sustainable and environmentally responsible business and has stepped up the monitoring and assessment of local environmental protection standards in the past fiscal year in order to ensure they are complied with

Patent risks

Like HELLA, competitors, suppliers and customers protect technology using patents and other property rights. The existence of property rights cannot always be clearly determined, particularly for certain processes, methods and applications. In individual cases there may therefore be a risk HELLA could be accused of breaching these third-party property rights. This may make the Group liable to pay damages or force it to acquire additional licenses or refrain from using the relevant technology in certain countries. To avoid violating existing third-party property rights, HELLA systematically monitors new releases and compares these against its own technology portfolio.

OPERATIONAL RISKS

As products and their production processes are becoming increasingly complex and demanding, operational risks arise, for example, in the areas of logistics, procurement, production and employee qualifications. Operational risks at HELLA are divided into four subcategories: quality risks, production and procurement, information management and other operational risks. In production and procurement, risks arising from disruptions in the supply chain are relevant in particular. The area of information management is comprised of risks from non-compliance with safety standards in information management and risks from failures in information management. Risks from skilled worker shortages and from resource shortfalls fall into the subcategory of personnel and other operational risks.

Quality risks

Important characteristics of HELLA's quality management are ensuring compliance with market and client-driven standards, durability and reliability of the produced parts (ensuring fail-safe operation) with a high degree of user benefits. Increasing complexity and the rising demands placed on the product and production processes result in the risk of potential quality deficits, such as from a lack of product maturity, insufficient resources or personnel training. These quality deficits can result in additional costs with a direct impact on HELLA's results of operations and can have a lasting negative effect on the company's reputation. In order to reduce quality risks, HELLA strives for continuous improvement to product and process maturity and follows the principle of conformity of production (COP). Conformity of production serves as proof that the company is able to manufacture a given product series in accordance with all requirements. This includes the specifications and labeling requirements stipulated in the type approval documentation. COP forms a material part of the vehicle type approval process. It is ensured by means of a comprehensive quality management system, in which testing is overseen, results checked and control plans evaluated.

Risks arising from disruptions in the supply chain

As a Tier 1 automotive supplier, HELLA is also dependent on its own supplier base. Any disruption or insufficient quality level in the supply chain would have an adverse effect on production, logistics and sales as well as the company's general reputation. If any shortfalls or outages arise on the part of suppliers, this may lead to production and delivery shortages as well as higher prices, higher material costs and quality problems, Accordingly, HELLA seeks to diversify its supplier base whenever possible. HELLA's suppliers are also constantly monitored and audited by teams of experts to avoid any interruptions in the supply chain and to maintain a high quality level in the supply chain. Supply chain management operates uniformly across the entire company. By the same token, an effective supplier performance management program can help to identify and address supplier issues early on. Furthermore, HELLA strives for more in-depth collaboration with suppliers who distinguish themselves with high innovativeness, especially in the area of very complicated, complex future technology.

Risks from raw material prices

As an industrial company that processes materials, HELLA purchases a variety of raw materials through suppliers, especially in the Automotive segment. HELLA is exposed to a variety of risks in conjunction with procurement of raw materials as a result. For example, prices can increase due to current automobile industry trends from higher demand for certain key materials. As a result, these types of price fluctuations can have a direct impact on the company's results of operations. HELLA attempts to reduce this through predictive procurement management. This includes aspects such as detecting potential market trends early on, a multiple supplier strategy for certain components, a long-term forecasting system for optimizing requirements planning and the continuous development of potential alternative strategies to avoid supplier shortfalls and to reduce costs.

Risks from non-compliance with safety standards in information management

In the business and corporate functions of the HELLA Group, work occasionally involves confidential, customer-specific information. The significant increase in cyber crime in particular, such as from ransomware or potential improper handling of data, results in a risk that secret or confidential information may come into the possession of unauthorized persons. As a result, this can lead to additional costs with a direct effect on the results of operations of HELLA and significantly greater complexity in the case of development activities. In addition, they can have a lasting negative effect on the company's reputation. In order to reduce the risks due to non-compliance with safety standards in information management, HELLA maintains a comprehensive cyber security program. This includes the organizational anchoring in the information security office, continuously training the company's employees to properly handle confidential data and the consistent expansion of corresponding security measures.

Risks arising from failures in information management

The HELLA Group uses a complex IT structure in all areas of the company. Since the applications in the areas of development and production as well as in sales and management are becoming ever more complex and increasingly large amounts of data have to be processed with limited IT resources, there is a risk of failures arising in the HELLA Group's information management. These potential failures in IT systems could interrupt operations for several days in very rare exceptional cases. To minimize these risks associated with information management, all IT systems are centrally monitored and regularly updated. The company is also steadily investing in the IT infrastructure and special IT security programs are being implemented to cut the risk of failures and data loss.

Risks from shortages of specialists

To safeguard the position as a technology leader and because of the company's international expansion, HELLA is generally reliant on qualified employees. HELLA is therefore in a global competition for specialists, so that potential risks can arise from not adequately covering personnel requirements. A shortage of staff would make its effect felt on development activities in particular, such as in software development. HELLA is pursuing a global recruitment, staff retention and training model to reduce the probability and effects of shortages of specialists. This includes targeted entry-level and continuing education programs and a further increase in collaboration with research institutions and universities.

For more information on acquiring, integrating and training employees, please also refer to the Non-financial report from PAGE 95 in the annual report.

Risks arising from resource shortages

Within the development, production and sales chain, the risk of personnel, operational or organizational shortages may arise at individual locations. These can come from extending and starting complex production efforts, comprehensive project and technology transfers or unpredictable order volatility. Furthermore, a lack of machine capacity, insufficient employee skills, a lack of supplier quality and procurement bottlenecks in relation to specific key suppliers or raw materials can pose operational risks for the company. These can have a significant impact on the business as they may lead to additional non-quality expenses, delays in delivery, contractual penalties, and increased costs to provide employees with the necessary training and qualifications. This is in addition to the potential of damaging the company's reputation. To avoid these shortages in resources, the HELLA Group strives to ensure a proper and predictive management of its production process and also promotes knowledge and technology transfer in the global network.

EXTERNAL RISKS

The external risks to which HELLA is exposed are among other things market risks, such as fluctuations in customer demand or slower global economic growth. For the HELLA Group, external risks in particular are normally difficult to predict or can hardly be influenced (or maybe even cannot be influenced at all).

Risks arising from fluctuations in general economic conditions

Around three quarters of sales can be attributed to the Automotive segment. Consequently, the company's economic situation is largely dependent on the performance of the automotive industry and general economic conditions. Uncertainties result in relation to the macroeconomic and industry-specific environment as a result, such as from new regulatory requirements for original equipment manufacturer, the potential introduction of trade restrictions or in conjunction with Great Britain's exit from the European Union, the effects of which remain unpredictable. HELLA counters risk from fluctuations typical of the sector or in macroeconomics that the company is exposed to due to its business model by using a risk-diversified business model where the Aftermarket and Special Applications segments provide balance in automotive business, using a predictive planning and management process and through international positioning.

Risks arising from consolidation in the aftermarket

Currently, increasing market consolidation is taking place in European wholesale distribution for automotive spare parts. This consolidation is expected to become more dynamic in the future. This results in risks for HELLA in relation to aftermarket business coming from changing market conditions. Therefore, HELLA consistently aligns aftermarket business based on external industry and technology trends as part of internal strategy planning in order to reduce negative effects of external risks to its own business development to a large extent and to set the path for further profitable growth in aftermarket business. In this context, in July 2018, HELLA also announced the disposal of the wholesale activities of the Danish company FTZ and the Polish company Inter-Team to Swedish wholesaler Mekonomen (subject to approval from the responsible cartel authorities). In addition, the company also performs regular and systematic reviews of the strategic alignment of the existing Aftermarket network. Among other things, this applies to further alignment of the joint venture Behr Hella Service. In this context, Mahle and HELLA are conducting bilateral discussions on further collaboration, which HELLA expects will yield a result in the near future.

Forecast report

Forecast report

Overall economic outlook

For the 2018 and 2019 calendar years, the International Monetary Fund (IMF) predicts an improvement in macroeconomic conditions and a subsequent continuation of economic growth dynamics. At the same time, however, there are various economic and geopolitical risks capable of negatively impacting the global economic trend. In addition to a global high debt level in some cases, this notably includes negative implications resulting from potential trade restrictions. In addition, the consequences of Great Britain's initiated exit from the European Union and the outcome of current NAFTA free trade agreement negotiations still remain unpredictable. According to the IMF, other economic risks also stem from persistently slow productivity growth.

Overall, the IMF expects growth in global gross domestic product (GDP) of 3.9% in each case for 2018 and 2019 as per the outlook last updated in July 2018. In the case of the Eurozone, the IMF expects an increase in growth domestic product of 2.2% in 2018 and 1.9% in 2019. In Germany, estimates from the IMF project 2.2% growth of gross domestic product in 2018 and 2.1% in the subsequent calendar year. In the United States, the IMF expects a somewhat stronger upswing and anticipates 2.9% growth in 2018 and 2.7% in 2019. Estimates from the IMF continue to put the growth rates in China significantly above the global average. A GDP increase of 6.6% is anticipated for 2018 and 6.4% for 2019.

Industry outlook

For fiscal year 2018/2019 (June 1, 2018 to May 31, 2019), the Light Vehicle Production Forecast last updated in early July 2018 from the IHS marketing research institute anticipates a global increase of 2.7% in passenger vehicle and commercial vehicle production figures to 98.6 million units (prior year: 96.0 million units). However, aspects such as new regulatory requirements and potential trade restrictions present uncertainties in relation to the industry outlook.

In the region of Europe not including Germany, the growth will continue at a somewhat lower level compared to previous years. Thus, an increase in production figures by 1.4% to 16.9 million units is expected for fiscal year 2018/2019 (prior year: 16.7 million units). The selective German market will continue to experience a downward trend in the current fiscal year according to IHS estimates, with a 0.4% drop in light vehicle production to 5.7 million new production units (prior year: 5.7 million units).

Looking at the region of North, Central and South America, the IHS market research institute anticipates a production increase of 4.8% to 21.3 million units (prior year: 20.3 million units) for fiscal year 2018/2019. The US market is also expected to show growth after a significant decline in the past fiscal year 2017/2018. According to the IHS Light Vehicle Production Forecast, an increase of 2.4% to 11.1 million produced vehicles is expected here (prior year: 10.9 million units).

Continued growth is also expected in fiscal year 2018/2019 for the Asia/Pacific/Rest of World region. The number of newly produced vehicles is expected to increase by 2.9% to 52.7 million units (prior year: 51.2 million units) here. This growth is supported in particular by a strong upward trend in the Chinese automotive market where an increase in new production units by 4.2% to 29.2 million units (prior year: 28.0 million units) is expected.

Company outlook

In light of the projected general economic and industry-specific conditions and assuming there will not be any significantly different outcomes owing to political, economic or social crises, HELLA is expecting a positive business development for the HELLA Group in fiscal year 2018/2019. This positive business outlook is supported by the fundamental strategic alignment of the company, which HELLA uses in its efforts to continue its profitable growth course.

Thus the company will first further secure and expand its position as a technology and innovation leader as well as consistently orienting its business activities to match central automotive industry trends. Second, HELLA's leading market position, particularly in the regions of Europe, Asia/Pacific and North America, presents enormous opportunities for growth. Third, this international position presents a wide, diversified customer base and, as a result, ensures a business model with fundamentally reduced risk. Furthermore, HELLA also strives to find growth opportunities in the Aftermarket and Special Applications segments. Fourth, HELLA is working on constant improvement in operational excellence.

On the other hand, there are uncertainties due to increasing wages, price increases for parts and components, unpredictability in terms of the macroeconomic situation, such as potential trade restrictions, and various supplier-side risks, such as potential component shortfalls in particular.

For the current fiscal year 2018/2019 (June 1, 2018 to May 31, 2019), HELLA is therefore expecting currency and portfolio-adjusted sales growth and an increase in earnings before interest and taxes adjusted by restructuring measures and portfolio effects (adjusted EBIT) of 5% to 10% each compared to the past fiscal year. In terms of the EBIT margin adjusted by restructuring measures and portfolio effects (adjusted EBIT margin), a value approximately equivalent to the value of the prior year is expected.

The forward-looking statements in this report are based on current assessments by HELLA's management. They are subject to risks and uncertainties which HELLA is not able to control or assess precisely, such as the future market environment and general economic conditions, actions by other market players and government measures. If any of these or other uncertainties and unknowns materialize, or if the assumptions on which such statements are based prove to be inaccurate, the actual results may differ materially from those expressed or implied in these statements.

Corporate Governance of HELLA GmbH & Co. KGaA

Corporate Governance of HELLA GmbH & Co. KGaA

The General Partner, the Supervisory Board and the Shareholder Committee of HELLA GmbH & Co. KGaA are committed to the principles of transparent and responsible corporate governance and control of the Company, attaching great priority to the standards of good corporate governance. As a family-owned business, HELLA's main focus is on entrepreneurial guidelines that implement long-term goals and sustainability, as well as compliance with standards of law and ethical standards.

With the following explanations, the General Partner, the Supervisory Board and the Shareholder Committee report on corporate governance at HELLA in accordance with Section 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex—DCGK) and, at the same time, on the conduct of the Company's business in accordance with Section 315d of the German Commercial Code (Handelsgesetzbuch—HGB). Furthermore, the report contains the information and explanations required under Section 315a and 315d HGB. An additional disclosure of such information and explanations in the notes is not necessary. In this respect, Section 317 (2) sentence 6 HGB stipulates that any audit of the disclosures pursuant to sections 289f (2) and 315d HGB is limited to the question as to whether any information has actually been disclosed.

Report on Corporate Governance

I. CORPORATE GOVERNANCE MODEL OF HELLA GMBH & CO. KGAA AND THE HELLA GROUP

HELLA GmbH & Co. KGaA is a German partnership limited by shares (Kommanditgesellschaft auf Aktien—KGaA). Its legal form is a hybrid with similarities to a German limited partnership (Kommanditgesellschaft—KG) on the one hand and to a German stock corporation (Aktiengesellschaft—AG) on the other, with the main focus being on stock corporation law. As with a German stock corporation, the KGaA is a corporation whose nominal capital is divided into shares.

As in a German limited partnership, the KGaA has two different groups of partners; the personally liable partners (Komplementär(e)) (General Partner(s)) that are responsible for managing the KGaA's business and are personally liable without restrictions for the KGaA's liabilities, and the (limited liability) shareholders (Kommandit-Aktionäre) that hold an interest in the nominal capital of the KGaA. The legal status of the (limited liability) shareholders does not differ significantly from that of the shareholders of a German stock corporation.

The Company has a General Partner, Hella Geschäftsführungsgesellschaft mbH, which has its company head office in Lippstadt. Its shares are held by the Company. Further governing bodies of HELLA GmbH & Co. KGaA are

1. the Shareholder Committee established in accordance with the Articles of Association, which currently consists of seven shareholder representatives elected by the Annual General Meeting,
2. the Supervisory Board, which is constituted on a parity basis of eight shareholder representatives and eight employee representatives pursuant to the German Co-Determination Act (Mitbestimmungsgesetz—MitbestG), and
3. the Annual General Meeting.

HELLA has established the Shareholder Committee that—as the central representative body of the shareholders—is responsible for advising and supervising the Management Board on a continuous basis and may play an active role in management issues, for example by determining which business transactions require its consent. When taking advantage of the organizational scope inherent in the legal form of the KGaA, HELLA emphasizes transparency and equal treatment of all shareholders. Resolutions of the Annual General Meeting, for example, are passed by a simple majority vote, unless mandatory legal regulations or the Articles of Association stipulate otherwise. This also applies to resolutions appointing or removing General Partners. Furthermore, the requisite consent of the General Partners to specific resolutions of the Annual General Meeting as prescribed by law is excluded according to the Articles of Association, to the extent permitted by law. In this and many other respects, HELLA GmbH & Co. KGaA closely follows the example of an ordinary stock corporation.

More detailed information on the differences to a stock corporation specific to the legal form can be found in the declaration of conformity (Entsprechenserklärung) of the General Partner, the Shareholder Committee and the Supervisory Board as of May 30, 2018, which has been made available at **WWW.HELLA.COM/DECLARATIONOFCONFORMITY** and is shown below.

1. Group management by the General Partner

Group management consists of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH with its CEO, Dr. Rolf Breidenbach. Since the resignation of Dr Jürgen Behrend as Managing General Partner at the end of September 2017, group management is being carried out by the Managing Directors of Hella Geschäftsführungsgesellschaft mbH alone. There are further Executive Boards in the segments and business divisions that are responsible for the operational and strategic management of the business units. Entrepreneurial self-responsibility is the basic principle for managing the business at all levels. For material business transactions, the Group Management Board requires the approval of the HELLA GmbH & Co. KGaA Shareholder Committee, which codetermines the significant guidelines for business by means of this process.

The Annual General Meeting is responsible for the appointment and removal of General Partners; according to the Articles of Association, the relevant resolution of the Annual General Meeting is passed by a simple majority of the votes cast, provided that such resolution does not require the General Partner's consent. The Shareholder Committee is responsible for the appointment and removal of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH, as well as for determining the terms and conditions of their service agreements.

2. Supervisory Board: competencies, functions and committees

The role of the Supervisory Board is to advise and supervise the General Partner in their conduct of the Company's business. In this respect, the competencies of the Supervisory Board of HELLA GmbH & Co. KGaA are limited due to its legal form. As opposed to the Supervisory Board of a stock corporation, the KGaA Supervisory Board is not responsible for appointments and dismissals in relation to the Company's Management Board. Nor does it have any power to issue rules of procedure for the Company's Management Board or determine which business decisions require its consent. The main responsibilities of the Supervisory Board include the review and approval of the annual financial statements and the consolidated financial statements, including the management report and the Group management report and the audit of the non-financial group declaration (the CSR report). The Supervisory Board further examines the proposal for the appropriation of distributable profit and prepares resolution proposals in respect of each agenda item on which the Annual General Meeting of the company is to decide. The exercise of the authorizations granted to the General Partner to increase the nominal capital from authorized capital and to buy back treasury shares is also subject to the Supervisory Board's consent. The Supervisory Board reports annually on its activities to the Annual General Meeting, which adopts a resolution on its release.

As a rule, the Supervisory Board convenes four times a year. Resolutions of the Supervisory Board are adopted by a simple majority of the votes cast; each member has one vote. In case of a tie, the Chairman has the casting vote if the stalemate continues after a second vote on the same matter.

The Supervisory Board has a Nomination Committee consisting of the Chairman of the Supervisory Board and another Supervisory Board member representing the limited liability shareholders as elected by the Supervisory Board. The Nomination Committee prepares the proposals of the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members. Currently, the members of the Nomination Committee are Prof. Dr. Michael Hoffmann-Becking and Elisabeth Fries. Furthermore, the Supervisory Board has an Audit Committee consisting of four Supervisory Board members elected by the Supervisory Board, of which two are shareholder representatives and two are employee representatives. Currently the members of the Audit Committee are Klaus Kühn (Chairman), Prof. Dr. Michael Hoffmann-Becking, Manfred Menningen and Paul Berger. The Audit Committee is responsible for monitoring the accounting processes, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements and compliance. It can propose recommendations or proposals to ensure the integrity of the accounting process. Furthermore, it issues a recommendation to the Supervisory Board for its proposal regarding the election of the auditor to be submitted to the Annual General Meeting. This recommendation must be substantiated in cases of inviting tenders for the audit client and must include at least two candidates. It decides instead of the Supervisory Board on the agreements with the auditor (in particular the audit assignment, determination of the main points of the audit and the fee agreement) and takes appropriate measures in order to establish and monitor the independence of the auditor. The Audit Committee also deals with any additional services provided by the auditor. It validates the Management Board report about the conclusions of the selection process. It is responsible for approving the award of non-audit services to be undertaken by the auditor that are not prohibited, whereby it may adopt directives in relation to tax advisory services that are not forbidden, within the scope of which the award of such services does not require individual authorization. The Audit Committee also prepares the Supervisory Board's decisions on the approval of the annual financial statements and consolidated financial statements and the audit of the CSR report. For this purpose, it is responsible for conducting an initial audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the proposal for the appropriation of distributable profit and the CSR report. The auditor participates in these meetings of the Audit Committee.

3. Shareholder Committee: competencies, functions and committees

The legal form of the KGaA makes it possible to create further optional corporate bodies. The Company took advantage of this opportunity. The Shareholder Committee, which has been created pursuant to the Articles of Association and is elected by the Annual General Meeting, supervises and advises the General Partner in its conduct of the Company's business and can issue rules of procedure for it. In addition, it determines which of the General Partner's transactions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the General Partner, and it represents the Company in legal disputes with the General Partner.

The Shareholder Committee exercises all the rights attached to the Company's shares in Hella Geschäftsführungsgesellschaft mbH. In particular, it appoints and removes the Managing Directors and is responsible for deciding on their employment contracts.

The Shareholder Committee is also responsible for executing shareholders' resolutions. In accordance with its rules of procedure, the Shareholder Committee also reviews the annual and consolidated financial statements, the management report and the Group management report, as well as the proposal for the appropriation of distributable profit; in addition, it submits resolution proposals in respect of each agenda item on which the Annual General Meeting is to decide. Further, the Shareholder Committee reports annually on its activities to the Annual General Meeting, which adopts a resolution on its release.

As a rule, the Shareholder Committee convenes five times a year. Resolutions of the Supervisory Board are adopted by a simple majority of the votes cast; each member has one vote. In case of a tie, the Chairman has the casting vote if the stalemate continues after a second vote on the same matter.

The Shareholder Committee has established a Personnel Committee consisting of its Chairman and two further members elected by the Shareholder Committee. Besides Manfred Wennemer, current Personnel Committee members are Roland Hammerstein and Konstantin Thomas. The Personnel Committee is responsible for preparing the Shareholder Committee's resolutions on the appointment and removal of Managing Directors of Hella Geschäftsführungsgesellschaft mbH and on their individual total remuneration and the remuneration system applied in this context. Notwithstanding the above, the Personnel Committee is responsible for the resolution regarding the conclusion, amendment and termination of the agreements with the General Partners and the service agreements of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH.

4. Cooperation of Management Board, Supervisory Board and Shareholder Committee

The General Partner, the Supervisory Board and the Shareholder Committee work together on the basis of mutual trust in the best interests of the Company. Control of the management of the Company is primarily exercised by the Shareholder Committee. The management board has a reporting duty. The Shareholder Committee advises the General Partner, and for important business transactions and measures which are defined by the Shareholder Committee in the rules of procedure for the General Partner, the consent of the Shareholder Committee must be obtained. The Supervisory Board is also responsible for supervising the management. For this purpose, the General Partner submits reports on a periodic basis and the Supervisory Board exercises information and inspection rights.

5. Competence profiles, objectives regarding the composition and diversity concepts of the Supervisory Board and the Shareholder Committee, and designation of the independent members

A) Contents

Taking into account the specifics of the enterprise at HELLA, the Supervisory Board and the Shareholder Committee have specified competence profiles for both bodies and objectives regarding their future composition, which always includes a diversity concept. These specifications are to be taken into account by the bodies in new elections in their respective election proposals. This applies mutatis mutandis in the case of judicial appointments of Supervisory Board members.

The competence profiles of the Supervisory Board and Shareholder Committee, which were defined in light of the tasks of the body and the related requirements for skills and knowledge of the body members, ensure that, for both bodies, the following competencies should be embodied in at least one member in both the Supervisory Board and the Shareholder Committee: (1) management experience in international markets, (2) industry expertise in the automotive industry or other manufacturing industries, (3) expertise in the areas of accounting or auditing and (4) experience in areas of law (for example compliance) that are relevant for HELLA.

In their respective composition, the Supervisory Board and the Shareholder Committee shall also take into account the international activities of the HELLA Group. For this reason, it is intended that both the Supervisory Board and the Shareholder Committee each have at least two members with relevant international experience, which means—for example—that they have worked abroad or have had significant interaction on an international level. Furthermore, the Supervisory Board and the Shareholder Committee take into account potential conflicts of interest of the members when determining their respective composition.

Independence of their respective members is also an important issue to which the Supervisory Board and the Shareholder Committee wish to pay due regard in connection with their respective composition, while taking into account the ownership structure. This is why both the Supervisory Board and the Shareholder Committee have set the objective that at least two members must be independent. As to the definition of independence, Section 5.4.2 DCGK is applied, whereby a member is, in particular, not considered to be independent if that member has any personal or business relationship with the Company, its corporate bodies, a controlling shareholder or any of its affiliates, which could give rise to a material conflict of interest that is not merely temporary.

The Supervisory Board and the Shareholder Committee also take age into account when determining their respective composition. Members from a variety of age groups should be represented in both bodies. Both bodies also take into account the age limits as defined in the internal rules of procedure, according to which as a rule, only those persons may be proposed as Supervisory Board members who, at the time of election, are not yet 75 years of age. Election as member of the Shareholder Committee shall be possible for the last time on the member's 70th birthday.

In their respective composition, all in all, the Supervisory Board and Shareholder Committee consider first and foremost the professional and personal qualification of future members. The applicable educational and professional requirements as well as the skills and knowledge of members of both bodies are described in further detail in the competence profile. Both bodies strive to ensure that the entire respective body includes individual members who have a balanced competence set to represent the widest possible spectrum of professional knowledge, skills and experience. In this context, both bodies also take into account additional diversity aspects related to subordinated selection criteria. There is a legal requirement stipulating that the Supervisory Board must consist of at least 30 percent women and 30 percent men.

B) Status of implementation and attained results

In its current composition, the Shareholder Committee meets all of the aforesaid composition objectives—including the diversity objectives—and the competence profile. The current composition of the Supervisory Board, too, also meets all of the aforementioned composition and diversity objectives and competence profile except for the objective regarding the age limit.

C) Names of the independent shareholders' members (Section 5.4.1 para. 4, sentence 3 DCGK)

In the opinion of the Shareholder Committee, all of its members (Manfred Wennemer, Roland Hammerstein, Dr. Jürgen Behrend, Dr. Gerd Kleinert, Klaus Kühn, Dr. Matthias Röpke and Konstantin Thomas) are independent as defined by the DCGK. This opinion is not inconsistent with the fact that Roland Hammerstein, Dr. Jürgen Behrend, Dr. Matthias Röpke and Konstantin Thomas are parties of the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA, which holds a total of 60.00% of the Company's voting rights. This does not justify the threat of a material conflict of interest that is not merely temporary nor do the aforementioned members therefore have relations with a "controlling shareholder" within the meaning of Section 5.4.2 DCGK, as the pool agreement does not allow any of its contracting parties to hold a majority of the voting rights in the Company.

The Supervisory Board believes that all shareholder representatives, namely Prof. Dr. Michael Hoffmann-Becking, Manuel Frenzel, Elisabeth Fries, Stephanie Hueck, Klaus Kühn, Claudia Owen, Dr. Konstanze Thämer and Christoph Thomas, are also independent within the meaning of the above. For the reasons outlined above, there is nothing to preclude that, with the exception of Prof. Dr. Michael Hoffmann-Becking and Klaus Kühn, all shareholder representatives are parties of the pool agreement of the family shareholders.

6. Objectives for the composition / diversity concept for the Management Board of Hella Geschäftsführungsgesellschaft mbH

A) Contents

Taking into account the specifics of the enterprise at HELLA, the Shareholder Committee has specified principles for the composition of the Management Board of Hella Geschäftsführungsgesellschaft mbH, which includes a diversity concept. The principles should be taken into account for future appointments to the Management Board.

The priority of these principles is professional and personal qualification, especially with respect to educational and professional background. The areas of focus in terms of competence of the individual managing directors should be included in a balanced way according to the respective regulation stipulating the allocation of duties and corporate governance regulations to represent the widest possible spectrum of professional knowledge, skills and experience. In its respective composition, the Shareholder Committee shall also take into account the international activities of HELLA. For this reason, several members of the Management Board should have relevant international experience, which means – for example – that they have worked abroad or have had significant interaction on an international level. In this context, the Shareholder Committee also takes into account additional diversity aspects such as the suitable participation of women and men related to subordinated selection criteria.

In the composition of the Management Board of Hella Geschäftsführungsgesellschaft mbH, the Shareholder Committee also takes into account the aspects of continuity and change and, therefore, strives to achieve a balanced age structure in the Management Board. In addition, there is a legally binding age limit of 65 years. Upon turning 65 years old, as a rule, serving as a Managing Director at Hella Geschäftsführungsgesellschaft mbH shall no longer be possible and retirement is mandatory.

B) Status of implementation and attained results

In its current composition, the Management Board of Hella Geschäftsführungsgesellschaft mbH meets all of the aforementioned composition and diversity objectives.

7. Composition of the subscribed capital/shareholders' rights

The nominal capital of the Company amounts to € 222,222,224 and is divided into 111,111,112 no par value bearer shares. All shares have been fully paid in. The Articles of Association stipulate the shareholders' right to the issuance of share certificates representing their respective shares shall be excluded to the extent legally permitted and, unless such issuance is required, in accordance with the regulations applicable to the stock exchange to which the shares are admitted.

The shareholders exercise their rights provided for by law or by the Articles of Association before or during the Annual General Meeting and exercise their voting rights in this context. Each no par value share carries one vote at the Annual General Meeting. In addition, in the Annual General Meeting shareholders may express their opinion on items on the agenda, propose motions and address questions to the General Partners.

The Annual General Meeting of HELLA GmbH & Co. KGaA is usually held in the first four months of the fiscal year at the Company's registered office or in another German city that has more than 50,000 inhabitants. The meeting is convened by the General Partner. Shareholders whose aggregate shareholding reaches one-twentieth of the nominal capital (i.e. € 11,111,112) may request the convening of an Annual General Meeting in writing, stating the purpose and reasons therefor. In the same manner, shareholders whose aggregate shareholding equals or exceeds a pro rata amount of € 500,000 may request that items be included in the agenda and published. Furthermore, shareholders whose shares in aggregate represent a pro rata nominal capital amount of € 100,000 may submit a request to the Management Board, under certain conditions, that a special auditor be appointed by the court to review a procedure in the context of the Company's establishment or a procedure that has taken place within the past five years.

The resolutions of the Annual General Meeting are passed by a simple majority of the votes cast, unless mandatory law or the Articles of Association dictate otherwise and, where the law requires a capital majority, with a simple majority of the nominal voting capital represented at the time of passing the resolution. This also applies, in particular, to amendments to the Articles of Association and to the passing of a resolution on a transformation into a stock corporation. The Supervisory Board is authorized to resolve amendments of these Articles of Association that only relate to the version.

8. Restrictions concerning the voting rights or the transfer of shares

According to the notifications received by the Company, 60% of the votes of the Company (a total of 66,666,669 no-par shares) were covered by the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA as of May 31, 2018. Currently, a total of 59 members of the family of shareholders (Hueck and Röpke families), as well as two legal entities, form part of this pool agreement. The pool agreement cannot be terminated ordinarily prior to May 31, 2024 and stipulates, among other things, that any exercise of the voting rights conferred by the pooled shares is subject to a vote in a meeting of the pool members to be held prior to the Annual General Meeting. Without the consent of the other pool members, pooled shares may be transferred only to descendants of Eduard Hueck sen., Richard Hueck sen. or Dr. Wilhelm Röpke or their respective spouses.

9. Major shareholders/special rights/ participation of employees in the capital

According to the notifications received by the Company, the members of the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA received 60.00% of the votes of the Company as a pooled share portfolio as of May 31, 2018. In addition, the members of the pool agreement also hold shares that do not form part of the pool. There is no direct shareholding in HELLA GmbH & Co. KGaA of more than 10% of the voting rights.

No shares have been issued that confer multiple voting rights, preferential voting rights, maximum voting rights or special rights granting powers of control. There is no form of shareholding of employees in the Company's capital that would not enable the employees to directly exercise their shareholder rights.

10. Authorized capital/authorization to buy back shares

In accordance with Article 5 (4) of the Articles of Association, the General Partner is authorized to increase the nominal capital with the approval of the Supervisory Board and the Shareholder Committee by a total amount of € 44 million by issuing, on one or more occasions on or before October 9, 2019, new no par value bearer shares against cash contributions and/or contributions in kind. In this context, the shareholders must generally be granted a subscription right. However, the General Partner is authorized to exclude, with the approval of the Supervisory Board and the Shareholder Committee, the shareholders' subscription rights as follows in four cases: firstly, in case of a capital increase against contributions in kind for the purpose of acquiring a business, parts of a business or participation in a business or other assets; secondly, in so far as is necessary in order to grant a subscription right for newly issued shares to the holders or creditors of bonds issued by the Company bearing option or conversion rights or obligations (warrants or convertible bonds), to the extent that such subscription rights would exist after exercise of their option or conversion right or fulfillment of their option or conversion obligation; thirdly, if the notional value of the new shares in the nominal capital does not exceed 10% of the nominal capital existing at the time this authorization becomes effective and at the time a resolution to exercise the authorization is adopted, provided that the issue price is not significantly lower than the stock exchange price, and further provided the notional value in the nominal capital of any shares that have been issued or sold with the exclusion of subscription rights on the basis of a corresponding authorization in direct or analogous application of Section 186 (3) sentence 4 AktG must be included in the calculation; and fourthly, for the avoidance of fractional shares.

The General Partner is also authorized, until October 30, 2019, to acquire treasury shares up to a total of 10% of the share capital or—if lower—of the nominal capital existing at the time the authorization is exercised. The acquisition is made at the discretion of the General Partner with the consent of the Shareholder Committee and the Supervisory Board through the stock exchange or via a public offer request directed to all shareholders, or via a public invitation addressed to all shareholders for submission of sales offers. The General Partner is authorized to use the treasury shares that have been acquired with the consent of the Shareholder Committee and the Supervisory Board for all legally permissible purposes. In particular, the shares may be recalled without any further resolution being passed by the Annual General Meeting, may be sold through the stock exchange or via a public offer directed to all shareholders pro rata to their respective interests or in a different way with the exclusion of the shareholders' subscription right, provided the sale takes place against cash consideration and at a price that does not significantly fall below the stock exchange price; in addition, if the subscription right is excluded, the shares may be offered and transferred against contributions in kind, in particular in connection with the acquisition of companies, parts of companies or shares in companies or any other assets, or may be used to service rights or obligations to purchase shares of HELLA GmbH & Co. KGaA resulting from convertible bonds or bonds with warrants or similar instruments, or offered or transferred in connection with employee share ownership plans.

In this context, treasury shares may also be acquired using put or call options or forward contracts, or a combination of these instruments (derivatives). Derivatives may be issued or acquired, excluding any subscription right of the shareholders, with a credit or financial institution, or another appropriate counterparty that is experienced in the derivatives business, with the proviso that, on the basis of the derivatives, only shares will be delivered that were acquired in keeping with the principle of equal treatment. Moreover, the issuance or acquisition of derivatives may be publicly offered to all shareholders or may be effected through the derivatives exchange Eurex or a comparable successor system after prior announcement in the Company's designated publication media, with the exclusion of any subscription rights. The term of the derivatives must be selected such that the acquisition of the shares through the exercise of derivatives takes place on October 30, 2019 at the latest.

11. Material agreements with change-of-control clauses/compensation agreements

HELLA GmbH & Co. KGaA has entered into the material agreements set out below which contain change-of-control provisions, for example as a result of a takeover bid:

The listed bonds currently outstanding which HELLA has issued (a 2.375% bond maturing in January 2020 with a nominal value of € 500 million and a 1.0% bond maturing in May 2024 with a nominal value of € 300 million) are subject to change-of-control clauses under which the bond creditors may demand early repayment if a person or group of persons acting jointly gains control over HELLA GmbH & Co. KGaA and the rating is lowered on account of this within 120 days of the change of control. In addition, HELLA GmbH & Co. KGaA has been granted a syndicated cash credit facility of € 450 million on which it has not yet drawn. This facility expires on June 1, 2022 and is also subject to a change-of-control clause, under which the creditors may terminate the facility and call in all paid amounts if a person or a group of persons acting jointly gains control of HELLA GmbH & Co. KGaA. In all these cases, control is particularly deemed to have been gained if more than 50% of the voting shares are acquired. If any of the aforementioned instruments are prematurely reimbursed as a result of such change of control, this could have a significant effect on HELLA's financial position, financial status and results of operations.

The Company has not entered into any compensation agreements with any members of the Management Board or employees in the event of any takeover bid.

II. CORPORATE GOVERNANCE AND COMPLIANCE

In the interest of proper corporate governance, the members of the Management Board conduct the Company's business in accordance with statutory rules, the provisions of the Articles of Association of HELLA GmbH & Co. KGaA and Hella Geschäftsführungsgesellschaft mbH and the rules of procedure for the General Partners and Hella Geschäftsführungsgesellschaft mbH. In addition, the Management Board acts in accordance with the requirements set by the compliance guidelines, its Code of Conduct, the Corporate Governance Principles, its resolutions and other corporate rules.

Management practices extending beyond statutory requirements primarily result from the corporate philosophy. HELLA is firmly convinced that corporate success is founded on a corporate culture based on values. Equally important is the responsible treatment of employees, partners, society and the environment.

HELLA's primary goal is customer satisfaction. At its core, this corporate philosophy is based on a comprehensive understanding of quality that is not limited to product quality but which also covers all of the Company's activities.

For the corporate culture, too, customer satisfaction is the point of departure and prime objective. It can be achieved only if every employee internalizes customer satisfaction individually as their own target and takes personal responsibility for achieving it. Consequently, the Company's guiding strategic principle is to demand and promote entrepreneurial self-responsibility for each HELLA employee, irrespective of their position within the Company. As a result, processes and organizational structures at HELLA are always aligned in such a way as to enable the entrepreneurial self-responsibility of its employees.

The core of the corporate culture consists of seven basic values of HELLA, which were defined under the headline "Professionalism and a Human Approach" as the basis for lasting corporate success: entrepreneurial spirit, cooperation, sustainability, performance orientation, innovation, integrity and exemplary behavior by each and every individual.

These values give rise to basic rules of behavior which HELLA has anchored in its Code of Conduct. They are binding for all Group employees all over the world. The Code of

Conduct brings together the basic rules on ethical dealings that apply to the Company between employees but also in relation to business partners, public authorities and other third parties in conformity with the law. It is an expression of the self-perception of HELLA, which is to meet the responsibility towards the company in relation to shareholders and society and to live up to the expectations of customers, suppliers and business partners anew every day. The Code of Conduct, for example, is complemented by a Compliance Declaration on observing the rules of antitrust law.

Compliance—legally compliant behavior and acting with integrity—is an integral part of the corporate culture, forms the basis for the business activities and is a prerequisite for sustained corporate success. The HELLA Corporate Compliance Office is responsible for the Group-wide compliance organization and compliance management system that are anchored in the fundamental HELLA compliance guideline.

The Chief Compliance Officer and the Head of the Compliance Office coordinate the compliance organization, enhance the HELLA compliance system, and are responsible for the topics of antitrust law, corruption prevention and capital market law. They report quarterly to the Management Board, biannually to the Audit Committee of the Supervisory Board and as needed on an ad hoc basis. The Chief Compliance Officer reports to the President and CEO. Local compliance officers such as the Compliance Officer China and Mexico report to the Head of the Compliance Office. This also includes the responsibility for data protection throughout the Group. For other compliance matters (such as export control/customs), specialist functions within the HELLA Group are responsible as central technical compliance divisions who are performing this task competently and independently with the support of the Compliance Office. The compliance organization is supplemented by a central Compliance Board and the local compliance boards in China and Mexico as well as local compliance officers, who are responsible for compliance measures within the individual companies.

In addition to the basic elements of compliance organization, targets, culture and communications, the HELLA compliance system includes above all the pillars of the compliance program which must be developed (further) for the 15 current compliance issues: risk analysis, information/instruction (prevention), controls and detection as well as reaction.

In order to strengthen the exchange between the individual central technical compliance divisions on cross-divisional topics and to support the focus of these specialist divisions on the requirements of the compliance guidelines in developing and expanding the respective compliance program, quarterly meetings have been held since 2016 between the heads of the central technical compliance divisions, under the direction of the Compliance Office.

Through (i) worldwide in-class events, e-learning courses, other training formats, (ii) directives, process instructions and other documents, (iii) newsletters and other publications, together with (iv) advice in day-to-day operations, the central specialist compliance divisions ensure that all employees around the world are familiar with the correct way of handling statutory and internal rules, including the HELLA Code of Conduct. These measures are a key preventative component of continuous compliance management.

Alongside the establishment and expansion of the HELLA compliance system and the HELLA compliance organization, one focus of the Compliance Office in the past fiscal year was on the following activities:

- Group-wide implementation of informational events and training sessions on antitrust law for employees in Sales and Program Management in the Lighting and Electronics business divisions upon conclusion of the EU antitrust proceedings decided by the European Commission in June 2017;
- Direct compliance talks about the status and development of the compliance system and the conception of its compliance function as a management function between the Chief Compliance Officer and the Head of the Compliance Office and the members of the Management Board and the second management level of the company;
- Beginning of group-wide implementation of brief training courses on the Code of Conduct for production employees and other employees without a screen workstation—as an extension of the eLearning module "Code of Conduct and compliance fundamentals"—starting in China, Mexico and Germany;
- After completing group-wide introduction of the web-based whistleblower system "tellUS!" in the previous fiscal year, handling of the information received by this system in case of misconduct of HELLA employees as defined by the company directive and incident management process;

All new HELLA employees throughout the Group will continue to be invited to the e-learning module "Code of Conduct and compliance fundamentals" as part of the onboarding process and their participation will be monitored.

Further details on the corporate philosophy and the principles of corporate governance can be found online under **WWW.HELLA.COM/CORPORATERESPONSIBILITY**.

III. DETERMINATIONS REGARDING FEMALE REPRESENTATION PURSUANT TO SECTION 76 (4) AND SECTION 111 (5) AKTG AND INFORMATION ABOUT THE GENDER QUOTA PURSUANT TO SECTION 96 (2) AKTG

The Management Board of HELLA GmbH & Co. KGaA has determined a target level of 9.5% for female representation for the first management level below the Management Board. For the second management level below the Management Board, the target level was set at 6%. In May 2017, it was decided that both target levels were to be reached by June 30, 2022.

No further determinations by the Supervisory Board pursuant to Section 111 (5) sentence 4 AktG have been made for reasons specific to the Company's legal form. In contrast to a stock corporation, the Supervisory Board of a KGaA does not have the authority to decide on the composition of the Management Board.

The composition of the Supervisory Board is governed by the mandatory requirement of Section 96 (2) AktG which specifies that at least 30% of its members must be women and at least 30% must be men. This requirement is met. Currently, six of the 16 Supervisory Board members (and four of the eight shareholder representatives) are women, which corresponds to a quota of 37.5%. So far, neither the shareholder representative's side nor the employee representative side has objected to the overall fulfillment of the quota requirement.

IV. APPLICATION OF THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

The General Partner as well as the Shareholder Committee and Supervisory Board of HELLA GmbH & Co. KGaA publishes an annual declaration in accordance with Section 161 AktG confirming conformity to the recommendations of the "Government Commission for the German Corporate Governance Code" published by the German Federal Ministry of Justice in the official part of Bundesanzeiger and discloses any recommendations which are or have not been conformed to, stating the reasons for this. The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA published the declaration below in accordance with Section 161 AktG on May 30, 2018 on the Company's website:

Declaration regarding the German Corporate Governance Code in accordance with Section 161 Stock Corporation Act (Aktiengesetz (AktG))

The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") declare, pursuant to Section 161 AktG that since the last time this declaration was made on May 31, 2017, and except for the deviations set out below, the Company has complied, and intends to comply in the future, with the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, "DCGK"), as amended on February 7, 2017, taking into account the special features of its legal form as set out below.

I. SPECIAL FEATURES OF THE LEGAL FORM

The German Corporate Governance Code has been developed with companies organized as stock corporations or as European companies (SE) in mind and therefore does not take account of the special factors relating to the KGaA form. Accordingly, many of the recommendations of the German Corporate Governance Code can only be applied to HELLA GmbH & Co. KGaA in modified form. Material modifications are particularly required as a result of the following special factors relating to the Company's legal form.

1. Management

In contrast to a stock corporation whose affairs are managed by a board of directors, the management of a KGaA is the responsibility of the General Partners (partners with unlimited liability). They are not appointed or dismissed by the Supervisory Board but by the Annual General Meeting. The Company has a General Partner, Hella Geschäftsführungsgesellschaft mbH, which has its registered office in Lippstadt, is represented by its Managing Directors Dr. Rolf Breidenbach (President and CEO), Dr. Werner Benade, Dr. Frank Huber, Stefan Osterhage and Ulric Bernard Schäferbarthold. In contrast to the management board of a stock corporation, the Managing Directors of Hella Geschäftsführungsgesellschaft mbH are appointed for an indefinite period of time. The shares in Hella Geschäftsführungsgesellschaft mbH are held by the Company. The resultant shareholder rights are exercised by the Shareholder Committee.

2. Shareholder Committee

The legal form of the KGaA , as opposed to that of a stock corporation, makes it possible to establish further optional corporate bodies. The Company took advantage of this opportunity. The Shareholder Committee, which has been created pursuant to the Articles of Association and is elected by the Annual General Meeting, supervises and advises the General Partner in its conduct of the Company's business and can issue rules of procedure for it. In addition, it determines which of the General Partner's transactions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the General Partner, and it represents the Company in legal disputes with the General Partner.

The Shareholder Committee exercises all the rights attached to the Company's shares in Hella Geschäftsführungsgesellschaft mbH. In particular, it appoints and removes the Managing Directors and is responsible for deciding on their employment contracts. The Shareholder Committee is also responsible for executing shareholders' resolutions.

To the extent where the DCGK contains recommendations relating to the tasks and responsibilities of a Supervisory Board, which in the case of HELLA GmbH & Co. KGaA are performed by the Shareholder Committee under the terms of its Articles of Association, these recommendations are deemed to apply to the Shareholder Committee.

3. Supervisory Board

Compared to the Supervisory Board of a stock corporation, the Supervisory Board of a KGaA has limited powers. In particular, it is not responsible for appointments and dismissals in relation to the Company's Management Board. Nor does it have any power to issue rules of procedure for the Company's Management Board or determine which business decisions require its consent.

4. Annual General Meeting

The legal status of the Annual General Meeting is not dissimilar to that of a stock corporation. In particular, it elects the shareholder representatives of the Supervisory Board and the members of the Shareholder Committee. To the extent permitted by law, resolutions of the Annual General Meeting of HELLA GmbH & Co. KGaA are adopted by a simple majority. In contrast to a stock corporation, the Annual General Meeting of HELLA GmbH & Co. KGaA adopts legally binding resolutions approving the annual financial statements.

Under the Stock Corporation Act Aktiengesetz (AktG), certain resolutions of the Annual General Meeting of a KGaA are subject to the approval of the General Partners (see Section 285 (2) and Section 286 (1) AktG). However, this consent requirement has been rendered inapplicable by the Articles of Association of HELLA GmbH & Co. KGaA to the extent legally permitted, in particular with regard to resolutions on amendments of the Articles of Association, fundamental and extraordinary business decisions, and the appointment and removal of General Partners. On the other hand, the annual financial statements cannot be approved by the Annual General Meeting without the General Partner's consent. According to the Articles of Association, the General Partner declares their consent when submitting their resolution proposals on the annual unconsolidated financial statements to the Annual General Meeting.

II. DEVIATIONS FROM THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

1. Time period from the last declaration of conformity on May 31, 2017

In the period between the publication of the last declaration of conformity on May 31, 2017, the following recommendations of the German Corporate Governance Code in the versions applicable up until that day were not complied with:

a Deviating from Section 4.2.2. para. 2, sentence 3, the Shareholder Committee has not considered the relationship between the remuneration of the Management Board and that of senior management and the staff overall. The responsibilities of the individual members of the Management Board, his/her personal performance, the economic situation and performance of the Group, and the remuneration levels at peer companies are considered more appropriate and meaningful benchmarks for determining the level of remuneration.

b Deviating from Section 4.2.3 Paragraph 3, the level of provision aimed for under the pension scheme for the Management Board has not been established. For the Managing Directors of Hella Geschäftsführungsgesellschaft mbH, the Company employs an asset-linked pension plan (Kapitalkontenmodell), under which benefits depend crucially on factors such as the prevailing interest rate and the development of the value of the investment assets.

c On October 31, 2014, the Annual General Meeting of the Company passed a resolution to dispense with the individualized disclosure of management compensation in accordance with Section 285 Number 9 Letter a) Sentences 5 to 8, 314 (1) Number 6 Letter a) Sentences 5 to 8 of the German Commercial Code (Handelsgesetzbuch - HGB). Therefore, the Company deviates from the recommendations set forth in Section 4.2.5 DCGK.

d Deviating from Section 5.4.1 para. 2, sentence 2 DCGK, the Shareholder Committee and the Supervisory Board have not specified any regular limit of length of membership. These bodies believe that any general regular limit is not helpful because such a limit does not reasonably take into account specific individual aspects that would justify a longer length of membership of individual members of these bodies in the best interests of the company and of the voting shareholders. In the opinion of the Shareholder Committee and the Supervisory Board, diversity as required by the DCGK may also be reflected in different lengths of membership in the respective body and, thus, in the level of experience of its members.

2. Forward-looking part

The Managing General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA intend to continue not applying the recommendations of the DCGK set forth under a) to d) in the future for the reasons outlined above.

III. FURTHER INFORMATION

Section 4.2.3 para. 2, sentence 3 DCGK includes the recommendation for variable remuneration components determined by multi-year assessment, stipulating that this assessment basis should be mainly forward-looking. According to Section 4.2.3 para. 2, sentences 4 and 7 DCGK, both positive and negative developments shall be taken into account when determining variable remuneration components, and those components shall be related to demanding, relevant comparison parameters. While the Company's short-term variable remuneration (STI) for contracts that existed before the fiscal year 2016/2017 is calculated as a fixed percentage of the Group's consolidated earnings before taxes (EBT) and for contracts concluded thereafter using the performance of the operating free cash flow (OFCF), and does not retroactively penalize deteriorations in this performance measure over a multi-year period, the Company's long-term incentive (LTI) is tied to demanding targets for the Group's return on invested capital (ROIC) and is withheld over a forward-looking period of three financial years, during which it may decrease and be reduced to zero or increase, respectively, on account of deteriorations or improvements in the ROIC and/or the consolidated earnings before taxes (EBT). The Company considers this sufficient in the light of Section 4.2.3 para. 2, sentences 3, 4 and 7 DCGK.

V. PROPRIETARY TRANSACTIONS OF MANAGEMENT

In accordance with Article 19 of the EU Market Abuse Regulation, persons who complete management tasks at HELLA GmbH & Co. KGaA or who have a close relationship to these persons must disclose reportable transactions with shares or debt instruments of HELLA GmbH & Co. KGaA or the associated derivatives or other financial instruments of this issuer after a total volume of € 5000 has been reached within a calendar year. The transactions notified to the Company in the fiscal year under review were duly published and are available on the website under **WWW.HELLA.COM/DIRECTORSDEALINGS**.

Remuneration report

Remuneration report

The remuneration report provides information on the remuneration systems for Dr. Jürgen Behrend, the Managing General Partner who resigned with effect at the end of 30 September 2017, and for the Managing Directors of Hella Geschäftsführungsgesellschaft mbH and members of the Supervisory Board and Shareholder Committee of HELLA GmbH & Co. KGaA. The remuneration report takes into account the recommendations of the German Corporate Governance Code (DCGK) and contains the information and explanations required under the German Commercial Code (Handelsgesetzbuch, HGB) including the principles of the German Accounting Standard No. 17 (DRS 17) and in accordance with the International Financial Reporting Standards (IFRS). The information required by Section 314 (1) no. 6a sentences 5—8 HGB on the remuneration paid to the individual members of the Management Board is not disclosed. On 31 October 2014, the extraordinary Annual General Meeting of the Company passed a dispensation resolution within the meaning of Section 286 (5) sentence 1 HGB in conjunction with Section 314 (2) sentence 2 HGB. The Company will refrain from disclosing the information recommended by Section 4.2.5 paras. 3 and 4 DCGK in its remuneration report for as long as a corresponding dispensation resolution from the Annual General Meeting remains in force.

I. Remuneration of the Management Board

In accordance with the Articles of Association, the legal relationships between the Company and a Managing General Partner are governed by agreements between the Managing General Partner and the Shareholder Committee to the extent that such relationships do not result from applicable mandatory provisions of the Articles or under law. In addition, the Shareholder Committee is responsible for deciding on the employment contracts of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH. In this connection, the Shareholder Committee also decides on the applicable remuneration system and the individual remuneration amount. It is assisted by its Personnel Committee in the performance of this task.

The individual remuneration of the Managing Directors has three components: a fixed non-performance-related component (plus non-performance-related remuneration in kind and ancillary benefits), an annual performance-related component (short-term incentive, STI) and a long-term performance-related component (long-term incentive, LTI). Additionally, there are pension commitments by the Company to Dr. Jürgen Behrend and comparable long-term obligations towards the Managing Directors of Hella Geschäftsführungsgesellschaft mbH. In view of the resignation of Dr. Behrend with effect at the end of 30 September 2017, fixed remuneration not related to performance in the form of an annual minimum bonus and STI in fiscal year 2017/2018 has been discontinued; in addition, a pro rata temporis LTI base amount has been allocated a final time for fiscal year 2017/2018. For new contracts and extensions of existing contracts that have been concluded with Managing Directors since fiscal year 2016/2017, the Shareholder Committee has further developed and modified the calculation of the remuneration components and various other contract terms. In future, the Company will base new appointments and contract extensions on the modified concept described separately below.

1. NON-PERFORMANCE-RELATED REMUNERATION COMPONENT

The non-performance-related remuneration component consists of an annual fixed salary and remuneration in kind as well as other ancillary benefits. The annual fixed salary is paid in monthly intervals.

The remuneration in kind and other ancillary benefits primarily consist of the private use of a company car. Furthermore, all the Managing Directors in their capacity as members of the Company's governing bodies are covered by the Group's D&O insurance. The same was true of Dr. Jürgen Behrend, the Managing General Partner who resigned in fiscal year 2017/2018. In the event of any claim, they are responsible for a deductible of at least 10% of the loss capped at 1.5 times their annual fixed salary or (in Dr. Jürgen Behrend's case) the minimum cash bonus.

2. PERFORMANCE-RELATED REMUNERATION COMPONENTS

a) Short-term variable remuneration (STI)

For contracts already in place before the fiscal year 2016/2017, the short-term variable remuneration is calculated as a fixed percentage of the HELLA Group's operating earnings before taxes (EBT) for the fiscal year in question, adjusted for exceptional effects (extraordinary expenses and income reportable in the consolidated financial statements under Section 277 (4) HGB-old version). In this connection, a minimum bonus amount not tied to EBT is granted. The bonus is paid once per fiscal year.

The Company applies a slightly modified calculation concept to contracts and extensions of existing contracts concluded as of the fiscal year 2016/2017. Accordingly, the EBT is included in the calculation with a 70% weighting, while the remaining 30% is based on the performance of the operating free cash flow (OFCF). As evidenced in the cash flow statement of the legal consolidated annual closing, the operating free cash flow (OFCF) equates to the free cash flow from operating activities after investments and divestments (procurement and disposal of property, plant and equipment and intangible assets) and does not include company acquisitions. The Shareholder Committee specifies minimum, target and maximum values for the EBT and OFCF. The minimum values define the floor for the disbursement of an STI. If the target values are reached, the STI amounts to 120% of the annual fixed salary and 360% of the annual fixed salary upon reaching the maximum values. In two cases, the target values of 120% of the annual fixed salary were guaranteed as minimum values for the first 12 months employment.

b) Long-term variable remuneration (long-term incentive, LTI)

The long-term variable remuneration (long-term incentive, LTI) for the fiscal year is also paid in cash. It is calculated on the basis of two key performance indicators during a period of a total of four fiscal years, thus creating a long-term and sustainable incentive. In addition to the EBT margin, it is primarily based on the return on invested capital (ROIC), which the Company uses as a strategic management parameter. ROIC is defined as the ratio of operating return before interest and after taxes and invested capital. Return is calculated on the basis of operating earnings before interest and taxes (EBIT) for the past twelve months at the level of the Group units, less the standard income tax rate applicable in the country in question. Invested capital is the average of the opening and closing value of the assets shown on the face of the balance sheet excluding cash and cash equivalents and current financial assets less liabilities carried on the face of the balance sheet excluding current and non-current financial liabilities for the reporting period.

The LTI settlement amount is calculated as follows for contracts existing before the fiscal year 2016/2017: an LTI base amount is initially calculated for the fiscal year in question. It is calculated for each fiscal year as a key performance indicator-based percentage of the fixed salary of each Managing Director or, in Dr. Jürgen Behrend's case, as a percentage of the minimum cash bonus. This percentage of the LTI base amount depends on the ROIC and may range from 0% (if the ROIC is 14% or less) to 200% (if the ROIC is 22% or more). The target is achieved at a ROIC of 18%. Payment of the LTI claim to the Managing Directors is made after a period of three fiscal years following the fiscal year for which the LTI base amount was calculated. One half each of the amount paid is determined by changes in the HELLA Group's ROIC and EBT respectively. For this purpose, the figures for the fiscal year for which the LTI base amount was calculated are compared with those for the year at the expiry of which the amount is paid. Every increase by one percentage point in the applicable criteria results in an increase of 7.5% in the LTI base amount, while every decrease by the same amount leads to a corresponding decrease in the LTI base amount. This does not give rise to any entitlement on the part of the Company to recover any compensation from a Managing Director in the event of a negative overall LTI settlement amount. In addition, it is not netted against a future positive LTI settlement amount.

The calculation concept for the LTI base amount was amended for contracts concluded after the fiscal year 2016/2017 or extended contracts. The Shareholder Committee specifies minimum, target and maximum values for the ROIC. The minimum value (currently an ROIC of 12%) defines the floor for calculating an LTI base amount. If the target value is reached (currently an ROIC of 16%), the LTI amounts to 80% of the annual fixed salary and 240% of the annual fixed salary upon reaching the maximum value (currently an ROIC of 24%). In two cases, an LTI base amount of 80% of the annual fixed salary was guaranteed as a minimum value for the first 12 months employment.

c) Remuneration cap

The Company has defined a remuneration cap under which the annual STI and LTI together are subject to a maximum equaling six times the applicable annual fixed salary or, in Dr. Jürgen Behrend's case, six times the minimum bonus. The Shareholder Committee of HELLA GmbH & Co. KGaA may at its own discretion make a positive or negative adjustment to all variable remuneration components if it is of the opinion that the calculation of the variable remuneration component is not in line with the Company's business performance because of extraordinary effects.

d) Pension commitments and comparable long-term obligations

The Company has also made pension commitments and comparable long-term obligations to the Managing Directors. A defined benefit pension plan has been created for Dr. Jürgen Behrend. Claims in this plan are the result of the resignation of Dr. Jürgen Behrend from his position as Managing General Partner.

With respect to the Managing Directors of Hella Geschäftsführungsgesellschaft mbH, the Company uses a defined contribution pension plan to which it allocates a certain amount each year for the respective Managing Director. This financial contribution was increased for contracts concluded as of the fiscal year 2016/2017. Upon pension eligibility arising, the accrued capital is paid either in a single lump sum or - subject to the Company's approval - in installments over a maximum period of eight years. The contributions to the pension plan may be invested externally in one or more investment funds. The return here is based on the performance of the investment in question. In any case, a minimum interest rate is guaranteed. As a general rule, the capital account is dissolved on 31 May of the year following the Managing Director's 58th birthday. This period may be extended at the Managing Director's request and subject to the Company's approval. Pension eligibility also arises in the event of full or partial loss of earning capacity, protracted disability due to illness or upon death predating the Managing Director's contractual date of eligibility. In this case, the capital is paid either in a single lump sum or—subject to the Company's approval—in installments over a maximum period of eight years to the beneficiaries nominated by the Managing Director. In addition to the pension plan funded by the Company, the Managing Directors of Hella Geschäftsführungsgesellschaft mbH are free to participate in a further asset-linked pension plan. In this case, capital is accumulated in the form of an individually defined deferred compensation component of the Managing Director and largely follows the rules applicable to the asset-linked pension plan funded by the Company.

e) Termination benefits for Managing Directors

The employment contract automatically expires at the end of the month in which the Managing Director turns 65 or at the end of the month in which the notice granting a retirement, disability or similar pension is received. In the event of illness-related disability, the fixed salary or the difference over sickness benefits is paid for a further 18 months. In the case of death, the eligible beneficiaries receive the deceased Managing Director's fixed salary for a period of three months commencing with the month of death. If the Company revokes the appointment prior to the date of expiry of the service agreement, the service agreement can be terminated prematurely under exceptional circumstances. In cases in which the service agreement is terminated for material reasons for which the Managing Director is not responsible, a settlement of two times his annual remuneration or, if the remaining term of the service agreement is less than two years, a time-proportionate amount of the settlement is paid. For this purpose, the annual remuneration equals the sum total of the fixed annual salary plus a variable annual compensation less remuneration in kind and other ancillary benefits for the last full fiscal year prior to the termination of the appointment, In addition, a subsequent payment of apportioned LTI base amounts is made according to more detailed specifications of the LTI terms.

If the Managing Director's appointment is terminated in the course of the fiscal year, a time-proportionate amount of the bonus is paid. The minimum bonus is likewise calculated on a time-proportionate basis. The LTI base amount is also calculated on a time-proportionate basis for the fiscal year of termination. In certain cases, the LTI base amounts not yet due for payment lapse or are reduced on a time-proportionate basis upon exit.

There are no special change-of-control regulations or particular compensation agreements with the Company in the event of a takeover bid.

3. TOTAL REMUNERATION FOR THE FISCAL YEAR 2017/2018

The total remuneration (excluding pension commitments and comparable long-term obligations) paid to the Managing General Partner Dr. Jürgen Behrend (until his resignation) and the Managing Directors of Hella Geschäftsführungsgesellschaft mbH came to € 15,446 thousand in the fiscal year 2017/2018 (prior year: € 17,881 thousand). Of this, fixed remuneration accounted for € 3,162 thousand (prior year: € 2,881 thousand) and variable remuneration for € 12,284 thousand (prior year: € 15,000 thousand).

Remuneration in kind and other ancillary benefits came to a total of € 172 thousand in the fiscal year 2017/2018 (prior year: € 328 thousand). Remuneration in kind was measured on the basis of actual cost. The ancillary benefits include expenses of € 19 thousand (prior year: € 7 thousand) for managing two households. The defined benefit obligation for liabilities from the defined contributions capital account system for the active Managing Directors was € 10,765 thousand (prior year: € 22,081 thousand) on 31 May 2018.[1] The financing contributions structured in the form of investment fund units and pledged to the active beneficiaries were valued at € 9,933 thousand as of the balance sheet date (prior year: € 12,072 thousand).

Pension liabilities towards former members of the Management Board and their surviving dependents came to € 13,906 thousand (prior year: € 9,165 thousand). In addition, there are liabilities that have been transferred to Allianz Pensionsfonds AG in the amount of € 3,675 thousand (prior year: € 3,890 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 249 thousand (prior year: € 205 thousand). The defined benefit obligation for comparable, long-term obligations from the defined contributions capital account system towards earlier members of the Management Board and their surviving dependents is € 5,182 thousand (prior year: € 0 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 5,087 thousand as of the balance sheet date (prior year: € 0 thousand). Payments under pension liabilities towards former members of the Management Board and their surviving dependants came to € 279 thousand (prior year: € 278 thousand).

In addition, the Company paid settlement amounts of € 2,000 thousand in the fiscal year 2017/2018 (prior year: € 0).

Commitments of € 2,739 thousand (prior year: € 2,200 thousand) for amounts payable from the LTI program arising from the occurrence or suspension of conditions were made in the fiscal year 2017/2018.[2]

4. LIABILITY REMUNERATION FOR HELLA GESCHÄFTSFÜHRUNGS-GESELLSCHAFT MBH

Under Article 8 of the Articles of Association, Hella Geschäftsführungsgesellschaft mbH as a General Partner of the Company receives liability remuneration of 5% of its paid-in share capital payable on the balance sheet date. The Company paid an amount of € 1 thousand (prior year: € 1 thousand) in this connection.

II. Remuneration of the Supervisory Board

Under Article 16 of the Articles of the Association, the Annual General Meeting determines the remuneration payable to the Supervisory Board. In accordance with the still applicable resolution passed at the Annual General Meeting on 26 September 2014, all members of the Supervisory Board receive annual remuneration of € 20 thousand. The Chairman of the Supervisory Board receives annual remuneration of € 40 thousand and each Deputy Chairman € 30 thousand. Members serving on the Supervisory Board for only part of the fiscal year receive a corresponding time-proportionate amount. Each member of the Audit Committee receives additional annual remuneration of € 10 thousand. The Chairman of the Audit Committee receives additional annual remuneration of € 20 thousand. The members of the Nomination Committee do not receive any additional remuneration. All members of the Supervisory Board are reimbursed for all expenses which they incur in the performance of their duties plus value added tax. No attendance fees are paid. The total remuneration paid to the members of the Supervisory Board (fixed remuneration and remuneration for committee work) came to € 400 thousand in the fiscal year 2017/2018 (prior year: € 400 thousand). Of this, fixed remuneration accounted for € 350 thousand (prior year: € 350 thousand) and committee remuneration for € 50 thousand (prior year: € 50 thousand).

As members of the Company's governing bodies, the members of the Supervisory Board are covered by the Group's D&O insurance. This cover is subject to a deductible of at least 10% per claim, which however is capped at one-and-a-half times the fixed annual remuneration.

Until February 28, 2018, the Chairman of the Supervisory Board, Prof. Dr. Michael Hoffmann-Becking, was partner in a law firm, which provides legal advisory services to HELLA GmbH & Co. KGaA and the Group in several different fields of law, including company law, securities law, labour law and competition law. In the fiscal year 2017/2018, the Group was billed a total of € 286 thousand plus value added tax for these advisory services (prior year: € 297 thousand plus value added tax). Specifically, the advisory services provided during fiscal year 2017/2018 consisted largely of preparation and implementation of the ordinary Annual General Meeting of HELLA GmbH & Co. KGaA. No other payments or benefits were granted to members of the Supervisory Board for products and services, in particular for advisory and placement services.

1 of which € 3,564 thousand (prior year € 7,958 thousand) is employee-financed.
2 The commitment includes services rendered within the LTI program based on 100% target achievement. Please refer to 1.2b. for a detailed description of the LTI program.

The following table sets out the individual remuneration paid to the members of the Supervisory Board for the fiscal years 2017/2018 and 2016/2017:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2017/2018**	2016/2017	**2017/2018**	2016/2017	**2017/2018**	2016/2017
Prof. Dr. Michael Hoffmann-Becking, Chairman	40,000.00	40,000.00	10,000.00	10,000.00	50,000.00	50,000.00
Alfons Eilers, Deputy Chairman	30,000.00	30,000.00	0	0	30,000.00	30,000.00
Laura Behrend	0	6,630.14	0	0	0	6,630.14
Paul Berger	20,000.00	20,000.00	10,000.00	10,000.00	30,000.00	30,000.00
Michaela Bittner	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Heinrich-Georg Bölter	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Manuel Rodriguez Cameselle	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Manuel Frenzel	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Elisabeth Fries	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Stephanie Hueck	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Susanna Hülsbömer	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Klaus Kühn	20,000.00	20,000.00	20,000.00	20,000.00	40,000.00	40,000.00
Manfred Menningen	20,000.00	20,000.00	10,000.00	10,000.00	30,000.00	30,000.00
Marco Schweizer	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Dr. Konstanze Thämer	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Christoph Thomas	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Claudia Owen	20,000.00	13,424.66	0	0	20,000.00	13,424.66

III. Remuneration of the Shareholder Committee

Under Article 28 of the Articles of the Association, the Annual General Meeting determines the remuneration payable to the Shareholder Committee. Under the still valid resolution passed at the Annual General Meeting on November 19, 2010, the Chairman of the Shareholder Committee receives annual remuneration of € 300 thousand and all other members € 100 thousand. Members serving on the Shareholder Committee for only part of the fiscal year receive a corresponding time-proportionate amount.

All members of the Shareholder Committee are reimbursed for all expenses which they incur in the performance of their duties plus value added tax. No attendance fees are paid. No additional remuneration is paid to members of the Personnel Committee.

As members of the Company's governing bodies, the members of the Shareholder Committee are covered by the Group's D&O insurance. This cover is subject to a deductible of at least 10% per claim, which however is capped at one-and-a-half times the fixed annual remuneration.

The total remuneration paid to the members of the Shareholder Committee came to € 867 thousand plus value added tax in the fiscal year 2017/2018 (prior year: € 885 thousand plus value added tax). Of this, fixed remuneration accounted for € 867 thousand (prior year: € 885 thousand) and remuneration for committee work for € 0 thousand (prior year: € 0 thousand).

In addition to the described remuneration, no payments or benefits other than those mentioned above were granted to members of the Shareholder Committee for products and services, in particular for advisory and placement services, in the fiscal year 2017/2018.

The following table sets out the individual remuneration paid to the members of the Shareholder Committee for the fiscal years 2017/2018 and 2016/2017:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2017/2018**	2016/2017	**2017/2018**	2016/2017	**2017/2018**	2016/2017
Manfred Wennemer, Chairman	300,000.00	300,000.00	0	0	300,000.00	300,000.00
Moritz Friesenhausen	0	85,479.45	0	0	0	85,479.45
Roland Hammerstein	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Dr. Gerd Kleinert	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Klaus Kühn	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Dr. Matthias Röpke	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Konstantin Thomas	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Dr. Jürgen Behrend, since October 1, 2017	66,575.34	0	0	0	66,575.34	0

Non-financial report HELLA GmbH & Co. KGaA

HELLA is firmly convinced that corporate success is founded on a value-driven corporate culture and behaving responsibly with respect to employees, partners, society and the environment. HELLA is publishing this separate combined non-financial report (henceforth "non-financial report") in compliance with Sections 315b and 289b ff. of the German Commercial Code (Handelsgesetzbuch - HGB) to provide greater transparency into non-financial aspects of the fiscal year 2017/2018 (reporting period: June 1, 2017 to May 31, 2018) that are material and necessary to understand HELLA GmbH & Co. KGaA's development, performance and current position as well as the impacts of its operations. HELLA has elected not to apply a framework as defined in Section 289d HGB.

Under the CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz - CSR-RUG) on the disclosure of non-financial information, companies are required to report on key aspects as well as attendant risks. The HELLA risk management system clearly considers various financial and non-financial risks. However, they are not necessarily identical to the risks defined in the CSR-RUG or the key non-financial aspects detailed in the HGB. HELLA did not identify any material risks related to its operations, business relationships, products or services in the fiscal year that have had or will have very probable and serious negative effects on the six key issues identified in Section 289c (3) (3) and (4) HGB once appropriate risk mitigation measures have been taken.

More details on risks and opportunities are available in the group management report starting on p. 64. References to information provided outside the group management report or consolidated financial statements are considered to be supplementary details and not part of this non-financial report.

Assignment of corporate specific issues to the aspects listed in the CSR Directive Implementation Act (CSR-RUG)

Aspects in accordance with CSR-RUG	Key issues
Environmental aspects	Sustainable product benefits
Employee matters	Occupational safety and health protection
	Terms of employment
	Training and professional development
Social matters	Product safety
Combating corruption	Compliance
Respect for human rights	Terms of employment

HELLA conducted a materiality analysis in 2018 to identify key aspects with the involvement of representatives of the specialist departments and management. The analysis considered potentially relevant issues along the company's entire value chain. It identified the following six key issues: sustainable product benefits, product safety, occupational safety and health protection, terms of employment, training and professional development, and compliance.

HELLA procures a significant portion of its total purchasing volume from large suppliers in OECD countries that maintain comprehensive standards and processes in this area. The material analysis therefore found that issues relating to human rights in the HELLA supply chain were non-material in terms of their impacts and their importance for understanding the company's development, performance and current position.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) conducted a voluntary audit of the non-financial report in accordance with ISAE 3000 (Revised) for limited assurance purposes. The audit statement starts on p. 98.

Reference framework

This report combines the group report of the HELLA Group ("HELLA") and the report of the parent company HELLA GmbH & Co. KGaA. It is issued as a separate report. Unless otherwise indicated, all disclosures apply to the entire Group within the financial reporting scope of consolidation as indicated in the annual report starting on p. 182. Material issues are coordinated locally at Docter Optics and its subsidiaries as well as joint ventures and are therefore excluded from the non-financial report.

Business model

The company is one of the top 40 automotive suppliers in the world. Its business activities are divided into three segments: Automotive, Aftermarket and Special Applications. In the Automotive segment, HELLA develops, manufactures and sells various lighting solutions as well as innovative solutions in the areas of driver assistance, energy management, body electronics, sensors, actuators and electric power steering. In the Aftermarket segment, HELLA combines the automotive parts and accessories business as well as workshop equipment in the independent aftermarket. In the Special Applications segment, HELLA develops, manufactures and markets lighting technology and electronic products for specialist vehicles such as construction and agricultural machinery, buses, motor homes and the marine sector.

More information on the business model is available in the group management report 2017/2018 starting on p. 42.

Sustainable product benefits

Vehicle manufacturers and suppliers face ever-stricter regulatory requirements and rising societal expectations to conserve resources, avoid emissions and help improve road safety. To address the challenges and opportunities posed by these issues and to strengthen HELLA's technological leadership, the company employs around 18% of its workforce in research and development. Research and development expenses amounted to 9.8% of consolidated sales in the reporting year.

Sustainable product benefits are not managed by a central group unit but are overseen by the executive boards of the various business divisions, with support provided by Strategy as well as Research and Development. Product development and improvement - including the consideration of sustainability aspects - is guided by current trends, competitor analyses and recent studies. Worldwide development activities are coordinated principally from Germany. Development centers in major growth regions provide an additional focus on local market requirements. HELLA's strategic planning process is organized around an annual cross-functional strategy check-up (SCU). The company's strategic alignment is systematically reviewed in order to take early, proactive action, if required. The SCU also allows for coordination with the product centers that respond to customer requirements, develop their own product fields and business cases and analyze the impacts of changes to products. The SCUs thus ensure the flow of information between individual units and along reporting channels. Product-level responsibilities vary depending on the scope and time horizon. While Research and Development is responsible for new and long-term products, product centers are in charge of short-term product improvements. Product center heads report to the respective business division managers.

HELLA supports vehicle manufacturers and other suppliers worldwide by continually optimizing existing products and developing new ones in order to reduce energy consumption and vehicle emissions. This includes transitioning conventional lighting products for passenger and commercial vehicles to LED solutions, for instance. The company also actively partners with numerous universities and research networks in order to develop more products with sustainable benefits. For example, HELLA is working on a high-voltage charging converter with high energy density in the HELENE energy management research product and prepared for the founding of the Forschungsinstitut für Kraftfahrzeug-Elektronik (E-LAB) (research institute for vehicle electronics) with TU Dortmund University and Hamm-Lippstadt University of Applied Sciences in the previous fiscal year. The E-LAB works together with these universities to develop solutions to long-term trends in vehicle electronics in areas such as battery management.

HELLA is also working to reduce the size and weight of individual products and improve vehicle efficiency. One key component is partial (hybrid vehicles) or complete (electric vehicles) drive train electrification. The company has developed a wide variety of innovative product solutions designed to improve energy efficiency. One such solution is the Module 60 LED headlamp, which has also been available in a LED version for motorcycles and agricultural machinery and construction vehicles since this fiscal year. It also introduced electrical coolant pumps and exhaust gas recirculation radiators that make engine cooling more eco-friendly.

Product safety

Technological progress has greatly improved safety for all road users. To progress even further technically, HELLA is collaborating with many universities, start-ups, industry associations, customers and suppliers. It employs its expertise to develop and market state-of-the-art driver assistance systems and autonomous driving functions, for example. It also works in open collaborations to bring technologies into serial production for all levels of autonomous driving. In the fiscal year under review, for example, HELLA presented state-of-the-art 77 GHz radar sensors at the IAA 2017. The company's Berlin Incubator launched its first spin-off as well. The start-up Brighter AI utilizes deep learning applications to recreate daylight images from night images taken by infrared cameras, thereby solving a basic problem of human sight: limited vision and delayed reactions in darkness or adverse weather conditions.

HELLA focuses on product compliance, functional safety and product safety, to drive technological progress further in a responsible manner. HELLA's overarching objective is to make safe, high-quality products.

The first step in achieving product safety is to ensure development compliance with all established processes with the quality organization assisting throughout all phases of product development. This includes defining and implementing safeguards based on relevant norms such as ISO 26262 depending on what the product does and how it is embedded in the complete system. These safeguards are designed for the vehicle as a complete system and for components which are delivered individually. HELLA has developed processes based on applicable norms to give Development and the dedicated safety organization clear guidelines. All projects are managed by safety experts who ensure state-of-the-art development pursuant to ISO 26262 and independently escalate issues to the product safety committee established by the Management Board, if needed. The committee decides what needs to be done and reports to the Management Board as necessary.

HELLA has instituted product lifecycle processes that apply to the entire Group to ensure consistently high quality. All these processes are based on the HELLA Total Quality Management System: Strategic Quality (SQ). It contains all the tools conforming to Six Sigma and complies with internal quality standards, ISO 9001:2015, IATF 16949:2016, applicable laws and customer requirements.

The matrix organization includes the central quality organization, regional and site managers and the quality managers at the business divisions. Quality targets are defined with the Management Board; progress reports are provided monthly. Manufactured products undergo regular checks described in the implemented quality system at all phases of development and production. Complementary process checks are conducted to verify compliance with legal and customer requirements.

Rigorous quality management allows the company to avoid recall campaigns and improve reliability.

Occupational safety and health protection

Employee health and safe workplaces are top priorities. The company understands that these issues are essential for success at work and in life. HELLA is convinced that preventive health and safety programs as well as focused health promotion initiatives improve employee motivation and contribute to a productive work environment.

Designing and encouraging safe, healthy workplaces and work processes requires a health and safety management system that draws on internationally recognized standards. The company is currently implementing OHSAS 18001 or comparable health and safety management systems at its production sites and is having them certified. Sixteen production sites have been certified thus far. Within the next few years, all 38 production sites are scheduled to undergo certification.

The company has formulated its health and safety principles and plans to publish its new health and safety policy in the fiscal year 2018/2019 as part of the HELLA Business Process Management (BPM) System.

There is a central Group-level central department that is responsible for health protection and occupational safety. There are also environment, health and safety (EHS) managers in the various regions and one or more local EHS coordinators at each site who report to the central department.

HELLA works tirelessly to reduce accidents by defining necessary safety requirements such as risk assessments, safety inspections and protective measures. Compliance with these requirements is verified by the local and regional EHS managers and EHS coordinators. Sites that already have an implemented health and safety management system undergo regular internal and external audits.

In the previous fiscal year, the company worked to develop and strengthen a worldwide EHS network. One of the network's primary functions is to promote the sharing of experiences and best practices. In addition, a mandatory e-learning course for office workers was instituted at corporate headquarters in Lippstadt. The company plans to roll out the course worldwide in the future.

HELLA's accident rate indicates how many accidents occurred every 1 million work hours. It includes all the accidents that resulted in more than one lost day of work. In the reporting year, the accident rate for the entire company was 6.1.

Terms of employment

Highly skilled and motivated employees are essential for productivity, innovation and customer satisfaction. That is why HELLA aims to be viewed as an attractive employer. It places great importance on paying fair wages, empowering employees to achieve a healthy work-life balance, encouraging worker participation and supporting their right to freedom of association. It is through avenues such as these that HELLA promotes and ensures respect for human rights within the company.

As a longstanding family-owned and family-operated company, HELLA believes strongly in combining performance-driven professionalism with a human approach. Its corporate culture consists of seven basic values: entrepreneurial spirit, cooperation, sustainability, performance orientation, innovation, integrity and exemplary behavior by each and every individual. In addition, its code of conduct includes respect for human rights, basic obligatory rules of conduct and principles such as obeying laws and regulations and formulations of regional standards with respect to work conditions and appropriate conduct toward the company or other employees. Responsibility for the code of conduct rests with the compliance officers for the individual countries and companies. They report to the Global HR Compliance Officer. The Global HR Compliance Officer has the authority to establish guidelines.

Certain issues relating to terms of employment are the responsibility of the human resources management teams for individual companies and countries. They report to the Executive Vice President HR at the Group level. New processes are first piloted in individual companies or countries and then rolled out to other companies or countries. Specific, individual issues are handled in existing committees in cooperation with the works council. Internal teams or external service providers conduct regular thematic audits to assure quality or verify compliance with the desired processes.

HELLA's overall objective is to be perceived as an attractive employer. To accomplish this, it provides fair wages, professional advancement opportunities and good vocational training and professional development programs as well as a good work-life balance. In addition to the requirements set out in applicable laws and collective wage agreements, the company also offers financial aid for high school and college students from low-income families.

Employees can participate and voice their opinions in various committees or as part of regular town hall meetings, employee surveys, Christmas parties, lunches with management or "Meet the Board" events where employees can ask members of the Management Board questions.

A healthy work-life balance is of special concern to HELLA. It offers flexible work schedules and various mobile working opportunities depending on regional requirements. Mobile working was rolled out in Romania and Mexico in the reporting year. To make it easier for employees to work, the company provides its own daycare centers, family days and helps its staff find childcare or caregivers for family members. HELLA, working in cooperation with an outside partner, launched a family service that first advises families and then puts them in touch with caregivers this year.

Training and professional development

As automation, digitalization and other megatrends transform the world of work in various ways, HELLA has responded with solid vocational training programs and systematic professional development. It aims to defend its current market position and drive further growth, particularly as it looks to key markets such as China and the global competition for skilled workers.

Overall responsibility for strategies and campaigns is vested in the global competence center, which reports directly to the Executive Vice President HR. Human resources management involves the use of various processes and tools (e.g. the cloud-based My Talent Compass platform, 360° feedback, learning or talent reviews) which in some cases are governed by Group works agreements. Individual topics are introduced and reinforced through special bodies, steering committees and the committee for professional development, which works in concert with the works council. HELLA uses internal and external audits to verify attainment of quality targets, program outcomes and compliance with laws and requirements. The audits are supplemented by reviews conducted by the Global HR Compliance Officer.

HELLA's overarching goal is to constantly develop the skills and knowledge of all its employees in order to meet the challenges of a complex, rapidly evolving automotive world. Employees and managers at the specialist departments come to various agreements in order to ensure effective planning of training and development programs. A software-supported process environment has been rolled out for learning and talent; some sales companies have not been integrated yet but will follow in the future. Annual feedback provided during talent reviews shows employees their strengths and potential and develops their skill sets. Employees can book their own training courses in a software-based system. Subsequent tests help participants assess their progress. Every internal training course is also evaluated by participants in order to make adjustments as needed. Managers are specifically prepared for their responsibilities as well. For example, every manager receives leadership training at the Global Leadership Academy, which includes modules on labor law or internal human resources processes. A total of 848 people attended Global Leadership Academy courses in the reporting year.

Compliance

Integrity and respect for the law are integral components of HELLA's corporate culture as well as the foundation of its operations and an essential prerequisite for long-term success. The objective of the HELLA compliance system is to effectively incorporate compliance into the company's business processes in order to systematically prevent misconduct and ensure that all employees adhere to all applicable rules and regulations.

Responsibility for compliance development rests with the Corporate Compliance Office who works closely with other compliance officers in the compliance organization and at the specialist units. The Head of the Corporate Compliance Office reports to the Chief Compliance Officer who in turn reports to the President and CEO. The Corporate Compliance Office is supported by local compliance officers.

More details on the HELLA compliance organization are available in the group management report starting on p. 80.

The compliance guideline is the fundamental document that defines the HELLA compliance system, including its compliance organization and compliance units.

The HELLA code of conduct applies to all employees worldwide. It describes basic rules of conduct for dealing with other employees, business partners, government officials and other third parties in an ethical, legally compliant manner. The code also includes guidance on offering and giving economic benefits as part of a corruption prevention program.

Serious misconduct by employees can be reported anonymously through a web-based whistleblower system and will then be investigated by the Corporate Compliance Office in consultation with Corporate Audit, Corporate Security and other specialist departments as appropriate.

To ensure employees are adequately aware of what they need to do to comply with laws, regulations and company policies, the company provides training courses, written procedures, instructions and other internal communication tools worldwide. The "Code of Conduct and Compliance Fundamentals" e-learning module, which focuses on corruption prevention, is intended for all employees who work at a workstation with a monitor. Over 17,000 employees have completed the course since its inception, with over 3,400 taking it during the last fiscal year.

Practitioner's Report on Non-Financial Reporting

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To HELLA GmbH & Co. KGaA, Lippstadt,

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of HELLA GmbH & Co. KGaA, Lippstadt, (hereinafter the "Company") for the period from June 1, 2017 to May 31, 2018 (hereinafter the "Non-financial Report").

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards—in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1)—and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER´S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from June 1, 2017 to May 31, 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

ASSURANCE CONCLUSION

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from June 1, 2017 to May 31, 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, August 2, 2018

PRICEWATERHOUSECOOPERS GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Nicolette Behncke **ppa. Axel Faupel**
Wirtschaftsprüfer
German public auditor

Report by the Supervisory Board

Ladies and Gentlemen,

In fiscal year 2017/2018, the Supervisory Board closely followed the situation and development of HELLA GmbH & Co. KGaA. The Supervisory Board performed the tasks incumbent upon it as provided for by applicable law and the articles of association, and advised and supervised the Management Board.

The Management Board provided the Supervisory Board on a regular basis with written and verbal information on the business performance of HELLA GmbH & Co. KGaA. In particular, the market and sales situation of the enterprise against the background of general economic developments, the financial situation of the company and its subsidiaries as well as earnings trends were presented to the Supervisory Board. In the context of the monthly reporting, sales and earning performance figures were discussed for the HELLA Group as a whole as well as broken down by business segment. Furthermore, during the Supervisory Board meetings, the current business situation, the sales, results and capital expenditure planning, as well as the operational targets were discussed. The Management Board provided detailed remarks regarding any deviations in the course of business from the budgeted values.

FOCUS OF DELIBERATIONS OF THE SUPERVISORY BOARD

In the fiscal year 2017/2018, the Supervisory Board held four ordinary meetings, These took place on August 9, 2017, November 21, 2017, January 31, 2018 and May 28, 2018.

At the meeting on August 9, 2017, the annual financial statements of HELLA GmbH & Co. KGaA and of the Group for the fiscal year 2016/2017 were presented and discussed in depth. Based on the initial review by the Audit Committee, the Supervisory Board approved both financial statements and endorsed the proposal of the general partners for the appropriation of distributable profits. The Supervisory Board further addressed the proposed resolutions for the Annual General Meeting on September 28, 2017 and adopted them. In addition to the current company situation, the Management Board presented the current status and strategic outlook for the lighting business in China.

At the meeting on November 21, 2017, the Management Board started by explaining the current business development for the business segments and the Group. In addition, the Supervisory Board was notified of the activities and strategic alignment of the Group's Human Resources function. Before the meeting, the members of the Supervisory Board took part in a presentation on the latest lighting technologies at HELLA's light testing facility.

The main topic of the meeting on January 31, 2018 was the current financial situation of the company. The Management Board also presented the current status for the Independent Aftermarket division and perspectives on further developing the distribution network. In preparation for the publication of the first non-financial report (CSR report) of HELLA GmbH & Co. KGaA, the Supervisory Board tasked the Audit Committee with the corresponding initial review. In addition, the Supervisory Board discussed the developments in company law and the organizational principles of the HELLA Group.

In the meeting on May 28, 2018, the Supervisory Board debated the economic position of the Group and the outlook for fiscal year 2017/2018 based on a comprehensive report from the Management Board. In addition, the board concerned itself with business planning for the fiscal years from 2018/2019 to 2020/2021 as well as the current status and strategic outlook for electronics business in China. The current topics in corporate governance provided another area of focus. In particular, the annual declaration of conformity regarding the German Corporate

Governance Code pursuant to Section 161 Stock Corporation Act (Aktiengesetz, "AktG") was adopted and subsequently published on the company's website at **WWW.HELLA.DE/ENTSPRECHENSERKLAERUNG**. Furthermore, a declaration expanded by a diversity concept in accordance with § 289(2)(6) of the German Commercial Code (Handelsgesetzbuch, "HGB") was adopted regarding the goals for the composition of the Supervisory Board and the profile of expertise for the Supervisory Board.

WORK OF THE COMMITTEES

The Supervisory Board has established an **AUDIT COMMITTEE** that is responsible for the initial review of the annual financial statements, of the consolidated financial statements, of the management reports, of the proposal for the appropriation of profits and of the non-financial reporting. The Audit Committee decides on the agreements with the auditor, in particular the instruction of the auditor, defining the main points of the audit and the fee agreement. The Audit Committee additionally deals with the supervisory duties prescribed by Section 107(3)(2) AktG. The members of the Audit Committee are Klaus Kühn (Chairman), Prof. Dr. Michael Hoffmann-Becking, Paul Berger and Manfred Menningen.

In fiscal year 2017/2018, the Audit Committee convened four times in which the representative of the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, took part.

At the meeting on August 2, 2017, the committee examined the initial review of the annual financial statements and of the consolidated financial statements as at May 31, 2017, as well as of the management reports and of the proposal for the appropriation of profits. Furthermore, the Audit Committee received an overview of the resolutions for the Annual General Meeting which were going to be determined during the Supervisory Board meeting on August 9, 2017. In addition, a process for approving non-audit services from the auditor has been discussed by the Audit Committee as defined in EU Regulation 537/2014. A guideline has been adopted by the Audit Committee in this regard. Finally, the annual reports by Auditing, Risk Management and Compliance Management were presented and discussed by the representatives for the Group functions.

At the meeting on September 21, 2017, the Audit Committee examined the three-month financial disclosure for the fiscal year 2017/2018. In addition to new accounting specifications, other major topics included the results of the EMIR audit that took place and preparation for the first application of the new accounting standards, particularly IFRS 15. Furthermore, discussion also covered the process for the invitation to tender for the audit of the annual financial statements starting in fiscal year 2018/2019.

At the meeting on January 9, 2018, the Management Board presented the half-year financial report for the fiscal year 2017/2018. In talks with the auditor, the Audit Committee defined the auditing priorities for fiscal year 2017/2018. The Audit Committee received reports on the status and planned actions for the initial publication of a non-financial report (CSR report) and on the current approaches of the Group in currency management and discussed them. Other items in the meeting included the six-month reports from Auditing and Compliance Management and the state of the tender process for the audit of the annual financial statements starting in fiscal year 2018/2019.

The nine-month financial disclosure was discussed in the meeting on March 21, 2018. The Audit Committee also examined the agreement with the auditor for the review of the annual financial statements for the fiscal year 2017/2018 and decided to commission KPMG AG Wirtschaftsprüfungsgesellschaft accordingly. Additional major topics included the state of the tendering processes for the audit of the annual financial statements starting in fiscal year 2018/2019 and the status of preparation for the first application of the new accounting standards, particularly IFRS 15. In addition, the Audit Committee granted the contract for auditing (limited assurance) the non-financial reports for fiscal year 2017/2018 to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft based on an authorization from the full session.

The **NOMINATION COMMITTEE**, which is responsible for the proposals presented by the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members, did not convene in fiscal year 2017/2018.

AUDITING OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AND THE SEPARATE NON-FINANCIAL REPORT OF THE COMPANY AND GROUP

On September 28, 2017, the Annual General Meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft, as auditor both for the annual financial statements and for the consolidated financial statements for fiscal year 2017/2018. The annual financial statements and the management report of HELLA GmbH & Co. KGaA for fiscal year 2017/2018 were prepared by the General Partner in accordance with the provisions applicable under the German Commercial Code (Handelsgesetzbuch, “HGB”); the consolidated financial statements and the group management report were prepared in accordance with the International Financial Reporting Standards (IFRS) to be adopted in the European Union, and in accordance with the additional commercial law provisions under Section 315a HGB to be applied. The two financial statements including the management reports were audited by auditor KPMG, which issued an unqualified auditors’ certificate for all documents. In addition, for the first time a non-financial report (CSR Report) was created for HELLA GmbH & Co. KGaA for fiscal year 2017/2018 and reviewed by PwC on behalf of the Supervisory Board.

The Audit Committee of the Supervisory Board thoroughly reviewed the annual financial statements at its meeting on August 2, 2018. The representatives of the auditor, present at the meeting of the Audit Committee, reported on the result of their audits and gave additional information. In the course of its audit, the auditor did not find any material shortcomings in respect of the organization and effectiveness of the internal control and risk management system. In addition, the Audit Committee discussed the initial review of the non-financial reporting. The audit report from PwC regarding non-financial reporting has been presented in this context and discussed in detail by the representatives of the auditor.

Based on the preparatory initial review by its Audit Committee, the Supervisory Board, for its part, also reviewed the annual financial statements and the management report of HELLA GmbH & Co. KGaA as well as the consolidated financial statements and the Group management report and separate non-financial reporting for fiscal year 2017/2018. Given the final result of the Supervisory Board’s review, there are no objections to be raised against the annual financial statements, the consolidated financial statements or the non-financial reporting. At its meeting on August 9, 2018, the Supervisory Board approved the annual financial statements, the consolidated financial statements and the separate non-financial reporting, and endorsed the proposal of the general partner for the appropriation of distributable profits.

MEMBERS OF THE SUPERVISORY BOARD

No changes to the personnel composition of the Supervisory Board were made in fiscal year 2017/2018.

THANKS TO THE MEMBERS OF THE MANAGEMENT BOARD AND TO ALL EMPLOYEES

The Supervisory Board would also like to express its gratitude and appreciation to the members of the Management Board and to all employees of HELLA worldwide for their commitment and successful work in the fiscal year 2017/2018.

Lippstadt, August 9, 2018

On behalf of the Supervisory Board

Michael Hoffmann-Becking

Prof. Dr. Michael Hoffmann-Becking
(Chairman)

Consolidated financial statements of HELLA GmbH & Co. KGaA

Fiscal year 2017/2018

CONSOLIDATED NOTES

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTES TO THE STATEMENT OF FINANCIAL POSITION

OTHER NOTES

Consolidated income statement

of HELLA GmbH & Co. KGaA for the period from June 1 to May 31

€ thousand	Notes	2017/2018	2016/2017
Sales	08	**7,060,342**	**6,584,748**
Cost of sales	09	-5,094,043	-4,772,735
Gross profit		**1,966,299**	**1,812,014**
Research and development expenses	10	-692,033	-636,243
Distribution expenses	11	-522,912	-506,319
Administrative expenses	12	-241,585	-229,627
Other income and expenses	13	20,512	14,965
Earnings from investments accounted for using the equity method	30	43,910	51,937
Other income from investments		97	443
Earnings before interest and taxes (EBIT)		**574,287**	**507,170**
Financial income	14	29,614	15,027
Financial expenses	14	-73,751	-59,274
Net financial result	14	**-44,137**	**-44,247**
Earnings before income taxes (EBT)		**530,149**	**462,923**
Income taxes	15	-140,099	-119,816
Earnings for the period		**390,051**	**343,107**
of which attributable:			
to the owners of the parent company		388,679	341,733
to non-controlling interests		1,372	1,374
Basic earnings per share in €	17	**3.50**	**3.08**
Diluted earnings per share in €	17	**3.50**	**3.08**

Consolidated statement of comprehensive income

(after-tax analysis) of HELLA GmbH & Co. KGaA; for the period from June 1 to May 31

€ thousand	2017/2018	2016/2017
Earnings for the period	**390,051**	**343,107**
Currency translation differences	-25,659	-14,515
Changes recognized in equity	-25,659	-14,299
Profits reclassified to profit or loss	0	-216
Financial instruments for cash flow hedging	-3,603	5,461
Changes recognized in equity	-7,384	11,155
Losses / profits reclassified to profit or loss	3,781	-5,693
Change in fair value of financial instruments available for sale	-740	4,259
Changes recognized in equity	-2,447	3,937
Losses reclassified to profit or loss	1,707	322
Share of other comprehensive income attributable to associates and joint ventures	-132	-70
Items that were or can be transferred to profit or loss	**-30,002**	**-4,795**
Remeasurements of defined benefit plans	3,228	-3,706
Share of other comprehensive income attributable to associates and joint ventures	650	-507
Items never transferred to profit or loss	**3,228**	**-3,706**
Share of other comprehensive income for the period	**-26,774**	**-8,500**
Comprehensive income for the period	**363,277**	**334,607**
of which attributable:		
to the owners of the parent company	362,078	333,526
to non-controlling interests	1,199	1,081

Consolidated statement of financial position

of HELLA GmbH & Co. KGaA as at May 31

€ thousand	Notes	May 31, 2018	May 31, 2017
Cash and cash equivalents	22	688,187	783,875
Financial assets	23	332,934	314,386
Trade receivables	24	1,166,571	1,067,979
Other receivables and non-financial assets	25	148,972	155,738
Inventories	26	761,488	663,533
Current tax assets		25,800	25,657
Non-current assets held for sale	27	2,030	0
Current assets		**3,125,981**	**3,011,167**
Intangible assets	28	311,481	254,850
Property, plant and equipment	29	1,994,276	1,906,676
Financial assets	23	37,212	30,094
Investments accounted for using the equity method	30	292,008	273,901
Deferred tax assets	31	110,748	117,488
Other non-current assets	32	49,518	44,021
Non-current assets		**2,795,243**	**2,627,030**
Assets		**5,921,224**	**5,638,197**
Financial liabilities	36	41,990	340,481
Trade payables	33	711,775	672,888
Current tax liabilities		70,194	60,670
Other liabilities	34	714,334	635,935
Provisions	35	132,689	100,481
Current liabilities		**1,670,982**	**1,810,454**
Financial liabilities	36	1,165,910	1,036,205
Deferred tax liabilities	31	39,978	32,371
Other liabilities	34	223,422	182,320
Provisions	35	342,668	351,103
Non-current liabilities		**1,771,977**	**1,601,999**
Subscribed capital	37	222,222	222,222
Reserves and unappropriated surplus	37	2,252,155	1,998,533
Equity before non-controlling interests	37	**2,474,377**	**2,220,755**
Non-controlling interests	37	3,888	4,989
Equity		**2,478,265**	**2,225,744**
Equity and liabilities		**5,921,224**	**5,638,197**

Consolidated cash flow statement

of HELLA GmbH & Co. KGaA for the period from June 1 to May 31

	€ thousand	Notes	2017/2018	2016/2017
	Earnings before income taxes (EBT)		**530,149**	**462,923**
+	Depreciation and amortization		443,649	411,970
+	Change in provisions		13,771	34,053
+	Cash receipts for series production		176,135	131,503
-	Non-cash sales transacted in previous periods		-123,614	-116,176
-	Other non-cash income		-34,336	-81,565
-/+	Profits / losses from the sale of property, plant and equipment and intangible assets		-3,632	6,000
+	Net financial result		44,137	44,247
-	Increase in trade receivables and other assets not attributable to investing or financing activities		-85,075	-124,535
-	Increase in inventories		-122,716	-54,710
+	Increase in trade payables and other liabilities not attributable to investing or financing activities		72,878	68,811
+	Tax refunds received		2,977	16,227
-	Taxes paid		-122,298	-123,132
+	Dividends received		33,820	36,905
=	**Net cash flow from operating activities**		**825,845**	**712,521**
+	Cash receipts from the sale of property, plant and equipment		12,141	11,932
+	Cash receipts from the sale of intangible assets		5,868	4,818
-	Payments for the purchase of property, plant and equipment		-513,127	-592,836
-	Payments for the purchase of intangible assets		-112,715	-72,888
+	Repayments of loans to investments		2,056	250
-	Payments for loans granted to investments		-7,124	0
+	Cash receipts from the sale of subsidiaries and liquidation of other investments, less cash and cash equivalents		0	5,538
-	Payments for the acquisition of subsidiaries, less cash and cash equivalents received		0	-4,921
=	**Net cash flow from investing activities**		**-612,902**	**-648,107**
-	Repayment of a bond	36	-300,000	0
+	Cash receipts from the issuance of a bond	36	0	298,707
-	Payments for the repayment of financial liabilities	36	-51,848	-102,952
+	Cash proceeds from changes in financial debt	36	207,228	34,917
-/+	Net payments for the purchase and sale of securities		-21,493	12,491
+	Interest received		11,711	11,198
-	Interest paid		-47,495	-32,593
-	Dividends paid	37	-103,317	-86,766
=	**Net cash flow from financing activities**		**-305,215**	**135,002**
=	**Net change in cash and cash equivalents**		**-92,271**	**199,416**
+	Cash and cash equivalents as at 1 June		783,875	585,134
+/-	Effect of exchange rate fluctuations on cash and cash equivalents		-3,417	-675
=	**Cash and cash equivalents as at May 31**		**688,187**	**783,875**

See also Note 38 for notes to the cash flow statement.

Consolidated statement of changes in equity

of HELLA GmbH & Co. KGaA

€ thousand	Subscribed capital	Capital reserve	Reserve for currency translation differences	Reserve for financial instruments for cash flow hedging
As at: June 1, 2016	**222,222**	**250,234**	**1,693**	**-65,047**
Earnings for the period	0	0	0	0
Share of other comprehensive income for the period	0	0	-14,225	5,462
Comprehensive income for the period	**0**	**0**	**-14,225**	**5,462**
Distributions to shareholders	0	0	0	0
Disposal of non-controlling interests	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**
As at: May 31, 2017	**222,222**	**250,234**	**-12,532**	**-59,585**
Earnings for the period	0	0	0	0
Share of other comprehensive income for the period	0	0	-25,409	-3,679
Comprehensive income for the period	**0**	**0**	**-25,409**	**-3,679**
Distributions to shareholders	0	0	0	0
Changes in ownership interest in subsidiaries	0	0	16	-11
Transactions with shareholders	**0**	**0**	**16**	**-11**
As at: May 31, 2018	**222,222**	**250,234**	**-37,925**	**-63,275**

See also Note 37 for notes on equity.

Reserve for available-for-sale financial instru-ments	Remeasurements of defined benefit plans	Other retained earnings/profit carried forward	**Reserves and unappropriated surplus**	**Equity before non-controlling interests**	Non-controlling interests	**Equity**
3,125	**-65,881**	**1,626,439**	**1,750,563**	**1,972,785**	**5,865**	**1,978,650**
0	0	341,733	341,733	341,733	1,374	343,107
4,231	-3,675	0	-8,207	-8,207	-294	-8,500
4,231	**-3,675**	**341,733**	**333,526**	**333,526**	**1,081**	**334,607**
0	0	-85,556	-85,556	-85,556	-1,210	-86,766
0	0	0	0	0	-746	-746
0	**0**	**-85,556**	**-85,556**	**-85,556**	**-1,957**	**-87,513**
7,357	**-69,557**	**1,882,616**	**1,998,533**	**2,220,755**	**4,989**	**2,225,744**
0	0	388,679	388,679	388,679	1,372	390,051
-740	3,227	0	-26,601	-26,601	-173	-26,774
-740	**3,227**	**388,679**	**362,078**	**362,078**	**1,199**	**363,277**
0	0	-102,222	-102,222	-102,222	-1,095	-103,317
0	0	-6,239	-6,234	-6,234	-1,205	-7,439
0	**0**	**-108,461**	**-108,456**	**-108,456**	**-2,300**	**-110,756**
6,617	**-66,330**	**2,162,834**	**2,252,155**	**2,474,377**	**3,888**	**2,478,265**

01 Basic information

HELLA GmbH & Co. KGaA (previously: Hella KGaA Hueck & Co.) and its subsidiaries (collectively referred to as the "Group") develop and manufacture lighting technology and electronics components and systems for the automotive industry. In addition to the development and manufacture of components, the Group also produces complete vehicle modules and air-conditioning systems in joint venture undertakings. The Group's production and manufacturing sites are located across the globe; its most significant markets are in Europe, the USA and Asia, particularly Korea and China. In addition, HELLA has its own international sales network for all kinds of vehicle accessories.

Hella KGaA Hueck & Co. changed its name to HELLA GmbH & Co. KGaA via commercial register on October 13, 2017. The Company is a listed stock corporation, which was founded and is based in Lippstadt, Germany. The address of the Company's registered office is Rixbecker Str. 75, 59552 Lippstadt. HELLA GmbH & Co. KGaA is registered in the Commercial Register B of Paderborn district court under number HRB 6857 and prepares the consolidated financial statements for the smallest and largest group of companies.

The consolidated financial statements of HELLA GmbH & Co. KGaA for the fiscal year 2017/2018 (June 1, 2017 to May 31, 2018) were prepared in accordance with all IFRS and IAS standards subject to mandatory application for the period as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), and as adopted by the EU. The consolidated financial statements are accompanied by a Group management report and the additional disclosures required by Section 315e of the German Commercial Code (Handelsgesetzbuch—HGB). The comparative values of the prior year have been determined according to the same principles. The consolidated financial statements are prepared in euros (€). Amounts are stated in thousands of euros (€ thousand).

The consolidated financial statements are prepared using accounting and measurement methods that are applied consistently within the Group on the basis of amortized historical cost. This does not apply to assets that are available for sale and derivative financial instruments, which are measured at fair value. The consolidated income statement is prepared using the cost-of-sales method. The current/non-current distinction is observed in the consolidated statement of financial position. The amounts stated under current assets and liabilities are for the most part due for settlement within twelve months. Accordingly, non-current items are mainly due for settlement in more than twelve months. In order to enhance the clarity of the presentation, items of the consolidated statement of financial position and consolidated income statement have been grouped together where this is appropriate and possible. These items are broken down and explained in the notes to the consolidated financial statements. Please note that where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.

The Management Board released the consolidated financial statements for submission to the Supervisory Board on July 23, 2018. It is the responsibility of the Supervisory Board to review the consolidated financial statements and declare its approval. A resolution by the Supervisory Board approving the consolidated financial statements is expected to be passed at the ordinary Supervisory Board meeting to be held on August 9, 2018.

02 Scope of consolidation

In addition to HELLA GmbH & Co. KGaA, all significant domestic and foreign subsidiaries that are directly or indirectly controlled by HELLA are consolidated. The number of subsidiaries has changed as a result of mergers and one formation. Material joint ventures are included in the consolidated financial statements using the equity method of accounting. The number of joint ventures has changed due to liquidations and formations.

Number	**May 31, 2018**	May 31, 2017
Fully consolidated companies	97	98
Companies accounted for using the equity method	52	53

The most important subsidiaries are set out below:

			Share of equity (%)	
Company	Country	City	**May 31, 2018**	May 31, 2017
HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100	100
FTZ Autodele & Værktøj A/S	Denmark	Odense	100	100
HELLA Fahrzeugkomponenten GmbH	Germany	Bremen	100	100
HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100	100
INTER-TEAM Sp. z o.o.	Poland	Warsaw	100	100
HELLA Romania s.r.l.	Romania	Ghiroda-Timișoara	100	100
HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kočovce	100	100
HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100	100
HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100	100
HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100	100
HELLA Electronics Corporation	USA	Plymouth, MI	100	100
Jiaxing HELLA Lighting Co. Ltd.	China	Jiaxing	100	100

A complete listing of the shares held by the Group can be found in an attachment to the consolidated notes.

03 Principles of consolidation

If the balance sheet date of a subsidiary is not the same as that of HELLA GmbH & Co. KGaA, interim financial statements are prepared effective May 31.

BUSINESS COMBINATIONS

Acquired subsidiaries are accounted for using the purchase method. The acquisition costs correspond to the fair value of the assets acquired, the equity instruments issued and the liabilities arising or assumed on the transaction date. They also include the fair values of all recognized assets and liabilities arising from contingent consideration. Acquisition-related costs are recognized as expenses upon arising. Upon first consolidation, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value on the date of acquisition. Goodwill is recognized as the amount by which the business combination costs, the amount of the non-controlling shares in the acquired company already held on the acquisition date and the equity components measured at fair value exceed the net assets measured at fair value. If this figure is negative, the difference is recognized directly in the income statement after reassessment.

NON-CONTROLLING INTERESTS

In the case of each business combination, the Group determines whether the non-controlling interests in the acquired company are to be measured at their fair value or in accordance with the share which they hold in the net assets of the acquired company at the date of acquisition. Transactions for the purchase or sale of non-controlling interests that do not result in a loss of control are recorded as equity transactions. Any difference between the figure by which the carrying amount of the non-controlling interests is adjusted to match the current share held in the company and the fair value of the consideration rendered or received is recognized directly within equity.

Any binding put options that have been agreed for non-controlling interests are recognized within financial liabilities and measured at their fair value on the basis of the agreed purchase price. If the put option is related to the purchase of a majority holding in the company concerned, its value is recognized as part of the business combination costs.

SUBSIDIARIES

Subsidiaries are entities that are controlled by the Group. The Group is deemed to control a subsidiary if it is exposed to varying returns from its involvement with the subsidiary or has rights to returns and has the ability to use its power over the subsidiary to affect these returns. The financial statements of subsidiaries are included in the consolidated financial statements as of the date on which the Group gains control over them and until the date on which control over them ends.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method comprise shares in joint ventures and associates.

Joint ventures are joint arrangements in which HELLA exercises joint control together with other partners and also has rights to the arrangement's equity.

Associates are entities over which the Group exercises material influence, but no control, and in which it usually holds 20% to 50% of the voting rights.

Shares in joint ventures and associates are accounted for using the equity method and are recorded at historical cost upon initial recognition. The Group's share also includes the goodwill arising on acquisition (less cumulative impairments).

The Group's share in the profits and losses is recognized in the income statement from the acquisition date. The cumulative changes following acquisition are deducted from or added to the carrying amount of the investment. If losses have reduced the fair value of the Group's share to zero, additional losses are only allowed for and recognized as liabilities to the extent that HELLA is subject to legal or constructive obligations to settle such losses. Gains at a later period are not taken into account until they are sufficient to cover the unrecognized loss.

INTRA-GROUP TRANSACTIONS

Intra-Group transactions, balances and unrealized gains or losses from intra-Group transactions are eliminated. However, the existence of unrealized losses is viewed as an indication that the transferred asset must be examined for impairment. The accounting and measurement methods applied by subsidiaries have been modified where necessary to ensure consistent accounting within the Group.

04 Currency translation

Changes in the fair value of financial securities that are denominated in a foreign currency and classified as available for sale are split into currency translation differences arising from changes in amortized cost, which are recognized in the income statement, and other changes in their carrying amount, which are recognized within equity.

Currency translation differences for non-monetary items, changes in which are recognized at fair value in the income statement (for example, equity instruments measured at fair value in the income statement), are reported in the income statement as part of the gain or loss from measurement at fair value. However, currency translation differences for non-monetary assets, changes in which are recognized at fair value within equity (for example, equity instruments classified as available for sale), are included in the revaluation reserve as part of other reserves.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the company operates (functional currency).

For a reporting unit in Mexico, the functional currency was converted over the course of the fiscal year because a change to the general conditions of the unit means that the USD is now indexed as the currency in primary use. The conversion was made necessary due to newly acquired external financing of a considerable amount.

The consolidated financial statements are prepared in euros, the functional and reporting currency of HELLA GmbH & Co. KGaA.

The net profit/loss and balance sheet items of all Group companies that have a functional currency other than the euro are treated as follows:

1. Assets and liabilities are translated into euros for each balance sheet date using the spot exchange rate.
2. Income and expenses are translated for each income statement using the average exchange rate (unless this fails to give an appropriate approximation of the cumulative effects that would have arisen from currency translation at the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates).
3. Any currency translation differences are recognized in equity as separate items within the currency translation reserve and, hence, in other comprehensive income.

TRANSACTIONS AND OUTSTANDING BALANCES

Foreign currency transactions are translated into the functional currency at the spot exchange rate applicable on the transaction date. Gains and losses from the settlement of such transactions as well as from the translation of financial assets and liabilities held in foreign currencies at the spot exchange rate are recognized in the income statement unless they are designated as qualified cash flow hedges, in which case they are recognized within equity.

Currency translation differences arising in connection with consolidation from the conversion of net investments in economically independent foreign operations, financial liabilities, and other foreign currency instruments designated as hedges of such investments, are recognized within equity. If a foreign business is sold, any currency translation differences hitherto recognized within equity are recycled to profit and loss as part of the profit or loss derived from the sale. Goodwill arising from business combinations and from disclosed hidden reserves and liabilities that are recognised as adjustments to the carrying amounts of the assets and liabilities of the company concerned are translated using the end-of-year spot exchange rate in the same way as that applied to assets and liabilities.

The exchange rates used to translate the main currencies for HELLA were as follows:

	Average		Reporting date	
	2017/2018	2016/2017	**May 31, 2018**	May 31, 2017
€ 1 = US dollar	1.1895	1.0902	1.1699	1.1221
€ 1 = Czech koruna	25.7244	26.9747	25.7970	26.4220
€ 1 = Japanese yen	131.2925	118.3730	127.3300	124.4000
€ 1 = Mexican peso	22.0756	21.1450	23.2461	21.0559
€ 1 = Chinese renminbi	7.7684	7.4037	7.4951	7.6449
€ 1 = South Korean won	1,308.7379	1,246.7479	1,261.2500	1,255.0100
€ 1 = Romanian leu	4.6203	4.5073	4.6508	4.5655
€ 1 = Danish krone	7.4431	7.4387	7.4436	7.4398

05 New accounting standards

THE GROUP HAS APPLIED THE FOLLOWING AMENDMENTS TO IFRS, WHICH WERE ENDORSED BY THE EU AS EUROPEAN LAW AND WERE SUBJECT TO MANDATORY APPLICATION FOR THE FIRST TIME IN THE FISCAL YEAR 2017/2018:

Amendments to IAS 7: Disclosure Initiative

The purpose of the amendments to IAS 7 "Cash flow statement" is to improve the information conveyed to users of the financial statements on the cash flow from financing activities. Companies must now prepare a statement reconciling the opening with the closing balances in the relevant financial positions resulting from cash flow from financing activities. The application has resulted in additional disclosures in these consolidated financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments to IAS 12: "Income Taxes" clarify the recognition of deferred tax assets for unrealized losses on assets measured at fair value. Accordingly, unrealized losses on assets which are measured at their fair value and for which no corresponding adjustments are made for tax purposes result in deductible temporary differences. In addition, the adjustments permit a more precise calculation of future taxable income for the recognition of deferred tax assets. There was no significant impact on the consolidated financial statements.

Improvements to IFRS 2014—2016

Amendments have been made to three standards as part of the annual improvement project. Adjustments to the wording of individual IFRSs served the purpose of clarifying the existing guidance. The following standards were affected by this: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 12 "Disclosure of Interest in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures".

These amendments to IFRS 12 must be applied to fiscal years commencing on or after January 1, 2017. This makes clear that all mandatory disclosures of IFRS 12 apply to interests classified in accordance with IFRS 5 as non-current assets held for sale or discontinued operations. The only exception is the consolidated financial information in accordance with IFRS 12.B17. There was no significant impact on the consolidated financial statements.

These amendments to IFRS 1 and IAS 28 must be applied to fiscal years commencing on or after January 1, 2018 and thus are explained in the next section.

THE FOLLOWING NEW STANDARDS HAVE ALREADY BEEN ENDORSED BY THE EU AS EUROPEAN LAW BUT WILL NOT TAKE EFFECT UNTIL A LATER DATE:

Improvements to IFRS 2014—2016

As a result of the amendments to IFRS 1, certain short-term exemptions that are no longer classified as relevant due to their being out of date are exempted from the application of IFRS.

The amendments to IAS 28 are concerned with the question of whether voting rights, shares in an associate or joint venture capable of being valued at fair value affecting profit and loss, can be individually measured for each investment.

These amendments to IFRS 1 and IAS 28 must be applied to fiscal years commencing on or after January 1, 2018. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

These amendments to IFRS 12 must be applied to fiscal years commencing on or after January 1, 2017 and thus have already been explained in the previous section.

Amendments to IFRS 2: Accounting for Share-Based Payment

The amendments to IFRS 2 "Share-Based Payment" clarify the recognition of cash-settled share-based payments. The main change is that IFRS 2 now contains guidance on the calculation of the fair value of the obligations arising from share-based payments. As with the approach for equity-settled share-based payments, only certain vesting conditions will be included in the calculation of the fair value in the future, whereas others only have an effect via the quantity. Accordingly, the specific guidance included in IFRS 2 overrides the general guidance found in IFRS 13 "Fair Value Measurement". These amendments must be applied to fiscal years commencing on or after January 1, 2018. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

Amendments to IFRS 4: application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"

The amendments to IFRS 4 "Insurance Contracts" seek to reduce the impact resulting from the different dates of first-time application of the standard for insurance contracts and of IFRS 9 "Financial Instruments". To this end, two optional approaches are introduced which can be used if specific criteria of companies issuing insurance contracts within the meaning of IFRS 4 are met: the overlay approach and the deferral approach. In the overlay approach, insurance companies can reclassify some of the income or expenses arising from designated financial assets from profit or loss to other comprehensive income. In the deferral approach, insurance companies have the option to defer application of IFRS 9 until the new IFRS 17 "Insurance Contracts" is applied for the first time. Application of the deferral approach is permitted only if the business activities of the insurer are predominantly connected with insurance. These amendments must be applied to fiscal years commencing on or after January 1, 2018 or by the date of early first-time application of IFRS 9. The application of these amendments will not have any material impact on the consolidated financial statements.

IFRS 9: Financial Instruments

IFRS 9 modifies the accounting requirements for classifying and measuring financial assets, impairment of financial assets and for hedge accounting. In addition, further attached information is required, which results from the adaptation of disclosure requirements in accordance with IFRS 7.

For the borrowed capital instruments held for investment purposes, HELLA pursues the "Hold to collect and sell" business model. Borrowed capital instruments are measured at fair value in OCI in a manner that does not affect profit or loss. Upon maturity, they are reclassified in a manner that affects profit or loss. In the future, all equity instruments can be entered at fair value (OCI option) in a manner that does or does not affect profit and loss. Insofar as changes in value are taken into account in a manner that does not affect profit or loss, these instruments will no longer be reclassified into the income statement. HELLA will record fluctuations in value in a manner that affects profit or loss. Possible effects can exist in greater fluctuations in the income statement/ consolidated statement of comprehensive income.

Effects result, in particular, from the fact that the new regulations for recording impairments also include expected future losses, while IAS 39 provides only for the recording of impairments that have already taken place. This particularly affects receivables from financial assets. In addition, expected future losses are used for value corrections to receivables for goods and services, while historical default rates have been used to date. For this purpose, a simplified method is used. The parameters for determining the value corrections are calculated specifically for individual portfolios.

Additional effects result from the ability to exclude certain components of derivatives from the designation in hedge accounting and to delimit the changes of the fair values of these components in a manner that does not affect profit or loss. For example, this change affects fair values of options with changes in value during the term of options under IAS 39 that are regularly taken into account in a manner that affects profit and loss. The newly introduced option for designating risk components in non-financial basic transactions can simplify hedge accounting for raw materials. HELLA currently has none of the aforementioned derivatives in its holdings. Furthermore, changes for HELLA result from the future use of the spot-to-spot designation instead of the forward-to-forward designation and from the accounting of the forward component as the cost of hedging.

Application of IFRS 9 is mandatory for fiscal years commencing on or after January 1, 2018. Early application is permitted. HELLA will apply IFRS 9 for the first time to the fiscal year starting June 1, 2018. HELLA will, in conjunction with the transitional regulations, refrain from adapting the previous year's figures and break down the transitional effects cumulatively in the retained earnings. The examination of the effects from the application of IFRS 9 on the consolidated financial statements does not give us reason to expect any major effects in the area of classification and valuation, impairment and reflection of hedge accounting on the results of operations, financial status and financial position through the transition to IFRS 9. HELLA exercises the right to choose retrospective application of the regulations for the designation of interest rate and currency hedge transactions relative to the Cross Currency Based Spread (CCBS) component of the long-term interest rate/currency hedge transactions. From this retroactive application of the regulations, a conversion effect in the single-digit million euro range is expected, which leads to a reclassification of the CCBS component within the OCI from cash flow hedge reserve to cost of hedging reserve.

IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 with regard to "Prepayment Features with Negative Compensation" stipulate that, for certain financial assets with early prepayment options, the valuation can take place at amortized cost or at the fair value to be attributed without affecting profit or loss if the contractual situation is such that the one party receives reasonable compensation or pays (appropriate negative compensation) in the case of early termination. The amendments in the basis for conclusion make clear that, with regard to the accounting of a modification or replacement of a financial obligation measured at amortized cost that does not lead to write-off, adaptations of the amortized cost are to be recorded at the time of modification or replacement in a way that affects profit and loss. These amendments are mandatory and must be applied to fiscal years commencing on or after January 1, 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" replaces the current guidance on the recognition of revenue in IAS 18 "Revenue" and IAS 11 "Construction Contracts" as well as the respective interpretations (IFRIC 13, IFRIC 15, IFRIC 18 and SIC31). With the introduction of IFRS 15, the IASB aims to pool the extensive revenue provisions in a single standard and to establish clear principles which a company has to apply from contracts with customers. For determining realized revenue, a five-step model framework under which the contract with the customer and the separate performance obligations which it contains are identified. The next step involves determining the transaction price and to allocate it to the individual performance obligations. Finally, revenue is recognized in accordance with the allocated pro rata transaction price when and as soon as the agreed performance obligation is satisfied or control is passed to the customer. IFRS 15 moreover extends the disclosures in the notes which, through extended quantitative and qualitative information on contracts with customers, are designed to enable the recipients of financial statements to gain a better understanding of these contracts and the revenue to be allocated to them.

The standard must be applied for the first time to fiscal years commencing on or after January 1, 2018. The HELLA Group will apply the standard for the first time to the fiscal year starting June 1, 2018. The modified retrospective approach is being used for the transition to IFRS 15. The cumulated effect from the first application will be entered as an adjustment of the opening balance sheet value in equity at the time of the first application on June 1, 2018.

The HELLA Group has studied the effects of the implementation of IFRS 15 in a project. Major conversion effects will arise in the Automotive segment and are shown below:

Customer tooling

For customer tooling, changes arise due to the new regulations for transferring power of disposition over goods or services to the customer. The HELLA Group has reached the assessment that a separate performance obligation exists for customer tooling and that, as a result, sales are to be realized at the time the power of disposition is transferred. As a result, approximately € 130 to 180 million of the tooling previously capitalized under property, plant and equipment will be listed as inventories in the opening balance sheet dated June 1, 2018. At the same time, the tooling already transferred in accordance with IFRS 15 in previous fiscal years, and valued at € 250 to 300 million as at June 1, 2018, will be written off in the opening balance sheet. In future periods, the corresponding sales and sales costs are recorded at the respective time of the transfer of power of disposition for the finished customer tooling to the customer.

Development services on behalf of the customer

In the future, sales must be entered for those development services that make up a separate, delineated performance obligation with respect to the customer and for which the HELLA Group has a contractual claim to a service in return. The sales realization takes place at a specific time, namely the time at which the power of disposition over the finished development service is transferred to the customer. Correspondingly, going forward, the expenses incurred for these development projects must be disclosed in sales in the sales costs and the reimbursements provided by the customers. In the opening balance sheet dated June 1, 2018, this will lead to the fixing of contractual assets of approximately € 20 to 50 million.

Clarification of IFRS 15: Revenue from Contracts with Customers

With the clarifications to IFRS 15 “Revenue from Contracts with Customers”, the IASB has set out targeted amendments to IFRS 15 in the areas of identifying performance obligations, principal versus agent considerations and sales from licenses. The clarifications must be applied at the same time as IFRS 15. The effects from the application to the HELLA Group have been illustrated in the previous section of this chapter.

IFRS 16: Leases

On January 13, 2016, the IASB published IFRS 16 “Leases”, which replaces IAS 17 “Leases” and the related interpretations. IFRS 16 primarily changes the manner in which the lessee accounts for leases. In addition to abolishing the distinction between finance and operating leases, the amended guidance requires all assets and liabilities under leases to be recognized in the statement of financial position except in the case of short-term leases or low-value assets. There is no material change in the recognition requirements for lessors compared with IAS 17. The new standard must be applied to fiscal years commencing on or after January 1, 2019. The HELLA Group is applying IFRS 16 early, effective June 1, 2018, in accordance with the modified retrospective method.

In mid-2016 the HELLA Group launched a project to introduce IFRS 16 and it continues to analyze the impact that its application will have on financial reporting. In the first project phase the project team commissioned with this task examined the material leases particularly with regard to contracts so far not classified as finance leases. In particular, discretionary scopes and first-time application issues for representative material individual cases were determined.

The HELLA Group has completed the analysis of possible effects on the financial reporting. The major conversion effects for the HELLA Group as the lessor are that, in the future, assets and liabilities from current operated leases of administrative and production buildings, warehouses and vehicles have to be recorded.

The effects on the group income statement are expected to consist of the replacement of the linear monthly expenses for operating leases due to depreciation in usufructuary rights and leased objects and the interest expenses from the measurement of the lease obligations. As a consequence, this will be credited to EBIT and debited to the net financial result.

As of the balance sheet date of May 31, 2018 the HELLA Group reported non-cancelable lease obligations from operating lease relationships in the amount of EUR 110 million (see Note 45). The HELLA Group estimates that approx. EUR 5 million of this is attributed to short-term leases or to leases with low-value assets that are entered in a linear fashion over the term of the lease in a manner that affects profit and loss. Based on the change in the leasing definition, the HELLA Group will record between approx. EUR 140 million and EUR 170 million as leasing obligations. The Group annual surplus of the coming fiscal year 2018/2019 is affected by expenses that are approx. € 2 million higher and which will result from the annual depreciation and the interest expenses from IFRS 16.

Amendments to IAS 40: Transfers of Investment Property

The amendments to IAS 40 “Transfers of Investment Property” have clarified that transfers of real estate to or from investment property holdings can take place only if there is a change in use. A change in use applies if the property fulfils or no longer fulfils the definition of investment property and this change in use can be evidenced. The new interpretation must be applied to fiscal years commencing on or after January 1, 2018. The amendments are not expected to have an impact on HELLA’s consolidated financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” clarifies the exchange rate to be used in the first-time accounting of a foreign currency transaction if the company receives or pays advance consideration in a foreign currency. The interpretation makes it clear that the date used to determine the exchange rate for the associated asset, income or expense is the transaction date of initial recognition of the non-monetary asset or non-monetary liability resulting from the advance consideration paid or received. IFRIC 22 must be applied to fiscal years commencing on or after January 1, 2018. The application of these amendments will not have any material impact on the consolidated financial statements.

THE FOLLOWING NEW OR AMENDED IFRSS HAVE NOT YET BEEN ENDORSED BY THE EU AS EUROPEAN LAW AND WILL NOT BE APPLICABLE UNTIL A LATER DATE:

The HELLA Group plans to apply the newly issued standards and amendments from the date of mandatory application subject to endorsement for application in the EU.

IFRS 17: Insurance Contracts

On May 18, 2017, the IASB published IFRS 17 "Insurance Contracts". IFRS 17 sets out the principles with regard to the recognition, measurement, presentation and reporting of insurance contracts. The new standard will replace the current IFRS 4 "Insurance Contracts". Under IFRS 4, companies drawing up their balance sheets currently have the option to apply a large number of accounting practices; furthermore, they are marked heavily by national accounting provisions. The new standard will therefore result in a standard and credible presentation of the accounting of insurance contracts. The new standard must be applied to fiscal years commencing on or after January 1, 2021. The application of these amendments will not have any material impact on the consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 "Employee Benefits" specifies how a company accounts for plan amendments, curtailments or settlements. The net debt (asset value) must be remeasured in cases of plan amendment, curtailment or settlement of defined benefit plans taking into account current actuarial assumptions so that the service cost to be billed or the profit or loss can be determined from the settlement. In these cases, the amendments make it clear that the current service cost and the net interest cost of the time period after a plan amendment, curtailment and settlement are also to be determined based on the updated actuarial assumptions. Based on the remeasured net debt (asset value), the net interest expense for the time after any plan amendment, curtailment or settlement must be measured. These amendments are mandatory and must be applied to fiscal years commencing on or after January 1, 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

Amendments to IAS 28: Investments in Associates and Joint Ventures

The amendments to IAS 28 "Investments in Associates and Joint Ventures" define that IFRS 9 "Financial instruments" is to be applied to long-term investments in an associate or joint ventures which does not appear on the balance sheet in accordance with the equity method, but which portray the economic content after a portion of the net investments in the associate or joint venture. The amendments specify application of IFRS 9 before recording loss shares and before applying the value impairment regulations for the net investment in accordance with IAS 28. Moreover, no adjustments of the book value are to be taken into account as a result of IFRS 9 that result from the application of IAS 28 on the long-term interests. These amendments are mandatory and must be applied to fiscal years commencing on or after January 1, 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

On June 7, 2017 IFRSIC published interpretation IFRIC 23, "Uncertainty over Income Tax Treatments", which clarifies the accounting for uncertainties in income taxes with regard to current and deferred tax assets and liabilities. Such uncertainties in income taxes arise if the application of the tax law on a specific transaction is uncertain and is therefore dependent on its interpretation by the relevant tax authority, which is not known to the entity at the time the consolidated financial statements are prepared. An entity takes these uncertainties into account in the tax profit (tax losses) only if it is probable that the relevant tax amounts will be paid or reimbursed. The interpretation includes no additional information requirements that go beyond IAS 12 "Income Taxes". However, information on discretionary decisions and uncertainties in accordance with IAS 1 "Presentation of Financial Statements" regarding the accounting of income taxes may be required. IFRIC 23 must be applied to fiscal years commencing on or after January 1, 2019. The impact on HELLA's consolidated financial statements is currently being analyzed.

Improvements to IFRS 2015—2017

Amendments have been made to three standards as part of the annual improvement project. Adjustments to the wording of individual IFRSs serve the purpose of clarifying the existing guidance. This also affects the standards IFRS 3 "Business Combinations", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". The amendments to IFRS 3 make it clear that a remeasurement of previously held interests is necessary if control is obtained via a joint enterprise that is equivalent to business operations. Such a transaction is a successive acquisition of shares. This pertains to IFRS 11 "Joint Agreements" to the extent that a remeasurement of previously held interests in a joint venture is not necessary if the joint management is attained via a joint activity that is equivalent to business operations. This transaction is comparable to an investment in an associate that becomes an equity stake in a joint venture and vice versa. The amendments to IAS 12 "Income Taxes" define that income tax-related consequences of dividend payments from financial instruments classified as equity must be entered in the same location as that originally used for the past transactions and events used to earn the distributable profits. The amendments to IAS 23 "Borrowing Costs" define that if an asset is ready for its intended use or sale, an entity treats any borrowing costs attributable to obtaining that asset as part of the general pool of borrowing costs when calculating the capitalization rate of the borrowing costs. These amendments are mandatory and must be applied to fiscal years commencing on or after January 1, 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

Changes to the Conceptual Framework

The IASB issued its revised and expanded Conceptual Framework on March 29, 2018. It includes revised definitions of assets and liabilities and new guidance for measurement and derecognition, presentation and disclosure. The changes to the Conceptual Framework do not necessarily result in changes to existing standards. However, specific application cases may occur if there are gaps in the provisions. Because the Conceptual Framework is not a standard or an interpretation, there are no plans to adopt it as European law. To the extent necessary, it includes a initial application date for the amendments that is set uniformly to fiscal years that begin on or after January 1, 2020.

06 Basis of preparation and accounting

EARNINGS RECOGNITION

Sales include the fair value of the consideration already received or still to be received for the sale of goods and performance of services in the normal course of business. Sales are stated excluding sales tax, returns, rebates and discounts and after elimination of internal Group sales.

The Group recognizes sales when the amount of revenue can be reliably determined, it is sufficiently probable that the Company will derive economic benefits and the specific criteria set out below for each type of activity have been met. Sales from the sale of goods are recognized as soon as the material opportunities and risks relating to ownership of the goods, based on the provisions of the respective contract, have been transferred to the customer.

In the case of the sale of goods, this generally applies when the goods have been delivered. If, as part of series deliveries, advance payments are made in addition to the unit price, these payments are reported as other liabilities, deferred over the duration of series production and recognized in sales.

Income from the provision of services is recognized in accordance with the terms of the contract in question, provided the service has been rendered and expenses have arisen.

Interest income is recognized on a pro rata basis using the effective interest method.

Dividend income is recognized when the right to receive payment is established.

FUNCTIONAL COSTS

Cross-functional costs contained in the consolidated income statement are reported in accordance with internal reporting requirements. Operating expenses are always initially allocated to the functional division in which they are primarily incurred. If the functional division performs services for which the economic benefit arises in another functional area, such expenses are allocated on a pro rata basis to the functional division for which the services were performed.

The offsetting of such amounts does not contain any direct reference to the primary cost type and is reported under "Reclassification of functional costs". This applies in particular to the allocation of energy costs, the use of buildings and IT expenses. These are initially recognized together with their respective cost types under administrative costs and then reclassified to the functions where the cost was incurred using prorated usage formulas.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share of earnings after tax attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the fiscal year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost less accumulated depreciation and amortization and accumulated impairments. Historical cost comprises the expenses directly attributable to the acquisition.

Subsequent cost, e.g. as a result of expansion or replacement investments, is only recognized as part of the historical cost of the asset or—if applicable—as a separate asset if it is probable that the Group will derive future economic benefits from them and the costs of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent a material reinvestment are recognized as an expense in the income statement in the fiscal year in which they arise.

Tools manufactured or acquired by the Group for production purposes are capitalized at cost in accordance with IAS 16 and recorded separately in the statement of assets as operating equipment. Each item of property, plant and equipment with historical cost that represents a significant portion of the total value of the item is recognized and depreciated separately.

Land is not depreciated. All other assets are depreciated on a straight-line basis. In this case, their historical cost or fair value is written down to their residual carrying amount over their expected average useful life as follows:

Buildings	30 years
Machinery	8 years
Production equipment	3–5 years
Operating and office equipment	5 years

The residual carrying amounts and expected useful lives are reviewed and, if necessary, adjusted on each balance sheet date.

If the carrying amount of any item of property, plant and equipment exceeds its estimated recoverable amount, it is immediately written down to this amount.

GOVERNMENT GRANTS

Government grants are recognized if it is reasonably certain that the related conditions will be satisfied and the grants will actually be received. Grants for the purchase or production of non-current assets (asset-related grants) are deducted from the historical cost of the assets in question and reduce future depreciation. Grants that are not awarded for non-current assets (performance-tied grants) are accounted for in the income statement in the same functional division as the related expense items. They are recognized in the income statement on a pro rata basis over the periods in which the expenses to be covered by the grants are incurred. Government grants awarded for future expenses are reported as deferred income.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the amount by which the cost of a business combination exceeds the fair value of the Group's shares in the net assets of the entity acquired and the sum of all non-controlling interests at the time of acquisition. The goodwill arising from business combinations is recognized as an intangible asset. The goodwill resulting from the acquisition of an associate is included in the carrying amount of the investment and is therefore not tested for impairment separately but as part of the total carrying amount. The goodwill reported is tested for impairment on an annual basis and measured at historical cost less cumulative impairment. Write-ups are not reversed. Gains and losses from the sale of an entity include the carrying amount of the goodwill allocated to such entity. The goodwill is allocated to cash-generating units for the purpose of impairment testing. It is allocated to those cash-generating units or groups of cash-generating units (CGUs) that are expected to benefit from the business combination giving rise to the goodwill.

Capitalized development expenses

Costs related to development projects are recognized as intangible assets in accordance with IAS 38 if it is likely, given their economic and technical viability, that the project will be successful and the costs can be reliably determined. Otherwise, the research and development expenses are recognized in the income statement. Advances or reimbursements from customers are deducted from reported development expenses; advances collected in the follow-up periods after the start of use are reported as disposals in the consolidated statement of changes in assets. Capitalized development expenses are amortized on a straight-line basis over their expected useful life starting with the date on which the product goes into commercial production. Depreciation and amortization is calculated over an average estimated useful life of three to five years. The depreciation/amortization charged on capitalized development expenses is recognized in the cost of sales and is applied in the Automotive segment.

Acquired intangible assets

Acquired intangible assets are recorded at historical cost. Intangible assets with a definite useful life are amortized on a straight-line basis over their useful life of three to eight years.

IMPAIRMENT OF NON-MONETARY ASSETS

Assets with an indefinite useful life - primarily goodwill within the Group - are not depreciated or amortized but tested for impairment on an annual basis. Assets that are subject to depreciation or amortization are tested for impairment when corresponding events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment is recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is either the fair value of the asset less the cost to sell or the value in use, whichever is higher. For the purposes of impairment testing, assets are aggregated at the lowest identifiable level for which cash flows can be generated for independent units (CGUs). The recoverable amount of a CGU is determined on the basis of the expected future discounted cash flows from planned use (value in use). These are based on Management Board forecasts covering a period of three years. With the exception of goodwill, non-monetary assets for which an impairment has been recognized in prior periods are reviewed at each balance sheet date to test whether the impairment must be reversed. The impairments and write-ups are included in the cost of sales.

INVENTORIES

Inventories are recognized at the lower of historical cost or net realizable value. Historical cost is determined using the moving average method. The historical cost of finished and unfinished goods includes the costs of product development, raw materials and supplies, direct personnel costs, other direct costs, and the overheads attributable to production (based on normal plant capacity). The net realizable value is the estimated sales revenue achievable in the normal course of business less the necessary variable distribution expenses and the expected cost until completion.

CASH AND CASH EQUIVALENTS

Cash and cash equivalent consist of cash and bank balances as well as checks. Bills received are reported as cash equivalents if their maturity on receipt is less than three months and they can be directly converted into sight deposits almost without generating any loss. If maturity on receipt is more than three months or the bill cannot be converted directly into sight deposits, the bills are reported in the securities category within financial assets. Other subordinated bills in qualitative terms do not result in derecognition of the corresponding receivable.

EQUITY

Subscribed capital

The limited partner shares issued by the Company are classified as equity. The various issuances of capital from profit participation certificates are recognized as liabilities.

Capital reserve

Cash deposits attributable to the issuance of new shares which exceed the nominal value of the shares issued are recognized under the capital reserve. Costs directly attributable to the issuance of new shares are recognized in equity net after tax as a deduction from the capital reserves.

Reserve for currency translation differences

The reserve for currency translation differences comprises all foreign currency translation differences stemming from the translation of the consolidated financial statements of foreign business divisions as well as the effective portion of any foreign currency translation differences arising as a result of hedges of a net capital expenditure in a foreign business division.

Reserve for financial instruments for cash flow hedging

The reserve for financial instruments for cash flow hedging comprises the effective portion of cumulative net changes in the fair value of the hedging tools used to hedge cash flows until such point as the hedged cash flows are recognized in profit or loss.

Reserve for available-for-sale financial instruments

The reserve for available-for-sale financial instruments contains the cumulative net changes in the fair value of available-for-sale financial assets until the derecognition or impairment of such assets.

Remeasurements of defined benefit plans

Remeasurements of net debt stemming from defined benefit plans comprise actuarial gains and losses attributable to changes in the actuarial assumptions upon which the calculation of defined benefit pension liabilities is based. It also includes the difference between the standardized and actual income generated by the plan assets as well as its impact on any asset ceiling in place.

Other retained earnings/profit carried forward

The item "Other retained earnings/profit carried forward" includes other retained earnings of the parent company and past earnings of consolidated companies are also included in the consolidated financial statements, unless they have been distributed. This item also includes the statutory reserve of the parent company. The statutory reserve is subject to the distribution restrictions specified in the German Stock Corporation Act (Aktiengesetz—AktG). Offsetting of differences in assets and liabilities arising from the capital consolidation of subsidiaries consolidated before 1 June 2006, and the adjustments recognized directly in equity for the first-time adoption of IFRS are also included in this item.

TRADE PAYABLES

Trade payables are initially measured at their fair value. They are subsequently measured at amortized cost using the effective interest method.

CURRENT AND DEFERRED TAXES

Current tax expense is calculated in accordance with the tax legislation applicable in the countries in which the subsidiaries and associates operate. In accordance with IAS 12, deferred taxes are recognized for any temporary differences between the tax basis of the assets/liabilities and their carrying amount in the IFRS financial statements ("temporary concept"). Deferred taxes are also recognized for tax loss carryforwards. Deferred taxes are measured on the basis of the tax rates (and tax legislation) that apply on the balance sheet date or have essentially been legislated and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are only recognized to the extent to which it is likely that a taxable profit will be available to offset the temporary differences in assets or the unused losses.

Deferred tax assets and deferred tax liabilities are netted only if offsetting is legally permissible. In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

EMPLOYEE BENEFITS

Pension liabilities

Pension provisions are calculated using actuarial methods on the basis of the projected unit credit method in accordance with IAS 19. As a rule, the pension liabilities are measured using the latest mortality tables as at May 31 of the respective reporting year; in Germany, the calculations are based on the 2005 G actuarial tables of Klaus Heubeck.

On July 20, 2018 updated actuarial tables (2018 G) were published by the same source. Application of the statistical data contained therein could entail a rate change to the pension provisions, which is to be demonstrated by the actuarial profits and losses.

In the case of funded pension plans, the pension liabilities calculated using the projected unit credit method are reduced by the fair value of the fund assets. If the fund assets exceed the liabilities, recognition of the assets is limited to the present value of future refunds from the plan or the reduction in future contributions.

Actuarial gains and losses arise from increases or decreases either in the present value of the defined benefit liabilities of the plan or in the fair value of the plan assets. This may be caused by changes in the calculation parameters, differences between the estimated and actual risk exposure of the pension liabilities and returns on the fund assets, excluding amounts reported within net interest income and expenses.

Actuarial gains and losses are recognized directly in equity (other comprehensive income for the period) in the period in which they arise, such as remeasurement resulting from the application of an asset ceiling and income from the plan assets (excluding interest on net debt).

The service cost for pensions and similar liabilities is recognized as an expense in the operating result. The interest expense derived by multiplying the net provisions with the discount rate is likewise recognized within the corresponding items of net operating profit/loss.

Severance commitments

Benefits arising from the termination of employment are paid if an employee is laid off by a Group company before normal retirement age. The Group pays severance commitments if it is under an obligation to terminate the employment of current employees in accordance with a detailed formal plan that cannot be revoked or if it is under an obligation to pay compensation in the event of employment being terminated voluntarily by the employee. Payments that are due for settlement in more than twelve months after the balance sheet date are discounted to calculate their present value.

Profit-sharing and other bonuses

Liabilities and provisions are recognized for bonus payments and profit-sharing and the expected expenses reported on the basis of a measurement process. Provisions are set aside in the consolidated financial statements in cases in which there is contractual commitment or constructive obligation based on past business practice.

Partial retirement

The obligations from partial retirement according to the block model mostly have maturities of between two and six years. The size of top-ups is determined in line with pay-scale provisions. They are accumulated on a pro rata basis from the beginning of the commitment onwards. Payments that are due for settlement in more than twelve months after the balance sheet date are discounted to calculate their present value. Benefits are mostly invested in the form of fixed-income investments in order to take account of hedging in accordance with statutory provisions.

PROVISIONS

Provisions are recognized if the Group has a present legal or constructive obligation resulting from a past event, it is probable that the settlement of the obligation will result in an outflow of resources and the amount of the provision can be reliably estimated.

If there are a large number of similar liabilities (as is the case for statutory warranties), the likelihood of an outflow of resources is determined on the basis of this group of liabilities.

Provisions are also recognized if there is a low probability of an outflow of resources related to a single liability within this group.

Provisions are measured at the present value of the expected expenses, using a pre-tax rate that reflects current market expectations regarding the interest effect and the risks specific to the liability. The increase in provisions resulting from the related interest expenses is recognized in the income statement within interest expense.

Should warranty obligations arise from contractual or statutory warranty obligations, HELLA creates provisions for these obligations. Specific warranty provisions are made for warranty claims that have arisen or been asserted individually. When carrying out the measurement, the parts concerned are identified based on the established total supplied products and a failure rate estimated for these products. Failure rates are appropriately estimated using historical failure rates and all other available data for each individual warranty case. Measurement is based on the estimated average costs (material and replacement costs).

HELLA creates provisions for severance payments likely to be paid if it is liable for the early termination of employment contracts and HELLA is unable to withdraw from this liability.

Provisions for supply and sales liabilities include liabilities under current third-party agreements from which future losses are expected.

The management uses historical figures from similar transactions to estimate the amount of the provisions, taking into account details of any events arising up until the consolidated financial statement is drawn up.

CONTINGENT LIABILITIES

Contingent liabilities are potential or existing liabilities towards third parties, for which an outflow of resources is unlikely or whose amount cannot be reliably determined. If no contingent liabilities were assumed under a business combination, these are not recognized in the statement of financial position. In the case of guarantees, the amount of the contingent liabilities stated in the notes corresponds to the liabilities existing on the balance sheet date.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset for one entity and, at the same time, a financial liability or equity instrument for another. Financial instruments include financial assets and liabilities and contractual entitlements and obligations relating to the exchange or transfer of financial assets. A distinction is drawn between non-derivative and derivative financial instruments. Financial assets and liabilities are assigned to measurement categories in accordance with IAS 39.

Financial assets

Financial assets are recognized in the statement of financial position if the Company is party to a contract concerning these assets. The purchase or sale of financial assets under normal market conditions is recognized or derecognized at the same value as at the settlement date.

Financial assets with a residual term of more than one year are classified as non-current. They are derecognized as soon as the contractual right to payments from the financial assets expires or the financial assets are transferred with all the significant risks and opportunities.

Financial assets are assigned to one of the following four categories:

1. Financial assets recognized in the income statement at fair value (or “held for trading”)
2. Held-to-maturity financial assets
3. Loans and receivables
4. Available-for-sale financial assets

Financial assets recognized in the income statement at fair value

A financial asset measured in the income statement at fair value is initially recognized at its fair value and also subsequently recognized at its fair value. The fair value option is not utilized.

Within the HELLA Group, this applies to financial instruments traded by Group companies as well as embedded derivative financial instruments.

Contracts executed for the purpose of receiving or delivering non-financial items for the Group’s own business requirements are not treated as derivatives but as executory contracts. If such contracts include embedded derivative financial instruments that are required to be separated, these are accounted for separately from the executory contracts. The changes in the fair values of the embedded derivative financial instruments are recognized in the income statement.

Held-to-maturity financial assets

Held-to-maturity financial assets are initially recognized at their fair value plus directly attributable acquisition costs. They are subsequently measured at amortized cost using the effective interest method.

At the balance sheet date, the Group did not have any financial assets in the "held-to-maturity" category.

Loans and receivables

Loans and receivables are initially recognized at their fair value plus directly attributable acquisition costs. They are subsequently measured at amortized cost using the effective interest method.

If there is any objective evidence of the impairment of an asset's value and the carrying amount is greater than the value determined in the impairment test, a corresponding depreciation is recognized in the income statement. Objective evidence of the impairment of an asset may include the deterioration of a debtor's credit rating and associated payment delays or imminent insolvency. All impairments are recognized indirectly via an impairment account. Within the HELLA Group, this measurement category largely consists of trade receivables and certain other assets.

The accounting policies for derivative financial instruments with a positive fair value included under other assets are described separately in the section entitled "Derivative financial instruments".

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as "available for sale" on initial recognition or cannot be classified under any of the above categories. However, these assets were not acquired for the purpose of being sold in the near future.

Non-current or current assets available for sale are recognized at their market value on the balance sheet date. The market price is used to determine the fair value of publicly traded financial assets. If there is no active market, the fair value is determined on the basis of the most recent market transactions or using a valuation method such as the discounted cash flow method.

They are initially recognized on the settlement date. Unrealized gains and losses are recognized within equity with due allowance made for any deferred taxes and are recycled to profit and loss upon the sale of the assets. If there is any objective evidence of the impairment of an asset's value and the carrying amount is greater than the value determined in the impairment test, a corresponding direct depreciation is taken to profit and loss.

Impairment losses are recognized via an impairment account. In these cases, the receivables are grouped into portfolios in which the reason for the impairment is identical in all cases and clearly separated from other receivables.

Impairments are recognized if and as soon as receivables are irrecoverable or it is probable that they cannot be recovered but only if the amount of the impairment can be reliably determined. An impairment must be recognized in the event of any objective evidence such as protracted default, the commencement of debt recovery actions, pending insolvency or overindebtedness or the petition for or commencement of insolvency proceedings. Non- or low-interest-bearing receivables with a residual term of more than one year are discounted, in which case the interest component is recorded within interest income on a pro rata basis until settlement of the receivable.

All the other investments included within financial assets belong to the "available-for-sale" category and are measured at historical cost as their market value cannot be reliably determined. The shares and bonds stated under securities are marked to the market.

Financial liabilities

During the fiscal year under review, as in the prior year, there were no non-derivative financial liabilities measured at fair value in the income statement or categorised as such. The accounting policies for the derivative financial liabilities measured at market value included under other liabilities are described separately in the section entitled "Derivative financial instruments".

All other non-derivative financial liabilities in the HELLA Group are allocated to the "other liabilities at amortized cost" category. Non-derivative financial liabilities are initially measured at fair value less transaction costs. They are subsequently measured at their amortized cost using the effective interest method.

If an outflow of resources is expected after more than one year, these liabilities are classified as non-current. Liabilities are derecognized if the contractual commitments are settled, reversed or expire.

DERIVATIVE FINANCIAL INSTRUMENTS

The HELLA Group uses derivative financial instruments to hedge financial risks. Derivative financial instruments are recognized on the date on which the corresponding contract is executed irrespective of their purpose and measured at fair value both initially and subsequently. The derivatives are measured on the basis of observable current market data using appropriate measurement methods. Forward exchange transactions and commodity futures transactions are measured on a case-by-case basis at the respective forward rate or price on the balance sheet date. The forward rates or prices are based on the spot rates and prices, allowing for forward premiums and discounts. The fair values of instruments to hedge interest rate risks are obtained by discounting the future cash inflows and outflows. Market interest rates are used for discounting and applied over the residual term of the instruments. The present value is calculated at the balance sheet date for each single interest rate, currency and interest rate/currency swap transaction. The counterparty's credit rating is usually included in the assessment on the basis of observable market data.

Depending on whether the derivatives have a positive or negative market value, they are reported within other financial assets or other financial liabilities. The recognition of changes in fair value depends on the accounting treatment applied. In principle, all derivative financial instruments are allocated to the "held for trading" category. Changes in the fair value of assets held in this category are recognized immediately in the income statement.

In individual cases, selected hedging positions are presented as cash flow hedges in the statement of financial position in accordance with hedge accounting rules. This means that the effective part of the change in fair value is recognized within equity, while the ineffective part is recognized in the income statement. The part of the change initially recognized within equity is recycled to profit and loss as soon as the underlying transaction is recognized in the income statement.

BORROWING COSTS

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or manufacture of a qualifying asset and can therefore be considered to form part of the historical cost of the asset concerned. All other borrowing costs are recognized as expenditure in the period in which they arise.

As in the prior year, there were no borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset in the fiscal year 2017/2018. For this reason, borrowing costs were recognized directly as expenditure within the period.

LEASES

A lease is an agreement in which the lessor grants the lessee the right to use an asset for a specified period in return for a payment or series of payments.

Operating leases

Leases in which the lessor retains a significant proportion of the risks and opportunities associated with ownership of the leased asset are classified as operating leases. Payments made in connection with an operating lease are recognized in the income statement on a straight-line basis over the duration of the operating lease.

Finance leases

Leases for property, plant and equipment under which the Group bears the significant risks and enjoys the benefits associated with ownership of the leased assets are classified as finance leases. Assets under finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payment. A lease liability is recognized in the same amount.

Each lease payment is split into an interest component and a reduction of the outstanding liability so that interest is applied consistently to the lease liability. The interest component of the lease payment is recognized as an expense in the income statement. The property, plant and equipment held under a finance lease is depreciated over the shorter of the two following periods: the asset's economic useful life or the term of the lease.

DIVIDEND DISTRIBUTIONS

Shareholder claims to dividend distributions are recognized as a liability in the period in which the corresponding resolution is adopted.

07 Discretionary decisions and management estimates

The preparation of the consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made. In addition, the application of company-wide accounting policies requires management to make judgments.

All estimates and assessments are reviewed on a continual basis and are based on past experience and other factors including expectations concerning future events that appear reasonable given the circumstances.

DISCRETIONARY DECISIONS AND CRITICAL ACCOUNTING ESTIMATES

The Group makes forward-looking assessments and assumptions. It is in the nature of things that the resulting estimates only very rarely correspond exactly to the actual, subsequent circumstances. The estimates and assumptions that engender a significant risk in the form of a material adjustment to the carrying amount of assets and liabilities in the following fiscal year are discussed below.

ESTIMATED GOODWILL IMPAIRMENT
In accordance with the accounting policies described herein, the Group tests goodwill for impairment on an annual basis. The recoverable amount from cash-generating units (CGUs) is calculated on the basis of the value in use. These calculations must be based on certain assumptions (see also Chapter 28).

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
The Group tests intangible assets (especially capitalized development expenses) and property, plant and equipment for impairment as soon as any indication of impairment arises in a specific case (triggering event). An impairment loss is recognized by comparing the carrying amount with the estimated recoverable value. In the case of self-created intangible assets, assessment of the point at which the capitalization requirements have been meet in accordance with IAS 38 is a matter of discretion. The most important estimates concern the definition of the useful lives of the individual intangible assets and property, plant and equipment, and the recoverable value of the non-current assets, particularly the cash flow forecasts and discount rates used in this context (see also Chapters 28 and 29). The underlying forecasts are based on experience as well as expectations regarding future industry developments, particularly assumed sales volumes.

The result-dependent operating equipment (tooling) used for production purposes is capitalized at its manufacturing costs when beneficial ownership exists. There is room for discretion in assessing the person to whom ownership of the tooling is to be ascribed, the handling of any tooling cost allowances and the determination of useful life.

PROVISIONS
Provisions are to be drafted in accordance with IAS 37 if a legal or constructive obligation has arisen for HELLA from an event in the past, the outflow of resources with economic benefit for fulfilling this obligation is probable and a reliable estimation of the amount of the obligation is possible. Room for discretion exists with respect to estimating the probability of the outflow of resources as well as the amount of the obligation.

Warranty provisions are included in the calculation based on the past empirical values, taking into account the conditions on the balance sheet date based on the costs directly attributable to the processing of individual warranty cases. Estimation of the anticipated expenses and reimbursements for the individual cases and calculation of the expenses for the generalized warranty risks are discretionary.

The amount of pension liabilities was calculated using actuarial methods and an estimation of the relevant influencing variables. In addition to the assumptions about life expectancy, assumptions regarding the parameters to be applied for the assumed rate of interest, wage trend, pension trend and fluctuation were made for the actuarial calculations.

INCOME TAXES
The Group is required to pay income tax in a number of countries. Significant assumptions therefore need to be made to determine the global income tax provisions. There are many transactions and calculations for which the final tax amount cannot be conclusively determined in the normal course of business. The Group measures the amount of the provisions for the expected external tax audits based on estimates of whether and to what extent income taxes will be payable. If the final tax amount for these transactions differs from the amount initially assumed, this is recognized in the actual and deferred taxes in the period in which the tax amount is conclusively determined (see Chapter 15).

Deferred taxes are formed, among other things, on loss carry-forwards that can be used for taxation purposes. Their formation is based on discretion with regard to the future earnings to be taxed.

FAIR VALUE OF DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS
The fair value of financial instruments not traded on an active market (for example, derivatives traded over the counter) is determined using appropriate measurement methods selected from a large number of methods. The assumptions used for this are predominantly based on the prevailing market conditions on the balance sheet date. The Group uses present value methods to determine the fair value of numerous available-for-sale assets that are not traded on an active market (see Chapter 42).

CRITICAL ASSESSMENTS CONCERNING THE USE OF ACCOUNTING AND MEASUREMENT POLICIES
The Group complies with the provisions of IAS 39 to determine the impairment of available-for-sale assets. This decision requires an extensive assessment to be made. As part of this assessment, the Group appraises the duration and extent of any difference between the fair value of an investment and its historical cost as well as the financial status and short-term business prospects of the entity in which the investment was made, among other things, taking into account such factors as industry and sector conditions.

08 Sales

Sales in the fiscal year 2017/2018 amounted to € 7,060,342 thousand (prior year: € 6,584,748 thousand). Sales are attributable entirely to the sale of goods and performance of services.

They can be classified as follows:

€ thousand	2017/2018	2016/2017
Sales from the sale of goods	6,862,817	6,393,895
Sales from the rendering of services	197,525	190,853
Total sales	**7,060,342**	**6,584,748**

Sales by region (based on the headquarters of HELLA's customers):

€ thousand	2017/2018	2016/2017
Germany	2,133,822	2,243,018
Europe not including Germany	2,496,977	2,217,512
North, Central and South America	1,221,386	1,060,909
Asia / Pacific / RoW	1,208,157	1,063,310
Consolidated sales	**7,060,342**	**6,584,748**

09 Cost of sales

In the fiscal year € 5,094,043 thousand (prior year: € 4,772,735 thousand) was recognized as expense under cost of sales.

Apart from directly attributable material and production costs, the cost of sales also comprises currency gains and losses (largely from the purchase of materials) and gains and losses from the disposal of fixed assets. Currency gains in the reporting period amounted to € 68,339 thousand (prior year: € 59,730 thousand), with currency losses at € 63,303 thousand (prior year: € 65,863 thousand). Gains and losses from the disposal of fixed assets amounted to € 1,807 thousand (prior year: € 1,915 thousand) and € 6,010 thousand (prior year: € 7,916 thousand) respectively.

€ thousand	2017/2018	2016/2017
Material expenses	-3,615,616	-3,380,046
Personnel expenses	-723,097	-695,746
Depreciation/amortization	-368,047	-342,843
Other	-326,172	-350,359
Reclassification of functional costs	-61,111	-3,740
Cost of sales	**-5,094,043**	**-4,772,735**

10 Research and development expenses

The research and development expenses serve to generate future sales and mainly consist of personnel expenses and material expenses. The reported expenses in the fiscal year were € 692,033 thousand (prior year: € 636,243 thousand).

€ thousand	**2017/2018**	2016/2017
Material expenses	-58,474	-51,485
Personnel expenses	-422,140	-388,937
Depreciation/amortization	-20,860	-17,578
Other	-109,483	-104,794
Reclassification of functional costs	-81,076	-73,449
Research and development expenses	**-692,033**	**-636,243**

11 Distribution expenses

The distribution expenses include all downstream production costs that can, however, be attributable directly to the provision of goods or services to customers. This covers storage, supplying customers locally, and outbound freight. The classification as distribution expenses is carried out at Group level as well as within individual companies.

€ thousand	**2017/2018**	2016/2017
Material expenses	-5,754	-5,987
Personnel expenses	-245,302	-235,644
Depreciation/amortization	-10,129	-10,321
Other	-224,646	-239,747
Reclassification of functional costs	-37,080	-14,620
Distribution expenses	**-522,912**	**-506,319**

12 Administrative expenses

The administrative expenses recognised cover all central functions that are not directly related to production, development, or distribution. These essentially consist of the financial, human resources, IT, and similar departments.

€ thousand	**2017/2018**	2016/2017
Material expenses	-59,274	-47,974
Personnel expenses	-249,670	-197,882
Depreciation/amortization	-45,242	-39,738
Other	-178,258	-343,129
Reclassification of functional costs	290,858	399,095
Administrative expenses	**-241,585**	**-229,627**

13 Other income and expenses

Other income amounted to € 47,334 thousand in the fiscal year 2017/2018 (prior year: € 48,936 thousand). This also includes € 9,388 thousand (prior year: € 8,103 thousand) in government grants, release of provisions of € 2,134 thousand (prior year: € 2,693 thousand) and insurance indemnification of € 2,871 thousand (prior year: € 832 thousand). Moreover, other income includes reimbursements of marketing expenses incurred in prior periods and outbound freight.

Other expenses amounted to € 26,823 thousand in the fiscal year 2017/2018 (prior year: € 33,971 thousand). This also includes € 7,829 thousand for forming provisions (prior year: € 16,163 thousand). In the reporting period, an expense of € 3,879 thousand was recorded for restructuring measures in Germany (previous year: € 10,242 thousand). This expense is reported in the other expenses outside the functional divisions; in addition, this item is not allocated to any segment.

Moreover, the other expenses include amounts reclassified from the function costs in an amount of € 111,591 thousand (previous year: € 307,286 thousand).

14 Net financial result

Currency gains of € 15,419 thousand (prior year: € 511 thousand) are reported in other financial income and corresponding currency losses of € 29,011 thousand (prior year: € 26,525 thousand) incurred in financial transactions are reported in other financial expenses.

€ thousand	**2017/2018**	2016/2017
Interest income	11,786	11,166
Income from securities and other loans	2,409	3,350
Other financial income	15,419	511
Financial income	**29,614**	**15,027**
Interest expenses	-44,740	-32,749
Other financial expenses	-29,011	-26,525
Financial expenses	**-73,751**	**-59,274**
Net financial result	**-44,137**	**-44,247**

15 Income taxes

€ thousand	2017/2018	2016/2017
Current income tax expense	-128,520	-110,866
Deferred income tax expense	-11,579	-8,950
Total income taxes	**-140,099**	**-119,816**

Of actual income taxes, € 10,566 thousand is attributable to prior years (prior year: € -5,764 thousand).

Deferred taxes are calculated based on the tax rates applicable or announced, depending on the legal situation, in the individual countries at the expected time of realization. The prevailing corporate income tax rate of 15% plus municipal trade tax and the solidarity surcharge results in an average tax rate of 31% for German companies. The tax rates outside Germany range from 10% to 38%.

The development of the actual taxes on income derived from the expected tax expense is shown below. A tax rate of 30% (prior year: 30%) is taken as a basis.

€ thousand	2017/2018	2016/2017
Earnings before tax	530,149	462,923
Expected income tax expense	**-159,045**	**-138,877**
Utilization of previously unrecognized loss carryforwards	2,598	5,986
Reversal of previously unrecognized temporary differences	-3,182	3,059
Unrecognized deferred tax assets	-8,853	-18,086
Subsequent recognition of deferred tax assets	17,097	15,892
Deferred tax assets from outside basis differences	-9,270	-6,085
Tax effect of changes in tax rates and laws	-716	-1,892
Tax-free income effects	5,720	4,862
Investments accounted for using the equity method	13,136	15,581
Tax effect of non-deductible operating expenses	-7,677	-14,252
Tax effect for prior years	-10,566	-5,764
Non-deductible foreign withholding tax	-4,428	-3,391
Tax rate deviations	21,304	18,703
Other	3,781	4,448
Reported income tax expense	**-140,099**	**-119,816**

Of the deferred tax assets subsequently recognized, € 6,000 thousand are attributable to China and € 5,538 thousand to Slovenia. In the previous year, € 13,108 thousand of the deferred tax assets subsequently recognized were attributable to temporary differences in China.

16 Personnel

The average number of employees in the companies included in the consolidated financial statements totals 41,648 (prior year: 37,639) during the fiscal year 2017/2018.

Number	2017/2018	2016/2017
Direct employees	11,674	9,856
Indirect employees	27,768	25,572
Permanent employees	**39,442**	**35,428**
Temporary employees	2,206	2,211
Total employees	**41,648**	**37,639**

The average number of permanent employees in the HELLA Group in the fiscal year 2017/2018 was 39,442 (prior year: 35,428). The number of employees is stated as a headcount.

Direct employees are directly involved in the manufacturing process, while indirect employees are employed mainly in the areas of quality, research and development, as well as administration and distribution. The number of trainees stood at 455 during the fiscal year (prior year: 499). "Temporary employees" comprises employees from a fully consolidated company.

Permanent employees in the HELLA Group by region:

Number	2017/2018	2016/2017
Germany	9,770	9,704
Europe not including Germany	16,394	14,566
North, Central and South America	6,955	5,021
Asia / Pacific / RoW	6,323	6,137
Permanent employees worldwide	**39,442**	**35,428**

Personnel expenses (including temporary employees) can be broken down as follows:

€ thousand	2017/2018	2016/2017
Wages and salaries	1,296,626	1,229,978
Social security and retirement benefit expenses	343,583	288,231
Total	**1,640,209**	**1,518,209**

17 Earnings per share

Basic earnings per share are calculated by dividing the share of earnings attributable to the shareholders of HELLA GmbH & Co. KGaA by the weighted average number of ordinary shares issued.

Basic earnings per share amounted to € 3.50 and, as in the prior year, are equivalent to diluted earnings per share.

Number of shares	May 31, 2018	May 31, 2017
Weighted average number of shares in circulation during the period		
Basic ordinary shares	111,111,112	111,111,112
Diluted ordinary shares	111,111,112	111,111,112
€ thousand	**2017/2018**	**2016/2017**
Share of profit attributable to owners of the parent company	388,679	341,733
€	**2017/2018**	**2016/2017**
Basic earnings per share	**3.50**	3.08
Diluted earnings per share	**3.50**	3.08

18 Appropriation of earnings

The Management Board will propose to the Annual General Meeting of HELLA GmbH & Co. KGaA that a dividend of € 1.05 per share (prior year: € 0.92) be distributed from the net profit reported in the separate financial statements prepared for the parent company under commercial law for the fiscal year 2017/2018, with the remainder of the net profit carried forward. The proposed dividend represents a distribution amount of € 116,667 thousand (prior year: € 102,222 thousand).

19 Adjustment of special effects in earnings before interest and taxes

The HELLA Group is managed by the Management Board through financial key performance indicators. The key performance indicators of adjusted sales growth and adjusted EBIT margin take on prominent importance compared to the other financial key performance indicators in the management of the HELLA Group. A major guideline in assessing the suitability of management indicators is that they have to provide a transparent picture of operational performance. In this process, effects of a non-recurring or exceptional nature in type or size, referred to as special effects, can lead to distortions with regard to the EBIT margin, for example, and thus adversely affect the ability to assess the Company's performance.

Special effects are non-recurring or exceptional effects in their type and size which are clearly differentiated from the usual operational business. They are tracked uniformly and consistently in the Group and the method used to calculate adjusted earnings figures must not vary over the course of time in order to facilitate periodic comparison.

For this reason, the adjusted EBIT margin has been defined as one of the most important key performance indicators for the steering of the Group's activities. The adjusted EBIT margin as a key performance indicator is not defined in the International Financial Reporting Standards. Rather it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the Company's perspective, it presents the results of operations—adjusted for special effects—in a more transparent form and facilitates a comparison over time.

In the current reporting period, the costs of € 6,509 thousand before interest and taxes for the restructuring measures in Germany are adjusted in EBIT. The reported earnings of the fiscal year 2016/2017 was adjusted in the amount of the restructuring measures in Germany (€ 10,242 thousand) and the expense of € 16,163 thousand for the fine proceedings initiated against HELLA and others by the European Commission.

The corresponding reconciliation statement for the fiscal years 2017/2018 and 2016/2017 is as follows:

€ thousand	2017/2018 as reported	Restructuring	2017/2018 adjusted
Sales	7,060,342	0	7,060,342
Cost of sales	-5,094,043	2,630	-5,091,413
Gross profit	**1,966,299**	**2,630**	**1,968,929**
Research and development expenses	-692,033	0	-692,033
Distribution expenses	-522,912	0	-522,912
Administrative expenses	-241,585	0	-241,585
Other income and expenses	20,512	3,879	24,391
Earnings from investments accounted for using the equity method	43,910	0	43,910
Other income from investments	97	0	97
Earnings before interest and taxes (EBIT)	**574,287**	**6,509**	**580,796**

€ thousand	2016/2017 as reported	Restructuring	Legal affairs	2016/2017 adjusted
Sales	6,584,748	0	0	6,584,748
Cost of sales	-4,772,735	0	0	-4,772,735
Gross profit	**1,812,014**	**0**	**0**	**1,812,014**
Research and development expenses	-636,243	0	0	-636,243
Distribution expenses	-506,319	0	0	-506,319
Administrative expenses	-229,627	0	0	-229,627
Other income and expenses	14,965	10,242	16,163	41,370
Earnings from investments accounted for using the equity method	51,937	0	0	51,937
Other income from investments	443	0	0	443
Earnings before interest and taxes (EBIT)	**507,170**	**10,242**	**16,163**	**533,575**

20 Segment reporting

External segment reporting is based on internal reporting (so-called management approach). Segment reporting is based solely on financial information used by the company's decision makers for the internal management of the company and to make decisions regarding the allocation of resources and measurement of profitability.

THE HELLA GROUP'S BUSINESS ACTIVITIES ARE DIVIDED INTO THREE SEGMENTS: AUTOMOTIVE, AFTERMARKET AND SPECIAL APPLICATIONS:

The Lighting business division and the Electronics business division are reported together in the Automotive segment. Both business divisions serve a similar customer base worldwide. Consequently, both segments are subject to broadly similar economic cycles and market developments. In addition, the individual products have comparable lifecycles. Original Equipment provides lighting and electronics components to automobile manufacturers and other tier-1 suppliers worldwide through an integrated distribution network. The product portfolio of the Lighting business division includes headlamps, signal lights, interior lights, and lighting electronics. The business division Electronics focuses on the product areas of body electronics, energy management, driver assistance systems and components (for example sensors and engine compartment actuators). The Automotive segment develops, produces and sells vehicle-specific solutions, and develops and brings to market technological innovations. The margins attainable within the segment are mainly dependent on the respective technology used, and to a lesser extent on customers, regions, and products.

The Aftermarket business segment is responsible for the trade in automotive parts and accessories, and the wholesale business. The trade product portfolio includes service parts for the Lighting, Electrical, Electronics, and Thermal Management segments. In addition, the automotive parts and accessories businesses and workshops receive sales support through a modern, rapid information and order system, as well as through competent technical service. The Aftermarket segment makes only limited use of the Automotive segment's resources, and largely produces the independently developed items in its own plants.

The Special Applications segment comprises original equipment for special-purpose vehicles such as buses, caravans, agricultural and construction machinery, municipal vehicles and trailers. Technological competence is closely linked to Automotive business, which means that the range of applications in LED and electronic products can be expanded appropriately and synergies leveraged at the same time.

The segments together generated sales of € 919,836 thousand (prior year: € 834,275 thousand) with a single customer in the reporting year and therefore accounted for more than 10% of consolidated sales.

All other Group segments are subordinate in terms of their economic significance and are therefore not segmented further. Their functions relate mainly to Group financing.

Sales as well as adjusted operating profit/loss before interest and taxes (EBIT) are the key performance indicators used to manage the business segments; assets and liabilities are not reported. The internal reporting applies the same accounting and measurement principles as the consolidated financial statements. Special items that are not included in the segment results are identified for the individual reporting periods. These special items are presented in the reconciliation table.

The segment information for fiscal years 2017/2018 and 2016/2017 is as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2017/2018**	2016/2017	**2017/2018**	2016/2017	**2017/2018**	2016/2017
Sales with external customers	5,382,754	4,979,830	1,225,079	1,184,766	418,030	384,479
Intersegment sales	49,778	49,084	2,532	37,513	11,644	506
Cost of sales	-4,048,028	-3,751,205	-799,046	-804,938	-276,334	-260,847
Gross profit	**1,384,505**	**1,277,709**	**428,565**	**417,340**	**153,340**	**124,138**
Research and development expenses	-658,086	-604,613	-13,479	-13,112	-21,150	-18,599
Distribution expenses	-137,553	-120,180	-326,106	-323,049	-59,167	-62,925
Administrative expenses	-192,879	-178,101	-19,461	-28,694	-29,456	-27,926
Other income and expenses	17,770	23,823	10,744	14,226	4,371	5,059
Earnings from investments accounted for using the equity method	42,769	45,650	6,441	6,287	0	0
Other income from investments	0	0	352	0	0	0
Earnings before interest and taxes (EBIT)	**456,526**	**444,288**	**87,056**	**72,999**	**47,939**	**19,747**
Additions to property, plant and equipment and intangible assets	509,087	558,312	16,625	20,939	24,768	25,866

Sales with external third parties in the fiscal years 2017/2018 and 2016/2017 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2017/2018**	2016/2017	**2017/2018**	2016/2017	**2017/2018**	2016/2017
Sales from the sale of goods	5,227,971	4,830,648	1,217,062	1,179,202	417,785	384,046
Sales from the rendering of services	154,783	149,182	8,017	5,564	246	434

Sales reconciliation:

€ thousand	**2017/2018**	2016/2017
Total sales of the reporting segments	**7,089,817**	**6,636,176**
Sales in other divisions	95,143	87,238
Elimination of intersegment sales	-124,618	-138,666
Consolidated sales	**7,060,342**	**6,584,748**

Reconciliation of the segment results with consolidated net profit:

€ thousand	**2017/2018**	2016/2017
EBIT of the reporting segments	**591,521**	**537,034**
EBIT of other divisions	-13,356	-3,459
Unallocated income	-3,879	-26,405
Consolidated EBIT	**574,287**	**507,170**
Net financial result	-44,137	-44,247
Consolidated EBT	**530,149**	**462,923**

EBIT of other areas includes expenses for strategic investments in potential new technologies and business segments, depreciation and amortization of assets not used for operations and expenses for central functions. Of the expenses of € 6,509 thousand (prior year: € 10,242) for the restructuring measures in Germany, € 3,879 thousand are not allocated to any segment. The remaining € 2,630 thousand are allocated to the Automotive segment.

Non-current assets by region:

€ thousand	**2017/2018**	2016/2017
Germany	1,049,796	1,012,253
Europe not including Germany	903,437	840,314
North, Central and South America	364,114	349,322
Asia / Pacific / RoW	477,896	425,141
Consolidated non-current assets	**2,795,243**	**2,627,030**

21 Adjustment of special effects in the segment results

In fiscal year 2017/2018, the costs of € 2,630 thousand for the restructuring measures in Germany are adjusted in earnings before interest and taxes for the Automotive segment.

The income statement for the Automotive segment was not adjusted for the fiscal year 2016/2017. As a result, the EBIT margin also corresponded to the adjusted EBIT margin.

The adjusted income statement of fiscal year 2017/2018 for the Automotive segment is as follows:

€ thousand	**2017/2018 as reported**	Restructuring measures	**2017/2018 adjusted**
Sales	5,382,754	0	5,382,754
Intersegment sales	49,778	0	49,778
Cost of sales	-4,048,028	2,630	-4,045,397
Gross profit	**1,384,505**	**2,630**	**1,387,135**
Research and development expenses	-658,086	0	-658,086
Distribution expenses	-137,553	0	-137,553
Administrative expenses	-192,879	0	-192,879
Other income and expenses	17,770	0	17,770
Earnings from investments accounted for using the equity method	42,769	0	42,769
Earnings before interest and taxes (EBIT)	**456,526**	**2,630**	**459,156**

22 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, cheques and bills received.

23 Financial assets

	May 31, 2018		May 31, 2017	
€ thousand	Non-current	Current	Non-current	Current
Securities	20,404	322,077	14,918	313,440
Other investments	9,969	0	9,581	0
Loans	6,806	4,172	5,558	372
Other financial assets	32	6,685	37	574
Total	**37,212**	**332,934**	**30,094**	**314,386**

24 Trade receivables

Trade receivables of € 1,166,571 thousand include receivables due from associates and non-consolidated affiliated companies and companies in which an interest is held amounting to € 27,613 thousand (prior year: € 61,350 thousand). Other non-current assets include non-current trade receivables amounting to € 38,828 thousand (prior year: € 38,342 thousand).

€ thousand	**May 31, 2018**	May 31, 2017
Trade receivables	**27,613**	**61,350**
with associates and investments	27,106	60,834
with affiliated companies not included in the consolidated financial statements	506	515

25 Other receivables and non-financial assets

€ thousand	**May 31, 2018**	May 31, 2017
Other current assets	17,255	14,784
Receivables from finance leases	14,033	14,293
Insurance receivables	3,613	5,983
Positive market value of currency hedges	8,448	11,324
Subtotal other financial assets	**43,349**	**46,384**
Advance payments	5,855	6,954
Deferred income	44,671	34,475
Receivables for partial retirement	302	63
Advance payments to employees	2,206	4,385
Other tax receivables	52,590	63,477
Total	**148,972**	**155,738**

26 Inventories

Inventories are broken down as follows:

€ thousand	May 31, 2018	May 31, 2017
Raw materials and supplies	230,952	196,123
Unfinished goods	272,313	233,485
Finished goods	81,434	69,519
Merchandise	213,240	202,029
Other	10,338	3,380
Gross inventories	**808,277**	**704,536**
Advance payments received	-46,789	-41,004
Total inventories	**761,488**	**663,533**

The carrying amounts of the inventories recognized at fair value less cost of sales amounted to € 209,734 thousand (prior year: € 210,183 thousand).

Impairments of € 22,255 thousand (prior year: € 24,979 thousand) were recognized in the income statement under the cost of sales in the reporting year.

Impairments amounting to € 20,073 thousand (prior year: € 19,701 thousand) were reversed in the past fiscal year, as the impaired inventories were sold at higher values. Write-ups on inventory assets are recognized in the cost of sales, in line with impairments.

Overall, the following impairments on inventories were recognized:

€ thousand	May 31, 2018	May 31, 2017
Raw materials and supplies	22,864	22,208
Unfinished goods	4,663	4,035
Finished goods	9,924	9,509
Merchandise	8,657	7,874
Total inventoriesTotal inventories	**46,107**	**43,626**

Acquisition and manufacturing costs of inventories amounting to € 3,730,346 thousand (prior year: € 3,449,997 thousand) were recognized as expenses in the cost of sales in the reporting period, as were reductions in inventory of € 10,116 thousand (prior year: € 37,216 thousand).

27 Non-current assets held for sale

The non-current assets held for sale include the building of HELLA Lighting Finland Oy, which is allocated to the Special Applications segment. HELLA expects this site to be sold within one year. In fiscal year 2017/2018, no impairments were applied to the property.

28 Intangible assets

€ thousand	Capitalized development expenses	Goodwill	Acquired intangible assets	Total
Acquisition or manufacturing costs				
As at: June 1, 2016	**371,890**	**83,958**	**185,065**	**640,913**
Changes in the scope of consolidation	0	0	2,655	2,655
Currency translation	-535	-243	18	-761
Additions	56,354	2,967	16,534	75,855
Disposals	-4,243	0	-8,380	-12,624
As at: May 31, 2017	**423,466**	**86,681**	**195,891**	**706,038**
Cumulative depreciation and amortization				
As at: June 1, 2016	**235,990**	**29,375**	**150,527**	**415,892**
Currency translation	-99	-368	-2	-469
Additions	25,371	0	15,850	41,220
Disposals	-296	0	-8,718	-9,015
Recorded impairments	625	2,527	407	3,559
As at: May 31, 2017	**261,591**	**31,534**	**158,063**	**451,188**
Carrying amounts May 31, 2017	**161,875**	**55,147**	**37,828**	**254,850**

€ thousand	Capitalized development expenses	Goodwill	Acquired intangible assets	Total
Acquisition or manufacturing costs				
As at: June 1, 2017	**423,466**	**86,681**	**195,891**	**706,038**
Currency translation	-1,598	-892	-573	-3,063
Additions	92,942	0	17,813	110,754
Disposals	-7,981	0	-2,211	-10,193
Reclassifications	4	0	-4	0
As at: May 31, 2018	**506,832**	**85,789**	**210,915**	**803,537**
Cumulative depreciation and amortization				
As at: June 1, 2017	**261,591**	**31,534**	**158,063**	**451,188**
Currency translation	321	-319	-318	-316
Additions	31,384	0	15,074	46,458
Disposals	-4,752	0	-1,980	-6,731
Recorded impairments	1,456	0	0	1,456
As at: May 31, 2018	**290,001**	**31,215**	**170,839**	**492,055**
Carrying amounts May 31, 2018	**216,831**	**54,573**	**40,077**	**311,481**

All capitalized development expenses resulted from internal developments, the relevant impairments were created due to reduced earnings expectations and are included in the cost of sales in the Automotive segment. The discount rate used in the context of the impairment loss was 7.06% (prior year: 6.92%).

Intangible assets include carrying amounts of € 94 thousand (prior year: € 115 thousand) relating to finance leases. These serve as collateral for finance lease liabilities. Please refer to Note 45 "Information on leases" for additional information on future lease payments .

GOODWILL

Goodwill is broken down into the business segments as follows:

€ thousand	May 31, 2018	May 31, 2017
Automotive	4,102	4,150
Aftermarket	50,471	50,996
Special Applications	0	0
Total	**54,573**	**55,147**

Goodwill impairment monitoring in the HELLA Group is based on the CGUs in the operative segments. A cash generating unit does not extend beyond its business segment. CGUs represent the smallest group of assets that generate cash flows, and are, hence, the smallest reporting units. A CGU can either be a legal entity or—insofar as a legal entity operates in different segments—a segmented business division of this legal entity or a sub-group.

If it is determined that the recoverable amount of a CGU is lower than its carrying amount, an impairment loss is recognized. The recoverable amount is determined on the basis of the expected future discounted cash flows from planned use (value in use). These are based on plans approved by the Management Board covering a period of at least three years. These plans are based on experience, as well as expectations regarding future market developments.

The discount rates applied within the scope of the measurement are calculated on the basis of market data. As in the prior year, consistent growth rates were used to extrapolate cash flows after the detailed planning phase. The growth rates are based on analyses conducted by a specialist service provider and do not exceed the non-current growth rates for the sector or the region in which the CGUs are active.

To take into account the increasing differentiation between segments a specific peer group was used to determine the discount rates. The weighted capital cost of segments is thus based on the capital structure of the relevant group of listed companies to which the segment in question is comparable in terms of its risk/reward structure. For the CGU of the Automotive segment a capital cost of between 7.06% and 11.07% was used and a figure ranging between 5.78% and 15.98% for the Aftermarket segment; the ranges were caused by regional characteristics.

	Discount rates		Growth rates	
	May 31, 2018	May 31, 2017	**May 31, 2018**	May 31, 2017
Automotive	7.06% to 11.07%	6.92% to 10.80%	1% to 2%	1% to 2%
Aftermarket	5.78% to 15.98%	5.17% to 15.46%	0.9% to 3%	1% to 3%

The risk-free interest rate applied is 1.25% (prior year: 1.29%) and the market risk premium (incl. country risk) ranges between 6.00% and 9.46% (prior year: between 6.00% and 10.33%). The inflation spreads applied ranged between –0.26% and 7.15% (prior year: between –0.38% and 6.48%).

In the current fiscal year, there is no impairment of goodwill (prior year: € 2.527 thousand).

HELLA reports material goodwill in the amount of € 38,733 thousand (prior year: € 38,733 thousand) stemming from the CGU HELLA Gutmann Holding GmbH. The significant valuation parameters for this CGU are a discount rate of 5.78% (prior year: 5.17%) and a growth rate of 0.9% (prior year: 1.3%). Sales growth of 6% (prior year: 6%) is anticipated during the detailed forecast period. The estimated achievable amount of the CGU substantially exceeds its carrying amount. A possible change in the measurement parameters of this CGU may result in the carrying amount exceeding the achievable amount. If the discount rate were to increase by around 1.53 percentage points to a figure of 7.31%, the achievable amount would correspond to the reported carrying amount.

In addition to impairment testing, two sensitivity analyses were carried out for each group of cash-generating units. The most important sensitivity indicators for the impairment test are the discount rate and long-term growth rate. A sensitivity analysis performed for the business segments found that a 1 percentage point increase in the WACC or a 1 percentage point reduction in the long-term growth rate would not change the outcome of the impairment test in the Aftermarket and Automotive segments.

The following impairments (-) would arise:

	May 31, 2018		May 31, 2017	
Automotive segment	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
– 1 percentage point	0	0	0	0
+ 1 percentage point	0	0	0	0

	May 31, 2018		May 31, 2017	
Aftermarket segment	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
– 1 percentage point	0	0	0	0
+ 1 percentage point	0	0	-43	0

29 Property, plant and equipment

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: June 1, 2016	**746,260**	**2,098,450**	**1,318,956**	**451,594**	**263,165**	**4,878,425**
Changes in the scope of consolidation	-1,596	0	0	-950	0	-2,546
Currency translation	-3,307	-10,114	1,248	-1,194	-1,535	-14,901
Additions	29,724	123,154	79,588	40,621	330,293	603,381
Disposals	-5,568	-67,039	-31,822	-30,108	-1,870	-136,408
Reclassifications	14,444	-21,356	211,707	14,546	-219,342	0
As at: May 31, 2017	**779,957**	**2,123,095**	**1,579,678**	**474,509**	**370,711**	**5,327,950**
Cumulative depreciation and amortiuation						
As at: June 1, 2016	**341,817**	**1,431,745**	**1,076,364**	**330,665**	**295**	**3,180,886**
Changes in the scope of consolidation	-897	0	0	-605	0	-1,503
Currency translation	-690	-4,612	679	-486	0	-5,109
Additions	25,931	162,636	125,883	38,469	0	352,918
Disposals	-3,068	-58,957	-31,366	-26,799	0	-120,191
Recorded impairments	0	14,231	0	41	0	14,272
Reclassifications	5	-95,192	92,402	2,970	-185	0
As at: May 31, 2017	**363,098**	**1,449,850**	**1,263,961**	**344,255**	**110**	**3,421,274**
Carrying amounts May 31, 2017	**416,859**	**673,245**	**315,717**	**130,254**	**370,601**	**1,906,676**

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: June 1, 2017	**779,957**	**2,123,095**	**1,579,678**	**474,509**	**370,711**	**5,327,950**
Currency translation	-6,339	-16,067	4,072	-8,111	-8,204	-34,648
Additions	21,521	93,260	79,415	44,149	278,659	517,004
Disposals	-22,814	-49,145	-5,830	-16,206	-921	-94,916
Reclassifications	31,564	131,823	100,911	13,643	-277,942	0
Changes of reservation in the assets held for sale	-2,513	0	0	0	0	-2,513
As at: May 31, 2018	**801,377**	**2,282,967**	**1,758,246**	**507,984**	**362,303**	**5,712,877**
Cumulative depreciation and amortization						
As at: June 1, 2017	**363,098**	**1,449,850**	**1,263,961**	**344,255**	**110**	**3,421,274**
Currency translation	-1,039	-8,604	2,440	-4,755	-5	-11,963
Additions	26,474	168,419	159,451	39,713	0	394,058
Disposals	-15,409	-49,129	-5,670	-15,754	0	-85,962
Recorded impairments	0	0	912	0	765	1,677
Reclassifications	1,228	7,400	-6,872	-1,646	-110	0
Changes of reservation in the assets held for sale	-483	0	0	0	0	-483
As at: May 31, 2018	**373,869**	**1,567,936**	**1,414,222**	**361,814**	**760**	**3,718,602**
Carrying amounts May 31, 2018	**427,508**	**715,031**	**344,023**	**146,170**	**361,543**	**1,994,276**

In the reporting period 2017/2018, no restrictions on the powers of disposition over property, plant and equipment existed in the form of land charges and assignments (prior year: € 2,062 thousand).

Property, plant and equipment include carrying amounts of € 1 thousand (prior year: € 5 thousand) relating to finance leases. Please refer to Note 45 "Information on leases" for additional information on future lease payments .

Impairments are recognized in the cost of sales. The impairment loss totaling € 912 thousand for product-specific operating equipment is allocated to the Automotive segment.

30 Investments accounted for using the equity method

The following is a list of the Group's main investments accounted for using the equity method. The summarized financial information represents the IFRS financial statements of the joint ventures that were the basis for the at-equity measurement in the Group.

BHTC

Behr-Hella Thermocontrol Group (BHTC) consists of nine companies that are controlled and reported together by Behr-HELLA Thermocontrol GmbH in Germany. BHTC develops, produces and distributes air-conditioning control devices for the automotive industry. It also focuses on the assembling of printed circuit boards and mounting of operating units, blower controllers and electronic control units for electric heater boosters.

€ thousand	May 31, 2018	May 31, 2017
Share of equity (%)	**50**	**50**
Cash and cash equivalents	54,692	57,370
Other current assets	125,979	104,209
Non-current assets	286,657	272,846
Total assets	**467,328**	**434,425**
Current financial liabilities	103,549	87,036
Other current liabilities	123,706	136,283
Non-current financial liabilities	39,506	39,882
Other non-current liabilities	43,125	34,734
Total liabilities	**309,886**	**297,935**
Net assets (100%)	**157,442**	**136,490**
Pro rata share of the net assets	**78,721**	**68,245**
Sales	468,713	422,577
Depreciation and amortization	-48,554	-45,286
Interest income	91	90
Interest expenses	-2,520	-2,357
Taxes on income	-11,910	-8,115
Earnings before interest and income taxes (EBIT)	**35,318**	**33,188**
Earnings for the period	20,983	22,806
Share of other comprehensive income for the period	-30	-3,537
Comprehensive income for the period (100%)	**20,953**	**19,270**
Share of comprehensive income for the period	10,476	**9,635**
Dividends received	**0**	**7,500**

BHS

Behr Hella Service (BHS) comprises five companies that are controlled and reported together by Behr HELLA Service GmbH in Germany. It serves the global independent aftermarket for vehicle air conditioning and cooling spare parts and accessories.

€ thousand	**May 31, 2018**	May 31, 2017
Share of equity (%)	**50**	**50**
Cash and cash equivalents	13,163	12,900
Other current assets	63,594	57,979
Non-current assets	41,640	41,569
Total assets	**118,397**	**112,448**
Current financial liabilities	40,083	93
Other current liabilities	26,264	20,008
Non-current financial liabilities	0	40,000
Other non-current liabilities	565	513
Total liabilities	**66,912**	**60,614**
Net assets (100%)	**51,484**	**51,834**
Pro rata share of the net assets	**25,742**	**25,917**
Sales	141,382	141,906
Depreciation and amortization	-80	-67
Interest income	165	220
Interest expenses	-666	-643
Taxes on income	-5,544	-4,414
Earnings before interest and income taxes (EBIT)	**18,724**	**16,279**
Earnings for the period	12,383	11,705
Share of other comprehensive income for the period	-357	487
Comprehensive income for the period (100%)	**12,026**	**12,192**
Share of comprehensive income for the period	6,013	**6,096**
Dividends received	**6,188**	**5,000**

HBPO

Hella Behr Plastic Omnium (HBPO), consisting of 24 companies that are controlled and reported together by HBPO Beteiligungsgesellschaft mbH in Germany, has global operations in the fields of development, production planning, quality management, assembly and distribution of front-end modules.

€ thousand	**May 31, 2018**	May 31, 2017
Share of equity (%)	**33**	**33**
Cash and cash equivalents	50,214	57,749
Other current assets	309,596	308,835
Non-current assets	144,023	116,985
Total assets	**503,834**	**483,569**
Current financial liabilities	0	0
Other current liabilities	368,484	361,340
Non-current financial liabilities	0	0
Other non-current liabilities	7,165	8,376
Total liabilities	**375,648**	**369,716**
Net assets (100%)	**128,186**	**113,853**
Pro rata share of the net assets	**42,724**	**37,947**
Sales	1,985,615	1,916,074
Depreciation and amortization	-21,177	-20,439
Interest income	221	92
Interest expenses	-653	-459
Taxes on income	-16,173	-18,048
Earnings before interest and income taxes (EBIT)	**69,560**	**65,877**
Earnings for the period	45,142	47,485
Share of other comprehensive income for the period	-809	199
Comprehensive income for the period (100%)	**44,333**	**47,684**
Share of comprehensive income for the period	14,776	**15,893**
Dividends received	**10,000**	**10,000**

MHE

Mando Hella Electronics (MHE) consists of three companies that are controlled and reported together by Mando Hella Electronics (MHE) in South Korea. MHE develops, produces and sells sensors and radar systems.

€ thousand	May 31, 2018	May 31, 2017
Share of equity (%)	**50**	**50**
Cash and cash equivalents	4,542	4,492
Other current assets	166,624	155,974
Non-current assets	142,883	135,902
Total assets	**314,049**	**296,368**
Current financial liabilities	85,573	48,557
Other current liabilities	66,137	58,685
Non-current financial liabilities	41,971	76,420
Other non-current liabilities	9,099	13,380
Total liabilities	**202,780**	**197,042**
Net assets (100%)	**111,269**	**99,327**
Pro rata share of the net assets	**55,635**	**49,663**
Sales	412,119	443,508
Depreciation and amortization	-21,618	-20,040
Interest income	138	21
Interest expenses	-5,406	-1,370
Taxes on income	-5,100	-5,396
Earnings before interest and income taxes (EBIT)	**28,889**	**36,185**
Earnings for the period	20,778	23,905
Share of other comprehensive income for the period	375	-2,012
Comprehensive income for the period (100%)	**21,152**	**21,893**
Share of comprehensive income for the period	10,576	**10,947**
Dividends received	**4,586**	**4,813**

The Group also has shares in further joint ventures and associates, which are also accounted for using the equity method; their summarized financial information is presented below:

€ thousand	May 31, 2018	May 31, 2017
100% basis		
Sales	531,168	1,105,398
Earnings before interest and income taxes (EBIT)	38,861	80,428
Group's total share of:		
Sales	230,419	497,379
Earnings before interest and income taxes (EBIT)	20,575	37,941
Earnings for the period	7,533	18,645
Share of other comprehensive income for the period	1,339	2,274
Comprehensive income for the period recognised in the Group	**8,871**	**20,919**
Carrying amount of the remaining companies accounted for using the equity method	**87,995**	**134,861**

The financial information for all joint ventures and all associates is as follows:

€ thousand	May 31, 2018	May 31, 2017
100% basis		
Sales	3,538,997	3,585,955
Earnings before interest and income taxes (EBIT)	191,352	195,772
Group's total share of:		
Sales	1,403,331	1,418,247
Earnings before interest and income taxes (EBIT)	85,225	84,632
Earnings for the period	43,910	51,937
Share of other comprehensive income for the period	517	-577
Comprehensive income for the period recognised in the Group	**44,427**	**51,360**

Impairments of € 5,300 thousand (prior year: € 5.209) were recognized in comprehensive income for the period recognized in the Group. The share of losses not recognized for the aforementioned companies accounted for using the equity method is € 747 thousand (prior year: € 1,163 thousand).

The recognized net assets of all joint ventures and all associates is broken down as follows:

€ thousand	May 31, 2018	May 31, 2017
Pro rata share of net assets of BHTC	78,721	68,245
Pro rata share of net assets of BHS	25,742	25,917
Pro rata share of net assets of HBPO	42,724	37,947
Pro rata share of net assets of MHE	55,635	-
Goodwill	7,140	7,140
Eliminations	-5,949	-208
Net assets of material companies accounted for using the equity method	**204,013**	**139,041**
Group's carrying amount of the net assets of the other companies accounted for using the equity method	110,338	146,129
Goodwill, eliminations and impairment	-22,343	-11,268
Net assets of other companies accounted for using the equity method	**87,995**	**134,861**
Investments accounted for using the equity method	**292,008**	**273,901**

€ thousand	May 31, 2018	May 31, 2017
Pro rata share of the net assets as at June 1	**273,901**	**261,448**
Earnings for the period	43,910	51,937
Share of other comprehensive income for the period	517	-577
Dividends	-26,320	-38,905
Pro rata share of net assets as at May 31	**292,008**	**273,901**

31 Deferred tax assets/liabilities

The deferred tax assets of € 110,748 thousand (prior year: € 117,488 thousand) and deferred tax liabilities of € 39,978 thousand (prior year: € 32,371 thousand) mainly relate to differences from the tax balance sheet values. Before offsetting and impairment, the current portion of the deferred tax assets and liabilities amounts to € 125,598 thousand and € –86,296 thousand, respectively (prior year: € 115,544 thousand and € –74,268 thousand).

The deferred tax assets and liabilities are broken down as follows:

€ thousand	Deferred tax assets	Deferred tax liabilities	Net deferred taxes as at May 31, 2017	Recognized in profit or loss
Intangible assets	19,580	41,742	-22,162	-10,728
Property, plant and equipment	47,706	70,325	-22,620	15,553
Financial assets	3,014	1,477	1,536	1,588
Other non-current assets	1,976	10,919	-8,943	-1,818
Receivables	2,094	82	2,012	-1,072
Inventories	15,848	11,982	3,866	-7,416
Other current assets	5,798	14,364	-8,566	1,246
Non-current financial liabilities	2,211	0	2,211	-1,329
Provisions for pensions and similar obligations	56,400	1,550	54,851	-5,113
Other non-current provisions	12,661	0	12,661	1,126
Other non-current liabilities	337	902	-565	112
Liabilities	2,733	1,772	961	-274
Other liabilities and accruals	80,322	45,069	35,253	4,173
Other current liabilities	9,848	999	8,849	907
Subtotal	**260,527**	**201,184**	**59,344**	**-3,046**
Loss carryforwards	25,774	0	25,774	-8,533
Netting	-168,813	-168,813	0	0
Total	**117,488**	**32,371**	**85,117**	**-11,579**

It is guaranteed with sufficient probability that the loss carryforwards for which deferred tax assets are recognized will be realized. The amount of the loss carryforwards for which no deferred tax assets are recognized was € 206,368 thousand as at May 31, 2018 (prior year: € 222,903 thousand). Future offsetting against taxable profits is not sufficiently likely. Of this amount, € 23,241 thousand will mature in the next five years, and € 183,127 thousand (prior year: € 169,189 thousand) thereafter. Tax assets arising from temporary differences for which no deferred tax assets were recognized amounted to € 8,157 thousand at May 31, 2018 (prior year: € 21,277 thousand).

On May 31, 2018 a temporary difference amounting to a liability of € 9,517 thousand (prior year: € 3,970 thousand) was recorded in connection with shares in subsidiaries and joint ventures. No deferred tax liabilities were recognized for this difference under IAS 12.39, however, because the subsidiaries' dividend policy is determined by the Group's Management Board. The Group can thus control the reversal of these temporary differences. The Management Board does not expect the temporary difference to be reversed in the foreseeable future.

Recognized in other omprehensive income	**Net deferred taxes as at May 31, 2018**	Deferred tax assets	Deferred tax liabilities
1	-32,889	17,186	50,076
26	-7,040	55,479	62,519
0	3,124	3,431	307
301	-10,460	0	10,460
-3	937	1,200	263
-1	-3,551	14,236	17,788
4,242	-3,078	6,786	9,864
0	881	881	0
194	49,932	51,503	1,570
-1,818	11,969	12,404	435
0	-453	665	1,118
1	687	1,516	828
-5,564	33,861	87,765	53,904
-147	9,609	13,228	3,619
-2,768	**53,530**	**266,280**	**212,750**
0	17,240	17,240	0
0	0	-172,772	-172,772
-2,768	**70,770**	**110,748**	**39,978**

32 Other non-current assets

€ thousand	May 31, 2018	May 31, 2017
Receivables from finance leases	33,254	34,827
Other non-current assets	5,574	3,515
Subtotal of other financial assets	**38,828**	**38,342**
Advance payments	387	320
Deferred income	8,226	3,190
Plan assets	2,076	2,168
Total	**49,518**	**44,021**

See Note 45 for more detailed explanations about receivables from leases.

33 Trade payables

In the past fiscal year, there were liabilities to associates, non-consolidated affiliated companies and companies in which participating interests are held in the amount of € 34,024 thousand (prior year: € 28,173 thousand).

€ thousand	May 31, 2018	May 31, 2017
Materials and services	575,630	546,472
Capital expenditures	102,120	98,243
Related parties	34,024	28,173
with associates and investments	32,328	26,990
with affiliated companies not included in the consolidated financial statements	1,696	1,183
Total trade payables	**711,775**	**672,888**

34 Other liabilities

	May 31, 2018		May 31, 2017	
€ thousand	Non-current	Current	Non-current	Current
Derivatives	83,128	17,856	79,299	8,828
Other financial liabilities	12,303	240,369	13,843	197,942
Subtotal other financial liabilities	**95,431**	**258,224**	**93,142**	**206,770**
Other taxes	19	41,311	95	55,602
Accrued personnel liabilities	0	216,070	0	195,085
Advance payments received on orders	662	22,597	1,814	20,120
Deferred income	127,310	154,182	87,270	138,396
Other non-financial liabilities	0	21,949	0	19,961
Total	**223,422**	**714,334**	**182,320**	**635,935**

The advance payments received and reported relate primarily to services not yet rendered in full. Other financial liabilities include mainly liabilities from outstanding invoices or credit notes of € 215,235 thousand (prior year: € 170,799 thousand).

35 Provisions

The main components of provisions are presented below:

	May 31, 2018		May 31, 2017	
€ thousand	Non-current	Current	Non-current	Current
Pension provisions	275,527	320	271,460	246
Other provisions	67,141	132,369	79,643	100,235
Total	**342,668**	**132,689**	**351,103**	**100,481**

PENSION PROVISIONS

The HELLA Group provides pension benefits to the vast majority of its employees in Germany. Employees in many of the international HELLA companies also receive occupational pension benefits. There are both defined benefit and defined contribution pension plans.

The benefits provided by the German companies mainly consist of pension payments, the amount of which is based on length of service and which are paid in the form of old age, disability, and survivors' pensions. In addition, one company has a pension scheme whereby members receive a fixed sum depending on the income band in which they are classified. All employees can also participate in a contribution-based scheme through deferred compensation.

The companies continue to remain liable for fulfilment of the pension entitlements assigned to the pension fund, acting as guarantor in the event of non-performance, meaning that the pension liabilities and trust assets will be included on a net basis in the consolidated statement of financial position.

The defined benefit pension scheme in Great Britain and Ireland was closed to newcomers to the company. The same scenario is true for the old-age pension provision in the Dutch company, which also has a defined benefit arrangement. The benefits of both of these schemes are calculated on the basis of length of service and salary and are paid out when retirement age is reached or in the event of disability or death. In the Dutch system, no new pension expectancies can be secured, effective January 1, 2018. A contribution-oriented plan has been introduced for the active plan members to set up future pension expectancies. The plan of the Norwegian company has also been closed to newcomers to the company and provides for pension payments. However, the benefits under the employer-financed plan are calculated taking into account statutory pension provision.

Besides these systems, whose benefits are paid on an annuity basis, employees of the companies in Mexico, Korea, India and the Philippines receive benefits in the form of a single capital payment. The amount of the obligation from the respective defined benefit plan is determined on the basis of the salary and number of years of service. In Mexico, the guaranteed pension benefits are supplemented by a contribution-based Flex Plan into which the employer can pay variable contributions. Employees in Slovenia, and France receive a one-off lump capital sum on retirement based on their salary. In Italy and Turkey, capital is paid out at the end of the working relationship, irrespective of the reason for the relationship ending.

Granting of defined benefit plans entails the customary long life, inflation, interest rate and market (investment) risks; these risks are regularly monitored and assessed.

In the USA, Australia, and Mexico, as well as in many European and Asian companies, employees receive company pension benefits in the form of defined contribution plans. Furthermore, in the USA there are liabilities for the medical care of active employees, although the costs of these benefits are not borne for former employees after retirement.

The funding status and the reconciliation to the balance sheet amounts are presented below:

€ thousand	**May 31, 2018**	May 31, 2017
Defined Benefit Obligation (DBO) at end of fiscal year	383,524	385,561
Fair value of plan assets at the end of the fiscal year	-108,822	-116,024
Recognized amount	**274,702**	**269,537**

The amounts carried are made up of the following balance sheet items:

€ thousand	**May 31, 2018**	May 31, 2017
Assets from covered pension plans	-2,076	-2,168
Pension provisions	276,778	271,705
Sum of the individual amounts	**274,702**	**269,537**

Asset cover for the pension provisions was as follows:

	May 31, 2018		May 31, 2017	
€ thousand	Present value	Plan assets	Present value	Plan assets
Without asset cover	270,520	0	264,918	0
At least partial asset cover	113,004	108,822	120,643	116,024
Total	**383,524**	**108,822**	**385,561**	**116,024**

Change in the present value of pension liabilities:

€ thousand	May 31, 2018	May 31, 2017
DBO at the beginning of the fiscal year	**385,561**	**376,765**
Current service cost	9,202	9,908
Past service cost	-1,244	0
Expenses (-)/income (+) plan settlements	0	-146
Interest expense	7,347	7,713
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	-23	31
Actuarial gains (-)/losses (+) due to changes in financial assumptions	-5,787	11,522
Actuarial gains (-)/losses (+) due to changes in experience-based assumptions	569	-2,428
Pension payments	-11,623	-10,670
Payments for plan settlements	0	-6,402
Tax payments	-1	-32
Contributions by plan participants	33	59
Transfers	221	-222
Currency effects	-731	-537
DBO at end of fiscal year	**383,524**	**385,561**

Development of plan assets:

€ thousand	May 31, 2018	May 31, 2017
Fair value of plan assets at the beginning of the fiscal year	**116,024**	**135,853**
Expected income from the plan assets	2,141	2,393
Actuarial gains (+)/losses (-) from plan assets	-986	4,000
Employer contributions	302	747
Contributions by plan participants	33	59
Pension payments from plan assets	-8,498	-8,691
Payments for plan settlements	0	-6,402
Administrative costs	-72	-64
Currency effects	-122	-578
Reclassification of retirement benefits	0	-11,293
Fair value of plan assets at the end of the fiscal year	**108,822**	**116,024**

The pension cost of the pension plans is broken down as follows:

€ thousand	**May 31, 2018**	May 31, 2017
Current service cost	9,202	9,908
Past service cost	-1,244	0
Expenses (-)/income (+) plan settlements	0	-146
Administrative costs	72	64
Net interest expense	5,206	5,320
Expense for defined benefit plans recognised in the consolidated earnings for the period	**13,236**	**15,146**
Actuarial gains (-)/losses (+) from scope of obligations	-5,241	9,125
Actuarial gains (-)/losses (+) from plan assets	986	-4,000
Income (-)/ expense (+) from revaluation recognized in other comprehensive income	**-4,255**	**5,125**
Expense for defined benefit plans recognized in comprehensive income	**8,981**	**20,271**

Development of the balance sheet amounts

€ thousand	**May 31, 2018**	May 31, 2017
Balance sheet amount at the beginning of the fiscal year	**269,537**	**240,912**
Service costs	8,030	9,826
Net interest expense	5,206	5,320
Expense from remeasurement recognized in other comprehensive income	-4,255	5,125
Pension payments	-3,125	-1,979
Employer contributions	-302	-747
Tax payments	-1	-32
Transfers	221	-222
Currency effects	-609	41
Reclassification of retirement benefits	0	11,293
Balance sheet amount at the end of the fiscal year	**274,702**	**269,537**

Actuarial gains/losses recognized in equity:

€ thousand	**May 31, 2018**	May 31, 2017
Actuarial gains (+)/losses (-) at at the beginning of the fiscal year	**-96,926**	**−91,877**
Actuarial gains (+)/losses (-) during the fiscal year	4,255	-5,125
Currency effects	-7	76
Actuarial gains (+)/losses (-) at the end of the fiscal year	**-92,678**	**-96,926**

The present value was measured on the basis of the following assumptions:

	Germany		International	
	May 31, 2018	May 31, 2017	**May 31, 2018**	May 31, 2017
DBO (in € thousand)	351,331	352,273	32,193	33,288
Discount rate (in %)	1.93	1.84	3.26	3.06
Wage and salary trend (in %)	3.00	3.00	3.92	2.26
Pension trend (in %)	1.75	1.75	2.03	1.23

The cost of the pension plans was calculated on the basis of the following assumptions:

	Germany		International	
Weighted average in %	**2017/2018**	2016/2017	**2017/2018**	2016/2017
Discount rate	1.84	2.02	3.06	3.00
Wage and salary trend	3.00	3.00	2.26	2.31
Pension trend	1.75	1.75	1.23	1.19

The discount rate was determined in 2018 on the basis of the yields on the capital markets in the various relevant regions.

The following table shows how the present value of the defined pension liabilities would have changed at the balance sheet date if individual key assumptions had varied.

€ thousand		**May 31, 2018**	May 31, 2017
Discount rate	+0.5 percentage points	-7.9%	-8.1%
	-0.5 percentage points	9.0%	9.4%
Pension dynamics	+0.5 percentage points	5.7%	5.9%
	-0.5 percentage points	-5.2%	-5.4%
Salary dynamics	+0.5 percentage points	0.2%	0.2%
	-0.5 percentage points	-0.2%	-0.2%
Mortality risk	+10 percentage points	-3.0%	-3.0%
	-10 percentage points	3.3%	3.4%

The average duration of the defined pension liabilities, weighted on the basis of the present values, is 17 years (prior year: 18 years).

Breakdown of plan assets:

€ thousand	May 31, 2018	May 31, 2017
Shares	3.25%	3.67%
Fixed-income securities	49.22%	52.04%
thereof: no price quotation in an active market	0.09%	0.09%
Real estate	0.03%	0.04%
thereof: no price quotation in an active market	0.03%	0.04%
Investment funds	0.09%	0.07%
Insurance	45.79%	42.82%
thereof: no price quotation in an active market	45.79%	42.82%
Cash and cash equivalents	1.62%	1.34%
Other investments	0.00%	0.02%
Total investment types	**100.00%**	**100.00%**

The domestic plan assets are largely managed by a pension fund. Proper management and use of the trust assets is supervised by external trustees. The pension fund is also subject to supervision by the German Federal Financial Supervisory Authority (BaFin).

The plan assets do not include any own financial instruments or assets used by the Group itself.

Current income from the plan assets amounted to € 1,155 thousand in the past fiscal year (prior year: € 6,393 thousand).

The probable contributions for defined benefit pension plans for 2018/2019 are € 202 thousand (prior year: € 627 thousand).

The following overview shows the payments expected for the next ten fiscal years (not discounted, excluding payments from the plan assets):

€ thousand	
2018/2019	12,346
2019/2020	12,843
2020/2021	13,009
2021/2022	23,341
2022/2023	13,715
Total of the years 2023/2024 to 2027/2028	75,373

Group liabilities arising from defined contribution pension plans were recognized in profit and loss in the operating result. The expenses amounted to € 92,359 thousand in the past fiscal year (prior year: € 86,813 thousand). These expenses also include contributions to public pension insurance funds outside HELLA GmbH & Co. KGaA, which total € 87,180 thousand (prior year: € 77,843 thousand) for the fiscal year.

OTHER PROVISIONS

€ thousand	May 31, 2017	Additions	Reversals	Compounding	Other	Utilization	May 31, 2018
Severance commitments	8,537	14,816	-1,520	0	-146	-5,121	16,567
Partial retirement program	12,128	5,948	0	83	9,974	-16,173	11,961
Profit-sharing and other bonuses	47,827	32,849	-3,555	355	862	-24,452	53,885
Warranty obligations	56,383	32,380	-9,161	56	-420	-23,794	55,446
Onerous contracts	38,232	24,750	-4,779	654	51	-21,721	37,187
Other provisions	16,769	14,040	-1,808	3	-34	-4,508	24,463
Total	**179,878**	**124,784**	**-20,823**	**1,152**	**10,288**	**-95,768**	**199,509**

The additions to the provisions for severance claims were entered in the reporting period primarily relating to production ending at a plant in Australia.

Provisions for warranty obligations comprise burdens for concrete isolated cases in the Automotive segment, in particular, for which the current portion amounts to € 25,241 thousand (prior year: € 29,577 thousand).

Provided it meets the capitalization requirements, the reimbursement expected in connection with warranty claims is accounted for under other assets and, in the reporting period, was € 3,613 thousand (prior year: € 5,983 thousand).

Provisions for supply and sales liabilities include liabilities under current third-party agreements from which future losses are expected.

€ thousand	May 31, 2018	May 31, 2017
Present value of obligation	29,461	39,603
Fair value of plan assets	-17,500	-27,474
Provision for partial retirement programme	**11,961**	**12,128**

The provision for partial retirement programs corresponds to the present value of the obligation on the reporting date less the fair value of plan assets on the reporting date. A discount rate of 0.43% was applied (prior year: 0.31%). The deducted plan assets are pledged securities. The change in the fair value of the plan asset is recognized under “Other” in the provisions table.

36 Financial liabilities

Current financial liabilities maturing within a year amounted to € 41,990 thousand (prior year: € 340,481 thousand). The bond of € 299,874 thousand included in the prior year with a nominal volume of € 300,000 thousand and an interest rate of 1.25% was repaid in September 2017.

Non-current financial debt came to € 1,165,910 thousand (prior year: € 1,036,205 thousand) and includes two bonds with a nominal volume totaling € 800,000 thousand. The term of the bond of € 498,928 thousand (prior year: € 498,318) with a nominal volume of € 500,000 and an interest rate of 2.375% ends on January 24, 2020. The term of the second bond of € 298,892 thousand (prior year: € 298,713) with a nominal volume of € 300,000 and an interest rate of 1.0% ends on May 17, 2024. Financial debt also includes € 94,243 thousand (prior year: € 96,463 thousand) attributable to notes certificates denominated in yen issued in fiscal years 2002 and 2003 with a 30-year maturity, and € 82,842 thousand (prior year: € 85,082 thousand) attributable to a loan granted in yen with a 30-year maturity, both of which are fully currency-hedged to a value totaling € 175,177 thousand (prior year: € 175,177 thousand).

Capital from profit participation certificates of € 5,000 thousand (prior year: € 5,000 thousand), and finance lease liabilities amounting to € 38 thousand (prior year: € 38 thousand) are also recognized.

€ thousand	May 31, 2018	May 31, 2017
Cash and cash equivalents	688,187	783,875
Financial assets (current)	332,934	314,386
Current financial liabilities	-41,990	-340,481
Non-current financial liabilities	-1,165,910	-1,036,205
Net financial debt	**-186,780**	**-278,425**

37 Equity

On the liabilities side, nominal capital is recognized at its nominal value under the "Subscribed capital" item. The nominal capital amounts to € 222,222 thousand. The no-par value shares are issued to the bearer. All issued shares are fully paid up. Each share confers a right to vote and a right to dividends if distributions are agreed.

In addition to "Other retained earnings/profit carried forward" and the capital reserve, "reserves and unappropriated surplus" include the differences stemming from the currency translation of the annual financial statements of foreign subsidiaries not recognized in the income statement and the impact arising from the measurement of derivative financial instruments acquired for hedging purposes also not recognized in profit or loss, as well as financial instruments from the available-for-sale category. Also included are the results from the remeasurement of defined benefit plans. A detailed overview of the composition and changes in the results recognized directly in equity is presented in the consolidated statement of changes in equity.

Actuarial losses before taxes of € 4,255 thousand (prior year: losses of € 5,125 thousand) were recognized during the reporting period. The change in value of the defined benefit liabilities or of the assigned plan assets is attributable to calculation parameters and in particular the discount rate used here, which was 1.93% at the end of May 2018 (May 2017: 1.84%).

After the Annual General Meeting on September 28, 2017, dividends totaling € 102,222 thousand (€ 0.92 per no-par value share) were distributed to owners of the parent company. Dividends in the amount of € 1,095 thousand were paid to non-controlling interests during the period.

The remaining 4.2% share in Docter Optics SE was also acquired during the reporting period for a purchase price of € 7,439 thousand. The company holds a 100% share in Docter Optics after the purchase. As Docter Optics was already fully consolidated, this did not lead to any change in the accounting method. Specifically, the Group recognized:

- a € 18 thousand increase in the currency translation reserve
- a reduction of reserves for financial instruments for cash flow hedging by € 11 thousand

- a € 6,252 thousand reduction in other retained earnings
- a € 1,194 thousand reduction in non-controlling interests

€ thousand

Share of company as at June 1, 2017	28,341
Impact of increase in the investment	1,194
Share of comprehensive income	-1,036
Share of company as at May 31, 2018	**28,500**

The Group aims to maintain a strong equity base. The Group strives to strike a balance between a higher return on equity, which would be possible through greater leverage, and the advantages and security offered by a solid equity position. The Group is aiming for a ratio of less than 1.0 for net financial debt to earnings before interest, taxes, depreciation and amortization (EBITDA) in the long term. The ratio was 0.2 on May 31, 2018.

38 Notes to the cash flow statement

HELLA makes considerable investments in customer-specific operating equipment, which is capitalized as economic property in the Group's property, plant and equipment. Due to the considerable up-front investments in such operating equipment, HELLA sometimes receives from customers—as an advance on delivery of parts—reimbursement payments, which are reported as deferred income as prepayment on sales. The reimbursements are included in "cash receipts for series production" and increase net cash flow from operating activities. The reversal of the liability item "deferred income" recognized in subsequent years, which increased sales, will accordingly be taken into account as non-cash component in "non-cash sales transacted in previous periods" of net cash flow from operating activities.

Payments for procuring production equipment are allocated to net cash flow from investing activities in the cash flow statement according to IAS 7, whereas cash proceeds from customer reimbursements are assigned to net cash flow from operating activities as prepayments for economic purposes.

The following table shows the (net) changes of the short-term financial assets and short-term and non-current financial liabilities and thus represents the non-cash changes of the line items, in addition to the cash flow statement.

		Cash changes	Non-cash changes					
€ thousand	May 31, 2017	(Net) changes	Effect of exchange rate fluctuations	Change in fair value	Interest expenses	Changes in classification	Other changes	**May 31, 2018**
Financial assets (current)	314,386	21,493	1,284	-4,218	0	0	-11	**332,934**
Financial liabilities (current)	340,481	-336,927	-6,883	-4,106	25,292	24,133	0	**41,990**
Financial liabilities (non-current)	1,036,205	144,811	-10,601	188	19,448	-24,133	-9	**1,165,910**

39 Adjustment of special effects in cash flow

Adjusted operating free cash flow from operating activities was used as a performance indicator for internal HELLA Group management. Adjusted free cash flow from operating activities is a key performance indicator which is not defined in the International Financial Reporting Standards. Rather it is reported by the HELLA Group as additional information in its financial reporting because it is used for internal management and because, from the Company's perspective, it presents the cash flows from the operating activities—adjusted for special effects—in a more transparent form and facilitates a better comparison over time.

Cash flow from operating activities after capital expenditure and cash inflows from the sale or liquidation of investments are used for this purpose and adjusted for non-recurring cash flows.

In the current reporting period 2017/2018, the free cash flow from operating activities is adjusted for the payments made in connection with the restructuring measures in Germany (€ 13,047 thousand) and for payments for the fine proceedings initiated against HELLA by the European Commission (€ 10,397 thousand).

The free cash flow from operating activities of the prior year was adjusted by the amount of the buildup in receivables from goods and services from discontinuing the factoring program. The program comprises genuine sales without any rights of recourse, resulting in a reduction in balance sheet receivables of € 70,000 thousand as at the end of May 2016. The volume of trade receivables rose accordingly at the end of May 2017. The financial effects of the fine proceedings pursued against HELLA by the European Commission were, in the fiscal year 2016/2017, without any overall impact on free cash flow from business activities, but pertained to individual rows of the calculation scheme. In addition, the cash flows attributable to the restructuring measures in Germany (€ 9,984 thousand) were adjusted.

The performance of the adjusted free cash flow (from operating activities) for the fiscal years 2017/2018 and 2016/2017 is shown in the following tables:

	€ thousand	2017/2018 as reported	Legal affairs	Restructuring	2017/2018 adjusted
	Earnings before income taxes (EBT)	**530,149**	**0**	**6,509**	**536,659**
+	Depreciation and amortization	443,649	0	0	443,649
+/-	Change in provisions	13,771	0	-1,699	12,072
+	Cash receipts for series production	176,135	0	0	176,135
-	Non-cash sales transacted in previous periods	-123,614	0	0	-123,614
-	Other non-cash income	-34,336	0	0	-34,336
-	Profits from the sale of property, plant and equipment and intangible assets	-3,632	0	0	-3,632
+	Net financial result	44,137	0	0	44,137
-	Increase in trade receivables and other assets not attributable to investing or financing activities	-85,075	0	0	-85,075
-	Increase in inventories	-122,716	0	0	-122,716
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	72,878	10,397	8,236	91,511
+	Tax refunds received	2,977	0	0	2,977
-	Taxes paid	-122,298	0	0	-122,298
+	Dividends received	33,820	0	0	33,820
=	**Net cash flow from operating activities**	**825,845**	**10,397**	**13,047**	**849,289**
+	Cash receipts from the sale of property, plant and equipment	12,141	0	0	12,141
+	Cash receipts from the sale of intangible assets	5,868	0	0	5,868
-	Payments for the purchase of property, plant and equipment	-513,127	0	0	-513,127
-	Payments for the purchase of intangible assets	-112,715	0	0	-112,715
+	Cash receipts from the sale of subsidiaries and liquidation of other investments, less cash and cash equivalents	0	0	0	0
=	**Free cash flow from operating activities**	**218,011**	**10,397**	**13,047**	**241,455**

	€ thousand	2016/2017 as reported	Reduction in factoring	Legal affairs	Restructuring	2016/2017 adjusted
	Earnings before income taxes (EBT)	462,923	**0**	**16,163**	**10,242**	**489,328**
+	Depreciation and amortization	411,970	0	0	0	411,970
+/-	Change in provisions	34,053	0	-5,763	-440	27,850
+	Cash receipts for series production	131,503	0	0	0	131,503
-	Non-cash sales transacted in previous periods	-116,176	0	0	0	-116,176
-	Other non-cash income	-81,565	0	0	0	-81,565
+	Losses from the sale of property, plant and equipment and intangible assets	6,000	0	0	0	6,000
+	Net financial result	44,247	0	0	0	44,247
-	Increase in trade receivables and other assets not attributable to investing or financing activities	-124,535	70,000	0	0	-54,535
-	Increase in inventories	-54,710	0	0	0	-54,710
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	68,811	0	-10,400	182	58,593
+	Tax refunds received	16,227	0	0	0	16,227
-	Taxes paid	-123,132	0	0	0	-123,132
+	Dividends received	36,905	0	0	0	36,905
=	**Net cash flow from operating activities**	**712,521**	**70,000**	**0**	**9,984**	**792,505**
+	Cash receipts from the sale of property, plant and equipment	11,932	0	0	0	11,932
+	Cash receipts from the sale of intangible assets	4,818	0	0	0	4,818
-	Payments for the purchase of property, plant and equipment	-592,836	0	0	0	-592,836
-	Payments for the purchase of intangible assets	-72,888	0	0	0	-72,888
+	Cash receipts from the sale of subsidiaries and liquidation of other investments, less cash and cash equivalents	5,538	0	0	0	5,538
=	**Free cash flow from operating activities**	**69,084**	**70,000**	**0**	**9,984**	**149,068**

40 Information on related party relationships

HELLA GmbH & Co. KGaA. and its subsidiaries maintain business relationships with many companies and individuals in the course of their normal operations. In addition to the business relationships with fully consolidated companies, relationships exist with joint ventures, associates and companies in which an interest is held that are classified as related parties under IAS 24.

There are supply and service relationships between companies within the scope of consolidation and related parties, particularly with associates and non-consolidated affiliates. The outstanding items from the purchase and sale of goods and services between companies in the scope of consolidation and associates, as well as non-consolidated affiliates, are presented under the respective items. For further information on goods and services, see Chapters 24 and 33.

The following transactions were made with related parties:

€ thousand	2017/2018	2016/2017
Income from the sale of goods and services	**127,145**	**160,662**
with associates	11,937	18,415
with joint ventures	114,697	141,715
with affiliated companies not included in the consolidated financial statements	511	532
Expenses from the purchase of goods and services	**178,222**	**180,604**
with associates	0	212
with joint ventures	148,221	151,032
with investments	1,762	1,968
with affiliated companies not included in the consolidated financial statements	28,239	27,392

The business relationships with related parties operate under normal market conditions. They do not fundamentally differ from supply and service relationships with third parties. The HELLA Group concluded no significant transactions with related party individuals.

For assuming personal liability in its role as General Partner, Hella Geschäftsführungsgesellschaft mbH receives a fee of € 1 thousand (prior year: € 1 thousand). In addition, the Company is entitled to reimbursement by HELLA GmbH & Co. KGaA for all of the expenses arising in connection with the management of the company's business activities, including the remuneration of the management bodies.

Remuneration for management in key positions:

€ thousand	2017/2018	2016/2017
Short-term benefits	15,366	15,893
Post-employment benefits	909	440
Other long-term benefits	1,682	3,336
Termination benefits	2,000	0
Total	**19,957**	**19,669**

Members of the management in key positions at HELLA GmbH & Co. KGaA are the Management Board (the Managing Directors of Hella Geschäftsführungsgesellschaft GmbH), as well as members of the Shareholder Committee and the Supervisory Board.

Total remuneration paid to the management bodies:

€ thousand	2017/2018	2016/2017
Total remuneration paid to the active institution members	**16,713**	**19,166**
Management Board	15,446	17,881
Supervisory Board	400	400
Shareholder Committee	867	885
Total remuneration paid to the former institution members and their surviving dependants	**2,279**	**278**
Management Board	2,279	278
Supervisory Board	0	0
Shareholder Committee	0	0

The Chairman of the Supervisory Board, Prof. Dr. Michael Hoffmann-Becking, was a partner in a law firm until February 28, 2018 which provides legal advisory services to HELLA GmbH & Co. KGaA and the Group in several different fields of law, including company law, securities law, labour law and competition law among other things. During fiscal year 2017/2018, the Group was billed a total of € 286 thousand plus sales tax for these advisory services (prior year: € 297 thousand plus value added tax). Specifically, the advisory services provided during fiscal year 2017/2018 consisted largely of preparation and implementation of the ordinary Annual General Meeting of HELLA GmbH & Co. KGaA. No other payments or benefits were granted to members of the Supervisory Board for products and services, in particular for advisory and placement services.

Provisions for the pension liabilities towards former members of the Management Board and their surviving dependants came to € 13,906 thousand (prior year: € 9,165 thousand). This was transferred to Allianz Pensionsfonds AG in the amount of € 3,675 thousand (prior year: € 3,890 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 249 thousand (prior year: € 205 thousand). The defined benefit obligation for comparable, long-term obligations from the defined contributions capital account system towards earlier members of the Management Board and their surviving dependents is € 5,182 thousand (prior year: € 0 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 5,087 thousand as of the balance sheet date (prior year: € 0 thousand). Payments under pension liabilities towards former members of the Management Board and their surviving dependants came to € 2,279 thousand (prior year: € 278 thousand).

No loans or advances were granted to the members of the Management Board, the Supervisory Board or the Shareholder Committee.

41 Declaration of Conformity with the Corporate Governance Code

On May 28, 2015, the General Partners as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") approved a joint Declaration of Conformity in accordance with Section 161 Aktiengesetz (AktG—German Stock Corporation Act) which states that the recommendations of the German Corporate Governance Code have been and will be complied with as well as which recommendations have not been or are not being applied. This version and the update of May 31, 2018 have been made permanently accessible on the Company's website at www.hella.de/declarationofconformity.

42 Disclosures on financial instruments

GENERAL INFORMATION ON FINANCIAL INSTRUMENTS

We set out below the carrying amounts and fair values of classes of financial instruments and the carrying amounts in accordance with IAS -39 measurement categories as at 31 May 2018 and the prior year.

€ thousand	Measurement category under IAS 39	**Carrying amount May 31, 2018**	**Fair value, May 31, 2018**	Carrying amount May 31, 2017	Fair value May 31, 2017	Fair value hierarchy
Cash and cash equivalents	LaR	688,187	688,187	783,875	783,875	
Trade receivables	LaR	1,166,571	1,166,571	1,067,979	1,067,979	
Financial assets						
Available-for-sale financial instruments	AfS	322,077	322,077	313,440	313,440	Level 1
Loans	LaR	4,172	4,172	372	372	
Other bank balances	LaR	6,685	6,685	574	574	
Other financial assets						
Derivatives used for hedging	n.a.	5,758	5,758	6,572	6,572	Level 2
Derivatives not used for hedging	HfT	2,690	2,690	4,752	4,752	Level 2
Other receivables associated with financing activities	LaR	34,901	34,901	35,060	35,060	
Current financial assets		**2,231,040**	**2,231,040**	**2,212,625**	**2,212,625**	
Financial assets						
Available-for-sale financial instruments	AfS	30,373	30,373	24,499	24,499	
Loans	LaR	6,806	6,806	5,558	5,558	Level 2
Other receivables associated with financing activities	LaR	32	32	37	37	Level 2
Other financial assets						
Trade receivables	LaR	38,828	38,828	38,342	38,342	Level 2
Non-current financial assets		**76,040**	**76,040**	**68,436**	**68,436**	
Financial assets		**2,307,080**	**2,307,080**	**2,281,061**	**2,281,061**	
Financial liabilities						
Financial liabilities to banks and bond	FLAC	41,933	41,933	340,399	340,399	
Financial lease liabilities	n.a.	57	57	82	82	
Trade payables	FLAC	711,775	711,775	672,888	672,888	
Other financial liabilities						
Derivatives used for hedging	n.a.	13,601	13,601	4,241	4,241	Level 2
Derivatives not used for hedging	HfT	4,254	4,254	4,587	4,587	Level 2
Other financial liabilities	FLAC	240,369	240,369	197,942	197,942	
Current financial liabilities		**1,011,990**	**1,011,990**	**1,220,139**	**1,220,139**	
Financial liabilities						
Financial liabilities to banks	FLAC	273,808	299,601	142,799	196,082	Level 2
Bonds	FLAC	892,064	929,771	893,369	965,274	Level 1
Financial lease liabilities	n.a.	38	38	38	38	
Other financial liabilities						
Derivatives used for hedging	n.a.	82,835	82,835	79,299	79,299	Level 2
Derivatives not used for hedging	HfT	293	293	0	0	Level 2
Other financial liabilities	FLAC	12,303	12,303	13,843	13,843	
Non-current financial liabilities		**1,261,341**	**1,324,840**	**1,129,347**	**1,254,536**	
Financial liabilities		**2,273,330**	**2,336,830**	**2,349,486**	**2,474,675**	
Of which aggregated under IAS 39 measurement categories:						
Financial assets held for trading (HfT)		2,690	2,690	4,752	4,752	
Loans and receivables (LaR)		1,946,182	1,946,182	1,931,798	1,931,798	
Available-for-sale financial assets (AfS)		352,450	352,450	337,939	337,939	
Financial liabilities held for trading (HfT)		4,547	4,547	4,587	4,587	
Financial liabilities measured at amortized cost (FLAC)		2,172,252	2,235,751	2,261,240	2,386,429	
Financial assets, derivatives used for hedging		5,758	5,758	6,572	6,572	
Financial liabilities, derivatives used for hedging		96,436	96,436	83,540	83,540	

Level 1: Measurement of market value based on listed, unadjusted prices on active markets.

Level 2: Measurement of market value based on criteria for assets and financial liabilities that can be either directly or indirectly derived from prices on active markets.

Level 3: Measurement of market value based on criteria that cannot be derived from active markets.

The Group reports possible transfers between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As in the prior year, no transfers were made between different levels of the fair value hierarchy during the 2017/2018 reporting period. The carrying amounts of current financial instruments at the balance sheet date correspond to the market value owing to their short residual term and the fact that they are recognized at market value.

The carrying amounts of non-current financial liabilities also largely correspond to the market values. Non-current financial instruments on the assets side are mainly determined by the other investments, securities as cover assets for pension provisions and loans. The fair values of these equity components measured at acquisition costs could not be determined as no stock exchange or market prices were available. The other investments and non-consolidated affiliates reported here are measured at acquisition cost of € 9,969 thousand (prior year: € 9,581 thousand) because the fair values cannot be established with a sufficient degree of reliability.

With regard to the other investments and non-consolidated affiliates measured at acquisition costs, by the balance sheet date, there are no plans to sell them and/or no separate purchase price bids have been received.

PLEDGED COLLATERAL

As of May 31, 2018, interest-bearing investments of € 17,500 thousand (prior year: € 27,474 thousand) were pledged to a trustee as statutory insolvency protection for partial retirement fund assets. They are netted against the obligations from partial retirement. Occasionally, collateral is pledged from the business assets to a limited extent as security for bank loans. These may, for example, be categorised as receivables.

The following table shows the net result from financial instruments for each IAS 39 measurement category:

€ thousand	Interests	Dividends	Fair value measurement	Currency translation	**2017/2018**
Loans and receivables	8,868	0	-1,328	9,451	16,991
Available for sale	2,918	858	1,707	0	5,483
Liabilities measured at amortized cost	-44,740	0	0	703	-44,037
Financial derivatives held for trading (net)	0	0	20,538	0	20,538
Total	-32,954	858	20,917	10,154	-1,025

€ thousand	Interests	Dividends	Fair value measurement	Currency translation	**2016/2017**
Loans and receivables	7,307	0	-307	-391	6,609
Available for sale	3,860	1,099	322	0	5,280
Liabilities measured at amortized cost	-32,749	0	0	302	-32,448
Financial derivatives held for trading (net)	0	0	-5,261	0	-5,261
Total	**-21,583**	**1,099**	**-5,245**	**-89**	**-25,819**

The fair value measurement of the loans and receivables corresponds to the impairments of unrecoverable elements.

NET PROFIT/LOSS PER MEASUREMENT CATEGORY

When determining the net result from financial instruments, goodwill impairments/write-ups, income and expense resulting from the application of the effective interest method, income and expenses from currency translation, gains or losses on disposals, and other changes in the fair value of financial instruments recognised in the income statement are taken into account.

FINANCIAL RISK MANAGEMENT

The HELLA Group is exposed to various financial risks in the course of its operations. In particular, these include liquidity, currency and interest rate risk. Risk management is carried out by the central financial management department in accordance with the guidelines adopted by the corporate bodies. Detailed information is provided in the management report.

On the procurement side, commodity price risks and risks relating to the general security of supply exist, among others. Moreover, credit risks arise from trade receivables, and also from receivables relating to financial transactions, such as the investment of cash or cash equivalents or the acquisition of securities. Liquidity risk can arise from a significant decline in the operating business performance as well as from the risk categories mentioned above.

Management of liquidity risks

HELLA works with mainly centralised liquidity structures in order to pool liquidity across the Group. The centralised liquidity is calculated on a regular basis and planned using a bottom-up process. HELLA actively manages its loan portfolio on the basis of the liquidity planning.

The following tables show the maximum settlements. The presentation shows the worst-case scenario for HELLA, i.e. the earliest possible contractual payment date. This takes into account creditor cancellation rights. Foreign currency positions are always converted at the spot rate applicable on the reporting date. Interest payments for positions with variable interest rates are always measured at the reference interest rate applicable on the balance sheet date. In addition to non-derivative financial instruments, derivative financial instruments (e.g. foreign currency forwards and interest rate swaps) are taken into account. For derivatives where gross payments are settled between the parties involved, only the settlements are presented in line with the worst-case scenario. These settlements are offset by cash proceeds, which are also presented. In addition, loans granted but not yet drawn in full and financial guarantees issued are included in the settlements.

Maximum future settlements as at May 31, 2018 **€ thousand**	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	822,544	528,288	685,007	2,035,839
Derivative financial instruments	1,155,741	146,810	312,906	1,615,457
Loan commitments/financial guarantees	0	0	0	0
Total	**1,978,285**	**675,098**	**997,913**	**3,651,296**
Cash receipts from gross derivatives	1,135,917	115,887	234,619	1,486,423

Maximum future settlements as at May 31, 2017 **€ thousand**	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	1,128,497	551,058	552,131	2,231,686
Derivative financial instruments	1,022,067	50,400	326,791	1,399,258
Loan commitments/financial guarantees	0	0	0	0
Total	**2,150,564**	**601,458**	**878,922**	**3,630,944**
Cash receipts from gross derivatives	1,018,418	31,326	247,131	1,296,875

The Group's liquidity supply is also sufficiently assured through cash and bank balances on hand, marketable short-term securities on hand, and the available unused bank lines of credit.

The table below sets out the main liquidity instruments:

€ thousand	**May 31, 2018**	May 31, 2017
Cash and cash equivalents	688,187	783,875
Marketable securities	322,077	313,440
Cash line of credit	644,774	695,281
Total	**1,655,038**	**1,792,596**

The total of the cash lines of credit available to the HELLA Group amounts to roughly € 644,774 thousand (prior year: € 695,281 thousand). This figure is made up of a syndicated credit sized at € 450,000 thousand (maturing in 2022, utilization as at May 31, 2018: 0 %) and short-term money market lines with a volume of € 194,774 thousand (utilization as of May 31, 2018: 30 %). In some cases, standard creditor cancellation rights apply to the latter (as part of financial covenants). These covenants are reviewed on an ongoing basis as part of corporate planning and are currently rated as non-critical. Owing to the broad and international base of its core banks, the funding risk is considered very low.

Management of currency risks

Currency risks (in the context of transaction risks) arise from receivables, liabilities, liquid funds, securities, and executory contracts in a currency other than the functional currency. Currency derivatives, primarily foreign currency forwards, are used to hedge against exchange rate-related fluctuations impacting these payments and positions. The currency risk of the HELLA Group is continuously monitored and managed on the basis of the net exposures calculated for the Group. Net exposure is calculated by aggregating planned foreign currency cash flows.

As of May 31, 2018, significant net exposures of the HELLA Group for the fiscal year 2018/2019 were identified in USD (205 million long, prior year: 301 million long), MXN (3,241 million short, prior year: 2,708 million short), CNY (705 million long, prior year: 651 million long) and CZK (1,842 million short, 1,214 million short); (information is provided in the respective currency).

Currency derivatives are only used to hedge the currency risks arising from underlying transactions. Speculative transactions are not permitted.

In principle, the fair value of currency derivatives is recognised. In the case of cash flow hedge accounting within the meaning of IAS 39, the unrealised gains and losses from the hedging transaction are initially recognised in the statement of changes in equity, with no impact on the income statement. The gains and losses are only realised when the hedged underlying transaction is also recognised in the income statement.

HELLA mainly designated currency derivatives to hedge foreign currency cash flows from funding in yen maturing in 2032 or 2033 under cash flow hedge accounting. Other currency derivatives used to hedge currency risks from operating cash flow, with a maturity of less than one year in almost all cases, were also designated as cash flow hedge accounting.

Hedge accounting was not applied to other currency derivatives used to hedge underlying financial transactions. Measurement changes are recognized in the income statement.

In the fiscal year 2017/2018, changes in the market value of the above-mentioned derivatives used for cash flow hedge accounting amounting to € 6,223 thousand (prior year: € 13,693 thousand) were recognized in equity. All in all, market values of currency derivatives used for hedging purposes amounting to € –88,429 thousand (prior year: € –86,103 thousand) were recognized in equity at the reporting date. Equity gains of € 3,781 thousand were recognized in the income statement in the fiscal year 2017/2018 (prior year: € 5,693 thousand). Currency derivatives not presented in accordance with hedge accounting showed changes in the market value of currency derivatives recognized in the income statement of € 1,480 thousand (prior year: € 256 thousand).

The relatively high sensitivity of the equity to exchange rate fluctuations of the JPY results from the hedging of the funding

The following sensitivity analyses show the effects a 10% change in the exchange rate of each foreign currency would have on equity or on net profit/loss for the year (before taxes). The analysis is based on the respective risk position on the reporting date and only takes into account the largest gross exposure in the HELLA Group:

€ thousand		May 31, 2018		May 31, 2017	
Exchange rate	Foreign currency	depreciates by 10%	appreciates by 10%	depreciates by 10%	appreciates by 10%
Change in equity owing to fluctuations in the market value of currency derivatives used for hedging purposes (cash flow hedge accounting)	CNY	19,368	-23,672	4,583	-5,602
	CZK	-10,458	12,782	-15,202	18,580
	JPN	-13,745	14,820	-13,160	15,704
	MXN	1,506	-1,840	0	0
	PLN	71	-87	155	-190
	USD	9,354	-11,433	-3,766	4,602
Change in net profit/loss for the year owing to unhedged currency exposures in the case of non-derivative financial instruments and fluctuations in the market value of derivative financial instruments	CNY	-8,554	10,455	-7,741	9,461
	CZK	6,492	-7,935	4,179	-5,108
	JPN	755	-923	2,235	-2,732
	MXN	13,379	-16,352	11,694	-14,293
	PLN	-2,597	3,174	-3,655	4,468
	USD	-15,901	19,434	-24,402	29,824

issued in this currency (AFLAC). The relatively high sensitivity of the net profit/loss for the year is largely attributable to market fluctuations of non-derivative financial instruments and planned cash flows that are not hedged within the meaning of IAS 39. The sensitivity analysis is performed on the basis of the hedging ratios as at the balance sheet date. They are reviewed regularly in the course of the fiscal year and may be above or below the level at the balance sheet date.

Management of interest rate risks

Interest rate risks arise when fluctuations in interest rates lead to changes in the value of financial assets and liabilities on the statement of financial position of HELLA. These may affect the amount of the interest income and expenses in the fiscal year as well as the market value of the derivatives concluded and other financial assets measured at fair value. These may affect the amount of the interest income and expenses in the fiscal year as well as the market value of the derivatives concluded and other financial assets measured at fair value. As at May 31, 2018, interest rate-sensitive net debt stood at € 634 million (prior year: € 847 million).

These risks are managed by the HELLA Group through natural hedging, i.e. the elimination of interest rate risks by assuming offsetting items and through the targeted use of derivatives. The derivative financial instruments used are usually interest rate swaps. Interest rate derivatives are generally used to mitigate cash flow risks.

As with currency derivatives, interest rate derivatives are settled mainly by HELLA GmbH & Co. KGaA. The use of interest rate derivatives is also always associated with underlying transactions. Interest rate derivatives used to hedge interest rate risks from non-derivative financial instruments are designated as cash flow hedge accounting. Speculative transactions are not permitted.

The following sensitivity analyses show how a one percentage point movement in the respective market interest rate would change equity and net profit/loss for the year (in each case before taxes). The analysis is based on the respective risk position on the reporting date. The calculation method used is the net present value method.

€ thousand	**May 31, 2018**		May 31, 2017	
Market interest rate	rises by 1 percentage point	falls by 1 percentage point	rises by 1 percentage point	falls by 1 percentage point
Change in equity owing to fluctuations in the market value of fixed-income securities recognized directly in equity at fair value	-17,443	21,487	-11,654	16,228
Change in net profit/loss for the year owing to variable interest items in the case of non-derivative financial instruments and fluctuations in the market value of derivative financial instruments	6,335	-6,335	8,471	-8,471

MANAGEMENT OF COMMODITY PRICE RISKS

The HELLA Group is exposed to various commodity price risks through the purchase of components. These risks are managed by the HELLA Group through natural hedging, i.e. the elimination of commodity price risks by means of offsetting effects from purchasing and sales, and through the targeted use of derivatives. The derivatives used are commodity swaps. As of May 31, 2018, there were no commodity derivatives (market value in the prior year: € 0 thousand).

Commodity (net) exposure for 2018/2019 is expected to amount to € 20.8 million (prior year: € 15.1 million).

The following sensitivity analysis shows what effects fluctuations of 10% in the market prices of underlying commodities would have had on net profit/loss for the year (before taxes).

€ thousand	**May 31, 2018**		May 31, 2017	
Commodity price	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Change in net profit/loss for the year owing to fluctuations in the market value of hedged items and commodity derivatives used	-2,084	2,084	-1,507	1,507

MANAGEMENT OF OTHER PRICE RISKS

Other price risks arise for HELLA through investments in current or non-current, non-interest-bearing securities, largely equities and funds that are classified as "available for sale" and therefore measured at fair value in equity. In addition, price risks arise from other investments that belong to the "available-for-sale" category, provided they are measured at fair value. These items are shown in the following table. Investments measured at acquisition cost because the fair value cannot be reliably determined are not exposed to balance sheet risk and are therefore not included in the presentation.

€ thousand	**May 31, 2018**	May 31, 2017
Price risk positions of the non-derivative assets	36,145	34,420

HELLA actively manages the price risks. By continuously observing and analyzing the markets, it is possible to manage investments in real time. Negative developments on the capital markets can thus be identified at an early stage and appropriate measures taken. Derivatives are only used to manage other price risks in exceptional cases.

The following sensitivity analyses show what effects fluctuations of 10% in the market values of non-derivative and derivative financial instruments would have had on equity or on net profit/loss for the year (before tax). The analysis is based on the respective volumes on the reporting date.

€ thousand	May 31, 2018		May 31, 2017	
Securities price	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Change in equity owing to changes in prices of unimpaired securities and investments in public funds	3,160	-3,160	2,577	-2,577
Change in net profit/loss for the year owing to changes in prices of impaired securities	455	-455	865	-865

MANAGEMENT OF DEFAULT RISKS

Default risks arise for the HELLA Group from its business operations and from financial investments and financial derivatives with positive fair values.

The maximum default risk for the financial assets corresponds to their carrying amount. Netting off is not carried out due to the full or partial lack of offsetting criteria under IAS 32. Collateral is accepted in individual cases as described below which means that the actual default risk is smaller.

Derivative transactions are concluded by HELLA GmbH & Co. KGaA solely on the basis of the German Master Agreement for Financial Derivatives Transactions (DRV). This does not meet the requirements for netting off, since offsetting of outstanding amounts would be legally enforceable only subject to future events, such as the insolvency of a contractual partner. The table below shows the potential for offsetting the financial instruments that are recognized by HELLA GmbH & Co. KGaA and are subject to the stated agreements.

May 31, 2018

€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets—derivatives	8,426	0	8,426	7,583	843
Liabilities—derivatives	-100,880	0	-100,880	7,583	-93,297

May 31, 2017

€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets—derivatives	11,318	0	11,318	6,466	4,852
Liabilities—derivatives	-88,067	0	-88,067	6,466	-81,601

Financial derivatives and financial investments are only entered into with banks with good credit ratings.

Operational risk is mainly managed by continuously monitoring receivables. If a specific default risk is identified, this risk is taken into account by recognizing impairments in the corresponding amount.

In individual cases, HELLA Group companies also demand collateral to secure receivables. This includes warranties, performance guarantees, and advance securities. HELLA has a directive in place regarding the acceptance of securities. The only acceptable collateral providers are banks and insurance firms with good credit ratings. Furthermore, many supplies to customers are subject to retention of title.

Lending commitments to companies that are not fully consolidated or to third parties are only made by HELLA Group companies in a few isolated cases. The default risk here is limited to the loan amount. As at May 31, 2018, there were no lending commitments to companies that are not fully consolidated and external third parties (prior year: € 0 thousand).

Trade receivables are essentially spread over key accounts from the automotive and automotive supply industry.

The recoverability of all the receivables, which do not include overdue or impaired financial assets, is considered very high. This assessment is based primarily on the fact that the HELLA Group has a long-standing business relationship with most of its customers and on the ratings of the major rating agencies. The historical default rate for these trade receivables is extremely low.

Financial assets that are overdue but not impaired are shown below:

	May 31, 2018				May 31, 2017			
€ thousand	up to 30 days	31 days to 60 days	61 days to 90 days	more than 90 days	up to 30 days	31 days to 60 days	61 days to 90 days	more than 90 days
Trade receivables	22,456	7,278	1,121	4,822	12,193	1,197	413	2,224
Financial receivables	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	0	0	0
Total	**22,456**	**7,278**	**1,121**	**4,822**	**12,193**	**1,197**	**413**	**2,224**

An analysis of the individual impaired financial assets is shown below:

	May 31, 2018			May 31, 2017		
€ thousand	Gross carrying amount	Impairment	Net carrying amount	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	1,218,014	12,616	1,205,399	1,116,965	10,644	1,106,321
Financial receivables	703,085	3,920	699,165	792,496	2,691	789,805
Other financial assets	403,694	1,178	402,516	386,468	1,533	384,935
Total	**2,324,793**	**17,713**	**2,307,080**	**2,295,929**	**14,868**	**2,281,061**

The following table shows the development of impairments in respect of financial assets in the fiscal year 2017/2018 and the prior year:

€ thousand	Trade receivables	Financial receivables	Other financial assets	Total
As at: May 31, 2016	**13,723**	**2,732**	**1,533**	**17,988**
Additions	450	0	0	450
Utilization	-3,415	-41	0	-3,456
Reduction	-470	0	0	-470
Other effects	355	0	0	355
As at: May 31, 2017	**10,643**	**2,691**	**1,533**	**14,867**
Additions	3,136	1,229	0	4,364
Utilization	-124	0	0	-124
Reduction	-842	0	0	-842
Other effects	-198	0	-355	-553
As at: May 31, 2018	**12,615**	**3,920**	**1,178**	**17,712**

With regard to the financial assets that are neither overdue nor impaired, there is currently no indication that further value adjustments will be needed due to defaults.

Capital risk management

The HELLA Group manages its capital with the aim of ensuring that all Group companies can continue to operate as going concerns. By optimising the debt-equity ratio as needed, capital costs are kept as low as possible. These measures help to maximise shareholder income.

The capital structure consists of the current and non-current liabilities in the statement of financial position less the cash representing net borrowings and the balance sheet equity. The Risk Management Committee assesses and reviews the Group's capital structure on a regular basis. Risk-adjusted capital costs are taken into account in this assessment.

The overall capital risk management strategy pursued in the current fiscal year has not changed from the prior year.

43 Contractual commitments

There were contractual obligations to purchase or use property, plant and equipment amounting to € 87,257 thousand as at the reporting date (prior year: € 32,476 thousand). Contractual commitments for the acquisition of intangible assets in the fiscal year 2017/2018 were € 605 thousand (prior year: € 0 thousand).

44 Contingent liabilities

As of May 31, 2018, as in the previous year, no contingent liabilities existed within the HELLA Group.

45 Information on leases

HELLA GmbH & Co. KGaA regularly acts as lessee. They are both operating and finance leases.

OPERATING LEASES AS LESSEE

The expenses under operating leases recognized in the income statement amounted to € 37,508 thousand in the fiscal year (prior year: € 30,881 thousand). Some lease contracts include extension options. HELLA's liability from operating leases largely relates to leases for passenger vehicles, buildings, office equipment and smaller machinery.

Distribution of the present values of minimum lease payments:

€ thousand	May 31, 2018	May 31, 2017
Up to 1 year	22,674	18,006
Between 1 and 5 years	56,016	34,473
More than 5 years	31,074	10,604
Total	**109,764**	**63,084**

LIABILITIES ARISING FROM FINANCE LEASES AS LESSEE

The leased items contained in the statement of financial position in the context of finance leases largely relate to development services and machine leasing. The lease terms generally range from three to six years. Some leases contain extension or purchase options.

Distribution of minimum lease payments (not discounted):

€ thousand	May 31, 2018	May 31, 2017
Up to 1 year	57	82
Between 1 and 5 years	44	38
More than 5 years	0	0
Future financing costs under finance leases	-6	0
Total	**95**	**120**

Distribution of the present values of minimum lease payments:

€ thousand	May 31, 2018	May 31, 2017
Up to 1 year	57	82
Between 1 and 5 years	38	38
More than 5 years	0	0
Total	**95**	**120**

RECEIVABLES FROM FINANCE LEASES AS LESSEE

In the Aftermarket segment, HELLA concludes finance lease agreements with workshops for its portfolio of diagnostic testing equipment, garage equipment and air conditioning service units. These agreements generally have 5-year terms. All lease agreements are concluded in euros and relate exclusively to business within the EU.

Distribution of minimum lease payments (not discounted):

€ thousand	May 31, 2018	May 31, 2017
Up to 1 year	16,866	17,021
Between 1 and 5 years	37,344	39,319
More than 5 years	0	0
Future financing costs under finance leases	-6,923	-6,232
Total	**47,288**	**50,109**

Distribution of the present values of minimum lease payments:

€ thousand	May 31, 2018	May 31, 2017
Up to 1 year	14,033	14,452
Between 1 and 5 years	33,254	35,657
More than 5 years	0	0
Total	**47,288**	**50,109**

As at May 31, 2018, impairments for unrecoverable receivables amounted to € 2,182 thousand (prior year: € 183 thousand).

46 Events after the balance sheet date

On July 6, 2018, HELLA sold Danish wholesaler FTZ Autodele & Værktøj A / S and Polish INTER-TEAM Sp. z o.o. to Swedish wholesaler Mekonomen AB. The sale is subject to approval from the responsible anti-trust authorities and is expected to be concluded in the third quarter of 2018. FTZ has been sold along with the shares held in P/F FTZ Føroyar, AutoMester Danmark ApS and Din Bilpartner Aps. The purchase price is composed of a fixed portion in the total amount of € 395 million as well as other purchase price components to be identified on a time-dependent basis by the settlement date of the transaction. FTZ is an automotive spare parts supplier in Denmark that has approximately 1,100 employees at some 50 locations, while INTER-TEAM operates some 80 branches with around 1,400 employees in the same industry in Poland. The sold assets primarily include line items of inventories and receivables corresponding with their associated trade liabilities. Long-term non-current assets were sold in mostly smaller amounts. FTZ and INTER-TEAM have, to date, been reported as parts of the Aftermarket segment and, in fiscal year 2017/2018, earned sales totaling about € 500 million and EBIT of approx. € 35 million.

47 Audit fees

The total fee for the services of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft invoiced for the fiscal year 2017/2018 amounts to € 984 thousand (prior year: € 1,006 thousand) and includes the fees and expenses for the audit. An additional € 178 thousand (prior year: € 98 thousand) were recorded as expenses for tax advisory services, € 68 thousand (prior year: € 33 thousand) for other confirmation services and € 0 (prior year: € 213 thousand) for other services were recorded as expenses.

The auditing services pertain to the audit of the annual and consolidated financial statements of the parent company as well as the auditor examination of the half-year financial statement. The tax advisory services primarily include sales tax consulting. The other confirmation services pertain to certifications of financial information of partial units and the examination of the bonus share compensation.

Lippstadt, July 23, 2018

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach
(Chairman)

Dr. Werner Benade

Dr. Frank Huber

Stefan Osterhage

Bernard Schäferbarthold

Scope of consolidation
Fiscal year 2017/2018
Affiliated companies included in the consolidated financial statements:

				Investment	
No.	Company	Country	City	in %	in
1	HELLA GmbH & Co. KGaA	Germany	Lippstadt	100.0	
2	HELLA Innenleuchten-Systeme GmbH*	Germany	Wembach	100.0	1
3	HELLA Innenleuchten-Systeme Bratislava, s.r.o.	Slovakia	Bratislava	100.0	2
4	HELLA Fahrzeugkomponenten GmbH*	Germany	Bremen	100.0	1
5	HFK Liegenschaftsgesellschaft mbH	Germany	Bremen	100.0	4
6	HELLA Electronics Engineering GmbH*	Germany	Regensburg	100.0	1
7	HELLA Aglaia Mobile Vision GmbH*	Germany	Berlin	100.0	1
8	HELLA Distribution GmbH*	Germany	Erwitte	100.0	1
9	RP Finanz GmbH*	Germany	Lippstadt	100.0	1
10	HELLA Finance Nederland C.V.	The Netherlands	Nieuwegein	100.0	9
11	HELLA Finance International B.V.	The Netherlands	Nieuwegein	100.0	1
12	Docter Optics SE*	Germany	Neustadt an der Orla	100.0	1
13	Docter Optics Inc.	USA	Gilbert, AZ	100.0	12
14	Docter Optics Components GmbH	Germany	Neustadt an der Orla	100.0	12
15	Docter Optics s.r.o.	Czech Republic	Skalice u České Lípy	100.0	12
16	HORTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Neustadt / Orla KG	Germany	Düsseldorf	94.0	12
17	Docter Optics Asia Ltd.	South Korea	Seoul	100.0	12
18	HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100.0	1
19	HELLA Werkzeug Technologiezentrum GmbH*	Germany	Lippstadt	100.0	1
20	HELLA Corporate Center GmbH*	Germany	Lippstadt	100.0	1
21	HELLA Gutmann Holding GmbH*	Germany	Ihringen	100.0	1
22	HELLA Gutmann Solutions GmbH*	Germany	Ihringen	100.0	21
23	HELLA Gutmann Anlagenvermietung GmbH*	Germany	Breisach	100.0	21
24	HELLA Gutmann Solutions International AG	Switzerland	Hergiswil	100.0	21
25	HELLA Gutmann Solutions A / S	Denmark	Viborg	100.0	21
26	HELLA Gutmann Solutions AS	Norway	Porsgrunn	100.0	25
27	HELLA OOO	Russia	Moscow	100.0	1
28	avitea GmbH work and more	Germany	Lippstadt	100.0	1
29	avitea Industrieservice GmbH	Germany	Lippstadt	100.0	28
30	HELLA Geschäftsführungsgesellschaft mbH)	Germany	Lippstadt	100.0	1
31	UAB HELLA Lithuania	Lithuania	Vilnius	100.0	1
32	HELLA Holding International GmbH*	Germany	Lippstadt	100.0	1
33	HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100.0	32
34	HELLA Changchun Tooling Co., Ltd.	China	Changchun	100.0	32
35	HELLA Corporate Center (China) Co., Ltd.	China	Shanghai	100.0	32
36	Changchun HELLA Automotive Lighting Ltd.	China	Changchun	100.0	32
37	Beifang HELLA Automotive Lighting Ltd.	China	Beijing	100.0	32
38	HELLA (Xiamen) Automotive Electronics Co., Ltd.	China	Xiamen	100.0	32
39	HELLA Asia Pacific Pty Ltd	Australia	Mentone	100.0	32
40	HELLA Australia Pty Ltd	Australia	Mentone	100.0	39
41	HELLA-New Zealand Limited	New Zealand	Auckland	100.0	39
42	Hella-Phil., Inc.	Philippines	Dasmariñas	90.0	39

No.	Company	Country	City	Investment in %	in
43	HELLA Asia Pacific Holdings Pty Ltd	Australia	Mentone	100.0	39
44	HELLA Korea Inc.	South Korea	Seoul	100.0	43
45	HELLA India Automotive Private Limited	India	Gurgaon	100.0	43
46	HELLA UK Holdings Limited	Great Britain	Banbury	100.0	32
47	HELLA Limited	Great Britain	Banbury	100.0	46
48	HELLA Corporate Center USA, Inc.	USA	Plymouth, MI	100.0	32
49	HELLA Electronics Corporation	USA	Plymouth, MI	100.0	48
50	HELLA Automotive Sales, Inc.	USA	Peachtree City GA	100.0	48
51	HELLA Ventures, LLC	USA	Delaware	100.0	48
52	HELLA España Holdings S. L.	Spain	Madrid	100.0	32
53	Manufacturas y Accesorios Electricos S.A.	Spain	Madrid	100.0	52
54	HELLA S.A.	Spain	Madrid	100.0	52
55	HELLA Handel Austria GmbH	Austria	Vienna	100.0	32
56	HELLA Fahrzeugteile Austria GmbH	Austria	Großpetersdorf	100.0	55
57	HELLA S.A.S.	France	Le Blanc Mesnil-Cedex	100.0	32
58	HELLA Engineering France S.A.S.	France	Toulouse	100.0	57
59	HELLA Benelux B.V.	The Netherlands	Nieuwegein	100.0	32
60	HELLA S.p.A.	Italy	Caleppio di Settala	100.0	32
61	Nordic Forum Holding A / S	Denmark	Odense	100.0	32
62	INTER-TEAM Sp. z o.o.	Poland	Warsaw	100.0	61
63	FTZ Autodele & Værktøj A / S	Denmark	Odense	100.0	61
64	P/F FTZ Føroyar	Faroe Islands	Tórshavn	70.0	63
65	HELLAnor A / S	Norway	Skytta	100.0	61
66	Automester A / S	Norway	Skytta	100.0	65
67	Ucando GmbH	Germany	Berlin	100.0	61
68	Ucando Sp. z o. o.	Poland	Warsaw	100.0	67
69	HELLA Lighting Finland Oy	Finland	Salo	100.0	32
70	HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100.0	32
71	HELLA CZ, s.r.o.	Czech Republic	Zruč nad Sázavou	100.0	32
72	HELLA Hungária Kft.	Hungary	Budapest	100.0	32
73	HELLA Polska Sp. z o.o.	Poland	Warsaw	100.0	32
74	Intermobil Otomotiv Mümessillik Ve Ticaret A.S.	Turkey	Istanbul	56.0	32
75	HELLA Centro Corporativo Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	32
76	HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	75
77	Grupo Administracion Tecnica S.A. de C.V.	Mexico	Tlalnepantla	100.0	75
78	Petosa S.A. de C.V.	Mexico	Tlalnepantla	100.0	75
79	HELLAmex S.A. de C.V.	Mexico	Naucalpan	100.0	75
80	HELLA A / S	Denmark	Aabenraa	100.0	32
81	Hella India Lighting Ltd.	India	New Delhi	82.7	32
82	HELLA Asia Singapore Pte. Ltd.	Singapore	Singapore	100.0	32
83	HELLA Trading (Shanghai) Co., Ltd.	China	Shanghai	100.0	82
84	HELLA Auto Service Center Ltd.	China	Shanghai	100.0	83

No.	Company	Country	City	Investment in %	in
85	HELLA Slovakia Holding s.r.o.	Slovakia	Kočovce	100.0	32
86	HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100.0	85
87	HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kočovce	100.0	85
88	HELLA Romania s.r.l.	Romania	Ghiroda-Timișoara	100.0	32
89	HELLA do Brazil Automotive Ltda.	Brazil	São Paulo	100.0	32
90	HELLA Automotive South Africa (Pty) Ltd	South Africa	Uitenhage	100.0	32
91	HELLA Middle East FZE	United Arab Emirates	Dubai	100.0	32
92	Hella-Bekto Industries d.o.o.	Bosnia and Herzegovina	Goražde	70.0	32
93	HELLA China Holding Co., Ltd.	China	Shanghai	100.0	32
94	HELLA (Xiamen) Electronic Device Co., Ltd.	China	Xiamen	100.0	93
95	Jiaxing HELLA Lighting Co., Ltd.	China	Jiaxing	100.0	93
96	HELLA (Thailand) Ltd.	Thailand	Bangkok	100.0	32
97	HELLA Vietnam Company Limited	Vietnam	Ho Chi Minh City	100.0	32

* As in the previous year, the company exercises the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB).

Associates:

No.	Company	Country	City	Investment in %	in
98	Behr-Hella Thermocontrol GmbH	Germany	Lippstadt	50.0	1
99	Behr-Hella Thermocontrol (Shanghai) Co., Ltd.	China	Shanghai	100.0	98
100	Behr-Hella Thermocontrol Inc.	USA	Wixom, MI	100.0	98
101	Behr-Hella Thermocontrol India Private Limited	India	Pune	100.0	98
102	Behr-Hella Thermocontrol Japan K.K.	Japan	Tokyo	100.0	98
103	Behr-Hella Thermocontrol EOOD	Bulgaria	Sofia	100.0	98
104	BHTC Mexico S.A. de C.V.	Mexico	Queretaro	100.0	98
105	BHTC Servicios S.A. de C.V.	Mexico	San Miguel de Allende	100.0	104
106	BHTC Finland OY	Finland	Tampere	100.0	98
107	Behr Hella Service GmbH	Germany	Schwäbisch Hall	50.0	1
108	Behr Hella Service South Africa Pty Ltd.	South Africa	Johannesburg	100.0	107
109	Behr Hella Comércio de Peças Automotivas S.A.	Brazil	Arujá	100.0	107
110	Behr Service IAM USA Inc.	USA	Troy, MI	100.0	107
111	Behr Hella Service North America, LLC	USA	Peachtree, GA	100.0	107
112	Beijing SamLip Automotive Lighting Ltd.	China	Beijing	24.5	43
113	Beijing Haohua Special Lighting Ltd.	China	Beijing	49.0	112
114	HSL Electronics Corporation	South Korea	Daegu	50.0	43
115	Mando Hella Electronics Corp.	South Korea	Incheon	50.0	32
116	Mando-Hella Electronics (Suzhou) Co., Ltd.	China	Suzhou	100.0	115
117	Mando-Hella Electronics Automotive India Private Limited	India	Sriperumbudur	100.0	115
118	Asia Aftermarket Holding GmbH	Germany	Poing	50.0	32
119	HBPO Beteiligungsgesellschaft mbH	Germany	Lippstadt	33.3	1
120	HBPO GmbH	Germany	Lippstadt	100.0	119
121	HBPO Germany GmbH	Germany	Meerane	100.0	120
122	HBPO Slovakia s.r.o.	Slovakia	Lozorno	100.0	120
123	HBPO Automotive Spain S.L.	Spain	Arazuri	100.0	120

No.	Company	Country	City	Investment in %	in
124	HBPO Mexico S.A. de C.V.	Mexico	Cuautlancingo	100.0	120
125	HBPO Czech s.r.o.	Czech Republic	Mnichovo Hradiště	100.0	120
126	HBPO North America Inc.	USA	Troy, MI	100.0	120
127	HBPO UK Limited	Great Britain	Banbury	100.0	120
128	HBPO Canada Inc.	Canada	Windsor	100.0	120
129	HBPO Rastatt GmbH	Germany	Rastatt	100.0	120
130	HBPO Ingolstadt GmbH	Germany	Ingolstadt	100.0	120
131	HBPO Manufacturing Hungary Kft.	Hungary	Kecskemét	100.0	120
132	SHB Automotive Module Company Ltd.	South Korea	Gyeongbuk	50.0	120
133	HBPO Automotive Hungaria Kft.	Hungary	Győr	100.0	120
134	HBPO Regensburg GmbH	Germany	Regensburg	100.0	120
135	HBPO Pyeongtaek Ltd.	South Korea	Pyeongtaek	100.0	120
136	HBPO Beijing Ltd.	China	Beijing	100.0	120
137	HBPO Asia Ltd.	South Korea	Seoul	100.0	120
138	HICOM HBPO SDN BHD	Malaysia	Shah Alam	40.0	120
139	HBPO Management Sevices MX S.A.	Mexico	Cuautlancingo	100.0	120
140	HBPO Services MX S.A.	Mexico	Cuautlancingo	100.0	120
141	HBPO Brasil Automotive Servicos Ltda	Brazil	São Paulo	95.0	120
142	HBPO Vaihingen/Enz GmbH	Germany	Lippstadt	100.0	120
143	Changchun Hella Faway Automotive Lighting Co., Ltd.	China	Changchun	49.0	33
144	Chengdu Hella Faway Automotive Lighting Co., Ltd.	China	Chengdu	100.0	143
145	InnoSenT GmbH	Germany	Donnersdorf	50.0	1
146	Hella Pagid GmbH	Germany	Essen	50.0	1
147	Beijing Hella BHAP Automotive Lighting Co., Ltd.	China	Beijing	50.0	93
148	Hella BHAP (Sanhe) Automotive Lighting Co., Ltd.	China	Sanhe	100.0	147
149	Hella BHAP (Tianjin) Automotive Lighting Co., Ltd.	China	Tianjin	100.0	147

The companies listed below were not consolidated as they are of minor significance for the Group's net assets, financial position, and results of operations. For this reason, the other disclosures under Section 313 (2) (4) HGB could also be omitted. The Group's shares in these companies were recognized at fair value.

Companies not included in the consolidated financial statements:

				Investment	
No.	Company	Country	City	in %	in
150	hvs Verpflegungssysteme GmbH	Germany	Lippstadt	100.0	1
151	Electra Hella's S.A.	Greece	Athens	73.0	32
152	HELLA Japan Inc.	Japan	Tokyo	100.0	32
153	AutoMester Danmark ApS	Denmark	Odense	100.0	63
154	Din Bilpartner Aps	Denmark	Odense	100.0	63
155	CMD Industries Pty Ltd.	Australia	Mentone	100.0	43
156	Tec-Tool S.A. de C.V.	Mexico	El Salto, Jalisco	100.0	75
157	HELLA Property Investments Limited	Great Britain	Banbury	100.0	46
158	Astra-Phil., Inc.	Philippines	Manila	30.0	39
159	Hella-Stanley Holding Pty Ltd.	Australia	Mentone	50.0	1
160	H+S Invest GmbH & Co. KG	Germany	Pirmasens	50.0	1
161	FWB Kunststofftechnik GmbH	Germany	Pirmasens	24.9	1
162	H+S Verwaltungs GmbH	Germany	Pirmasens	50.0	1
163	INTEDIS GmbH & Co. KG	Germany	Würzburg	50.0	1
164	INTEDIS Verwaltungs-GmbH	Germany	Würzburg	50.0	1

Since no significant influence is exercised over the following companies, they were treated as investments.

Investments

				Investment	
No.	Company	Country	City	in %	in
165	PARTSLIFE GmbH	Germany	Neu-Isenburg	9.7	1
166	TecAlliance GmbH	Germany	Ismaning	7.0	1
167	EMC Test NRW GmbH electromagnetic compatibility	Germany	Dortmund	11.6	1
168	KFE Kompetenzzentrum Fahrzeug Elektronik GmbH	Germany	Lippstadt	12.0	1
169	Brighter AI Technologies GmbH	Germany	Berlin	15.0	1
170	YPTOKEY GmbH	Germany	Berlin	5.0	1
171	Breezometer Ltd.	Israel	Haifa	3.2	51

Independent Auditor's Report

To HELLA GmbH & Co. KGaA, Lippstadt

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

OPINIONS

We have audited the consolidated financial statements of HELLA GmbH & Co. KGaA (until October 13, 2017 operating under the name of Hella KGaA Hueck & Co.), Lippstadt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at May 31, 2018, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from June 1, 2017 to May 31, 2018 and group notes, including a summary of significant accounting policies. In addition, we have audited the group management report of HELLA GmbH & Co. KGaA for the financial year from June 1, 2017 to May 31, 2018. In accordance with the German legal requirements we have not audited the content of the report on corporate governance which is included in the section "Corporate Governance of HELLA GmbH & Co. KGaA" of the group management report

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at May 31, 2018 and of its financial performance for the financial year from June 1, 2017 to May 31, 2018 and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the report on corporate governance mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from June 1, 2017 to May 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

The accounting policies as well as the assumptions made are disclosed in the notes to the consolidated financial statements in note 06 and note 28. The judgments related to the impairment of goodwill are presented in note 07.The development of goodwill as well as disclosures on the impairment test performed and the assumptions used are presented in note 28.

THE FINANCIAL STATEMENT RISK
In the consolidated financial statements of HELLA GmbH & Co. KGaA as of May 31, 2018, goodwill of EUR 54.6 million is reported.

Goodwill is tested for impairment annually. If the carrying amount exceeds the recoverable amount of the respective cash generating unit, an impairment is recorded. The recoverable amount is the higher of the fair value less the costs to sell and value in use of the cash generating unit.

On the basis of the impairment tests carried out, HELLA has not identified the need for the recording of an impairment. The Company's sensitivity analysis has, however, shown that for the cash generating unit Hella Gutmann Holding GmbH a reasonably possible change in the discount rate would lead to an impairment to the recoverable amount.

The goodwill impairment test is complex and is based on a number of judgemental assumptions. These include, among others, the expected business and earnings development of the cash generating units for the upcoming 3 years, the assumed long-term growth rates and the discount rate used.

Against this background, there is the risk for the financial statements that the required impairments were not sufficiently recorded. In addition, there is the risk that the disclosures in the notes associated herewith are not appropriate.

OUR AUDIT APPROACH
With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions as well as the Company's valuation model. This included a discussion of the expected development of the business and results as well as of the assumed underlying long-term growth rates for the goodwills with those responsible for the planning process. Furthermore, we assessed the consistency of the assumptions with external market assessments (e.g. IHS automotive studies).

We also assessed the Company's planning accuracy by comparing projections for previous financial years with the actual results and analysed deviations.

As small changes in the discount rate of the cash generating unit can have a substantial impact on the results of the impairment test, we have compared the assumptions and parameters underlying the discount rate with own assumptions and publicly available information.

To reflect the existing uncertainty with respect to forecasts we have assessed reasonably possible changes of the discount rate respectively the long-term growth rate on the recoverable amount (sensitivity analysis). The risk-oriented focal point of our analysis was thereby the cash generating unit Hella Gutmann Holding GmbH, as changes with respect to measurement assumptions considered reasonably possible would have led to a change in the impairment required.

Finally, we assessed whether the disclosures in the notes with respect to the recoverability of the carrying amount of the goodwill are appropriate. This also included an assessment as to the appropriateness of the disclosures in the notes pursuant to IAS 36.134(f) with respect to sensitivities resulting from reasonably possible changes of key assumptions underlying the valuation.

OUR CONCLUSIONS
The underlying valuation model used in the impairment test of goodwill is appropriate and consistent with the applicable accounting principles

The Company's assumptions and parameters underlying the valuation of the goodwill are, on the whole, balanced

The disclosures in the notes associated herewith are appropriate.

Recoverability of the carrying amount of investments accounted for using the equity method

The accounting policies are disclosed in the notes to the financial statements in note 03 and note 06. The material investments accounted for using the equity method are disclosed in note 30.

THE FINANCIAL STATEMENT RISK

The financial statements of HELLA GmbH & Co. KGaA as at May 31, 2018 include investments accounted for using the equity method in the amount of EUR 292.0 million. In the financial year 2017/2018 impairments in the amount of EUR 5.3 million were recorded.

If there is any objective evidence of an impairment of investments accounted for using the equity method according to IAS 39, an impairment test according to IAS 36 is required. The recoverability of the carrying amount as well as reversals of past impairments of investments accounted for using the equity method are tested at the end of each reporting period at HELLA.

The impairment test of investments accounted for using the equity method is complex and is based on a number of judgemental assumptions. These include, among others, the expected business and earnings development for the upcoming 3 years, the assumed long-term growth rates and the discount rate used.

There is the risk for the financial statements that an impairment existing at the end of the reporting period is not detected, an existing impairment at the end of the reporting period is not accounted for sufficiently or a required reversal does not take place.

OUR AUDIT APPROACH

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions as well as the Company's valuation model. This included a discussion of the expected development of the business and results as well as of the assumed underlying long-term growth rates of the investments accounted for using the equity method with those responsible for the planning process. Furthermore, we assessed the consistency of the assumptions with external market assessments (e.g. IHS automotive studies).

We also assessed the Company's planning accuracy by comparing projections for previous financial years with the actual results realised and analysed deviations.

We have compared the assumptions and parameters underlying the discount rate with own assumptions and publicly available information.

To reflect the existing uncertainty with respect to forecasts we have assessed reasonably possible changes of the discount rate respectively the long-term growth rate on the recoverable amount (sensitivity analysis).

OUR CONCLUSIONS

The approach to the impairment test of investments accounted for using the equity method is appropriate and consistent with the applicable valuation principles.

The Company's assumptions and parameters underlying the valuation of investments accounted for using the equity method are appropriate.

Other Information

The management board is responsible for the other information. The other information comprises:

- the report on corporate governance, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Fi-nancial Statements and the Group Management Report

The management board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the management board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board is responsible for as-sessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management board is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effective-ness of these systems.

- Evaluate the appropriateness of accounting policies used by the management board and the reasonableness of estimates made by the management board and related disclosures.

- Conclude on the appropriateness of the management board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the management board in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on September 28, 2017. We were engaged by the supervisory board on March 21, 2018. We have been the group auditor of the HELLA GmbH & Co. KGaA as capital market orientated company (until 13 October 2017 operating under the name of Hella KGaA Hueck & Co.) without interruption since the financial year 2009/2010.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Thorsten Hain.

Bielefeld, August 2, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by

Ufer	**Dr. Hain**
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

Responsibility statement

on the consolidated financial statements, annual financial statements, Group management report and management report of HELLA GmbH & Co. KGaA dated May 31, 2018

To the best of our knowledge, the consolidated financial statements and annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the company in accordance with applicable accounting principles, and the Group management report and management report include a fair review of the development and performance of the business and the position of both the Group and the company, together with a description of the principal opportunities and risks associated with the expected development of the group.

Lippstadt, July 23, 2018

Dr. Rolf Breidenbach
(President and CEO of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Werner Benade
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Frank Huber
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Stefan Osterhage
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH

Bernard Schäferbarthold
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Bodies of HELLA GmbH & Co. KGaA

Supervisory Board of HELLA GmbH & Co. KGaA

Prof. Dr. Michael Hoffmann-Becking
Attorney-at-law, Chairman of the Supervisory Board

Alfons Eilers
Trade union secretary, Deputy Chairman

Paul Berger
Member of the works council

Michaela Bittner
Senior executive

Heinrich Georg Bölter
Member of the works council

Manuel Frenzel
Shareholder

Elisabeth Fries
Shareholder

Stephanie Hueck
Entrepreneur, Shareholder

Susanna Hülsbömer
Member of the works council

Klaus Kühn
Former member of the Board of Management of Bayer AG

Manfred Menningen
Trade union secretary on the Executive Board of the German Metalworkers' Union (IG Metall)

Claudia Owen
Culture manager, Shareholder

Manuel Rodriguez Cameselle
Member of the works council

Marco Schweizer
Member of the works council

Dr. Konstanze Thämer
Doctor, Shareholder

Christoph Thomas
Architect, Shareholder

Shareholder Committee

Manfred Wennemer
Formerly CEO of Continental AG, Chairman of the Shareholder Committee

Roland Hammerstein
Attorney-at-law, Shareholder, Deputy Chairman of the Shareholder Committee

Dr. Jürgen Behrend
Lawyer, Shareholder, since October 1, 2017

Dr.-Ing. Gerd Kleinert
Formerly CEO of Kolbenschmidt Pierburg AG

Klaus Kühn
Former member of the Board of Management of Bayer AG

Dr. Matthias Röpke
Engineer, Shareholder

Dipl.-Ing. Dipl.-Wirtsch.-Ing. Konstantin Thomas
Entrepreneur, Shareholder

Management Board

Dr. Jürgen Behrend
Managing General Partner until September 30, 2017

Hella Geschäftsführungsgesellschaft mbH
General Partner

Dr. Rolf Breidenbach
President and CEO, Business Segment Automotive, Corporate Function Purchasing, Quality, Legal and Compliance

Markus Bannert
Business Division Lighting until February 28, 2018

Dr. Werner Benade
Business Division Aftermarket & Special Applications

Dr. Frank Huber
Business Division Lighting (Deputy), since April 1, 2018

Stefan Osterhage
Corporate Function HR, Logistics and Process Management

Bernard Schäferbarthold
Corporate Function Finance, Controlling and Information Technology

Dr. Matthias Schöllmann
Corporate Function Automotive Sales until March 31, 2018

Glossary

AFLAC (American Family Life Assurance Company)
American insurance company specialized in health and life insurance.

AfS
Available-for-sale financial assets

Asia / Pacific / RoW
The Asia / Pacific region comprises the countries of Asia as well as Australia and New Zealand.
"Rest of world" (RoW) is the term used to cover all other countries outside of those regions mentioned specifically, such as the African states.

Associates
Associates are companies over which the Group exercises significant influence but no control.

At equity
Inclusion in the consolidated financial statements using the equity method with proportional equity.

Adjusted EBIT
Earnings before interest payments and income taxes. Adjusted forlegal affairs, restructuring measures and portfolio effects.

Adjusted EBIT margin
Adjusted EBIT in relation to reported sales.

Adjusted EBITDA
Earnings before interest, income taxes, depreciation and amortization,adjusted for legal affairs, restructuring measures and portfolio effects.

Adjusted EBITDA margin
Adjusted EBITDA in relation to reported sales.

Adjusted free cash flow
Net cash flow from operating activities after capital expenditure, adjusted for factoring, legal affairs and restructuring measures.

Compliance
Adherence to statutory and internal Company provisions.

DBO (defined benefit obligation)
Value of obligations arising from the company pension scheme.

EBIT (earnings before interest and taxes)
Earnings before interest payments and income taxes.

EBIT margin
Return on sales (ratio of EBIT to sales).

EBITDA (earnings before interest, taxes and depreciation and amortization)
Earnings before interest, income taxes, depreciation and amortization.

EBITDA margin
Ratio of EBITDA to sales.

EBT (earnings before taxes)
Earnings before income taxes.

Return on equity
The return on equity is a ratio calculated by dividing net income by shareholders' equity.

Europe not including Germany
This region comprises all countries in Europe including Turkey and Russia but excluding Germany.

R&D
Research and development

FLAC (financial liabilities at amortized cost)
Financial liabilities measured at amortized cost.

Free cash flow
Net cash flow from operating activities after capital expenditure, excluding company acquisitions.

Joint ventures
Joint ventures are joint arrangements in which HELLA exercises joint control together with other partners and also has rights to the arrangement's equity.

HfT (held for trading)
Financial assets held for trading and financial liabilities held for trading.

IFRS (International Financial Reporting Standards)
International accounting rules for company financial statements to guarantee international comparability of annual and consolidated financial statements.

KGaA (Kommanditgesellschaft auf Aktien)
The KGaA combines the elements of a stock corporation with those of a limited partnership.

LaR (loans and receivables)
Loans and receivables

NAFTA
The North American Free Trade Agreement (NAFTA) is a trade association between Canada, the USA and Mexico, and forms a free trade zone in North America.

Net financial debt
Net financial debt as the balance of cash and cash equivalents and current financial assets and current and non-current financial liabilities.

Net capital expenditure
Payments for the acquisition of property, plant and equipment and intangible assets less cash proceeds from the sale of property, plant and equipment and intangible assets as well as payments received for series production.

North, Central and South America
This region comprises all countries of North, Central and South America.

Rating
In terms of financial accounting, the rating is a method for classifying creditworthiness. This rating is issued by independent rating agencies on the basis of a company analysis.

RoIC (return on invested capital)
The ratio of operating income before financing costs and after taxes (return) to invested capital.

Segment sales
Sales with third-party companies and other business segments.

Segment sales of the business division
Sales with third-party companies, other business segments and other business divisions of the same business segment.

SOE, Special OE
Designation of "Special Original Equipment" (SOE) at HELLA. In this division HELLA systematically taps customer target groups outside the automotive original equipment market, such as manufacturers of caravans, agricultural machinery and construction machinery and municipalities.

Tier-1 supplier
First-level supplier.

Legal notice

Publisher
HELLA GmbH & Co. KGaA
Corporate Communications & Investor Relations
Rixbecker Straße 75
59552 Lippstadt / Germany
www.hella.com

This report is available in German and English.
Both versions are available for download at
www.hella.de/geschaeftsbericht (German) and
www.hella.com/annualreport (English).

Investor Relations Contact
Tel. +49 2941 38 1349
investor.relations@hella.com

Credits
Photos: P. 2–7: Bernhard Huber (2); P.12–13 HELLA (9);
P.14–21: Bryan Christie (1), Dominik Asbach (3);
P.22–27: Bernhard Huber (2), Holger Talinski (4),
Kay Michalak (1); P.28–33: Thomas Schorn/Bilster Berg Bad
Driburg (1), Michael Prince/gettyimages (1), martin-dm/
gettyimages (1), Jordan Banks/Huber-Images (1),
Holger Talinski(2); P.37: HELLA (1)

Graphics and illustrations: C3 Visual Lab

Key performance indicators

	2017/2018	2016/2017	2015/2016
Currency and portfolio-adjusted sales growth	9.3%	4.3%	7.5%
Adjusted EBIT margin	8.2%	8.1%	7.5%

In € million	2017/2018	2016/2017	2015/2016
Sales	7,060	6,585	6,352
Change compared to prior year	7%	4%	9%
Adjusted earnings before interest and taxes (adjusted EBIT)	581	534	476
Change compared to prior year	9%	12%	7%
Earnings before interest and taxes (EBIT)	574	507	420
Change compared to prior year	13%	21%	-2%
Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA)	1,024	946	858
Change compared to prior year	8%	10%	10%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,018	919	816
Change compared to prior year	11%	13%	7%
Earnings for the period	390	343	272
Change compared to prior year	14%	26%	-8%
Earnings per share (in €)	3.50	3.08	2.42
Change compared to prior year	14%	27%	-11%
Adjusted free cash flow from operating activities	241	149	155
Free cash flow from operating activities	218	69	76
Net capital expenditure	432	517	463
Change compared to prior year	-17%	12%	33%
Research and development (R&D) expenses	692	636	623
Change compared to prior year	9%	2%	15%

	2017/2018	2016/2017	2015/2016
EBIT margin	8.1%	7.7%	6.6%
Adjusted EBITDA margin	14.5%	14.4%	13.5%
EBITDA margin	14.4%	14.0%	12.8%
R&D expenses in relation to sales	9.8%	9.7%	9.8%
Net capital expenditure in relation to sales	6.1%	7.9%	7.3%

	May 31, 2018	May 31, 2017	May 31, 2016
Net financial debt (in € million)	187	278	238
Net financial debt / EBITDA	0.2 x	0.3 x	0.3 x
Equity ratio	41.9%	39.5%	39.6%
Return on equity	17.5%	17.3%	14.2%
Employees	40,263	37,716	33,689

	1st quarter (June 1 to August 31, 2017)	**2nd quarter** (September 1 to November 30, 2017)	**3rd quarter** (December 1, 2017 to February 28, 2018)	**4th quarter** (March 1 to May 31, 2018)
Currency and portfolio-adjusted sales growth	5.8%	12.6%	9.4%	9.2%
Sales (in € million)	1,629	1,823	1,678	1,930
Adjusted EBIT margin	7.7%	9.2%	6.9%	8.9%
Earnings before interest and taxes (EBIT, in € million)	123	166	114	170

Please note that where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.
For further information please refer to the consolidated financial statements of fiscal year 2017/2018.

HELLA GmbH & Co. KGaA
Rixbecker Strasse 75
59552 Lippstadt / Germany
Phone +49 2941 38 - 0
Fax +49 2941 38 - 71 33
info@hella.com
www.hella.com

9Z0 999 141-431
Printed in Germany