



Technology with Vision

**FINANCIAL STATEMENT
28 FEBRUARY 2021**

3RD QUARTER OF
FISCAL YEAR 2020/2021

TOGETHER



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KEY PERFORMANCE INDICATORS

	1st to 3rd quarter 1 June to 28 February		3rd quarter 1 December to 28 February	
	2020/2021	2019/2020	2020/2021	2019/2020
Currency and portfolio-adjusted sales (in € million)	4,743	4,758	1,585	1,519
Currency and portfolio-adjusted sales growth	-0.3%	-5.5%	4.4%	-5.7%
Adjusted EBIT margin	8.0%	7.1%	6.7%	5.6%

In € million	1st to 3rd quarter 1 June to 28 February		3rd quarter 1 December to 28 February	
	2020/2021	2019/2020	2020/2021	2019/2020
Sales	4,646	4,758	1,545	1,519
<i>Change compared to prior year</i>	-2%	-5%	2%	-5%
Adjusted earnings before interest and taxes (adjusted EBIT)	373	339	104	86
<i>Change compared to prior year</i>	10%	-17%	21%	-24%
Earnings before interest and taxes (EBIT)	312	312	219	82
<i>Change compared to prior year</i>	0%	-52%	167%	-27%
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	655	654	203	192
<i>Change compared to prior year</i>	0%	-4%	6%	-7%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	594	627	317	188
<i>Change compared to prior year</i>	-5%	-32%	69%	-8%
Earnings for the period	236	214	170	51
<i>Change compared to prior year</i>	11%	-58%	230%	-23%
Earnings per share (in €)	2.12	1.91	1.52	0.46
<i>Change compared to prior year</i>	11%	-58%	232%	-23%
Adjusted free cash flow from operating activities	97	185	113	59
<i>Change compared to prior year</i>	-48%	10%	91%	2%
Free cash flow from operating activities	69	178	102	57
<i>Change compared to prior year</i>	-61%	-8%	80%	24%
Research and development (R&D) expenses	445	487	149	156
<i>Change compared to prior year</i>	-9%	4%	-5%	2%
Capital expenditures	371	365	110	114
<i>Change compared to prior year</i>	2%	2%	-4%	-2%

	1st to 3rd quarter 1 June to 28 February		3rd quarter 1 December to 28 February	
	2020/2021	2019/2020	2020/2021	2019/2020
EBIT margin	6.7%	6.4%	14.1%	5.3%
Adjusted EBITDA margin	14.1%	13.7%	13.1%	12.6%
EBITDA margin	12.8%	12.9%	20.5%	12.2%
R&D expenses in relation to sales	9.6%	10.2%	9.6%	10.3%
Capital expenditure in relation to sales	8.0%	7.7%	7.2%	7.5%

	28 February 2021	31 May 2020
Net financial liquidity / net financial debt (in € million)	10	-140
Equity ratio	39.2%	37.0%
Return on equity (last 12 months)	-13.6%	-20.5%
Employees	36,351	36,311

* To ensure comparability of the results of operations between the fiscal year 2020/2021 and the prior year, the presentation of operating variables of both periods has been adjusted or restated. Further information can be found in the selected financial information and in the further notes.

- **Global production of passenger cars and light commercial vehicles** falls 1.2% in the first nine months of fiscal year 2020/2021; decline is lower than anticipated at the beginning of the fiscal year
 - **Coronavirus pandemic and resource bottlenecks** in global supply and logistics chains hamper industry development
 - **Consolidated currency and portfolio-adjusted sales** fall slightly by 0.3% to € 4,743 million
 - **Adjusted earnings before interest and taxes** rise to € 373 million; adjusted EBIT margin improves to 8.0%
 - **Adjusted free cash flow from operating activities** is at € 97 million
 - **Sales in the Automotive segment fall** by 2.7% to € 4,043 million
 - **Aftermarket sales reduce slightly** by 1.3% to € 369 million
 - **Sales in the Special Applications segment** increase by 3.3% to € 258 million
 - **In the third quarter**, currency and portfolio-adjusted sales grow by 4.4%; adjusted EBIT improves to € 104 million; adjusted EBIT margin rises to 6.7%
 - **Company outlook** substantiated to the upper half of the forecast ranges raised in December despite increasing market uncertainties
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INDUSTRY DEVELOPMENT

- ▶ **Covid-19 pandemic and resource bottlenecks in global supply and logistics chains, particularly affecting semi-conductors, hamper industry development**
- ▶ **According to IHS statistics, global production of passenger cars and light commercial vehicles decreases by 1.2% in the first nine months of fiscal year 2020/2021**
- ▶ **Decline is lower than anticipated at the beginning of the fiscal year (IHS outlook as at July 2020: -9.7%)**
- ▶ **Strong growth in China; negative industry development in Europe as well as in North, Central and South America**
- ▶ **In the third quarter of the fiscal year, global light vehicle production increases by 2.7%**
- ▶ **However, growth in this period is weaker than recently anticipated (IHS outlook as at December 2020: +4.9%)**

While the global automotive industry declined overall in the first nine months of the current fiscal year 2020/2021 (1 June 2020 to 31 May 2021) against the backdrop of the Covid-19 pandemic, the market recovery continued to an extent in the third quarter. According to the data published by market research institution IHS in March 2021, the number of new passenger cars and light commercial vehicles fell by 1.2% to 62.6 million units during the reporting period (prior year: 63.3 million units). This means that the decline in light vehicle production turned out to be significantly smaller than originally anticipated: in July of the past year, IHS had still assumed that light vehicle production would drop by 9.7% over the nine-month period. A factor in this outcome was the 2.7% growth in production figures in the

third quarter, which performed better than initially anticipated (IHS outlook as at July 2020: -3.7%). However, the market recovery slowed in the third quarter (IHS outlook as at December 2020: +4.9%), partly as a result of the coronavirus pandemic continuing unabated. Resource bottlenecks in global supply and logistics chains, affecting semiconductors in particular, also led to a reduction on production volumes in the third quarter.

Turning to regional industry development, the automotive industry in Europe and in North, Central and South America recorded a decline, while the market in China grew significantly. The number of new passenger cars and light commercial vehicles manufactured in Europe excluding Germany over the nine-month period fell by 7.3% to 10.9 million units (prior year: 11.7 million units); in the German market seen separately, this figure fell by 12.0% to 3.0 million units (prior year: 3.4 million units). In the North, Central and South America region, the production figures decreased by 7.7% to 13.2 million units (prior year: 14.4 million units), and in the US market seen separately, this figure fell by 3.9% to 7.5 million units (prior year: 7.8 million units). Light vehicle production increased by 4.8% to 35.5 million units in the Asia/Pacific/Rest of World region (prior year: 33.8 million units), and by 17.7% to 19.7 million units in China (prior year: 16.7 million units). In this case, catch-up effects became apparent in the third quarter after the coronavirus outbreak in the previous year had considerably hampered the market and exacerbated the already declining industry development.

Production of passenger cars and light commercial vehicles during the first nine months of fiscal year 2020/2021 and 2019/2020

in thousands of units	Fiscal year 2020/2021	+/-	Fiscal year 2019/2020
Europe excluding Germany	10,857	-7.3%	11,710
Germany	3,011	-12.0%	3,422
North, Central and South America	13,245	-7.7%	14,350
<i>of which USA</i>	7,517	-3.9%	7,818
Asia / Pacific / RoW	35,462	+4.8%	33,837
<i>of which China</i>	19,671	+17.7%	16,713
Worldwide	62,575	-1.2%	63,320

Source: IHS Light Vehicle Production Forecast, March 2021

BUSINESS DEVELOPMENT OF THE GROUP

- **Sales remain at virtually the previous year's level during the first nine months of the fiscal year 2020/2021: consolidated currency and portfolio-adjusted sales fall only slightly by 0.3% to € 4,743 million; adjusted for portfolio effects, sales decline by 2.4%, reported sales by 4.2%**
- **Adjusted earnings before interest and taxes rise to € 373 million; adjusted EBIT margin rises to 8.0%**
- **Profitability improves thanks to continuous cost management**
- **Reported EBIT is at € 312 million, taking into account additional income following the sale of the camera software business; reported EBIT margin rises to 6.7%**
- **Adjusted free cash flow from operating activities is at € 97 million**
- **In the third quarter, currency and portfolio-adjusted sales grow by 4.4%; adjusted EBIT improves to € 104 million; adjusted EBIT margin rises to 6.7%**

Results of operations

To ensure comparability of the results of operations between the fiscal year 2020/2021 and the prior-year period, the operating variables of both periods have been adjusted or restated for the following effects in particular:

- On 1 February 2021, HELLA successfully closed the sale of the front camera software business – including the associated activities in the field of testing and validation – to Car. Software Org, part of the Volkswagen Group. The business activities that were sold had previously taken place at Berlin subsidiary HELLA Aglaia. As a result of this, HELLA achieved income of € 121 million after transaction costs and before taxes, which was adjusted in the results of operations presented below.
- In July 2020, HELLA introduced a long-term programme for the sustained improvement of competitiveness. This includes a reduction in the number of administrative and development positions at the Lippstadt location by 900 by the end of the 2023 calendar year. As an initial interim result of this, the Management Board and employee representatives agreed to introduce a partial retirement programme in September 2020. One-off expenses of € 240 million are currently being anticipated in the process of implementing the complete measures; the majority of these expenses

(€ 169 million) were appropriated in the first quarter of the current fiscal year 2020/2021. To improve comparability with the prior year, the results of operations below are presented in a form that is adjusted for these expenses.

This adjusted consolidated income statement is shown in the table below. The reported operating variables are listed in the selected financial information; additional details can be found in the Further Information section of this financial statement. No adjustment has been made for the sale of the relay business in China effective as of 31 December 2019 due to the low value of these business activities. Up to the date of the sale, this area had generated sales of € 19 million in the fiscal year 2019/2020.

In the first nine months of fiscal year 2020/2021, the HELLA Group's currency and portfolio-adjusted sales were virtually the same as the prior year's level, only falling slightly by 0.3% to € 4,743 million (prior year: € 4,758 million). Within this context, currency exchange rate effects had a negative impact on consolidated sales (2.1 percentage points; € 97 million); in addition, adjustments were made in respect of the sales generated by Behr Hella Service in the prior year (1.8 percentage points; € 90 million). After taking account of these currency exchange rate and portfolio effects, reported consolidated sales fell by 4.2% to € 4,646 million (prior year: € 4,848 million).

While the slight decline in the currency and portfolio-adjusted sales is attributable to an economic and market environment that is still performing negatively overall, business development did continue in a positive direction during the third quarter. Over this period, currency and portfolio-adjusted sales rose by 4.4% to € 1,585 million (prior year: € 1,519 million) and, as reported, by 0.7% to € 1,545 million (prior year: € 1,535 million). In this case, HELLA benefited from the overall sustained market recovery, and in Europe excluding Germany, plus the Chinese market, the company recorded positive business development. China had already experienced the negative effects of the coronavirus outbreak in the third quarter of the prior year. By comparison, reduced customer call-offs resulting from resource bottlenecks in global supply and logistics chains, affecting semiconductors in particular, had a negative impact on the HELLA Group's sales development in the third quarter of the current fiscal year.

Where regional business development was concerned, sales in Europe excluding Germany were slightly above the prior year's level, reaching € 1,365 million (prior year: € 1,363 mil-

Consolidated income statement	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
	In € million	2020/2021	+/-	2019/2020	2020/2021	+/-
Sales	4,646	-2.4%	4,758	1,545	+1.7%	1,519
Cost of sales	-3,479		-3,535	-1,160		-1,139
Gross profit	1,167	-4.6%	1,223	386	+1.6%	379
Ratio of gross profit to sales	25.1%		25.7%	25.0%		25.0%
Research and development expenses	-445		-487	-149		-156
Distribution expenses	-237		-269	-81		-89
Administrative expenses	-167		-172	-56		-57
Other income and expenses	34		16	0		5
Earnings from investments accounted for using the equity method	21		28	3		3
Other income from investments	0		0	0		0
Adjusted earnings before interest and taxes (adjusted EBIT)	373	+10.1%	339	104	+21.5%	86
Ratio of adjusted EBIT to sales	8.0%		7.1%	6.7%		5.6%

To ensure comparability of the results of operations between the fiscal year 2020/2021 and the prior year, the presentation of operating variables has been adjusted or restated. The reported figures are shown under "Selected financial information"; for additional information, please also refer to the further notes of this financial report.

lion), but dropped by 5.6% to € 1,448 million in the selective German market (prior year: € 1,533 million). In North, Central and South America, sales fell by 6.4% to € 998 million (prior year: € 1,065 million), while in Asia/Pacific/Rest of World, they rose by 4.9% to € 836 million (prior year: € 797 million). In the third fiscal quarter, sales rose in Europe excluding Germany (+4.4%) and fell in Germany (-3.6%) and in North, Central and South America (-8.3%). As a consequence of the catch-up effects associated with the coronavirus outbreak in the prior year, sales in Asia/Pacific/Rest of World increased by 22.4% in the selective third quarter.

In the first nine months of the current fiscal year, adjusted earnings before interest and taxes (adjusted EBIT) increased by 10.1% to € 373 million (prior year: € 339 million). The ad-

justed EBIT margin thus improved to 8.0% (prior year: 7.1%). The improved profitability was largely the result of the ongoing cost management in distribution and administrative expenses; this was able to compensate for an overall lower gross profit margin and the lower contribution to earnings that the joint ventures made during the reporting period. Additionally, the adjusted earnings before interest and taxes rose following a reversal of impairment for one of the joint ventures (€ 19 million), due to an improved business outlook. As cost management continued in the third quarter, this had an overproportionately positive impact on the Group's profitability in the context of the improved sales development. As a result of this, adjusted EBIT in the third quarter rose by 21.5% to € 104 million (prior year: € 86 million), corresponding to an adjusted EBIT margin of 6.7% (prior year: 5.6%).

Reported sales of the HELLA Group for the first nine months (in € million) and currency and portfolio-adjusted change compared to prior year (in %)

2018/2019	5,169 (+6.5%)
2019/2020	4,848 (-5.5%)
2020/2021	4,646 (-0.3%)

Adjusted earnings before interest and taxes (adjusted EBIT; in € million and as a % of portfolio-adjusted sales) for the first nine months

2018/2019	410 (8.2%)
2019/2020	339 (7.1%)
2020/2021	373 (8.0%)

The HELLA Group's reported earnings before interest and taxes (EBIT) of € 312 million remained at the prior year's level (prior year: € 312 million) during the first nine months of the current fiscal year, meaning that the reported EBIT margin rose to 6.7% (prior year: 6.4%). The reported earnings before interest and taxes include expenses for restructuring measures amounting to € 182 million, the majority of which (€ 169 million) were recognised in the first quarter of the current fiscal year for the long-term programme in Germany aimed at a sustained improvement in competitiveness. Additionally, the sale of business activities involving front camera software plus testing and validation, completed in the third quarter, resulted in additional income of € 121 million after transaction costs and before taxes. As a result of this transaction, reported EBIT rose significantly to € 219 million (prior year: € 82 million) in the third quarter, equating to a reported EBIT margin of 14.1% (prior year: 5.3%).

In the nine-month period, the gross profit declined overall, falling to € 1,167 million (prior year: € 1,223 million). Accordingly, the gross profit margin fell to 25.1% (prior year: 25.7%). In the first instance, this was due to the overall lower capacity utilisation as a consequence of reduced production volumes. Additionally, personnel costs rose in the context of the coronavirus pandemic. As well as this, additional expenses resulting from resource bottlenecks related to factors including higher special freight costs reduced the gross profit figure. In the third quarter, gross profit rose slightly to € 386 million (prior year: € 379 million) as a result of higher sales volumes; this meant that the gross profit margin of 25.0% remains at the prior year's level (25.0%).

Expenses associated with research and development fell to € 445 million (prior year: € 487 million), resulting in the ratio of research and development expenses to sales dropping to 9.6% (prior year: 10.2%). This is primarily the result of research and development activities focusing on production start-ups and serial development projects in light of the significant decline in light vehicle production. This approach to controlling costs essentially continued in the third quarter against the backdrop of a still-volatile market environment, with the result that research and development activities beyond this scope were only resumed gradually. Consequently, research and development expenses in the third fiscal quarter fell to € 149 million (prior

year: € 156 million), with the research and development ratio then dropping to 9.6% (prior year: 10.3%).

Additionally, expenses for distribution and administration and the balance of other income and expenses in the reporting period decreased to € 370 million in the reporting period (prior year: € 426 million), equating to a ratio of expenses to sales of 8.0% (prior year: 8.9%). This was partly the result of savings achieved through comprehensive cost management, and partly because the balance of other income and expenses improved due to the reversal of impairment for one of the joint ventures in the second fiscal quarter. In the third quarter, expenses for distribution and administration as well as the balance of other income and expenses fell to € 136 million (prior year: € 140 million), equating to a ratio of 8.8% (prior year: 9.2%).

The contribution to earnings made by the joint ventures reduced to € 21 million (prior year: € 28 million) in the first nine months of the fiscal year as a result of the negative market environment and the ramp-up costs associated with two newly formed joint ventures. This equates to a share in the Group-wide adjusted EBIT of 5.7% (prior year: 8.3%). In the third quarter, the joint ventures' effective EBIT stood at € 3 million, the same as the prior-year level (€ 3 million). The contribution to adjusted EBIT therefore comes to 2.9% (prior year: 3.3%).

The net financial result for the reporting period stands at € -10 million (prior year: € -25 million) and at € -4 million for the third quarter (prior year: € -13 million).

Expenses relating to income taxes amount to € 66 million in the nine-month period (prior year: € 73 million) and to € 45 million in the third quarter (prior year: € 18 million).

Accordingly, HELLA closed the first nine months of fiscal year 2020/2021 with earnings for the period totalling € 236 million (prior year: € 214 million). In the third quarter, earnings grew considerably to € 170 million (prior year: € 51 million) as a result of the completed sale of the front camera software business activities. This means that earnings per share are € 2.12 for the reporting period (prior year: € 1.91) and € 1.52 for the third quarter (prior year: € 0.46).

Financial status

In the first nine months of fiscal year 2020/2021, net cash flow from operating activities decreased by € 104 million in comparison to the same period of the prior year to € 440 million (prior year: € 543 million). The reason for this drop is partly a rise in working capital as a consequence of all plants recommencing operations at the end of the production shutdowns in connection with the coronavirus pandemic. It is also related to the pandemic and supply bottlenecks causing an increased build-up of inventory, delaying the normalisation of working capital. In the third quarter, net cash flow from operating activities rose by € 41 million to € 212 million (prior year: € 171 million), mainly as a result of the significant increase in earnings before income taxes (EBT) over this period.

Reported cash investing activities excluding payments or cash receipts for the acquisition or sale of company shares or capital increases/repayments and securities amounted to € 371 million in the nine-month period (prior year: € 365 million) and € 110 million in the third quarter (prior year: € 114 million). These mainly included capital expenditures towards the long-term expansion of the worldwide development, administration and production network. HELLA also invested considerable sums in product-specific capital equipment and in booked SOP preparation projects. In relation to sales, investments rose to 8.0% in the first nine months (prior year: 7.7%) and fell to 7.2% in the third quarter (prior year: 7.5%).

As part of the active management of the liquidity available to the Group, € 10 million was gained from securities in the reporting period (prior year: € 29 million) and € 15 million from securities in the third quarter (prior year: inflow of € 186 million). For liquidity management purposes, capital is usually invested in short-term securities or securities with a liquid market so the funds can be made available for potential operating requirements at short notice.

The adjusted free cash flow from operating activities fell to € 97 million in the first nine months of fiscal year 2020/2021 (prior year: € 185 million). This is primarily attributable to the higher working capital figure, which rose as a result of production activities resuming after coronavirus-related lockdowns had come to an end. The normalisation of working capital was then delayed due to the build-up of inventory caused by resource bottlenecks, with semiconductors affected in particular. In the third quarter, adjusted free cash flow from operating activities stood at € 113 million (prior year: € 59 million).

In the reporting period, the free cash flow from operating activities has been adjusted for payments in connection with re-

structuring measures and for portfolio adjustments for a dividend attributable to the period within the scope of the sale of the Behr Hella Service joint venture and receipts of payments for the sale of the front camera business (€ 28 million) (prior year: € 7 million for payments for restructuring measures and portfolio adjustments in the context of the respective sales transactions relating to the Behr Hella Service and HSL Electronics Corporation joint ventures).

Accordingly, the reported free cash flow from operating activities under consideration of those special effects in the nine-month period fell to € 69 million (prior year: € 178 million), while it rose to € 102 million in the third quarter as a result of much higher earnings (prior year: € 57 million).

The liquidity portfolio consisting of cash and cash equivalents decreased in comparison to the end of the previous fiscal year 2019/2020 by € 315 million to € 888 million (31 May 2020: € 1,203 million). This was mainly due to the repayment of a syndicated loan amounting to € 450 million. Including current financial assets, essentially comprising securities of € 446 million (31 May 2020: € 446 million), the available funds decreased to € 1,334 million (31 May 2020: € 1,648 million). On this basis, the Management Board is of the opinion that HELLA is able to satisfy its payment obligations.

Financial position

Compared to the balance sheet date in the prior fiscal year 2019/2020, total assets increased by € 198 million to € 5,891 million (31 May 2020: € 5,693 million). The equity ratio stood at 39.2% and was thus above the level on the balance sheet date of 31 May 2020 (37.0%). The equity ratio relative to total assets adjusted for liquidity comes to 50.6% (31 May 2020: 52.1%).

Current and non-current financial liabilities decreased by € 464 million to € 1,324 million (31 May 2020: € 1,788 million). Net financial liquidity as the balance of cash and current financial assets as well as current and non-current financial liabilities increased by a total of € 150 million to € 10 million (31 May 2020: € 140 million).

On 11 June 2020, Moody's reaffirmed HELLA's rating as Baa1 with a negative outlook. In March of the previous year, Moody's announced that it would be reviewing the corporate rating of HELLA and of 13 other European automotive suppliers in light of the wide range of market challenges to determine whether they should be downgraded.

Other events in the third quarter

JOINT VENTURE

- ▶ As part of its active portfolio management, HELLA sold its 50 percent stake in Mando HELLA Electronics (MHE), a South Korean joint venture, to Mando. The two partners signed a contract to this effect in February of this year. The transaction closed at a price of around € 60 million at the beginning of the fourth fiscal quarter. Through this transaction, HELLA is aiming to intensify its direct business with South Korean customers and serve them more effectively from within its own network on a global basis.

CAPITAL MARKETS DAY 2021

- ▶ Despite the challenging market environment, HELLA is sticking to its mid-term goals and reinforced this message at this year's Capital Markets Day, held virtually with around 70 analysts and investors in attendance. Specifically, the com-

pany expects to achieve annual sales growth of 5 to 10% and a profitability level (adjusted EBIT) of at least 8% over the coming years. Accordingly, HELLA will continue to make significant investments in areas of future relevance, such as electromobility, autonomous driving, digital light and software. At the same time, it intends to keep strengthening its competitiveness through digitalisation, automation and structural changes.

NEW LIGHTING TECHNOLOGIES

- ▶ HELLA is equipping two saloon models with new lighting technologies. For the new Polestar 2, it has created a highly integrated, continuous full-LED rear lamp consisting of almost 300 LEDs, a feature that gives the electric fastback saloon from Polestar its characteristic appearance. For the BMW Group, meanwhile, HELLA has begun producing adaptive matrix LED headlamps. With the premium market in mind, it has also integrated a laser light source for the glare-free high beam function in the new BMW 5 Series.

BUSINESS DEVELOPMENT OF THE SEGMENTS

Automotive

- **Sales in the Automotive segment fall by 2.7% to € 4,043 million**
- **Business development in the segment benefits from slight market recovery in the second and third quarters**
- **Earnings before interest and taxes increase to € 295 million; EBIT margin stands at 7.3%**
- **Consistent cost management compensates for lower gross profit margin and lower contribution to earnings from joint ventures**
- **In the third quarter, sales increase by 0.6% to € 1,333 million; EBIT margin rises to 5.7%; however, business development is hampered by resource bottlenecks in global supply and logistics chains, affecting semiconductors in particular**

During the first nine months of fiscal year 2020/2021, sales in the Automotive segment dropped by 2.7% to € 4,043 million (prior year: € 4,157 million). This was the result of the negative industry environment, accompanied by a decline in global light vehicle production, observed throughout the reporting period. In the third quarter, sales in the segment rose by 0.6% to € 1,333 million (prior year: € 1,325 million) in the wake of a slight market recovery. The segment also benefited from positive business development in the Chinese automotive market, which had been affected by the coronavirus outbreak in the

prior-year period. By comparison, reduced customer call-offs resulting from resource bottlenecks in global supply and logistics chains, affecting semiconductors in particular, had a negative impact on business development in the Automotive segment during the third quarter.

The Automotive segment's earnings before interest and taxes (EBIT) increased to € 295 million in the reporting period (prior year: € 279 million). Consequently, the EBIT margin for the segment increased to 7.3% (prior year: 6.7%). The improvement in earnings was partly caused by savings in expenses for research and development and for distribution and administration, a cost management measure that had an overproportionately positive impact during the second and third quarters, particularly given the increase in sales volumes that occurred at the same time. Additionally, the reversal of impairment for a joint venture during the second quarter contributed to the significant increase in the segment's profitability. This broadly compensated for the overall lower gross profit margin in particular – which had been negatively impacted by lower capacity utilisation and additional expenses associated with the coronavirus pandemic as well as resource bottlenecks among suppliers – and the lower contribution to earnings made by the joint ventures. In the third quarter, the segment's EBIT rose to € 77 million, partly as a result of the continued cost management measures (prior year: € 68 million). Accordingly, the EBIT margin rose to 5.7% (prior year: 5.2%).

Income statement for the Automotive segment	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February			
	In € million	2020/2021	+/-	2019/2020	2020/2021	+/-	2019/2020
Sales with third-party entities		4,000		4,117		1,318	1,307
Intersegment sales		43		40		15	18
Segment sales		4,043	-2.7%	4,157	1,333	+0.6%	1,325
Cost of sales		-3,143		-3,193		-1,039	-1,028
Gross profit		900	-6.6%	964	293	-1.3%	297
Ratio of gross profit to sales		22.3%		23.2%		22.0%	22.4%
Research and development expenses		-418		-460		-139	-147
Distribution expenses		-102		-126		-35	-41
Administrative expenses		-134		-148		-45	-51
Other income and expenses		29		22		0	8
Earnings from investments accounted for using the equity method		20		28		2	3
Other income from investments		0		0		0	0
Earnings before interest and taxes (EBIT)		295	+5.7%	279	77	+12.0%	68
Earnings before interest and taxes in relation to segment sales (EBIT margin)		7.3%		6.7%		5.7%	5.2%

Aftermarket

- ▶ **Aftermarket sales fall slightly by 1.3% to € 369 million**
- ▶ **Earnings before interest and taxes increase to € 48 million; EBIT margin improves to 13.0%**
- ▶ **Profitability strengthened mainly as a result of higher gross profit margins as a consequence of product mix effects and cost management**
- ▶ **In the third quarter, segment sales rise to € 127 million; EBIT margin increases to 15.2%**

In the nine-month period, sales in the Aftermarket segment decreased only slightly by 1.3% to € 369 million (prior year: € 374 million). Within the segment, the independent spare parts business was recently able to recover following a sustained period of low demand caused by the Covid-19 pandemic. The key factor behind this was the positive sales development in the Polish and Turkish markets and the growth in e-commerce business in Germany. By contrast, investing activities on the part of independent workshops – which had

previously contributed to business development in the segment – decreased in the third quarter. Sales in the Aftermarket segment during the third quarter rose by 2.1% to € 127 million (prior year: € 125 million).

In addition to this, profitability in the Aftermarket segment improved significantly during the reporting period. Earnings before interest and taxes (EBIT) in the segment rose to € 48 million (prior year: € 35 million), equating to an EBIT margin of 13.0% (prior year: 9.5%). One reason for this was the higher gross profit margin, which rose due to product mix effects resulting from a rise in the share of business with software licences in the area of workshop business, and due to improved efficiency in the logistics chain. Additionally, the EBIT figure was bolstered by strict cost management, particularly in the area of distribution expenses – a practice that has continued due to the still-uncertain market conditions that are in place. The segment result also benefited from these factors during the third quarter: as a result, EBIT rose to € 19 million (prior year: € 11 million) and the EBIT margin to 15.2% (prior year: 8.5%).

Income statement for the Aftermarket segment

In € million	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
	2020/2021	+/-	2019/2020	2020/2021	+/-	2019/2020
Sales with third-party entities	367		371	127		124
Intersegment sales	2		3	1		1
Segment sales	369	-1.3%	374	127	+2.1%	125
Cost of sales	-203		-213	-69		-72
Gross profit	166	+3.1%	161	58	+9.6%	53
Ratio of gross profit to sales	45.0%		43.0%	45.5%		42.4%
Research and development expenses	-14		-14	-5		-5
Distribution expenses	-95		-101	-32		-34
Administrative expenses	-17		-18	-6		-6
Other income and expenses	6		7	2		2
Earnings from investments accounted for using the equity method	2		0	1		0
Other income from investments	0		0	0		0
Earnings before interest and taxes (EBIT)	48	+35.5%	35	19	+83.0%	11
Earnings before interest and taxes in relation to segment sales (EBIT margin)	13.0%		9.5%	15.2%		8.5%

Special Applications

- ▶ **Sales in the Special Applications segment increase by 3.3% to € 258 million, particularly as a result of positive development in the agricultural machinery business and among small car manufacturers**
- ▶ **EBIT rises to € 28 million; EBIT margin consequently stands at 10.8%**
- ▶ **Higher profitability, particularly as a result of cost savings associated with distribution expenses**
- ▶ **In the third quarter, sales in the Special Applications segment rise to € 91 million in the third quarter; EBIT margin improves significantly to 10.1%**

During the first three quarters of fiscal year 2020/2021, the Special Applications segment saw an increase in sales of 3.3% to € 258 million (prior year: € 250 million). As with the first half of the fiscal year, the positive development in the segment occurred particularly as a result of the agricultural machinery and

small car manufacturer businesses; this compensated for market weaknesses in other customer segments associated with the Covid-19 pandemic. The agricultural business continued on a positive trend in the third quarter, and the previously somewhat weaker truck business also experienced a significant recovery. As a result of this, sales in the third quarter rose by 11.7% to € 91 million (prior year: € 81 million).

The increase in business volumes was also accompanied by more profitability in the segment. Earnings before interest and taxes (EBIT) in the segment rose to € 28 million (prior year: € 27 million) during the reporting period, equating to an EBIT margin of 10.8% (prior year: 10.7%). Although the gross profit is still below the prior year's level, particularly as a result of product mix effects during the reporting period, the strict cost management measures in the area of distribution expenses provided some compensation for this. In the third quarter, EBIT rose to € 9 million (prior year: € 7 million) and the EBIT margin consequently amounts to 10.1% (prior year: 8.2%).

Income statement for the Special Applications segment

In € million	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
	2020/2021	+/-	2019/2020	2020/2021	+/-	2019/2020
Sales with third-party entities	253		243	89		79
Intersegment sales	5		6	2		2
Segment sales	258	+3.3%	250	91	+11.7%	81
Cost of sales	-162		-151	-58		-51
Gross profit	96	-2.3%	99	33	+9.6%	30
Ratio of gross profit to sales	37.4%		39.5%	36.0%		36.7%
Research and development expenses	-12		-12	-4		-4
Distribution expenses	-40		-44	-14		-14
Administrative expenses	-19		-18	-6		-6
Other income and expenses	3		3	1		1
Earnings from investments accounted for using the equity method	0		0	0		0
Other income from investments	0		0	0		0
Earnings before interest and taxes (EBIT)	28	+4.7%	27	9	+36.3%	7
Earnings before interest and taxes in relation to segment sales (EBIT margin)	10.8%		10.7%	10.1%		8.2%

OPPORTUNITY AND RISK REPORT

During the current fiscal year 2020/2021, the coronavirus pandemic is continuing to have a large impact and give rise to significant uncertainty with regard to the macroeconomic and industry-specific development as well as the development of HELLA's business. As a result, there remains the risk of possible plant closures. In addition, the risks within the global supply and logistics chains in particular have heightened further since the start of the 2021 calendar year. Notably, these risks relate to the supply situation for semiconductors, which

is expected to intensify further over the coming months according to the company's latest estimates, and which may have significant consequences for HELLA's business. Interruptions in logistics chains as a result of pandemic-related border closures or control measures, for example, are also creating risks. With respect to the company's wider risk position, there are no material changes. Therefore, for details of the significant opportunities and risks, please refer to annual report 2019/2020.

FORECAST REPORT

- ▶ **IHS estimates forecast 10.3% growth in global light vehicle production: industry outlook remains positive, but dampened recently**
- ▶ **Company outlook substantiated to the upper half of the forecast ranges raised in December despite increasing market uncertainties**

Industry outlook

For HELLA's fiscal year 2020/2021 as a whole (1 June 2020 to 31 May 2021), market research institution IHS is forecasting growth in global light vehicle production of 10.3% to 83.3 million units (prior year: 75.5 million units) on the basis of data published in March 2021. This means that the industry outlook is currently far above the industry development (+2.3%) that IHS had anticipated in July of last year. However, the IHS estimates show an industry outlook that is recently dampened. In December 2020, IHS was still predicting 11.5% growth in new passenger cars and light commercial vehicles. This reduced forecast

is not only a result of the lower growth experienced in the third fiscal quarter of the reporting period, but also especially a result of the reduced market expectations for the last quarter of fiscal year 2020/2021, due partly to light vehicle production being curbed by resource bottlenecks in global supply and logistics chains, with semiconductors affected in particular.

With regard to the regions, light vehicle production in Europe excluding Germany is currently expected to rise by 9.2% to 14.5 million units during fiscal year 2020/2021 as a whole (prior year: 13.3 million units) and in Germany by 4.4% to 4.1 million units (prior year: 3.9 million units). For the North, Central and South America region, growth of 12.2% to 17.8 million units is currently anticipated (prior year: 15.9 million units); for the US market seen separately, growth of 18.3% to 10.2 million units is expected (prior year: 8.7 million units). With regard to the automotive market in Asia/Pacific/Rest of World, the current IHS forecast assumes an increase in light vehicle production of 10.5% to 46.9 million units (prior year: 42.4 million units). In this region, the Chinese market

Expected production of passenger cars and light commercial vehicles during fiscal year 2020/2021 and 2019/2020

in thousands of units	2020/2021	+/-	2019/2020
Europe excluding Germany	14,537	+9.2%	13,313
Germany	4,073	+4.4%	3,903
North, Central and South America	17,795	+12.2%	15,863
<i>of which USA</i>	10,234	+18.3%	8,650
Asia / Pacific / RoW	46,883	+10.5%	42,437
<i>of which China</i>	25,688	+17.3%	21,907
Worldwide	83,287	+10.3%	75,515

Source: IHS Light Vehicle Production Forecast, March 2021

seen separately is likely to see an especially fast rate of growth; as things stand, a rise in light vehicle production of 17.3% to 25.7 million units can be expected (prior year: 21.9 million units).

Company outlook

HELLA is assuming that the market environment will remain volatile and subject to great uncertainties. This is partly as a result of the coronavirus pandemic, which continues to spread fiercely, but it is also due to the risks within the global supply and logistics chains in particular, which have intensified since the start of the 2021 calendar year. Notably, these risks relate to the supply situation for semiconductors, which is expected to intensify further over the coming months according to the company's latest estimates, and which may have significant consequences for HELLA's business.

The company outlook for the current fiscal year 2020/2021 remains in line with the forecast raised by HELLA on 7 December 2020. In light of the business development to date and taking the present market environment into account, HELLA is currently assuming that currency and portfolio-adjusted consolidated sales will be in the upper half of the forecast range of € 6.1 billion to € 6.6 billion (prior year adjusted for Behr Hella Service: € 5.7 billion). With regard to the EBIT margin adjusted for restructuring measures and portfolio effects, HELLA is also anticipating a value in the upper half of the forecast range of 6.0% to 8.0% (prior year adjusted for Behr Hella Service: 4.0%).

The company outlook is based on the assumption that no significant interruptions to production will occur in the fourth quarter at HELLA as a result of the coronavirus pandemic or due to interruptions within the global supply and logistics chains.

SELECTED FINANCIAL INFORMATION

Consolidated income statement

of HELLA GmbH & Co. KGaA

€ thousand	1st to 3rd quarter 1 June to 28 February**		3rd quarter 1 December to 28 February**	
	2020/2021	2019/2020*	2020/2021	2019/2020*
Sales	4,645,574	4,847,981	1,545,216	1,534,982
Cost of sales	-3,488,050	-3,639,775	-1,161,422	-1,159,213
Gross profit	1,157,523	1,208,206	383,794	375,769
Research and development expenses	-588,529	-488,031	-150,137	-157,103
Distribution expenses	-237,272	-280,107	-80,992	-90,102
Administrative expenses	-196,208	-172,935	-58,792	-56,833
Other income and expenses	160,410	16,650	126,506	6,944
Earnings from investments accounted for using the equity method	16,013	28,085	-2,169	2,825
Other income from investments	294	231	292	231
Earnings before interest and taxes (EBIT)	312,232	312,098	218,502	81,731
Financial income	16,419	10,789	-1,534	675
Financial expenses	-26,470	-36,182	-2,546	-13,244
Net financial result	-10,051	-25,393	-4,080	-12,569
Earnings before income taxes (EBT)	302,182	286,705	214,422	69,163
Income taxes	-65,876	-72,937	-44,638	-17,681
Earnings for the period	236,306	213,769	169,784	51,482
of which attributable:				
to the owners of the parent company	235,051	212,615	169,417	51,011
to non-controlling interests	1,255	1,153	367	471
Basic earnings per share in €	2.12	1.91	1.52	0.46
Diluted earnings per share in €	2.12	1.91	1.52	0.46

* The prior-year figures from the consolidated income statement have been adjusted. Please refer to the consolidated financial statements for the fiscal year 2019/2020 for further information.

** Reporting date and reference to the comparative period in the fiscal year 2019/2020 is always 29 February 2020, if not stated otherwise.

Segment reporting

The segment information for the first nine months (1 June to 28 February**) of the fiscal years 2020/2021 and 2019/2020 is as follows:

€ thousand	Automotive		Aftermarket		Special Applications	
	2020/2021	2019/2020*	2020/2021	2019/2020*	2020/2021	2019/2020*
Sales with third-party entities	4,000,302	4,116,625	366,832	370,659	252,759	243,190
Intersegment sales	42,713	40,301	1,732	2,939	5,050	6,415
Segment sales	4,043,015	4,156,926	368,565	373,598	257,809	249,606
Cost of sales	-3,142,800	-3,192,899	-202,809	-212,872	-161,501	-151,021
Gross profit	900,215	964,027	165,755	160,726	96,307	98,585
Research and development expenses	-418,100	-460,388	-13,524	-13,905	-12,427	-11,897
Distribution expenses	-101,951	-126,172	-94,716	-100,848	-39,798	-44,324
Administrative expenses	-133,741	-147,716	-17,019	-17,866	-19,047	-18,336
Other income and expenses	28,983	21,666	5,708	6,897	2,915	2,656
Earnings from investments accounted for using the equity method	19,585	27,778	1,576	307	0	0
Other income from investments	0	0	294	181	0	0
Earnings before interest and taxes (EBIT)	294,991	279,195	48,075	35,493	27,950	26,684
Additions to intangible assets and property, plant and equipment	294,902	318,573	9,897	12,305	4,204	11,268

* The prior-year figures for the segments have been adjusted. For further information, please refer to Chapter *03 – Adjustment of prior-year segment reporting* in the financial report on the 1st quarter of fiscal year 2020/2021.

** Reporting date and reference to the comparative period in the fiscal year 2019/2020 is always 29 February 2020, if not stated otherwise.

Sales with third-party entities in the fiscal years 2020/2021 and 2019/2020 are as follows:

€ thousand	Automotive		Aftermarket		Special Applications	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Sales from the sale of goods	3,862,916	3,948,471	334,080	339,365	249,467	240,536
Sales from the rendering of services	137,386	168,154	32,752	31,294	3,291	2,654
Sales with third-party entities	4,000,302	4,116,625	366,832	370,659	252,759	243,190

* The prior-year figures for the Aftermarket segment were adjusted for the proportionate contributions from thermal management activities.

Sales reconciliation:

€ thousand	2020/2021	2019/2020*
Total sales of the reporting segments	4,669,388	4,780,130
Sales in other divisions	56,002	62,386
Thermal management business sales	0	90,180
Elimination of intersegment sales	-79,817	-84,715
Consolidated sales	4,645,574	4,847,981

Reconciliation of the segment results with consolidated net profit:

€ thousand	2020/2021	2019/2020*
EBIT of the reporting segments	371,016	341,371
EBIT of other divisions	2,136	-2,299
EBIT of thermal management business	0	7,951
Unallocated income	-60,920	-34,926
Consolidated EBIT	312,232	312,098
Net financial result	-10,051	-25,393
Consolidated EBT	302,182	286,705

* The prior-year figures for the segments have been adjusted. For more details, please refer to Chapter "03 – Adjustment of prior-year segment reporting" in the financial report on the 1st quarter of fiscal year 2020/2021.

Consolidated statement of financial position

of HELLA GmbH & Co. KGaA

€ thousand	28 February 2021	31 May 2020	29 February 2020
Cash and cash equivalents	887,833	1,202,794	678,858
Financial assets	446,060	445,631	532,214
Trade receivables	1,015,994	596,356	1,039,227
Other receivables and non-financial assets	173,179	206,774	216,749
Inventories	942,424	881,524	841,989
Current tax assets	33,852	70,075	11,460
Contract assets	29,769	18,284	46,548
Assets held for sale	41,611	0	0
Current assets	3,570,721	3,421,438	3,367,044
Intangible assets	260,735	252,186	429,887
Property, plant and equipment	1,553,992	1,593,425	1,918,594
Financial assets	68,864	51,867	55,831
Investments accounted for using the equity method	179,817	176,744	261,203
Deferred tax assets	111,557	81,511	108,199
Contract assets	34,716	55,046	21,075
Other non-current assets	110,155	60,554	60,895
Non-current assets	2,319,837	2,271,334	2,855,684
Assets	5,890,558	5,692,771	6,222,728
Financial liabilities	77,762	503,673	61,732
Trade payables	752,818	601,793	768,329
Current tax liabilities	84,153	40,684	48,525
Other liabilities	448,441	372,679	412,616
Provisions	181,959	129,063	143,282
Contract obligations	110,544	111,858	145,831
Current liabilities	1,655,677	1,759,750	1,580,315
Financial liabilities	1,246,174	1,284,562	1,287,712
Deferred tax liabilities	13,393	14,775	17,676
Other liabilities	109,650	95,913	98,017
Provisions	558,444	431,100	463,842
Non-current liabilities	1,927,662	1,826,350	1,867,246
Subscribed capital	222,222	222,222	222,222
Reserves and unappropriated surplus	2,083,338	1,883,270	2,549,711
Equity before non-controlling interests	2,305,561	2,105,492	2,771,933
Non-controlling interests	1,659	1,180	3,234
Equity	2,307,219	2,106,672	2,775,167
Equity and liabilities	5,890,558	5,692,771	6,222,728

Consolidated cash flow statement

of HELLA GmbH & Co. KGaA for the period from 1 June to 28 February*

€ thousand	2020/2021	2019/2020
Earnings before income taxes (EBT)	302,182	286,705
Depreciation and amortisation	281,582	314,649
Change in provisions	162,430	14,689
Other non-cash income and cash flows not attributable to operating activities	-146,246	-48,570
Losses/profits from the sale of intangible assets and property, plant and equipment	694	1,680
Net financial result	10,051	25,393
Change in trade receivables and other assets not attributable to investing or financing activities	-431,250	-12,225
Change in inventories	-77,504	-45,435
Change in trade payables and other liabilities not attributable to investing or financing activities	352,498	37,528
Net tax payments	-15,479	-55,989
Dividends received	636	24,932
Net cash flow from operating activities	439,593	543,359
Cash receipts from the sale of intangible assets and property, plant and equipment	14,452	17,245
Payments for the purchase of intangible assets and property, plant and equipment	-385,335	-382,619
Cash receipts from the loss of control of subsidiaries or other business units	133,316	1,299
Net payments for loans granted to investments	-5,344	-83
Net payments from changes in equity to investments	-24,163	-9,012
Cash receipts from the sale of investments	0	41,006
Payments for the acquisition of companies less cash and cash equivalents	-8,150	-548
Net payments for the purchase and sale of securities	9,846	28,655
Interest received	5,807	7,671
Net cash flow from investing activities	-259,571	-296,385
Cash receipts from the issuance of a bond	0	498,515
Repayment of a bond	0	-500,000
Net payments from the borrowing/repayment of financial liabilities	-475,087	-46,509
Interest paid	-18,011	-29,994
Dividends paid	-140	-372,360
Net cash flow from financing activities	-493,237	-450,348
Net change in cash and cash equivalents	-313,215	-203,375
Cash and cash equivalents as at 1 June	1,202,794	876,763
Cash and cash equivalents of a disposal group	0	0
Effect of exchange rate changes on cash and cash equivalents	-1,746	5,470
Cash and cash equivalents as at 28 February*	887,833	678,858

* Reporting date and reference to the comparative period in the fiscal year 2019/2020 is always 29 February 2020, if not stated otherwise.

FURTHER INFORMATION

01 Basic information

HELLA GmbH & Co. KGaA 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, joint venture companies produce complete vehicle modules and air-conditioning systems. The Group's production and manufacturing sites are located across the globe; its most significant markets are in Europe, the USA and Asia, particularly South Korea and China. In addition, HELLA has its own international sales network for all kinds of vehicle accessories.

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 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 information in the financial report as at 28 February 2021 is stated in thousands of euros (€ thousand). The financial report is prepared using accounting and measurement methods that are applied consistently within the Group on the basis of amortised 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. Please note that where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.

02 Currency translation

Currency translation differences arising from the translation of earnings and balance sheet items of all Group companies

which have a functional currency deviating from the euro are reported within the currency translation differences reserves.

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

	Average 3rd quarter		Reporting date		
	2020/2021	2019/2020	28 February 2021	31 May 2020	29 February 2020
€ 1 = US dollar	1.1820	1.1098	1.2121	1.1136	1.0977
€ 1 = Czech koruna	26.4649	25.5372	26.1950	26.9210	25.3900
€ 1 = Japanese yen	124.5156	120.2854	128.8300	119.2900	119.3600
€ 1 = Mexican peso	25.0019	21.3316	25.2879	24.5580	21.6370
€ 1 = Chinese renminbi	7.9603	7.7675	7.8385	7.8804	7.6662
€ 1 = South Korean won	1,356.7228	1,312.2199	1,367.1000	1,363.7600	1,324.9800
€ 1 = Romanian leu	4.8597	4.7538	4.8750	4.8493	4.8130
€ 1 = Indian rupee	87.4668	78.5470	89.5766	83.4635	79.2850

03 Notable events and issues

At the beginning of fiscal year 2020/2021, HELLA announced its intention to enhance the Company's competitive standing through a new strategy programme. This was developed against the backdrop of lowered market expectations, resulting in growing pressure from competitors and costs. The company expects only moderate market growth rates in the medium to long term even after the Covid-19 pandemic subsides. As a proactive way of adapting to the changing market environment, HELLA has approved a comprehensive and detailed package of measures, which have been communicated both internally and externally. The programme will entail structural changes within the global HELLA network. The measures – whose implementation has already started in the first quarter – focus primarily on the German locations and affect the areas of management and development in particular. The corresponding restructuring expenses for this programme amount to € 168,952 thousand in the reporting period and are reported within the Group figures without reference to any specific segment.

The Covid-19 pandemic that broke out at the beginning of the calendar year 2020 continues to impact the general economic conditions. The pandemic itself and the resulting countermeasures put in place across the globe are having a negative impact on trade, affecting supply chains and reducing consumer demand. The further trajectory of the Covid-19 pandemic increases the prevailing risks, specifically pertaining to any plant closures that may become necessary and bottlenecks along the entire supply chain. This applies in particular to risks relating to electronic components. HELLA continues to assume a permanent impairment of the recoverable amounts for the assets, as was already the case in the annual report for the period ending in May 2020. An assessment of the recoverable amounts takes into account material findings specifically on individual markets.

In the current fiscal year 2020/2021, four new companies were founded and the remaining shares in one company were bought in full. Shares in FWB Kunststofftechnik GmbH, a company with its registered office in Pirmasens, were purchased in September 2020 for a purchase price of € 8,150 thousand.

The new company HELLA eMobionics Ltd., which was formed in India, is intended to develop product solutions for electric rickshaws, among other things. Additional companies were established in China: HELLA MINTH Jiaxing Automotive Parts Co. Ltd., HELLA Evergrande Automotive Battery Management Systems (Shenzhen) Co., Ltd. and HELLA Evergrande Electronics (Yangzhou) Co., Ltd.

In September 2020, HELLA entered into agreements under which the business with front camera software and the associated activities in the field of testing and validation were transferred to the Car.Software organisation, a wholly owned subsidiary of Volkswagen AG. Following approval by the responsible antitrust authorities and the fulfilment of other contractual conditions, the business was transferred to the Car.Software organisation of the Volkswagen Group effective as of 1 February 2021. This transaction resulted in HELLA achieving income of € 120,902 thousand after transaction costs and before taxes. Under the disposal, around one half of the HELLA Aglaia workforce was transferred to Car.Software Org.

The assets classified as held for sale as at 28 February 2021 contain the proportionate carrying amount of the Mando HELLA subgroup totalling € 41,611 thousand. In February 2021, a contract for transferring company shares between HELLA and the Mando Corporation was signed. The transaction closed at a price of € 60,808 thousand at the beginning of the fourth fiscal quarter.

In the third quarter of the prior year, the transfer of the thermal management activities under the umbrella of Behr Hella Service to the former joint-venture partner MAHLE was completed. Prior to this date, the associated sales and expenses were part of the Aftermarket segment. As a consequence of this decision and to ensure a consistent comparison with the reporting period, the associated components are presented in the consolidated income statement and the segment reporting for the prior-year period after the corresponding adjustments have been made. The contributions of the prior year by which the Aftermarket segment has been adjusted are identified in the "Thermal management sales" and "Thermal management EBIT" lines in the "Segment reporting" chapter.

MAESA, a HELLA company in Spain, was integrated into the Automotive segment as of the beginning of the fiscal year. Prior to that point, the production company (whose products include rear combination lamps and fog lamps for European original equipment manufacturers for both current and post series) had been part of the Special Applications segment. Its reclassification under a different segment is part of a strategic realignment. In order to ensure a transparent and comparable presentation over time, the prior-year figures for the Special Applications and Automotive segments have been adjusted accordingly. This has not had any impact on the Group figures.

04 Notes to the cash flow statement

As at 31 May 2020, the cash funds comprise exclusively cash and cash equivalents.

Shares in FWB Kunststofftechnik GmbH, a company with its registered office in Pirmasens, were purchased in September 2020 for a purchase price of € 8,150 thousand. FWB has been supplying HELLA with sophisticated plastic components for many years. FWB currently has a workforce of around 180 employees and generates annual sales of approximately € 20 million via its business activities in the areas of injection moulding tools, automation, plastic parts and assembly. HELLA already held a stake of 24.9% in FWB before this transaction. Through the acquisition, HELLA intends to safeguard its own supply chain in the long term and further develop FWB as a stand-alone company. Due to considerations of materiality, the company was not fully consolidated in the Group.

In addition, the loan facility of € 450 million drawn on in April 2020 was repaid in full in the reporting period and reported in payments in connection with the repayment of financial liabilities.

Adjustment of prior-year cash flow statement

The presentation of interest received was adjusted in the financial report for the first half of fiscal year 2020/2021. Previously, this component had been disclosed within net cash flow from financing activities. Interest received now being disclosed within investing activities creates a connection to securities and their cash flows which, from the Company's perspective, constitutes a more appropriate allocation, thus providing more relevant and more reliable information on the Company's cash flows.

The change in cash and cash equivalents remains completely unaffected by this adjustment, however. This does not result in any changes to other reporting elements. The quantitative effects on the reporting for the previous period are presented in the following table.

€ thousand	2019/2020 as reported	Adjustments	2019/2020 adjusted
Earnings before income taxes (EBT)	286,705	0	286,705
Depreciation and amortisation	314,649	0	314,649
Change in provisions	14,689	0	14,689
Other non-cash income and cash flows not attributable to operating activities	-48,570	0	-48,570
Losses / profits from the sale of property, plant and equipment and intangible assets	1,680	0	1,680
Net financial result	25,393	0	25,393
Change in trade receivables and other assets not attributable to investing or financing activities	-12,225	0	-12,225
Change in inventories	-45,435	0	-45,435
Change in trade payables and other liabilities not attributable to investing or financing activities	37,528	0	37,528
Net tax payments	-55,989	0	-55,989
Dividends received	24,932	0	24,932
Net cash flow from operating activities	543,359	0	543,359
Cash receipts from the sale of intangible assets and property, plant and equipment	17,245	0	17,245
Payments for the purchase of intangible assets and property, plant and equipment	-382,619	0	-382,619
Cash receipts from the sale of subsidiaries less cash and cash equivalents	1,299	0	1,299
Net payments for loans granted to investments	-83	0	-83
Net payments from changes in equity to investments	-9,012	0	-9,012
Cash receipts from the sale of investments	41,006	0	41,006
Payments for the acquisition of companies, less cash and cash equivalents	-548	0	-548
Net payments for the purchase and sale of securities	28,655	0	28,655
Interest received	0	7,671	7,671
Net cash flow from investing activities	-304,056	7,671	-296,385
Cash receipts from the issuance of a bond	498,515	0	498,515
Repayment of a bond	-500,000	0	-500,000
Net payments from the borrowing/repayment of financial liabilities	-46,509	0	-46,509
Net interest payments	-22,323	22,323	0
Interest paid	0	-29,994	-29,994
Dividends paid	-372,360	0	-372,360
Net cash flow from financing activities	-442,678	-7,671	-450,348
Net change in cash and cash equivalents	-203,375	0	-203,375
Cash and cash equivalents as at 1 June	876,763	0	876,763
Cash and cash equivalents classified as held for sale	0	0	0
Effect of exchange rate changes on cash and cash equivalents	5,470	0	5,470
Cash and cash equivalents as at 28 February	678,858	0	678,858

05 Adjustment of special effects in earnings before interest and taxes

The HELLA Group is managed by the Management Board through financial key performance indicators. For the purpose of managing the HELLA Group, the key performance indicators of adjusted sales growth and adjusted EBIT margin are the ones deemed to be of primary importance compared to the other financial key performance indicators. 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 essentially comprise income and expenses in connection with changes in the legal structure of the Group, site closures or restructuring measures.

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 2020/2021, the costs relating to the restructuring expenses of € 181,822 thousand (prior year: € 34,282 thousand) have been adjusted in EBIT; this amount includes, among other things, the portions relating to the strategy programme launched in August (see Chapter 03). Income from the sale of the business with front camera software, amounting to € 120,902 thousand, has also been adjusted.

The corresponding reconciliation statement for the first nine months of fiscal year 2020/2021 is as follows:

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
Sales	4,645,574	0	4,645,574
Cost of sales	-3,488,050	9,449	-3,478,601
Gross profit	1,157,523	9,449	1,166,972
Research and development expenses	-588,529	143,400	-445,129
Distribution expenses	-237,272	571	-236,701
Administrative expenses	-196,208	28,720	-167,488
Other income and expenses	160,410	-126,368	34,043
Earnings from investments accounted for using the equity method	16,013	5,148	21,161
Other income from investments	294	0	294
Earnings before interest and taxes (EBIT)	312,232	60,920	373,152

HELLA completed its withdrawal from the thermal management business on 31 December 2019. Prior to this date, the associated sales and expenses were part of the Aftermarket segment. As a consequence of this decision and to ensure a consistent comparison with the reporting period, the associated components (sales of € 90,180 thousand and costs of

€ 82,229 thousand) are presented in the consolidated income statement for the prior-year period after the corresponding adjustments have been made. In addition, adjustments were made in the prior year for restructuring costs totalling € 34,926 thousand.

The corresponding reconciliation statement for the first nine months of fiscal year 2019/2020 is as follows:

€ thousand	2019/2020 as reported	Adjustment	2019/2020 adjusted
Sales	4,847,981	-90,180	4,757,801
Cost of sales	-3,639,775	105,192	-3,534,583
Gross profit	1,208,206	15,011	1,223,217
Research and development expenses	-488,031	1,389	-486,642
Distribution expenses	-280,107	10,736	-269,371
Administrative expenses	-172,935	859	-172,076
Other income and expenses	16,650	-1,021	15,628
Earnings from investments accounted for using the equity method	28,085	0	28,085
Other income from investments	231	0	231
Earnings before interest and taxes (EBIT)	312,098	26,974	339,072

06 Adjustment of special effects in cash flow

Adjusted 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 that 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 cash flows from the operating activities – adjusted for special effects – in a more transparent form and facilitates a comparison over time.

Cash flow from operating activities after capital expenditure and cash inflows from the sale or liquidation of investments is used for this purpose and adjusted for non-recurring cash flows.

In the reporting period, the free cash flow from operating activities was adjusted for payments and receipts of payments amounting to € 27,866 thousand (prior year: € 7,291 thousand). These are outlined in detail below.

In this reporting period, free cash flow from operating activities was adjusted for payments made for restructuring measures amounting to € 28,861 thousand (prior year: € 10,745 thousand) and the associated deposits for partial retirement obligations amounting to € 14,725 thousand.

In the current fiscal year, HELLA sold its business with front camera software and associated activities in the field of testing and validation from HELLA Aglaia Mobile Vision GmbH to Car. Software Org, a subsidiary of Volkswagen AG. To ensure consistent comparability with other periods, the free cash flow from operating activities is adjusted for cash inflows of € 20,675 thousand in analogy to the consolidated income statement.

The shares in the Behr Hella Service joint venture were sold in the last fiscal year, which consequently means that in the current fiscal year there are no operating cash flows from the thermal management business contained in the cash flow statement. The prior year was correspondingly adjusted for

portfolio effects to take account of operating components amounting to € -5,833 thousand. In the current fiscal year, the free cash flow from operating activities is adjusted to take account of the dividend of € 4,955 thousand attributable to the period, which was collected in the form of a subsequent purchase price adjustment.

The shares in HSL Electronics Corporation, a joint venture, were sold in the fiscal year under review. The free cash flow from operating activities for the prior year was adjusted for the tax payments made in connection with the sale, amounting to € 2,379 thousand.

The performance of the adjusted free cash flow from operating activities for the first nine months of fiscal years 2020/2021 and 2019/2020 is shown in the following tables:

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
Earnings before income taxes (EBT)	302,182	60,920	363,101
Depreciation and amortisation	281,582	0	281,582
Change in provisions	162,430	-145,072	17,358
Other non-cash income and cash flows not attributable to operating activities	-146,246	123,213	-23,033
Losses / profits from the sale of intangible assets and property, plant and equipment	694	0	694
Net financial result	10,051	0	10,051
Change in trade receivables and other assets not attributable to investing or financing activities	-431,250	14,725	-416,524
Change in inventories	-77,504	0	-77,504
Change in trade payables and other liabilities not attributable to investing or financing activities	352,498	-28,881	323,618
Net tax payments	-15,479	0	-15,479
Dividends received	636	4,955	5,591
Net cash flow from operating activities	439,593	29,860	469,453
Cash receipts from the sale of intangible assets and property, plant and equipment	14,452	-1,993	12,459
Payments for the purchase of intangible assets and property, plant and equipment	-385,335	0	-385,335
Free cash flow from operating activities	68,711	27,866	96,577

€ thousand	2019/2020 as reported	Adjustment	2019/2020 adjusted
Earnings before income taxes (EBT)	286,705	26,974	313,680
Depreciation and amortisation	314,649	0	314,649
Change in provisions	14,689	-21,308	-6,619
Other non-cash income and cash flows not attributable to operating activities	-48,570	2,118	-46,451
Losses / profits from the sale of intangible assets and property, plant and equipment	1,680	0	1,680
Net financial result	25,393	0	25,393
Change in trade receivables and other assets not attributable to investing or financing activities	-12,225	0	-12,225
Change in inventories	-45,435	0	-45,435
Change in trade payables and other liabilities not attributable to investing or financing activities	37,528	-2,798	34,730
Net tax payments	-55,989	2,305	-53,683
Dividends received	24,932	0	24,932
Net cash flow from operating activities	543,359	7,291	550,650
Cash receipts from the sale of intangible assets and property, plant and equipment	17,245	0	17,245
Payments for the purchase of intangible assets and property, plant and equipment	-382,619	0	-382,619
Free cash flow from operating activities	177,985	7,291	185,276

07 Events after the balance sheet date

On 2 March 2021, the payment amounting to € 60,808 thousand was received for the shares in the HELLA Mando joint venture that were still classified as held for sale at the end of February 2021. This payment had been agreed upon as part of the contract concerning the transfer of the company shares between

HELLA and the Mando Corporation. Beyond this, no events or developments occurred after the end of the third quarter that could have led to a material change to the recognition or the valuation basis of individual assets or liabilities as at 28 February 2021 or that would have had to be reported.

Lippstadt, 26 March 2021

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH



Dr. Rolf Breidenbach
(Chairman)



Dr. Lea Corzilius



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