



Technology with Vision

# **FINANCIAL STATEMENT 31 AUGUST 2020**

1ST QUARTER OF  
FISCAL YEAR 2020/2021

TOGETHER



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# KEY PERFORMANCE INDICATORS

	1st quarter 2020/2021	1st quarter 2019/2020*
Currency and portfolio-adjusted sales (in € million)	1,367	1,528
Currency and portfolio-adjusted sales growth	-10.6%	-8.1%
Adjusted EBIT margin	4.2%	7.3%

In € million	1st quarter 2020/2021	1st quarter 2019/2020
Sales	1,344	1,528
<i>Change compared to prior year</i>	-12%	-7%
Adjusted earnings before interest and taxes (adjusted EBIT)	56	111
<i>Change compared to prior year</i>	-49%	-17%
Earnings before interest and taxes (EBIT)	-115	111
<i>Change compared to prior year</i>	-204%	-20%
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	144	212
<i>Change compared to prior year</i>	-32%	-3%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-28	212
<i>Change compared to prior year</i>	-113%	-6%
Earnings for the period	-87	77
<i>Change compared to prior year</i>	-213%	-19%
Earnings per share (in €)	-0.79	0.69
<i>Change compared to prior year</i>	-214%	-20%
Adjusted free cash flow from operating activities	-240	67
<i>Change compared to prior year</i>	-456%	9%
Free cash flow from operating activities	-244	67
<i>Change compared to prior year</i>	-466%	19%
Capital expenditure	155	152
<i>Change compared to prior year</i>	2%	2%
Research and development (R&D) expenses	146	167
<i>Change compared to prior year</i>	-13%	6%

	1st quarter 2020/2021	1st quarter 2019/2020
EBIT margin	-8.6%	7.1%
Adjusted EBITDA margin	10.7%	13.9%
EBITDA margin	-2.1%	13.5%
Capital expenditure in relation to sales	11.5%	9.9%
R&D expenses in relation to sales	10.8%	10.9%

	31 August 2020	31 May 2020
Net financial debt (in € million)	347	140
Equity ratio	35.6%	37.0%
Return on equity (last 12 months)	-30.0%	-20.5%
Employees	35,503	36,311

\*On 31 December 2019, HELLA transferred its 50% stake in the former joint venture Behr Hella Service to its joint venture partner MAHLE. To ensure comparability between current fiscal year 2020/2021 and the prior year, the operating variables for fiscal year 2019/2020 have been adjusted for the relevant period – 1 June to 31 December 2019 – to take account of the contributions and expenses of Behr Hella Service. Further information can be found in the "Selected financial information" section of this financial report. No adjustment has been made for fiscal year 2018/2019. Consequently, the percentage change indicated for the operating variables compared to fiscal year 2019/2020 only allows for limited comparability.

- **Covid-19 pandemic** continues to hamper industry development: Global light vehicle production falls by 10.4% in the first quarter
  - **Consolidated currency and portfolio-adjusted sales decrease** by 10.6% to € 1,367 million
  - **Adjusted earnings before interest and taxes** fall to € 56 million; adjusted EBIT margin is 4.2%
  - **Adjusted free cash flow from operating activities** falls to € -240 million as a result of all production plants starting up again
  - **Sales in the Automotive segment** decrease by 12.6% to € 1,170 million
  - **Aftermarket sales** fall by 6.7% to € 110 million
  - **Sales in the Special Applications segment** decline by 2.8% to € 75 million
  - **First quarter** ends with a negative reported EBIT of € -115 million due to one-off expenses in Germany
  - **Outlook confirmed for current fiscal year**
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## INDUSTRY DEVELOPMENT

- ▶ **Covid-19 pandemic continues to hamper industry development: According to IHS data, global production of passenger cars and light commercial vehicles is down by 10.4% in the first quarter of fiscal year 2020/2021**
- ▶ **Negative industry development in Europe and North, Central, and South America; Asia/Pacific/Rest of World also in decline, but significant growth in the Chinese automotive market**

At the beginning of the current fiscal year, the economic situation of the global automotive industry continued to be negatively affected by the Covid-19 pandemic to a significant extent. For instance, according to the updated figures published by market research institution IHS in September 2020, global production of passenger cars and light commercial vehicles fell by 10.4% to 18.6 million units (prior year: 20.7 million units) in the first quarter of fiscal year 2020/2021 (1 June to 31 August 2020). However, in view of the 16.0% decline predicted by the IHS Light Vehicle Production Forecast in July, this means that global light vehicle production actually decreased less severely than anticipated.

Within this context, production declined in all regional markets during the reporting period. The region of Europe excluding Germany recorded the biggest decline in the first quarter, with the production figures here falling by 19.1% to 2.9 million units (prior year: 3.6 million units). In the German single market, light vehicle production fell by 16.4% to 0.9 million units (prior year: 1.1 million units). Light vehicle production was also down in North, Central and South America; the number of new vehicles produced in this region dropped by 12.5% to 4.3 million units (prior year: 4.9 million units). The decline in the market was slightly less pronounced in the selective US market, which experienced a drop of 4.2% to 2.5 million units (prior year: 2.6 million units). The Asia/Pacific/Rest of World region saw light

vehicle production decrease by 6.1% to 10.5 million units (prior year: 11.1 million units). Meanwhile, the Chinese automotive market managed to achieve a significant increase of 14.3% to 6.2 million units (prior year: 5.4 million units).

## BUSINESS DEVELOPMENT OF THE HELLA GROUP

- ▶ **Currency and portfolio-adjusted consolidated sales decrease by 10.6% to € 1,367 million in the first quarter of the new fiscal year; sales drop portfolio-adjusted by 12.0%, reported by 14.4%**
- ▶ **Adjusted earnings before interest and taxes fall to € 56 million; adjusted EBIT margin is 4.2%**
- ▶ **Lower margin is mainly the result of considerably lower production volumes; effects triggered by the weakness of the market can be partially compensated through cost management**
- ▶ **First quarter ends with a negative reported EBIT of € -115 million due to high one-off expenses for restructuring measures in Germany (€ 169 million)**
- ▶ **Adjusted free cash flow from operating activities falls to € -240 million as a result of all production plants starting up again**

## Results of operations

On 31 December 2019, HELLA transferred its 50% stake in the former joint venture Behr Hella Service to its joint venture partner MAHLE. To ensure comparability between current fiscal year 2020/2021 and the prior year, the operating variables for fiscal year 2019/2020 have been adjusted for the relevant peri-

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

in thousands of units	1st quarter 2020/2021	+/-	1st quarter 2019/2020
Europe excluding Germany	2,879	-19.1%	3,557
Germany	903	-16.4%	1,080
North, Central and South America	4,317	-12.5%	4,935
USA	2,530	-4.2%	2,640
Asia / Pacific / RoW	10,458	-6.1%	11,136
China	6,163	+14.3%	5,392
<b>Worldwide</b>	<b>18,557</b>	<b>-10.4%</b>	<b>20,709</b>

Source: IHS Light Vehicle Production Forecast, September 2020

od – 1 June to 31 December 2019 – to take account of the income and expenses of Behr Hella Service. The relevant consolidated income statement is shown in the table below. The reported figures are shown under "Selected financial information". In addition, HELLA reclassified Spanish production company MAESA at the beginning of fiscal year 2020/2021 by assigning it to the Automotive reporting segment. Prior to that, the company (whose products include rear combination lamps and fog lamps for European original equipment manufacturers) had been part of the Special Applications segment. The income statements for the Automotive and Special Applications segment have been restated accordingly for the prior year. A reconciliation statement can also be found under "Selected financial information". No adjustment has been made for the sale of the relay business in China on 31 December 2019 because of the low value of these business activities, which generated sales of € 10 million in the first quarter of fiscal year 2019/2020.

During the first quarter of fiscal year 2020/2021 (1 June to 31 August 2020), currency and portfolio-adjusted sales for the HELLA Group decreased by 10.6% to € 1,367 million (prior year: € 1,528 million). Within this context, currency exchange rate effects had a negative impact on consolidated sales (-1.5 percentage points; € -22 million); in addition, adjustments were made in respect of the sales that Behr Hella Service had generated in the first quarter of the prior year (+2.3 percentage points; € +41 million). After taking account of these exchange rate and portfolio effects, reported consolidated sales fell by 14.4% to €1,344 million (prior year: € 1,570 million).

The drop in sales is mainly attributable to the ongoing negative effects of the Covid-19 pandemic. These effects had already managed to exacerbate the already declining economic situation of the automotive industry in the prior fiscal year. During the first three months of new fiscal year 2020/2021, this again resulted in significantly lower production of passenger cars and light commercial vehicles. The other business segments of the HELLA Group – Aftermarket and Special Applications – were also detrimentally affected by lower market demand as a result of the Covid-19 pandemic.

The negative industry environment therefore also led to declining sales in all regional markets. In Europe excluding Germany, sales fell by 10.3% to € 380 million (prior year: € 424 million) and in the selective German market, they dropped by 16.5% to € 417 million (prior year: € 499 million). In North, Central and South America, sales dropped by 11.1% to € 312 million (prior year: € 351 million), while in Asia/Pacific/Rest of World, they fell by 7.2% to € 235 million (prior year: € 254 million). In the selective Chinese market, sales increased by 1.2% to € 185 million (prior year: € 183 million).

In the first quarter of the fiscal year, adjusted earnings before interest and taxes (adjusted EBIT) decreased to € 56 million (prior year: € 111 million). The adjusted EBIT margin thus decreased to 4.2% (prior year: 7.3%). The main factors here were, in particular, the significantly smaller gross profit margin due to the drop in sales and the lower contributions to earnings by the joint ventures.

In the first quarter, earnings before interest and taxes were adjusted for expenses associated with restructuring measures. These included, in particular, one-off expenses that were incurred in Germany as part of the programme aimed at increasing competitiveness in the long term (€ 169 million). Consequently, after allowing for these special effects, a negative EBIT (earnings before interest and taxes) of € -115 million was achieved in the reporting period (prior year: € 111 million), resulting in a reported EBIT margin of -8.6% (prior year: 7.1%).

Gross profit declined to € 319 million (prior year: € 403 million). This is essentially attributable to the smaller production volumes and the associated reduction in capacity utilisation, as well as lower revenues for tools, samples and development services. Consequently, the gross profit margin for the first quarter is 23.7% (prior year: 26.3%).

Research & development (R&D) expenses decreased to € 146 million (prior year: € 167 million); consequently, the R&D ratio of 10.8% as a percentage of portfolio-adjusted sales was slightly below the prior-year level (prior year: 10.9%). In view of

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

2018/2019	1,787 (11.4%)
2019/2020	1,570 (-8.1%)
<b>2020/2021</b>	<b>1,344 (-10.6%)</b>

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**Consolidated income statement\***

in € million	1st quarter 2020/2021	+/-	1st quarter 2019/2020
<b>Sales</b>	<b>1,344</b>	<b>-12.0%</b>	<b>1,528</b>
Cost of sales	-1,026		-1,126
<b>Gross profit</b>	<b>319</b>	<b>-20.8%</b>	<b>403</b>
Ratio of gross profit to sales	23.7%		26.3%
Research and development expenses	-146		-167
Distribution expenses	-73		-86
Administrative expenses	-48		-54
Other income and expenses	2		8
Earnings from investments accounted for using the equity method	1		7
Other income from investments	0		0
<b>Adjusted earnings before interest and taxes (adjusted EBIT)</b>	<b>56</b>	<b>-49.2%</b>	<b>111</b>
Ratio of adjusted EBIT to sales	4.2%		7.3%

\* To ensure comparability between current fiscal year 2020/2021 and the prior year, the operating variables for fiscal year 2019/2020 have been adjusted in light of the sale of Behr Hella Service and the reclassification of production company MAESA.

the considerable fall in market demand and the associated sales losses, HELLA continued to target its development activities at serial development projects and production ramp-ups.

Expenses for distribution and administration and the balance of other income and expenses decreased to € 118 million in the reporting period (prior year: € 132 million) as a result of leveraging cost savings potential. Consequently, when measured as a percentage of portfolio-adjusted sales, the ratio of these income and expense items was 8.8% (prior year: 8.6%).

As a result of the negative market environment, contributions to earnings by the joint ventures also fell significantly in the first quarter of fiscal year 2020/2021, standing at € 1 million for this period (prior year: € 7 million). Accordingly, the joint ventures' contribution to the Group-wide adjusted EBIT decreased to 2.5% (prior year: 6.7%).

The net financial result for the first quarter is € 0.1 million (prior year: € -8 million).

After allowing for the positive tax income of € 28 million (prior year: € -26 million) resulting from deferred tax assets, HELLA finished the first quarter with earnings for the period of € -87 million (prior year: € 77 million). Thus, earnings per share were € -0.79 (prior year: € 0.69).

**Financial status**

In the first three months of fiscal year 2020/2021, net cash flow from operating activities decreased by € 308 million to € -89 million when compared with the prior-year quarter (prior year: € 219 million). This development is mainly attributable to a higher level of working capital due to all plants starting up again at the end of the production shutdowns. Consequently, it was mainly an increase in receivables that led to negative development of net cash flow from operating activities in the first quarter.

Cash investing activities, excluding cash payments or receipts for the purchase or sale of company shares or capital increases or repayments and securities, amounted to € 155 million (prior year: € 152 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 customer projects. Relative to the lower level of sales, capital expenditure increased to 11.5% (prior year: 9.9%).

As part of active management of the liquidity available to the Group, € 110 million was invested in securities during the reporting period (prior year: € 174 million). For liquidity manage-

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

2018/2019	134 (8.1%)
2019/2020	111 (7.3%)
<b>2020/2021</b>	<b>56 (4.2%)</b>

ment 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. In the first quarter of fiscal year 2020/2021, the adjusted free cash flow from operating activities decreased to € -240 million (prior year: € 67 million). In the reporting period, the free cash flow from operating activities was adjusted for payments for restructuring measures amounting to € 4 million (prior year: € 1 million for payments for restructuring measures and portfolio adjustments in connection with the thermal management business). Taking these special effects into account, the reported free cash flow from operating activities fell to € -244 million (prior year: € 67 million).

Total cash outflows from financing activities came to approximately € 12 million (prior year: € 33 million). Net drawn credit stood at € 9 million (prior year: € 31 million).

Compared to the end of the prior year, liquidity from cash and cash equivalents decreased by € 378 million to € 824 million (31 May 2020: € 1,203 million). Including current financial assets, which essentially comprise securities of € 583 million (31 May 2020: € 446 million), available funds fell to € 1,408 million (31 May 2020: € 1,648 million). On this basis, HELLA is able to satisfy its payment obligations.

## Financial position

Compared to the balance sheet date at the end of prior fiscal year 2019/2020, total assets decreased by € 115 million to € 5,578 million (31 May 2020: € 5,693 million). The equity ratio stood at 35.6% and was thus below 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 47.6% (31 May 2020: 52.1%).

Current and non-current financial liabilities decreased by € 34 million to € 1,755 million (31 May 2020: € 1,788 million). Net financial debt as the balance of cash and current financial assets

as well as current and non-current financial liabilities increased by a total of € 207 million to € 347 million (31 May 2020: € 140 million).

On 11 June 2020, Moody's reaffirmed HELLA's rating as Baa1 with a negative outlook.

## Further events in the first quarter

### BAA1 RATING FOR HELLA

- International ratings agency Moody's Investors Services (Moody's), has reaffirmed HELLA's corporate rating as Baa1 with a negative outlook. In March of this 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. Moody's cited the following factors – among others – as the basis for reaffirming HELLA's rating: the measures taken to reduce costs and increase flexibility in the wake of the global Covid-19 pandemic and the Company's strong liquidity position. They also emphasised HELLA's leading position in the field of automotive lighting technology and electronics, its diversified business model, its broad customer portfolio and the Company's international position, as well as its above-average business development in recent years.

### NEW LIGHTING JOINT VENTURE IN CHINA

- HELLA and the MINTH Group have agreed to establish a joint venture called HELLA MINTH Jiaxing Automotive Parts Co. Ltd, whose purpose is to accelerate the development, production and marketing of radomes and illuminated logos. Radomes are transparent covers for radar systems that can be manufactured in special versions according to customer requirements. Both companies are already active in the sector. The two partners have equal shares in the joint venture,



whose plant is located in Jiaxing. Although it is to have an international outlook, it will initially serve the Chinese automotive market. The joint venture is due to commence operation before the end of calendar year 2020.

#### **SUPPLIER OF THE YEAR 2019**

- ▶ HELLA has once again been named Supplier of the Year by General Motors, this time for 2019. At a virtual award ceremony, General Motors presented awards to 116 of its best suppliers from 15 countries, who had managed to exceed the expectations of GM, provide outstanding services or demonstrate a high level of innovation in the preceding calendar year. HELLA also won an award the year before. HELLA has had a successful partnership with General Motors for thirty years.

## BUSINESS DEVELOPMENT OF THE SEGMENTS

### Automotive

- ▶ **Sales in the Automotive segment decrease by 12.6% to € 1,170 million in fiscal year 2020/2021**
- ▶ **Business development hampered by the ongoing negative market environment**
- ▶ **Earnings before interest and taxes decrease to € 41 million; EBIT margin is 3.5%**
- ▶ **Cost cutting measures partially compensate for the smaller gross profit margin and lower contribution to earnings by joint ventures**

During the first quarter of fiscal year 2020/2021, sales in the Automotive segment dropped by 12.6% to € 1,170 million (prior year: € 1,338 million). Consequently, this segment's business development remains affected by the industry environment – which is experiencing a significant decline overall that is being further exacerbated by the Covid-19 pandemic – as

well as the associated drop in passenger car and light commercial vehicle production. Nevertheless, in Europe and America the segment has held up better than the market, and has also recovered considerably compared with the fourth quarter of the prior fiscal year.

The Automotive segment's earnings before interest and taxes (EBIT) decreased to € 41 million in the reporting period (prior year: € 92 million). The EBIT margin is therefore 3.5% (prior year: 6.9%). Firstly, this is due to the smaller gross profit margin achieved due to the lower capacity utilisation. Secondly, the negative market environment meant that development of the joint ventures during the first quarter was even worse than in the prior year and, in turn, that their contribution to earnings was lower. By contrast, savings in terms of sales and administrative expenses were able to compensate partially for the lower profitability of the segment.

### Income statement for the Automotive segment

in € million	1st quarter 2020/2021	+/-	1st quarter 2019/2020*
Sales with third-party entities	1,158		1,327
Intersegment sales	12		11
<b>Segment sales</b>	<b>1,170</b>	<b>-12.6%</b>	<b>1,338</b>
Cost of sales	-927		-1,020
<b>Gross profit</b>	<b>243</b>	<b>-23.7%</b>	<b>318</b>
Ratio of gross profit to sales	20.8%		23.8%
Research and development expenses	-138		-159
Distribution expenses	-31		-40
Administrative expenses	-37		-45
Other income and expenses	4		10
Earnings from investments accounted for using the equity method	1		7
Other income from investments	0		0
<b>Earnings before interest and taxes (EBIT)</b>	<b>41</b>	<b>-55.3%</b>	<b>92</b>
Earnings before interest and taxes in relation to segment sales (EBIT margin)	3.5%		6.9%

\* The prior-year figures have been restated. For further information, please refer to chapter 03 in the further notes to this financial statement.

## Aftermarket

- **Aftermarket sales fall by 6.7% to € 110 million**
- **Lower sales are primarily the result of a weaker spare parts business; workshop business development is positive**
- **At € 11 million, earnings before interest and taxes remain roughly the same as the prior year; EBIT margin increases to 9.6%**
- **Profitability strengthened, mainly as a result of the higher gross profit margin due to product mix effects**

In the first quarter of fiscal year 2020/2021, sales in the Aftermarket segment decreased by 6.7% to € 110 million (prior year: € 117 million). The key factor behind the drop in sales within the segment was the low demand in the independent aftermarket

caused by the Covid-19 pandemic. By contrast, the development of the workshop business was positive. The higher demand was driven, in particular, by a greater willingness to invest on the part of the workshops, triggered – among other things – by their reopening at the end of the Covid-19 pandemic lockdown.

Despite the lower sales in the Aftermarket segment, its profitability still improved compared to the prior year. For instance, at € 11 million, the EBIT figure remained roughly the same as the prior year (prior year: € 11 million), with the EBIT margin improving to 9.6% accordingly (prior year: 9.4%). One of the main reasons for this was the higher gross profit margin, which improved due to the fact that workshop equipment – including licensed products – accounted for a larger share of business.

### Income statement for the Aftermarket segment

in € million	1st quarter 2020/2021	+/-	1st quarter 2019/2020*
Sales with third-party entities	109		116
Intersegment sales	1		1
<b>Segment sales</b>	<b>110</b>	<b>-6.7%</b>	<b>117</b>
Cost of sales	-61		-66
<b>Gross profit</b>	<b>49</b>	<b>-5.3%</b>	<b>52</b>
Ratio of gross profit to sales	44.6%		43.9%
Research and development expenses	-5		-5
Distribution expenses	-30		-32
Administrative expenses	-6		-7
Other income and expenses	2		3
Earnings from investments accounted for using the equity method	0		0
Other income from investments	0		0
<b>Earnings before interest and taxes (EBIT)</b>	<b>11</b>	<b>-4.6%</b>	<b>11</b>
Earnings before interest and taxes in relation to segment sales (EBIT margin)	9.6%		9.4%

\* The prior-year figures have been restated. For further information, please refer to chapter 03 in the further notes to this financial statement.

## Special Applications

- **Sales in the Special Applications segment decrease by 2.8% to € 75 million**
- **Sales growth in the agricultural machinery business**
- **Segment earnings decrease to € 7 million, with an EBIT margin of 9.0%**
- **Drop in profitability primarily due to lower capacity utilisation, product mix effects and higher tooling and development costs**

During the first quarter of new fiscal year 2020/2021, sales in the Special Applications segment dropped by 2.8% to € 75 million (prior year: € 77 million). Virtually every customer segment

continues to show market weakness as a result of the Covid-19 pandemic, with the bus and construction machinery business particularly badly affected by this. However, one notable exception is equipment for agricultural machinery. This area experienced increasing demand, leading to a rise in sales within this business field compared to the same quarter in the prior year.

By contrast, earnings before interest and taxes for the Special Applications segment decreased to € 7 million in the first quarter (prior year: € 9 million). Accordingly, the EBIT margin dropped to 9.0% (prior year: 11.4%). The main causes of this were lower capacity utilisation, product mix effects and higher tooling and project-related development costs, for example for expanding the electronics portfolio.

### Income statement for the Special Applications segment

in € million	1st quarter 2020/2021	+/-	1st quarter 2019/2020*
Sales with third-party entities	74		75
Intersegment sales	1		2
<b>Segment sales</b>	<b>75</b>	<b>-2.8%</b>	<b>77</b>
Cost of sales	-49		-45
<b>Gross profit</b>	<b>27</b>	<b>-17.4%</b>	<b>32</b>
Ratio of gross profit to sales	35.5%		41.7%
Research and development expenses	-3		-4
Distribution expenses	-12		-14
Administrative expenses	-6		-6
Other income and expenses	1		0
Earnings from investments accounted for using the equity method	0		0
Other income from investments	0		0
<b>Earnings before interest and taxes (EBIT)</b>	<b>7</b>	<b>-22.7%</b>	<b>9</b>
Earnings before interest and taxes in relation to segment sales (EBIT margin)	9.0%		11.4%

\* The prior-year figures have been restated. For further information, please refer to chapter 03 in the further notes to this financial statement.

## OPPORTUNITY AND RISK REPORT

There were no substantial changes to the opportunities and risks during the first quarter of fiscal year 2020/2021. Industry and business development remain hampered by the effects of the Covid-19 pandemic; additionally, it has become more difficult to make forecasts, for example with regard to the future trajectory of global light vehicle production. Nevertheless, as at the reporting date of this financial report, this has not resulted in any fundamental change to the overall risk profile that was presented by the Company in the opportunity and risk report for fiscal year 2019/2020. Therefore, for details of the significant opportunities and risks, please refer to annual report 2019/2020.

## FORECAST REPORT

- ▶ **Industry outlook has improved: According to IHS estimates, global production of passenger cars and light commercial vehicles is expected to grow by 6.4% in fiscal year 2020/2021**
- ▶ **However, the market volume will still be significantly below the pre-crisis level and remains subject to high levels of uncertainty**
- ▶ **Company outlook reaffirmed at the end of the first quarter**

### Industry outlook

As things currently stand, the international automotive market is set to recover slightly in the course of current HELLA

fiscal year 2020/2021 (1 June 2020 to 31 May 2021) and – based on the most recently updated version of the IHS Light Vehicle Production Forecast from September 2020 – to grow by 6.4% to 80.3 million new cars and light commercial vehicles (prior year: € 75.5 million units). Consequently, the industry outlook has been revised upwards slightly compared to the forecast published in annual report 2019/2020, as development of the automotive industry in the first half of the fiscal year is likely to be somewhat better than initially assumed. Nevertheless, the global production volume is still significantly below the level seen on the worldwide automotive market prior to the outbreak of the Covid-19 pandemic and it continues to be subject to high levels of uncertainty.

With regard to the number of new units that will be produced in Europe excluding Germany, growth of 5.7% to 14.1 million units (prior year: 13.3 million units) is now anticipated, while the German automotive market is set to increase by 8.7% to 4.2 million units (prior year: 3.9 million units). As regards the region of North, Central and South America, the production figures are expected to rise by 13.8% to 18.1 million new passenger cars and light commercial vehicles (prior year: 15.9 million units); in the USA, they are forecast to grow by 20.4% to 10.4 million units (prior year: 8.6 million units). As things currently stand, the market in Asia/Pacific/Rest of World is broadly set to grow by 3.7% to 44.0 million units (prior year: 42.4 million units); within this context, an increase of 11.1% in the Chinese single market to 24.4 million new cars and light commercial vehicles (prior year: 21.9 million units) will largely be able to compensate for the significant market losses within the other countries of this region.

### Expected production of passenger cars and light commercial vehicles during fiscal year 2020/2021 and change compared to the previous year

in thousands of units	2020/2021	+/-	2019/2020
Europe not including Germany	14,065	+5.7%	13,310
Germany	4,240	+8.7%	3,900
North, Central and South America	18,052	+13.8%	15,865
USA	10,407	+20.4%	8,647
Asia / Pacific / RoW	43,992	+3.7%	42,438
China	24,363	+11.1%	21,924
<b>Worldwide</b>	<b>80,349</b>	<b>+6.4%</b>	<b>75,512</b>

Source: IHS Light Vehicle Production Forecast, September 2020

## Company outlook

The Company outlook for current fiscal year 2020/2021 is still in line with the forecast published in annual report 2019/2020. Consequently, HELLA is anticipating currency and portfolio-adjusted consolidated sales within the range of roughly € 5.6 to 6.1 billion (prior year adjusted for Behr Hella Service:

€ 5.7 billion) and is expecting the EBIT margin adjusted for restructuring measures and portfolio effects to fall within the approximate range of 4.0 to 6.0% (prior year adjusted for Behr Hella Service: 4.0%).

**SELECTED FINANCIAL INFORMATION****Consolidated income statement**

of HELLA GmbH &amp; Co. KGaA

<b>€ thousand</b>	<b>1st quarter 1 June to 31 August 2020</b>	1st quarter 1 June to 31 August 2019
<b>Sales</b>	<b>1,344,354</b>	<b>1,569,820</b>
Cost of sales	-1,027,628	-1,162,033
<b>Gross profit</b>	<b>316,726</b>	<b>407,786</b>
Research and development expenses	-285,842	-167,071
Distribution expenses	-73,068	-90,732
Administrative expenses	-77,023	-53,996
Other income and expenses	2,450	7,671
Earnings from investments accounted for using the equity method	1,436	7,421
Other income from investments	2	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>-115,318</b>	<b>111,080</b>
Financial income	6,685	7,346
Financial expenses	-6,562	-15,191
<b>Net financial result</b>	<b>124</b>	<b>-7,845</b>
<b>Earnings before income taxes (EBT)</b>	<b>-115,195</b>	<b>103,234</b>
Income taxes	27,877	-26,172
<b>Earnings for the period</b>	<b>-87,317</b>	<b>77,063</b>
of which attributable:		
to the owners of the parent company	-87,677	76,808
to non-controlling interests	360	254
<b>Basic earnings per share in €</b>	<b>-0.79</b>	<b>0.69</b>
<b>Diluted earnings per share in €</b>	<b>-0.79</b>	<b>0.69</b>

## Segment reporting

The segment information for the first three months (1 June to 31 August) 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	1,157,940	1,327,195	108,990	116,093	73,773	75,339
Intersegment sales	12,105	11,153	516	1,225	1,492	2,105
<b>Segment sales</b>	<b>1,170,045</b>	<b>1,338,348</b>	<b>109,505</b>	<b>117,318</b>	<b>75,265</b>	<b>77,444</b>
Cost of sales	-927,142	-1,020,055	-60,692	-65,798	-48,575	-45,148
<b>Gross profit</b>	<b>242,903</b>	<b>318,293</b>	<b>48,814</b>	<b>51,520</b>	<b>26,690</b>	<b>32,296</b>
Research and development expenses	-138,393	-158,662	-4,560	-4,603	-2,696	-3,745
Distribution expenses	-30,737	-39,978	-30,395	-32,148	-12,302	-14,180
Administrative expenses	-37,345	-44,883	-5,592	-6,582	-5,896	-6,010
Other income and expenses	3,539	10,328	2,169	2,683	1,011	447
Earnings from investments accounted for using the equity method	1,334	7,248	103	173	0	0
Other income from investments	0	0	2	0	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>41,300</b>	<b>92,345</b>	<b>10,541</b>	<b>11,045</b>	<b>6,806</b>	<b>8,808</b>
Additions to intangible assets and property, plant and equipment	72,783	84,148	2,250	4,354	1,891	5,768

\* The prior-year figures for the segments have been adjusted. Please refer to chapter 03 for further information.

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	1,128,340	1,277,614	99,598	106,293	73,193	74,981
Sales from the rendering of services	29,599	49,580	9,392	9,801	579	358
<b>Sales with third-party entities</b>	<b>1,157,940</b>	<b>1,327,195</b>	<b>108,990</b>	<b>116,093</b>	<b>73,773</b>	<b>75,339</b>

\* The prior-year figures for the segments have been adjusted. Please refer to chapter 03 for further information.



**Sales reconciliation:**

<b>€ thousand</b>	<b>2020/2021</b>	2019/2020*
<b>Total sales of the reporting segments</b>	<b>1,354,815</b>	<b>1,533,110</b>
Sales in other divisions	12,009	23,055
Sales in thermal management business	0	41,463
Elimination of intersegment sales	-22,469	-27,809
<b>Consolidated sales</b>	<b>1,344,354</b>	<b>1,569,820</b>

\* The prior-year figures for the segments have been adjusted. Please refer to chapter 03 for further information.

**Reconciliation of the segment results with consolidated net profit:**

<b>€ thousand</b>	<b>2020/2021</b>	2019/2020*
<b>EBIT of the reporting segments</b>	<b>58,647</b>	<b>112,198</b>
EBIT of other divisions	-2,221	1,204
EBIT thermal management business	0	-2,280
EBIT adjustments	-171,745**	-41
<b>Consolidated EBIT</b>	<b>-115,318</b>	<b>111,080</b>
Net financial result	124	-7,845
<b>Consolidated EBT</b>	<b>-115,195</b>	<b>103,234</b>

\* The prior-year figures for the segments have been adjusted. Please refer to chapter 03 for further information.

\*\* For further explanations, please refer to chapters 04 and 05.

## Consolidated statement of financial position

of HELLA GmbH &amp; Co. KGaA

€ thousand	31 August 2020	31 May 2020	31 August 2019
Cash and cash equivalents	824,346	1,202,794	731,150
Financial assets	583,234	445,631	736,341
Trade receivables	796,993	596,356	969,404
Other receivables and non-financial assets	206,029	206,774	218,804
Inventories	846,713	881,524	887,194
Current tax assets	36,906	70,075	15,169
Contract assets	19,290	18,284	12,611
Assets held for sale	0	0	40,694
<b>Current assets</b>	<b>3,313,511</b>	<b>3,421,438</b>	<b>3,611,366</b>
Intangible assets	245,757	252,186	393,886
Property, plant and equipment	1,545,680	1,593,425	1,916,846
Financial assets	51,619	51,867	45,519
Investments accounted for using the equity method	173,330	176,744	241,328
Deferred tax assets	125,183	81,511	98,449
Contract assets	52,415	55,046	21,021
Other non-current assets	70,412	60,554	52,963
<b>Non-current assets</b>	<b>2,264,396</b>	<b>2,271,334</b>	<b>2,770,012</b>
<b>Assets</b>	<b>5,577,906</b>	<b>5,692,771</b>	<b>6,381,379</b>
Financial liabilities	493,323	503,673	565,815
Trade payables	471,126	601,793	755,466
Current tax liabilities	20,708	40,684	30,838
Other liabilities	369,762	372,679	395,625
Provisions	206,383	129,063	128,090
Contract obligations	114,971	111,858	132,258
Liabilities held for sale	0	0	602
<b>Current liabilities</b>	<b>1,676,272</b>	<b>1,759,750</b>	<b>2,008,694</b>
Financial liabilities	1,261,196	1,284,562	789,508
Deferred tax liabilities	17,496	14,775	14,840
Other liabilities	107,817	95,913	103,210
Provisions	530,187	431,100	483,004
<b>Non-current liabilities</b>	<b>1,916,696</b>	<b>1,826,350</b>	<b>1,390,562</b>
Subscribed capital	222,222	222,222	222,222
Reserves and unappropriated surplus	1,761,518	1,883,270	2,757,035
<b>Equity before non-controlling interests</b>	<b>1,983,740</b>	<b>2,105,492</b>	<b>2,979,257</b>
Non-controlling interests	1,198	1,180	2,865
<b>Equity</b>	<b>1,984,938</b>	<b>2,106,672</b>	<b>2,982,123</b>
<b>Equity and liabilities</b>	<b>5,577,906</b>	<b>5,692,771</b>	<b>6,381,379</b>

## Consolidated cash flow statement

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

€ thousand	2020/2021	2019/2020
<b>Earnings before income taxes (EBT)</b>	<b>-115,195</b>	<b>103,234</b>
+ Depreciation and amortisation	87,158	101,288
+ Change in provisions	185,104	2,540
- Other non-cash income / expenses	-8,123	-2,037
+/- Losses / profits from the sale of intangible assets and property, plant and equipment	224	-221
-/+ Net financial result	-124	7,845
-/+ Change in trade receivables and other assets not attributable to investing or financing activities	-222,140	80,725
+/- Change in inventories	14,825	-82,934
-/+ Change in trade payables and other liabilities not attributable to investing or financing activities	-28,461	5,388
- Net tax payments	-3,021	-22,030
+ Dividends received	611	24,927
<b>= Net cash flow from operating activities</b>	<b>-89,141</b>	<b>218,725</b>
+ Cash receipts from the sale of intangible assets and property, plant and equipment	2,505	6,465
- Payments for the purchase of intangible assets and property, plant and equipment	-157,686	-158,419
-/+ Net payments for loans granted to investments	-1,504	350
- Payments for capital contributions to associates or unconsolidated companies	-3,880	-2,677
- Net payments for the purchase and sale of securities	-110,082	-173,786
<b>= Net cash flow from investing activities</b>	<b>-270,647</b>	<b>-328,067</b>
- Net payments from the borrowing/repayment of financial liabilities	-8,622	-30,632
- Net interest payments	-3,220	-2,774
<b>= Net cash flow from financing activities</b>	<b>-11,842</b>	<b>-33,406</b>
<b>= Net change in cash and cash equivalents</b>	<b>-371,630</b>	<b>-142,748</b>
+ Cash and cash equivalents as at 1 June	1,202,794	876,763
- Cash and cash equivalents of a disposal group	0	-616
- Effect of exchange rate changes on cash and cash equivalents	-6,819	-2,249
<b>= Cash and cash equivalents as at 31 August</b>	<b>824,346</b>	<b>731,150</b>

## 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 31 August 2020 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 amor-

tised 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. 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. Special effects which are clearly differentiated from the operational business are not assessed as part of the operational profitability and are not included in the segment reporting. 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 1st quarter		Reporting date		
	2020/2021	2019/2020	31 August 2020	31 May 2020	31 August 2019
€ 1 = US dollar	<b>1.1513</b>	1.1208	<b>1.1940</b>	1.1136	1.1036
€ 1 = Czech koruna	<b>26.4586</b>	25.6505	<b>26.2080</b>	26.9210	25.9140
€ 1 = Japanese yen	<b>122.8994</b>	120.5107	<b>126.4700</b>	119.2900	117.2800
€ 1 = Mexican peso	<b>25.6944</b>	21.6696	<b>26.0590</b>	24.5580	22.1567
€ 1 = Chinese renminbi	<b>8.0663</b>	7.7838	<b>8.1711</b>	7.8804	7.8908
€ 1 = South Korean won	<b>1,378.4675</b>	1,330.4412	<b>1,415.7600</b>	1,363.7600	1,333.2100
€ 1 = Romanian leu	<b>4.8383</b>	4.7277	<b>4.8398</b>	4.8493	4.7284

### 03 Adjustment of prior-year segment reporting

On 31 December 2019, HELLA completed its exit from the thermal management business, prior to which the associated sales and expenses had been part of the Aftermarket segment and Group figures. As a result of this decision, the thermal management business has also ceased to be part of the Aftermarket segment in its entirety ever since. Consequently, no related expense or income items have been included in the current reporting period. To ensure the ability to draw consistent comparisons, the sales and expenses for the prior year have been adjusted in the Aftermarket segment figures and integrated into the Group reconciliation for sales and EBIT. This has not had any impact on the Group figures.

MAESA, a HELLA company in Spain, was integrated into the Automotive segment as of the beginning of the current reporting period.

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. MAESA has been a fully owned subsidiary of HELLA since 1967. The production company currently has approximately 230 employees and generated sales of just under € 31 million in the last fiscal year. 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.

#### After the adjustments made for the Aftermarket segment the interim reporting periods of the fiscal year 2019/2020 are as follows:

€ thousand	Q1 2019/2020 adjusted	Q2 2019/2020 adjusted	Q3 2019/2020 adjusted	Q4 2019/2020 adjusted
Sales with third-party entities	116,093	246,832	370,659	466,776
Intersegment sales	1,225	2,231	2,939	3,519
<b>Segment sales</b>	<b>117,318</b>	<b>249,063</b>	<b>373,598</b>	<b>470,294</b>
Cost of sales	-65,798	-141,117	-212,872	-272,176
<b>Gross profit</b>	<b>51,520</b>	<b>107,946</b>	<b>160,726</b>	<b>198,119</b>
Research and development expenses	-4,603	-9,098	-13,905	-17,321
Distribution expenses	-32,148	-66,947	-100,848	-125,359
Administrative expenses	-6,582	-11,909	-17,866	-20,881
Other income and expenses	2,683	4,559	9,015	10,234
Earnings from investments accounted for using the equity method	173	353	-1,811	404
Other income from investments	0	0	181	329
<b>Earnings before interest and taxes (EBIT)</b>	<b>11,045</b>	<b>24,905</b>	<b>35,493</b>	<b>45,524</b>
Additions to intangible assets and property, plant and equipment	4,354	8,794	12,305	14,289

After the adjustments made for the Automotive segment the interim reporting periods of the fiscal year 2019/2020 are as follows:

€ thousand	Q1 2019/2020 adjusted	Q2 2019/2020 adjusted	Q3 2019/2020 adjusted	Q4 2019/2020 adjusted
Sales with third-party entities	1,327,195	2,809,283	4,116,625	4,919,196
Intersegment sales	11,153	22,351	40,301	49,251
<b>Segment sales</b>	<b>1,338,348</b>	<b>2,831,634</b>	<b>4,156,926</b>	<b>4,968,447</b>
Cost of sales	-1,020,055	-2,164,863	-3,192,899	-3,932,115
<b>Gross profit</b>	<b>318,293</b>	<b>666,771</b>	<b>964,027</b>	<b>1,036,333</b>
Research and development expenses	-158,662	-313,026	-460,388	-585,323
Distribution expenses	-39,978	-84,696	-126,172	-159,259
Administrative expenses	-44,883	-97,139	-147,716	-184,253
Other income and expenses	10,328	13,982	21,666	39,805
Earnings from investments accounted for using the equity method	7,248	24,907	27,778	13,943
Other income from investments	0	0	0	-1,663
<b>Earnings before interest and taxes (EBIT)</b>	<b>92,345</b>	<b>210,799</b>	<b>279,195</b>	<b>159,583</b>
Additions to intangible assets and property, plant and equipment	84,148	182,380	318,573	421,767

After the adjustments made for the Special Applications segment the interim reporting periods of the fiscal year 2019/2020 are as follows:

€ thousand	Q1 2019/2020 adjusted	Q2 2019/2020 adjusted	Q3 2019/2020 adjusted	Q4 2019/2020 adjusted
Sales with third-party entities	75,339	164,031	243,190	310,059
Intersegment sales	2,105	4,276	6,415	7,785
<b>Segment sales</b>	<b>77,444</b>	<b>168,307</b>	<b>249,606</b>	<b>317,843</b>
Cost of sales	-45,148	-99,560	-151,021	-191,692
<b>Gross profit</b>	<b>32,296</b>	<b>68,748</b>	<b>98,585</b>	<b>126,151</b>
Research and development expenses	-3,745	-8,112	-11,897	-18,293
Distribution expenses	-14,180	-29,973	-44,324	-56,455
Administrative expenses	-6,010	-12,082	-18,336	-22,580
Other income and expenses	447	1,402	2,656	3,434
Earnings from investments accounted for using the equity method	0	0	0	0
Other income from investments	0	0	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>8,808</b>	<b>19,982</b>	<b>26,684</b>	<b>32,256</b>
Additions to intangible assets and property, plant and equipment	5,768	9,319	11,268	17,038

## 04 Notable events

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 believes that market growth rates are only likely to be moderate even after the Covid-19 pandemic subsides, and that they will therefore remain at that level over the medium to long term.

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 and are reported under administrative expenses and research and development expenses, without reference to any specific segment.

## 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 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 2020/2021, the costs for the restructuring measures of € 171,745 thousand (prior year: € 2,321 thousand) have been adjusted in EBIT.

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

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
Sales	1,344,354	0	1,344,354
Cost of sales	-1,027,628	2,041	-1,025,587
<b>Gross profit</b>	<b>316,726</b>	<b>2,041</b>	<b>318,768</b>
Research and development expenses	-285,842	140,197	-145,645
Distribution expenses	-73,068	97	-72,971
Administrative expenses	-77,023	29,409	-47,613
Other income and expenses	2,450	0	2,450
Earnings from investments accounted for using the equity method	1,436	0	1,436
Other income from investments	2	0	2
<b>Earnings before interest and taxes (EBIT)</b>	<b>-115,318</b>	<b>171,745</b>	<b>56,427</b>



In addition to the adjustments regarding the restructuring expenses, the prior-year figures have been adjusted for an operating income of € 2,280 thousand in relation to the Company's exit from the thermal management business.

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

<b>€ thousand</b>	2019/2020 as reported	Adjustment	2019/2020 adjusted
Sales	1,569,820	-41,463	1,528,356
Cost of sales	-1,162,033	36,231	-1,125,802
<b>Gross profit</b>	<b>407,786</b>	<b>-5,232</b>	<b>402,554</b>
Research and development expenses	-167,071	0	-167,071
Distribution expenses	-90,732	5,196	-85,536
Administrative expenses	-53,996	77	-53,919
Other income and expenses	7,671	0	7,671
Earnings from investments accounted for using the equity method	7,421	0	7,421
Other income from investments	0	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>111,080</b>	<b>41</b>	<b>111,121</b>

## 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 this reporting period, free cash flow from operating activities is adjusted for payments made for restructuring measures amounting to € 4,116 thousand (prior year: € 2,959 thousand).

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

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
<b>Earnings before income taxes (EBT)</b>	<b>-115,195</b>	<b>171,745</b>	<b>56,551</b>
+ Depreciation and amortisation	87,158	0	87,158
+ Change in provisions	185,104	-166,618	18,487
- Other non-cash income / expenses	-8,123	0	-8,123
+ Losses / profits from the sale of intangible assets and property, plant and equipment	224	0	224
- Net financial result	-124	0	-124
- Change in trade receivables and other assets not attributable to investing or financing activities	-222,140	0	-222,140
+ Change in inventories	14,825	0	14,825
- Change in trade payables and other liabilities not attributable to investing or financing activities	-28,461	-1,012	-29,473
- Net tax payments	-3,021	0	-3,021
+ Dividends received	611	0	611
<b>= Net cash flow from operating activities</b>	<b>-89,141</b>	<b>4,116</b>	<b>-85,025</b>
+ Cash receipts from the sale of intangible assets and property, plant and equipment	2,505	0	2,505
- Payments for the purchase of intangible assets and property, plant and equipment	-157,686	0	-157,686
<b>= Free cash flow from operating activities</b>	<b>-244,321</b>	<b>4,116</b>	<b>-240,205</b>

The sale of the thermal management business was completed in the last fiscal year. To ensure the ability to draw consistent comparisons with other periods, free cashflow from operating activities is portfolio adjusted for the compo-

nents covered by the reporting period at an amount of € -2.280 thousand, just as it is in the consolidated income statement (in addition to the adjustment for restructuring expenses).

€ thousand	2019/2020 adjusted	Adjustment	2019/2020 adjusted
<b>Earnings before income taxes (EBT)</b>	<b>103,234</b>	<b>41</b>	<b>103,275</b>
+ Depreciation and amortisation	101,288	0	101,288
+ Change in provisions	2,540	1,334	3,874
- Other non-cash income / expenses	-2,037	14	-2,023
- Losses / profits from the sale of intangible assets and property, plant and equipment	-221	0	-221
+ Net financial result	7,845	0	7,845
+ Change in trade receivables and other assets not attributable to investing or financing activities	80,725	0	80,725
- Change in inventories	-82,934	0	-82,934
+ Change in trade payables and other liabilities not attributable to investing or financing activities	5,388	-688	4,700
- Net tax payments	-22,030	-23	-22,053
+ Dividends received	24,927	0	24,927
<b>= Net cash flow from operating activities</b>	<b>218,725</b>	<b>678</b>	<b>219,403</b>
+ Cash receipts from the sale of intangible assets and property, plant and equipment	6,465	0	6,465
- Payments for the purchase of intangible assets and property, plant and equipment	-158,419	0	-158,419
<b>= Free cash flow from operating activities</b>	<b>66,771</b>	<b>678</b>	<b>67,449</b>

Lippstadt, 21 September 2020

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH



**Dr. Rolf Breidenbach**  
(Chairman)



**Dr. Frank Huber**



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