HELLE Investor Update
Q1 FY 2016/17

Conference Call on September 28th, 2016

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Carl Pohlschmidt, Finance Director
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HELLA Investor Update Q1 FY 2016/17

Outline

■ HELLA Financial Highlights Q1 FY 2016/17
■ HELLA Financial Result Q1 FY 2016/17
■ Outlook
■ Q&A
Positive sales growth and strong EBIT increase in Q1 FY 2016/17
Financial Highlights Q1 FY 2016/17

- **HELLA Group sales growth** adjusted for negative (-1.2%-points) FX effect and negative (-0.2%-points) effect of Industries disposal at 5.2% YoY to 1.6 bill. EUR

- **Adjusted Gross Profit margin** at 27.6% (+0.9%-points YoY)

- **Adjusted EBIT** +17 mill. EUR (+17%YoY) to 118 mill. EUR

- **Adjusted EBIT margin** at 7.6% (+0.9%-points YoY)

- **Adjusted Operative Cash Flow** decreased by 38 mill. EUR (-58%YoY) to 27 mill. EUR due to temporary shifts

- **Continuously strong basis** for future growth with cash and short term financial assets of 825 mill. EUR

Note: Adjustments including restructuring expenses and supplier default in FY 15/16 and restructuring expenses in FY16/17
HELLA top line growth with expected development in Q1 FY 16/17
Financial Highlight Q1 FY 2016/17

HELGA group revenues (EUR m)

<table>
<thead>
<tr>
<th>Comment</th>
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<tbody>
<tr>
<td><strong>Currency</strong> and <strong>portfolio adjusted</strong> growth HELGA Group at 5.2%</td>
</tr>
<tr>
<td><strong>HELLA</strong> reported <strong>Group</strong> sales <strong>increased</strong> by 57 mill EUR (+3.8%) to 1,553 mill. EUR:</td>
</tr>
<tr>
<td>- <strong>Automotive</strong> + 3.2% to 1,163 mill. EUR. Moderate growth due to <strong>project ramp downs</strong> and <strong>negative FX</strong> effect</td>
</tr>
<tr>
<td>- China continues to be an important growth driver. China entities sales growth at 18% YoY</td>
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<tr>
<td>- <strong>Aftermarket</strong> +7.3% to 313 mill. EUR due to positive wholesale and strong workshop development</td>
</tr>
<tr>
<td>- <strong>Special Applications</strong> -2.4% to 70 mill. EUR after <strong>disposal of Industries business</strong></td>
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Improved productivity in Automotive results in Gross Profit increase

Financial results Q1 FY 2016/17

- Adjusted Gross Profit increased by 29 mill EUR (+7%) to 428 mill. EUR
- Adjusted Gross Profit margin improved by 0.9%-points to 27.6% driven by high capacity utilization in the Automotive and positive product mix in the Aftermarket segment
High R&D expenses to secure future growth
Financial results Q1 FY 2016/17

EUR millions and % sales

<table>
<thead>
<tr>
<th>R&amp;D expenses</th>
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<tbody>
<tr>
<td>Q1 FY 15/16</td>
<td>140</td>
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<tr>
<td>Q1 FY 16/17</td>
<td>154 (+14)</td>
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<table>
<thead>
<tr>
<th>R&amp;D expenses ratio</th>
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<tbody>
<tr>
<td>Q1 FY 15/16</td>
<td>9.3</td>
</tr>
<tr>
<td>Q1 FY 16/17</td>
<td>9.9 (+0.6)</td>
</tr>
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</table>

- **Absolute R&D expenses** increased by 14 mill. EUR (+10% YoY) to **154 mill. EUR**
  - Over-proportional increase in acquired projects
  - Strong investments in new product generations in lighting and electronics
  - Targeted R&D efficiency not reached

- **Q1 FY16/17** ratio increased by **0.6pp** to **9.9%** due to over-proportional increase in absolute R&D expenses

- Ratio in line with previous quarter after step-up in Q3 FY 15/16
Quite stable development of SG&A costs
Financial results Q1 FY 2016/17

Adjusted SG&A expenses

- **Distribution** expenses +4 million EUR (+3.1% YoY) to 123 million EUR due to higher Aftermarket sales

- **Adj. other income and expenses** +2 million EUR to 7 million EUR mainly due to higher government grants and insurance reimbursements

- **Admin. expenses** +2 million EUR (+4.7%) to 55 million EUR due to investments in corporate functions

Adjusted SG&A expenses ratio

- **Distribution** cost ratio constant at 7.9%

- **Adj. other income and expenses ratio** +0.2%-points to 0.5%. Including charges for supplier case ratio and restructuring increased by 0.6%-points

- **Admin. costs** ratio constant at 3.5%
Adjusted EBIT above prior-year's level
Financial results Q1 FY 2016/17

**Adjusted EBIT**
- Adjusted EBIT increased by 17 mill. EUR (+17%) to 118 mill. EUR
- Negative FX development did not affect EBIT

**Adjusted EBIT margin**
- Adjusted EBIT margin increased by 0.9%-points to 7.6% mainly due to increase in GPM by 0.9%-points
- Increase in R&D expenses mainly compensated by higher JV income (+0.4%-points)
Quarterly Cash Flow influenced by temporary shifts
Financial results Q1 FY 2016/17

Adjusted Operative CF

- Adj. operative CF decreased by 38 mill. EUR to 27 mill. EUR:
- Higher Working Capital consumption compared to Q1 15/16, mainly due to payment of trade liabilities after build-up at year-end

Net CAPEX

- CAPEX lower by 1 mill. EUR to 106 mill. EUR
- Continuous investments in customer-specific equipment
- Reimbursements increased by 3 mill. EUR to 26 mill. EUR depending on project launches

Note: Adjusted Operative Cash flow Q1 FY 16/17 excludes cash restructuring payments (2 mill. EUR,) and reduction of factoring program (70 mill. EUR). Adj. Operative CF Q1 FY 15/16 excludes cash restructuring payments (3 mill. EUR)
Automotive main growth and profitability driver

Financial results Q1 FY 2016/17

**Automotive External Sales**

- **Sales growth** driven by LED lighting and energy management products
- **Moderate growth** due to project ramp-downs, negative FX effects and weaker business development of Chinese customers

**Automotive Profitability**

- **Strong increase of adj. EBIT margin** to 8.4%, mainly due to
  - increased adj. GPM due to high level of utilization and less complex project ramp-ups
  - Higher JV contribution, after a weak comparable basis in Q1 FY 15/16

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* External sales, Q1 FY 15/16 residual of -10.9 mil EUR allocated proportionally to Electronics and Lighting
Non Automotive segments with positive FY 16/17 contribution
Financial results Q1 FY 2016/17

**Aftermarket**
- Strong wholesale business
- Positive demand for workshop products
- Higher EBIT margin due to positive product mix and increasing sales

**Special Applications**
- Negative top-line growth after sale of Industries business, portfolio adjusted growth at +2.6%
- Special OE with positive sales development but Agricultural sector still difficult
- Special OE with solid EBIT margin
- Follow-on costs of Industries disposal affect margin negatively
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## Positive growth outlook 2016 in key regions according to VDA Outlook

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<th>Region</th>
<th>Expected Automotive Sales (in m pieces)</th>
<th>Comment</th>
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<tbody>
<tr>
<td>Western Europe incl. Germany</td>
<td>13.8 (5%)</td>
<td>■ Continuing growth in 2016 expected after strong 2015, potential negative implications from BREXIT not included</td>
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<tr>
<td>USA</td>
<td>17.1 (-2%)</td>
<td>■ After peak of US market in 2015, slight decline in 2016 expected</td>
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<tr>
<td>China</td>
<td>22.1 (10%)</td>
<td>■ Positive expectation for 2016 revised upwards to 10%. Partly advanced demand from 2017 due to government program. Slow down 2017 expected</td>
</tr>
<tr>
<td>TOTAL</td>
<td>52.0 (-3%)</td>
<td>■ Overall growing expectations in key markets for 2016. For 2017 overall slowdown of growth expected</td>
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Source: VDA (as of September 2016),
Company specific development for FY 16/17 generally confirmed

Outlook

Current outlook is fundamentally in line with the forecasts given in the Annual Report FY 2015/16

Guidance

Sales Growth

Growth in a mid-single digit percentage range

Adj. EBIT Growth

Growth in a mid-single digit percentage range

Adj. EBIT margin

More or less remain at the prior year’s level

Mid-term growth prospects

Order intake in the last two years excepted to result in acceleration of growth dynamic beyond FY 16/17
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Thanks for your attention

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