Operator: This is conference # 953673.

Good afternoon, ladies and gentlemen. Thank you for standing by and welcome to the HELLA investor Webcast. At this time all participants are in a listen only mode. During the presentation we’ll have a question and answer session, at which time if you wish to ask a question, you’ll need to press star one on your telephone keypad. I must advise you the Webcast is being recorded today, Friday, August 14, 2015.

I would now like to hand the Webcast over to your presenter today, Dr. Wolfgang Ollig, Chief Financial Officer. Please go ahead, sir.

Wolfgang Ollig: Thank you very much for the introduction. Welcome, everybody, to our investor call on the full year numbers of the financial year 2014/2015. Together with Carl, our Financial Director, I will lead you through the presentation.

We will try to keep the presentation within the next 20 minutes and then we’ll be open for questions. In fact, there is no time limit for questions, so in terms of efficiency, we would request all of you to ask your open points and really get a good discussion going during the course of our Web call.

So I would like to start with page 4, the financial highlights of the last financial year. As already indicated in our last calls, during the half-year and the nine-quarters call, we have achieved all our major financial targets for the full year.

The Q4, I will have a chart on this later on, has been quite strong, not only in terms of sales, but as well in terms of profitability and cash flow. So in general, for the full year, we have been able to outperform the market again, quite significantly. There
has been a growth of 9 percent. Around 2 percent has been FX, so 7 percent based on the organic business activity.

Most of this has been driven by automotive, which is the lighting and electronic business.

Our gross profit has declined due to basically one-time effects and the segment mix, due to less aftermarket and special application sales.

And we have a bottom line EBIT improvement on an adjusted basis, which shows the real operative performance increase we have achieved over the full year. The normal EBIT, of course, has been influenced by the major restructuring efforts we have had, especially in the previous year but, to a certain degree as well, this financial year.

Our ROIC has increased more than 1 percentage point, our ROIC after tax, which might be quite interesting. And as well, we have been able to significantly improve our operative cash flow, which as well has been part of our guidance we have given at the beginning of the last financial year.

And here, especially, we had a timing effect we already have indicated in the third quarter with a quite strong fourth quarter, with a lot of customer payments, project payments been coming in, in fact, improving our overall cash balance for the fourth quarter.

If we go to page 5, the market, you see that on the left-hand side, on a global Group level the 9 percent growth rate. So the 2 percent, in fact, 2.3 percent FX effect and the global growth of around 2 percent. Then you see on the right-hand side, the automotive business activity, you see there has been growth in all major regions.

You might ask why in Asia and South America there has been such a big difference. Of course, our growth is especially depending on project launches we have in the specific regions. And here you see, especially in Asia, which to a large degree is China, we had had a significant increase in 2013/2014 which, of course, is continuing but on a less stronger base. Whereas North and South America, we had a reverse effect with a strong growth in 2014/2015.
So all in all, we have outperformed the market by 5 percent, without the FX effect, on Group level. And, of course, if you look just at the automotive sales increase, this growth has even been higher.

Due to the fact that a lot of questions might be raised from your point of view on China, we included on page on China, on page 6. You see that out of the end customer sales split we normally always give for Asia and rest of the world, here now we show as well the China portion. Around 60 percent of this, around EUR1 billion is China related.

If we now look at the local production of our Chinese entities, you see that not all of this is done locally but only around EUR 0.7 billion, out of which we have a split between local / international OEMs of around 85 percent/15 percent, which is pretty much what we estimate to be the market level. 15 percent to 20 percent local OEMs is what we assume to be the market.

If we look at top local customers, a question which might be on your hands, important customers for us are Great Wall, but as well BAIC and Geely, the ChangAn Group and GAC, especially. But of course, as you know there are a lot of other local OEMs and here really the question is which specific picks and which projects you have in the pipeline.

As well, in terms of building up of our global team, the China investment has been quite important over the last years. Structural investments, in fact, have been done so there's no major need in the near term and, as well, our R&D team has been built up quite significantly in the last financial year. Here will be a certain growth, but not so substantial as has been done in the past.

Going to the segment split on page 7, you see what I have already indicated. The automotive business really has been the driver of the HELLA Group results, both in terms of sales development, but as well in terms of profitability development. Here, we have reached a margin of 7.7 percent. This is quite positive that we have been able to realize higher gross margin out of scale effect.

We have taken advantage of the strong position we have with premium customers, high demand for technology products driven by the mega trends, safety, environment and design. And as well, our global footprint, which has helped us, not being present
in the problematic areas of the world like Brazil and Russia, to a large extent. So here, we really have continued our overall performance and development, as already indicated in the last quarters.

The aftermarket business has recovered, especially in the second half. You remember, we had in the first half a quite difficult market situation, especially in the German aftermarket. This somehow has turned around and market growth has come back.

However, we were not being able, due to product mix effects, to fully recover on the profitability side. We have started a recovery project in order to improve our sales efforts, to improve our cost position, and it's our intention here to somehow get the fruit of these projects in the near- and midterm future.

The special applications business has been hit by the agriculture business. We already have talked about this many times. This impact has continued for the full year and we don't expect any substantial recovery in this specific market segment. So the special applications business, both in terms of sales and in terms of profitability, is significantly behind the previous figures.

Now, if we look at the gross margin at page 8, you might remember that we have talked a lot about the strong gross profit development being in the range of around 27 percentage points. In general, we keep, in fact, to this overall statement. However, looking at this year, we had some special effects. Those impacted last year which, somehow, has pushed the 27.6 percent, due to the fact that we had some extraordinary items.

This year we had, as well, especially in the fourth quarter, warranty topics, impairments and projects related to the high technology launches and rollouts we have talked about as well, especially in the lighting division, which has hit our gross profit. To a certain extent, these are rollout costs we have now to tackle, based on the global expansion of our high technology product portfolio.

This, however, has been a rather, let's say, special effect, as we show it here in our bridge. We had around 0.3 percentage point reduction due to our segment mix.

So higher gross profit levels in aftermarket and special applications due to less growth in relation to automotive has hit the balance here. And, as well, we had some
other effects we assume in this other box of 0.2 percent including FX effects, but as well, some asset sale we had in the previous year.

So all in all, the gross profit margin has decreased then over the year by around 1 percentage point, out of which a significant portion is a one-time effect and related to launch issues we have had in the fourth quarter.

Looking at the EBIT and EBITDA level, here you see the key numbers and some explanation on the right-hand side. I think the fair comparison really is on the adjusted basis due to the restructuring project which, of course, has hit the previous year quite significantly. So we were able to improve our adjusted EBIT margin by 0.1 percentage point to 7.6 percent, to an absolute level of EUR445 million.

The EUR 430 million EBIT level, the 7.4 percent is, in fact, a record figure for the HELLA Group and, thus, we consider, as well, the profitability development to be quite satisfying. The EBITDA level as well, on an adjusted basis, has improved to 13.4 percent as well by 0.1 percentage point.

If we look at our structural costs here, we have talked about a lot in our investor discussions for the last financial year. We have been successful in really reducing our structural costs on the R&D side, on the administrative side, and on the distribution cost side.

You remember the globalization effort which really has inflated these numbers in the last two years due to pre-investment structural buildups of people and, in fact, cost investment into new business which will come in the future. In fact, in 2014 and 2015 you see that first kickbacks of these financial effects are already hitting in. And on all three cost items we have been able to improve by 0.9 percent, so basically compensating the gross profit effect we had on the negative side.

If you look on the cash flow, page 11, we have, in fact, had an under-proportional growth of working capital. You see here the numbers of the balance sheet. If you look at the cash figures, the increase has been less strong, due to FX effect, especially on the inventory side. We have been quite successful in just growing by only 1 percent, having in mind that significant growth in automotive, of course, is as well inventory-related.
If we look at the CapEx figure as well, a question we have discussed quite often with you in the last year, finally we came out at around EUR350 million which was at the bottom line of the guidance we have given. Due to the sales development, this ratio has declined to 6.0 percentage points, so maybe a little bit lower than you might have expected. In January, as we have indicated, the net investment level for the future probably will be a little bit higher, so now coming really to a normalized level again.

All in all, we can see that the operative cash flow then on page 12 has significantly increased, which as well has been part of our guidance. We considered the year 2014/2015 to be our first, so to speak, normalized year after this extraordinary globalization effort. We are quite satisfied that we have been able to show this on the sales improvement, profitability improvement and, as well, on the cash flow development.

In relative terms, as well here, and to adjusted EBIT level, this ratio as well has increased.

In terms of financial structure and balance sheet, page 13, you see that due to the capital increase and, as well, the positive cash flow, we have been able to reduce our overall net debt to around EUR130 million. In terms of Net Debt/EBITDA ratio we are at 0.2 times, so it's still quite a solid and strong balance sheet performance.

If we look at the quarterly picture on page 14, you might remember we have stated that we want to have a cumulative consolidated view on our business activities, and not just look at the specific quarters, because there are always a lot of timing effects influencing the interpretation of the numbers.

On the full year with a quarterly perspective, of course you can see that especially FX effects have hit in Q3, so starting December/January. And this has, as well, continued and even increased, so we had a level of around 5 percent FX effect in our last quarter. However, as well the organic growth has accelerated to 10 percent, so all in all the growth has been about 15 percent for the last quarter.

Looking at the gross profit margin and the EBIT margin relation, of course here you see a certain mismatch you might not have expected based on to the overall sales growth, which is mainly due to these warranty and launch topics I've mentioned on the gross profit level.
Next page, 15, should make the point again that we have a lot of volatility in our quarters. You see this especially on the cash flow side. We had, I think, a quite intensive discussion with you on the cash flow development in Q3. We have stated that a lot of effects have been postponed due to product launches, due to customer-specific topics, due to reimbursement issues. And we, in fact, have compensated for these shift effects in Q4.

So now, looking at each quarter, you see that there is a lot of volatility, and this is, in fact, our reasoning, and should convince you that cumulative approach in interpreting the numbers, especially on cash flow, is a quite important and probably, as well, useful way.

Talking about the outlook, just two more pages. So looking at the market here, we estimate and think there will be a continuous recovery in the European market, which has started and has strengthened during the course of the last financial year for us.

We still expect the U.S. to grow, however on a smaller level. And, as well, we have expected China, and these are the numbers of the VDA, to grow overall by around 6 percent. However, of course as you know in the last weeks and days there have been a lot of uncertainties raised about China.

In fact, we have anticipated this in our overall growth for the full year, which we have reduced from 2 percentage points plus to just around 1 percent, taking into account that the overall development, especially in China, is rather volatile and very difficult to assess.

However, due to our overall positioning, our global setup, and as well the strong position we have in other growth markets, we in fact still expect our business to grow.

On page 18, on the sales level from medium to high one single digit, this is including as well FX effects. We expect the EBIT in absolute terms as well to grow on a similar level, mid to high one single digit, which would lead to a, let's say, continuous EBIT margin for the next financial year.

The reason why we have a continuous EBIT margin here is basically twofold. On the one hand, we somehow already include a certain negative market development in these numbers. And secondly, we as well are anticipating, as we have seen in our
last quarter, a certain burden and certain launch issues on our high technology project launches. So therefore, we will guide on a continuous EBIT margin level.

So this would be our presentation. I think I've stucked to pretty much to the 20 minutes, so now we are happy to answer your questions.

Operator: Thank you very much indeed, Dr. Ollig. We now go to the question and answer session. If you wish to ask a question please press star one on your telephone keypad and wait for your name to be announced. That's star one to ask a question. And you have a few questions at the moment. From Credit Suisse, your first comes from the line of Alex Haissl. Your line is now open, sir.

Alex Haissl: A couple of questions, if I may? First of all, on the accounting changes, can you explain what triggered the change, i.e., these corporate services being moved out of the divisional units into a separate line, this EUR31 million?

And a question related to that, was there also an impact, then, on the EBIT line on a divisional base? That would be my first question.

My second question, I'm sorry, coming back on China, if I take the EUR1 billion and the remaining EUR300 million that you basically show as revenues into China, is this exported cars finished, produced in Germany into China? Or are these mainly spare parts that you deliver to joint ventures into China? If you can help us to understand where this EUR300 million will go?

And the other question related to that; with regards to your products, is there a major difference in terms of content in China, i.e., is it fair to say that for joint ventures the content is double as high as for local plants?

My other question would be on the R&D side. We have seen that capitalized R&D moved up by EUR50 million in the last financial year. Can we expect the capitalization to remain high on R&D, going forward?

And my last question would be, I've seen in the press release that you intend to purchase another 50 percent in your Polish operations, and we had the discussion when you bought the Danish 8 percent. What is the rationale to buy this 50 percent? I do understand it's just a small amount, but what does it strategically change for HELLA to own this business 100 percent at this point? Thank you very much.
Carl Pohlschmidt: This is Carl Pohlschmidt. Let me start with the first question regarding the assignment of sales within the corporate services. So this is one company we own. It's for personnel services; we haven't consolidated the company in the past, due to materiality reasons.

But the company has increasing external business, but this is really not core business of HELLA. So they are providing temporary workers to HELLA, but also to other companies, and we have consolidated them for the first time as the external sales are increasing. But they are definitely not essential to a business division, and do not drive business division operations.

Alex Haissl: Are there any earnings related to this EUR30 million?

Carl Pohlschmidt: Yes, sure. But it's not much, so the net result you see in the other corporate services, it's around EUR1 million.

Alex Haissl: OK. So that's basically the others line positive by EUR1 million, which was slightly negative over the last few years; that's pretty much the profitability coming from that unit?

Carl Pohlschmidt: Yes.

Alex Haissl: OK. Thanks.

Wolfgang Ollig: Concerning your questions on China, so your assumption that here we talk about export is correct. So our aftermarket business in fact is not so strong. So here, this is really the assumption based on market data available of exports into that country, because it's our logic to assess where our products, in fact, are demanded and bought by end customers.

Concerning the different content portfolio between local OEMs and international JVs, it's a case that, in fact, for the international OEMs the general value added of the products is higher. I'm not sure if I could commit to your assessment about the size, but clearly, the overall value in terms of quantity of the local OEMs is lower.

Talking about the R&D question, the increase in capitalization, in the last year I think we had a capitalization rate of around 7 percent of our overall R&D rate. Our R&D in terms of nominal value slightly increased as well this year, so I think we add around 9 percent, if I remember correctly.
Of course, it's our intention to further improve our profitability, so our projects are becoming more profitable. And based on clear guidelines and rules we have in the assessment of our R&D projects it might be that, as well, the capitalized R&D costs might increase, but there will be not a substantial increase. And as well, there is no change in policy we have here.

Your question on Inter-Team and the aftermarket business in Poland, you might remember that we have talked about our Polish operation. Here, we already are fully consolidating this business, and we have a 50 percent share here. We started the activity more than five years ago, buying into, at that time, the number four, number fifth, depending on the rankings, wholesaler in this country.

At that time, it was a family owned business, and in the last five years we have significantly invested into growth in Poland. So making Inter-Team operationally and sales-wise to become the number two behind InterCars in the Polish market, with a quite good positioning as well on a national level, whereas before it has been a regional player.

And our business rationale here really is to make the Polish platform the platform for growth, even outside of Poland to the neighboring countries, and really extend here our wholesale business activities.

Our partner, our joint venture partner, he's a natural person, as well has a certain preference for exiting the business. And, therefore, we took the opportunity to buy up his shares, to now fully control and fully develop this business in the right direction, from our point of view.

Alex Haissl: Thank you. Just one follow-up on China; these EUR300 million, is it spare parts for cars that are produced in Germany? Or are these spare parts being sold to joint ventures?

Wolfgang Ollig: No, the logic we have here, and there are different views, is one the one hand, we have the end customer view, so basically we say where are our electronic products, and our lighting products, in which cars which we have been sold, and in which markets are these products. So this is the end customer view, and the China entities view is, which of these products are produced locally in this country.
For the EUR300 million, there might be some spare parts in, but basically these are OE parts which are sold to our customers, and our customers are exporting these products then as full cars to China.

Alex Haissl:  Perfect. Do you have any idea what the organic growth was in China for you last year on a like-for-like base?

Wolfgang Ollig:  You mean on the China entities?

Alex Haissl:  Yes.

Wolfgang Ollig:  Yes, it has been higher than the market. It has been a two digit figure because we are ramping up our plants, as we have discussed.

Alex Haissl:  And sorry, I have one last question. When you take the automotive business in the fourth quarter, at least versus my expectations, EUR10 million were coming from this other operating income expense, which I guess is the release of provisions.

What can you expect from this line, going forward, because it seems underlying it was more or less in line with market expectations, more like an accounting issue in the fourth quarter? Is there more you can release?

Wolfgang Ollig:  Are you talking about sales or EBIT?

Alex Haissl:  EBIT, sorry.

Wolfgang Ollig:  For automotive?

Alex Haissl:  Yes.

Wolfgang Ollig:  So as mentioned we are, or we have seen, especially now in the last month, certain issues on launch topics, and we expect these effects, to a certain degree, to continue in this financial year.

Alex Haissl:  OK, excellent. Thank you very much.

Operator:  Your next question comes from Lucile Leroux with Morgan Stanley. Please ask your question.
Lucile Leroux: Quite a couple of questions have been answered already; maybe as a first question would be on China. I understand that the content with the Chinese OEM is lower in general than the foreign OEMs, but I was wondering if you could give us a bit of color on the interest of the Chinese OEM for your products like in lighting and in electronics?

Secondly, I was wondering if you could clarify how is profit margin in China versus the rest of your business across the world?

My third question is maybe a bit more detailed, is, I would like to understand what is the LED ratio of your headlamp shipments, so globally but also across the different regions if you have these numbers?

And finally, during the CMD last year you mentioned like some midterm targets with a decline in R&D, going forward. I was wondering how we should think about this midterm target, going forward? Thank you.

Wolfgang Ollig: OK. So starting with your last question, due to the launch issues we are witnessing currently, we are as well investigating and putting more effort into our launch support, as well on the engineering side. So this might somehow halt, and slow down the reduction of the R&D ratio in the next financial year.

However, it does not change the principal process and the principal intention we have on reducing the R&D line, even below the 9.3 percent we have achieved currently.

Talking about the LED shipments, maybe I'm not sure if I have understood the question right, so I don’t know if I can answer it.

Lucile Leroux: Yes, I'm trying to understand like if you see huge differences between the different regions on the LED headlamps versus the headlamps that you are selling basically. If you are seeing some of your competitors are seeing differences, for example in China versus the rest of the world, versus Europe and the U.S. Not the penetration, but you HELLA, how is it different?

Wolfgang Ollig: To be honest, I don't know these numbers by heart, but basically, it's related to the project, of course, we are in, and how these projects are sold and demanded by the specific customer groups, and the specific regions.
Lucile Leroux: OK. Thank you.

Wolfgang Ollig: In terms of profit margin on regions, you might remember that we are, unfortunately, not commenting on regional profit margins in general. However, we can say that, due to the global projects and the global competitiveness of our business activities, in general there are substantial differences in profit margins on regional levels. However, we are not, reporting on these numbers specifically.

And concerning the interests of local OEMs and working together with HELLA, I think this has been your question?

Lucile Leroux: Yes.

Wolfgang Ollig: So in general, of course, the local Chinese OEMs are interested in upgrading their product portfolio, in starting exporting projects, and as well in competing with the international OEMs. So therefore, they are interested in technology, and in reliable suppliers. This is, in fact, the reason why a lot of business activities have been initiated by customers and by us with the local OEMs.

We have to be selective because we cannot fulfill all customer requirements. But in general, the local OEMs we have seen are quite agile and quite fast in adapting to new trends.

For instance the SUV trend, they have responded to a much faster degree than some of the international OEMs and this is one reason, from our point of view, why currently they seem to be more successful. And this is similar for other product areas. So there is a continuous drive for technology products, however on another price and overall content level.

Lucile Leroux: OK. Thank you.

Operator: Your next question comes from Michael Raab with Kepler Cheuvreux. Please ask your question.

Michael Raab: I have basically three questions, quite brief ones, I have to admit. First of all, could you specify a little bit your free cash flow guidance for the year 2015/16 respectively? Would it be bold to presume that your free cash flow is going to increase further in this year? And if that’s not bold, could you give us a bit of a numeric range for the guidance?
Then secondly, getting back on your EBIT margin guidance, just for my understanding, and forgive me if I missed out on the detailed explanation, but is this on the reported level, or does it also hold for the adjusted level? I'm asking because, apparently, to me it reads like it's for the reported level, but you're also saying you have EUR20 million additional restructuring expenses. So in a way, this could suggest that the adjusted EBIT margin could be bound for an increase sequentially in this current fiscal year.

And then finally, the launch issues that you now talked about several times in the recent minutes, what are they specifically in their nature? Is that an issue that you have in-house, or is it any problem with the customer, i.e., on the customer side? Thank you.

Wolfgang Ollig: OK. I'll start with the last question, and then Carl will answer the first two. So concerning the launch topics, here we face the challenge of getting a new technology, with new products and with high volumes to our customers.

And this really is a challenge which we already have experienced, and worked on, in the German plants. Of course, we have taken our lessons learned and now, in the rollout of these projects, a lot of first issues we have had in Germany could have been prevented.

But other issues have arisen and, therefore, it's not a customer-specific topic, but rather a topic of how fast are we able to really industrialize these new technologies and prevent additional ramp up costs and launch costs.

Michael Raab: So just for my understanding, this is an issue that is related outside of Germany, so it's in the international markets, but it's in-house HELLA, correct?

Wolfgang Ollig: Yes.

Michael Raab: OK. Thanks.

Carl Pohlschmidt: Yes, some explanations from my side regarding the guidance we are doing on our financial reporting. You all might know that there are specific rules in Germany, coming from the German Commercial Law, regarding the management report we have to add to the IFRS financial statements, and where we are obliged, according to
German legislation, also to provide some forecasting, or some outlook on our further business.

And we have to do that due to the standards which are valid here in Germany for the financial reporting according to our internal approach. So according to the management approach, our most significant internal key performance indicators, and these are the sales growth and the EBIT margins.

This is also the reason why we changed this outlook in our financial statements from the last year's methodology where we have guided the EBIT. But, of course, from the EBIT margin you can calculate also what we are expecting in total figures of EBIT.

We have guided the unadjusted EBIT margin, but to give you also some indication, we have also mentioned that we are expecting around EUR20 million for the restructuring cost, majorly coming from the old project in terms of early retirement where we have providing additional provisions for those people which have participated in this program.

So as I said, we have to guide the most significant key performance indicators we are using here, also in the management approach, and this is sales growth and EBIT margin. So therefore, we have no guidance for the other figures, including also the free cash flow.

Michael Raab: OK. Thank you, and have a great weekend.

Operator: Thank you very much indeed. And just before I open the last line, it’s star one on your telephone keypad to ask a question or to simply make comment. Star one. And from Intermonte SIM we have a question now from the line of Lello Della Ragione. Your line is now open.

Lello Della Ragione: Thanks for taking my question. Actually, coming back to China, I was wondering if you can give us an indication of the localization rate that you are actually incurring there in China? And what kind of hedging as a percent – as a rate do you use for revenues in this region?

The other question is on the cash flow, on the cash side, pardon. You still have EUR1 billion in cash and I was wondering if you are still comfortable with this level.
Or you believe that it's a little bit too high and you can use this additional cash that you have there to fuel your growth to external ways, not only with small acquisitions or with something more relevant. Thank you.

Wolfgang Ollig: OK. The question concerning China, maybe on page 6 the explanation answers your question. We, in fact, produce in our local entities around EUR0.7 billion sales and the sales by end customer in this region are EUR1.0 billion. So I don't know if this answers your localization question.

If you look at our overall business here, we try to localize our supply chain as much as possible, where reasonable, of course. And here, of course, we are in a continuous process. But in general, we are not unsatisfied with the current level of localization of our overall value chain.

To your second question concerning our liquidity on the balance sheet, which has totaled EUR1 billion, as we have mentioned when we presented our strategy in the last months and the last financial year, we always have indicated that the additional cash inflow on the capital increase side would strengthen our organic growth, on the one hand. It would strengthen our growth in the Hella network, in the network strategy with our joint ventures, as we have done now with Inter-Team. And certainly, as well, we would consider small to midsized acquisitions in certain areas.

However, there will be no time pressure for executing this strategy. So also now, we can say there's no time pressure. If we look at the overall level, clearly liquidity is higher than what operationally is needed by the Company.

However, if you look at the general structure of our debt, it's a long term maturity profile. So in terms of a net debt level, of course, a high cash liquidity position is needed to counterbalance the long-term debt. But in general, we are still continuing with our investment and overall growth strategy.

Lello Della Ragione: Thank you.

Operator: Thank you very much indeed, thank you. Now from MainFirst you have a question from the line of Manuel Tanzer. Your line is now open.

Manuel Tanzer: If I may come back on China, just very briefly, can you give us an idea of your most important international clients in China, so global OEMs, since, for example, Daimler
is doing very well in China versus BMW, which focuses some problems at the moment? And also, your platforms which you’re currently serving since SUVs are doing much better. That would be the first question.

And secondly, maybe on the joint ventures, we saw a lot of growth last year on the joint ventures. What role do they play in your guidance for this year, and do you expect to see a similar growth and margin expansion as last year? Thank you.

Wolfgang Ollig: Concerning Chinese customers, unfortunately we are, as well, not commenting on this level. However, if you look at the joint venture we have done in China in this last financial year with the BAIC Group, of course, you can have an idea what is in the portfolio of the BAIC company in terms of international business partners.

In general, we are not commenting on details of our customers. Our business with international OEMs, of course, is somehow reflected in the overall positioning of the OEMs in the Chinese market.

Concerning the question on JV guidance, as we have always said, our joint ventures are part of our growth strategy. There’s no pure financial perspective on this, but really a strategic and business logic behind these joint ventures, of course, together with the financial performance grid.

And going forward, this year we have been quite satisfied with the overall performance, which, as well, has been related to the fact that we had a lot of startup joint ventures which came out of their startup phase and have now contributed stronger to the overall profitability level.

We expect this trend to continue, in line with the performance we have seen in the last financial year.

Manuel Tanzer: OK. Thank you.

Operator: Now we have a follow-up question from Alex Haissl. Your line is now open.

Alex Haissl: I have one question on the cost side in China. How fast could you take out costs in China, i.e., what’s the ratio of permanent employees versus temporary ones? Because with your financial year ending in May, you haven’t really seen a down month in China because the market pretty much started to roll over in June, with July being down, for a lot of these JVs, 20 percent.
So I guess the key question is, what's the potential really to manage the cost side if the revenues are not hitting? What do you expect right now? This would be my first question.

And my other question is – a different topic is on the wholesale business in Denmark.
If I remember right, your biggest competitor moved out of the market last year, Mekonomen AB, and when I look on the margin side of the business, you improved by 60 basis points year over year just in Denmark. Can you explain, has there been any structural positive change in this business since you operate purely alone there?

Wolfgang Ollig: So concerning the cost position in China, of course, we have already initiated activities to manage costs very prudently and to reduce costs wherever possible. However, we are not intending to structurally reduce our general growth investments we have done.

But on the operational level, in the plants, as well in the support functions, as well in relation with our suppliers, we already have started to adapt our cost position on the volume development which, in fact, has gone down over the last two months.

In terms of own blue collar employees, temporary employees, this is not so important in China if you know the regulation. In fact, the adaptation on costs is possible, but of course you have to execute it.

In general, however, still there will be a lack of gross margin level due to the fact that we are ramping up our plans. And, as mentioned, we don't want to structurally stop, or postpone, our general investment into this market.

Concerning our wholesale business, I'm not sure what increase in profitability you are talking about.

Alex Haissl: Just in Denmark, if I take basically in the notes of your Annual Report, I can see the net earnings from the business. It's at least some meaningful improvement from 5.6 percent to 6.2 percent. So my question is, is there structural benefits since Mekonomen AB left the country?

Wolfgang Ollig: We have talked about this I think already in the Q3 report, and this is one of the reasons why we invested into FTZ and bought more shares. Our competitive position in this market has strengthened since the number two of the market exited the
business. And clearly, we are intending to further build on this strong position and we see a certain effect on the profitability side.

Alex Haissl: Perfect. Sorry, have you ever considered in China that you could face a situation with negative growth, or is this something you have not thought about at this point?

Wolfgang Ollig: You mean for HELLA or for the market?

Alex Haissl: For HELLA.

Wolfgang Ollig: Currently, we don't see a negative growth, but of course, if the market would go down even stronger and there would be negative growth, of course we would have to manage this. And at a certain point in time, of course as well we would have to question our more structural more long-term investments, as we have done by the way in the financial crisis 2008/2009 where as well we have, at a certain point in time, decided really to focus on the short-term cost and profitability recovery. But currently, we don't see this.

Alex Haissl: You could easily end up having negative growth at least for a few months. We have seen now the German, U.S. JVs in July down 20 percent; June was down. So even if the market is growing, since you are skewed towards the JVs and less locals, combined with content, you could easily end up having a negative figure, right?

Wolfgang Ollig: Yes, my comments were not related to specific months. Here, I would rather talk about the full financial year. And due to the ramp up of our business and the ramp up of our plants, the business we have acquired in the past and our general market expectation, we, currently at least, are assuming that there will be growth in the future.

Alex Haissl: OK. Thank you very much.

Operator: We have a follow-up question from the line of Michael Raab. Your line is open.

Michael Raab: Forgive me, one methodological question. In terms of defining your operating free cash flow, does the net CapEx number also include cash outs for intangibles, or is this tangibles only?

Carl Pohlschmidt: No, it also includes intangibles.
Michael Raab: OK, so it's the full Monty. Excellent. Thanks.

Operator: To ask a question or to make a comment or simply give some feedback, please press star one on your telephone keypad and wait for your name to be announced. That's star one, please. At this time, there appear to be no further questions, so I'll pass the floor back to you.

Wolfgang Ollig: OK, if there are no further questions, I still would like to mention one point which I forgot to say at the beginning. So talking about our working capital development in the last financial year, you see that the general development has been quite positive, an under-proportional growth of our working capital.

We have used a factoring program in the past; on the one hand, to have other financial means and opportunity, if necessary, in recent times mainly focusing, however, on balance sheet continuity. Due to the overall development of our liquidity and the overall development of the balance sheet, we are currently considering to stop this factoring program. This has been a level of around EUR100 million for the last financial years, and I just would like to pre-indicate for you that this might be stopped during this financial year.

OK, then, I assume maybe one last demand for further questions.

Operator: Once more, please press star one to ask a question, make a comment, give some feedback. That's star one and wait for your name to be announced. No further questions at this time, sir.

Wolfgang Ollig: OK, so then thank you very much for your attention and your questions, and looking forward to talk to you again then in our Q1 call for the financial year 2015/2016 end of September. Thank you very much. Bye-bye.

Operator: Thank you very much indeed, sir. And with many thanks to all our speakers today, that does conclude the conference. Thank you for participating, you may now disconnect.

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