HELLA Investor Update
H1 FY 2017/18

Conference Call on January 11, 2018

Dr. Rolf Breidenbach, CEO
Bernard Schäferbarthold, CFO
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HELLA Investor Update H1 FY 2017/18

Outline

- HELLA Financial Highlights H1 FY 2017/18
- HELLA Financial Results H1 FY 2017/18
- Outlook
- Q&A
Positive sales growth and EBIT increase in H1 FY 2017/18
Financial Highlights H1 FY 2017/18

Sales

- **HELLA Group** currency adjusted sales grew by 9.3% YoY to 3.5 bill. EUR

Profitability

- Adj. Gross Profit margin at 28.1% (+0.3%-points YoY)
- Adj. EBIT +25 mill. EUR (+9.3% YoY) at 293 mill. EUR
- Adjusted EBIT margin +0.1pp to 8.5%

Liquidity

- Adjusted Free Cash Flow from operating activities increased by 17 mill. EUR (+23% YoY) to 91 mill. EUR

Note: Adjustments of profitability figures include restructuring expenses in Germany and in previous years adjustment for provision in context with the EU cartel proceeding. Please note that where sums and percentages in the presentation have been rounded, differences may arise as a result of commercial rounding.
HELLA top line growth with strong development in H1 FY 17/18
Financial Highlights H1 FY 2017/18

HENNA Group sales (EUR millions)

Comment

- **Currency adjusted** growth HELLA Group at **9.3%**

- **Reported** sales growth HELLA Group at **8.0%** (increased by **255 mill. EUR** to **3,452 mill. EUR**)
  - **Automotive** +9.1% to 2,650 mill. EUR. **Demand for energy management products, radar solutions and advanced lighting systems** drives business.
  - **Aftermarket external sales** +3.6%, **positive** demand from Independent Aftermarket and Wholesale
  - **Special Applications** +13.0% to 211 mill. EUR, positive development in agriculture and constructions

HELLA Investor Update H1 FY 2017/18, Conference Call on January 11th, 2018
Automotive outperforming LVP in all regions
Financial Highlights H1 FY 2017/18

HELLA Automotive external sales by region (in EUR millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>2,128</td>
<td>2,392</td>
<td>2,406</td>
<td>2,623</td>
</tr>
<tr>
<td>Europe</td>
<td>1,452</td>
<td>1,619</td>
<td>1,560</td>
<td>1,629</td>
</tr>
<tr>
<td>North &amp; South America</td>
<td>358</td>
<td>409</td>
<td>442</td>
<td>533</td>
</tr>
<tr>
<td>Asia &amp; RoW</td>
<td>318</td>
<td>364</td>
<td>404</td>
<td>462</td>
</tr>
</tbody>
</table>

Light vehicle production (in million units)

<table>
<thead>
<tr>
<th>Region</th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>43.3</td>
<td>44.1</td>
<td>47.1</td>
<td>47.8</td>
</tr>
<tr>
<td>Europe</td>
<td>9.9</td>
<td>10.5</td>
<td>10.7</td>
<td>11.1</td>
</tr>
<tr>
<td>North &amp; South America</td>
<td>10.6</td>
<td>10.5</td>
<td>10.6</td>
<td>10.2</td>
</tr>
<tr>
<td>Asia &amp; RoW</td>
<td>22.1</td>
<td>22.4</td>
<td>25.1</td>
<td>25.5</td>
</tr>
</tbody>
</table>

HELLA Automotive growth vs. market (Light vehicle production growth):

| Global       | +10.6%      | -6.4%       | +7.7%       |
| Europe       | +5.5%       | -5.7%       | +0.9%       |
| North & South America | +15.1% | +7.9% | +23.6% |
| Asia & RoW   | +12.9%      | -0.6%       | +12.5%      |

Source: HELLA; IHS (as of December 2017)
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GPM increase due to strong overall business development
Financial results H1 FY 2017/18

Highlights
- Adj. Gross Profit increased by 82 mill. EUR (+9.2%) to 969 mill. EUR
  – Automotive +10.3% to 685 mill. EUR
  – Aftermarket +1.2% to 210 mill. EUR
  – Special Applications +27.8% to 75 mill. EUR

Note: Adj. Gross Profit Margin 27.74% (H1 16/17) and 28.07% in (H1 17/18); Delta of 0.3pp

Highlights
- Adj. Gross Profit margin improved by 0.3%-points to 28.1%
  – despite ongoing capacity increases, higher production volume and associated higher utilization with positive effects on GPM in Automotive especially in Q2
  – increased margins in Aftermarket and Special Applications
Continuous high R&D expenses to secure future growth and support production ramp-up

Financial results H1 FY 2017/18

**R&D expenses**

<table>
<thead>
<tr>
<th>Period</th>
<th>R&amp;D expenses EUR millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 FY 14/15</td>
<td>269</td>
</tr>
<tr>
<td>H1 FY 15/16</td>
<td>291 (+22)</td>
</tr>
<tr>
<td>H1 FY 16/17</td>
<td>311 (+20)</td>
</tr>
<tr>
<td>H1 FY 17/18</td>
<td>339 (+28)</td>
</tr>
</tbody>
</table>

**R&D expenses ratio**

<table>
<thead>
<tr>
<th>Period</th>
<th>R&amp;D expenses ratio % sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 FY 14/15</td>
<td>9.5 (-0.3)</td>
</tr>
<tr>
<td>H1 FY 15/16</td>
<td>9.2 (+0.5)</td>
</tr>
<tr>
<td>H1 FY 16/17</td>
<td>9.7 (+0.1)</td>
</tr>
<tr>
<td>H1 FY 17/18</td>
<td>9.8</td>
</tr>
</tbody>
</table>

**Highlights**

- **Absolute R&D** expenses increased by 28 mill. EUR (+8.9% YoY) to **339 mill. EUR**, mainly:
  - Secure and strengthen technology leadership along the market trends
  - Preparation and realization of production ramp-ups
  - Investments in international R&D capacities

- **H1 FY 17/18** ratio +0.1pp to **9.8%** due to high level of absolute R&D expenses
Relatively stable development of SG&A costs
Financial results H1 FY 2017/18

Adjusted SG&A expenses
EUR millions

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>305</td>
<td>338</td>
<td>341</td>
<td>361</td>
<td></td>
</tr>
<tr>
<td>+33</td>
<td>+2</td>
<td>+20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highlights
- Adj. SG&A costs increased under-proportionally (+20 mill. EUR, +5.9%) to 361 mill. EUR
- Under-proportional increase in distribution expenses (+3.9%) and administrative expenses (+4.5%) due to improvement programs
- Continuous investments in processes, systems and functions

Adjusted SG&A expenses ratio
% sales

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.8</td>
<td>10.7</td>
<td>10.7</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highlights
- Adj. SG&A ratio -0.2%-points to 10.5%, ratio of structural costs in general with relatively stable development. Improvements through:
  - distribution cost ratio -0.3pp to 7.5%
  - admin cost ratio -0.1pp to 3.3%
- Adj. other income & expenses -0.2pp to 0.3%
Adjusted EBIT and EBIT margin above prior-year’s level
Financial results H1 FY 2017/18

Adjusted EBIT
EUR millions

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBIT</td>
<td>227</td>
<td>256</td>
<td>268</td>
<td>293</td>
</tr>
<tr>
<td>+12</td>
<td>+25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjusted EBIT increased by 25 mill. EUR (+9.3%) to 293 mill. EUR, mainly:
- increase in adj. Gross Profit by 82 mill. EUR (+9.2%)
- higher R&D (+28 mill. EUR, +8.9%)
- decline in JV income by 9 mill. EUR (-28.2%)

Adjusted EBIT margin
% sales

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBIT margin</td>
<td>8.0</td>
<td>8.1</td>
<td>8.4</td>
<td>8.5</td>
</tr>
<tr>
<td>+0.1</td>
<td>+0.3</td>
<td>+0.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adj. EBIT margin increased by 0.1%-points to 8.5%:
- increase of adj. GPM by 0.3pp
- higher R&D expenses (+0.1pp)
- lower distribution expense ratio (-0.3pp)
- decreased contribution of JVs by 0.3pp

Highlights
- Adjusted EBIT increased by 25 mill. EUR (+9.3%) to 293 mill. EUR, mainly:
  - increase in adj. Gross Profit by 82 mill. EUR (+9.2%)
  - higher R&D (+28 mill. EUR, +8.9%)
  - decline in JV income by 9 mill. EUR (-28.2%)
- Adj. EBIT margin increased by 0.1%-points to 8.5%:
  - increase of adj. GPM by 0.3pp
  - higher R&D expenses (+0.1pp)
  - lower distribution expense ratio (-0.3pp)
  - decreased contribution of JVs by 0.3pp
## P&L including reconciliation
### Financial results H1 FY 2017/18

### Half-year comparison

<table>
<thead>
<tr>
<th>HELLA GROUP</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reported</td>
<td>887.1</td>
<td>967.8</td>
</tr>
<tr>
<td>Adjustments</td>
<td>0.0</td>
<td>1.3</td>
</tr>
<tr>
<td>adjusted</td>
<td>887.1</td>
<td>969.1</td>
</tr>
<tr>
<td><strong>Other income and expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reported</td>
<td>-7.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Adjustments</td>
<td>22.9</td>
<td>2.1</td>
</tr>
<tr>
<td>adjusted</td>
<td>15.6</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reported</td>
<td>245.2</td>
<td>289.5</td>
</tr>
<tr>
<td>Adjustments</td>
<td>22.9</td>
<td>3.4</td>
</tr>
<tr>
<td>adjusted</td>
<td>268.1</td>
<td>292.9</td>
</tr>
<tr>
<td><strong>Net financial result</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-21.6</td>
<td>-22.9</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-50.1</td>
<td>-68.0</td>
</tr>
<tr>
<td><strong>Earnings for the period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>173.5</td>
<td>198.6</td>
</tr>
<tr>
<td><strong>Earnings per share (EUR)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.56</td>
<td>1.78</td>
</tr>
</tbody>
</table>

### Comments
- Reported EBIT H1 only slightly negatively impacted by restructuring expenses in Germany.
- Net financial result decreased slightly due to the funding of activities in growth regions at higher local interest rates.
- Earnings for the period increased driven by operational improvements and lower one-offs.
- Higher tax payments after low comparable tax rate in H1 PY.
- EPS increased by 22 Cent (+14%) to 1.78 EUR.
### Quarterly comparison

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q2 FY 16/17</th>
<th>Q2 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales growth (YoY)*</td>
<td>-0.9%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Adj. EBIT Margin</td>
<td>10.3%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

#### Comments

- **Q2 FY 17/18** with acceleration of Automotive sales; Q2 FY 16/17 affected by ramp-downs and SOP shifts.
- Aftermarket with modest total sales growth, external sales +5.2% driven by IAM and WD business.
- Special Applications with strong agricultural business & construction business.
- Q2 Automotive EBIT margin constant despite higher investments in R&D and capacity increases; low JV contribution in Q2 FY 17/18.
- Aftermarket adjusted EBIT margin declined due to pre investments in wholesale in workshop business.
- Q2 FY 16/17 Special Applications with 4.5 mill. EUR negative effects from Industries and Airport Lighting disposal.

*Q2 FY 16/17 Aftermarket and Special Applications not available due to change in segment reporting.*
Adj. Free Cash Flow from operating activities increased due to higher funds from operations
Financial results H1 FY 2017/18

**Adj. FCF from operating activities**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. FCF</td>
<td>102</td>
<td>-27.7%</td>
<td>74</td>
<td>91</td>
</tr>
<tr>
<td>Change</td>
<td>-651.2%</td>
<td>-27.7%</td>
<td>+23.1%</td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- **Adj. Free Cash Flow from operating activities** increased by 17 mill. EUR to 91 mill. EUR, mainly due to increased funds from operations
- **Cash Conversion*** ratio increased by 3.5pp to 31.1%

*Note: Adj. Free Cash Flow from operating activities / adj. EBIT

**Net CAPEX**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 14/15</th>
<th>H1 FY 15/16</th>
<th>H1 FY 16/17</th>
<th>H1 FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net CAPEX</td>
<td>194</td>
<td>189</td>
<td>208</td>
<td>213</td>
</tr>
<tr>
<td>Change</td>
<td>-5</td>
<td>+19</td>
<td>+5</td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- Net CAPEX increased by 5 mill. EUR to 213 mill. EUR
- Continuous investments in customer-specific equipment, continuous capacity extension
- Reimbursements increased by 13 mill. EUR to 76 mill. EUR depending on project launches

Note: Adjustments of FCF include restructuring expenses, factoring (H1 FY 16/17 only) and adjustment for cash payments in context with the EU cartel proceeding (H1 FY 17/18 only)
Automotive segment with increasing growth
Financial results H1 FY 2017/18

Automotive Sales
- Growth of 9.1% with ongoing production ramp-ups and higher demand for:
  - energy management and driver assistance products
  - innovative / advanced lighting products
  - Demand driven by NSA, China and Europe (ex. Germany)

Automotive Profitability
- Increase of adj. EBIT by 4.5% to 238 mill. EUR:
  - ongoing capacity increase with initially lower utilization level; increase in production volume and higher utilization of existing capacities in Q2
  - increase in R&D to prepare production ramp-ups and expand international R&D network
  - lower JV contribution due to weakness in Asian joint ventures
Non Automotive segments with positive contributions
Financial results H1 FY 2017/18

**Aftermarket**
- **External sales** growth (+3.6%) due to **positive IAM** and **wholesale** business, total sales grew slightly by 0.2% due to loss of intercompany business
- **EBIT margin constant** at 6.1%, increase in GPM (+0.3 pp) counterbalanced by higher distribution expenses (ratio +0.7pp to 26.9%)

**Special Applications**
- **Strong top-line growth** (+13.0%):
  - increasing demand in **Agricultural** and **Construction** sector
  - other product groups e.g. **Trailer** also **growing**
  - **over-proportional** growth in **Australia**
- **Massive profitability increase** (~400%)
  - strong top line growth
  - **negative effects** from the sale of **Industries & Airport lighting** activities in H1 FY 16/17
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### Overall market FY 17/18 expected to grow by 1.7% according to IHS Outlook

<table>
<thead>
<tr>
<th>Region</th>
<th>Expected LVP (in m units)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>22.7</td>
<td>■ Continuing growth in 2017/18 expected. Europe excluding Germany expected to grow by 5.5% to 16.8m units, Germany with an expected decline of 0.7% to 5.9m units</td>
</tr>
<tr>
<td>NSA</td>
<td>20.8</td>
<td>■ After weak first half (-3.3%), better growth dynamic in H2 2017/18 expected</td>
</tr>
<tr>
<td>China</td>
<td>27.5</td>
<td>■ China expected to grow slightly in 2017/18, Asia/RoW expected to grow by 1.2% to 50.9m units</td>
</tr>
<tr>
<td>Global</td>
<td>+96.2 +1.7%</td>
<td>■ Overall market expected to grow by 1.7%</td>
</tr>
</tbody>
</table>

Source: IHS Light Vehicle Production (LVP) (as of December 2017)
Company specific development for FY 2017/18 confirmed

Guidance

Presuming no serious economic turmoil, we assume a positive development of the operative HELLA business for FY 2017/18:

- Sales growth
  - Growth excluding FX between 5-10%

- Adj. EBIT growth
  - Growth between 5-10%

- Adj. EBIT margin
  - Margin around 8%
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Thanks for your attention

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