

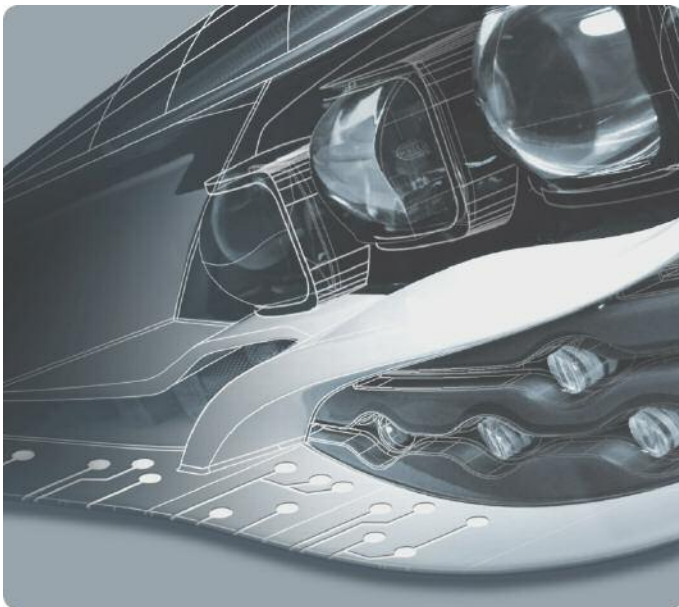


Technology with Vision

# HELLA KGaA Hueck & Co.

## Roadshow Presentation

H1 FY 2015/16



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# HELLA – Roadshow Presentation H1 FY 2015/16

## Agenda

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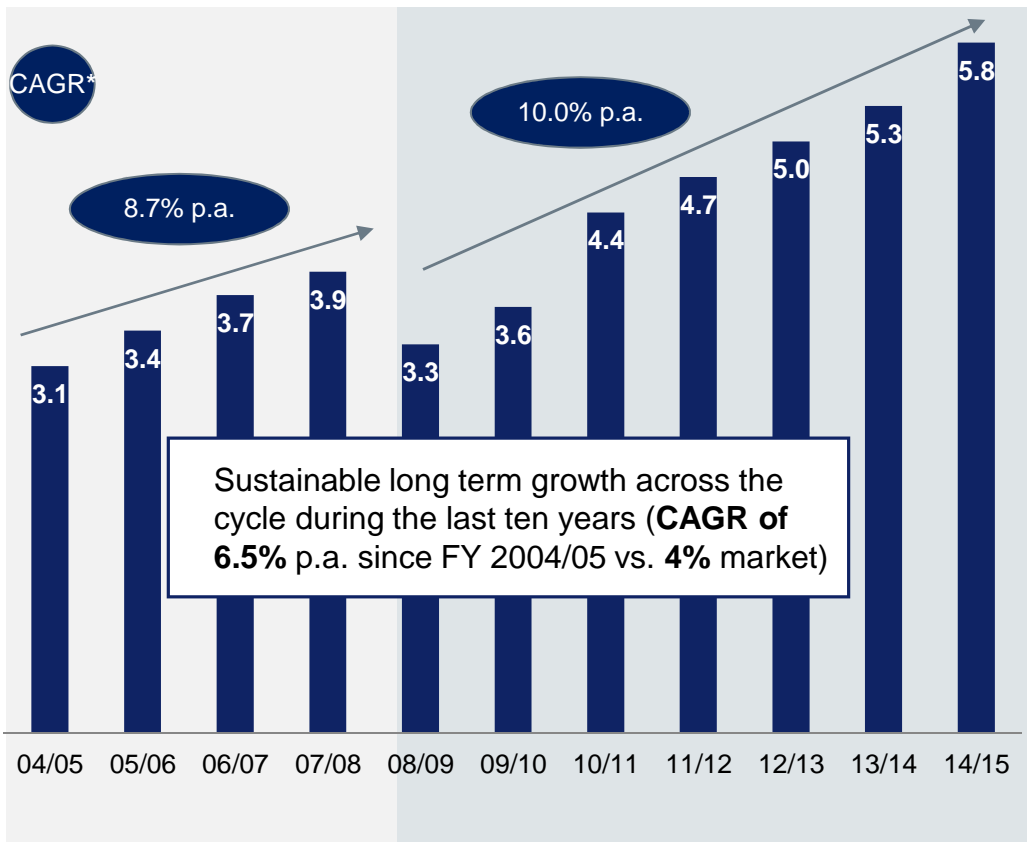
- HELLA's Strategic Growth Path
- Financial Overview FY 2011/12 - FY 2014/15
- Results H1 FY 15/16

ANNEX

# How will HELLA's growth path continue?

## Above market growth in the last 10 years

HELLA Group sales, EURbn\*



## Investors and analysts comments

"...we understood your historical growth, how can we **assess your future sales development?**..."

"...outperformance has been 50% in the past, at a market growth of 2-3% in the upcoming years, is that maybe too **conservative for the future?**..."

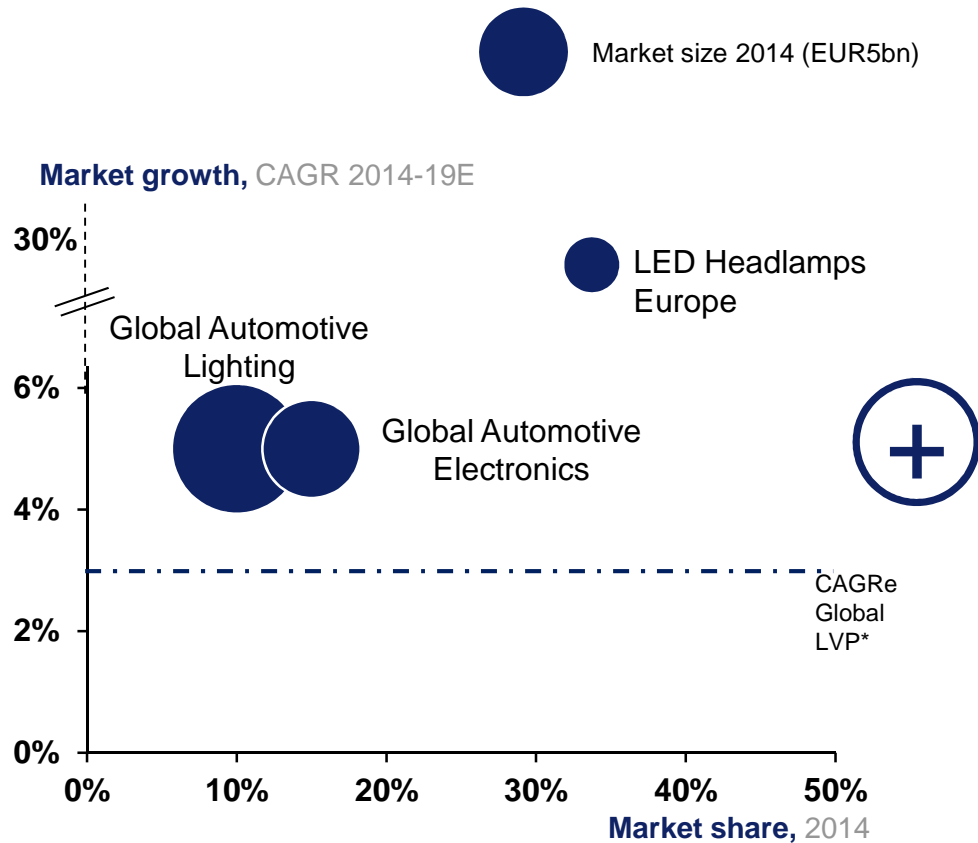
"...investors are still hesitating about your **future growth rates**, whereas they have **no concerns with high growth rates of your competitors?**..."

\*Sales as reported w/o adjustments for consolidation or accounting changes



# HELLA's automotive segments are growing stronger than the market

## HELLA's positioning for future growth



## HELLA in market leadership positions<sup>1</sup>

→ Automotive Lighting

**# 1 market position in LED headlamps Europe**

**# 3-4 global market position in OE passenger car lighting**

**#1-2 European market position in OE passenger car lighting**

→ Automotive Electronics

**# 2-3 global position in defined automotive electronic segments**

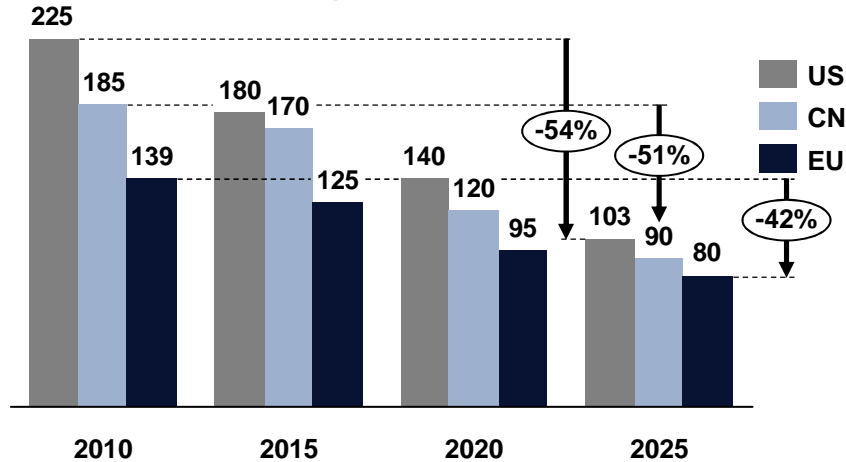
**# 1-2 European position**

Source: External market study commissioned by HELLA (2014), HELLA analysis  
\*expected 5-years CAGR

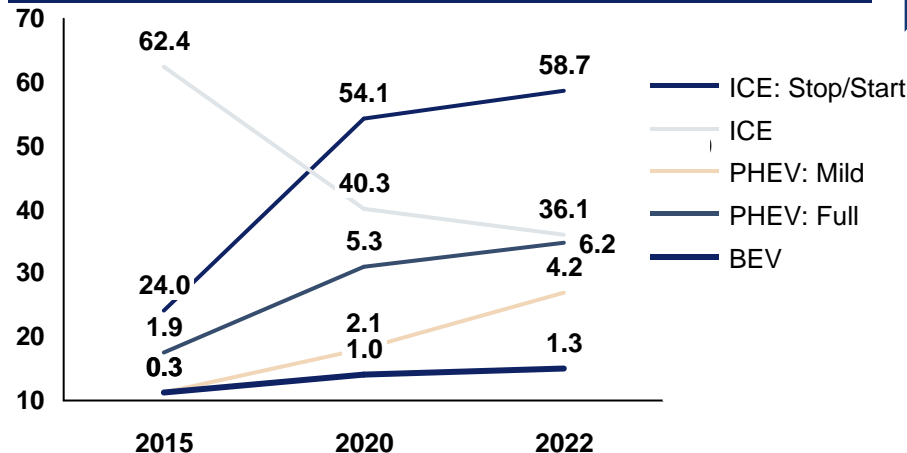
1) All figures related to selected markets and product categories based on HELLA's portfolio, as covered in the market study

# Strong market demand for energy efficiency driven by legislative requirements

**Global emission regulations in CO<sub>2</sub> (g/km) per NEDC**



**Allocation of powertrain technologies in mill. vehicles**



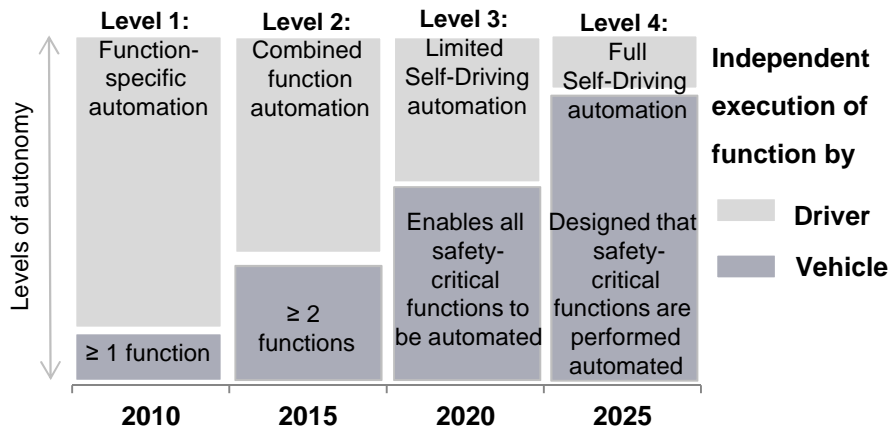
Source: IHS, Strategy Analytics

## Reduction of energy consumption and emissions

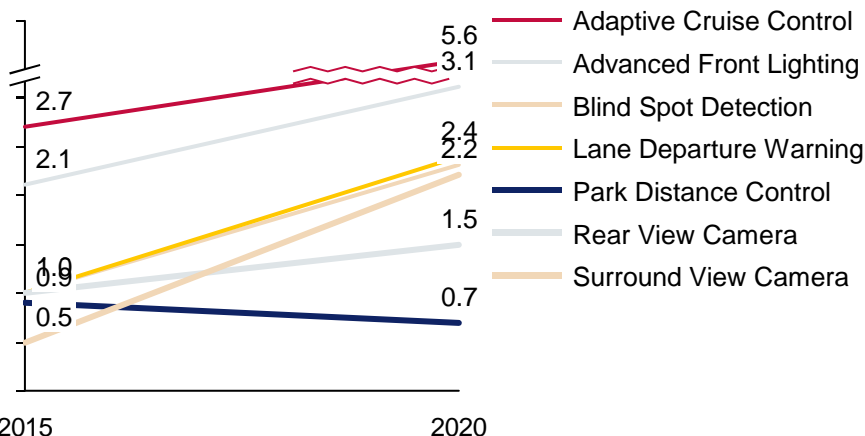
- Continuing **trend towards energy efficiency gains driven by global emission regulations**
- **Ambitious emission targets** across all regions
- Future powertrain concepts to be dominated by internal combustion engines with start/stop
- Initiatives like down-sizing and turbo-charging prevail, but growing focus on Hybrid technology
- Further efficiency gains drive **growth of new technologies** (i.e. 12V/48V dual-voltage systems)
- HELLA's segments show healthy growth due to an **ongoing trend towards sophisticated applications and innovation**

# Market demand for automated driving expected to experience strong growth in the coming years

## Levels of autonomous driving



## Growth of driver assistance technologies in bn USD



2015 2020  
Source: NHTSA, Strategy Analytics, HELLA analysis

















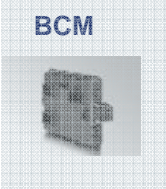
## Gradual transition from Driver to Vehicle

- Acceptance of automated driving functions determined by reliable, proven safety features
- Fundamental change in consumer value for individual mobility
- Supplier gain **increasing share in value chain** – need and frequency for innovations lead to more outsourcing by OEMs

## New technologies' demand increasing

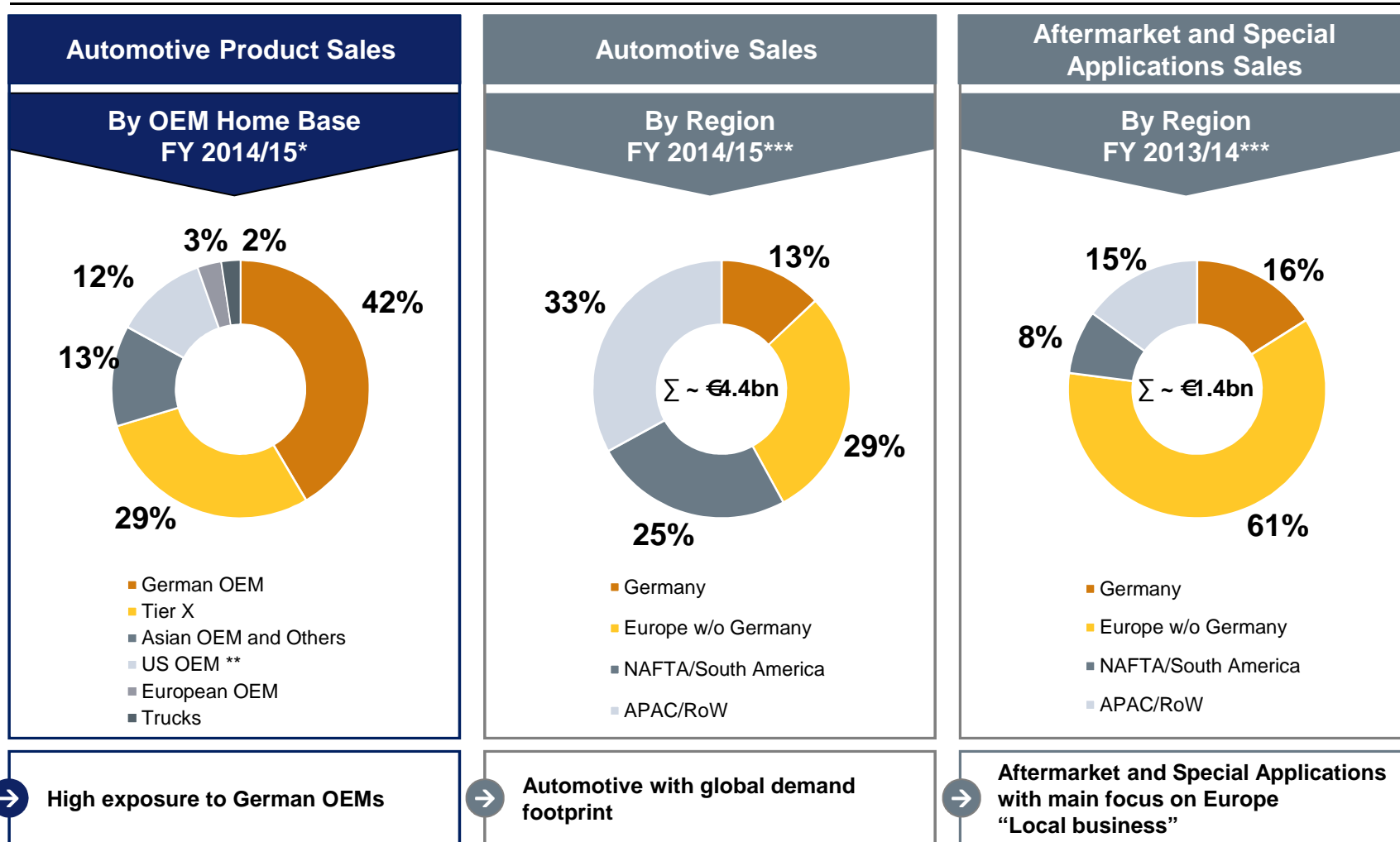
- Existing driver assistance functions are key enablers for automated driving
- **New functional requirements** facilitate growth of new technologies (i.e. Front/Side Detection)
- Automotive electronics **experienced rapid innovation process**
- **Innovations shifting** from single, standalone solutions to **complex system or module innovations**

# HELLA is well positioned to benefit from the fundamental market trends in the future

Market trends		Lighting (selected products)	Electronics (selected products)
<b>Environment/ Efficiency</b> 	<b>Energy efficiency</b> → Fuel System and Energy Management technologies for ICE & PHEV powertrains  → Efficient lighting technologies like LED	 <b>Matrix-LED Headlight</b>	 <b>LED Rear lamp</b>   <b>48V DC/DC Converter</b>   <b>Cooling Valve Actuator</b>
<b>Safety</b> 	<b>Driver safety / automated driving</b> → Light based assistance systems and optimal illumination → Sensors for detection of the driving environment	 <b>HD headlamps systems (Advanced Front-Lighting)</b>	 <b>24 GHz Rear radar</b>   <b>77GHz Front radar</b>
<b>Styling</b>   <b>Comfort</b> 	<b>Styling and comfort</b> → Optical elements for individual styling with LED or OLED lighting technology  → Enhanced personalization and interactions (vehicle to environment)  → Individualized and designed parts	 <b>LED Styling Headlight</b>   <b>OLED Rear lamp</b>   <b>Ambient Interior Lighting</b>	 <b>Design-driven Remote keys</b>   <b>Structural Health Sensor</b>   <b>BCM</b>
→ <b>Unique combination of competence set in advanced electronics and lighting technologies</b>			



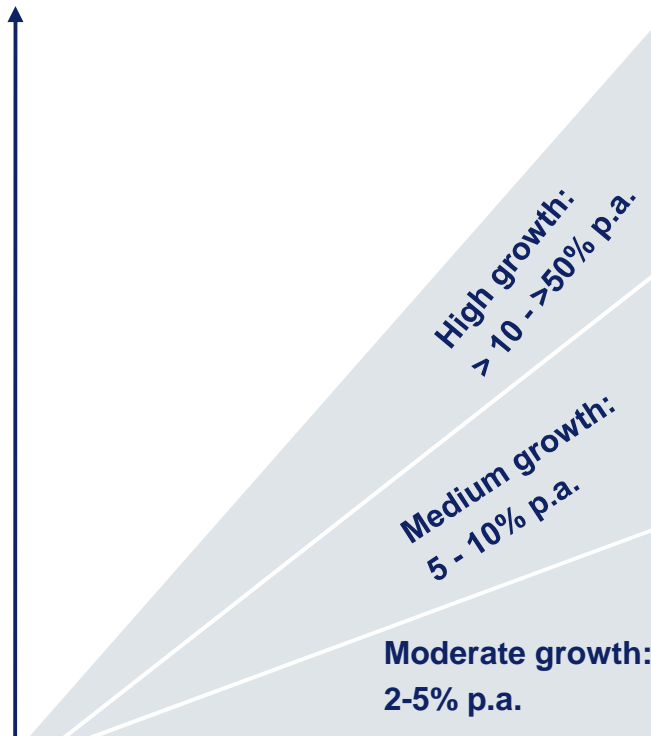
# HELLA is well positioned with attractive client mix and regional exposure



\* Automotive sales excl. non-product sales, e.g. customer reimbursements \*\* Thereof ~30% with Europe-based production locations \*\*\* External sales volume, not including inter-segment sales

# Broad automotive product portfolio in strong growing areas

Market growth, CAGR 2014 - 2019E



## Hella products (examples)

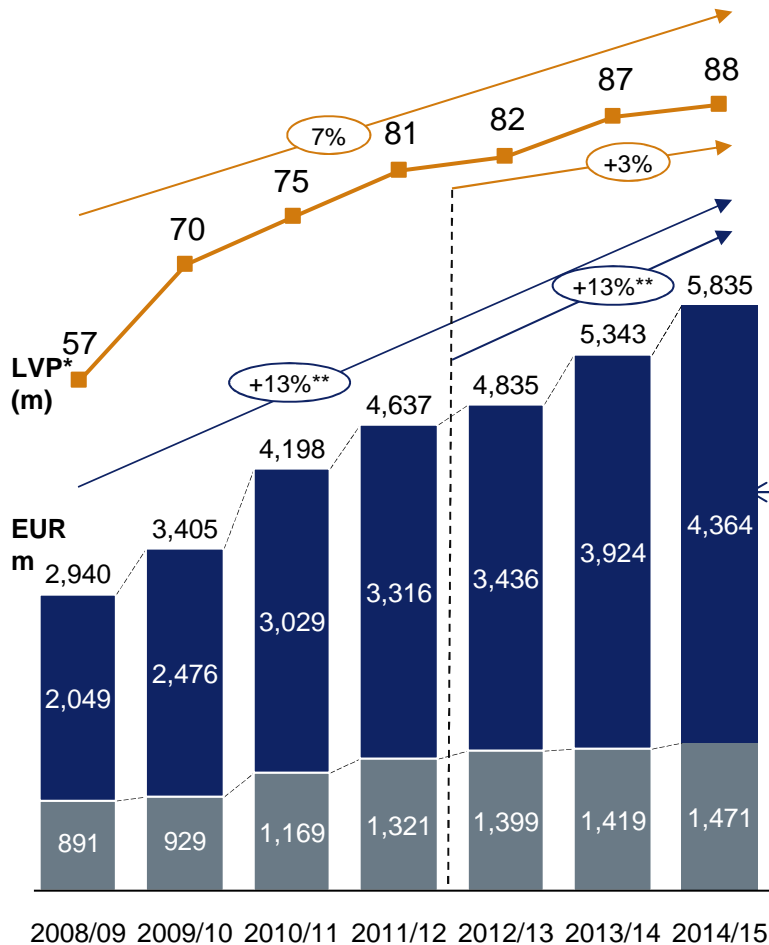
- Full-LED headlamps and rear lamps
  - OLED rear lamps
  - Engine Compartment Actuators (waste gate, TAS, TOS)
  - Rear applications
  - DC/DC converter
  - Intelligent battery sensors
- 
- Hybrid rear lamps
  - Interior lighting systems
  - Vacuum pumps
  - Radio transmitter keys
- 
- Small lamps (e.g. fog, CHMSL, side turn indicator)
  - Electrical power steering
  - Accelerator pedal sensors
  - Body control modules

- HELLA with clear strategic focus on **areas that show attractive growth potential** (emission reduction, safety increase)
- Electronic components projected to substantially benefit from **higher electronic content** in future cars
- Multiple **innovative products** already on the market and innovations to come from current **pipeline**

Source: External market study commissioned by HELLA (2014), HELLA analysis

# HELLA's automotive portfolio has outperformed the market by 600bsp, acceleration to >900bsp in the last 3 years

## HELLA market outperformance in Automotive



## Sources of growth by business divisions

Automotive Lighting

→ HELLA one of the **technology leaders** in LED with competence set in Light Based Assistance Systems

→ **Next development steps in lighting solutions and LED penetration** strong organic growth drivers

→ HELLA **solutions** played **key role in automotive progress** since decades

Automotive Electronics

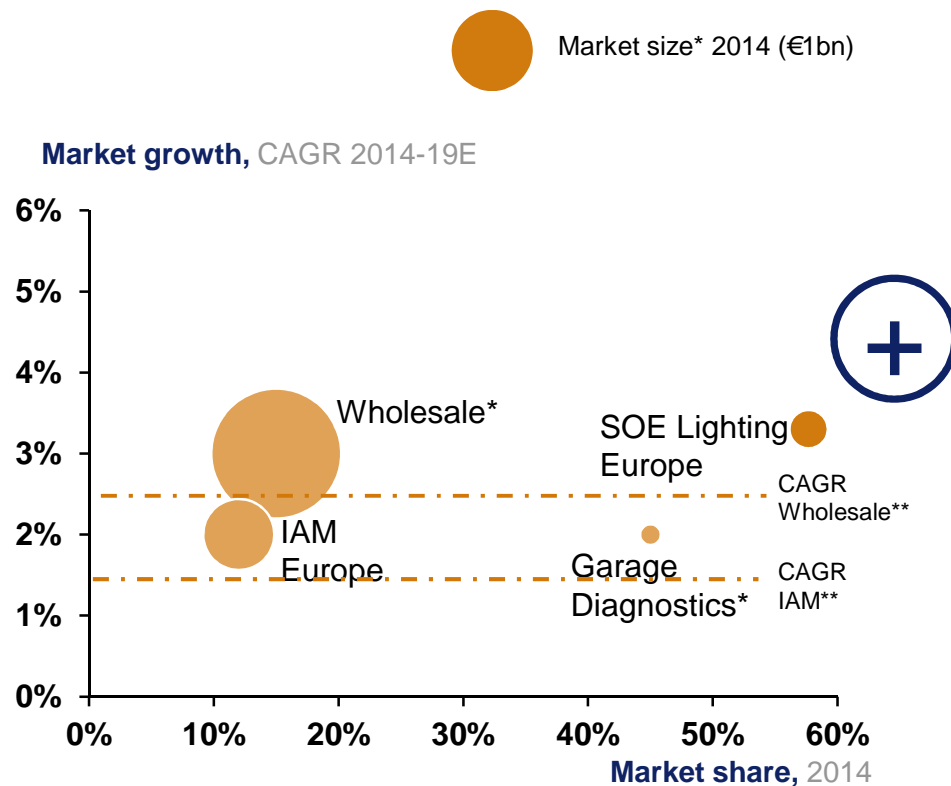
→ Well positioned in **automotive trends** energy efficiency and automated driving

\*Global Light Vehicle Production; \*\* CAGR Automotive segment only (external sales) including FX



# Aftermarket and Special OE will contribute to growth and profitability

## HELLA's positioning for future growth



Source: External market study commissioned by HELLA (2014), HELLA analysis  
 \*Wholesale includes DN, PL, NOR, Garage diagnostics DACH, \*\* expected 5-years CAGR

## HELLA in market leadership positions<sup>1</sup>

- Leadership in European Aftermarket # 1-3 in IAM, WD, and diagnostic systems
- HELLA Aftermarket generating **structurally slower but stable growth**
- **Stable cash flow generation** by HELLA Aftermarket
- Future market discontinuities
  - Consolidation
  - Digitalization
  - Changing customer preferences

- Leadership in Special OE # 1 in **Special OE Lighting Europe**
- The transfer of competence offers opportunities like **LEDification**
- Importance of generating **critical business sizes**

1) All figures related to selected markets and product categories based on HELLA's portfolio, as covered in the market study

# Unique Aftermarket positioning in the value chain to capture opportunities of new market trends

## Unique position

**IAM**  
Customer proximity and high distribution power together with core product competences as OE supplier

**A**

**Wholesale**

Strong network concept that integrates HELLA wholesalers to achieve scale benefits

**B**

**Garage**

Portfolio development tailored to meet market requirements and technological trends

**C**

## Strategic focus

- Optimization and increase of current portfolio
- Additional potential through clearly defined portfolio competence
- Improvement of customer access

- Completion of NORDIC FORUM organization to utilize synergies and economies of scales
- Selected share increase and acquisitions
- Use UCANDO as digital asset

- Integration of HELLA Gutmann into HELLA network
- Systematic use of HELLA Gutmann data and diagnostic competence
- Offer advanced high tech products and technologies

## Key trends

### Consolidation and new players

- Wholesale consolidation and professionalization at wholesale and garage level
- Influence of intermediaries
- Low cost parts suppliers entering market

### Digitalization

- New online business channels and interfaces
- Big data and comparability of offering

### Changing customer preferences

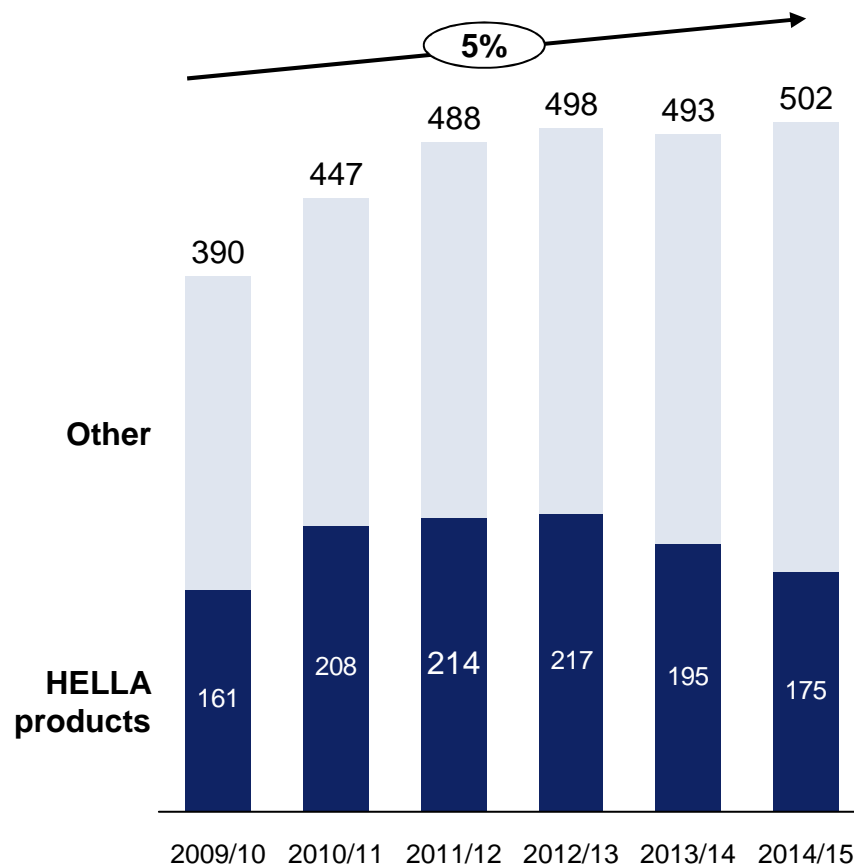
- E-mobility and autonomous driving need highly sophisticated products and garages
- Less importance of car and need for more efficient repairs

# HELLA's stable IAM business is well positioned for future key market trends

A

## HELLA historic growth path

EUR millions



## Levers for execution of growth strategy

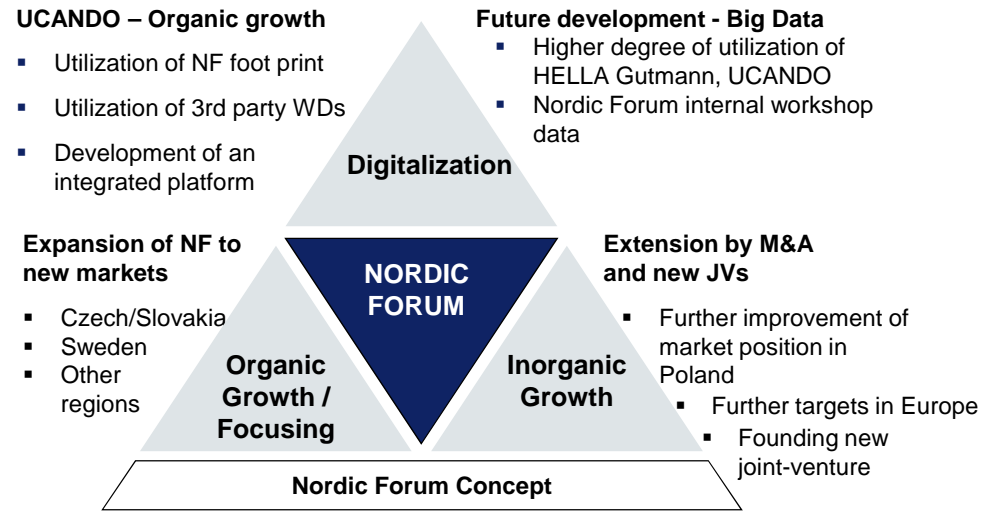
- Achieve sales growth through **portfolio competence** and a **portfolio roll-out** in all local entities
  - OE production
  - Qualified IAM production
  - Re-packaging
- **Increase share of HELLA products** at core European customers. Improve customer access
  - International KAM-structure
  - Key account improvements
- **Closure of regional distributions gaps**
- Maintain competitiveness through **cost optimization**
- Explore **e-Commerce** opportunities



# HELLA's wholesale business participates in European consolidation and digitalization

B

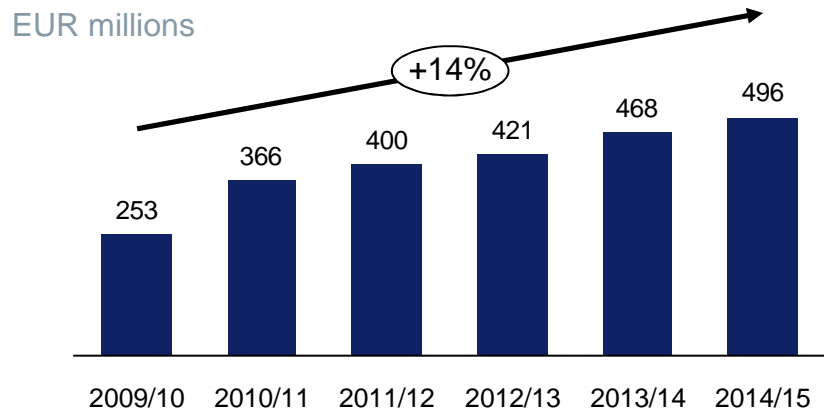
## NORDIC FORUM integrated concept



## Levers for execution of growth strategy

- Further **optimization of procurement**
- Further harmonization of IT
- Ramp-up and **expansion of digitalization** strategy with e-commerce (B2C)
- Developing and testing the **digitalization strategy for B2B2C** (Integrated Services Platform)
- **Inorganic expansion**

## Historical growth path



Takeover of **100% shares** in **INTER-TEAM** and **FTZ** in September and November 2015



# Workshop business with pivotal role for buying process based on high tech offering and competences

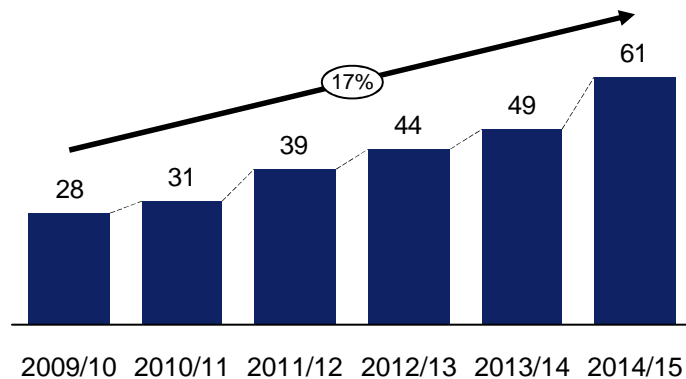
C

## HELLA Gutmann positioning

- Development from **diagnostics provider to repair and maintenance specialist** for high tech workshop products
- Generation, analysis and usage of **“Big Data”** in new business fields
- Premium provider of **workshop solutions, diagnostic tools** and **garage equipment**
- Workshop proximity enables **technical services** for HGS and whole HELLA IAM organization
- **High tech offering** based on diagnostic competence (camera systems, radar, exhaust systems)

## Historical growth path

EUR millions



## Market & trends

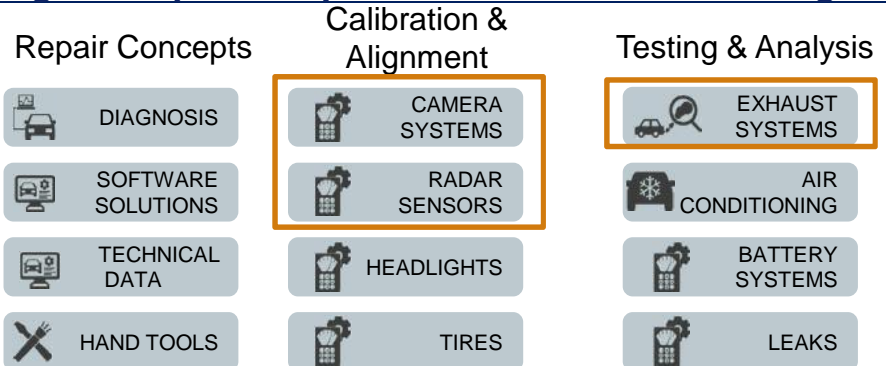


- E-mobility and autonomous driving
- Car-sharing solutions
- Less importance of car



- Increasing complexity, functionality and interfaces in modern cars
- Steering of customers/ drivers and related parts' purchase by OEMs, IAM & Intermediates

## High tech product portfolio and service offering



Unique high tech workshop competence





# Growth path for HELLA's Special OE segment to be strengthened by clear product and market strategy

## Areas

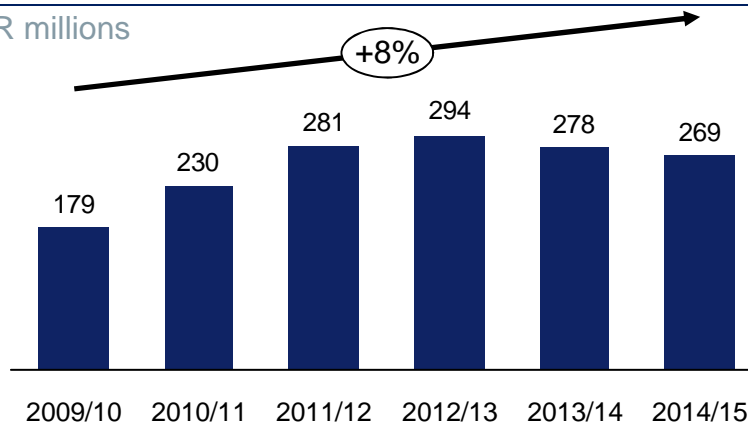


## Strategic direction

- Drive **LEDfication**
- Drive advantage of **synergies with automotive** sector
- Customized / semi-customized headlamp solutions with **innovative technology**
- **Push technology upgrade** growth with E/E off-the-shelf
- **Leverage lighting customer base** to develop **electronic product portfolio**
- Local portfolios for emerging markets
- Parts of business to be analyzed if **competitive size is achievable**

## Historical growth path

EUR millions



# HELLA is well positioned to outperform the market in the future

## Historical performance

- Track record of long term market outperformance

## Existing position

- Strong competitive positions
- Attractive market segments
- Technological leadership

## Concept for future growth

- System competence in **Lighting** and **Electronics** to participate in fundamental market trends



Products for the **reduction of CO2 emissions** and increase of **energy efficiency**



Product for **prevention of accidents**



Products for higher **individualization** and **personalization**



Products for **comfortable convenient driving**

- **Aftermarket** business is well positioned to capture major key trends (consolidation, digitalization and change in customer preferences)
- **Special Applications** business pushed by extended product-market strategy



# HELLA – Roadshow Presentation H1 FY 2015/16

## Agenda

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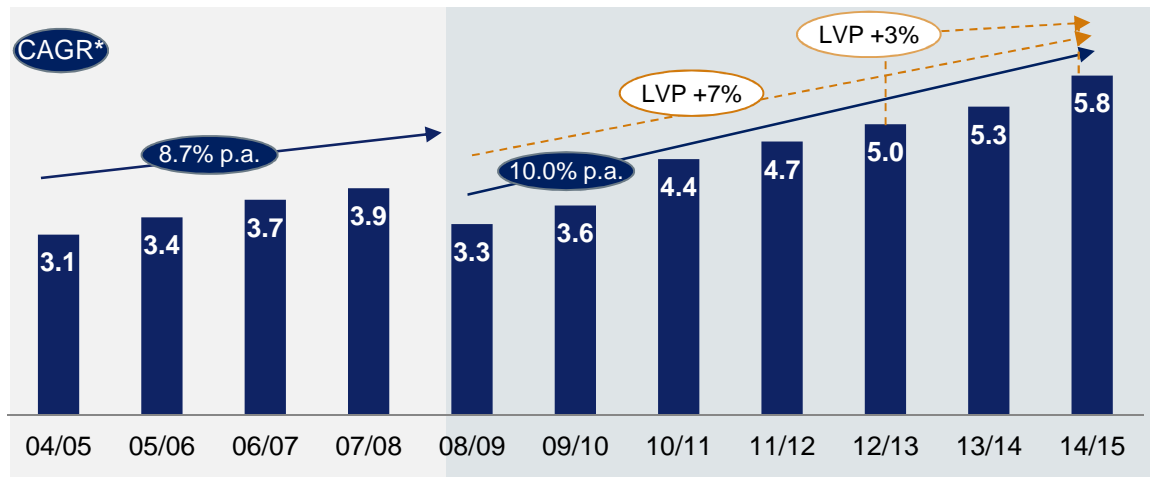
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- HELLA's Strategic Growth Path
- Financial Overview FY 2011/12 - FY 2014/15
- Results H1 FY 15/16

ANNEX

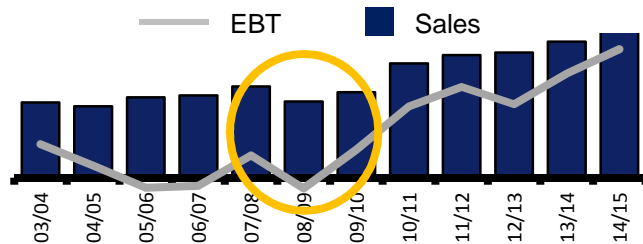
# Track record of steady growth across the cycle and resilience of business model

## HELLA GROUP sales\* in EURbn

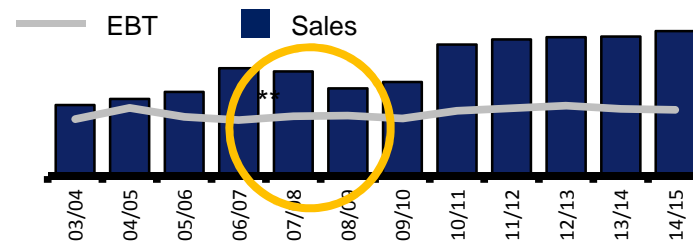


- **Sustainable long term growth across the cycle** during the last ten years with a clear focus on organic growth (CAGR of 6.5% p.a. since FY 2004/05)
- **Targeted growth trend continued**
- **Organic growth** of the HELLA GROUP **outperformed** the automotive market by **>5%-points** in the **last 3 years**

### Automotive\*



### Aftermarket\*



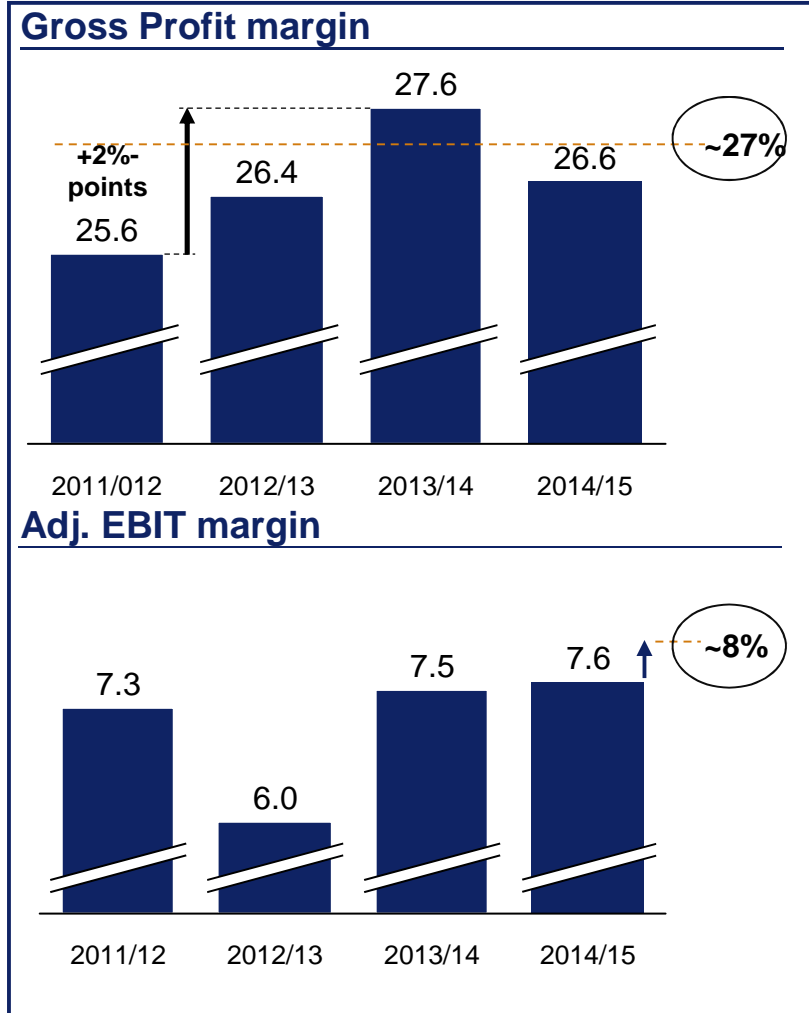
→ **Resilient business model with stable cash flow generation** through strong share of aftermarket business

\*Cumulated Annual Growth Rate; sales as reported w/o adjustments for consolidation or accounting changes



# Competitive Gross Profit margin and mid-term EBIT margin potential

% sales



Gross Profit margin

## Improvement of GP margin achieved

- Improvement driven by **innovative product portfolio** and **operational excellence (LiON)**
- Deviations from +/- 27% driven by **segment mix, one-offs** and **new launches** in high tech products
- Launch support especially in H1 FY15/16

**Gross Profit margin level ~27% regarded as industry competitive**

EBIT margin

## Improvement of adj. EBIT margin achieved

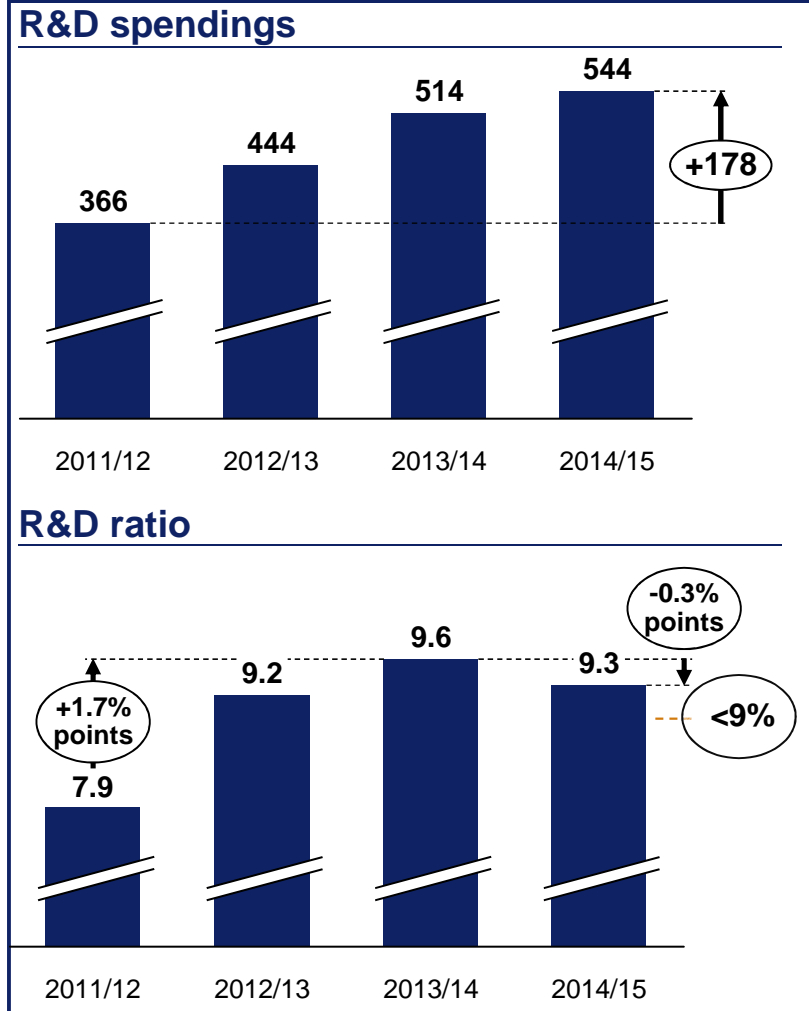
- EBIT reduction in FY 12/13 due to investment into future growth and globalization platform (e.g. increased R&D expenses)
- Scale effects** and **increased efficiency** on structural costs drive margin
- FY15/16 affected by ramp-up expenses

**Over the cycle, mid to long-term adjusted EBIT margin of ~8% feasible**



# Continued high R&D as basis for future growth

EUR millions and % sales



R&D

## Strong focus on innovations

- Significant R&D investments in previous years set the basis for **strong top line future growth**
- Build-up of **local know-how**, high investment in **new technologies** (basic research), increased product complexity and **new product categories** (e.g. radar) drove recent expenses

## Continuous high R&D spending to maintain technology leadership position

R&D ratio

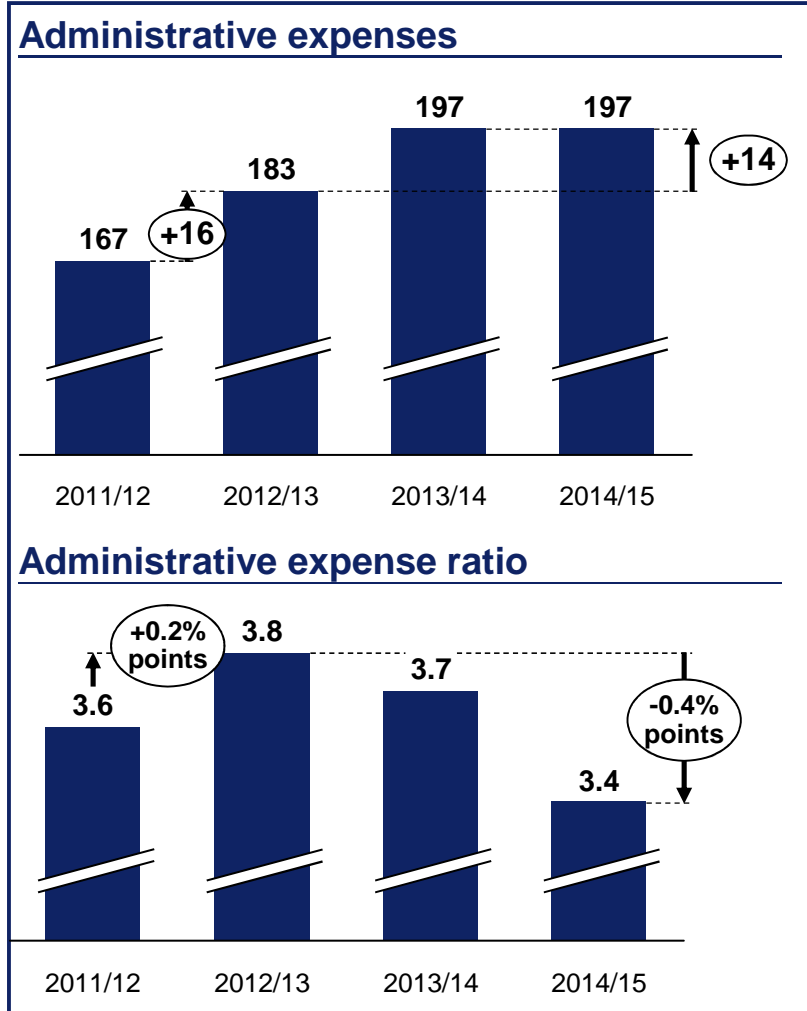
## Balance between investments and efficiency

- Higher ratio compared to peers underpins **innovation track record**
- Recent and future R&D ratio improvement by **ongoing efficiency-increases** of teams and scale effects
- Roll-out of **high tech products**
- Ratio itself no optimization target

## Mid to long-term reduction <9% feasible

# Proven ability to manage costs

EUR millions and % sales



Admin expenses

## Dedicated improvement programs set-up

- Investments in global corporate center network ensure lean administrative processes
- In FY 15/16 further spendings on employee qualification, infrastructure and implementation of standards

## Continued focus on global structure to ensure competitiveness

Admin ratio

## Performance oriented organization

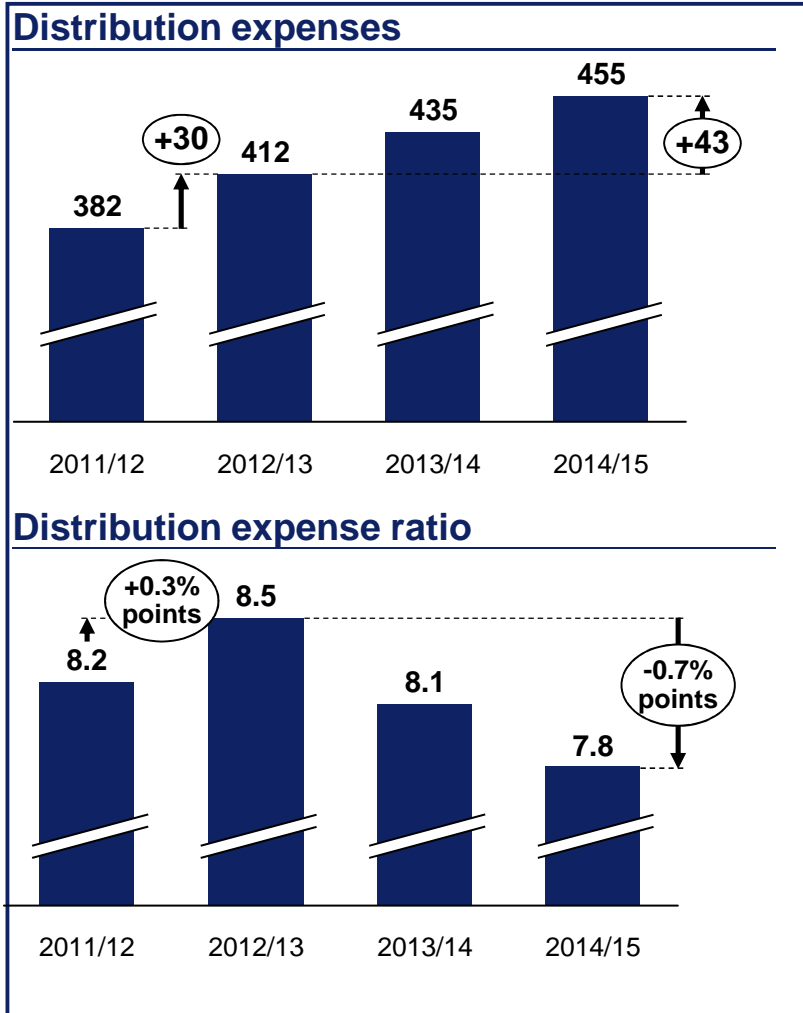
- Efficiency gains through re-location (incl. temporary double-functions) to best cost countries and shared service centers improved OTD and TTM processes
- Continuous optimization through operational excellence improvement initiatives (e.g. LiON)
- Short term constant ratio expected

## Process improvements and scale effects drive ratio, long term reduction possible



# Proven ability to manage costs

EUR millions and % sales



Distribution expenses

## Under-proportional increase of variable costs

- Global aftermarket network main cost driver
- IAM distribution network and European wholesale network extended
- Ongoing improvements monitored e.g. reduction of overhead functions in sales companies, optimized logistics concept

## Development of costs well on track

Distribution expense ratio

## Improvements of ratio achieved

- Higher ratio compared to peers due to high aftermarket share
- Investments in global distribution network until FY12/13
- Ratio reduced by efficiencies gains and declining aftermarket business
- Currently increased investments in e-commerce platform

## Short to mid-term optimization potential limited





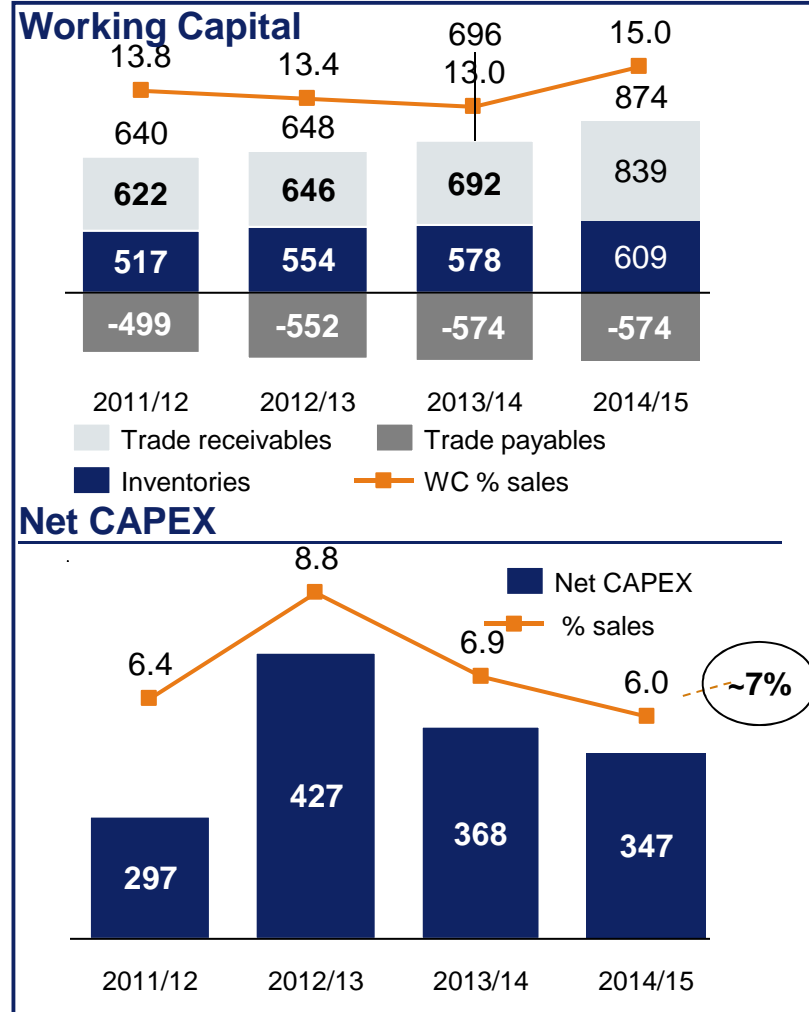
# Continuous measure generation to facilitate operating leverage

	Main achievements	Continuous challenges	Actions
Lighting	<ul style="list-style-type: none"> <li>Production network optimized</li> <li>Regular design-to-cost workshops during development phase</li> </ul>	<ul style="list-style-type: none"> <li>Roll out complex (LED) projects: HR qualifications, production process, quality of components, supplier certification</li> <li>Reduction of non-quality expenses</li> </ul>	<ul style="list-style-type: none"> <li>→ Local support from technology hubs</li> <li>→ Thorough enforcement of improvement programs</li> <li>→ Implement recent "Lessons-learned"</li> <li>→ Improve efficiency in supply chain and own value added</li> <li>→ Improve key account organization</li> <li>→ Improve customer penetration</li> <li>→ Investments in HR base</li> <li>→ HR talent review</li> <li>→ Strengthening 2<sup>nd</sup> mgmt. level</li> </ul>
Electronics	<ul style="list-style-type: none"> <li>Global development network established, optimized and extended</li> <li>Multiple sourcing strategy implemented</li> </ul>	<ul style="list-style-type: none"> <li>Global competitive TtM organization</li> </ul>	
Aftermarket & Special Applications	<ul style="list-style-type: none"> <li>Overhead functions reduced with optimized logistics for sales comps</li> <li>Low-cost production in Romania</li> </ul>	<ul style="list-style-type: none"> <li>Further harmonization of NORDIC FORUM (e.g. reporting, IT, procurement), strengthen structures</li> <li>Leverage of inventories</li> </ul>	
Corporate	<ul style="list-style-type: none"> <li>Corporate center structure established</li> <li>Overhead functions reduced</li> </ul>	<ul style="list-style-type: none"> <li>Qualification of employees to enable complex production &amp; quality monitoring</li> <li>Increase efficiency of corporate center structure</li> <li>Address highly qualified people</li> </ul>	



# Clearly directed investments and active Working Capital management

EUR millions and % sales



Working Capital

## Revenue growth, expansion and active management drive WC

- Regional expansion to Asia (increase in receivables)
- Inventory mainly tied to efforts to improve product availability in Aftermarket (increase inventories)
- Currency effects influence WC
- Continuing optimization programs in logistics in place

Net CAPEX

## Net CAPEX down after globalization

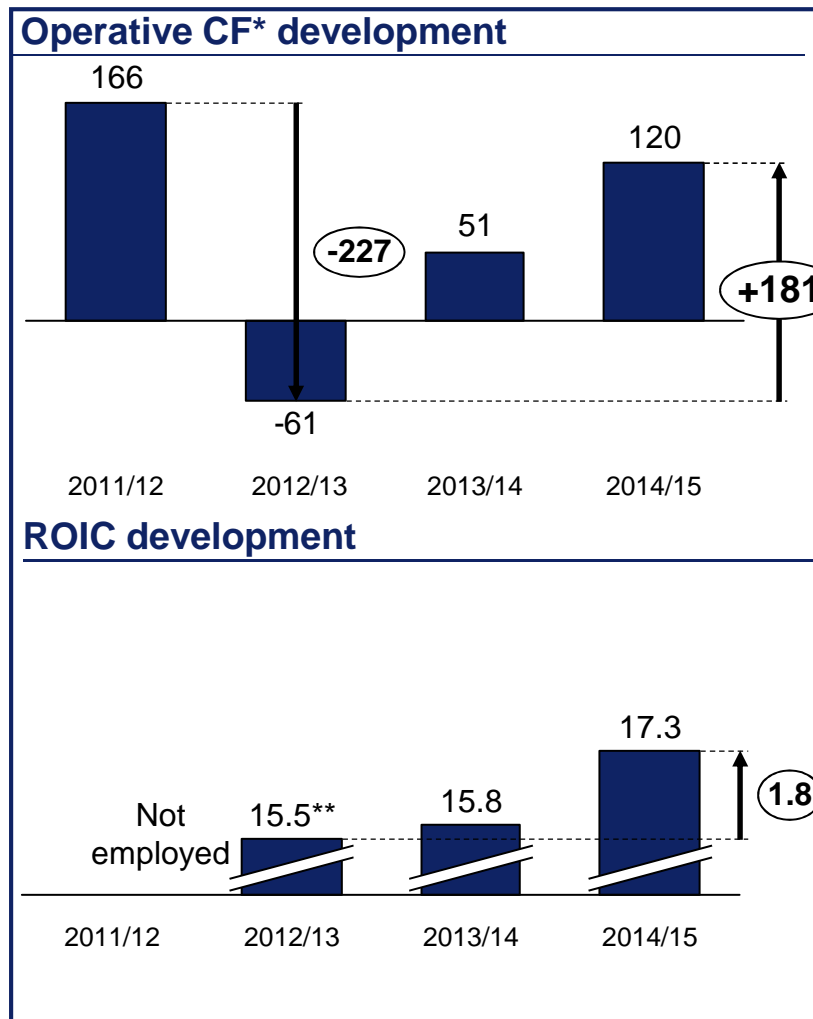
- Increase in capex in FY12/13 to significant investments in global footprint
- Continuous investments in customer-specific equipment with increased product complexity needed
- Reimbursements around 130 mill. EUR ease need for CAPEX

**Net CAPEX ratio around 7% needed to facilitate organic growth**



# Strong cash flow and ROIC improvement achieved after globalization

EUR millions and % IC



Operative CF

## After FY11/12 consistent improvement

- FY12/13 influenced by high CAPEX as part of the strategic growth program as well as build-up of inventories driven by higher sales and higher expenses in key technologies and innovations
- Increase driven by profitable top-line growth and under-proportional increase of cash-effective working capital
- FY15/16 will be affected by supplier case

## Increase in line with expectations

ROIC

## ROIC implemented as KPI

- HELLA employs Return on Invested Capital (ROIC) as a further performance indicator in FY 2012/13
- ROIC improvement to 17.3% due to increased operating leverage

## Increasing capital efficiency during the last 2 years

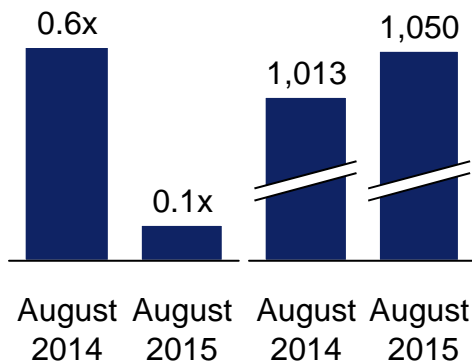
\*Operative Cash Flow before dividends and net capital expenditure on financial assets or shares in associates (excluding cash restructuring payments)

\*\*Before reclassification of income from securities and net other financial income/expenses

# Capital structure provides flexibility for the long-term growth

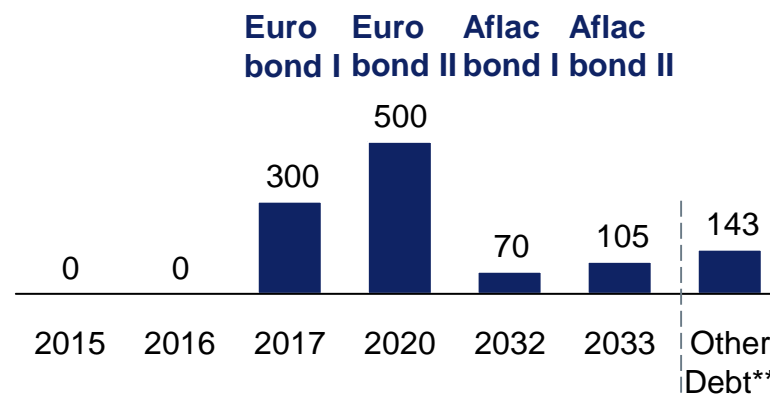
## Solid capital structure

Net debt/  
EBITDA



Cash & assets

Debt and maturity profile\*, EUR millions



**Additional Revolving Credit (2015) (1+1+5) of EUR 450m with 10 core banks as back-up facility**

## Strategic flexibility

HELLA has a stable and solid financial fundament which forms the basis for its future strategic plans

- Prudent financial policy throughout the cycle
- Financing of long-term growth strategy
- Acquisition firepower

- Capital-market-oriented capital structure
- **Good liquidity profile** and consistent liquidity management
- **EUR 87m dividends** (0.77EUR/share) paid September 2015

\* As of May, 2015; Euro bond I: 1.15%, Euro bond II: 2.375%, Aflac bonds hedged values \*\*Mostly short-term



# HELLA – Roadshow Presentation H1 FY 2015/16

## Agenda

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- HELLA's Strategic Growth Path
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ANNEX

# HELLA Group Key Achievements

## Financial Highlights H1 2015/16

### FINANCIAL HIGHLIGHTS

#### Sales

- **HELLA Group sales up 11.8% YoY to 3.2 bill. EUR**, thereof **3.1%-points FX** effects (mainly USD and CNY)
- **Third party sales development per segment compared to previous year:**
  - **Automotive: +12%** driven by **product launches** in innovative **LED technologies** and electronic components for **industry megatrends**
  - **Aftermarket: +9%** driven by positive development of **independent aftermarket in Europe** catching up after end of wholesale consolidation as well as positive **workshop equipment business** with demand for **high-end diagnose** and **camera calibration tools**
  - **Special Applications: +2%** driven by **stabilization** in the **agricultural**, but still under pre-crisis level

#### Profitability

- **Gross Profit margin at 26.4% (-1.0%-point YoY)** due to **supplier default**, excluding one-offs margin at **27.2%** due productivity gains in automotive and contrarily launch costs for new technologies mainly in Eastern Europe
- **R&D cost ratio at 9.2% (-0.3%-points YoY)** but absolute increase due developing costs for newly acquired business and high-tech launches
- **Distribution expenses at 7.7% (-0.1%-points YoY)**, **administrative expenses at 3.3% (-0.1%-points YoY)**
- **EBIT at 203 mill. EUR (- 18 mill. EUR)**, **EBIT margin at 6.4% (-1.4%-points YoY)**  
**Adj. EBIT at 256 mill. EUR**, **adj. EBIT margin at 8.1%**

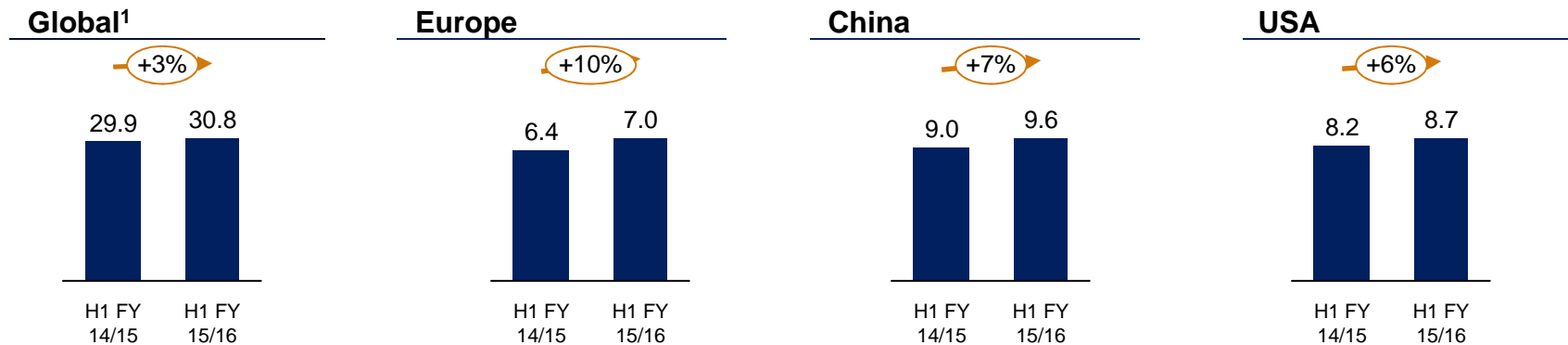
#### Liquidity

- **Operative Cash Flow at 85 mill. EUR** compared to -44 mill. EUR in H1 FY14/15

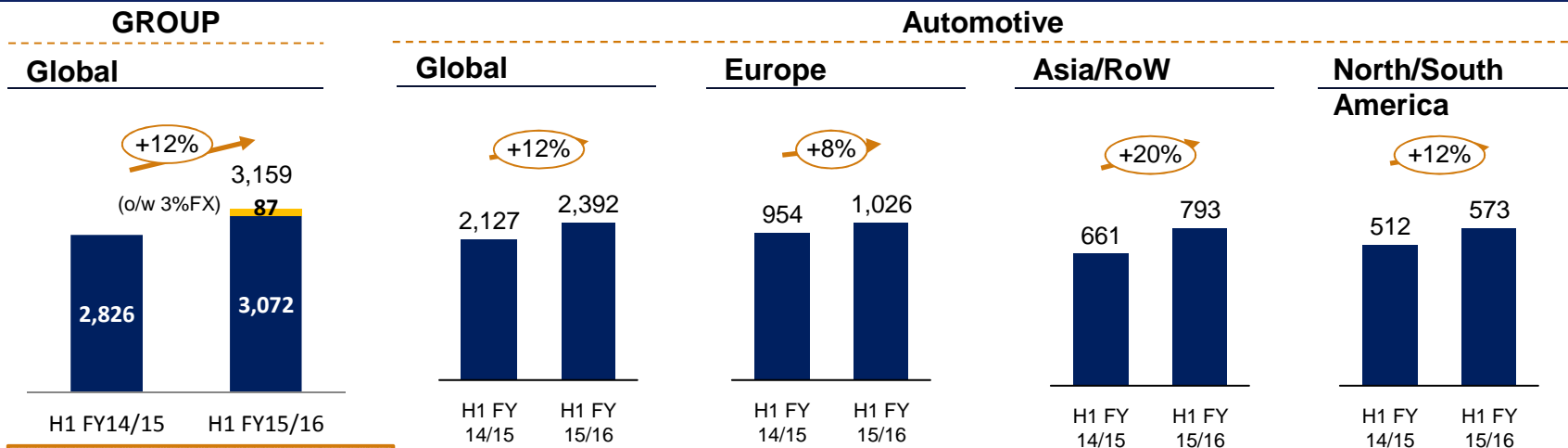
# HELLA Group Key Achievements

## Sales – Outperforming the market in H1 2015/16

New passenger car registration (registrations in millions; growth in %)



HELLA revenue<sup>2</sup> (in EUR millions, growth in %)



**HELLA Group outperforms market by 9%-points**

Source: HELLA; VDA Research 1. Approximation including only most important markets; 2. Regional market coverage by end customers

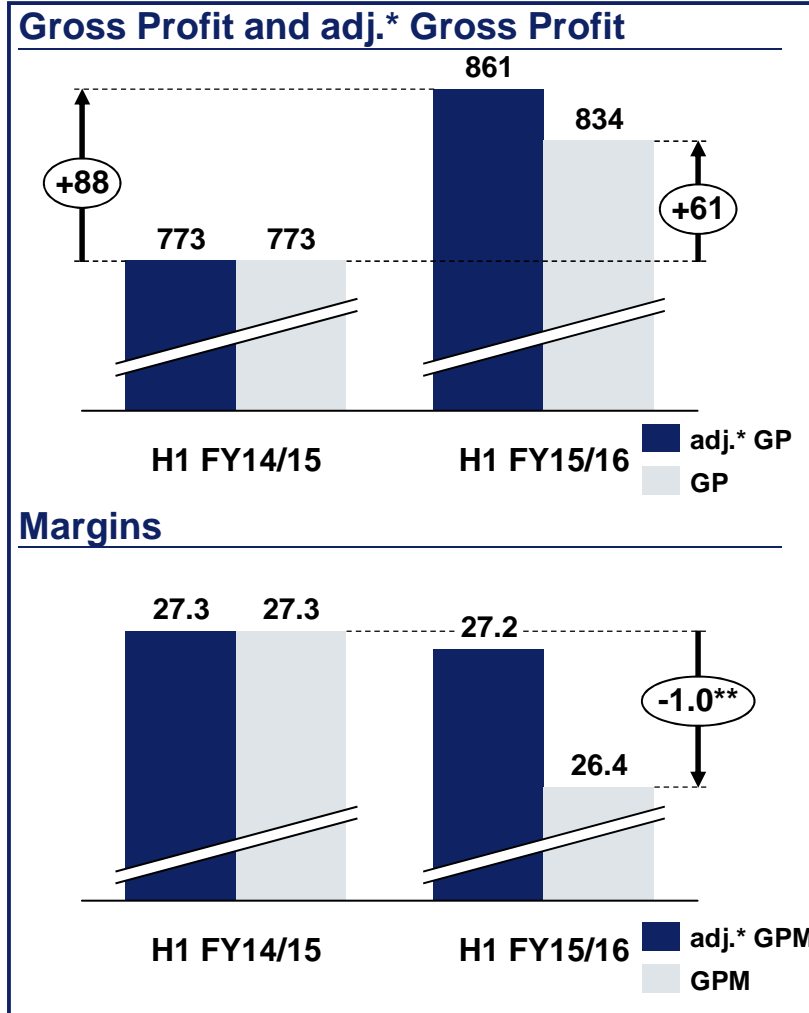
HELLA | Roadshow Presentation | H1 FY 2015/16



# HELLA Group Key Achievements

## P&L (I) – H1 2014/15 to H1 2015/16

EUR millions and % sales



Gross Profit and adj.\* Gross Profit

- **Gross Profit H1 FY 15/16 increased by 61 mill. EUR (+8%) to 834 mill. EUR** after deduction of 27 mill. EUR one-off expenses for the supplier default
- **Excluding supplier default, Gross Profit increased by 88 mill EUR (+11%) to 861 mill. EUR**
- **Extraordinary expenses** for supplier default **increased COGS by 24 mill EUR in Q1 FY 15/16** and by **3 mill. EUR in Q2 FY 15/16**

Margins

- **Excluding supplier default, the Gross Profit margin remained nearly stable at 27.2% driven by**
  - **increased productivity** in the automotive segment and contrarily
  - **additional launch cost** for new high-tech products mainly in EE
- Additional charges for supplier default decreased Gross Profit Margin by 1.0%-points

\*adjusted for one-off charges for supplier default

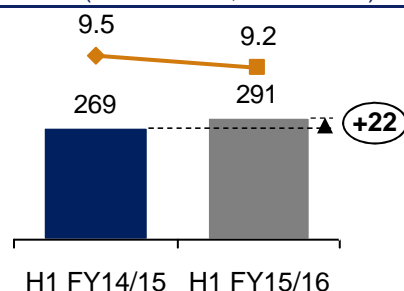
\*\* rounding differences



# HELLA Group Key Achievements

## P&L (II) – H1 2014/15 to H1 2015/16

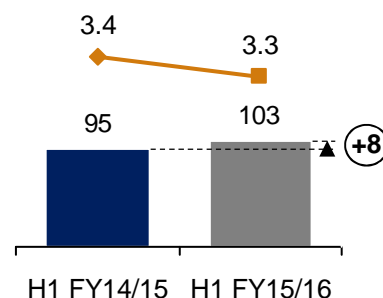
### R&D (in mill. EUR, % of sales)



### Comment

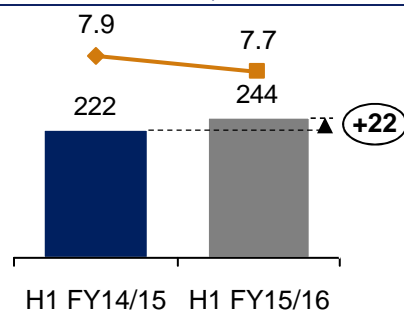
- **Q2 FY15/16 R&D ratio decreased by 1%-points to 9.1%** caused by **high comparable basis** previous year, **absolute expenses with 152 mill EUR** on previous year level
- **H1 FY15/16 R&D ratio decreased by 0.3%-points to 9.2%** driven by **strong top line growth** compared to H1 previous year
- **Absolute R&D expenses increased by 22 mill. EUR to 291 mill. EUR** driven by **development costs for newly acquired business** and **additional cost for complex high-tech lighting product launches**

### Administrative (in mill. EUR, % of sales)



- **Q2 FY15/16 ratio decreased by 0.1%-points to 3.1%** driven by **strong top line growth** compared to Q2 previous year, **absolute expenses increased by 3 mill. EUR to 51 mill. EUR**
- **H1 FY15/16 ratio decreased by 0.1%-points to 3.3%** driven by **strong top line growth** compared to H1 previous year
- **Absolute administrative expenses** with a rather stable development after realized efficiency gains, increase by 8 mill. EUR to 103 mill. EUR due to investments in corporate functions

### Distribution (in mill. EUR, % of sales)

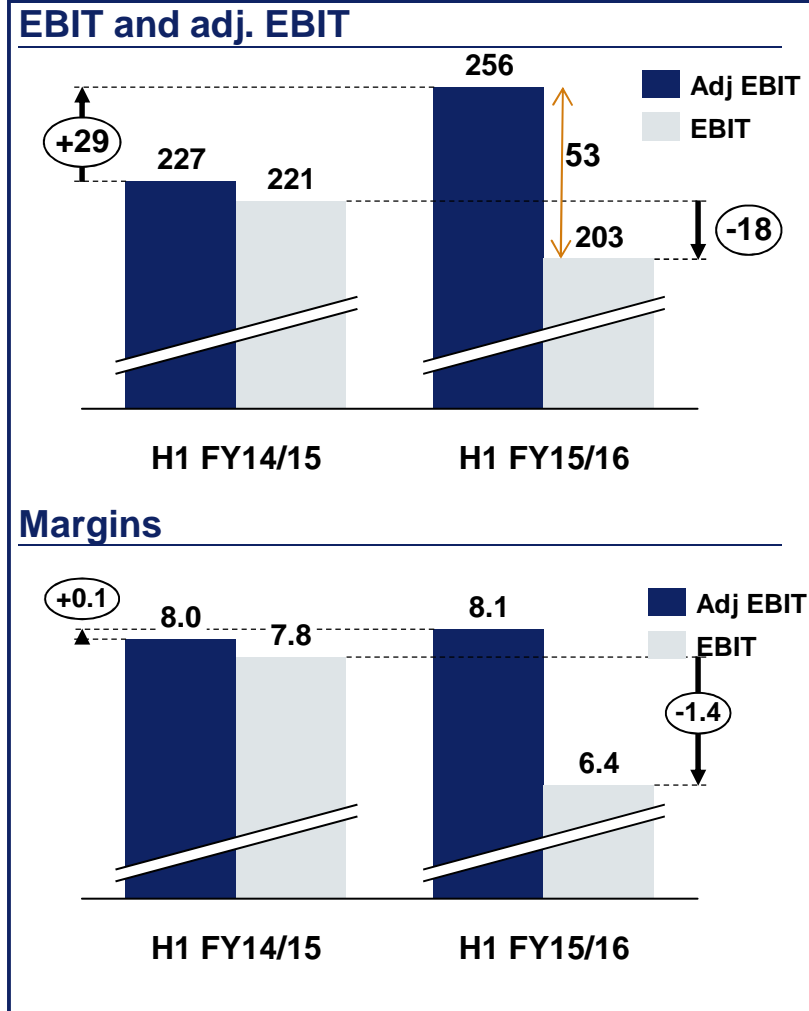


- **Q2 FY15/16 ratio decreased by 0.1%-points to 7.5%** driven by **strong top line growth** compared to Q2 previous year, **absolute expenses increased by 10 mill. EUR to 125 mill. EUR**
- **H1 FY15/16 ratio decreased by 0.1%-points to 7.7%** driven by **strong top line growth** compared to H1 previous year
- **Absolute distribution expenses** increased by 22 mill. EUR to 244 mill. EUR due to higher Aftermarket sales and **ramp-up of e-commerce** as well higher rental and transport costs in Eastern Europe due to **increased level of operations**

# HELLA Group Key Achievements

## P&L (III) – H1 2014/15 to H1 2015/16

EUR millions and % sales



EBIT and adj. EBIT

- **Adjusted EBIT** (excluding restructuring costs and cost for supplier default) increased by 29 mill. EUR (13%) to **256 mill. EUR**
- **Supplier failure** in China leads to one-off charges of 47 mill. EUR
- **EBIT** decreased by 18 mill EUR (8%) to **203 mill. EUR**
- **Restructuring expenses** H1 FY 15/16 of **6 mill. EUR** (+0,3 mill. EUR YoY)

Margins

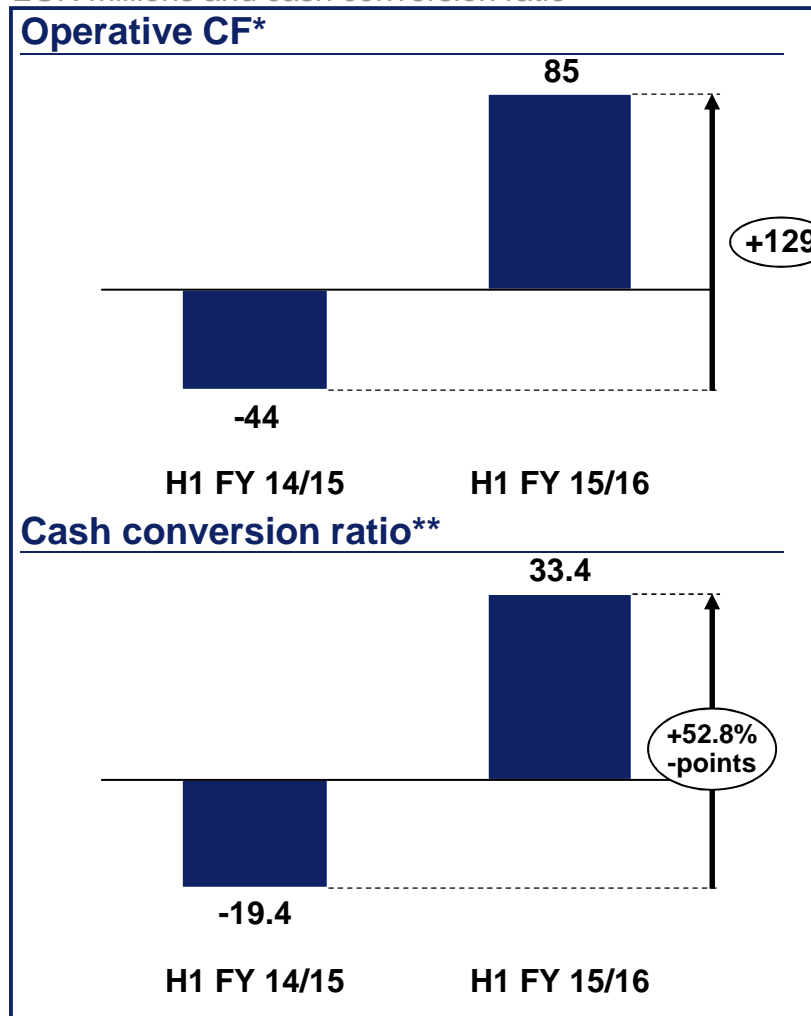
- **Adjusted EBIT margin** increased by **0.1%-points** to **8.1%** in FY15/16 driven by **strong top-line growth** with declining fix costs
- **EBIT margin** decreased by **1.4%-points** to **6.4%** mainly driven by **supplier default** (-1.5%-points)



# HELLA Group Key Achievements

## Operative CF - H1 2014/15 to H1 2015/16

EUR millions and cash conversion ratio\*\*



OCF

- **Operative CF\*** increased by 129 mill. EUR to **85 mill. EUR**
- **Cash settlements for restructurings** of **6 mill. EUR** (13 mill. EUR in FY 14/15) and **27 mill. EUR** cash out for **supplier default** are **excluded**
- **Lower working capital consumption** compared to FY 14/15, mainly due to temporarily delayed payments & longer payment terms

OCF / adj. EBIT

- **Cash conversion ratio\*\*** increased by 52.8%-points to **33.4%**
- **Strong increase in line with expectations** due to profitable top-line growth and lower working capital increase

\* Operative Cash Flow before dividends and net capital expenditure on financial assets or shares in associates (excluding cash restructuring payments and one-off effect from supplier default)

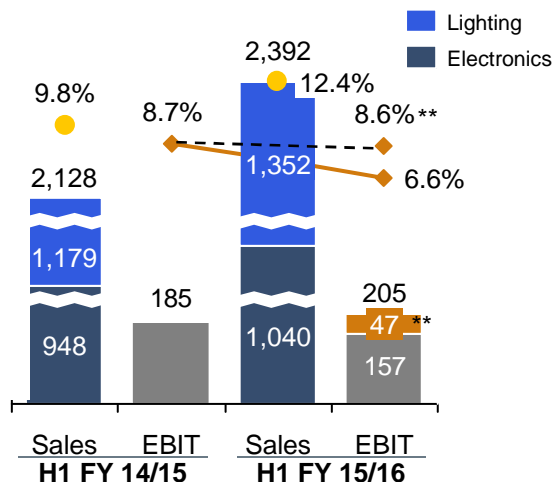
\*\*Operative Cash Flow / adj. EBIT (excl. restructuring costs and one-off effect from supplier default)



# HELLA Group Key Achievements

## Segment Highlights – H1 2014/15 to H1 2015/16

### Automotive\*



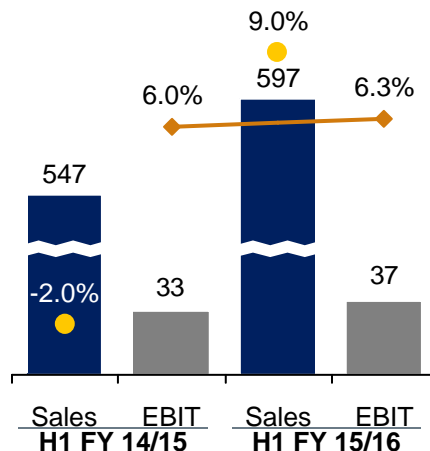
in mill. EUR and in %

- Strong demand for innovative electronics and lighting products based on megatrends
- Positive demand in Europe, NAFTA and in China
- Roll-out of complex products with LED technology still affects margin
- Non-recurring charges after supplier failure decrease EBIT by 47 mill. EUR

\* External sales

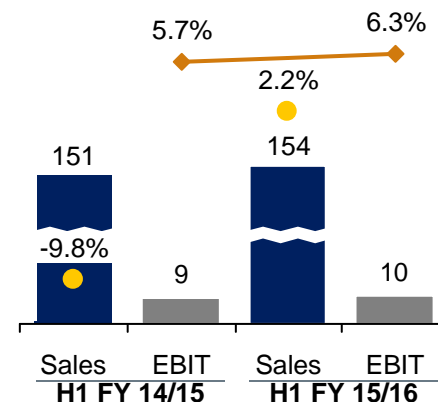
\*\* Supplier failure effect; 8.6% margin ex. supplier failure

### Aftermarket\*



- Independent aftermarket catching up after end of wholesale consolidation
- Positive demand for high-end diagnose and camera calibration tools
- Higher GPM due to positive product mix and increasing sales

### Special Applications\*



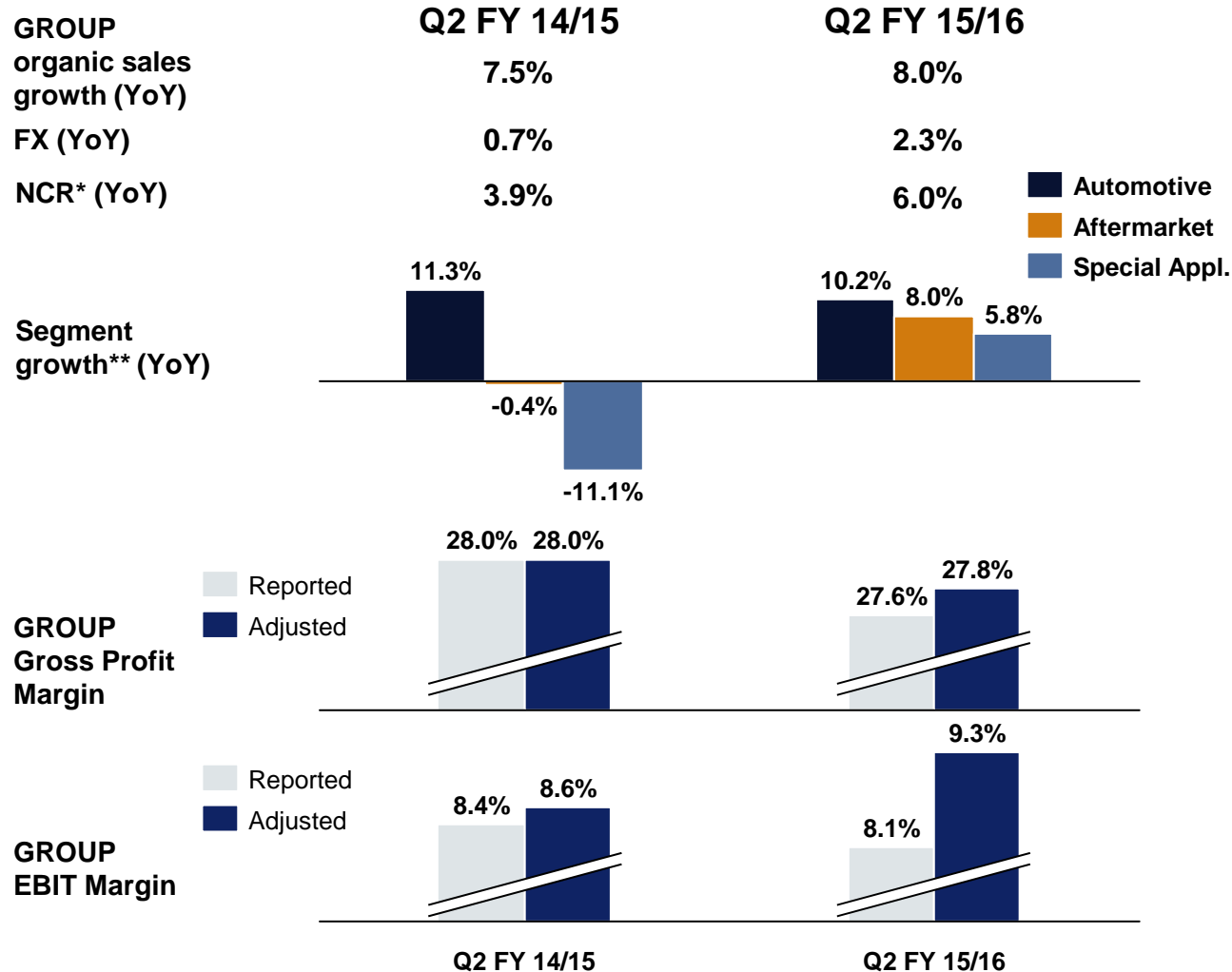
- Stabilization in the agricultural sector, still under pre-crisis level
- Reduced outdoor lighting sales
- Positive product mix with increasing sales affects margin

■ EBIT  
 ◆ EBIT Margin  
 ● Sales growth YoY



# HELLA Group Key Achievements

## Quarterly Comparison – Q2 FY 15/16 vs. Q2 FY 14/15



### Comment

- Strong Q2 FY 15/16 with higher organic growth and considerably better performance in Aftermarket and Special Applications
- Reported Gross Profit margin and EBIT margin FY 15/16 burdened with costs of supplier default. In addition, launch of new technologies affecting Q2 FY 15/16
- Adjusted EBIT also driven by shifts of development costs from first to second quarter

Quarterly comparison of limited relevance due to shifts between quarters and reporting date effects

\*New Car Registrations according to HELLA fiscal year, does not include all regions due to limited data availability, source: VDA, HELLA analysis

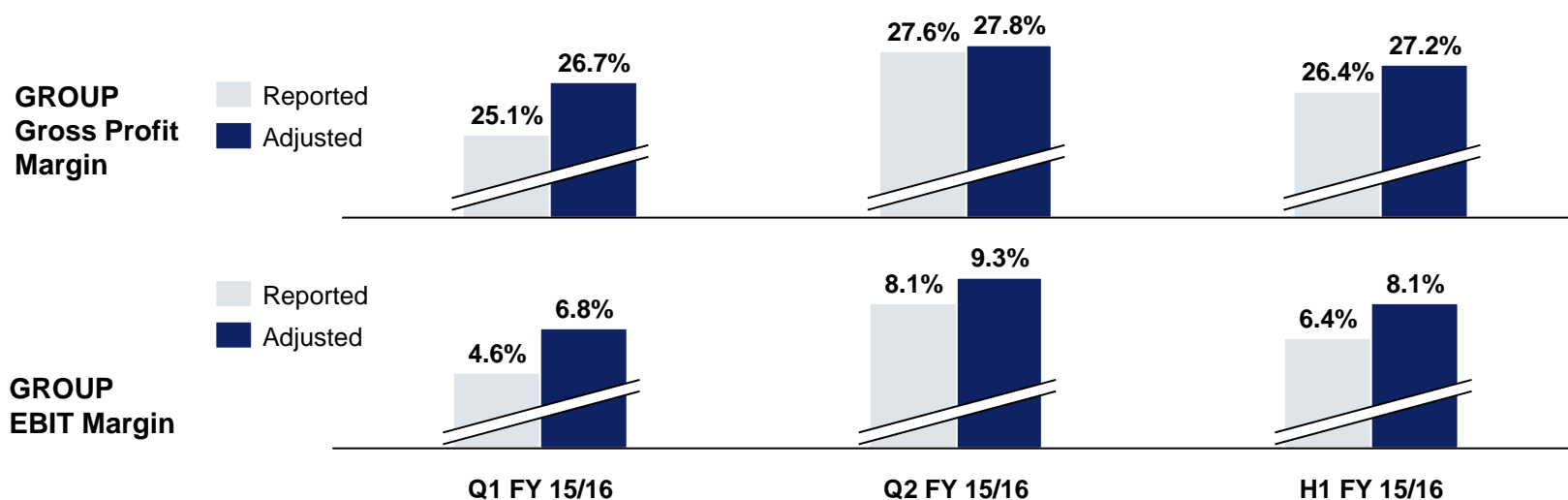
\*\*third party sales only



# HELLA Group Key Achievements

## Quarterly Comparison – H1 2015/16

	Q1 FY 15/16	Q2 FY 15/16	H1 FY 15/16
<b>GROUP Organic sales growth (YoY)</b>	9.5%	8.0%	8.7%
<b>FX (YoY)</b>	4.0%	2.3%	3.1%
<b>GROUP Sales growth (YoY)</b>	13.5%	10.3%	11.8%
<b>NCR* (YoY)</b>	0.0%	6.0%	3.1%



\*New Car Registrations according to HELLA fiscal year, does not include all regions due to limited data availability, source: VDA, HELLA analysis

# Outlook

## Market specific outlook

Region	Outlook Automotive Sales (in m pieces)		Comment
Germany	+4% 3.1 2015	+2% 3.2 2016	<ul style="list-style-type: none"> <li>Positive development of new car registrations in 2015</li> <li>Modest expected growth of approx. 2% for 2016</li> </ul>
Western Europe incl. Germany	+7% 13.0 2015	+1% 13.1 2016	<ul style="list-style-type: none"> <li>Strong growth to above pre-crises levels in most Western European countries in 2015</li> <li>Modest growth in 2016 expected due to saturation in UK, IT and FR with slow recovery, sideways trend in Spain</li> </ul>
USA	+5% 17.2 2015	+1% 17.4 2016	<ul style="list-style-type: none"> <li>Positive growth in the calendar year 2015 of around 5% due to favorable economic environment</li> <li>Modest growth of 1% in 2016 after strong 2015 expected</li> </ul>
China	+4% 19.1 2015	+2% 19.5 2016	<ul style="list-style-type: none"> <li>Decline in economic growth to 4% during 2015. Demand supported by governmental program but still further growth reduction expected</li> <li>Subdued growth in 2016 expected</li> </ul>
TOTAL	+1% 77 CY 2015	-2% ~78 CY 2016	<ul style="list-style-type: none"> <li>Overall growing expectations with significant regional differences. Uncertainty with respect to political tensions and economic conditions</li> </ul>

Source: VDA, HELLA own analysis

# Outlook

## Company specific outlook FY 2015/16

Presuming no serious economic turmoil, we assume a further positive development of the operative HELLA business, however a decline in EBIT due to one-off charges in the FY 2015/16:

	<u>Guidance</u>	<u>Comment</u>
<b>Sales</b>	<b>Growth in medium to high one-digit percentage range</b>	<ul style="list-style-type: none"><li>▪ Sales still expected to grow in the middle to high single-digit percentage range over the full financial year</li></ul>
<b>One-off charges (supplier failure)</b>	<b>Up to 50 mill. EUR</b>	<ul style="list-style-type: none"><li>▪ Major part already booked in H1 FY 15/16, remaining amount split between Q3 and Q4 FY 15/16</li></ul>
<b>EBIT</b>	<b>Below previous year</b>	<ul style="list-style-type: none"><li>▪ Drag on EBIT due to supplier default cannot be offset by strong sales development. EBIT margin will decrease relative to the prior year</li></ul>
<b>EBIT adjusted by one-offs for supplier default</b>	<b>Mid to high single-digit percentage growth</b>	<ul style="list-style-type: none"><li>▪ No change in guidance without supplier case</li></ul>



# HELLA – Roadshow Presentation H1 FY 2015/16

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- HELLA's Strategic Growth Path
- Financial Overview FY 2011/12 - FY 2014/15
- Results H1 FY 15/16

ANNEX

## Annex

### Key figures H1 FY 15/16 vs. H1 FY 14/15

Figures in mill. EUR if not otherwise stated	Key Financial Metrics	
	Key Financial Metrics	
	30. Nov 15 Actual	30. Nov 14 Actual
Sales	3,159	2,826
EBITDA	400	381
EBIT	203	221
Gross CAPEX	249	237
% of Sales	7.9%	8.4%
EPS (EUR)	1.16	1.45
Operative CF	85	-44
Net Debt	231	262
Equity	1,919	1,706
Equity Ratio	38.4%	36.0%
Net Debt / EBITDA (LTM)	0.3x	0.4x
Interest coverage ratio (min. 5x)*	26.0x	17.1x
Net Debt / Equity	0.1x	0.2x

\* Interest coverage and Gearing are covenants for Syn Loan

## Annex

### Income statement – H1 2015/16

in mill. EUR	6 months FY 2015/16		6 months FY 2014/15	
Sales	3,159	100.0%	2,826	100.0%
Cost of sales	-2,325	-73.6%	-2,053	-72.7%
<b>Gross Profit</b>	<b>834</b>	<b>26.4%</b>	<b>773</b>	<b>27.3%</b>
Research and development costs	-291	-9.2%	-269	-9.5%
Distribution costs	-244	-7.7%	-222	-7.9%
Administrative costs	-103	-3.3%	-95	-3.4%
Other income and expenses	-17	-0.5%	6	0.2%
Income from associates	25	0.8%	28	1.0%
Other income from investments	0	0.0%	0	0.0%
<b>EBIT</b>	<b>203</b>	<b>6.4%</b>	<b>221</b>	<b>7.8%</b>
Financial income	16	0.5%	13	0.4%
Financial expenses	-34	-1.1%	-37	-1.3%
<b>Earnings before taxes</b>	<b>184</b>	<b>5.8%</b>	<b>197</b>	<b>7.0%</b>
Taxes on income	-53	-1.7%	-46	-1.6%
<b>Earnings for the period</b>	<b>131</b>	<b>4.2%</b>	<b>151</b>	<b>5.4%</b>

## Annex

### Balance sheet – Assets: November 30, 2015

in mill. EUR	November 30, 2015		November 30, 2014	
Cash, cash equivalents and financial assets	923	18.5%	988	20.8%
Trade receivables	912	18.2%	790	16.7%
Other receivables and non-financial assets	193	3.9%	195	4.1%
Inventories	706	14.1%	658	13.9%
<b>Current assets</b>	<b>2,735</b>	<b>54.7%</b>	<b>2,631</b>	<b>55.4%</b>
Property, plant and equipment and intangible assets	1,819	36.4%	1,651	34.8%
Shares in associated companies and joint ventures and other investments	263	5.3%	258	5.4%
Other non-current assets	186	3.7%	205	4.3%
<b>Non-current assets</b>	<b>2,268</b>	<b>45.3%</b>	<b>2,114</b>	<b>44.6%</b>
<b>Total assets</b>	<b>5,003</b>	<b>100.0%</b>	<b>4,745</b>	<b>100.0%</b>

## Annex

### Balance sheet – Equity and liabilities: November 30, 2015

in mill. EUR	November 30, 2015		November 30, 2014	
Financial liabilities	87	1.7%	101	2.1%
Trade payables	679	13.6%	637	13.4%
Other liabilities	597	11.9%	415	8.7%
Provisions (current)	66	1.3%	105	2.2%
<b>Current liabilities</b>	<b>1,429</b>	<b>28.6%</b>	<b>1,258</b>	<b>26.5%</b>
Non-current financial liabilities	1,068	21.3%	1,149	24.2%
Deferred tax liabilities	38	0.8%	70	1.5%
Other non-current liabilities	206	4.1%	251	5.3%
Other provisions	344	6.9%	311	6.6%
<b>Non-current liabilities</b>	<b>1,655</b>	<b>33.1%</b>	<b>1,781</b>	<b>37.5%</b>
Total equity	1,919	38.4%	1,706	36.0%
<b>Total equity &amp; liabilities</b>	<b>5,003</b>	<b>100.0%</b>	<b>4,745</b>	<b>100.0%</b>

# Annex

## Cash Flow – H1 2015/16

in mill. EUR	FY 2015/16	FY 2014/15
EBIT	203	221
Gross depreciation	197	160
Working capital changes	-44	-114
Payments received for serial production	60	43
Tax payments	-51	-60
Other operating activities (e.g. change in provisions)	-31	-56
Gross Capital Expenditures	-254	-242
Revenue from sale of assets	5	4
<b>Operative Cash Flow</b>	<b>85</b>	<b>-44</b>
Dividends paid	-87	-59
Acquisitions	-55	-20
Capital increase	0	272
Restructuring payments, Consolidation group changes, FX effects & other evaluation effects, Supplier case	-39	12
Pension, Factoring, Operating Lease	-5	2
<b>Change in financial net debts</b>	<b>-100</b>	<b>163</b>

- **Higher operative Cash Flow** mainly due to lower working capital consumption
- **Decrease in net capex\*** from 194 mill. EUR to 189 mill. EUR; customer payments exceeding previous year's level (60 vs. 43 mill. EUR)
- **Operative Cash Flow** of 85 mill. EUR

\*Includes gross capital expenditures, less revenue from sale of assets, and less payments received for serial production

## Annex

### Financial Debt Structure – November 30, 2014 vs. November 30, 2015

<b>Figures in mill. EUR</b> <b>Financial Debt Structure November 2014 vs. November 2015</b>				
	Maturity	Nov 30, 2014	Deviation	Nov 30, 2015
AFLAC Notes and Loan*	2032/33	175	0	175
2.375% Notes 2013/2020**	2020	500	0	500
1.25% Notes 2014/2017**	2017	300	0	300
Loan European Investment Bank	2015	150	-150	0
Other Financial Debt, Accruals and Revaluation		125	55	180
<b>Gross Financial Debt</b>		<b>1,250</b>	<b>-95</b>	<b>1,155</b>
Cash and cash equivalents		629	-65	565
Financial Assets		358	0	359
<b>Net Debt</b>		<b>262</b>	<b>-31</b>	<b>231</b>
Revolving credit facility (2015-2020) of 450 mill. EUR				
<b>Net Debt / EBITDA (LTM)</b>		<b>0.4x</b>		<b>0.3x</b>

#### Changes

- Increase of other financial debt, accruals and revaluation (+55 mill. EUR) including also external financial liabilities of 43 mill. EUR in China
- EIB Loan repayment (150 mill. EUR) in January 2015 and redemption of 200 mill. EUR for a bond maturing in October 2014
- Refinancing and reduction of Synloan facility to 450 mill. EUR in June
- Capital increase in November 2014 benefits cash position with net inflow of 272 mill. EUR

\* hedged value      \*\* nominal amount



Technology with Vision

# Thanks for your attention

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