

HELLA Annual General Meeting 2019

Documents regarding agenda item 11



Report to the Annual General Meeting on agenda item 11 in accordance with §§ 203 (2) sentence 2, 186 (4) sentence 2 AktG

The company last approved in the General Meeting on October 10, 2014, authorized capital that expires on October 9, 2019. In agenda item 11, the General Partner, the Shareholder Committee and the Supervisory Board ask the shareholders of the company to approve new authorized capital for a period lasting until September 26, 2024. In this regard, pursuant to §§ 203 (2) sentence 2, 186 (4) sentence 2 AktG, the General Partner submits a written report that is published as follows:

The Authorized Capital 2019/I is to replace the Authorized Capital 2014/I, which lasts until October 9, 2019. The Authorized Capital 2019/I is to be available both for cash capital increases and capital increases in kind and may also be utilized in partial amounts as well as on several occasions. The total amount of €44 million must not be exceeded. The authorization is to be issued until expiration of September 26, 2024.

By means of the new Authorized Capital 2019/I, as in the past, the company is to be provided with an effective means to react promptly to current market developments, in particular a favorable stock market situation or acquisition opportunity. The proposed authorization constitutes a flexible instrument for improving the capital position of the company on short notice without having to wait for the next Annual General Meeting.

In the event of such measures, the shareholders are generally to be granted subscription rights. Subscription rights may also be granted so that the new shares are subscribed by a credit institution with the obligation to offer the shares to the shareholders by way of "indirect subscription rights" (*mittelbares Bezugsrecht*). However, the proposed resolution stipulates that subscription rights may be excluded in order to issue shares in return for contributions in kind, in order to service bonds or profit participation rights with attached conversion or subscription rights subject to the

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requirements of § 186 (3) sentence 4 AktG as well as in order to eliminate fractional shares.

In detail, an exclusion of subscription rights is to be possible in the following cases:

- a) The General Partners are to be authorized to exclude subscription rights with the approval of the Supervisory Board and the Shareholder Committee if capital is increased against contributions in kind. This authorization is to allow the company the possibility to use company shares in connection with the acquisition of assets as consideration. This can be significant in particular if a business, parts of a business or a participation is acquired. Experience has shown that granting shares as consideration can be expedient or even required in order to meet seller expectations or to protect the company's liquidity. Purchasers that can offer shares as consideration often have a competitive advantage when acquiring attractive assets. This advantage, which also indirectly benefits the company's shareholders, can justify that the proportions of the current shareholders' shareholdings and their shares of the voting rights be diluted by an exclusion of subscription rights.

However, both the authorization to issue shares in return for contributions in kind and an attendant exclusion of subscription rights are to be used only if the acquisition of the relevant asset is in the best interests of the company and if acquiring the relevant asset by any other means, in particular through purchase, is legally or in fact inconceivable or conceivable only at unfavorable conditions. In such cases, the company will invariably examine whether there is an equally suited way to acquire the asset, the impact of which interferes much less with the position of the shareholders. Thus, if contributions in kind are acquired, as a rule, it must be examined whether in lieu of an exclusion of subscription rights at least the outside shareholders can also be granted parallel subscription rights in return for cash consideration, for example. The shareholders' interests will also be taken into account in that the company will carefully examine whether the

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value of the contribution in kind is reasonably comparable to the value of the shares.

- b) In addition, subscription rights may be excluded with the approval of the Supervisory Board and the Shareholder Committee in order to grant subscription rights for new shares to holders of option or conversion rights under warrant or convertible bonds issued by the company to the extent that such holders would be entitled to subscription rights after exercising their option or conversion rights or fulfilling their option or conversion obligations. This enables in particular a form of dilution protection customary in the market to be afforded to the holders or creditors of such instruments. They are thus put in a position as though they were shareholders already. The granting of subscription rights for the holders of conversion or option rights is one alternative to the adjustment of the conversion price or option price, which would otherwise have to be done. In order to be able to equip the bonds with such dilution protection, the shareholders' subscription rights to these shares must be excluded. The possibility of granting shares to creditors of warrant and convertible bonds instead of reducing the conversion or option price can be more beneficial to the company in commercial terms. By granting shares instead of reducing the conversion or option price, the company can possibly achieve a higher issue price for the shares to be issued in connection with the conversion or exercise of the option.
- c) In addition, it is to be possible to exclude subscription rights with the approval of the Supervisory Board and the Shareholder Committee if the requirements with regard to volume and the other requirements for an exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG are fulfilled. The company will thereby be enabled to flexibly cover a future need for financing on short notice by taking advantage of any favorable capital market conditions to the benefit of the company and its shareholders. In this case, the exclusion of subscription rights will enable shares to be placed at a price close to the stock exchange

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price. By comparison, the issuance of shares when also granting subscription rights is less attractive in some circumstances since the issue price must be set very early on in order to comply with the subscription period. This can lead to considerable price discounts becoming necessary, in particular if the markets show high volatility. A capital increase without the shareholders' subscription rights can therefore be in the best interests of the company and the shareholders.

In such an instance, the interests of the shareholders are safeguarded in that the new shares must not be issued considerably below the stock exchange price, whereby the value of the subscription right practically approaches zero. The inclusion-in-the-calculation clause stipulated in the authorization furthermore ensures that the shareholders' interest in precluding any further proportional decrease of their respective shareholdings is safeguarded by limiting the volume at 10% of the nominal capital existing at the time of the issuance. At the same time, the General Partners are allowed the possibility to choose the most appropriate financing instrument in the given situation that is in the best interests of the company and the shareholders.

- d) Furthermore, the proposed authorization provides for the exclusion of subscription rights for fractional shares. This can become necessary if a feasible subscription ratio cannot be achieved otherwise. Due to the limitation to fractional shares, in principle, the possible dilutive effect is very minimal. The company will endeavor to dispose of free fractional shares on the best possible terms in the interests of the shareholders.

There are currently no specific plans to utilize the new Authorized Capital 2019/I. A report will be given to the shareholders on every utilization of the Authorized Capital 2019/I in the General Meeting that follows such utilization.

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Lippstadt, August 2019

A handwritten signature in black ink, appearing to read "Rolf Breidenbach".

Dr. Rolf Breidenbach

President and CEO of
Hella Geschäftsführungsgesellschaft mbH

A handwritten signature in black ink, appearing to read "W. Benade".

Dr. Werner Benade

Managing Director of Hella
Geschäftsführungsgesellschaft mbH

A handwritten signature in black ink, appearing to read "F. Huber".

Dr. Frank Huber

Managing Director of Hella
Geschäftsführungsgesellschaft mbH

A handwritten signature in black ink, appearing to read "B. Schäferbarthold".

Bernard Schäferbarthold

Managing Director of Hella
Geschäftsführungsgesellschaft mbH

A handwritten signature in black ink, appearing to read "N. Schneider".

Dr. Nicole Schneider

Managing Director of Hella
Geschäftsführungsgesellschaft mbH