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Operator: This is conference # 956727.

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Hella investor update first half-year of financial year 2015/2016. (Operator Instructions). I must advise you that the webcast is being recorded today, Monday, January 11, 2016.

I'd now like to hand the webcast over to your first presenter today, Dr. Breidenbach, CEO of Hella Group. Please go ahead.

Rolf Breidenbach: Yes. Good morning to everybody. Welcome to our investor update of our first half-year results.

Overall, we are quite satisfied with the development. As concerns our top-line figures and also our result figures in the first half of our fiscal year, we were able to grow by around 12%. 3% are due to our currency effects, but overall again we were able to outperform the global automotive market by around 9%- points, which in our opinion is a quite good growth performance.

We outperformed the markets in all the, for us, important regions. We outperformed the market [in Europe], in North and South America, and what is very important for us also in Asia our year-to-year growth was of around 20%. And this shows that now our

investments we have carried out in the Asian market, especially in China, are step-by-step paying off.

When we look at the different segments, we could see that again Automotive was an important driver of our growth development. On the one hand we were able to over-proportional launch new products. Also our LED technology products, an important driver of our growth, and also again our electronic components, supported our growth strategy.

What in our opinion also is quite positive is the development in the Aftermarket. Here we could show a growth by around 9%, especially the independent aftermarket in Europe has recovered and this supported again our growth path.

Our last segment, Special Applications, also turned around and stabilized with a small growth of 2% we could show here an improvement in the top line, which also now for this segment goes into the right direction.

When we look at our gross profit margin, net we were at 26.4%, taking into account all the costs which are related to our supplier default in China. If we exclude these efforts, we again could show a gross margin between -- above 27%, which in our opinion is also quite competitive and shows that the huge investments we are carrying out again and again into our D&D area pays off and allows us to show such a high gross margin.

When we look at D&D, the ratio for the first half-year is 9.2%. On the one hand this has something to do with the good order book we were able to realize in the last fiscal year, and now the new projects we have acquired of course have to be developed and this again needs additional investment into this area.

Concerning the development of the distribution costs and also the administrative expenses, I think we again were able percentage-wise to lower both areas. We are now at 7.7% as concerns the distribution expenses and 3.3% when we look at the administrative expenses

When we look at EBIT net, we are able to show EUR203m. This is less than compared to the last fiscal year, minus EUR18m. We are talking about an EBIT margin of 6.4%. This of course has a lot to do with the supplier default. In these

figures EUR47m are included due to this event we have explained three months ago in our last call. When we exclude this special event and also the restructuring costs we are facing in the first half of our fiscal year, our adjusted EBIT is at EUR256m. This is an adjusted EBIT margin of 8.1%, which is more than in line with the gross profitability we are currently targeting.

Last remark from my side is a comment on the operative free cash flow. We are at EUR85m. This is by far better than in the last fiscal year on a year-to-year comparison. On the one hand, our efforts as concerned the improvement of working capital is one reason for this improvement, and on the other hand also delayed payments and longer payment turns which are only temporary effects.

So overall, as I said, we are quite satisfied with the development of our first half of this fiscal year. Having said this, I would like to hand over to my colleague the CFO of Hella, Dr. Wolfgang Ollig, who will now explain the figures in more detail.

Wolfgang Ollig: Yes, hello also from my side. I'll try to be fast in order to have enough time for our questions. So all in all we should stick within the 20 minutes.

If you go to the next page you will see the market overview, as we have shown now for the last calls as well. So on the top line you'll see the new passenger car registrations, so relevant for the automotive business. The global development has been plus 3%. Here we have seen an acceleration in Q2, whereas the summer months have been quite slow. Here we're just focusing on the key regions for Hella, Europe, China and the US, although of course there are other regions which have a worse performance than these three regions, but you see that Europe has recovered, China still on an aggregated level is at a plus 7% level and as well the US still continues to grow.

If we compare this to the Hella numbers, you see on the bottom line on the left-hand side the Group figures, so including the other two segments, Aftermarket and Special Applications, you see the 12% Dr. Breidenbach has mentioned, out of which 3% are related to FX effects. And on the right-hand side, the four columns you see, the automotive business globally, and then for the key regions. And you see as well here that we have been able to continue our outperformance of the market as we have done already in the last quarters and in the last financial year.

Going to the next page, here I would like to highlight the gross profit development, which of course for us is very important to show our operational excellence. You see that we have been able to leverage the strong growth, especially out of the automotive business, in turning up gross profit and really using the scale effect, although we have had the extraordinary effects of the supplier topic and as well the launch costs of our new technology launches in Eastern Europe, as we have explained in the last two calls.

So all in all we have been able to increase our gross profit level by EUR61m on a non-adjusted basis, and by EUR88m adjusting for the supplier default.

Looking to the margin, as Dr. Breidenbach explained, for us a 27% threshold is quite significant and we have been able on an adjusted basis to surpass this, although, as mentioned, we are still not at the operational level, especially in our automotive lighting business, where we want to be. All in all we account 90 basis points for the supplier default and if we compare the overall gross profit margin level, we are, with a 26.4%, around 1 percentage point below the figure we have achieved in 2014/2015.

If we go to the structural costs, we have been within our guidance as well. The R&D level in fact even has decreased by 30 basis points. This was mainly due to the top line growth we have achieved. The absolute R&D figure has grown by EUR22m. This is related especially to the big successes we have had in acquiring new business in the past 12 months and as well the support we are giving for the industrialization of our new technology products in Eastern Europe.

If we look at administration and distribution costs, here the situation is quite stable. We are here really on our described track development.

If we look at our EBIT and adjusted EBIT figure on page 8, you see the effects we already have mentioned before. So in absolute terms an EBIT level of EUR203m. Excluding the supplier default topic of EUR47m with the EUR6m of restructuring costs, out of our old restructuring program T20, we are reaching EUR256m, which is EUR29m above the adjusted figure of last year. Taking the supplier default into account, we're EUR18m below this figure.

The supplier default all in all costs us EUR47m, out of which EUR27m are or have been accounted for in our gross profit. EUR20m are in other expenses. It's mainly

due to non-allocatable cross-functional support costs, as well doubling of tool costs, and the write-off of our goodwill, which we have explained in our calls three months ago.

If we look to our margins here, as Dr. Breidenbach has mentioned, on the adjusted EBIT level we feel quite comfortable to see 8.1%. So there even has been a small improvement by 10 basis points, so we are above 8% in the first half, which traditionally is a strong half, especially the second quarter is a strong quarter for us. And including the supplier case we are at 6.4 percentage points.

Turning to the cash flow, here we have been quite satisfied with the year-on-year development, so around EUR130m improvement has been realized, now reaching EUR85m in absolute terms. Here you see that we have been able to generate cash flow out of our growth and EBIT development.

We have been quite disciplined in our investment policy and growth of working capital has been under-proportionate. However, as we have made already the comment in Q1, this figure cannot be extrapolated for the full year, as we see certain risks and as well certain temporary effects currently in the cash flow which are supporting the existing figures, which cannot be extended now for the full year.

If we look to the segments on the next page, this is a quite complicated chart but I'm sure you will be able to understand that.

Looking to Automotive first, you see in the column of sales, last year, this year, the yellow point shows the growth rate. So growth rate has increased from 9.8% to 12.4%, which is in line with the description of our general growth trend we have as well made at the Capital Markets Day and the strong support we are getting from the mega-trends in lighting and electronics. You see the profitability development on an adjusted basis being at 8.6%, including the supplier case of 6.6%, which as well is in line with our expectations, driven in general by the strong demand we are achieving in all product groups and as well around the main regional areas.

If we look to Aftermarket and Special Applications, here as well the trend Dr. Breidenbach has mentioned for us is quite important. So Aftermarket has recovered. We have seen a strong growth of 9%, which somehow is a backhaul effect from the weak first half of last year. As well here we don't think that the 9% can be extended

for the full year, but it shows that the general Aftermarket market level is back on track. We as well have been able to improve slightly our profitability margin, which is as well in line with our targets we have explained to you before.

Special Applications in general has stabilized, however on a lower level than pre-crisis. Here we have to see how our market will develop in general, but we are clearly committed here as well to improve our profitability margin step by step.

Making a quarterly comparison now on page 11, on a year-on-year basis you see that the growth, the organic growth, still is strong. It even has accelerated by 50 basis points. If we look to the segments, here the turnaround of Aftermarket and Special Applications becomes visible. In general here we are back on track with our strategic growth path.

On the gross profit level, you see that Q2 has been stronger than Q1 in terms of relative gross profit. Out of the 27.8%, probably around 10 basis points would account for FX effects. So here we are pretty close, even to the 28% we have achieved in Q2 of the last financial year. And as well the Group EBIT margin on adjusted basis was 9.3%. Even unadjusted, 8.1%, is in line with our operational performance.

For the quarterly comparison on this page I would like to highlight again that the quarterly comparison of costs is quite difficult since there are shifts between the quarters due to our business topics and as well due to reporting days. So therefore we are just highlighting here on one page the quarterly figures, but in general are commenting on the cumulative figures for the first half.

On the next page you see the ramp-up of the Q1 and Q2 figures. In general nothing more to add. I think there is a quite homogeneous build up of our business activity. Growth still is strong, outperformance of the market is strong, and we have been able to leverage and transform this overall growth as well into profitability, growth in gross profit and as well in EBIT margin terms.

Now I would like to hand over to Dr. Breidenbach again for a short explanation on the outlook.

Rolf Breidenbach: Yes, thank you very much. As you know, the most important markets for Hella are Europe, especially Western Europe and Germany. North America, the NAFTA region,

is very important here, of course the US. And in Asia, China is for us the most significant market. Therefore, allow me to concentrate the market perspective on those markets. As already Dr. Ollig has said, other markets like South America, Brazil, are not important, Russia is not important, India also not so important.

When we look at Germany and West Europe, we see a modest growth expectation for 2016. The same is true for the US. So we only see growth in the automotive sales of 1%. And also in China we think there will be growth but at a low to mid one-digit level. So overall we see the automotive market growing worldwide on 2% for 2016. Of course, as I said, the regions where the growth perspectives are not so well are not so important for Hella.

Having said that, allow me one last comment on our guidance. There is no change. So when we look at sales, we guide a growth in the medium to high one-digit percentage range. The one-off charges related to the supplier default in China, here also no change as concerns our messages. We see, yes, additional burden for our results up to EUR50m. And, as Dr. Ollig already has mentioned, EUR47m are already included in our first half-year results.

This leads also to our EBIT guidance we have mentioned three months ago and will remain. So we guide an EBIT at the absolute figure below our previous year. And when we look at the adjusted level of our EBIT results, we guide a mid to high single-digit percentage growth, as we have already done when the fiscal year started in June 2015.

So this was it for our presentations and now we are happy to answer your questions. Thank you.

Operator: (Operator Instructions). Christian Ludwig, Bankhaus Lampe.

Christian Ludwig: Yes, good morning. Two questions, very quickly. On the Aftermarket growth, how much of that sales growth was due to un-organic developments like the acquisition of minority stakes? Is there any impact?

And second question, just again a clarification, so we'll see, we're going to see EUR3m additional cost related to the China supply incident in the second half of the year, is that correct?

Wolfgang Ollig: Yes, answering your first question, so the Inter-Team acquisition didn't change any consolidation because it already was fully consolidated, as well was FTZ. So there has been no inorganic growth effect in the first half and as well there should be more out of these two topics for the full year.

And related to the supplier default costs, as we have said, up to EUR50m for the full year. EUR47m have been accounted for in the first half, so up to EUR3m costs are what we are foreseeing for the next quarters.

Christian Ludwig: Okay. Very clear. Thank you.

Operator: Bjorn Voss, M.M. Warburg.

Bjorn Voss: Yes, good morning. Just two questions if I may. First of all, you were referring to your still, let's say, extraordinary costs related to roll-out of complex LED technologies in the automotive segment in the first half. Could you explain us how long you expect these charges to impact the automotive result? This is the first question.

And second question, Dr. Ollig said that you were able to acquire new business in the recent past. Could you also shed or provide a little bit more insight in the amount, let's say, of the volumes and also the timeframe when you expect this new business to run through the P&L? Thank you.

Rolf Breidenbach: Concerning the additional launch cost for LED, we hope that we can overcome this additional burden at the end of this fiscal year, so step by step these additional costs should go down month by month.

Concerning the acquired new business, of course this business we have acquired last fiscal year will transfer into a top-line growth in 2.5 to 3 years. More details, as perhaps you know, we are not able to share with you as concerns our order book. I hope here for your understanding.

Bjorn Voss: Yes sir. Thank you. So this is just a normal business that you have acquired, which you do frequently. This is nothing, not a major big order you were referring to, right?

Rolf Breidenbach: That's correct.

Bjorn Voss: Okay. Thank you.



Operator: Christian Breitsprecher, Maquarie

Christian Breitsprecher: Yes, good morning. It's Christian Breitsprecher from Maquarie. I have a couple of questions on the adjusted EBIT and the outlook for the full year. When we look at the second quarter, you had a very good development in the gross margin, also a good development on the other cost ratios. I know that you don't want to look that much at quarters because you say there are shifts between them, but is there anything particular in the second quarter where you would say third, fourth quarter is going to be different, or is actually the second quarter cost structure pretty good guidance for what we're going to see in the next quarters? That's my first question.

And the second question is, in terms of the total one-offs that we should expect for this year, okay, there is about EUR50m for the China issue, but can you also give us the amount for other restructuring charges or one-offs that we should pencil in for the full year? Thanks.

Wolfgang Ollig: Okay. To your first question, so as we have already said, there always are shifts between the quarters. Our Q3 in general is quite a challenging quarter due to the effect that we have December, January as two shift months of the old year and the new year being in this quarter. So therefore you cannot from our point of view extrapolate the Q2 numbers to the full year. So clearly here we see certain challenges as well on top line growth.

Of course as well we see certain uncertainties in the market in general for the second half. So therefore here we are a bit conservative and we have taken these market uncertainties into account when we talk about our full-year guidance.

And third point here, as already mentioned in the presentation, the Aftermarket growth somehow has been a recovery of the low first-half figures of the previous year. Second half in fact has been much stronger so here as well we are expecting growth figures to come to a lower normal level.

Concerning the one-offs, we have guided at the beginning of the year around EUR20m on restructuring costs, on the one hand based on our old finished T20 project we have done in Germany, plus certain restructuring efforts we are taking on in our global network. And here we are not changing our guidance currently.

Christian Breitsprecher: Just one follow-up on the cost structure improvements. I know obviously there are the seasonal factors, but, leaving that aside, your second quarter results

this time really showed a pretty good improvement in terms of cost structures. Is that something that, leaving the seasonal factors aside, should also be seen in the third and fourth quarter or do we really have to take the very good performance in the second quarter in that respect there a little bit as a one-off and, yes, maybe unusually good?

Wolfgang Ollig: Yes, definitely we are taking into account the strong growth we have achieved and really transforming this into gross profit. As we have said, in the second half we should see a certain reduction of our extraordinary launch costs of the new technology projects. On the other hand, as well as we have said in the general guidance for our R&D figures, we are expecting here no reduction for the full year in relation to the R&D costs we have achieved last financial year in relative terms. So this means that the absolute growth of the R&D figure will continue and this as well will have an effect on the second half. So in general we are sticking to our guidance for the full year.

Christian Breitsprecher: Okay. Thank you.

Operator: Lucile Leroux of Morgan Stanley.

Lucile Leroux: Yes, hello. Thank you for taking my question. I just wanted to double-check. You might have answered already. I just wanted to check if you are changing your R&D target for the full year. It was 9.3% before. I just wanted to check if you expect anything different for the full year now.

Wolfgang Ollig: So related to your R&D question, as we have said the last half year, we don't expect any reduction of the ratio for the full year. And, as you see in the first half, we in fact have been able to reduce the relative R&D costs related to our top line growth here. Due to the support for our acquired projects and the development efforts we have to take, and the support of our international launch costs, here we see a continuous absolute growth of costs and this as well should lead to a higher R&D ratio for the full year. So this will be a negative cost effect in the second half.

Lucile Leroux: So higher, but in line in terms of percentage of sales with last year.

Wolfgang Ollig: Yes, this is we are targeting for.

Lucile Leroux: Okay. And I have a second question if I can. Just wanted to check if you can give us an update on Volkswagen. There are some other suppliers that mentioned at the end of last year that they were expecting some lower volumes on their new orders for 2016 and that they were seeing already some decrease at the end of the year for Audi. Is it something you have experienced as well or how do you see the development for this year?

Rolf Breidenbach: As of today, we see no, let's say, specific pattern from the order intake from Volkswagen that put us into the position to draw any kind of conclusion. We also see currently no impact on our overall top line sales figure. So currently no clear picture and as of today no impact for Hella.

Lucile Leroux: Okay. And what do you expect for this year? Do you think it should be -- according to your previous experience of similar issues, do you expect the same to continue this year?

Rolf Breidenbach: Difficult to say. We don't know and we will not participate now in speculations. What we can see is that overall the demand for premium cars is very strong and this of course is one important lever and reason for, in our opinion, quite good growth development. And, as of today, when I look at our figures there is no change in the quarters to come.

Lucile Leroux: Great. Thank you very much.

Operator: Lello Della Ragione, Intermonte.

Lello Della Ragione: Good morning. I have two questions. The first one is actually on the geographical split of the Group. Your outperformance at global level in several regions, but if I take the growth rate in Europe there is a 2% different negative performance compared to the market and I was wondering if you can explain where are you losing market share on this point.

And the second question instead is on EBIT margin. If we look at the EBIT margin growth on the first half, so not on a quarterly basis but on the first half, we have seen a very strong growth. With your guidance now, the implied growth rate is significantly below this level. You mentioned already R&D costs in the second half of the year, but can you explain, for instance, how we should meet the gross margin evolution in the second part of the year? Thank you.

Rolf Breidenbach: So when we look at Europe, you are right; we have grown more or less with the market. This has a lot to do with our globalization strategy. So for us it's very important that we step by step have balanced out the different markets. We have invested significantly into China. We have significantly invested especially into our Mexican footprint. And therefore we could show there significantly more growth than the market. And in Europe, in our opinion, we have grown more or less with the market so, in our opinion, nothing where we are concerned about.

Concerning our profitability and D&D ratio, as we have said, there we stick with our guidance. We would like to do our business at the same or a little bit lower level concerning the R&D ratio as we have done in the last fiscal year. And, to be very open, this is not a figure where we have a very deep focus on, much more important for us is what you have also mentioned, our gross margin, so we expect a gross margin level also for the month to come, at least we target this, at 27-plus-X%, which in our opinion is quite competitive and is, as I said, our clear target.

Operator: (Operator Instructions). Christian Ludwig of Bankhaus Lampe.

Christian Ludwig: Yes, thank you. Sorry, just one follow-up question. Your tax rate is significantly higher than it was last year. Is there any specific reason for this and what should we expect for the rest of the year?

Rolf Breidenbach: Yes we have had a tax audit in China in one company and due to IFRS rules we have included these effects in the first half. However, we don't think that this current tax rate ratio should be extrapolated. So we as well are sticking with the general level we have achieved last year.

Christian Ludwig: Okay. So we shouldn't see a significant decrease in the second half.

Rolf Breidenbach: I don't know significant, but generally we should come within the range of the tax rate we have achieved in the last three years.

Christian Ludwig: Okay. Okay. Thank you.

Operator: (Operator Instructions). Lello Della Ragione, Intermonte.

Lello Della Ragione: Just another question, please, on your guidance on the top line instead. I was wondering, okay, you already mentioned that the Aftermarket will have a different

pattern in the second half, also due to a comparison-based difference, but that difference is almost 6 percentage point compared to what we achieved in the first half. And I was wondering if you are also going to be doing something else into the automotive growth or it's more related to the market evolution or something more specific to projects that you are not going to launch in the second half of the year. Thank you.

Rolf Breidenbach: So we don't see any issue with our launch performance or, let's say, with our plan to launch the different products we have acquired. So there is no impact on our top line growth from this direction. Of course in our guidance some possible market -- how should I call it -- insecurities are included, or market uncertainties, but nothing specific or special. So we are coming a little bit from the conservative side, let's say, this way.

Operator: Manuel Tanzer, MainFirst Bank.

Manuel Tanzer: Hi, good morning. Thanks for taking my question and I guess it was just asked in a similar manner. I was about to ask about the top line development, the guidance basically, which is unchanged. So far we saw about 12% growth and for the full year the guidance points to 8.5% growth, which would imply a mere 4.5% or 5% for the second half. And I guess you just mentioned that you are coming more from the conservative side, but is there any concrete thing, especially like in automotive, where you see a significant slowdown, which your guidance would imply?

And also you said in terms of margin that you are still targeting a solid 27-plus-X% gross margin also for H2. So based on your current guidance, which you [didn't operate], I don't see how this would exactly match. Can you maybe shed some light on that? Thank you.

Rolf Breidenbach: Okay. As you said, we tried to answer the question regarding the top line already, but allow me to sum it up. We see a reduction in our Aftermarket growth and we also see some market uncertainties, which are included in the overall guidance, which hasn't changed. Concerning the gross margin our clear target is to run the business at 27.X%, this means 27.1%, 27.2% or something like that, which we have already achieved in the first half of this fiscal year and, as I said, we are targeting this also in the second half.

Putting our D&D perspectives together with this fact leads us also to the guidance as concerns our results. We think this is clear and fits all well together.

Operator: Ashik Kurian, Goldman Sachs.

Ashik Kurian: Hi. It's Ashik from Goldman Sachs. Apologies if this has been answered before, but I just wanted to get some color on the improvement in the gross profit margin in the second half. Is it fair to assume that you will have positive tailwinds from both the ramp-up costs falling off?

And also if you can just update me on what the headwind to the margins was in Q2 from your hedging impact and how that will roll off in the coming quarters?

Wolfgang Ollig: Okay. Starting with the hedging costs, so I think I mentioned in the call already in Q2 we had an effect of 10 basis points and for the full half year it has been around 30 basis points. So there has been a reduction of the FX effect, as well as we have projected. And probably if the currency levels stay in the existing ballpark, the effect in Q3 and Q4 should be rather small.

Talking about the gross profit development, I think here are different effects. You have to take into account on the one hand we have our additional launch costs for the high technology topics we have explained already. On the other hand we see that in other areas we are able to really improve our profitability, to improve our operational excellence and as well to take advantage of the existing scale we are achieving. And this is somehow counterbalancing the negative effects, although these negative effects are burdening our gross profit development.

Ashik Kurian: Maybe if I can just follow-up on the hedging stuff. I know it is small, but at some point in the future these headwinds should turn into tailwinds, assuming currency remains flat. So when should we start expecting -- assuming the FX rates stay the same, when should we start expecting tailwinds to your gross margins from the hedging impact?

Wolfgang Ollig: So our hedging strategy of course is not designed to generate gains, but to somehow manage the risk. So we think that after the negative effects should fade and should go away we expect this to take place in the second half of this year. If there will be any positive effects, we will have to see, but in general we don't take them into account.

Ashik Kurian: Okay. Thank you. That's it from my side.

Operator: Thank you. There are no further questions on the line, please continue. There are no further questions on the line, sir, please continue.

Rolf Breidenbach: Okay. When there are no further questions, from the whole Hella team to all the participants thank you very much for joining us, for the questions, for the discussions and all the best. Bye.

Operator: Thank you. That does conclude this webcast for today. Thank you all for participating. You may all disconnect.

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