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P: Florian Treisch; MainFirst Bank; Analyst
P: Henning Cosman; HSBC; Analyst
P: Lello Della Regione; Intermonte; Analyst
P: Nikhil Bhat; JPMorgan; Analyst
P: Tim Rokossa; Deutsche Bank; Analyst
P: Operator

COMPANY EDITED TRANSCRIPT

Operator: This is conference # 962033.

Good morning, ladies and gentlemen. Thank you for standing by, and welcome to the HELLA investor update for the financial year 2016/2017.
(Operator Instructions)

I must advise you that this webcast is being recorded today, on Thursday, the 10th of August 2017.

I would now like to hand the webcast over to your presenters today, Dr. Rolf Breidenbach, CEO and President of HELLA; and Bernard Schäferbarthold, CFO. Please go ahead.

Rolf Breidenbach^

Yes, good morning. This is Rolf Breidenbach speaking. I would like to welcome all of you also on behalf of my colleague, Mr. Schäferbarthold, to this telephone call. We really appreciate that you have taken the time for that. We would like to make you familiar about the results of our last financial year, and I would like to start with a general overview.

So overall, we are quite satisfied with the development in the last 12 months. This is, on the one hand, true with regards to our growth performance. As we said, our growth dynamics in the third, but especially also in the fourth quarter, have increased, so that overall, we now could show, for the

fiscal year '16/'17, an adjusted growth rate of 4.3%. In the last quarter, the corresponding figure was 6.6%, which shows this increase in growth dynamic I mentioned.

Of course, we are very, very satisfied with the development of our profitability. The adjusted gross margin for the last fiscal year was at a level of 27.5%. It is 0.5%-points more on a year-on-year comparison basis. Also, in the last quarter, the figure of 27.6% shows that we are currently really running the company at a quite efficient gross margin level.

Our adjusted EBIT could be increased now to a level of EUR 534 million. This is compared on a year-on-year basis a plus of 12%, and this, of course, as I said, makes us quite satisfied and shows the, in our opinion, quite good financial performance of our company.

The adjusted EBIT margin is now at a level of 8.1%. We have announced in the last month and years that this 8% is really a target figure. Now we have reached it, and of course, this is good news for us.

With regard to the adjusted free cash flow, it's more or less at the same level of the last year. And we were quite satisfied that the higher net CapEx spending could be more or less compensated by, in our opinion, a quite efficient accounts receivable management. So also for this figure, we feel quite comfortable.

And also, our cash and short-term financial assets of now more than EUR 1 billion shows the financial strength. But here, of course, has to be mentioned that we plan a repayment of a EUR 300 million loan in September.

Yes. So overall, a good year for HELLA, a good year '16/'17. So when we look at our revenues, allow me to shortly explain what we mean with adjusted growth rate. Our net growth rate is now at a level of 3.7%. Especially when we look at the currency and the portfolio adjustments, we see that here, we have a lot of quite significant deviations, but I think also this 3.7% is, when I look at the growth dynamic, nothing which concerns us. And so we are, also with regard to our growth performance, quite satisfied.

When we look at the different markets, it shows that, of course, compared to the years before, our growth performance was, compared to the market development, not as it usually is. So we underperformed the market by 2%. This especially has something to do with our growth rate in Europe, where compared to the market, we underperformed, we showed an underperformance of 2.9%. We outperformed the market in North

and South America and more or less grow with the markets in Asia. But what was true for the whole company is also true for the different markets.

When I look at the growth rates in the fourth quarter or when I look at the growth rate for the first half of our fiscal year compared to the second half, in all these areas, we see a clear increase of the growth dynamic. This is true for all the markets and also for all the segments, especially, of course, for the Automotive segment, which is described in the Slide #6.

So overall, in the first half in Automotive we showed an underperformance of the market of 6.4%. This turns to an outperformance for the second half of the fiscal year. This is what I mean with a clear increase of dynamic. And as I said, this is also true for the whole segment but also for all of the different regions.

Yes, this, from my side, is a short overview. As I said, we are satisfied with the last fiscal year with regard to both dimensions, growth rate and especially financial performance.

And then I would like to hand over to my colleague, Mr. Schäferbarthold, the CFO of HELLA, who now will explain you the financial results in more detail.

Bernard Schäferbarthold^

Thank you, Mr. Breidenbach. Good morning also from my side.

I would like to continue on Page 8. First of all, I would like to start with 2 general statements. One is that we are happy to confirm all preliminary numbers we have released some time ago. And second is that overall, we are very happy about the outcome of the last fiscal year.

On one hand side, we have been in line in regard to the sales growth, and second is that we ended up on the upper end, EBIT-wise, of our expectation. One of the main drivers certainly was besides the volume growth, the increase in our gross profit margin. We see here on a year-on-year comparison an increase of 0.5%-points, 27.5% on a full year. Q4 only was at 27.6%, and that certainly was one of the main drivers also for that good result.

We had quite good ramp-ups on our new products in electronics but also in lighting. Overall, the good product mix during the year, very decent and good operational improvement and a higher utilization together were the

main points for that overall improvement in the gross margin, which contributed EUR 97 million to our results.

The R&D expenses on Page 9. We see a slight increase, 2%. So a total investment of EUR 636 million in R&D expenses overall. Again, what we highlighted also especially on our Capital Markets Day, the main or the vast majority of this investment will support future growth. We are working on a lot of projects, which are booked, and which will go into serial production in the future years.

The ratio in R&D decreased slightly by 0.2%-points to 9.7%, and that level is also what we target. Around 9.7% going forward for the next year is what we guided also during our Capital Market Day. The low ratio in Q4, 9.3%, that was also related to a very decent sales growth in Q4, so that going forward also for next year, we should count with that number I mentioned.

On Page 10, some more details on the SG&A expenses, increase of 3.9% overall, in line with our sales growth. The ratio is unchanged. And looking at our distribution expenses, the increase there is related to investments we have done with higher volumes in the aftermarket but also investments in our business expansion, especially new branches in our wholesale business as one example.

In the administration, we invested in new systems. We invested in process improvements, more or less in line with our sales growth.

Adjusted EBIT, 12% increase. Overall, EUR 534 million as stated. On one hand side, volume driven together with the increase in our gross profit margin. The cost structure more or less on stable rates in comparison to last year. The margin increased by 0.6%-points to the level of 8.1% as mentioned. Q4 only is at 8.9%. And again, there, as mentioned, a better gross profit margin together with a lower R&D ratio were the main reasons for that good result.

If we look at Page 12, we have the whole P&L to the net profit. Here the highlight, on one hand side, the adjustments. There is overall no new topic. So overall, full year, EUR 26 million of adjustments. We have done EUR 16 million, as stated in our earlier calls, expenses, due to the European Cartel Authority process we were running and EUR 10 million related to the restructuring programs in Germany.

In Q4 only, we had only EUR 2 million related to restructuring expenses in Germany. Reported EBIT is at EUR 507 million. Earnings per share with

an increase to EUR 3.08. We proposed a dividend payment of EUR 0.92 per share for the fiscal year '16/'17.

Cash flow, as mentioned by Dr. Breidenbach, relatively comparable to the last year. We had a net cash flow from operating activities, which increased significantly with a higher profit. But also especially in the second half of the year, a good development and management of our working capital. But, on the other hand side, we had also a high net CapEx, in line with our planning, but especially in Q4 only net CapEx was at EUR 190 million. So that overall, free cash flow was comparable to last year. The investments we have done, again, in line with also the R&D expenses, mostly going together with customer-specific equipment for projects which will go to serial production in the near future, and on top of that, capacity extensions we are building for higher volumes we are seeing with the booked projects.

Looking at the segments. Automotive first on Page 14. We show in Automotive a growth of 3.8% reported. Overall total sales of around EUR 5 billion. Very nice growth as expected in the second half of around 7% compared to the first half of our fiscal year, where growth was only at 0.7%, in line basically what we were expecting with the acceleration starting from the second half. And looking only at the second half, we have been able to grow above the market growth.

EBIT increased to EUR 444 million, 13.8% increase, driven by better margin in gross profit and lower R&D as mentioned.

The other segments on Page 15. First of all, a general statement. We had a change now in our segment reporting. We are also describing that in our annual report, together with the change in responsibility within our organization. Especially if it comes to production companies, we shifted responsibility from Aftermarket to Special Applications and that is reflected in the numbers. And we have shown old and new numbers and quarterly numbers and the changes are also shown in our annual report.

So looking at Aftermarket, and here, commenting the new structure, you see on one hand side, the sales growth and all business areas in Aftermarket, so independent aftermarket, wholesale and workshop products contributed to that growth. You see growth on one hand side. On the other hand side, the EBIT declined and also EBIT margin declined. We had overall a positive gross profit margin development, so that the product mix and profitability is intact. On the other hand side, we invested also significantly in the business.

I mentioned that the increase or the launch of new branches, investments in e-commerce, but also some structural changes and decisions and some one-

off payments or accrued provisions we have done at year-end impacted the result in Aftermarket. So expectation going forward is that we will recover and we should see an increase also going forward.

Special Applications, as mentioned also earlier before in calls, last year was a kind of transition year, so that you need to consider the one-off costs of our sold business, sold industries, and airport business end of '15/'16. If you would deduct that, overall, we see a very good development of our business here and also an increase in EBIT and also in EBIT profitability, which is even above the Automotive business. So there, we see good signals also now also coming from Q4 that we should see now a development going forward.

Page 16, the main KPIs, Q4 at a glance. I mentioned most, in commenting the numbers earlier. So overall, you see in Q4 decent growth. On the other hand side, I did also that on the free cash flow is at a lower level compared to Q4 the year before but reason is the higher CapEx number in Q4 I explained.

Segments comparison on Page 17. On the single fourth quarter, a positive growth development in our Auto segment and also in the Aftermarket segment. Special Applications, you see the negative number, but that is not portfolio adjusted. It would be if you would show a number portfolio adjusted in profitability. You see the improvement in Auto and the reduction in Aftermarket I explained and a good development in Special Applications, but a very high negative number in the year before was also related to higher one-off costs with the disposal of Industries and Airport Lighting, which now with the end of that fiscal year '16/'17, we, I think, are through with all P&L impacts. We should not see any more expenses out of that now from today onwards.

That is all from my side with the details on the financial results, and I hand back with the outlook to Mr. Breidenbach.

Rolf Breidenbach^

Yes. Thank you very much. With regard to the overall market development, I think nothing new. We do not expect any kind of special tail or headwind. This means we see, on a global basis, a moderate growth of perhaps around 1% with regard to the global vehicle production. NAFTA, from our perspective will remain more or less flat and a slight growth in China and Europe. This is in line with our expectations also in the last months.

So nothing has really changed. Of course, what we can see is that the demand for different car models in general segments differs a lot. The demand for SUVs is very strong, especially in China and the U.S. And

smaller cars, sedans, it's, yes, compared to SUVs, weaker. But overall, also nothing which surprised us or not in line with the assumptions we already had a month ago.

When we look at the development of the current fiscal year, we see or we expect a growth, excluding FX effect, between 5% to 10%. When we look at the adjusted EBIT growth, we also see the range of 5% to 10%. And also the adjusted EBIT margin, we see at a level of, let's say, around 8%.

Yes, this was it from our side. And now Mr. Schäferbarthold and myself are looking forward to answer your questions.

Q&A

Operator^

(Operator Instructions) Your first question today is coming from the line of Henning Cosman.

Henning Cosman^

It's Henning from HSBC. So the first question maybe on your comment in the annual report that you also had a good start to the new fiscal year. Can we understand that, that's continuing the run rate of the second half? Is that fair to say? And if you could also maybe comment on, yes, you had quite a volatile growth pattern, obviously, in the last fiscal year. So if you could just confirm maybe if it's more stable this year. That's my first question.

Rolf Breidenbach^

Of course, we cannot now, let's say, widen our guidance. So please understand that we now cannot specifically comment on the start of the now new fiscal year '17/'18. The start was totally in line with the guidance we have given you, but more we cannot say. Of course, with regards to the volatility of the quarters, this is nothing we have really under control because here, we are talking about deviation of launches, which can be, for example, postponed. It could be that a special vehicle in a quarter doesn't run as expected, and then again, the demand comes back. So difficult for us to forecast whether we have this volatility also in this fiscal year. But as I said, our guidance here, of course, quite confident that we meet our guidance with this growth corridor of 5% to 10%.

Henning Cosman^

Sure. And maybe then just with respect to your SUV comment in your closing remarks. So I understand you're quite happy the way you're positioned also into the SUV trend in China and generally.

Rolf Breidenbach^

That's correct.

Henning Cosman^

Okay. So my second question, maybe one for Mr. Schäferbarthold on potential positive one-offs in the specialty business in Q4. Were there any or I mean, you said the development is going well. Can you somewhat indicate a relatively sustainable or going forward a margin level, something that we could expect for next year?

Bernard Schäferbarthold^

So there was no one-off gain, I would say, in Q4 that year. It was just in comparison to the year before. The hit of the one-off was even higher, so that if you just compare the very weak result in the year before, that Q4 result now was much better. And the second statement was, we still had some costs with the disposal of Industries and Airport even in Q4 that year. So and that now is over. That was my statement. And the third point I did is that overall, we have seen, I would say, slight positive developments coming especially from the agricultural business, that we have seen more demand there. And that, hopefully, we can take that momentum into the new fiscal year so that we are, I would say, carefully optimistic that this positive development should continue. And you can easily do the math then. If you take the extraordinary expenses out, then you see the potential of that segment.

Henning Cosman^

So fair to say you're not expecting a dilution from the specialty business anymore to the overall group margin?

Bernard Schäferbarthold^

Yes.

Henning Cosman^

Great. And then finally, maybe last question on the free cash flow. Just because in your Capital Market Day, you say that one of the positive free cash flow drivers is a margin increase. I just wanted to ask you again how we can reconcile that with your guidance now for flat margin. Did you mainly mean in the Capital Market Day relative to the previous fiscal year, which was still the last actual at the time? Or how do we reconcile the margin improvement as a free cash flow driver when you're actually guiding for relatively flat margin?

Bernard Schäferbarthold^

We were guiding that in absolute terms, we will increase significantly free cash flow, and we see a significant growth in the corridor of 5% to 10% also going forward. So that free cash flow will also increase by that. And on top of that, we have guided the working capital reduction by around 3% in the next 3 years to go. And we have given you a kind of corridor or a range of 7.5% in net CapEx where you see that was a high number in Q4, we ended up higher at 7.9%. So there is potential also in that area. But again, there are also I made the point that there can be volatilities with the reimbursement of expenses we are getting from the customers, which, at the end, we have not every time under our control. But that's, I think, how you need to take, I would say, all things together in the puzzle.

Operator^

Your next question today comes from the line of Nikhil Bhat.

Nikhil Bhat^

This is Nikhil from JPMorgan. I have a couple of questions. First one is on your outperformance in North America. It improved in the second half compared to the first half. And also wondering if you could elaborate on what is driving this outperformance and how should we think about North American revenues in FY '18 as well. Should we expect the outperformance to continue? The second question is coming back to the CapEx. In fourth quarter, did you have any, what you could call, a nonrecurring or one-off major investment, which led to the high CapEx? And how should we think about CapEx next year? I understand it's 7.5% average over the medium

term. But does that mean it's higher in the initial years then it tails off in the subsequent years? Those are my 2 questions.

Rolf Breidenbach^

With regard to the outperformance of the North American market, we think this outperformance will continue. It's mainly driven by new launches in both automotive areas, electronics and also lighting, especially in lighting this year. There are a lot of new launches, which will significantly drive this outperformance.

Bernard Schäferbarthold^

On the CapEx, if you look at the pattern in the year '15/'16 and in the year '16/'17, it has been very comparable. So more or less flat numbers in Q1, Q2 and Q3 and then a high number in Q4. So that I think it's not really related, but I could say that this pattern is something you should consider also going forward. So there can be volatilities depending on the project and the investments we are actually doing. So that it is, I would say, difficult now to give you the exact guidance for the next year. So that overall, I think for this year, overall, you can count with that around 7.5% for that year. There was no, I would say, special one-off now in the last quarter, which was basically not planned. There will be volatilities depending on the size of the projects.

Nikhil Bhat^

I'm sorry. On the CapEx front, I should have probably been clearer. My question was, if your midterm guidance is 7.5%, which I assume, let's say, is over the next 3 years, over these 3 years on a full year basis, should we expect higher CapEx in the initial years, and should it tail off or lower in the following years, given the high starting point of FY '17?

Bernard Schäferbarthold^

It was around 7.5% on a yearly base with the additional comment that the around means that sometimes, and that's especially due to the reimbursements of the customers, which are deducted in the net CapEx number. That can have an impact on the 7.5%, but it can be higher or lower levels. But that is not a continuous decrease. It's a year-on-year number.

Operator^

Your next question today comes from the line of Christian Ludwig.

Christian Ludwig^

Yes. Also 2 questions from my side. First of all, Mr. Schäferbarthold, you mentioned that you expect the Aftermarket margin to improve going forward and also elaborated that Special Applications would increase. As your basic guide is flat EBIT margin, does that mean we should assume that the Automotive margin is going to come down this year? And the second question will be more general for Mr. Breidenbach. There was rumors that Conti and Osram are contemplating a joint venture on the lighting side. Is that something that worries you?

Bernard Schäferbarthold^

The first question is, to start with that, I think we are quite happy that we reached, I would say, this 8% we have set ourselves as a target. And again, we stated that we had a lot of ramp-ups, and we had, I think, very good efforts in that. But again, even that year, it continues. So there are a lot of ramp-ups we are also working on this year to grow the business. So that it's too early now to say that we should increase guidance now today. And that is one point. The other point is related, I would say, to the currency. We also see today that the euro is getting stronger against the U.S. dollar. We are growing in the U.S. So that overall, the translation of our numbers at the end in EBIT, it's also something we need to watch carefully. We are hedging certainly most of the exposure risk. But on the other hand, translation risk is not able really to cover. So the high volatility also is something we need to, in the currencies actually, we need to observe so that at the end, I think we feel comfortable with the guidance, but with these 2 points, it's too early now to give even a more, I would say, positive outlook. It was just a statement to say there is the potential also in the 2 other segments to grow profitability.

Christian Ludwig^

But I take it this way that there's no real hard reason to assume that Automotive margins should decline this year.

Bernard Schäferbarthold^

No.

Rolf Breidenbach^

Okay. With regard to, let's say, competition in the lighting market, there is already a fierce competition in lighting, in lighting modules, lighting electronics, lighting products in all regions all over the world. So a specific, let's say, new player or new corporation does not concerns us at all.

Operator^

(Operator Instructions) Your next question today comes from the line of Florian Treisch.

Florian Treisch^

Yes. One question from my side left. It's regarding your performance in Automotive. If I look at the performance of Automotive lighting in Q4 at 5.7%, it's probably a more reasonable level than seen in H1, but I would say maybe slightly below some more aggressive investors in the market. Can you elaborate a bit on the impact from the ramp-ups? Have you already seen a big impact in Q4? Or is that only kind of a starting point and we can only expect the full impact in the coming quarters then also assume a higher growth rate in the quarters to come?

Rolf Breidenbach^

It's difficult to assess. I think the effect of the launches with regards to sales for the first quarter is a full effect of these launches, more or less, not full, but let's say 80%, 85%. As Mr. Schäferbarthold has said, there are again new lighting launches ahead of us, but then, of course, will generate new sales. But overall, we see, especially in electronics, a good growth rate for the months to come.

Operator^

(Operator Instructions) Your next question today comes from Lello Della Ragione.

Lello Della Ragione^

I have actually 2. One is related to the guidance at the EBIT level. You mentioned that one of the risks for not upgrading the guidance right now is the possibility, the evolution of the ForEx. I was wondering, if I remember correctly, this impact on hedges and even the transition effect will have an

impact straightaway on the gross profit level, and I was wondering if we have to take into account at this stage any headwind compared to the level that you achieve on gross profit margin for the next fiscal year. The other question is related to free cash flow. I mean, your comments on net CapEx are quite clear about volatility. I understand that looking instead on what most in your hands, I mean, on working capital and your guidance for 3 percentage point improvement in the next 3 years, I was wondering how we should look at the evolution of this improvement. Should we see something I mean, divide these improvements in the next 3 years equally or you could actually have an acceleration of this gain or is it next year?

Bernard Schäferbarthold^

To your first question, as mentioned when we were talking about the growth potential, we assumed that the NFA region will continue to grow. And we also see that our China business that was also one comment before, that, that is also growing. So taking these 2 points, we will see higher sales outside of Europe, and we will see higher inflows of cash, which is then U.S. dollar based and which is renminbi based. The U.S. dollar has gotten weaker and also the renminbi has gotten weaker in comparison now to last year. If you take the expenses we have, not all, is really in the same currency. So that some of the supply is in Euro and especially also in the NFA region. Some of the supply is also in Mexican peso and you have also seen a very high volatility in the Mexican peso. So taking that and then also in comparison to the rates we have in the last year, if you take everything together, so even with a more or less effective transaction hedging policy we have going forward, you see that there is a negative impact coming out of the translation just in comparison to the last year, which at the end will impact us certainly. But that is something we need to observe and we need to see and depends a lot also on the volatilities of the currencies.

Lello Della Ragione^

Okay. So meaning that if you adjust the translation effect on the gross profit margin, the impact should be not meaningful at this stage compared to what you just said, no?

Bernard Schäferbarthold^

No. And again, bringing that into context, so we see that we still feel, I would say, confident related to the guidance we have given. So that fits. But just to give you a sense that this development has a negative impact on us.

And on the working capital, if I got your question correctly, there is a continuous improvement. As I described it also during the Capital Market Day, there are some measures we are able to realize or to get quick wins out of these with an immediate impact, and there are some where it takes more time before we really see the impact in the P&L. But overall, we assume continuous improvement.

Lello Della Ragione^

Okay. Just if I can have another one. If we look at the R&D in the past, this was actually the line that we were looking at all the time. We understand that this is still in growth and now we're looking at this in another way. I was wondering just for looking at that evolution going forward with the project that you have in place, we're probably going to see a slight improvement in absolute number. But if we look at it a bit percentage-wise, should they traverse towards the 9%, a little bit above or remain here and grow even in percentage-wise?

Bernard Schäferbarthold^

Growing percentage-wise, this is not our, let's say, expectation or target. Let's say, a figure around 9.7% plus/minus.

Operator^

Your next question today comes from the line of Tim Rokossa.

Tim Rokossa^

Yes. I also have 3 questions. The first one is just really a clarification now that we spoke about this a couple of times. Can you just, Mr. Schäferbarthold, can you just confirm that there's no material transaction impact on you that has a substantial margin-dilutive impact but that we really primarily talk about translation here, which is, by definition, margin neutral? Obviously has an impact on the absolute numbers. That would be the first question. The second question is we've seen quite weak July production numbers from Germany. Some suppliers already said they were not as impacted by this interestingly. I know you don't want to talk about the current trading too much, but maybe against this backdrop of the very weak German production numbers, can you just confirm that your July numbers for Europe are actually up year-on-year, and that would confirm

the growth trends that we've seen? And the last question is really on your cooperation announcement with ZF. I think you went out with this middle to end of June. You actively presented this as an open cooperation. You're not going to tell us about new partners before you announce them, obviously, but maybe you can update us on the progress of these talks and what the perception of that was in the industry, what people thought about it, specifically also because you announced this without any cross-shareholding, i.e., any capital commitment behind it but really just an open cooperation because you said this would be quicker.

Bernard Schäferbarthold^

Starting again with the currency, it's again first, I did the point that we will have a negative impact, but we will stay in the bandwidth of our, with all what we see, we stay in the range of our guidance. And the negative impact, yes, on one hand side, it's translation only, but it depends on the timing, how do you look at translation risk. Because if you see a comparison on a year-on-year, it would only be pure translation if you would be able to secure the currency rate, which was exactly the average of the last fiscal year. And that is not possible because we are looking at a rolling 12 months exposure, where you are doing continuous hedging and because the pairs of the currencies and in and outflows are not exactly at each point in time the same, you have differences. So and if you do the pure comparison on yearly basis with a high volatility and the comparison and a weaker U.S. dollar, a weaker renminbi and again stronger peso where we have no inflows but only expenses have a negative impact. But all in all, I think there are also, and that was the statement I did also towards the other segments, there are positive elements also, so that if you take everything, we feel very comfortable with the bandwidth of the guidance. But the pure currency thing will have a negative impact compared to last year.

Tim Rokossa^

Okay, I think that's clear. It's just normal standard practice we're catching, right? And if you have made a move in your currencies, there's no massive transactional risk that all of a sudden popped up.

Bernard Schäferbarthold^

No, none.

Rolf Breidenbach^

Okay. With regards to our, let's say, growth expectations, our guidance, as we said, we feel quite comfortable to reach it. And therefore, also with regard to our sales to German customers currently, we see no reason why this guidance should not be, in the end, fulfilled. With regard to the open cooperations, we are very satisfied how this open cooperation with ZF and Nvidia is currently perceived in the market. The market, our customers expect this kind of cooperation and working together. We are not the only company who is doing this. We see more and more of these kind of, let's say, cooperations and ways how to work together. As I said, there is no financial commitment or any other commitment, but it works internally, externally. And as you said, of course, when we would build, when other of these open cooperations will be built by HELLA, we will announce it. But before that, we cannot do it. But as I said, we are very satisfied with the start of this cooperation.

Tim Rokossa^

Okay. If I may have one follow-up question, please. It's around electrification. When we talk to a lot of OEMs, for example, the Audi A8 will have a 48-volt system in all of its 5 engines that's being launched. My impression is talking to other OEMs that 48 volt is really a solution of choice to many guys. We quickly touched on this on the Capital Markets Day. Is it a wrong impression to believe that OEMs are currently rethinking this and pulling it forward partly even on the 48-volt solutions?

Rolf Breidenbach^

Of course, we cannot assess if something is pulled forward or not, but one thing is clear. The penetration of this technology will be significantly because the value add, be it from the efficiency side but also from new use cases like this boost when you start driving and so on is significant. Therefore, we see a significant demand, a significant market demand and high penetration in Europe, but also now it's already started in China. That is our perspective or our observation.

Operator^

(Operator Instructions) We do have one more question at the moment, which comes from the line of Henning Cosman.

Henning Cosman^

Yes. I also wanted to clarify about the currency, but I'll ask something else instead. You said that you're expecting more growth to come from the electronics business rather than the lighting business, which I suppose implies that the lighting might grow below the midpoint of the 5% to 10% range. Is that a slowdown in the LED market, which is now growing at a lower rate than that, and you're growing in line? Or are you may be temporarily losing some market share? Is that maybe because you're more exposed to the premium segment, where the penetration is already high and now we see a period where the volume LED cascading down is catching up? If you could just comment on that a little bit, please.

Rolf Breidenbach^

Perhaps I didn't express myself correctly. My remark was related to the, let's say, growth expected for the months to come, that we here see a slightly higher growth of electronics than lighting. Let's see whether this takes place. Overall, we see for both, let's say, segments, lighting and electronics, good growth perspectives and not, let's say, a setback whether in lighting or in electronics.

Henning Cosman^

So you can confirm that you think you're growing in line with the LED market growth still?

Rolf Breidenbach^

The only thing which I really can confirm is our growth guidance. And this, of course, I will again do, but the growth rate in lighting or in electronics so much depends, yes, on the take rates, for example. It depends how specific car lines really run, and this is very difficult for us overall to assess. Therefore, our overall guidance is 5% to 10%. We are very, let's say, optimistic that we will reach that. More details, please understand that I cannot give you that.

Operator^

It appears there are no further questions at this time. Please continue.

Rolf Breidenbach^

Okay. When there are no further questions, please allow me to again thank all of you, also on behalf of Mr. Schäferbarthold, that you took the time for the telephone conference, for your interest in HELLA and your questions. Thank you very much, and all the best. Bye.

Operator^

That does conclude our webcast for today. Thank you for participating. You may now all disconnect. Speakers, please stand by.

END