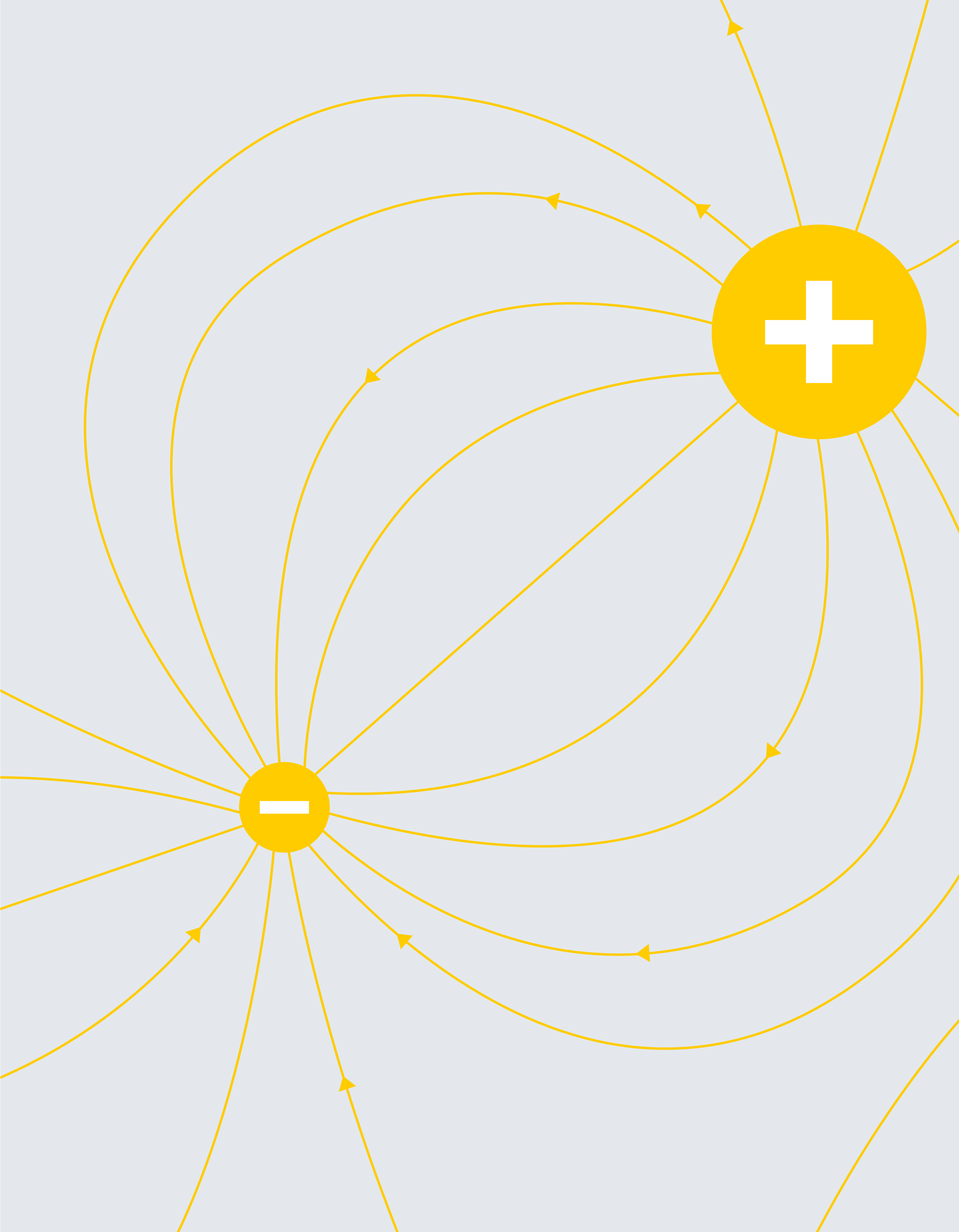
Technology with Vision

ANNUAL REPORT
2018/2019

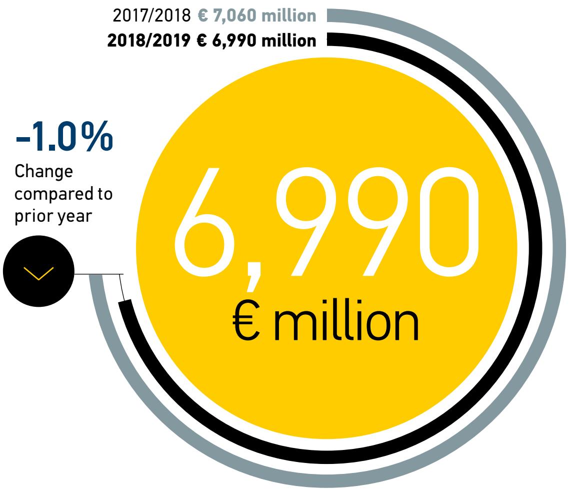
360°
ELECTRIFIED



The inexorable move towards electrification in the field of mobility is picking up speed. As the industry continues to transform, we will support our customers with a comprehensive product portfolio for all levels of electrification. In the process, we want to strengthen our position as a supplier of high-performance key components while also expanding our role as a provider of innovative subsystems. Our passion and technological expertise will enable us to support the industry's transformation to clean mobility while also harnessing the opportunities that it brings. A strategy with vision: **360° electrified.**

5.0% CURRENCY AND PORTFOLIO-ADJUSTED SALES GROWTH

Reported sales
in € million



2018 / 2019

BUSINESS DEVELOPMENT

Despite the decline in industry development, HELLA remained on a profitable growth path in the reporting period and fully achieved its annual goals. Currency and portfolio-adjusted sales increased by 5.0%, adjusted EBIT rose by 5.9% to € 585 million and the adjusted EBIT margin improved to 8.4%. These figures also show that HELLA once again grew much faster than the automotive market.

ADJUSTED EARNINGS BEFORE INTEREST AND TAXES (ADJUSTED EBIT)
in € million

2017/2018	Change	2018/2019
552	+6%	585

in % of portfolio-adjusted sales

2017/2018	Change	2018/2019
8.3%	+0.1 percentage points	8.4%

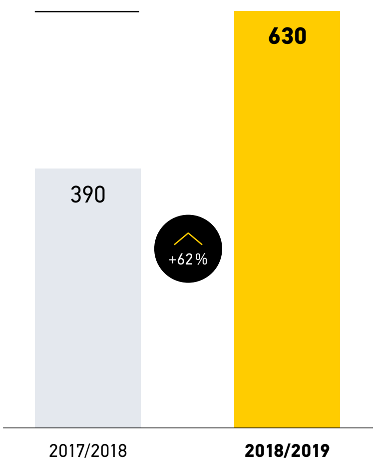
EARNINGS BEFORE INTEREST AND TAXES (EBIT)
in € million

2017/2018	Change	2018/2019
574	+41%	808

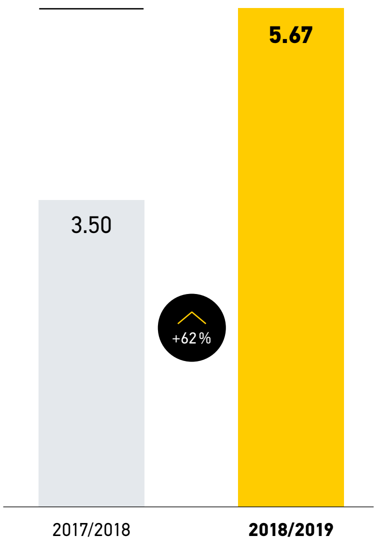
in % of reported sales

2017/2018	Change	2018/2019
8.1%	+3.4 percentage points	11.6%

EARNINGS FOR THE PERIOD
in million € and change compared to prior year in %



EARNINGS PER SHARE
in € and change compared to prior year in %



€ 1.05 proposed **REGULAR DIVIDEND** per share

€ 2.30 proposed **SPECIAL DIVIDEND** per share due to the sale of the wholesale business and the strong balance sheet

€ 3.35 proposed **TOTAL DIVIDEND** per share for the fiscal year 2018/2019

NET CAPITAL EXPENDITURE
in fiscal year 2018/2019

551 € million

REPORTED SALES PER SEGMENT
in million € and change compared to prior year in %

AUTOMOTIVE
+6.1%
5,766
5,433

AFTERMARKET
+2.7%
665
647

SPECIAL APPLICATIONS
-7.0%
399
430

2018/2019
2017/2018

ADJUSTED EARNINGS BEFORE INTEREST AND TAXES PER SEGMENT
in million € and change compared to prior year in %

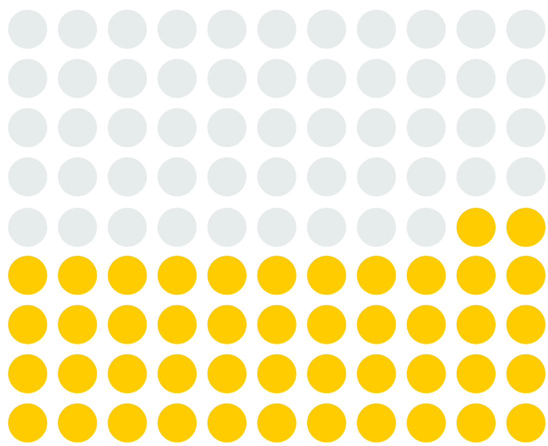
AUTOMOTIVE
-1.5%
452
459

AFTERMARKET
+33.2%
70
53

SPECIAL APPLICATIONS
+26.4%
61
48

2018/2019
2017/2018

EQUITY RATIO
as at 31 May 2019



46.3%

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FINANCIAL REPORT

FOREWORD

Dr. Rolf Breidenbach

Ladies and Gentlemen,

The automotive industry is entering a new era. HELLA anticipated this transformation early on and has consistently aligned itself with major market trends such as electrification and autonomous driving. We have already begun to profit from this foresight, and will continue to do so in the future. Despite the challenging market environment, in fiscal year 2018/2019 we once again outpaced the global automotive market significantly and continued the profitable growth path we established in previous years.

We grew sales 5.0 percent on a currency and portfolio-adjusted basis in the reporting period. Reported consolidated sales are € 7.0 billion. Adjusted earnings before interest and taxes increased 5.9 percent to € 585 million. The adjusted EBIT margin is thus 8.4 percent. These results confirm the forecast we released last August and fully meet our annual goals.

Our results confirm the forecast and fully meet our annual goals.

Annual goals met in challenging market environment

In retrospect however it has not been an easy year: Market conditions deteriorated considerably for the entire automotive industry. The economic and political environment is fraught with uncertainty; global automotive production is declining overall. Large, important markets such as China are cooling down after years of steady growth. These broad industry trends did not pass us by entirely. HELLA saw growth momentum fall off precipitously, particularly in the second half of the fiscal year.

There are several reasons why we succeeded in largely compensating for these challenges last year:

First, we have a solid business model that will carry us far into the future. With our core competencies of lighting and electronics, we are well-positioned for the major trends in the automotive industry. Our products are attractive and highly sought-after. For example, our automotive segment grew 6.1 percent last fiscal year on strong demand for innovative lighting systems and electronics solutions, particularly in driver assistance systems and energy management, and thus played a big part in the Group's overall increase in sales.

Second, we enjoy a broad international positioning. We do business in all key markets worldwide and serve virtually all major auto manufacturers. Growth was particularly strong in North, Central and South America last fiscal year as sales increased 13 percent; also our business in Europe performed well with growth in excess of 6 percent, contrary to general industry trends. This broad stance allowed us to compensate for demand fluctuations in individual automotive markets.

The economic and political environment is fraught with uncertainty; global automotive production is cooling down overall.

Third, we believe in partnerships. As technologies become increasingly sophisticated, innovation cycles accelerate and research and development expenditures grow, we work with selected partners in joint ventures or open collaborations in order to jointly develop new solutions for our customers. Last fiscal year, for example, we expanded our partnership network by entering strategic relationships with Faurecia and Plastic Omnium in vehicle interior lighting and car body lighting and stepped up our involvement in LiDAR technology by partnering with Californian start-up AEye.

Fourth, we have our costs in check. Cost management is particularly important when markets are volatile or even trending downward. That is why we set up a consistent cost control programme last year. Every cost item – across all regions, functions and hierarchical levels at HELLA – is scrutinised to determine whether it is necessary. These efforts helped boost our profitability last fiscal year.

Fifth – and by far the most important reason – we can depend on a highly skilled, experienced workforce of roughly 39,000 people worldwide. We would therefore like to extend our most sincere thanks to our employees for their unfailing passion and commitment to HELLA during these challenging times.

Strong financial foundation to further drive the transformation of the industry

We would also like to thank all of our shareholders for placing their trust in our company. It is for this reason that the company management will propose to distribute a regular dividend of € 1.05 per share, in keeping with the established dividend policy. Given the strong balance sheet development in recent years and the successful sale of the wholesale business, the management will also propose a special dividend of € 2.30 per share. In total, the dividend for fiscal year 2018/2019 would therefore be € 3.35 per share.

At the same time, this proposal ensures that we can keep on investing in new technologies and future profitable growth. Over the past years, we have continued to strengthen our balance sheet and have sufficient financial strength. We are virtually debt-free and have a high equity ratio. This kind of solid financial foundation is essential to continue driving the transformation of mobility.

After all, the challenges will not grow any easier. We cannot look to the market for support in the current fiscal year. On the contrary, we expect markets to keep trending downward, as material and personnel costs rise higher. We are clearly in for a challenging fiscal year 2019/2020. The forecast that we published for this year reflects the tremendous uncertainty of the market environment and the continuation of the downward industry trend.

However, our basic approach is sound. Our business model is solid and future-proof. Our strategy is intact, our order books well filled. Most importantly, we will continue to consistently invest in developing future-ready new technologies to address major trends in the automotive market.

We support our customers on their way to clean mobility

Our goal is to holistically support our customers on their way to clean mobility by providing innovative product solutions for all phases of electrification. Energy management is already one of our fastest-growing fields of business. We intend to significantly increase sales in this area even further in the years to come by specifically investing in new product solutions for the various stages of electrification. This will involve expanding our position as a supplier of high-performance key components such as voltage converters. It also includes increasingly positioning ourselves as a provider of relevant subsystems.

As these examples show, even despite all the challenges, HELLA is benefiting from the industry's transformation. We have the potential to continue outgrowing the automotive market and stay in the driver's seat as we actively shape the mobility of tomorrow.

Lippstadt, August 2019

Dr. Rolf Breidenbach
President and CEO

"Our business model is solid and future-proof. Our strategy is intact, our order books well filled. We will continue to invest consistently in developing new future-ready technologies.

THE MANAGEMENT BOARD
of HELLA GmbH & Co. KGaA

Bernard Schäferbarthold
Finance, Controlling, Information Technology and Process Management

Dr. Nicole Schneider
Human Resources

Dr. Rolf Breidenbach
President and CEO, Automotive Electronics, Purchasing, Quality, Legal and Compliance

Dr. Frank Huber
Automotive Lighting

Dr. Werner Benade
Aftermarket and Special Applications

2018/2019

HELLA SHARE

In the fiscal year 2018/2019, the HELLA share was unable to escape the negative developments in the automotive sector and ended with a XETRA closing price of € 41.44. This corresponds to a decline of some 23% compared to its starting price. While the Prime Automotive benchmark index saw a similar decrease over the same period, the MDAX recorded a decline of only 6% due to its wider range of industries.

AT A GLANCE
The HELLA share

Initial stock market quotation	11 November 2014
Ticker symbol	HLE
ISIN	DE000A13SX22
SIN	A13SX2
Share class	No-par value ordinary bearer shares
Market segments	Prime Standard (Frankfurt Stock Exchange) Regulated market (Luxembourg Stock Exchange)
Index	MDAX

€ 4.60 billion

MARKET CAPITALISATION
on 31 May 2019

111,111,112

NUMBER OF SHARES ISSUED

€ 8.30 million
187,336 shares

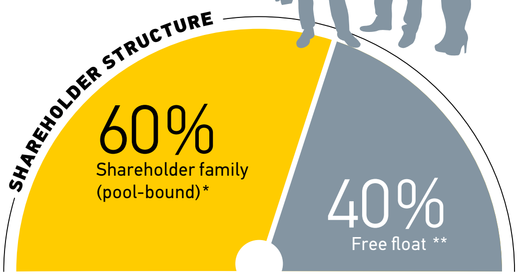
AVERAGE DAILY TRADING VOLUME
in fiscal year 2018/2019

€ 222,222,224

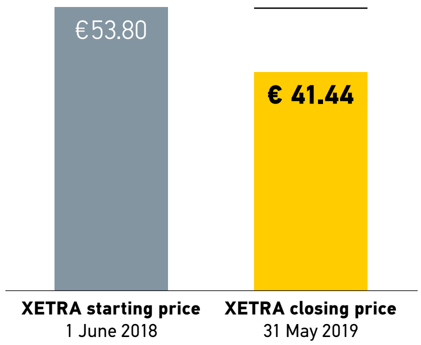
NOMINAL CAPITAL

*60% of the shares are subject to a pool agreement up until at least 2024

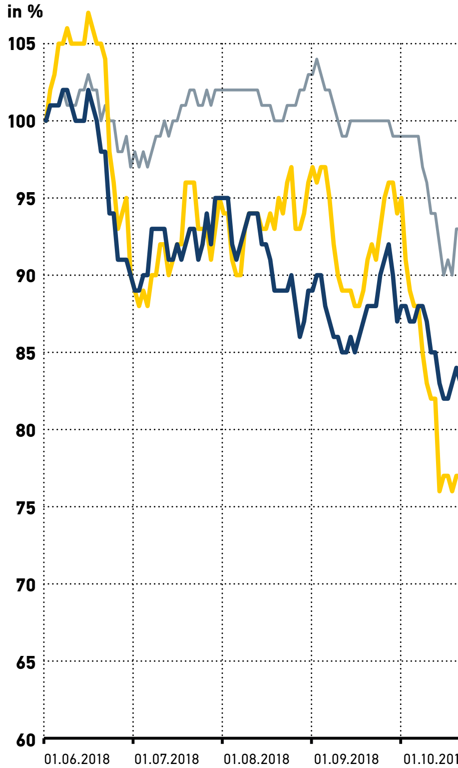
**According to the Deutsche Börse definition



PERFORMANCE OF THE HELLA SHARE
in fiscal year 2018/2019 and compared to the index



HELLA SHARE
Price performance during the reporting period compared to selected indices (indexed on 1 June 2018)



€ 1.05

is the amount of the **REGULAR DIVIDEND** per share the annual general meeting will be asked to approve in 2019

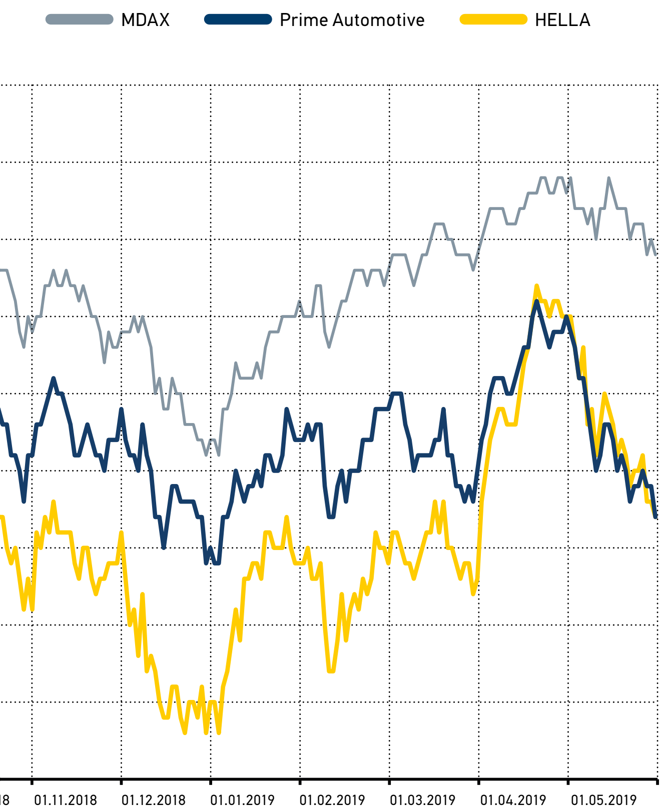
-23%
HELLA SHARE

-23%
PRIME AUTOMOTIVE

-6%
MDAX

€ 57.35
HIGHEST PRICE
in fiscal year 2018/2019

€ 33.90
LOWEST PRICE
in fiscal year 2018/2019



€ 2.30
is the proposed **SPECIAL DIVIDEND** per share to reflect the successful sale of the wholesale distribution business

LOOKING BACK AT OUR EQUITY MARKET YEAR

UNCERTAINTIES CHARACTERISE CAPITAL MARKETS

The capital markets reported a negative performance in the HELLA fiscal year 2018/2019. The MDAX recorded a decrease of 6%, while the shares of German automotive stocks – the DAXsector Automobile (referred to subsequently here as Prime Automotive) – closed with a significant drop of 23%.

In the first quarter, the continuation of the European Central Bank's expansionary monetary policy in particular had a positive effect on the capital markets. The MDAX closed this quarter with an increase of 2%. However, the automotive sector was put under pressure by the risk of a trade dispute between the USA and China, as well as the potential introduction of customs duties on European cars, reporting a loss of 12% as a result. Price performance in the second quarter was affected by additional risks resulting from a disorderly Brexit, uncertainties associated with the introduction of WLTP, decreasing production numbers in the automotive sector, and the weaker economic outlook. The MDAX and Prime Automotive therefore recorded losses of 13% and 9% respectively.

The capital markets were able to make up for these losses in the third and fourth quarters to a certain extent. Stronger than expected growth in China and the USA, together with potential initiatives promoting economic development in China, led to an increase of 4% for both the MDAX and Prime Automotive in the third quarter. In the fourth quarter, Prime Automotive was particularly affected by the continued decrease in production numbers and the USA's proposed punitive tariffs on Mexico. This led to a decrease of 8% while the MDAX increased by 2%.

HELLA SHARE FOLLOWS SECTOR TREND

During the period of the fiscal year 2018/2019, the HELLA share recorded a decrease of 23%, which was in keeping with the overall development of Prime Automotive. This was due to political risks and negative industry development. The HELLA share initially outperformed Prime Automotive, closing the first quarter with a small decrease of 3%. This performance was driven in part by the announcement of HELLA's outlook for the fiscal year. However, negative capital market and industry developments in the second quarter led to an above-average depreciation of 30%.

The HELLA share was partially able to compensate for these losses in the second half of the year, increasing by 9% in the third quarter. The share benefited not only from the announcement of the half-year results, but also from the positioning in relation to the efficiency and electrification market trend presented at Capital Markets Day. In the fourth quarter, the HELLA share was able to evade the negative development in Prime Automotive – largely as a result of the positive quarterly report – and demonstrated an increase of 4%.

LIQUIDITY OF THE HELLA SHARE

HELLA share liquidity rose again compared to the previous year. The average daily XETRA trading volume in the reporting period was around 187,000 shares (163,000 in the previous year). Market capitalisation reduced to € 4.60 billion at the end of the fiscal year.

HELLA BONDS

HELLA has issued two bonds at present. This includes a 2.375% EURO bond (SIN A1R0V9) for € 500 million with a seven-year term running until 21 January 2020, as well as a 1.000% EURO bond (SIN A19HBR) for € 300 million, also with a seven-year term and in this case running until 17 May 2024. In September 2018, Moody's raised the rating for these bonds to Baa1 with a stable outlook.

SALES DISTRIBUTION BY REGION (BY REGISTERED OFFICE OF THE HELLA CUSTOMER)
Fiscal year 2018/2019 in € million and as a percentage of sales

2,348 — 34 %
GERMANY

2,110 — 30 %
EUROPE
not including Germany

1,381 — 20 %
NORTH, CENTRAL AND SOUTH AMERICA

1,129 — 16 %
ASIA, PACIFIC, ROW

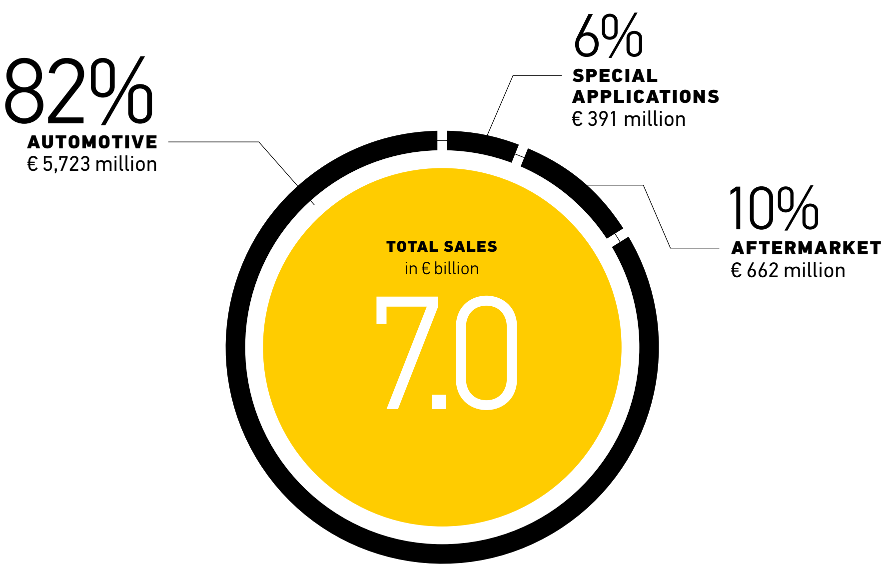
INVESTMENTS IN RESEARCH AND DEVELOPMENT

8.8 %
of sales

7,768
EMPLOYEES worldwide work in research and development at HELLA

260 **patents** were registered for the first time in the last fiscal year

EXTERNAL SALES BY BUSINESS SEGMENT
Fiscal year 2018/2019



AUTOMOTIVE

The Automotive business segment is divided into the Lighting and Electronics business divisions: In the Lighting business division, HELLA develops and produces headlamps, rear combination lamps, as well as car body and interior lighting products for almost all of the well-known automobile manufacturers worldwide. One current area of focus is the development of complex, software-based Matrix LED headlamp systems for the premium and volume segments. At the same time, HELLA is accelerating the development of new body and interior lighting concepts that support the trends towards individualisation and autonomous driving, for example.

HELLA electronics solutions provide crucial help in making driving safer, more efficient and more comfortable. The range of services comprises innovative product solutions in the areas of driver assistance, energy management, body electronics as well as power steering, further sensors and actuators, and also lighting electronics. With its front camera software and radar sensors, HELLA offers key technologies for functions such as automated driving. HELLA also supports the trend of electric driving with an extensive product portfolio for all development stages of electrification.

AFTERMARKET

With a large selection of spare parts, wear parts and accessory parts as well as a comprehensive range of services, HELLA is one of the most important partners for spare parts retailers and independent garages in Europe. These activities are complemented by sales of high-grade workshop equipment that allows for specialist vehicle repair and maintenance. In future, these two pillars of the segment will be more closely interlinked and oriented to the competencies of the Automotive division. Plus, HELLA is gradually breaking ground for new digital business models in the Aftermarket segment.

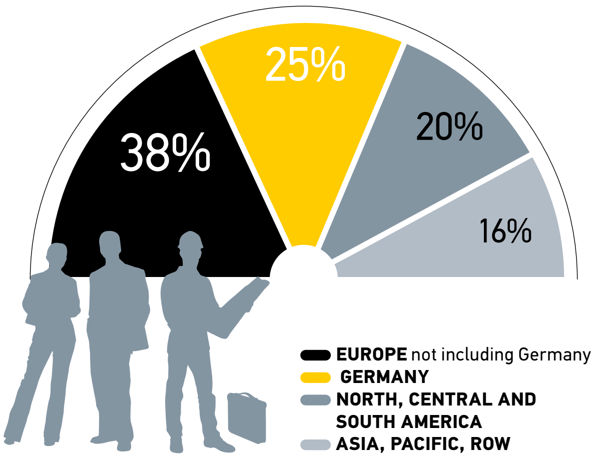
SPECIAL APPLICATIONS

In the Special Applications segment, HELLA develops and manufactures lighting and electronics products for special vehicles such as construction and agricultural vehicles, buses, trailers and motorhomes, as well as for the marine sector. In this process, we precisely transfer our high level of technological expertise from the core automotive business to these target groups whilst developing also standalone product solutions for them. For example, our innovative lighting solutions ensure safe use of commercial vehicles by making it possible to project warnings and marking lines on the work surface.

2018 / 2019

SHORT PROFILE

HELLA is a global, publicly listed family-owned company. The company specialises in innovative lighting systems and vehicle electronics and is also an established partner on the aftermarket. HELLA achieved sales of € 7.0 billion in the fiscal year 2018/2019 and currently has around 39,000 employees in some 35 countries. With almost 8,000 developers, HELLA is also a major driver of innovation on the market.



38,845

EMPLOYEES
worldwide

HELLA GROUP
AT A GLANCE

ATTRACTIVE BUSINESS PORTFOLIO
HELLA has been a close partner to the automotive industry and automotive parts retailers for 120 years now. With its three segments, Automotive, Aftermarket and Special Applications, HELLA has an attractive business portfolio. The Automotive segment is split into two business divisions: Lighting and Electronics. Within these business divisions, HELLA develops and produces vehicle-specific solutions for automobile manufacturers and other automotive suppliers around the world. In the Aftermarket segment, we combine independent aftermarket activities with complex workshop equipment. In the Special Applications segment, we incorporate our automotive expertise into applications for special purpose vehicles and develop standalone product solutions for these target groups.

TECHNOLOGICAL EXCELLENCE
Research and development have always been an integral component of our company DNA and are therefore the central pillar on which our competitive strength is built. One in five employees works in this area, and we invest nearly 9% of our sales into the development of new future technologies and mobility solutions. This allows us to consistently position ourselves in accordance with major market trends that define the transformation process currently shaping the automotive industry: autonomous driving, efficiency and electrification, connectivity and digitalisation, and individualisation.

LEADING MARKET POSITION
In the markets on which we are active, we constantly pursue a leading market position. Our focus on technology and innovation leadership supports us. For example, we are a leading provider of complex Matrix LED headlamps and components for driver assistance systems. We also help our clients on the path to electromobility with a comprehensive range of products from battery sensors for micro hybrids to power electronics for mild hybrid vehicles all the way to battery electronics forhigh-voltage applications in full hybrids and fully electric vehicles.

GLOBAL POSITIONING AND CUSTOMER PROXIMITY
We have a global presence. This ensures our proximity to our customers and enables us to leverage growth opportunities on all the important markets of our industry. This is also reflected in our sales distribution: we generate around one-third of our sales with customers in the growth regions of Asia/Pacific and North, Central and South America, another third with customers in our home market of Germany, and the remaining third with customers from other European countries.

COMPREHENSIVE PARTNER NETWORK
We rely on a strong partner network. This means that we work together with a large number of industry partners in different forms of cooperation in order to successfully develop new technologies, business models and markets. We are increasingly focussed on open cooperations with partners both inside and outside of the automotive industry with a view to driving strategic topics forward quickly, flexibly and in a targeted manner.

COMMITTED EMPLOYEES
Our employees are the basis of our success. At the end of the fiscal year 2018/2019, we had around 39,000 permanent employees worldwide. One quarter of these employees are in Germany. The other three quarters work at HELLA's international locations, particularly in China, India, Eastern Europe, the USA and Mexico.

Highlights of the fiscal year

Networking with software experts

Over 150 software experts from various institutions, companies and start-ups came together at the first BitSTRICT conference. HELLA initiated this event together with other partners in order to promote innovations and trends in the area of embedded software development.

New electronics plants now in operation

HELLA has expanded its global production network with two new electronics plants in Lithuania and India. The plant in the Lithuanian region of Kaunas shall serve the increasing demand for electronics components in Europe, while the new plant in Mehsana will bolster production capacity in the fast-growing Indian market.

Excellent employer

For the fifth time in a row, HELLA has been certified as an excellent company for trainees. What's more, international research and consultation institute Great Place to Work also singled out HELLA India Lighting as one of the best employers in the country.

Realignment of the Aftermarket segment

HELLA introduced the new aftermarket strategy at the Automechanika trade fair in Frankfurt. According to this strategy, the aftermarket product portfolio will become more aligned with the Company's expertise in original equipment for lighting and electronics, as well as integrated with the considerable level of workshop equipment competencies. Additionally, HELLA is also advancing the development of new digital business models within the Aftermarket segment.

Innovative moisture sensor enters series production

Together with a premium original equipment manufacturer, HELLA is bringing an innovative moisture sensor to the roads. The SHAKE structure-borne sound sensor uses a piezoelectric element to detect vibrations from water drops in order to determine the level of moisture between the tyre and road. This information helps to increase the stability of the vehicle even in difficult situations, such as aquaplaning, and thus supports the driver to have a greater safety.

Strategic partnerships for innovative lighting systems

HELLA is advancing integrated lighting systems for both interior and vehicle body lighting. To bolster these developments, two new strategic partnerships have been established. HELLA is working together with technology company Faurecia to develop innovative lighting solutions for the vehicle interiors of the future, as well as with Plastic Omnium to integrate lighting technologies into vehicle bodies.

Sensor portfolio expanded

Together with American start-up AEye, HELLA is developing custom-made sensor solutions for driver assistance systems and automated driving. Collaboration is focusing on LiDAR sensor systems, enabling HELLA to expand its existing sensor portfolio to include another product solution for environment detection.

Awards for high quality

General Motors named HELLA "Supplier of the Year 2018". Innovative products and consistently high quality from development right through to market launch helped HELLA secure the accolade. HELLA also received three supplier awards from Chinese manufacturer SAIC GM, with particular emphasis being placed on the Company's expertise in lighting technology, as well as its strong position in the production sector. Chinese manufacturer BBAC awarded a prize to HELLA, primarily for its high degree of product and technology expertise, customer service, and successful collaboration.

HELLA Women's Summit

The promotion of women and workforce diversity are extremely important at HELLA. That's why Women's Summits and a number of other events are held at a variety of HELLA sites around International Women's Day, with the aim of strengthening networks and championing women at HELLA.

In China, for China

HELLA is continuing to expand its presence in the Chinese market. As part of a trade fair presentation at Auto Shanghai 2019, HELLA introduced innovative product solutions designed to keep pace with the big trends of electromobility and autonomous driving. The cooperation network in China is also being expanded to include new partners in the areas of lighting and electronics.

Innovative developments together with suppliers

HELLA is strengthening its collaboration with a number of selected, high-performing suppliers in the form of a new innovation competition. The goal of the "HELLA Co-Innovation Platform" is to involve especially innovative suppliers right from the early stages of product development and to work together in order to promote the development of new, future-oriented technologies.

360°

ELECTRIFIED

The move towards electrification in the field of mobility will continue to gain momentum. This presents a whole host of opportunities for HELLA. Energy management is already one of the fastest growing business fields. In order to actively shape the future of electromobility, HELLA is purposely investing in innovative product solutions for all development stages – and in doing so is making a significant contribution to clean mobility.

Electrifying visions

Electrification is one of the major trends completely redefining the mobility of the future and is at the centre of the entire automotive industry's focus. What does the future hold for electromobility? And how can HELLA benefit from this trend? Find out more in an interview with HELLA electronics experts Björn Twiehaus and Frank Petznick.

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Veritable powerhouses

Mild hybrids are seen as a quick and efficient entry point into the realm of electromobility. With the Dual Voltage Battery Management System and the PowerPack 48 Volt, HELLA is now one of the first companies to develop innovative battery module solutions for this fast-growing market.

24

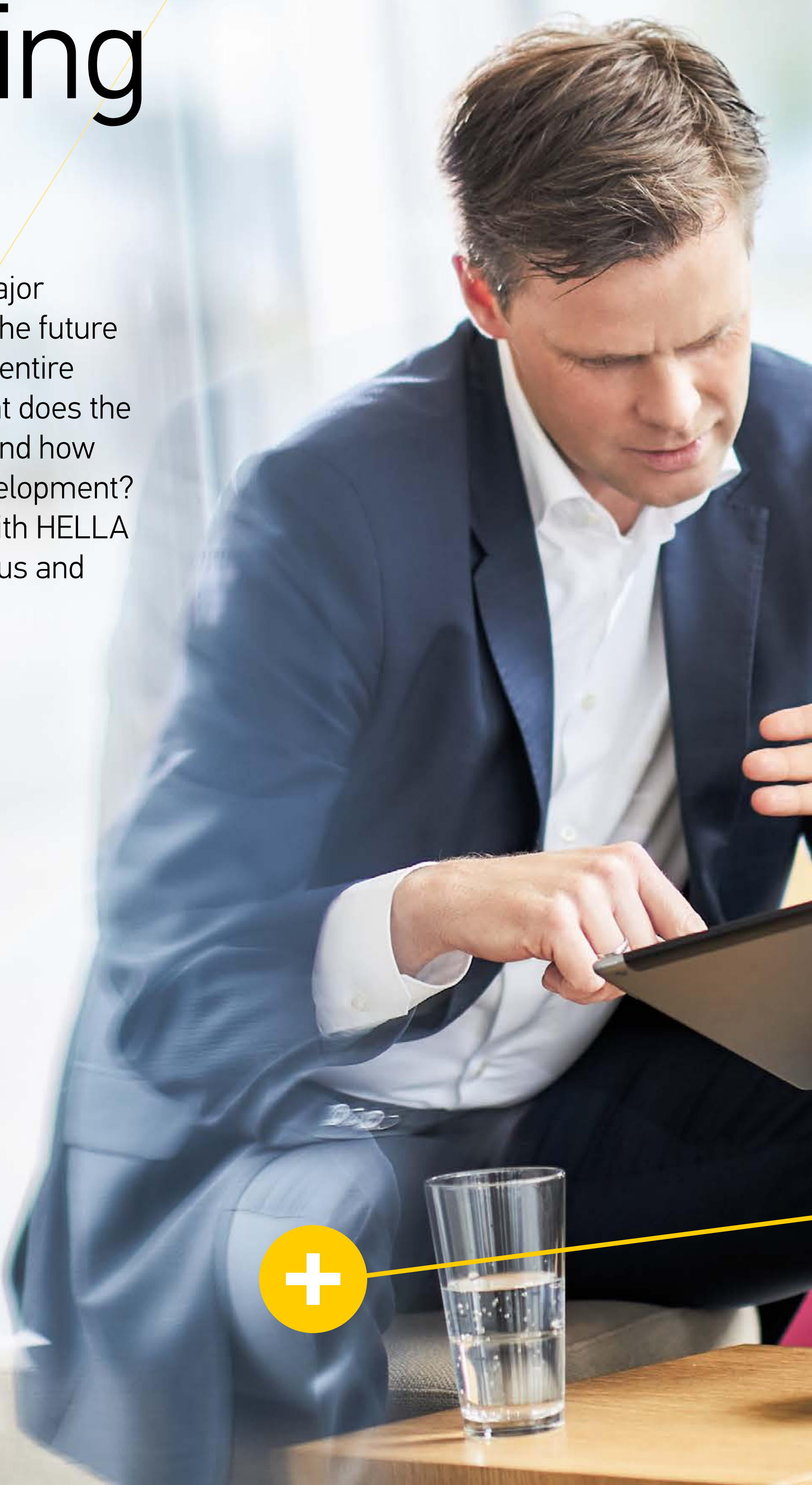
A comprehensive network

For almost 20 years HELLA has been making driving more efficient. To further strengthen its position in the area of electromobility, HELLA is assembling a powerful network of experts across the globe. Five employees from the worldwide HELLA network tell us about the personal contribution they are making in this regard.

30

Electrifying visions

ELECTRIFICATION is one of the major trends redefining the mobility of the future and currently at the centre of the entire automotive industry's focus. What does the future hold for electromobility? And how can HELLA contribute to this development? Find out more in this interview with HELLA electronics experts Björn Twiehaus and Frank Petznick.



Meetings like this do not take place very often, for geographical reasons apart from anything else – Frank Petznick, responsible for the electronics business of HELLA in China and member of the Electronics Executive Board, is based in Shanghai. Visiting the HELLA headquarters in Lippstadt, Germany, he takes the time for a joint interview with another expert on electrification in the automotive industry: Björn Twiehaus, Head of the Product Center Energy Management and also a member of the Electronics Executive Board.

360°
ELECTRIFIED

Electromobility continues to gain momentum. To take advantage of the opportunities that this presents, HELLA is developing **pioneering product solutions for all stages of electrification** – thus supporting its customers comprehensively on the road to electromobility.

There's no question about it – electrification will continue to gain momentum. China has long since become a pioneer in this field and, in my opinion, is setting the pace.

Frank Petznick

Frank Petznick

Frank Petznick moved to Shanghai back in 2008, taking on the role of head of HELLA's local Technical Center. Today, as a member of the Executive Board Electronics, he is responsible for HELLA's electronics business in China. He has also been responsible for the company-wide Product Center Automated Driving since the end of 2018.

Electromobility is on the rise. What is your personal experience of this development?

Twiehaus: A few years ago, electromobility started to become a bigger part of my work, and it was clear that I had to experience it myself. That is why I drive a plug-in hybrid, and I'm very impressed by how quiet, smooth and powerful the car is. But that does not mean that I can't see the difficulties that are still associated with electromobility – especially in Europe.

Petznick: I have been living in Shanghai, a gigacity with some 25 million inhabitants, since 2008. Because of its size alone, emissions are a major problem and there is a real push to embrace electromobility. I can literally see the way things are changing as one neighbour after another switches to an electric vehicle, and the charging infrastructure is growing continuously. In China, people view electromobility as an enrichment and not as a restriction.

How do you see the industry developing in the future?

Petznick: There's no question about it – electrification will continue to gain momentum. China has long since become a pioneer in this field, with the highest number of new electric vehicle registrations. This is partly due to the extremely strict emissions targets and quota regulations for electric vehicles, but it is also down to the existence of various subsidies. China's strategic goal is to become a leader in electromobility and, in my opinion, it is setting the pace.

Twiehaus: But electromobility is also becoming increasingly attractive in Europe and other regions. On the one hand, because end-consumer acceptance is increasing, and on the other, because key technologies such as batteries and battery cells are becoming cheaper and more powerful at the same time. The infrastructures for hybrid and electric vehicles are also improving continuously. But it is also clear that the combustion engine will not just disappear overnight. Mild hybridisation on a 48 V basis will play a particularly important role as a kind of interim solution on the road to full electrification.

To what extent can HELLA benefit from this development? After all, for many people, the company is still mainly associated with lighting.

Petznick: Our lighting business has an excellent reputation, providing the HELLA brand with an enormous reach – and rightly so. But HELLA is more than just lighting. We are also a leading electronics supplier and our business has grown

Björn Twiehaus has been responsible for the Energy Management division at HELLA since October 2017 and also serves as a member of the Executive Board Electronics as part of this role. He joined HELLA in 2002 as a production engineer at the electronics plant in Hamm, Germany.

Björn Twiehaus

considerably over the past few decades. 50 years ago, a car's electronics consisted of only a few relay circuits and a maximum of one control unit. Today there are dozens – possibly up to 100 control units per vehicle – which are required for different functions. HELLA anticipated this increasing importance at an early stage and positioned itself accordingly.
Twiehaus: Looking at the major trend towards electromobility, our big advantage is that we don't need to reinvent our company. We positioned ourselves in the field of power and battery electronics at an early stage. We began producing intelligent battery sensors at the turn of the millennium and launched the world's first voltage converter in 2007. Today we are the global leader in both product groups and we have accumulated an enormous wealth of experience on which we can build. Energy management is already one of our fastest growing business fields and we aim to pursue this course for years to come.

How is HELLA positioning itself when it comes to electromobility?
Twiehaus: We want to fully support our customers on the road to electromobility – across all stages of electrification. This includes offering innovative products for electric vehicles as well as solutions for mild and full hybrids that make conventional internal combustion engines cleaner and more efficient. One of the key areas for us in terms of development is solutions for 48 V mild hybridisation, which offers considerable potential in terms of energy savings and is relatively easy to integrate into existing vehicle architectures. It helps manufacturers to meet increasingly stringent emissions targets quickly and efficiently. HELLA can make a significant contribution in this field.
Petznick: The same applies to our business in China. The Chinese market is no longer new territory as we have been active there since the early 1990s. At that time, we had only a few locations and a relatively small team that was primarily concerned with industrialising products developed in Germany for the Chinese market. Today paints quite a different picture – we have around 1300 developers in China in total, and many product innovations now originate from there. Our strategy is:

> **We fully support our customers on the road to electromobility – across all stages of electrification.**
>
> *Björn Twiehaus*

More power

HELLA positioned itself in the field of battery and power electronics at an early stage – and today it is reaping the rewards of this pioneering role. Here is a small selection of products.

POWER ELECTRONICS

On-board charger

The component converts alternating current from external sources into direct current, which charges the high-voltage battery of the electric vehicle.

POWER ELECTRONICS

DC-DC converter

The power electronics supply the vehicle electrical system. In hybrid vehicles, they combine the different voltage classes with as little loss as possible.

BATTERY ELECTRONICS

Battery management system

The unit records all relevant data of the battery system in electric and hybrid vehicles and monitors the status.

BATTERY ELECTRONICS

Intelligent battery sensor

The key element of energy management: the intelligent battery sensor measures voltage, current and temperature.

THE STAGES OF ELECTRIFICATION

Vehicles with internal combustion engines
Vehicles powered exclusively by internal combustion engines without any further assistance.

Micro-hybrids
Micro-hybrids are also powered by an internal combustion engine. However, electrical technology in the form of a 12 V battery enables additional energy-saving functions such as the start/stop automatic system, although it does not support the engine while driving.

48 V mild hybrids
Mild hybrids based on 48 V are regarded as a quick way into the world of electromobility, as they significantly improve energy efficiency and are comparatively easy to integrate into the vehicle architecture. They are equipped with an electric motor with limited power, which supports the internal combustion engine and uses the energy gained during rolling and braking. Due to their advantages, mild hybrids are expected to have have the highest growth rates.

Full and plug-in hybrids
Regarded as the big sisters of the mild hybrid, because they feature similar technology. However, the performance of the electric motor is usually much higher, making it possible to drive using electric power alone. If the battery used in a hybrid vehicle to drive the electric motor can also be charged via the power grid, the vehicle is referred to as a plug-in hybrid.

Electric vehicles
The highest stage of electrification: "pure" electric vehicles without internal combustion engines. They are emission-free, powered by a battery and charged via a charging station. The number of pure electric vehicle models is still relatively small, but the list is growing steadily.

in China, for China. For example, we have more than 85 developers working for over 20 customers at our main Chinese location for energy management – with the number still rising.

In your opinion, what are the biggest challenges that HELLA will have to overcome on the road to electromobility?
Petznick: It's all about finding the right balance between focus and flexibility. Electrification is taking place at various levels simultaneously, and the speed of development also differs considerably from region to region. Our key challenge is to remain as broadly positioned as possible in order to offer our customers suitable solutions but not to spread ourselves too thin.

Both manufacturers and suppliers are constantly trying to overtake each other in terms of electrification with new solutions. How can HELLA assert itself successfully in this race?
Twiehaus: There are two key factors. On the one hand, we want to continue to pursue our strategy of evolutionary development. In other words, the competencies that we have built up over many years in our components business with battery sensors and voltage converters will be further enhanced and applied to new fields. For example, we are producing battery management systems which we have developed specifically for full hybrid and electric vehicles, and we are working on smart charging solutions. On the other hand, we also intend to make revolutionary leaps by shifting from our role as a supplier of individual components to a supplier of subsystems.

"Energy management is already one of our fastest growing business fields and we aim to pursue this course for years to come.

Björn Twiehaus

What does that mean in concrete terms?
Twiehaus: As technologies become more sophisticated, we can better serve our customers by eliminating some of the complexity and offering them a complete system in the future. In this context, core products include innovative system solutions for mild hybrids such as the PowerPack 48 Volt and the Dual Voltage Battery Management System.
Petznick: What's more, the focus is no longer just on the best technologies – speed is also becoming increasingly important. With this in mind, we need to work with partners. In China, for example, we are working with specific battery cell manufacturers, we have established a new electronics joint venture with our long-standing partner BHAP, and we are looking to intensify our collaboration with local partners in the field of battery management systems.

FINANCIAL REPORT

> **What is particularly fascinating is that electrification will probably develop at different rates depending on the market. The state of affairs in 2030 will probably be completely different in Europe compared to China.**
>
> *Frank Petznick*

Twiehaus: Partnerships are very important to us in general. We have a strong, global development and production network in the field of energy management. However, we also need partners in the field of batteries and battery cells, for example. In the future, it will be more important than ever to be open to ideas developed in collaboration with our partners.

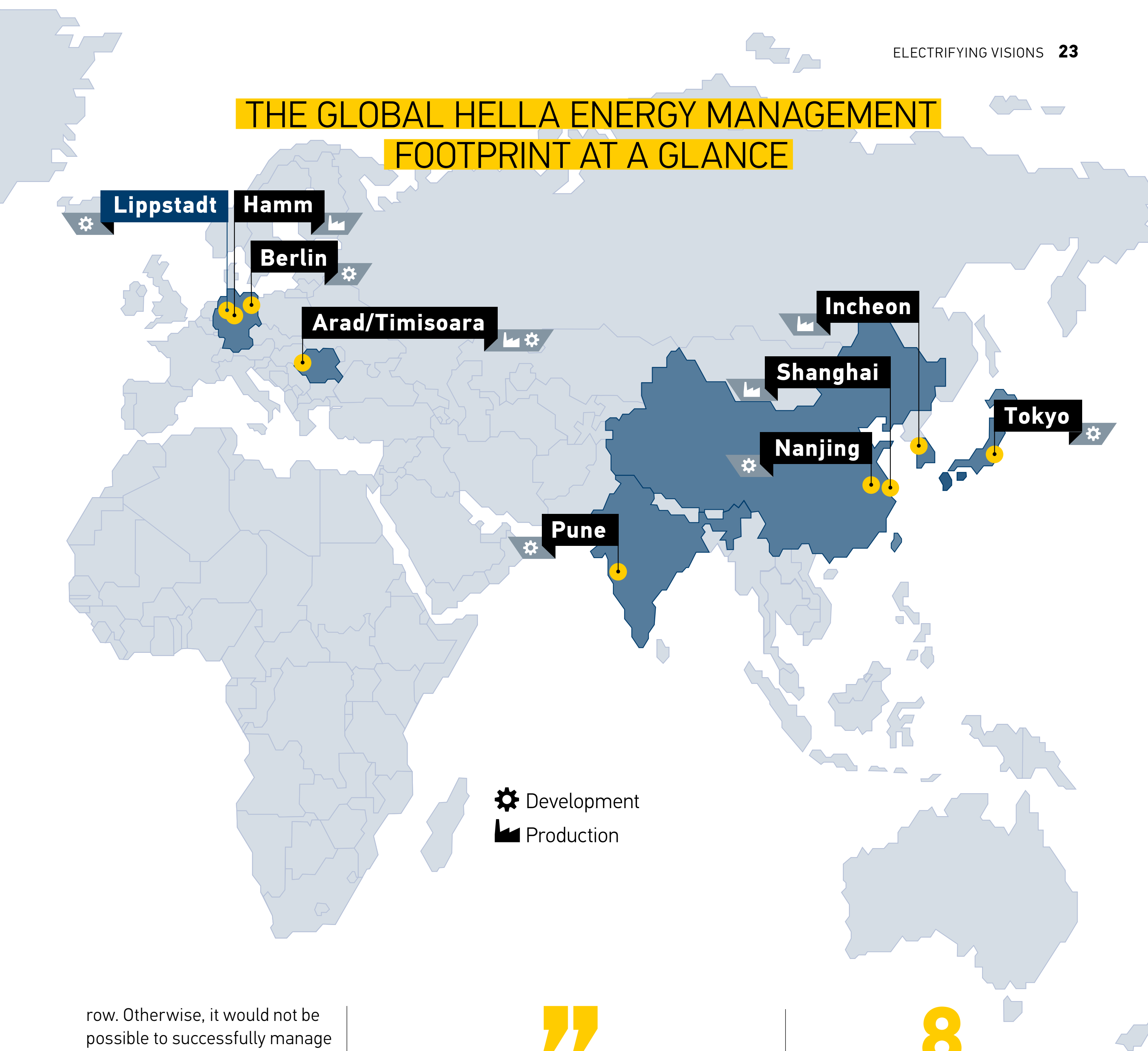
In the race towards electromobility, new companies are entering the market, causing it to become more and more fragmented. Are we seeing a sea change in the automotive industry?

Petznick: The market is indeed fragmented. When it comes to electromobility, the established automotive manufacturers have more or less all had to start from scratch. In the case of conventional internal combustion engines, Western manufacturers used to be one step ahead of Chinese manufacturers. This is no longer the case in the context of electromobility – although there may still be an advantage for now in terms of industrialisation expertise. Developing an electric car is one thing, establishing stable series production is another. However, it is likely that the current market fragmentation will revert to a consolidation phase.

When you get together to discuss scenarios for the mobility of the future, how far into the future do you look?

Twiehaus: We always keep a close eye on the immediate future – in other words tomor-

THE GLOBAL HELLA ENERGY MANAGEMENT FOOTPRINT AT A GLANCE



row. Otherwise, it would not be possible to successfully manage our business. In addition, however, we also consider what the world will look like in ten, 15 or 30 years in our day-to-day work. Petznick: What is particularly fascinating is that these scenarios will probably develop at different rates depending on the market. The state of affairs in 2030 will probably be completely different in Europe compared to China. As a global company, we have to master the art of managing these different rates of development while ensuring scalability and synergies at the same time.

We want to further enhance the competencies that we have built up in our components business and apply them to new fields. At the same time, we are shifting from our role as a supplier of individual components to a supplier of subsystems.

Björn Twiehaus

8
development sites

8
plants
has the global energy management footprint of HELLA

560
employees
worldwide work in research and development in the area of energy management

360°
ELECTRIFIED

Requiring few changes to be made to the vehicle architecture, yet offering improved energy efficiency, **48 V mild hybrids** are seen as a quick and efficient entry point into the realm of electromobility.

Veritable powerhouses

ON THE ROAD TO ELECTROMOBILITY, HELLA is there to provide comprehensive support to its customers. With the Dual Voltage Battery Management System and the PowerPack 48 Volt, HELLA is now one of the first companies to develop innovative battery module solutions for the fast-growing mild hybrid market.

Cars with at least a partially electric drive are soon to become the norm – even beyond the countries that are currently setting the agenda when it comes to electromobility. A key stepping stone along the way is 48 V mild hybridisation.

Global climate targets are becoming ever more stringent. In the European Union, for example, newly registered vehicles will not be allowed to emit more than 95 grams of CO_2 per kilometre on average from 2021, with emissions even being limited to a maximum of just 62 grams from 2030. Ambitious objectives have also been set in many other large economies such as the USA, China and Japan. Automobile manufacturers will have to electrify their vehicle fleets in order to meet these targets.

In the short term, however, it is not possible to move straight from the internal combustion engine to full electrification. There are many reasons for this: for example, an extensive charging infrastructure is not yet available and the price of purely electric vehicles is still comparatively high.

Intelligent solutions are therefore required which can be implemented relatively easily and which will help to reduce vehicle CO_2 emissions both quickly and to a significant extent. Partially electric vehicles in particular – known as mild hybrids – will therefore play a key role on the road to electromobility. It is estimated that global production of mild hybrids will rise from 6 million units in 2020 to 35 million in 2030.

FOCUSING DEVELOPMENT ON MILD HYBRIDS

Felix Schmauch (42) and Guido Schütte (43) are sitting in a modern conference room at the HELLA headquarters in Lippstadt. The international automotive supplier opened this new building a few short weeks ago, with the aim of creating additional space for its rapidly growing electronics business. A key driver of this growth is the field of energy management. Some 560 developers are employed worldwide in the Energy Management department alone and this figure is set to almost double within the next five years.

Schmauch and Schütte are two of the employees with responsibility in this area. Both have been working at HELLA

> **We are anticipating that mild hybrids will become the largest growth driver for electrification in the coming years. They are a quick, efficient and relatively simple route into electromobility for our customers.**
>
> *Guido Schütte*

for more than ten years and in their current leadership roles are responsible for advancing the development of pioneering product innovations in the field of energy management for HELLA: Schmauch works on the Dual Voltage Battery Management System, while Schütte focuses on the PowerPack 48 Volt.

Used in 48-volt mild hybridisation, both systems serve a drive type that will play a particularly important role as a transition technology between the internal combustion engine and electric drive. "HELLA has already established itself by offering product solutions for all stages of development on the road to electromobility – from the micro hybrid to high-voltage applications for fully electric vehicles," says Guido Schütte. "For us, however, product innovations for mild hybrids currently represent a key development focus. As they are a quick, efficient and relatively simple route into electromobility for our customers, mild hybrids will become the largest growth driver for electrification in the coming years."

In this stage of electrification, the conventional internal combustion engine – in addition to the standard 12 volt vehicle electrical system – is supplemented with a 48 volt system based on lithium ions. The second vehicle electrical system enables a range of additional functions to be incorporated which save fuel effectively. For example, it allows the vehicle to coast with the engine completely switched off, and when the vehicle starts, it supplies a boost which increases drive torque, improving driving dynamics. Above all, the 48 volt system can recover much more energy, for example through recuperation during braking, and can therefore charge itself. 48 volt hybridisation is a particularly promising development as it requires few changes to be made to the vehicle architecture, while offering efficient energy recovery methods and improved energy efficiency.

One interesting secondary aspect is the fact that energy-intensive units such as steering aids and other assistance systems can be powered electrically with a 48 volts vehicle electrical system. The 48 volt system is not only an entry point into fully fledged electromobility, it is also an essential requirement for autonomous driving.

Guido Schütte

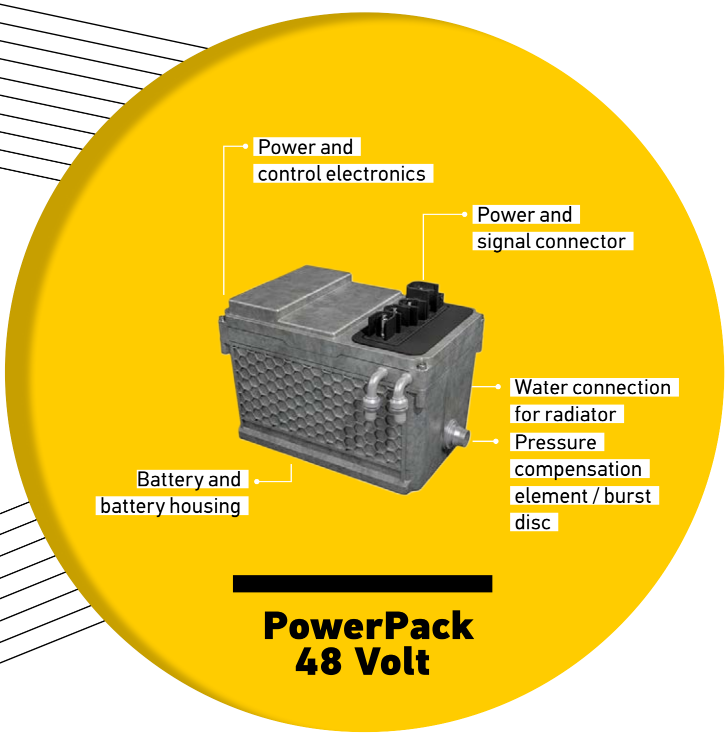
After completing his studies at Paderborn University, Germany, and Western Michigan University, USA, the graduate computer scientist started working in HELLA's Software Development department in 2001. In his role as Director Program Management Energy Management, he has been responsible for the power electronics used in hybrid and electric vehicles since 2014.

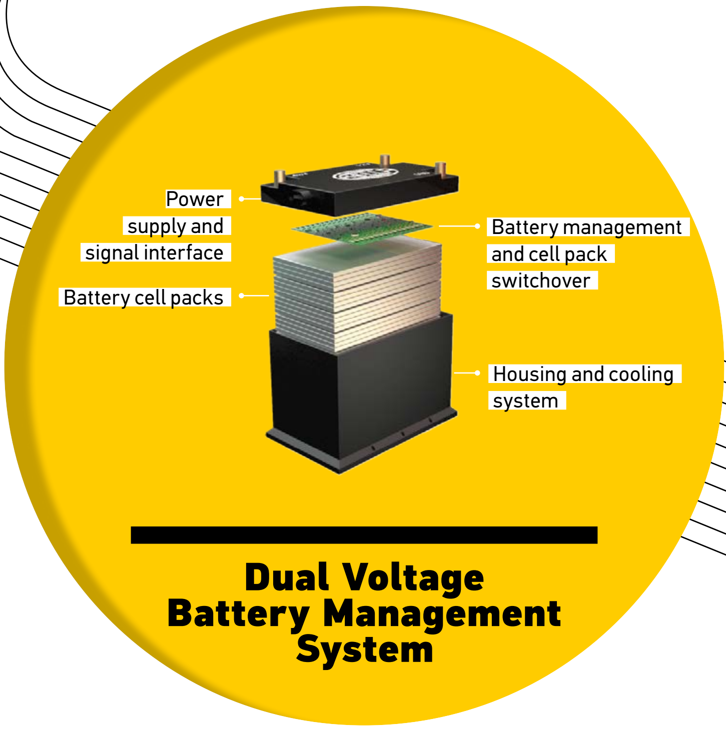
POWER AND BATTERY ELECTRONICS IN ONE PRODUCT

With both the Dual Voltage Battery Management System and the PowerPack 48 Volt system solutions, HELLA is now one of the first companies to offer innovative battery module solutions for mild hybrids, thereby further advancing the electrification of mobility. They might not look like much and are not much bigger than a conventional battery, yet they incorporate all of HELLA's expertise and experience in pow-

PowerPack 48 Volt

In addition to the 12 V lead-acid battery, the PowerPack 48 Volt is used in larger vehicles in the mid-range and luxury classes to meet the power requirements of mild hybridisation. The combination of a 48 V lithium-ion battery and DC-DC converter in a subsystem brings together HELLA's electronics expertise in power electronics and battery management. Alongside functions such as boost, the module can recover significantly more energy and realise further comfort functions for the luxury class, such as ambient lighting, automatic climate control and active chassis control.





Dual Voltage Battery Management System

The system replaces the 12 V battery as it combines cells in one pack which can be switched to different voltage classes based on requirements and the situation: 12 volts for high-performance operation of the vehicle electrical system and 48 volts for enhanced energy recovery. This compact component, which can be integrated into the vehicle architecture in the place of the conventional lead-acid battery, really sets itself apart thanks to its special power electronics which take care of the intelligent switching process and mean that an additional battery is no longer required.

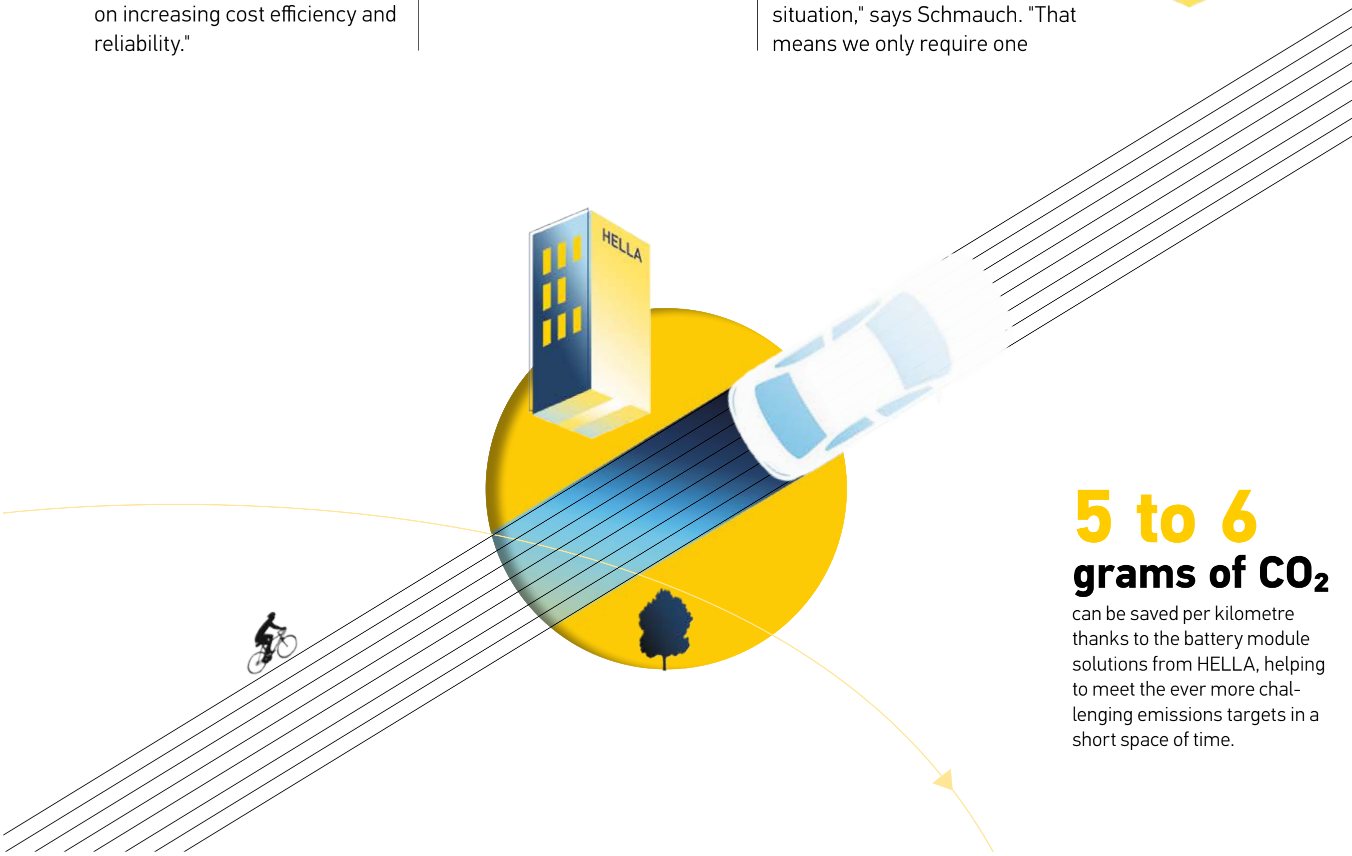
er electronics and battery management. The new solutions can achieve savings of 5 to 6 grams of CO_2 per kilometre, thereby helping to reach CO_2 targets in a short space of time.

Above all, the systems answer the question of how 12 volts and 48 volts systems can be integrated in the design of a mild hybrid. They have a major advantage in this regard: HELLA is able – in conjunction with various cooperation partners – to supply the solutions as complete subsystems from a single source. "Our customers can integrate our subsystems into their existing vehicle architecture with ease," emphasises Schütte. "Right from the start, we were guided by the principle of providing the best possible support to our customers by offering them an integrated system that brings together multiple high-performance individual components in a single product. And what's more, our efforts also focused on increasing cost efficiency and reliability."

Award-winning innovation

Thanks to the Dual Voltage Battery Management System, HELLA received the AutomotiveINNOVATIONS Award 2019 in July 2019, recognising it as the most innovative automotive supplier in the Powertrain category. The award is conferred by the Center of Automotive Management together with auditing and consulting firm PricewaterhouseCoopers. The distinguished jury praised the fact that the system combines the standard elements of 48 V hybridisation within a single product and takes up the same amount of space as a conventional lead battery, meaning that it offers huge advantages in terms of cost, weight and efficiency. Over 330 innovations in total were submitted by suppliers and four awards were presented.

The first solution takes the form of the Dual Voltage Battery Management System for the compact and mid-range classes. The innovative dual-voltage battery comprises a battery pack of lithium-ion cells which can be switched to 12 or 48 volts as required. This is achieved thanks to innovative power electronics which also provide the functions of the DC-DC converter. When the vehicle brakes, as many cells as possible are switched to 48 volts to enable as much of the recovered energy as possible to be stored. During normal driving involving use of the radio, air-conditioning system and other comfort functions, the system switches more cells to 12 volts. The lead-acid battery is left out of the vehicle completely. As the new system only takes up the space of a conventional battery, it is easy to integrate into existing vehicle architectures. "12 and 48 volts can be supplied at the same time based on the situation," says Schmauch. "That means we only require one



5 to 6
grams of CO_2
can be saved per kilometre thanks to the battery module solutions from HELLA, helping to meet the ever more challenging emissions targets in a short space of time.

A major advantage here at HELLA is that we have been focusing on the areas of electrification and energy management for a long time, and can therefore call on many years of experience.

Felix Schmauch

Felix Schmauch

The mechanical engineering graduate began his career at HELLA in 2004 as a quality engineer for lighting electronics. After holding a number of positions within the Company, he has been Program Management Director since 2018 and is responsible for the development of the new Dual Voltage Battery Management System in the field of energy management.

battery and don't need any additional components. This saves on space and weight and is a key advantage for the compact and mid-range classes."

HELLA's second solution is the PowerPack 48 Volt, which has been designed for vehicles with higher power ratings. The system combines a 48 volt lithium-ion battery pack with intelligent battery management plus DC-DC converter. The PowerPack is integrated as an additional unit to the existing 12 volt battery, while the converter regulates the exchange of energy. Alongside functions such as recuperation and coasting, it enables further comfort functions to be realised for the luxury class, such as ambient lighting, automatic climate control and active chassis control. "These two product solutions are allowing us to address all relevant vehicle segments," emphasises Guido Schütte. "Here too, HELLA is making a significant contribution to clean mobility."

PIONEERING ROLE THANKS TO EARLY INVOLVEMENT IN THE MARKET

"A major advantage here at HELLA is that we have been focusing on the areas of electrification and energy management for a long time," says Schmauch. "We have been actively involved in these areas from the start of the 2000s and are way ahead of many competitors in terms of the experience we have acquired."

An important impulse back then came from a major customer. The manufacturer was looking for a technology that would enable the condition and availability of the standard 12 volt battery to be checked in real time. HELLA developed a component which could measure temperature, charge state and other parameters and then convert the values into a continuous condition description. In 2003, the world's first intelligent battery sensor was ready for series production, followed four years later by the first voltage transformer. Its purpose was to stabilise the vehicle electrical system when using the start/stop function. The fact that the engine turned on and off electronically when the vehicle was stationary, for example at traffic lights, occasionally impaired the rest of the vehicle electrical system. Thanks to the stabiliser from HELLA, this no longer happened. Today, HELLA is the market leader in both product groups.

"Over the years, we have established a unique position for ourselves in the field of energy management," says Guido Schütte. This experience in battery and power electronics can now also be incorporated into the two new power solutions. Series production of the Dual Voltage Battery Management System and the PowerPack 48 Volt is expected to commence in 2023.

A comprehensive network

TO SHAPE THE ELECTROMOBILITY of tomorrow you need a strong team. That is why HELLA recruits the best brains from across the world. Five employees from the global HELLA network tell us about the personal contribution that they are making.

The man looking into the future of battery management: **Daniel Brieske**

1

PhD student Daniel Brieske, who is based at HELLA's electronic laboratory, has already started researching the battery management systems of the future.

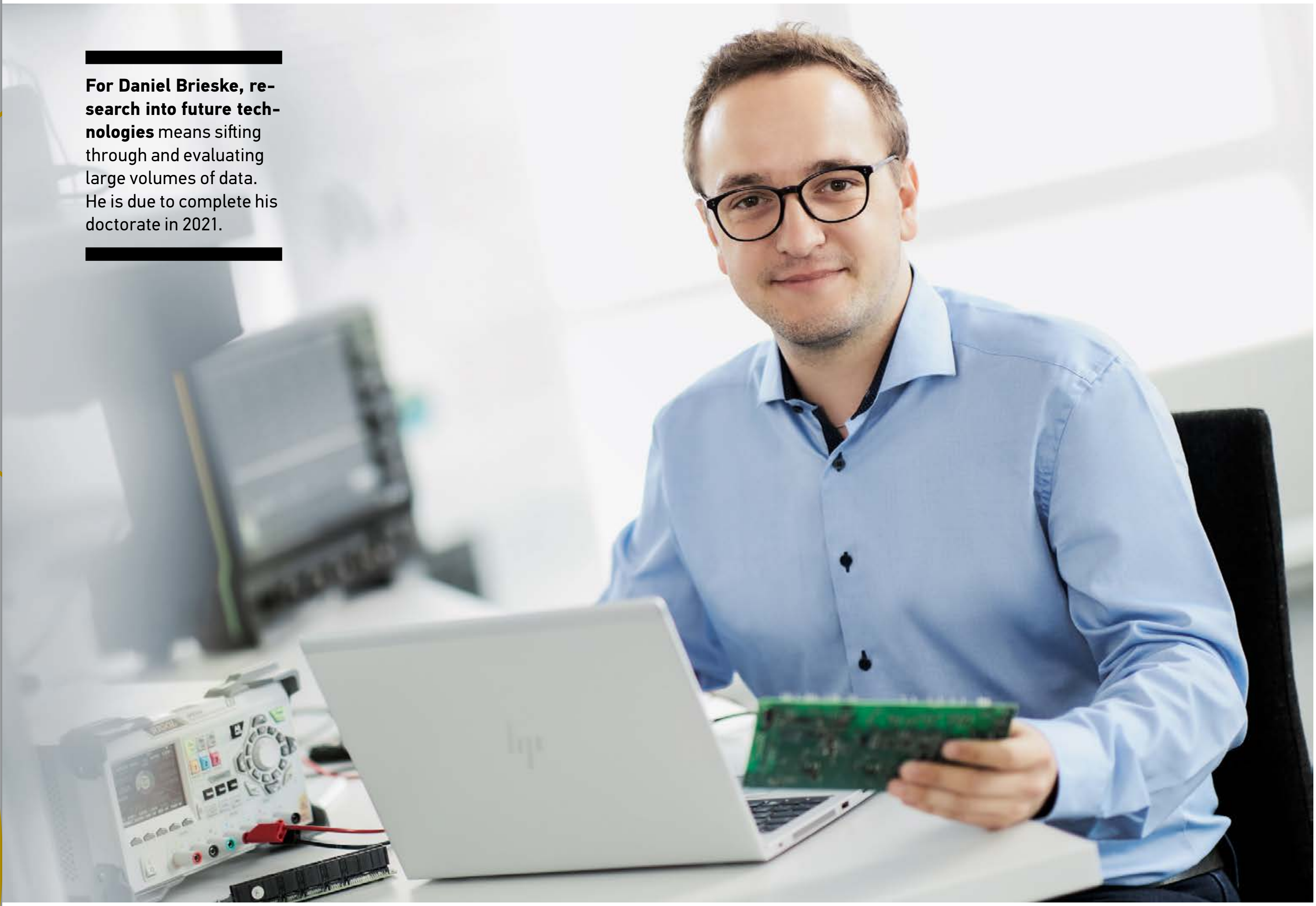
Over the next few years, which battery technologies will be replacing the lead-acid and lithium ion technologies that are currently still being used in vehicles today? And how will we need to adapt and develop our battery management systems to meet the demands of these new technologies? These are the sorts of questions that have been occupying me since I started working on my doctoral thesis back in July 2018

360°

ELECTRIFICATION

For almost 20 years HELLA has been making driving more efficient with its innovative solutions. To further strengthen its position in the **area of e-mobility**, HELLA is assembling a powerful network of experts across the globe.

At the electronic laboratory in Lippstadt, one of the topics being researched by Daniel Brieske is new battery technologies. A new battery test centre is currently being established.



For Daniel Brieske, research into future technologies means sifting through and evaluating large volumes of data. He is due to complete his doctorate in 2021.

at the E-LAB – a research facility for vehicle electronics that HELLA runs at its headquarters in Lippstadt in conjunction with various universities based in the region. The scientific partner for my research is RWTH Aachen University.

Among other things, I am carrying out research into lithium-sulphur cells. Potentially, these offer advantages over conventional battery technologies with regard to cost and weight. However, batteries based on lithium-sulphur technology are still so new that there are barely any prototypes around to be able to research their battery management requirements. What's more, the few examples that do exist bear very little similarity to the battery systems that the automotive sector might ultimately end up using.

Many vital research projects in the automotive industry are carried out by suppliers.

Daniel Brieske

ADVANTAGE IN TIME AND KNOWLEDGE

Currently, my primary focus is on studying and assessing current scientific publications that – like my own research – deal with new battery technologies. On the basis of these, I will then devise some initial simulations for evaluating the behaviour of lithium-sulphur batteries. Essentially, it is a question of getting a knowledge head start now and making sure that we are one step ahead once batteries based on lithium-sulphur technology hit the market on a large scale. We are currently in the process of setting up a new battery test centre. As soon as this is ready, I will analyse some specific prototypes and use this as a basis for validating my inferences.

Even while still at school, I was passionate about the technological problems we had to solve during physics lessons. As soon as I got my first car, I knew that I wanted to end up doing something involving energy, engineering and vehicles at some point. That is why I studied Electrical Engineering and Information Technology at TU Dortmund University. As part of my bachelor's thesis, for instance, I developed a stand-alone emergency power supply for the SkyTrain system at Düsseldorf Airport. During my master's degree I specialised in Electrical Power Engineering. I knew that I definitely wanted to undertake my doctorate in conjunction with an industrial partner. Initially, I was thinking of one of the major car manufacturers. But, at the end of the day, many important research projects are carried out by automotive suppliers as well. It was then that I saw a post advertised by HELLA that was exactly what I had in mind.

While working on my doctorate at the E-LAB, I also get the chance to oversee student employees and other people's theses, and to swap ideas with other PhD students. Even though we are all tackling completely different topics, surprising points of intersection often emerge that are of benefit to all of us. Thanks to the flexibility I enjoy at HELLA, I am also able to interact with academics and other PhD students based at RWTH Aachen University whenever I want.

I am due to complete my doctorate in 2021. Lithium-sulphur batteries are unlikely to have arrived by then. However, we will certainly have discovered what the requirements will be for their battery management systems.

The woman shaping electromobility in China: **Dr. May Deng**

China is currently strongly advancing the electrification of mobility. At the development centre in Nanjing, Dr. May Deng sees to it that HELLA offers solutions that are precisely developed for the requirements of the Chinese market.

2

I have been working at HELLA since August 2017, and head up the Energy Management Department at our Nanjing site. This is home to around 400 employees and HELLA's largest technology centre in China. Here, more than 85 of my colleagues are dedicated purely to the energy management business. Together, we work on a variety of areas, including high voltage battery management systems, 48V DC-DC converters, Dual Voltage Battery Management System and PowerPack 48 Volt as well as other key components for e-mobility, which enhance the driving experience and contribute to energy savings and emission reduction. The main focus is on the product solutions that we develop specifically for the Chinese market, with German quality and Chinese speed. In total, we are working on more than 35 projects for at least 20 customers.

Before joining HELLA, I worked as an R&D leader in the area of industrial automation control. As time went on, I became more and more fascinated by the automotive sector. One of the things that impressed me the most was the rapid growth experienced by the Chinese automotive industry over the past few years. Although this has seen a slowdown recently, China is increasingly becoming a technological pioneer. Many product innovations now originate from here. Another peculiarity of the Chinese market is that the quantities involved and the model diversity are higher than in other markets. Even the demand for fully electric vehicles is significantly greater here than in many other countries.

> **Watching the rapid growth of the Chinese market was truly impressive.**
>
> *Dr. May Deng*

I regard that, first and foremost, as a challenge. And that's why the first thing I did on joining HELLA was to visit all our customers and co-operation partners so that I could get a better handle on the specific requirements and the competitive situation. By remaining in close contact with our customers all the time, we are able to channel our development activities in the right direction more quickly and in a more focused way. For a market that is growing and changing as rapidly as China, that is a crucial factor for success.

The man developing complex components: **Scott Bauer**

The hardware developer, who is based at the Northville site, is getting the new generation of charging converters ready for series production.

3

The product that is keeping me busy is the On-Board Charger (OBC). It serves as the interface between the AC power grid and the traction battery of the vehicle. My team is developing the OBC using new wide bandgap semiconductor devices. They provide performance far beyond that of previous silicon switches. An OBC with these new semiconductor materials can be smaller and lighter, while simultaneously providing higher output power as well as reduced charging times with increased power conversion efficiency. This way the On-Board Charger can be integrated into vehicles with less package space without compromising on performance. This is particularly relevant when it comes to compact electric vehicles.

A major challenge for us is: Every customer has different requirements, for example due to different vehicle architectures. Therefore, we need to adapt the design of our on-board chargers quickly and be flexible to meet the needs of our customers. The OBC is compatible with a wide range of vehicle battery voltages and AC power configurations.

Although the charging process of a battery may not appear to be too difficult at the first sight, the inner workings of the OBC are very complex. The OBC incorporates many custom-designed electrical components, very complex software control algorithms, and even includes issues of cybersecurity. After all, electrical safety is our major concern.

From an overall technological perspective, the On-Board Charger is the most complex project that I have ever been involved with during my nine years at HELLA. The On-Board Charger should be ready for series production around 2024. We cannot afford to waste any time because vehicle electrification is noticeably picking up pace and creating lots of new competitors. Those who stand still will not stand a chance.

"The On-Board Chargers that we are working on are the most complex components that I have ever been involved with during my nine years at HELLA.

Scott Bauer

The woman ensuring that the highest standards are upheld: **Alina Popovici**

The products that are manufactured in Ghiroda include components for vehicle energy management. Alina Popovici is responsible for quality at the plant.

4

The products we manufacture in the Romanian town of Ghiroda include components for vehicle energy management, such as various types of voltage converters. These ensure that the numerous electronic components inside a vehicle always receive the appropriate supply voltage. I joined HELLA straight after university in 2006. At that time, the plant in Ghiroda was only a year old, but it has grown continuously ever since. Today, there are around 1400 employees based here.

Given the continuous increase in demand for energy management solutions that is expected to intensify even more, we have established a dedicated department for this product area at the plant. This meant coming up with brand-new processes and quality controls so that we were in a position to produce larger quantities. Within this context, we are now reaping the benefits of the energy management expertise that we have built up via the HELLA global network over a long period of time. Another very important

"To meet increasing demand, we had to create brand-new processes and quality controls so that we were well positioned to produce larger quantities.

Alina Popovici

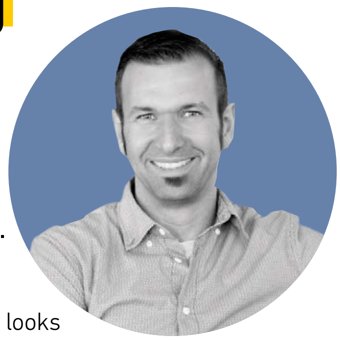
point is that we are always able to respond to customer queries in the most flexible way possible. This also includes the responsibility to always deliver the best quality even under increasing pressure.

But that's why my job is so fantastic and yet so challenging at the same time: the fact that every working day is different. As the person in charge of quality at our electronics plant in Ghiroda, I have to keep certain routine appointments. That goes without saying. But if we suddenly receive an enquiry from a customer who needs our support or if a particular problem arises, we often have to respond and take action right away. Therefore, we are always prepared to implement the quality standards that our customers have come to expect from us in the shortest time possible.

Originally, I studied Electrical Engineering and Telecommunications. When I started out at HELLA, I was initially responsible for automatic optical testing. In 2009, I transferred across to Quality Management. This resulted in lots of direct contact with customers – which was a welcome and interesting addition to what I had been doing before. Since 2015, I have been in charge of quality throughout the entire plant, from products and processes right through to services.

The man whose team is driving software development forwards: **Christian Jung**

Battery management systems demand appropriate software. Christian Jung and his team at HELLA Aglaia are making sure that digital control of battery management systems is as innovative and efficient as possible.



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It was the allure of helping to create something really big that led me to HELLA Aglaia in Berlin in 2013. This location is the hotbed of the company's software development activities. Numerous components with a major role in electromobility are developed here alongside software for visual sensor systems. Just like everywhere else, virtually nothing here works without the appropriate software. For example, we develop complex algorithms that are necessary for monitoring the cells and controlling the high-voltage contactors, taking into account process and safety-relevant aspects.

To do this, we need strong teams and talented people. As a team leader for software development in the area of battery management systems at HELLA Aglaia, I have been at practically every job interview to ensure we are recruiting the right people for our organisation. It looks like we are succeeding: with our solid team spirit and talented workers, we have managed to impress our first customers – by supplying them with tailored software solutions in record time and getting these customers fit and ready for series production. We can now cater for every stage of electrification, from micro and mild hybrid technology right through to high-voltage applications.

My personal background is that I studied Electrical Engineering, then I worked as a software developer for a long time. Now I bring in my experience in the electromobility industry with a lot of pleasure in organizing and planning as a group leader. The greatest challenge for us is the speed at which the entire sector is currently changing. We are not only actively shaping this transformation, but also always want to be one step ahead of it. That makes it all the more important to develop innovative ideas and to find ideal solutions for our customers. That is what spurs us on day after day.

> **"We are not only shaping the transformation of the automotive industry, we intend to remain one step ahead of it at all times.**
>
> *Christian Jung*

Group management report and consolidated financial statements of HELLA GmbH & Co. KGaA

Fiscal year 2018/2019

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Highlights

- **Global production of passenger cars and light commercial vehicles** decreases by 4.5% in fiscal year 2018/2019
- **Currency and portfolio-adjusted sales increase by 5.0% in fiscal year 2018/2019,** reported sales decline by 1.0% to € 6,990 million
- **Adjusted earnings before interest and taxes** improve to € 585 million; adjusted EBIT margin increases to 8.4%
- **Adjusted operating free cash flow from operating activities** rises to € 284 million
- **Reported sales in the Automotive segment increase** by 6.1% to € 5,766 million
- **Without taking the wholesale distribution business** into account, reported segment sales in the Aftermarket segment increase by 2.7% to € 665 million
- **Due to the closure of the** production site in Australia in particular, reported sales in the Special Applications segment fall by 7.0% to € 399 million
- **Second half of fiscal year records decline in growth momentum:** currency and portfolio-adjusted sales growth at 2.7% following 7.3% in the first half of the fiscal year
- **HELLA performance in line with Company outlook:** development of currency and portfolio-adjusted consolidated sales, adjusted EBIT and adjusted EBIT margin in line with forecast

General information on the HELLA Group

Business model

HELLA GmbH & Co. KGaA is a global, listed, family-owned company with sales of € 7.0 billion in fiscal year 2018/2019. The Company's business activities are divided into three segments: Automotive, Aftermarket and Special Applications.

Automotive

Accounting for over 80% of Group-wide sales, the Automotive segment represents the largest business segment of the HELLA Group. This segment combines HELLA's business activities in original equipment and the corresponding original replacement part business. Here, HELLA develops, produces and markets vehicle-specific solutions worldwide both for automobile manufacturers and other automotive suppliers. The segment is divided into two business divisions – Lighting and Electronics. The product portfolio of the business division Lighting includes business with headlamps, rear combination lamps, car body and interior lighting as well as radomes. Through its long-standing cooperation with virtually all renowned original equipment manufacturers, HELLA has established a strong position in the area of sophisticated lighting technologies and supplies both the premium and high-volume segments. The business division Electronics focuses on the product divisions of body electronics, energy management, driver assistance systems, components, steering and lighting electronics. Thanks to continuous and focused innovations, HELLA has achieved a leading market position in these business fields.

Aftermarket

In the Aftermarket segment, HELLA combines the automotive parts and accessories business as well as workshop equipment in the independent aftermarket. With a portfolio of over 40,000 products, HELLA offers an extensive range of vehicle-specific parts, universal parts and accessories in this segment. Additionally, HELLA acts as a service partner for wholesalers and workshops and complements these activities with a range of high-grade workshop equipment, such as professional diagnostic tools and workshop devices and services as well as vehicle data, which enable specialist vehicle repair and maintenance at the workshop.

Special Applications

In the Special Applications segment, HELLA develops, manufactures and markets lighting technology and electronic products for special vehicles such as construction and agricultural machinery, buses, motor homes and the marine sector. A key basis for success in this segment is the fact that established technologies are transferred from the core automotive business. In addition, specific product solutions for manufacturers of special vehicles are developed in a targeted manner.

HELLA at a glance Sales (fiscal year 2018/2019): € 7.0 billion • Employees (31 May 2019): 38,845		
Business segment Automotive Sales: € 5.8 billion • Employees 31,735	**Business segment Aftermarket** Sales: € 0.7 billion • Employees 1,788	**Business segment Special Applications** Sales: € 0.4 billion • Employees 2,599

Reported consolidated sales in fiscal year 2018/2019; permanent employees as at the balance sheet date of 31 May 2019

For more information on the business model, please refer to the Company profile in this annual report.

International footprint and markets

Customer focus is a key factor for success for HELLA. This enables the Company to better anticipate changes in the industry and also offer regional or customer-specific solutions in a targeted manner in addition to its range of universal solutions.

Accordingly, HELLA is present in around 35 countries and has a global network consisting of over 125 sites, meaning it is represented in all major core markets of the automotive industry. The markets are combined into four regions: Germany, Europe (not including Germany), North, Central and South America, and Asia/Pacific/Rest of World.

In addition to the Company headquarters, further central production and development facilities are also located in Germany. In Europe, HELLA is represented by major production, development and administration sites primarily in the Czech Republic, Slovakia, Slovenia, Austria, France, Romania and Lithuania. In North, Central and South America, HELLA concentrates its activities in particular on the USA, Mexico and Brazil. In the Asia/Pacific/Rest of World region, the Company's focus is primarily on China and India. This international position is complemented by a close-knit network of global sales locations.

The global presence of the Company is also reflected in the distribution of sales by region. Accordingly, in fiscal year 2018/2019, around a third of sales were made in Germany, a third in other European countries and the remaining third in the markets of North, Central and South America and Asia/Pacific/Rest of World.

Corporate structure

LEGAL CORPORATE STRUCTURE

HELLA GmbH & Co. KGaA, which has its registered office in the German town of Lippstadt, is the parent company of the HELLA Group and also the Company's largest operational business. As the parent company, it is involved – either directly or indirectly – in 162 companies, of which 87 were fully consolidated in the 2018/2019 consolidated financial statements. Since 2003, the Company has been a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA) under German law. This legal form encapsulates the key guiding principle of entrepreneurial self-responsibility, as it combines the flexibility of a partnership with the capital market access of a stock corporation.

The shares of HELLA GmbH & Co. KGaA have been traded in the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange since November 2014 and have been listed on the MDAX share index since September 2015. The nominal capital of HELLA GmbH & Co. KGaA amounts to € 222,222,224 and is divided into 111,111,112 no-par shares. 60.0% of the issued shares are held by the family shareholders of HELLA GmbH & Co. KGaA and are subject to a pool agreement until at least 2024. The free float is currently 40.0%; according to the definition of Deutsche Börse (German Stock Exchange), the shares held by the family shareholders that are not included in the pool agreement are also regarded as free float. The remaining shares are held by institutional as well as private investors.

ALLIANCES AND PARTNERSHIPS

HELLA makes a concerted effort to enter into alliances and partnerships in order to maintain the long-term, profitable growth path of the Company. These relationships include both companies from the automotive industry as well as partners from other sectors. This cooperation network has enabled HELLA to develop new technologies, access markets and create synergies by using the combined technical and financial resources of the partners, while reducing the level of risk at the same time. In light of changing market conditions and the development of each partnership, the cooperation network of the HELLA Group is subject to regular review and further development.

In recent years, HELLA has worked together with partners to found and develop a number of joint ventures. In the fiscal year 2018/2019, a further joint venture for electronics components was founded with BHAP, a member of the Chinese BAIC automotive group. Series production is scheduled to commence at the start of 2020 in the Chinese city of Zhenjiang. In past fiscal year, twelve joint ventures in total were included in the consolidated financial statements using the at equity method of accounting. They generated total sales of € 3.8 billion with an effective share for HELLA of € 1.5 billion and earnings before interest and taxes (EBIT) effective for HELLA of € 51 million.

In line with this partnership approach, HELLA is increasingly also entering into open alliances, as these enable it to advance selected areas of focus quickly and flexibly as well as to exploit opportunities for further growth based on trends in the automotive market. For example, in fiscal year 2018/2019, HELLA entered into strategic alliances with

French companies Plastic Omnium and Faurecia in the field of vehicle body and interior lighting. In addition, a strategic partnership relating to LiDAR-based sensor solutions for driver assistance systems and automated driving was agreed with US start-up AEye.

PORTFOLIO CHANGES

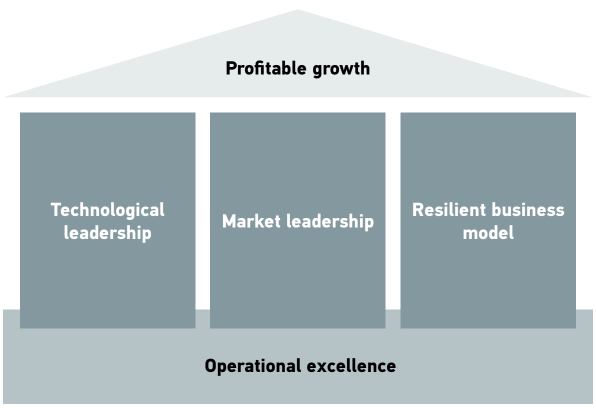
As part of a strategic realignment of the aftermarket business, HELLA successfully concluded its exit from wholesale distribution in fiscal year 2018/2019. In this context, Danish and Polish companies FTZ Autodele & Værktøj A/S ("FTZ") and INTER-TEAM sp. z o.o. ("Inter-Team") were transferred to Swedish wholesaler Mekonomen AB on 3 September 2018. HELLA sold the remaining Norwegian company Hellanor AS ("Hellanor") to AURELIUS Equity Opportunities SE & Co. KGaA on 10 December 2018.

Against the background of this reorganisation of the Aftermarket segment, HELLA has also agreed with joint venture partner MAHLE to fully transfer the existing thermal management business to MAHLE under the umbrella of Behr Hella Service on 31 December 2019. Currently, HELLA and MAHLE each own half of this joint venture; until the transaction is concluded, business activities will continue as normal.

Goals and strategies

CORPORATE STRATEGY

Profitable growth is the overarching goal of the HELLA Group. In order to achieve this goal, the Company follows four central approaches. First is the safeguarding and sustainable expansion of the Company's technological leadership. Second is ensuring its leading market positions in relevant business fields. Third is maintaining a stable, resilient and low-risk business model. Fourth is continuously improving operational excellence.



1. Technological leadership

HELLA promotes the safeguarding and expansion of its technological leadership through consistent positioning along key market trends in the automotive industry. In particular, the trends of autonomous driving, efficiency and electrification, connectivity and digitalisation as well as individualisation are relevant for HELLA. In order to exploit the opportunities for growth resulting from these market trends, different strategic approaches are followed in the individual segments and business divisions.

The Automotive segment in particular makes great efforts to act on growth opportunities which arise from changes in the industry. In the business division Lighting, for example, HELLA offers a full range of lighting technology products and systems for vehicles. In the business division Electronics, HELLA focuses on selected product fields – based on its core competencies as well as regional or global focuses. This includes, for example, business involving sensors and actuators as well as other components. To enable it to comprehensively address key market trends such as autonomous driving and electrification, HELLA is also increasingly positioning itself as a supplier of selected subsystems in the business division Electronics.

In the Aftermarket segment, HELLA is active with solutions catered to target groups in the areas of independent aftermarket and workshop services. As part of the strategic realignment of the segment, activities in the independent aftermarket, which are based on the Company's expertise in original equipment for lighting and electronics, as well as activities in the workshop equipment business have been further strengthened and interlinked in the fiscal year under review. In this regard, the Company is striving to gradually develop new, sustainable business models, for example, in the area of digital diagnostic and maintenance services.

The Special Applications segment predominantly applies and transfers technological concepts, innovations and expertise from the Automotive segment to meet the individual needs of manufacturers of special vehicles such as trucks, trailers, agricultural machinery, construction vehicles, caravans and vans, but also for ship lighting. In addition, new lighting and electronics solutions are increasingly being developed specifically for these target groups and markets.

2. Market leadership

Secondly, HELLA pursues the strategic goal of a leading market position for prioritised business fields in which the Company operates. This is achieved by specific segment, product group and region. The economies of scale that can be achieved as a result of holding a leading market position help to further strengthen the Company's competitiveness and profitability. In relation to the Automotive segment, HELLA strives to attain a position among the three leading providers in the respective competitive market segments. The most important regional markets of the segment are Europe, China, India and North America. In order to expand its position in these core markets further, HELLA is investing in expanding its international development and production network. HELLA also strives to attain a leading market position in the Aftermarket and Special Applications segments in each of the relevant target group markets and sales regions. The Aftermarket business activities focus on the European market in addition to international business in Asia/Pacific as well as North, Central and South America. Europe is the core market of the Special Applications business segment. The goal of market leadership is also supported by the established network strategy, which sees HELLA enter into strategic partnerships with other companies for certain areas.

3. Resilient business model

Third, HELLA pursues the goal of a stable, resilient and risk-reduced business model. The aim here is to ensure balanced and solid business development which is largely independent of specific economic fluctuations and market cycles. In addition, the international position of the Company and the broad diversification of the customer portfolio aim to help reduce economic dependence on individual customers and markets. At the same time, this enables the Company to improve how it acts on opportunities for growth in central core markets of the automotive industry. With this in mind, HELLA is working to continuously expand its international position.

The Aftermarket and Special Applications segments also contribute to stable business development. Compared to the Automotive business, the Aftermarket segment is broadly anti-cyclical. This means that when demand for new vehicles is lower, the need for repairs and replacement parts tends to increase. The product groups in the Special Applications segment are to some extent subject to different demand cycles than the Automotive business.

4. Operational excellence

Fourth, HELLA promotes continuous improvement of operational excellence. This involves all processes at the Company. The foundation of this includes effective quality management. In addition, HELLA strengthens operational excellence through consistent cost management, optimisation and focusing of global production and development capacities, long-term process standardisation as well as professional supplier management and systematic promotion and further education of its staff.

FINANCIAL STRATEGY

With the aim of ensuring financial stability, a solid financial strategy is an integral part of HELLA's corporate strategy. In this context, HELLA pursues a long-term funding horizon, which safeguards financial flexibility even in the event of increased economic volatilities, while also ensuring that the necessary funds are made available for investment in further growth. The Group aims to maintain a strong equity base. The Group strives to strike a balance between a higher return on equity, which would be possible through greater leverage, and the advantages and security offered by a solid equity position. With regard to the ratio of net financial debt to reported operating earnings before depreciation and amortisation (EBITDA), the company aims, as in previous fiscal years, not to exceed the value of 1.0 in the long term.

In order to achieve these goals in financial strategy, HELLA maintains a high level of diversification in terms of the financing instruments it uses. Thus the Company currently utilises first and foremost capital market bonds, local bank financing and a syndicated loan facility. The financial policy of the HELLA Group is managed by the parent company. Funding is generally arranged centrally and made available to the Group companies as required.

Further information regarding the financial instruments employed can be found in the notes to the consolidated financial statements.

M&A STRATEGY

HELLA primarily pursues a strategy of organic growth based on the existing business model, core technological expertise and the established partnership and cooperation network. In addition, HELLA also regularly reviews the options open to it regarding the acquisition of other companies. It focuses in particular on companies which serve the strategic goal of expanding its established product and technology fields or developing new products and technologies in a short space of time, as such acquisitions enable it to build on its technological and market leadership in areas such as electronics and special applications in a targeted manner. A further focus is on strengthening the Company's competitive position in certain markets such as China.

In this context, the Company has established and expanded a dedicated team for M&A as well as strategic partnerships in the Strategy department, and also further developed its internal M&A processes in the past fiscal year. In addition to taking care of company acquisitions, the team for M&A and strategic partnerships also works to establish new partnerships and alliances as well as on disinvestment projects.

Management systems

MANAGEMENT OF THE HELLA GROUP

The HELLA Group's organisation is managed via a multidimensional matrix. It includes the three segments of Automotive, Aftermarket and Special Applications with the business divisions and strategic business fields, the regions of North, Central and South America, Asia/Pacific/Rest of World and Europe as well as the central functions. While the segments and regions are organised as profit centres, the central functions are managed as cost centres, including in a shared service centre (HELLA Corporate Center). The segments have chief responsibility for strategic and operational business development. The central functions fulfil a governance and control function for the Group and the segments. In the global network, the German locations in particular assume a leadership role in terms of technological development and the industrialisation of the international locations.

Group management is carried out by the Managing Directors of Hella Geschäftsführungsgesellschaft mbH. In fiscal year 2018/2019, the Shareholder Committee of HELLA GmbH & Co. KGaA appointed Dr. Nicole Schneider to the Management Board as Managing Director Human Resources with effect from 1 October 2018. Furthermore, Bernard Schäferbarthold's tenure on the Management Board was extended to 31 October 2024. Following the resolution of the Shareholder Committee, Deputy Managing Director for the business division Lighting, Dr. Frank Huber, has also taken over management of the business division with effect from 1 June 2019. Long-standing member of the Management Board Stefan Osterhage retired as planned on 31 May 2019.

In the segments and business divisions, the respective Executive Boards support the responsible Management Board in operational and strategic management. Entrepreneurial self-responsibility is the basic principle for managing the business at all levels. For key business transactions, the Group Management Board requires the approval of the HELLA GmbH & Co. KGaA Shareholder Committee, which codetermines the significant guidelines for business by means of this process. As the central representative body of the shareholders, the Shareholder Committee is involved on an ongoing basis in monitoring and providing advice to the Group Management Board. Besides this, the Shareholder Committee has responsibility for personnel matters involving the managing directors of Hella Geschäftsführungsgesellschaft mbH. Along with the Shareholder Committee, monitoring tasks are also performed by the Supervisory Board, which primarily deals with auditing and approving the annual and consolidated financial statements, as well as the interim financial statements. Certain tasks in this context are delegated to the Audit Committee nominated by the Supervisory Board. The Audit Committee primarily audits the financial reports and monitors the functional capability of the internal control system and the risk and compliance management system.

Strategic planning and operational budget planning are significant internal control instruments for the Company. Each month, a detailed review takes place at the meeting of the Management Board of the HELLA Group and the Executive Boards to discuss the budget and development compared with the previous year; the Shareholder Committee and the Supervisory Board are informed about this. Furthermore, the half-year financial reports and quarterly statements are created.

PERFORMANCE INDICATORS

Financial performance indicators

The Management Board references financial and non-financial performance indicators in its management of the Company. Their target values are based on various comparative values, for example, market conditions and competition, internal performance standards and allocation of resources. The four key financial performance indicators are the currency and portfolio-adjusted sales growth, the adjusted EBIT margin, return on invested capital (ROIC) and adjusted operating free cash flow (adjusted OFCF). In this context, the key performance indicators of currency and portfolio-adjusted sales growth and adjusted EBIT margin take on great importance in the management of the Group. Accordingly, they are the Company's most important performance indicators.

The currency and portfolio-adjusted sales growth and the adjusted EBIT margin – which are the Company's most important performance indicators – as well as the adjusted operating free cash flow and the return on invested capital are key performance indicators that are not defined in the International Financial Reporting Standards. They are used because they serve the Company's key purpose of providing a transparent picture of operational performance, as extraordinary effects can negatively affect the assessment of the Company's performance. In relation to the most important performance indicators – currency and portfolio-adjusted sales growth and adjusted EBIT margin – as well as adjusted operating free cash flow, the Company therefore relies on adjusted values and reports them as additional information. This enables the business development of the Company to be presented with greater precision and improves the ability to compare values over time.

HELLA GmbH & Co. KGaA

Corporate structure

The Management Board of HELLA GmbH & Co. KGaA

Business segment Automotive | **Business segment Aftermarket** | **Business segment Special Applications**

Finance, Controlling, Information Technology and Process Management
Bernard Schäferbarthold

Human Resources
Dr. Nicole Schneider

Purchasing, Quality, Legal and Compliance
Dr. Rolf Breidenbach

Automotive Lighting
Dr. Frank Huber

Executive Board:
Marcel Bartling,
Dr. Christof Hartmann,
Torben Karasek,
Dr. Michael Kleinkes,
Christian Päschel,
Michael Sohn,
Barnabas Szabo,
Wolfgang Vlasaty

Automotive Electronics
Dr. Rolf Breidenbach

Executive Board:
Heiko Berk,
Dr. Naveen Gautam,
Jens Grösch,
Michael Jaeger,
Ralf Kuhl,
Gerold Lucas,
Andreas Lütkes,
Bernd Münsterweg,
Frank Petznick,
Björn Twiehaus,
Jörg Weisgerber,
Joachim Ziethen

Aftermarket and Special Applications
Dr. Werner Benade

Executive Board:
Dr. Andreas Brinkhoff,
Stefan van Dalen,
Dominik Görts,
Dr. Andreas Habeck,
Dr. Nicolas Wiedmann

International HELLA companies

General partner

Hella Geschäftsführungsgesellschaft mbH

Managing directors of Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach (Chair), Dr. Werner Benade, Dr. Frank Huber, Bernard Schäferbarthold, Dr. Nicole Schneider

Chairman of the Supervisory Board

Prof. Dr. Michael Hoffmann-Becking

Shareholder Committee

Manfred Wennemer (Chair), Dr. Jürgen Behrend, Roland Hammerstein, Dr. Gerd Kleinert, Klaus Kühn, Dr. Matthias Röpke, Konstantin Thomas

As at: 29 July 2019

Most important performance indicators

Currency and portfolio-adjusted sales growth	Percentage change in consolidated sales without considering effects due to exchange rates and portfolio changes
Adjusted EBIT margin	Earnings before interest and income taxes, adjusted for extraordinary expenses, income or payments, relative to portfolio-adjusted sales

Important performance indicators

Adjusted operating free cash flow	Net cash flow from operating activities after capital expenditure, excluding company acquisitions, adjusted for extraordinary expenses, income or payments
Return on invested capital	The ratio of operating income before financing costs and after taxes to invested capital

Against this backdrop, the sales growth both in the current fiscal year 2019/2020 and in the fiscal year under review 2018/2019 is adjusted to take into account exchange rate and portfolio effects. With respect to the EBIT margin in the current fiscal year 2019/2020 and in the fiscal year under review 2018/2019, adjustments are made to exclude restructuring measures and portfolio effects.

Non-financial performance indicators

In addition to financial key performance indicators, HELLA utilises non-financial performance indicators. One key indicator for measuring quality is the customer line return, which is measured as the number of defects identified after delivery per one million parts ("parts per million" – ppm). This key performance indicator is therefore also an indication of customer satisfaction. Key characteristics of HELLA quality management are ensuring compliance with market-driven standards, durability and reliability, while maintaining a high degree of user comfort and convenience.

Research and development

In fiscal year 2018/2019, HELLA invested a total of € 611 million in research and development (prior year: € 568 million). This put the expenses for research and development relative to the consolidated sales at 8.8% (prior year: 8.6%). More than 90% of research and development expenses are accounted for by the Automotive business segment. The ratio of capitalised development expenses to development expenses in accordance with the consolidated income statement came to 19.0% (prior year: 13.4%). The number of patent applications is also an indicator of the innovative power of the Company. In the fiscal year under review, these rose by 13% to 260 new initial applications (prior year: 229 applications).

Along with operational performance, HELLA's exceptional research and development culture provides the foundation for its competitive ability and technological and market leadership in many product divisions. In the context of accelerating change within the industry – which is forcing companies to step up their research and development activities – these expenses were incurred in particular from the drive to bolster and expand HELLA's leading technological position along automotive market trends. The particularly relevant trends here are autonomous driving, efficiency and electrification, digitalisation and connectivity, and individualisation.

Further expenses were incurred in relation to the preparation and implementation of production rollouts as well as the further expansion of international development capacities. Thus, the number of employees active in research and development compared to the reporting date of the previous fiscal year increased by 4.6% to 7,768 employees (prior year: 7,425 employees). This means around 20% of all permanent employees throughout the Group work in research and development. In addition, as part of its research and development activities, HELLA also works closely together with external service providers, academic institutes and research facilities.

In this context, the research institute for vehicle lighting technology (L-LAB) moved into a new shared building with the newly founded research institute for vehicle electronics (E-LAB) in the fiscal year under review. This move reflects the fact that the technologies involved in lighting technology and electronics are becoming ever more interlinked, and allows the Company to tap into interdisciplinary and overarching potentials for future products. In order to step up cooperation with start-ups and other young businesses and to gain access to new, potentially disruptive industry and technology trends from an early stage, HELLA established a new incubator in Shanghai, China in the fiscal year under review and also initiated the launch of an ecosystem for mobility innovations with "The Drivery" in Berlin, Germany. These two new developments come in addition to the venture capital arm, which is based in Palo Alto, USA and the existing incubator in Berlin.

AUTOMOTIVE

Particularly in the Automotive segment, the research and development activities throughout the entire Group help to strategically and clearly align the HELLA business portfolio along the key automotive market trends and to implement opportunities for further profitable growth. Firstly, HELLA has powerful research and development departments that maintain the innovative power in the Automotive segment over the long term. Secondly, HELLA established – in the Automotive segment in particular – various open, strategic alliances with other industry partners and companies in the fiscal year under review to enable the rapid and flexible advancement of relevant areas of focus and topics for the future.

Worldwide research and development is coordinated principally from Germany. In addition, local development centres in key growth markets are responsible for adapting development activities to the respective region. They also drive independent developments for the respective markets. In this way, HELLA achieves market-driven customisation of technologies and product designs to meet customer needs.

Automotive Lighting

HELLA's research and development activities in the business division Lighting focus on a comprehensive range of automotive lighting technologies. This includes, for example, the development of new, sophisticated lighting technologies for headlamps and rear lamps as well as work on innovative product solutions for vehicle body and interior lighting.

One of HELLA's main focuses relates to the further development of existing lighting technologies. This includes standardisation and modularisation concepts, for example, in relation to headlamps. For instance, HELLA is working on Matrix LED headlamp technologies, which – thanks to their modular design as single, double or triple-row systems – can be offered to original equipment manufacturers in a scalable and cost-optimised version based on customer requirements both in the premium segment and in the higher-volume vehicle classes. HELLA is also developing new lighting solutions which take up much less space in the vehicle architecture yet offer the same consistently high level of performance and functionality, giving original equipment manufacturers greater freedom when designing their vehicles. This is achieved thanks to concepts which miniaturise matrix modules based on existing technologies as well as through new, advanced, large-scale integrated optical systems, which allow for very narrow light exits.

In addition, HELLA is working on high-resolution, software-based headlamp technologies which will initially be

Investments in research and development

in € millions and as a % of portfolio-adjusted sales

aimed at the premium segment in particular, but which are set to be gradually rolled out to the high-volume segment following their successful market launch. Thanks to a very high number of individually controllable lighting elements, these headlamp technologies enable the road and surrounding environment to be illuminated with increasing precision. They provide the basis for improved and new safety, convenience and comfort-related functions such as adaptive, glare-free high beam, customisable coming home and leaving home animations or communication functions involving digital pixel switching.

A key technology in this respect is the development of "high definition solid state light sources" (HDSSL) for headlamp applications into which very small LED pixels which have intelligent driver chips and which can be individually switched are integrated. As a result, the light pattern on the road can be generated by dimming the individual pixels directly at the surface of the light source and then projected onto the road by means of a multi-stage optical system. In this context, HELLA received an initial major series production order for a premium original equipment manufacturer at the start of the current fiscal year 2019/2020 and production of HDSSL headlamps is expected to begin in calendar year 2022.

Furthermore, HELLA is focusing in particular on offering stand-alone software modules to control lighting systems. These include software solutions for implementing lighting animations throughout the vehicle as well as lighting function software as a modular, expandable platform. This can be enhanced in the future on the basis of established adaptive headlamp functions to include new lighting functions for high-resolution headlamp systems. With this platform, HELLA is providing original equipment manufacturers with the basis to meet end consumers' demand for customisation and to develop new business models on a pay-per-use basis. In this solution, certain lighting functions are always supplied with the vehicle but are initially deactivated. They can then be activated and paid for on request in line with individual user requirements.

Research and development

	2018/2019	2017/2018	+/-
R&D employees (at 31 May of each year)	7,768	7,425	+ 4.6%
R&D expenses in € million			
Automotive	579	542	+ 6.9%
Aftermarket and Special Applications	32	27	+ 17.7%
Total	**611**	**568**	**+ 7.5%**
in % of sales	8.8%	8.6%	

Where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.

In the context of digitalised lighting technologies, HELLA uses its existing overall system expertise to offer all components for complex lighting systems based on a modular principle. When they purchase one or more modules, original equipment manufacturers will also be able to make use of specially developed software applications, providing them with the option to simulate front lighting functions or to design lighting animations for both headlamps and rearcombination lamps as well as for car body and interior lighting.

With respect to new lighting solutions for the vehicle body and interior lighting, a key focus of development activities includes work on new concepts relating to communication between vehicles and other road users as well as new light strips which can be used as radiator grille lights, for example. In relation to interior lighting in fiscal year 2018/2019, HELLA has worked on areas including the third generation of RGB LED light modules, which enable various ambient lighting functions to be realised in the vehicle interior and can be controlled via a LIN bus. In addition, HELLA has developed an overhead console which combines lighting and electronics functions for a Chinese original equipment manufacturer, and has stepped up development activities in relation to ambient lighting for the North American market.

Further development focuses relate to comprehensive system solutions. For example, HELLA is working systematically on the integration of innovative lighting and electronics concepts. In this context, various light modules – from indicators and displays to headlamps – as well as electronic components would be able to be fully integrated in the vehicle front in the course of different customer-specific development stages.

In order to advance work on these forward-looking topics, HELLA has agreed strategic alliances with the companies Plastic Omnium and Faurecia over the past year. The cooperation with Plastic Omnium aims to promote the comprehensive integration of lighting technologies into the vehicle body, particularly at the front and rear. In conjunction with automotive supplier Faurecia, HELLA is primarily working on sophisticated, dynamic light designs and surface solutions with integrated lighting elements which will allow extensive personalisation of the vehicle interior.

With respect to rear combination lamps too, individualisation for specific manufacturers and end customers remains a central trending topic for automotive lighting technology. In this context, HELLA has in the past fiscal year carried out initial investigations into aspects including innovative display solutions for rear vehicle lights which will be able to present the individual signatures of vehicle manufacturers as well as the personalised signatures and symbols of end customers. In addition to this, the use of volume holograms for 3D lighting signatures and the further development of industrialisation and implementation processes for new styling concepts are being driven forward.

A further focus relates to the development of new, efficient and cost-effective optical materials and technologies for light guidance and conduction, for example, by means of diffractive optical elements. Here, HELLA is working together with companies such as the US start-up Light Field Lab whose technological approach involving light guides based on nanoparticles is not only able to generate 3D representations similar to holograms, but also offers large potential for a whole host of automotive lighting applications.

In addition to its own development departments, HELLA jointly operates the L-LAB as a research institute for lighting technology and mechatronics together with Paderborn University and Hamm-Lippstadt University of Applied Sciences.

Working alongside other renowned universities, the L-LAB conducts research into future issues relating to vehicle lighting technology. In the fiscal year under review, work was carried out into areas such as new lighting functions, concepts using light as an information medium in automated driving scenarios as well as light shaping concepts for adaptive headlamps based on acoustic-optical modulation. Both research projects were carried out in conjunction with Leibniz University Hannover. Together with Technische Universität Berlin, research was conducted into innovative lighting systems combined with laser light sources for high-resolution headlamps.

Automotive Electronics

As part of the research and development activities in the business division Electronics, HELLA supports automobile manufacturers and suppliers in the development and implementation of forward-looking functions and technologies along the global market trends of autonomous driving, efficiency and electrification, connectivity and digitalisation and individualisation. In this context, HELLA is pursuing two strategic goals. Firstly, it is aiming to further strengthen its leading market position as a supplier of high-performance components such as sensors, actuators, pumps and electronic steering control modules. Secondly, it is using its expertise in the component business to enhance its position as a provider of relevant subsystems. Applications for autonomous driving and electromobility in particular are relevant here.

With respect to the autonomous driving market trend, HELLA is first of all pursuing the strategic goal of further strengthening its position as a component supplier by offering a comprehensive portfolio of all relevant sensor solutions. Initially, these will aim to address simple to medium levels of automation and are also to be scalable for more advanced levels of automated driving. Secondly, HELLA is striving to establish itself in the field of automated parking, for example, by pooling the sensor and data processing expertise it has as a provider of relevant subsystems.

For example, HELLA has continued its development of a modular and scalable platform concept for radar sensors based on 77 GHz in order to fulfil the requirements of customers in various segments and vehicle groups in a flexible and efficient manner. The 77 GHz radar technology is required for NCAP requirements and autonomous driving functions. Firstly, it enables fundamental safety and assistance functions in the rear and front areas (advanced blind spot detection, detection of cross traffic ahead) and, secondly, allows 360 degree detection of the area around the vehicle, a function which is required for assisted and automated parking, for instance. Following the receipt of an initial order from a premium original equipment manufacturer, HELLA intends to commence series production of the 77 GHz radar technology in 2021. In addition, HELLA is developing innovative safety-related as well as comfort and convenience-related functions which are also made possible thanks to 77 GHz radar sensors. Furthermore, HELLA has started work on the further development of the 77 GHz radar sensors.

In relation to this technology, HELLA is also working together with ZF Friedrichshafen AG as part of an open strategic alliance. The first joint product solutions are expected to go into series production in the second half of calendar year 2020 and are set to realise safety-related functions, for example, to avoid accidents when turning.

Via subsidiary HELLA Aglaia, HELLA has furthered the development of camera-based driver assistance systems and advanced work on a flexible, scalable platform approach ranging from cost-optimised to complex image processing functions for more advanced levels of automated driving. In connection with this, areas of focus in the fiscal year under review related first of all to the development of a cost-optimised entry-level platform for NCAP 2022 which includes both the high-beam assistant, speed assistant and lane tracking assistant functions which have proven themselves in series production, as well as newly developed methods based on deep, neural networks or artificial intelligence for the emergency brake assistant. Secondly, HELLA Aglaia has continued to invest in the expansion of the functions for level 3 automated driving and has demonstrated camera algorithms for application in the motorway pilot based on innovative, highly optimised AI hardware accelerators provided by semiconductor partners.

As a further environment detection solution, HELLA has also advanced its work on LiDAR sensors in the fiscal year under review and has established strategic collaboration with US start-up AEye. The aim is to work together to develop a scalable LiDAR architecture for driver assistance systems and automated driving. This work is set to begin in the current fiscal year 2019/2020 and go into series production in 2022. The initial results of this collaboration were presented at CES 2019 in Las Vegas and Auto Shanghai 2019.

Furthermore, HELLA has continued to promote the further development of steering electronics for electric power steering, which assists the steering as required with the aid of an electronically controlled electric motor. A key focus here is the development of a new generation of steering control modules. These modules do more than simply aid the fuel economy of vehicles. Their fail operational design with redundant systems means that they are also a crucial basic requirement when it comes to implementing highly automated driving functions, as they do not switch off in the event of an error in the electronics and continue to assist the power steering. HELLA has already successfully completed initial preliminary development projects for steering electronics with fail operational design and has commenced series development for customer orders, with the market launch scheduled to start in 2020. In the area of steering control, HELLA is also working on new product solutions for steer-by-wire functions which are required for the more advanced development stages of automated driving and open up new design possibilities in the vehicle interior.

With respect to the efficiency and electrification market trend, HELLA is pursuing the strategic goal of providing comprehensive support to automobile manufacturers on the road to electromobility and is therefore investing in product solutions for all levels of electrification. This also includes the development and launch of components and products which have been tailored to the requirements of different target markets, in particular also for the Chinese market. Against this backdrop, a key focus is the development of product solutions for 48 V mild hybrids.

HELLA is pursuing the strategy of further strengthening its position as a supplier of high-performance key components. With this in mind, HELLA is working on the second generation of 12/48 V voltage transformers, for example. These make it possible to use the recovered energy stored in the 48 V vehicle electrical system to supply 12 V loads. In driving scenarios where the internal combustion engine is switched off, during active and passive coasting, for example, they ensure a reliable supply to the vehicle electrical system over two voltage networks. The second generation has successfully been brought to the market and development of the next product generation has already commenced.

HELLA is also working on relevant subsystems for 48 V mild hybrids. Product solutions include the PowerPack 48 Volt and the Dual Voltage Battery Management System. The PowerPack 48 Volt has been specially designed for vehicles with higher power ratings. It combines a 48 V lithium-ion battery pack including battery management and voltage transformer in a single product. The Dual Voltage Battery Management System is intended for the compact and mid-segment class. It incorporates a 48 V and a 12 V battery including power electronics in a single unit. The switching of the cells enables the capacity of the Li-ion batteries to be used in either a 12 V or 48 V vehicle electrical system, depending on the application.

In addition, HELLA is working on electronic solutions which have been developed and launched specifically for full hybrid and electric vehicles. With respect to battery management systems, HELLA is focusing, for example, on electronics for lithium-ion batteries. At present, HELLA is close to series launch for the second generation of battery management systems. One area of focus includes the development of specific solutions which have been tailored to the needs of the Chinese market.

HELLA is also developing innovative solutions for charging electric vehicles, such as a highly efficient onboard charger which has been optimised in terms of weight and dimensions and which features a particularly high power density. It has a charging capacity of 22 kW and offers the option of bidirectional charging. Thanks to integrated smart charging functions, the load on the grid can also be intelligently regulated to offset overload peaks for the grid supply.

In addition, the research and development activities of HELLA also continue to aid in optimising vehicles regardless of drive train. This includes projects such as developing an electric coolant pump. Based on a corresponding initial order at first, they have been specifically developed for hybrid and electric vehicles and assist them through efficient cooling of components including the battery, power electronics and electric motor. In addition, they can also be integrated into vehicles with internal combustion engines and optimise aspects such as cooling for the turbocharger and exhaust gas recirculation.

With respect to component expertise, HELLA has also concluded the series development of the innovative structure-borne sound sensor SHAKE (short for structural health and knock emission) in fiscal year 2018/2019 and commenced series production in collaboration with a premium original equipment manufacturer at the end of 2018. The SHAKE sensor uses piezoelectric elements in order to detect even the tiniest amount of contact (gravel throw, scratches, water drops) and thus enables a body control unit to initiate customer-specific functions. The moisture detection function was the first to be incorporated into the initial series production run. Here, the SHAKE sensor detects vibrations when water drops hit the wheel housing, enabling it to determine the level of moisture between the tyre and road. The modularity of the sensor moreover opens up further application options, which can be implemented specifically depending on the original equipment manufacturer's requirements. One example of this is exterior vehicle monitoring, which detects contact and provides an emergency stop function to further enhance safety during automated parking manoeuvres. In future, it is possible that information on the condition of the road provided by the SHAKE sensor could be forwarded to other vehicles via cloud-to-vehicle or vehicle-to-vehicle communication and used as an input variable for automated driving scenarios.

In relation to connectivity and digitalisation, HELLA has addressed issues relating to over-the-air updates and upgrades in the fiscal year under review and is one of the founder members of the eSync Alliance. The cross-company eSync Alliance was formally founded in the first quarter of fiscal year 2018/2019 with the objective of establishing standardised solutions regarding bidirectional over-the-air data transmission in automotive electronics. In connection with this, the eSync Alliance released its first specifications at the end of the fiscal year under review. Overall, a range of applications can be implemented as a result of standardisation. User-dependent individualisation of the vehicle functions is also possible.

In fiscal year 2018/2019, HELLA has also furthered the development of new product solutions for innovative vehicle access systems based on ultra-wideband (UWB), Bluetooth (BTLE), near field communication (NFC) and biometric technologies. In this context, HELLA has developed ultra-wideband (UWB) technology and is preparing to launch the first secure solution to prevent relay station attacks on keyless systems in large-scale production in the automotive industry. In addition, HELLA is developing innovative and secure systems for localising and authenticating smartphones to provide convenient vehicle access (smart access systems). Here, HELLA is focusing both on ultra-wideband technology and Bluetooth, and working together with development partner G+D, offers customers standardised solutions to meet the specific requirements of the various manufacturers of mobile devices. Through in-depth collaboration in the international Car Connectivity Consortium, HELLA is supporting the definition of connectivity standards for communication between mobile devices and vehicles for the next model generation.

With respect to electronics, HELLA has also advanced the development of new future technologies through in-house preliminary developments and in cooperation with other industry partners and academic institutes. For example, in fiscal year 2018/2019, HELLA organised a new innovation competition for the first time to get selected, high-performing suppliers involved in product creation right from the early stages, with the aim of working collaboratively to promote the development of new, pioneering technologies. The results of the competition, which was brought to a close with the Innovation Awards at the end of the fiscal year under review, are now set to be transferred into concrete development projects.

In its role as network coordinator, HELLA has worked together with other research institutes, universities, IT businesses and automotive companies to successfully conclude the Open Fusion Platform research project, which is funded by the Federal Ministry of Education and Research in Germany (BMBF). The aim of the project was to enable automobile manufacturers and suppliers to cost effectively integrate highly and fully automated driver assistance functions for the purposes of automated driving. Also in relation to autonomous driving, HELLA has concluded the BMBF-funded OmniSteer research project alongside other partners. This project addressed issues relating to trajectory planning for implementing automated driving functions. Furthermore, two innovation projects were continued in the fiscal year under review: AutoKonf deals with the redundant monitoring of safety-related driving functions, while in the area of energy management, HELENE is developing a high-voltage charging converter with high energy density and is also funded by the BMBF.

In June 2018, HELLA also officially founded the research institute for vehicle electronics (E-LAB) in conjunction with TU Dortmund University and Hamm-Lippstadt University of Applied Sciences. Expanded to include further universities, the E-LAB is working on solutions relating to long-term vehicle electronics trends in the area of automated and electric driving. Areas of focus in this regard include the use of vehicles as data sources, for example, to survey the condition of the road using sensors and to develop new business models regarding autonomous driving. This work is being carried out in collaboration with the Leuphana University of Lüneburg. An additional research project concerning signal processing of radar data to detect micro-gestures is also being conducted in conjunction with the Ruhr-Universität Bochum.

AFTERMARKET

Research and development expenses are being incurred in the Aftermarket segment, particularly in the area of complex workshop equipment. HELLA is mapping the entire innovation, development and production process through the subsidiary HELLA Gutmann Solutions.

In the fiscal year under review, activities have therefore included development of further powerful diagnostic solutions. In this context, preparations have been made for the launch of a new software architecture, known as "NextGen", for various diagnostic units such as the mega macs 77. In addition to meeting vehicle diagnostics requirements, the architecture also represents a new operating concept and allows flexibility with the most common Internet browsers, further increasing user convenience. The new diagnostic architecture has gradually been made available to the first customer groups in the first quarter of the current fiscal year 2019/2020.

In order to handle customer-specific requests more quickly and target new customer groups, HELLA Gutmann has also worked on the development of the Android "MAWS-Droid" operating system on the basis of the "MAWS" breakdown service diagnostic solution in fiscal year 2018/2019.

With respect to diagnostic services, the primary focus is on the development of new digital business models. In this context, HELLA Gutmann is working in particular on cloud-based software solutions which enable remote access to vehicle condition data and can be used to create new business models for workshops, fleet operators and other companies.

In addition, HELLA Gutmann has developed the new "macs-DIA" software solution in the fiscal year under review, which helps to improve integration and digitalisation of workshop processes.

Further development activities relate, first of all, to the expansion of diagnostic units to include new vehicle models by integrating the software and hardware updates required to calibrate camera-based and radar-based driver assistance systems with high levels of precision. Secondly, HELLA Gutmann has worked to advance the mega compaa HG4 emission analyser to ensure that it meets the new regulatory requirements regarding the particle measurement of diesel vehicles which will become mandatory across Germany from 2021.

SPECIAL APPLICATIONS

The strategic alignment of the Special Applications business segment is based both on applying core expertise related to light technology and electronics from the Automotive segment to applications for special vehicles and small volume manufacturers as well as on the development of new lighting and electronics solutions specifically for these target groups and markets. Due to the high growth potential resulting from this targeted technology transfer, HELLA has further expanded international development capacities in the Special Applications segment in the fiscal year under review.

One key theme of the research and development activities of the segment continues to be the systematic launch of LED lighting technologies in the Special Applications customer segments for all lighting functions. Compared with conventional light sources, these boast low total power consumption, higher luminous intensity and improved durability, and also provide manufacturers of special vehicles with additional design possibilities, for example, at the front and rear of the vehicle.

In this context, HELLA also applies intelligent lighting systems to special vehicle applications, such as those based on Matrix LED technologies which have been in series production in HELLA's Automotive segment for several years. These lighting technologies enable more precise, individual illumination which can be adjusted based on the situation of both roads and work areas. As a result, new safety-related functions, such as anti-glare protection in work use or projections of protection zones, can be implemented. In connection with this, HELLA is also developing standardised lighting technologies for special vehicles, which can be expanded in the future to include new functions thanks to their modular platform design. Furthermore, HELLA is promoting technology transfer in the area of intelligent interior lighting, for example, with RGB functions for small volume manufacturers.

Further key development activities in the Special Applications segment relate to the application of electronic components for specific target groups. The primary product focus in this context is on various actuators and sensors, such as micro actuators, rain/light sensors and intelligent battery sensors. In the fiscal year under review, HELLA has also carried out pilot projects to advance the development of driver assistance functions for forklift trucks and, in this context, incorporated the radar sensors needed for near field object detection into development activities in cooperation with internal and external partners.

In relation to the Special Applications segment and preliminary development, HELLA is also investigating potential applications for telematics systems, such as in fleet management. For example, the SHAKE sensor, which was initially developed in the Automotive segment and which went into series production for the first time in fiscal year 2018/2019, could determine the condition of a vehicle and transfer this information to the fleet operator.

Human Resources

In fiscal year 2018/2019, the number of permanent employees reduced by 3.5% and totalled 38,845 employees (prior year: 40,263 employees) as at the balance sheet date of 31 May 2019. This decline is mainly attributed to the sale of business activities in wholesale distribution in the fiscal year under review (-2,599 employees). By contrast, personnel capacities in production (+550 employees, +2.2%) and research and development (+343 employees, +4.6%) continued to increase.

HELLA employs temporary staff supplied by personnel services companies in addition to its own permanent workforce, due to fluctuating order and production volumes. To avoid skewing HR management indicators, staff indicators for the personnel services companies are not included in the aforementioned management indicators of the Company and those listed below.

In the reporting period, the North, Central and South America region recorded the largest increases in both relative and absolute terms. In fiscal year 2018/2019, the number of permanent employees increased by 9.4% to 7,847 employees (prior year: 7,175 employees). This increase is primarily due to the fact that more staff have been taken on at the production sites in Mexico.

Permanent staff in the HELLA Group (at 31 May of each year)

In the region of Europe not including Germany, however, the number of permanent employees decreased by 12.8% to 14,722 employees (prior year: 16,880 employees) in light of the sale of wholesale distribution companies based in Denmark, Poland and Norway. In comparison, employee numbers in Germany as well as Asia/Pacific/Rest of World remained largely constant. Both in Germany and in Asia/Pacific/Rest of World, the number of permanent employees was 0.4% above the prior year's level. In absolute terms, there were 9,873 permanent employees in Germany (prior year: 9,831 employees) and 6,403 employees in Asia/Pacific/Rest of World (prior year: 6,377 employees).

Further information related to qualification, promotion and further training of employees can be found in the non-financial report.

Permanent employees in the HELLA Group by region

	31 May 2019	+/-	Share
Germany	9,873	+ 0.4%	25%
Europe without Germany	14,722	- 12.8%	38%
North, Central and South America	7,847	+9.4%	20%
Asia / Pacific / RoW	6,403	+ 0.4%	16%
Permanent employees worldwide	**38,845**	**- 3.5%**	**100%**

Economic report

General economic conditions

- **Global economy grows by 3.6% in calendar year 2018**
- **Significant slowdown in the second half of the calendar year**

Overall, the global economy grew during calendar year 2018 and in the first months of 2019. However, economic growth slowed down significantly. This gradually prompted the International Monetary Fund (IMF) to make a downward correction in its forecast for global economic growth, based on the July-Update. Global economic growth in the calendar year 2018 was thus 3.6%, after the IMF had still assumed growth of 3.9% for the calendar year 2018 in July of the prior year.

In the European Union, the gross domestic product grew by 1.9% compared to the previous year based on information provided by the European Commission in 2018. However, economic strength in Europe declined, particularly in the second half of the year, mainly due to softening global trade, increasing uncertainties in the overall economic environment and sluggish business development in the automotive industry. According to Eurostat, the European statistics authority, economic growth was 1.8% in the third quarter of 2018, cooling down a bit to 1.4% in the fourth quarter and 1.5% in the first quarter of 2019.

In Germany, the price- and calendar-adjusted gross domestic product rose by 1.5% in 2018 according to calculations by the Federal Statistical Office Destatis. However, the German economy also slowed down in the second half of the year, in particular due to foreign trade factors and the weakness of the automotive industry. This meant that economic growth in Germany was 1.1% in the third quarter, 0.6% in the fourth quarter of 2018 and 0.7% in the first quarter of 2019, adjusted for price and calendar effects.

In the United States, gross domestic product growth was around 2.9% in 2018 according to information provided by the Bureau of Economic Analysis. In the first half of the year, growth was mainly supported by economic policy incentives such as tax reforms and pre-drawn exports as well as higher corporate investing activities. After the economy grew by 3.4% in the third quarter of 2018, growth fell to 2.2% in the fourth quarter of 2018 due to trade and domestic political tensions and a weakening macroeconomic environment. At the beginning of 2019, growth in US gross domestic product was significantly better than expected at 3.1%, due particularly to the absence of interest rate hikes by the US Federal Reserve.

According to the Chinese Statistical Office, China's gross domestic product grew by 6.6% in 2018, the lowest level in almost 30 years. With growth of 6.5% in the third quarter and 6.4% in the fourth quarter, the economy developed more slowly, especially in the second half of the calendar year. This is primarily due to the effects of the trade war with the USA, high levels of debt and lower investment and consumer spending. Growth in the first quarter of 2019 was at the level of the previous quarter at 6.4%. Among other things, government initiatives to promote economic development helped with this.

Industry development

- **Global production of passenger cars and light commercial vehicles fell by 4.5% in fiscal year 2018/2019**
- **Declining industry development in all core regions: Europe excluding Germany (–1.4%), Germany (–11.5%), North, Central, and South America (–0.5%) and Asia/Pacific/Rest of World (–5.3%)**
- **Significant decline in worldwide production figures, particularly in the second half of the fiscal year (–6.6%)**

In the past fiscal year 2018/2019 (1 June 2018 to 31 May 2019), the international automotive sector declined overall. According to the IHS market research institute data updated in July 2019, the global production of passenger cars and light commercial vehicles decreased by 4.5% to 91.7 million units in this period (prior year: 96.0 million units). Originally, IHS had projected growth of 2.7% for this period. In the prior year's reporting period for fiscal year 2017/2018, the automotive industry grew slightly by 1.6%.

Development declined for all core regions relevant to HELLA during the reporting period. In the region of Europe excluding Germany, the number of new vehicles produced fell 1.4% to 16.5 million units (prior year: 16.7 million units). Following stable industry development in the first six months, production figures decreased, particularly in the second half of the fiscal year. In the fiscal year 2018/2019 just ended, the selective German market saw a significant drop in new production of 11.5% down to 5.1 million units (prior year: 5.7 million units).

The number of newly-produced vehicles also declined in the region Asia/Pacific/RoW in fiscal year 2018/2019. Light vehicle production declined here by 5.3% to 48.5 million units (prior year: 51.3 million units). This is primarily due to the Chinese single market, which had a significant decline in production figures of 10.7% to 25.1 million units (prior year: 28.1 million units).

In the North, Central, and South America region, the production decline played out in a similar, moderate fashion. Here, the number of new vehicles produced in the past fiscal year was slightly below the previous year's level at 0.5% and 20.2 million units (prior year: 20.3 million units). The automotive industry declined, especially in the second half of the fiscal year, following a slight increase in light vehicle production in the first half. The selective US automobile market showed stable development during the fiscal year 2018/2019; the number of new vehicles produced, at 10.9 million units, was largely unchanged from the previous year's level (prior year: 10.9 million units).

Production of passenger cars and light commercial vehicles during fiscal year 2018/2019

in thousands	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	+/–
Europe excluding Germany	3,670	4,456	3,935	4,407	16,468	–1.4%
Germany	1,221	1,343	1,160	1,354	5,078	–11.5%
North, Central and South America	5,062	5,297	4,614	5,233	20,206	–0.5%
USA	*2,634*	*2,862*	*2,580*	*2,829*	*10,905*	*+0.3%*
Asia / Pacific / RoW	11,770	13,073	11,666	12,033	48,542	–5.3%
China	*6,075*	*6,951*	*5,982*	*6,067*	*25,074*	*–10.7%*
Worldwide	**22,186**	**24,525**	**21,662**	**23,314**	**91,687**	**–4.5%**
Change over the prior year's reporting period	+0.5%	–5.1%	–6.9%	–6.2%	**–4.5%**	

Source: IHS Light Vehicle Production Forecast, July 2019

Business development of the HELLA Group

- **Currency and portfolio-adjusted sales rise 5.0% in fiscal year 2018/2019; reported consolidated sales down 1.0% to € 6,990 million due to changes in the portfolio in particular**
- **Adjusted earnings before interest and taxes increase to € 585 million; adjusted EBIT margin improves to 8.4%**
- **Adjusted free cash flow from operating activities rises to € 284 million**
- **Second half of the fiscal year sees slowdown in growth: currency and portfolio-adjusted sales at 2.7% following 7.3% in the first half of the year**

RESULTS OF OPERATIONS

With the sale ("closing") of the two principal wholesale companies FTZ Autodele & Værktøj A/S ("FTZ") and INTER-TEAM sp. z o.o. ("Inter-Team") on 3 September 2018 and the sale of the remaining Norwegian company Hellanor AS ("Hellanor") on 10 December 2018, the HELLA Group successfully completed its exit from wholesale distribution. To guarantee a presentation of the company's operational performance that is transparent and comparable over time in light of this, the operational comparative variables in the following Group management report have been adjusted from the time of the sale of FTZ and Inter-Team onwards and the prior-year figures have also been adjusted accordingly. This Group income statement is presented later in this economic report; the reported figures are presented in the Group income statement in the consolidated financial statement and in a reconciliation in the notes on the income statement in the consolidated notes (chapter Adjustment for special items in the earnings before interest and taxes). Furthermore, starting with the beginning of fiscal year 2018/2019, the wholesale distribution business activities are no longer included in the Aftermarket segment reporting. The prior-year figures have been adjusted in the segment reporting. For more details on this, refer to the chapter Prior Year Figures in the consolidated notes.

During HELLA fiscal year 2018/2019 (1 June 2018 to 31 May 2019), currency and portfolio-adjusted sales for the HELLA Group rose by 5.0% year-on-year. Taking exchange rate effects (+0.3 percentage points) and effects from the sale of the wholesale distribution business (–6.3 percentage points) into account, reported consolidated sales were down 1.0% to € 6,990 million (prior year: €7,060 million).

Sales growth for the Group was driven in particular by the Automotive segment. In this segment, higher project start-ups and ramp-ups with a broader customer portfolio, particularly in the North, Central and South America region, led to growth in currency and portfolio-adjusted consolidated sales well above the industry average.

The past fiscal year 2018/2019 was nevertheless marked by a slowdown in growth as a result of weakening demand in the Chinese automotive market and continued volatility in the industry. This in particular resulted in lower growth in the fourth quarter. Therefore, currency and portfolio-adjusted consolidated sales rose by 7.3% in the first half of the year and declined to 2.7% in the second half.

The regions of Europe excluding Germany, Germany and particularly North, Central and South America posted a positive performance on the whole during the reporting period. Sales in Europe excluding Germany increased by 6.2% to € 2,110 million (prior year: € 1,988 million), in Germany by 6.7% to € 2,348 million (prior year: € 2,201 million) and in North, Central and South America by 13.0% to € 1,381 million (prior year: € 1,221 million). By contrast, during fiscal year 2018/2019, sales in the Asia/Pacific/Rest of World region fell by 6.6% to € 1,129 million (prior year: € 1,208 million) due to weak demand on the Chinese market, thus impairing HELLA's sales development. In the second half of the fiscal year, sales growth came to 6.4% in the Europe region excluding Germany, 4.5% in the selective German market and 14.4% in North, Central and South America. In the Asia/Pacific/Rest of World region, sales fell considerably by 12.7% due to the continuing weak industry development in China.

Reported sales of the HELLA Group in € millions (reported growth and currency and portfolio-adjusted year-on-year growth in %)

Consolidated income statement*

in € million	2018/2019	+/–	2017/2018
Sales	**6,968**	**+5.3%**	**6,619**
Cost of sales	–5,161		–4,867
Gross profit	**1,807**	**+3.2%**	**1,751**
Ratio of gross profit to sales	25.9%		26.5%
Research and development expenses	–611		–568
Distribution expenses	–455		–457
Administrative expenses	–249		–242
Other income and expenses	42		23
Earnings from investments accounted for using the equity method	51		44
Other income from investments	0		0
Adjusted earnings before interest and taxes (adjusted EBIT)	**585**	**+5.9%**	**552**
Ratio of adjusted EBIT to sales	8.4%		8.3%

* In order to ensure a transparent and comparable presentation over time against the background of the sale of the wholesale business, the consolidated income statement has been adjusted with regard to the comparable operating figures and prior-year figures. With regard to the reported earnings before interest and taxes (EBIT) and the reported EBIT margin, no adjustments were made for the previous year. For further information, refer to the Group notes.

The profitability of the HELLA Group continued to improve overall in fiscal year 2018/2019. The Group's adjusted earnings before interest and taxes (adjusted EBIT) increased by 5.9% to € 585 million (prior year: € 552 million). As a result, the adjusted EBIT margin rose slightly to 8.4% (prior year: 8.3%). Earnings were boosted in particular by an improved balance of other income and expenses and by a lower ratio of distribution expenses, while higher capital expenditure in research and development and a lower gross profit margin in particular had a negative impact on the adjusted EBIT.

In the reporting period, the Company's earnings before interest and taxes were adjusted for restructuring measures (€ 7 million) as well as for income (€ 255 million) and expenses (€ 25 million) in connection with the sale of the business activities in wholesale distribution. In the past fiscal year 2017/2018, adjustments for restructuring measures were made in the amount of € 7 million. Taking the sale of the wholesale activities into account, the reported earnings before interest and taxes (EBIT) in particular rose to € 808 million (prior year: € 574 million). The reported EBIT margin therefore is 11.6% (prior year: 8.1%).

Gross profit was up 3.2% to € 1,807 million during fiscal year 2018/2019 (prior year: € 1,751 million). Consequently, the gross profit margin decreased to 25.9% (prior year: 26.5%). In the first half of the fiscal year, higher production volumes in the Automotive segment in particular led to an improvement in the gross profit margin and compensated for higher material and personnel costs overall. However, especially in the

Adjusted earnings before interest and taxes (adjusted EBIT; in € millions and as a % of portfolio-adjusted sales)

Regional market coverage by customer – HELLA Group

	2018/2019		2017/2018	
	Absolute (in € million)	Relative	Absolute (in € million)	Relative
Germany	2,348	34%	2,201	33%
Europe excluding Germany	2,110	30%	1,988	30%
North, Central and South America	1,381	20%	1,221	18%
Asia / Pacific / RoW	1,129	16%	1,208	18%
Portfolio-adjusted consolidated sales	**6,968**	**100%**	**6,619**	**100%**

second half of the past fiscal year, further increases in the cost of materials and personnel had a greater impact on gross profit as sales growth slowed, so that the gross profit margin fell significantly in the second half of the fiscal year.

Research and development (R&D) expenses increased to € 611 million in the reporting period (prior year: € 568 million). This corresponds to an R&D ratio of 8.8% (prior year: 8.6%). In the context of accelerating transformation within the automotive industry – which is forcing companies to step up their R&D activities – these expenses were incurred in particular from the drive to bolster and expand HELLA's leading technological position along automotive market trends. The particularly relevant trends here are autonomous driving, efficiency and electrification, digitalisation and connectivity, and individualisation. Further expenses were incurred in relation to the preparation and implementation of production rollouts as well as the further expansion of international development capacities.

During the reporting period, the distribution and administrative expenses, as well as net other income and expenses, declined year-on-year to € 662 million (prior year: € 675 million). The ratio of these expenses to sales is therefore 9.5% (prior year: 10.2%). The main reasons for this lower ratio were higher sales growth and book gains from the sale of a facility at the former production site in Australia, which resulted in a significantly improved net other expenses and income compared to the prior year.

The contribution to earnings made by joint ventures increased to € 51 million during fiscal year 2018/2019 (prior year: € 44 million). Accordingly, the contribution of joint ventures to the Group-wide adjusted EBIT improved to 8.7% (prior year: 7.9%).

The net financial result during the reporting period is € –41 million (prior year: € –44 million), supported by an optimisation of the financing structures. Expenses relating to income taxes amount to € 136 million in the reporting period (prior year: € 140 million).

Taking the expenses and income in connection with the sale of the wholesale activities into account, the earnings reported in the period increased to € 630 million (prior year: € 390 million). Earnings per share increased to € 5.67 (prior year: € 3.50).

Fiscal year 2018/2019: Quarterly business development

	1st quarter	**2nd quarter**	**3rd quarter**	**4th quarter**
Currency and portfolio-adjusted sales growth	10.3%	4.3%	4.0%	1.6%
Reported sales (in € million)	1,787	1,763	1,619	1,821
Adjusted earnings before interest and taxes (in € million)	140	162	115	167
Adjusted EBIT margin	7.8%	9.3%	7.1%	9.2%
Reported earnings before interest and taxes (in € million)	139	398	112	158
Reported EBIT margin	7.8%	22.6%	6.9%	8.7%

Regional market coverage by customer

	Automotive		Aftermarket		Special Applications	
	2018/2019	2017/2018	**2018/2019**	2017/2018	**2018/2019**	2017/2018
Germany	35%	35%	26%	24%	29%	26%
Europe excluding Germany	26%	26%	49%	50%	40%	35%
North, Central and South America	22%	21%	11%	11%	10%	10%
Asia / Pacific / RoW	17%	18%	14%	16%	22%	29%

FINANCIAL STATUS

The finances of the HELLA Group are managed centrally by the parent company. Funding is usually arranged centrally and made available to the Group companies as required. HELLA has a long-term funding horizon, which ensures liquidity at all times even in the event of cyclical fluctuations. The investment and funding policies are based on a balanced portfolio. Financial management aims to safeguard the Group's liquidity and creditworthiness.

For more information relating to HELLA's financial strategy, please refer to the "General information on the HELLA Group" chapter in the group management report.

At present, HELLA essentially employs four financial instruments in the non-current segment:

- **Capital market bonds**
  At the balance sheet date, HELLA had two outstanding capital market bonds with terms of seven years each. These comprise a bond of € 500 million maturing in January 2020 and a bond of € 300 million issued in May 2017 that matures in 2024.

- **Private placement**
  A total of JPY 22 billion with a 30-year term was raised in 2002 and 2003. This foreign currency liability is fully hedged against exchange rate fluctuations over its entire term. The value of the liability on 31 May 2019 was € 177 million.

- **Bilateral credit lines**
  In addition to short-term bilateral loans in individual companies, a Mexican subsidiary took out a bank credit with a volume of USD 200 million in 2018. One portion of USD 75 million will run until 2021, and the second portion of USD 125 million until 2023.

- **Syndicated credit facility**
  In June 2015, a five-year syndicated credit facility of € 450 million was agreed with a syndicate of international banks. This credit line has been renewed two times for one year each and now expires in June 2022.

The net cash flow from operating activities is at € 759 million (prior year: € 826 million). A comparison with the prior year is not possible due to using IFRS 15 and IFRS 16 for the first time.

Cash investing activities excluding payments for the acquisition of company shares or capital increases/repayments and securities amount to € 551 million (prior year: € 608 million). They included, firstly, capital expenditures towards the long-term expansion of the worldwide development, administrative and production network that HELLA continued to pursue. Secondly, these capital expenditures included maintenance investments for buildings, machinery, systems and other equipment. HELLA also invested considerable sums in product-specific capital equipment. Now that IFRS 15 applies, HELLA's capital expenditures on customer-specific tools to date, which have been reported with the Group's non-current assets, are to be recorded with the inventories until they are sold. Therefore, a comparison to the prior year is not possible.

As part of active management of the liquidity available to the Group, € 212 million was invested in securities during the reporting period (prior year: € 21 million). For liquidity management purposes, capital is usually invested in short-term securities or securities with a liquid market, which means that these funds can be made available for potential operating requirements at short notice. In the prior year, the corresponding payments were still reported within the financing activities but will now be included as part of the investing activities.

The adjusted free cash flow from operating activities stood at € 284 million during fiscal year 2018/2019 (prior year: € 223 million). Comparability to the prior year is limited due to the first-time use of IFRS 16, but there were operative improvements in the past fiscal year 2018/2019 due to higher earnings and in working capital. In the reporting period, the free cash flow from operating activities was adjusted for payments for restructuring measures and portfolio adjustments in connection with the sale of the wholesale business amounting to € 31 million (prior year: € 5 million for payments for restructuring measures and legal matters as well as portfolio adjustments in connection with the sale of the wholesale business). Taking these special effects into account, the reported free cash flow from operating activities rose to € 253 million (prior year: € 218 million).

Total cash outflows from financing activities came to approximately € 197 million (prior year: € 284 million). Net drawn credit stood at € 51 million (prior year: € 155 million net new borrowing).

The dividend of € 1.05 per share, which the annual general meeting enacted on 28 September 2018, came to a total of € 117 million and has been fully paid out to the shareholders.

Compared to the end of the prior year, liquidity from cash and cash equivalents increased by € 189 million to € 877 million (31 May 2018: € 688 million). A substantial portion of the increase reported on the balance sheet is due to payments in connection with the sale of the wholesale business. Including current financial assets, which essentially comprise securities of € 557 million (31 May 2018: € 333 million), available funds rose to € 1,434 million (31 May 2018: € 1,021 million). On this basis, HELLA is able to satisfy its payment obligations.

FINANCIAL POSITION

Total assets increased by € 488 million to € 6,410 million in the fiscal year just ended (prior year: € 5,921 million). The equity ratio stood at 46% at the end of fiscal year 2018/2019 and was thus higher than in the previous year (prior year: 42%). The equity ratio relative to total assets adjusted for liquidity comes to 60%.

In accordance with IFRS 16, the current and non-current financial liabilities increased by € 160 million to € 1,368 million (31 May 2018: € 1,208 million) owing to the additional accounting of operating lease agreements amounting to approximately € 142 million.

Net financial liquidity as the balance of cash and current financial assets as well as the current and non-current financial liabilities increased by a total of € 253 million to € 66 million (31 May 2018: € 187 million net financial debt).

On 6 September 2018, Moody's raised HELLA's rating to Baa1 with a stable outlook.

In the context of the reorganisation of the Aftermarket segment, HELLA has agreed with MAHLE to fully transfer the existing thermal management business under the umbrella of Behr Hella Service to joint venture partner MAHLE on 31 December 2019. The joint venture, which was founded in 2005, specialises in marketing and selling products for cooling and air conditioning in the automotive aftermarket. Behr Hella Service is included in the consolidated financial statements as an associated company and, as of this report, is included in the assets that are held for sale.

FURTHER EVENTS IN FISCAL YEAR 2018/2019

- **Company rating raised**
  Moody's Investors Services (Moody's) raised HELLA's rating to Baa1 with a stable outlook. One of the decisive factors for this improvement of the company's rating was the positive development of key financial indicators. Furthermore, it took into account the company's leading position in the areas of automotive lighting technology and electronics and the company's diverse business model.

- **Capital Markets Day 2019: Strategic approach towards Electromobility presented**
  HELLA is confident that it is well-equipped to continue on its profitable growth path in the long term. This is based on the company's consistent positioning along central automotive market trends. At this year's Capital Markets Day, HELLA gave investors and analysts a detailed overview of its strategic approach in the field of electromobility.

- **New electronics plant opened**
  Less than a year after construction began, series production has already started at HELLA's new electronics plant in the Kaunas region of Lithuania. Initially, components for lighting electronics will be the main focus of production efforts. There are plans for various sensors, actuators, and control units for European automobile manufacturers to be added to the product range shortly. HELLA is also expanding its production capacities in the fast-growing Indian market with a new electronics plant. The aim of the new plant is to satisfy the growing demand for electronic components and to improve proximity to local customers. Production will focus on sensor solutions for accelerator pedal sensors as well as additional actuators and sensors. The new production site is the second HELLA electronics plant in India.

Cooperation for interior and body lighting

The automotive suppliers HELLA and Faurecia decided to enter into a strategic partnership in the area of vehicle interior lighting. The companies will be working together to develop innovative lighting solutions for the vehicle interior of the future. Faurecia will contribute its expertise as a complete system integrator for vehicle interiors, while HELLA will provide innovative interior lighting products. In addition, HELLA is working in a non-exclusive partnership together with the French company Plastic Omnium on comprehensive integration of lighting technologies into the vehicle body. Initially, the work will focus on the front and rear areas of the vehicle. The partnership combines HELLA's expertise in the field of automotive lighting technology with Plastic Omnium's expertise in plastics processing for exterior body parts and in system integration.

Partner network expanded in China

HELLA continues to focus on the Chinese market. This led to the company signing new cooperation agreements during the Auto Shanghai auto show. HELLA would like to work with the BHAP company belonging to the Chinese automotive group BAIC and the American battery specialist Farasis in the field of battery management systems. In this context, the possibility of founding a joint venture in China will also be investigated. In addition, HELLA has agreed to a strategic cooperation with the Wuling Automotive Industry company. Both partners intend to work together on automotive lighting technologies for the Chinese market, with a particular focus on the development of headlamps for the high-volume segment.

Sensor solutions for driver assistance systems and automated driving

HELLA and AEye, a provider of visual perception systems, have formed a strategic partnership and are planning to offer tailored sensor solutions for driver assistance systems and automated driving. Their collaboration is focusing on LiDAR sensor systems, and will benefit from HELLA's outstanding expertise in the field of embedded software and image processing as well as its many years of automotive experience and industrialisation expertise along the entire supply chain.

Business development of the segments

AUTOMOTIVE

- **Reported segment sales rose by 6.1% to € 5,766 million during fiscal year 2018/2019**
- **The increase in sales is supported by the increased demand for lighting systems and electronic components**
- **Adjusted EBIT decreases to € 452 million; the adjusted EBIT margin is reduced to 7.8%**
- **Growth dynamic slows in the second half of the fiscal year: Reported sales increase by 4.3% after 8.1% in the first half of the fiscal year**

Reported sales in the Automotive segment rose by 6.1% in the fiscal year 2018/2019 to € 5,766 million (prior year: € 5,433 million). By and large, the increased sales are primarily the result of new production rollouts and a high production volume, which are due to the demand for innovative lighting systems and electronics solutions, especially in the Driver Assistance System and Energy Management areas. However, the segment's sales development slowed gradually, particularly in the second half of the fiscal year, and was very moderate in the fourth quarter of the fiscal year in particular, with the result that segment sales improved by only 4.3% in the second half after growth of 8.1% in the first half of the fiscal year. The main reason for this slowing growth dynamic was lower product sales in the Asia/Pacific/RoW region as a result of weak demand on the Chinese market.

In fiscal year 2018/2019, the adjusted earnings before interest and taxes (adjusted EBIT) of the segment decreased compared to the previous year, and was € 452 million during the reporting period (prior year: € 459 million). Accordingly, the adjusted EBIT margin of the Automotive segment decreased to 7.8% (prior year: 8.5%).

On the one hand, the earnings trend was the result of a lower gross profit margin. This had developed positively in the first half of the fiscal year and was supported by higher production volumes. In the second half of the fiscal year, however, the comparatively lower sales growth, combined with further increases in material and personnel costs, led to a noticeable decline in the gross profit margin for the Automotive segment. On the other hand, the profitability of the segment was impaired by higher expenses for research and development.

Adjusted income statement for the Automotive segment

in € million	2018/2019	+/–	2017/2018
Sales with external customers	5,723		5,383
Intersegment sales	43		50
Segment sales	**5,766**	**+6.1%**	**5,433**
Cost of sales	–4,399		–4,106
Gross profit	**1,367**	**+3.0%**	**1,327**
Ratio of gross profit to sales	23.7%		24.4%
Research and development expenses	–579		–542
Distribution expenses	–196		–194
Administrative expenses	–199		–193
Other income and expenses	17		18
Earnings from investments accounted for using the equity method	44		43
Earnings before interest and taxes after adjustments in the segment result (adjusted EBIT)	**452**	**–1.5%**	**459**
Ratio of adjusted earnings before interest and taxes to segment sales (adjusted EBIT margin)	7.8%		8.5%

AFTERMARKET

- **Without taking the wholesale distribution business into account, reported segment sales in the Aftermarket segment increase by 2.7% to € 665 million**
- **Business with sophisticated workshop equipment contributes to increased sales in the reporting period**
- **Adjusted EBIT for the segment increases to € 70 million; the adjusted EBIT margin improves to 10.5%**
- **In the second half of the fiscal year, sales were weaker: +0.9% after 4.5% in the first half of the fiscal year**

As of fiscal year 2018/2019, the business activities in wholesale distribution are no longer assigned to the Aftermarket segment because HELLA sold the two principal wholesale corporations FTZ and Inter-Team at the start of the second quarter, followed by the sale of the Norwegian company Hellanor in the third quarter. This marked the successful completion of HELLA's exit from wholesale distribution.

Therefore, the reported sales in the Aftermarket segment during fiscal year 2018/2019 rose 2.7% in total to € 665 million (prior year: € 647 million). In the first half of the fiscal year in particular, business with sophisticated workshop equipment such as emissions testing devices and beamsetters progressed positively. However, the independent spare parts business in the reporting period was reduced by low demand in Turkey, the Middle East and Western Europe. The workshop business also slowed down during the second half of the fiscal year. Therefore, sales growth for the segment at 0.9% was lower particularly in the second six months of the fiscal year than it was in the first half (+4.5%).

In the reporting period, in contrast, the adjusted EBIT of the segment increased significantly by 33.2% to € 70 million (prior year: € 53 million), resulting in an increase in the adjusted EBIT margin to 10.5% (prior year: 8.1%). The earnings development was supported by an improved gross profit margin due to product mix effects and higher sales volumes, and also by improved cost efficiency following the exit from the wholesale business as part of the strategic realignment of the Aftermarket segment.

Adjusted income statement for the Aftermarket segment*

in € million	2018/2019	+/–	2017/2018
Sales with external customers	662		645
Intersegment sales	2		3
Segment sales	**665**	**+2.7%**	**647**
Cost of sales	–419		–420
Gross profit	**245**	**+8.0%**	**227**
Ratio of gross profit to sales	36.9%		35.1%
Research and development expenses	–16		–13
Distribution expenses	–156		–158
Administrative expenses	–22		–19
Other income and expenses	12		10
Earnings from investments accounted for using the equity method	7		6
Earnings before interest and taxes after adjustments in the segment result (adjusted EBIT)	**70**	**+33.2%**	**53**
Ratio of adjusted earnings before interest and taxes to segment sales (adjusted EBIT margin)	10.5%		8.1%

* excluding the wholesale business For more information, refer to the further Group notes.

SPECIAL APPLICATIONS

- **Due to the closure of the production site in Australia, reported sales in the Special Applications segment drop by 7.0% to € 399 million; sales would have increased 2.2% if this closure were not taken into account**
- **Adjusted EBIT for the segment increases to € 61 million thanks to income from the facility sale at the Australia location; the adjusted EBIT margin increases to 15.2%**
- **Positive development in business for agricultural and construction vehicles, particularly in the first half of the fiscal year**
- **In the second half of the fiscal year, reported segment sales fell 10.3% after a decline of 3.7% in the first half of the year**

In fiscal year 2018/2019, the reported segment sales in the Special Applications segment declined 7.0% to € 399 million (prior year: € 430 million). The drop in sales compared to the prior-year period is largely due to the closing of the production site in Australia. Excluding this site closure, the segment's sales would have grown 2.2% to € 394 million (prior year: € 386 million). This was primarily supported by overall positive development in business for agricultural and construction vehicles. However, this business also lost momentum, particularly in the second half of the fiscal year; in this period, the decline in reported sales in the Special Applications segment was 10.3%, compared with 3.7% in the first half of the year.

In the reporting period, the adjusted EBIT in the Special Applications segment jumped 26.4% to € 61 million (prior year: € 48 million). Consequently, the adjusted EBIT margin for the segment increased to 15.2% (prior year: 11.2%). The significant improvement in profitability was the result of a substantially higher gross profit margin owing to product mix effects and sales growth in areas including agricultural and construction vehicles business. The balance of the segment's other expenses and income improved significantly due to income from the facility sale at the closed production site in Australia and significantly improved the segment's profitability.

Without the effects of the closure of the Australian production site, segment earnings in fiscal year 2018/2019 would have improved by 7.3% to € 49 million (prior year: € 46 million), corresponding to an EBIT margin of 12.5% (prior year: 11.9%).

Adjusted income statement for the Special Applications segment

in € million	**2018/2019**	+/–	2017/2018
Sales with external customers	391		418
Intersegment sales	9		12
Segment sales	**399**	**–7.0%**	**430**
Cost of sales	–249		–281
Gross profit	**151**	**+1.5%**	**149**
Ratio of gross profit to sales	37.7%		34.6%
Research and development expenses	–15		–14
Distribution expenses	–61		–62
Administrative expenses	–30		–29
Other income and expenses	17		4
Earnings from investments accounted for using the equity method	0		0
Earnings before interest and taxes after adjustments in the segment result (adjusted EBIT)	**61**	**+26.4%**	**48**
Ratio of adjusted earnings before interest and taxes to segment sales (adjusted EBIT margin)	15.2%		11.2%

Target achievement and overall statement

- **HELLA fulfils corporate outlook: currency and portfolio-adjusted sales, adjusted EBIT and adjusted EBIT margin all within the given forecast range**
- **Continuation of the established dividend policy; additional distribution of a special dividend planned**

In the past fiscal year 2018/2019, HELLA met the forecast published for the first time in August of last year and continued its profitable growth path. In this regard, HELLA increased the currency and portfolio-adjusted sales by 5.0% in the past fiscal year. The Automotive segment in particular drove the Company's sales development during the reporting period, growing significantly faster than the market.

At the same time, HELLA also continued to improve profitability. Adjusted earnings before interest and taxes (adjusted EBIT) increased by 5.9% to € 585 million; accordingly, the adjusted EBIT margin at 8.4% is 0.1 percentage points above the level from the prior year (prior year: 8.3%).

For fiscal year 2018/2019, HELLA had forecast growth in the currency and portfolio-adjusted consolidated sales and the earnings before income and taxes adjusted for restructuring measures and portfolio effects (adjusted EBIT) of 5% to 10% respectively and an adjusted EBIT margin approximately that at the prior year's level. Therefore, the development of currency and portfolio-adjusted sales, of the adjusted EBIT and the adjusted EBIT margin are within the scope of this forecast.

Against this background, the company management of HELLA GmbH & Co. KGaA will recommend at the annual general meeting on 27 September 2019 that a special dividend in the amount of € 2.30 per share be paid out in addition to the regular dividend of € 1.05 per share (prior year: € 1.05) for fiscal year 2018/2019. This special dividend is based on the strong balance sheet development over the past few years and the successful sale of the wholesale business. The amount corresponds approximately to the accounting profit of € 255 million generated by HELLA in the course of the sale of the wholesale business, or about two thirds of the cash proceeds from this transaction. In total, the total dividend for fiscal year 2018/2019 would amount to € 3.35 per share.

Internal control in Group accounting

The Group-wide internal control system for accounting is an important component and includes organisation, review and monitoring structures that ensure that business transactions are properly recorded, evaluated and applied to the financial reporting. Various analyses and evaluations are carried out as part of risk management with the objective of identifying influencing factors on accounting and reporting early and to enable suitable measures for proper recording. Regulations that are applicable throughout the Group which, together with annual financial statement planning, determine the process for preparing the financial statements are codified in an accounting handbook. If there are changes to legal regulations and accounting standards, they are analysed promptly in terms of their impact on financial reporting and, where necessary, directly included in consolidated reporting.

The local companies are supported and monitored by the Group's central accounting department when creating their separate financial statements, which they are responsible for creating themselves. Finally, the consistency of the reported and verified financial statement data is ensured through the relevant IT systems. The consolidation of the separate financial statements in the consolidated financial statements is largely carried out centrally. In justified individual cases, for joint ventures for example, the financial statements of sub-groups are also included in the consolidated financial statements. The effectiveness of the internal accounting controls is reviewed on a continual basis by the Internal Audit department.

The employees responsible for financial reporting receive regular training. Where necessary, support is provided by external experts for the measurement of complex items, such as pension liabilities. Moreover, the control system incorporates further risk avoidance measures and measures to improve transparency, such as comprehensive plausibility checks, segregation of duties, and the four eyes principle. Furthermore, the analyses carried out as part of risk management help to identify risks which influence financial reporting and to enable measures to be taken to mitigate these risks. The effectiveness of this internal control system is assessed by the responsible Group companies and departments using an IT-based system and audited in spot checks performed by the Internal Audit department. The Management and Supervisory Boards are regularly informed of the results.

Opportunity and risk report →

Opportunity and risk report

As an international automotive supplier, HELLA is confronted with numerous opportunities and risks arising from the Group's corporate actions and its business strategy. The aim of opportunity and risk management is to use these opportunities, to identify risks early on and manage them responsibly.

Opportunity management

HELLA takes a decentralised approach to opportunity management. Opportunity management is part of the strategy and controlling process which also makes use of external market analyses and forecasts. The strategic alignment of HELLA is subjected to a continuous, systematic review process and is adjusted as needed. During these efforts, new opportunities are also identified and evaluated, and implemented if suitable. Opportunities arising from day-to-day business are identified and acted on by operational management.

The market environment and the major changes taking place in the field of mobility present HELLA with significant opportunities. The automotive industry is currently being shaped by the key market trends of autonomous driving, efficiency and electrification, digitalisation, connectivity and individualisation. In order to make the most of the opportunities arising from these changes, HELLA aligned its corporate strategy with these trends at an early stage.

For example, HELLA has positioned itself in the area of autonomous driving as a supplier of key technologies such as radar and camera software. In addition, HELLA develops innovative lighting solutions for automated driving situations, such as supporting communication between automated vehicles and other road users. At the same time, HELLA is benefiting from the trend towards efficiency and electrification by offering product solutions for all levels of electrification. Alongside its extensive component expertise, HELLA also wants to increasingly position itself as a supplier of subsystems in the field of electromobility. Core products in this context include system solutions for the rapidly growing market of 48 V mild hybrids. Furthermore, HELLA is advancing the digitalisation of automotive lighting technology with software-controlled Matrix LED headlamp systems. Developing new digital business models – for example, for workshop business – is another focus. HELLA is supporting the trend towards individualisation in several ways, including through development of innovative product solutions for individualised interior and body lighting for vehicles.

HELLA's global positioning presents opportunities for further successful business development. HELLA is represented in all major core markets – notably Europe, China, India and North America. HELLA pursues specific strategies in these core regions in order to meet the requirements of the respective sales markets. In this context, HELLA is also continuously expanding its global partner network.

Risk management

ORGANISATION OF RISK MANAGEMENT

Risk is understood as internal or external events that could jeopardise the achievement of strategic or operational aims. The Group's risk management therefore comprises the entirety of all activities for a systematic handling of risks. In this context, risks are identified and analysed at an early stage on the basis of a uniform methodology and measures are derived to optimise the risk-to-opportunity ratio. Risk management is thus a central element of Group-wide corporate governance.

The Management Board of the HELLA Group bears the overall responsibility and supervisory duty for Group-wide risk management. The Management Board mandates the implementation of risk management, which is carried out together with the Risk Management Board. The Risk Management Board reviews the risk management system at the Group level and defines the overall risk position of the company. In addition, clear responsibilities for risk management are defined at the management level of the Group. This includes the HELLA Group's Management Board as well as the business segments and central functions of the company.

RECORDING, EVALUATING AND REPORTING RISKS

The process of risk management is coordinated and managed centrally by a risk management officer. The position functions as a bridge between the responsible specialists in the operational units and the Management Board. Another task of the risk management officer is to develop and provide methods and tools for risk management, to monitor the risk portfolio, to ensure the plausibility of risk information, to consolidate risks and to report on them accordingly. The risk management officer reports to the head of risk management, who defines the essential guidelines for Group-wide risk management in coordination with the company's Management Board.

The primary responsibility for recording and managing risks along the value chain lies in the first instance with the responsible specialist in the operational units. They thereby take on the role of a risk leader. They have various tools for detecting and evaluating risks, such as regular risk management workshops. In the respective business divisions and corporate functions, additional higher level risk managers are designated who review the overall plausibility of the risks for each business division and corporate function. Together with the risk management officer, they support the individual risk leaders in identifying and evaluating the risks.

In order to identify new developments early on that may have a critical impact on the company, new substantial risks and changes that have occurred in previously reported risks are reported. They are then documented systematically and managed by the risk leaders.

On the basis of these regular reports and evaluations of risks, the risk management officer creates an overall company risk report every quarter. This report lists, rates and reports all substantial risks to the HELLA Management Board. In the event of any material changes arising in the risk position in the intervening period, the Management Board is also promptly notified. This ensures that the Management Board exercises its supervisory duties and is able to respond to new developments in a timely manner.

Furthermore, the risk management system and the Group's general development are regularly reviewed in close consultation with the Shareholder Committee and the Supervisory Board. The risk management system and the underlying methodology for identifying, evaluating, managing and reporting risks are also subjected to continuous development.

METHODOLOGY FOR RISK EVALUATION AND DOCUMENTATION

In order to be able to measure and manage identified risks effectively, HELLA quantifies them according to the dimensions of probability of occurrence and economic impact in the event of occurrence. The method of quantifying the impact of individual risks underwent further development in the reporting year; in particular, it now systematically takes into account very rare but feasible extreme events. In light of this change to the methodology, the categories that indicate the scope of risk of the primary risk categories have also been adapted. The respective measures taken by the HELLA Group to restrict risks are included in the evaluation (net review).

Due to the multi-layered nature of the risk management system and the stringent requirements of data security, the risk documentation takes place in a risk management tool developed specifically for this purpose.

To detect in good time possible "developments threatening the continuation of the company" (see section 91(2) German Stock Corporation Act) due to the combined effects of several individual risks, the overall risk is calculated using a Monte Carlo simulation.

Business risks in the HELLA Group – overall situation

HELLA is not aware of any actual or potential developments that could seriously threaten its going-concern status in the foreseeable future. From the current perspective, the calculated overall risk would not result in overindebtedness or insolvency. However, due to the changes to the method of quantifying individual risks, which now also takes into account very rare but feasible extreme events, the calculated overall risk has increased compared to the previous year. In particular, this concerns compliance risks in the field of product safety as well as external risks. Based on the company's assessment, however, the general risk exposure arising from its operations has not changed significantly compared to the previous

Overview of potential effects of earnings (net consideration) from the risk assessment*

Category	Scope of risk*
Strategic risks	■□□□
Financial risks	■□□□
Compliance risks	
Product safety	■■■■
Other	■□□□
Operational risks	
Quality	■■□□
Production process and procurement	■■□□
Information management	■□□□
Personnel, other operational risks	■□□□
External risks	■■■□

* Not including opportunities
** In relation to a 95% confidence level per category based on the risk inventory on the balance sheet date. Not suitable for addition.

< € 100 million	■□□□
>= € 100 million < € 250 million	■■□□
>= € 250 million < € 500 million	■■■□
>= € 500 million	■■■■

year. Nevertheless, hitherto unknown risks could also have a negative impact on HELLA's economic or financial situation.

Overview of major business risks in the HELLA Group

For consolidation and clear representation of the risk position, all risks from the risk portfolio are classified into primary risk categories. These are based on the globally recognised framework concept from the Committee of Sponsoring Organizations of the Treadway Commission (COSO):

- Strategic risks
- Financial risks
- Compliance risks
- Operational risks
- External risks

STRATEGIC RISKS

Strategic risks at HELLA essentially arise from the business model, from the company's global positioning and from changes in the industry environment.

Risks from the business model

As an automotive supplier, HELLA relies on a limited number of customers. This brings with it risks arising from potential worsening of the economic situation and performance of individual customers. Customers may be affected by factors such as market fluctuations within individual core markets of the automotive industry, uncertainties and changes in the industry environment as well as new regulatory requirements. With this in mind, HELLA follows a risk-reduced business model. For example, HELLA maintains long-term, trusting and cooperative customer relationships and cultivates a broad, diversified customer portfolio in all relevant core markets of the automotive industry. Furthermore, the Aftermarket and Special Applications segments – with their specific customer groups and market cycles – contribute to a balanced business portfolio as well.

Risks arising from the company's global positioning

As an international automotive supplier HELLA is represented worldwide in all major core markets. Due to this global positioning, the company is exposed to risks arising from regional or macroeconomic market fluctuations, trade restrictions, additional or increasing customs duties and currency effects, which can negatively affect the company's sales and earnings development. In order to reduce these risks while also exploiting opportunities for growth in core markets of the automotive industry, HELLA pursues region-specific strategies. At the same time, the company's global positioning contributes to a balanced and risk-reduced business strategy overall, as local or regional volatilities can be balanced out with positive business development in other core regions.

Risks arising from changes in the industry environment

The automotive industry is currently undergoing a profound change which picked up more speed over the fiscal year under review. This transformation process is essentially determined by four major trends: autonomous driving, efficiency and electrification, connectivity and digitalisation as well as individualisation. Various risks may occur for HELLA as part of this industry change. Factors that could have an impact include the increasing speed of innovation and growing competition, increasing requirements in terms of adapting the strategy and management processes in line with changes in the industry environment, as well as the growing complexity of new technologies. All of these may lead to risks regarding future business success and could have a negative impact on the company's sales and earnings development. In order to reduce these risks, HELLA maintains a regular and systematic strategy process. In the fiscal year under review, HELLA continued to expand its research and development network and added new strategic alliances with further partners in order to take advantage of new industry and technology trends. HELLA also stepped up its activities in the global start-up environment, including the use of incubators in Germany and China and a venture capital arm in Silicon Valley.

FINANCIAL RISKS

The international focus and operations of the HELLA Group pose a series of financial risks particularly due to exchange rates, potential disruption to the liquidity situation and the increased requirements for accounting and transfer pricing strategy.

For information on the material risks arising from the use of financial instruments, please also refer to the presentation of the financial instruments in the consolidated notes.

Exchange rate risks

Various exchange rate risks may arise for the HELLA Group in connection with receivables, liabilities, cash and cash equivalents, securities and contracts which must be performed in another currency. The company initially minimises these risks by sourcing materials locally within the respective currency and sales region. Currency risks are pooled, evaluated and coordinated centrally to additionally optimise risk management. HELLA's Foreign Currency Guideline defines a clear strategy for addressing currency risks for each company in the Group. Risk is initially analysed at the local level. A hedging proposal based on the local data is prepared, which takes into account the extent of the risk and the limits set in the Foreign Currency Guideline. The Treasury Committee is responsible for monitoring and managing compliance with the hedging guidelines. Currency risks are primarily hedged by means of currency forwards, which are structured on the basis of expected foreign-currency cash flows.

Risks arising from disruption to liquidity

HELLA pursues a strategy of solid financial policy. Despite this, risks can arise from a potential disruption to the company's liquidity situation. This can be adversely affected over the long term by a customer default, for instance. Furthermore, the company's trade credit receivables are rising as the complexity of products and customer deliveries increases. These receivables are continually monitored by specialist departments, so that potential deficiencies in customer payment behaviour are identified early on and HELLA's overall liquidity situation is permanently monitored. The Group's liquidity situation is adequately secured by long-term loans, particularly euro bonds and yen bonds, as well as undrawn credit lines. All agreed financial covenants which, if breached, could lead to extraordinary termination rights for the lender with potentially accelerated payment obligations, are monitored continuously. At the start of fiscal year 2018/2019, the rating agency Moody's raised HELLA's company rating to Baa1 with a stable outlook. One of the crucial factors for this improvement of the company's rating was the positive development of key financial indicators.

Risks due to complexity in the transfer pricing strategy, Group accounting and tax conditions

European and international legislation is undergoing continuous evolution. As a result, transfer pricing strategy, intercompany transaction processing as well as accounting and tax requirements are becoming more and more complex. This can create new financial risks for HELLA that can arise from process inefficiencies, accounting errors or breaches of tax regulations. Regular and cross-departmental coordination processes take place to minimise the risks of deficiencies in the application of internal corporate regulations. In addition, HELLA has a comprehensive and transparent transfer pricing policy. This is kept up to date by the Transfer Pricing department. A global network of contacts has also been established to facilitate communication and collaboration within the Group and to avoid transfer pricing errors. Furthermore there are continuously evolving networks of internal experts for avoiding errors in accounting or violations of tax regulations in Taxes and Accounting.

COMPLIANCE RISKS

At HELLA, top priority is given to the observance of laws and internal rules in order to avert any compliance breaches. However, given the increasing complexity of regulatory frameworks and despite taking extensive precautionary measures, risks caused by the illegal conduct of individual employees cannot be completely eliminated. At HELLA, compliance risks are divided into risks due to non-compliant products in the context of product safety and other compliance risks. When it comes to compliance risks, the individual risk categories "risks due to cyber crime" and "risks from non-compliance with functional safety standards", which were previously reported separately, have now been merged into "risks due to non-compliant products in the context of product safety" due to organisational responsibilities. Due to the changes to the risk assessment method, the scope of risk now takes into account very rare but feasible extreme events and has therefore risen in this area in particular in comparison with the previous year. The individual risk categories of "patent risks" and "risks due to non-compliance with data protection requirements" which were previously reported are no longer deemed to be relevant individual risks due to the new assessing the scope of risk.

Risks due to non-compliant products in the context of product safety

Risks due to non-compliant products in the context of product safety arise primarily as a result of the use of new, sophisticated technologies and the complex ways in which they interact with each other. Non-compliance may result in economic risks, significant damage to the company's reputation and personal liability for those involved. In order to reduce these risks, ensure product safety and meet high customer expectations, HELLA takes full account of the requirements for new technologies. Alongside the established field of functional safety, which concerns the malfunctioning of safety-related functions, product safety also includes chemical, electrical and mechanical safety as well as product cyber security. The latter relates to risks arising from cyber attacks on vehicle infrastructures. In order to enable all safety measures to be implemented effectively and efficiently and to pool knowledge in this area, HELLA has grouped all of the product safety activities into the Product Safety Management department. When combined with procedural validation and participation in the international standardisation process in the automotive industry, this will minimise the product liability risks for the company.

Risks due to non-compliance with antitrust law regulations

In exceptional cases, there is a risk of individual employees violating antitrust law regulations. This could entail investigations by antitrust authorities, result in fines and claims for compensation for damages by third parties with a direct impact on the company's results of operations and reduce the company's reputation. In order to reduce the risks resulting from non-compliance with antitrust law regulations and to raise awareness among employees at the company, HELLA supports several initiatives, including extensive preventative informational and training activities. These are managed centrally by the corporate compliance office.

Risks due to environmental protection and safety requirements

As the volume of environmental rules is rising, HELLA may need to observe additional environmental and safety rules in the future. Moreover, changes in legal requirements may have an adverse impact on market demand for HELLA products. As an internationally active Group, HELLA must also comply with different regulatory systems. In particular, environmental protection and health regulations may be subject to frequent change and become increasingly more stringent. This may result in additional costs for the company to comply with the new requirements. HELLA is continually working to improve its sustainable and environmentally responsible business and has stepped up the monitoring and assessment of local environmental protection standards in the past fiscal year in order to ensure they are complied with.

OPERATIONAL RISKS

As products and their production processes are becoming increasingly complex and demanding, operational risks arise, for example, in the areas of logistics, procurement, production and employee qualifications. At HELLA, they are divided into four subcategories: quality risks, risks relating to production and procurement, risks due to failures in information management as well as staffing and other operational risks. The individual risk category of "risks from non-compliance with safety standards in information management" which was previously reported is no longer deemed to be a relevant operational risk due to the new assessing the scope of risk.

Quality risks

Key elements of HELLA's quality management focus on ensuring compliance with market and client-driven standards, durability and reliability of the produced parts (ensuring fail-safe operation) with a high degree of user benefit. However, increasing technological complexity and the rising demands placed on the product and production processes result in a residual risk of potential quality deficits, such as from a lack of product maturity, insufficient resources or personnel training. Additional risks arise from increased expectations with regard to products and functions, which lead to higher requirements for development and production processes. Potential quality deficits can result in additional costs with a direct impact on HELLA's results of operations and can have a lasting negative effect on the company's reputation. In order to reduce quality risks, HELLA is continually working to improve product and process maturity and is also implementing further requirements regarding product conformity. This serves as proof that the company is able to manufacture its products in accordance with all requirements. This includes the specifications and labelling requirements stipulated in the type approval documentation. Product conformity is a key prerequisite for the vehicle type approval process. It is ensured by means of extended international measures within the quality management system and through stipulated corresponding management tasks.

Risks arising from disruptions in the supply chain

As an automotive supplier, HELLA is also dependent on its own supplier base. Any disruption or insufficient quality level in the supply chain would have an adverse effect on production, logistics and sales as well as the company's general reputation. If any shortfalls or outages arise on the part of suppliers, this may lead to production and delivery shortages as well as higher prices, higher material and quality costs and quality problems. Accordingly, HELLA seeks to diversify its supplier base whenever possible. HELLA's suppliers are also constantly monitored and audited by teams of experts to avoid any interruptions in the supply chain and to maintain a high quality level. Supply chain management operates uniformly across the entire company. By the same token, an effective supplier performance management programme can help to identify and address supplier issues early on.

Risks from material prices

As an industrial company that processes materials, HELLA purchases a wide variety of materials, especially in the Automotive segment. HELLA is exposed to a variety of risks in conjunction with procurement of products as a result. For example, prices for certain key materials can increase due to higher demand as a result of trends in the automotive industry, with a direct impact on the company's results of operations. HELLA attempts to reduce this through predictive procurement management. This includes aspects such as detecting potential industry developments early on, a multiple supplier strategy for certain components, a long-term forecasting system for optimising requirements planning and the continuous development of potential alternative strategies to avoid supplier shortfalls and to reduce costs.

Risks arising from failures in information management

HELLA uses a complex IT structure in all areas of the company. This is partly down to the Group's international positioning and its collaboration with other industry partners. In this context, there is a particular risk of cyber attacks on the HELLA Group's information and data management system. In addition, applications in the areas of development and production as well as in sales and management are becoming ever more complex, while increasingly large volumes of data have to be processed and dependency on IT systems is increasing. The company is therefore exposed to risks arising from failures in its information management. These potential failures in IT systems could interrupt operations for several days in very rare exceptional cases. To minimise the risks associated with information and data management, the company ensures that all of the latest security measures are implemented. This includes central monitoring and continuous updating of its IT systems. The company is also steadily investing in the IT infrastructure and special IT security programs are being implemented to cut the risk of failures and data loss.

Risks from shortages of specialists

To safeguard the position as a technology leader and because of the company's international expansion, HELLA is generally reliant on qualified employees. HELLA is therefore in a global competition for specialists. Consequently, potential risks may arise from not adequately covering personnel requirements. A shortage of staff would make its effect felt on development activities in particular, such as in software development. HELLA is pursuing a global recruitment, staff retention and training model to reduce the probability and effects of shortages of specialists. This includes targeted entry-level and continuing education programmes and a further increase in collaboration with research institutions and universities.

For more information on acquiring, integrating and training employees, please also refer to the presentation in the non-financial report in the annual report.

Risks arising from resource shortages

Within the development, production and sales chain, the risk of personnel, operational or organisational shortages may arise at individual locations. These can arise from relocating and starting complex production efforts, comprehensive project and technology transfers or unpredictable order volatility. Furthermore, a lack of machine capacity, insufficient employee skills, a lack of supplier quality and procurement bottlenecks in relation to specific key suppliers or materials can pose operational risks for the company. These can have a significant impact on the business as they may lead to additional non-quality expenses, delays in delivery, contractual penalties, and increased costs to provide employees with the necessary training and qualifications. This is in addition to the potential of damaging the company's reputation. To avoid these shortages in resources, the HELLA Group strives to ensure proper and predictive management of its production processes and also promotes knowledge and technology transfer in the global network.

EXTERNAL RISKS

The external risks to which HELLA is exposed are mostly market risks, such as fluctuations in customer demand or slower global economic growth. For HELLA, external risks are normally difficult to predict and largely beyond its control. Due to the changes to the risk assessment method, which now takes into account the increased uncertainties and volatilities in the macroeconomic environment to a greater extent, the scope of risk for this category has risen in comparison with the previous year. Given HELLA's exit from wholesale distribution and the transfer of shares in Behr HELLA Service to MAHLE, the individual risk category "risks arising from consolidation in the aftermarket" which was previously reported is no longer deemed to be relevant.

Risks arising from fluctuations in general economic conditions

Around three quarters of HELLA's total sales can be attributed to the Automotive segment. Consequently, the company's economic situation is largely dependent on the performance of the automotive industry and on general and regionally specific economic conditions. This results in uncertainties in relation to the macroeconomic and industry-specific environment due to factors such as the increasing pace of change in the industry, new regulatory requirements for original equipment manufacturers, the introduction of trade restrictions – for example, between the USA and Mexico/China – or in conjunction with Great Britain's exit from the European Union, the effects of which remain unpredictable. HELLA counters risk from fluctuations typical of the sector or in macroeconomics that the company is exposed to due to its business model by using a risk-diversified business model where the Aftermarket and Special Applications segments balance out the Automotive segment, using a predictive planning and management process and through international positioning.

Forecast report

Forecast report

Economic outlook

- **Reduced global growth of 3.2% expected for calendar year 2019**
- **Forecasts for important core regions adjusted**

According to the International Monetary Fund (IMF), the global economy will continue to be characterised by high uncertainty. As a result, a significant slowdown in growth is expected. This made the IMF correct its forecast for global economic growth in its July update to be even lower, and it now assumes worldwide economic growth of 3.2% in 2019 and 3.5% in 2020. In doing so, the IMF reduced its estimates for 2019 by 0.7% compared to the forecast it published in July 2018.

In the case of the Eurozone, the IMF now expects growth of 1.3% in calendar year 2019 and 1.6% in the following year. This lower expectation of growth compared to prior years is a result of trade restrictions, uncertainty due to the still-unclear exit scenarios for the United Kingdom from the European Union, and lower consumer and investment activity, among other things. For Germany, the IMF estimates significantly lower growth for 2019 in particular (0.7%), and forecasts growth in the amount of 1.7% for 2020. The economic potential is clouded here by weak consumption by private households, moderate business development in the industrial sector, and limited demand from abroad.

In the case of the USA, the IMF expects economic growth of 2.6% in 2019 and 1.9% in 2020. According to the IMF, the US economy will initially benefit from positive growth stimulus from the tax reform introduced in 2018, but this will weaken over the course of the 2019 calendar year and especially in 2020.

For China, the International Monetary Fund (IMF) is projecting growth of 6.2% in 2019 and 6.0% in 2020. This places the economic growth of China significantly below the level of prior years. This slowdown is due to the ongoing trade war with the USA, among other things.

Industry outlook

- **The automotive industry will continue its downward trend**
- **Decline in global production of passenger cars and light commercial vehicles now estimated at 1.3% in fiscal year 2019/2020, according to current figures**
- **Industry development forecast to decline in all core regions relevant to HELLA**

According to the IHS Light Vehicle Production Forecast last updated in July 2019, the international automotive market will continue its downward trend during the period of the current HELLA fiscal year 2019/2020 (1 June 2019 to 31 May 2020), with the industry seeing continued negative growth. According to recent figures, the current IHS forecast assumes a decline of 1.3% to 90.5 million units (prior year: 91.7 million units) in the global production of new passenger cars and light commercial vehicles.

With regard to the number of new units produced in Europe excluding Germany, a decrease of 2.3% to 16.1 million units (prior year: 16.5 million units) is now anticipated. For the selective German market, the IHS Institute expects a decrease of 1.7% to 5.0 million units (prior year: 5.1 million units). In Asia/Pacific/Rest of World, light vehicle production is expected to decrease to 48.2 million units, just under last year's level (prior year: 48.5 million units). In the selective Chinese market, production figures are expected to increase slightly by 0.6% to 25.2 million units in the current fiscal year 2019/2020, following the industry's weak performance last year (prior year: 25.1 million units). For the North, Central and South America region, the IHS anticipates the number of vehicles produced to drop moderately by 0.4% to 20.1 million units (prior year: 20.2 million units). The US single market will remain at 10.9 million units over this period, unchanged from the prior year.

Expected production of passenger cars and light commercial vehicles during fiscal year 2019/2020

in thousands	2019/2020	+/–
Europe excluding Germany	16,092	–2.3%
Germany	4,992	–1.7%
North, Central and South America	20,121	–0.4%
USA	*10,909*	*0.0%*
Asia / Pacific / RoW	48,191	–0.7%
China	*25,218*	*+0.6%*
Worldwide	**90,534**	**–1.3%**

Source: IHS Light Vehicle Production Forecast, Status: as at July 2019

Company outlook

- **Currency and portfolio-adjusted sales to be between € 6.5 billion and € 7.0 billion in fiscal year 2019/2020**
- **Growth forecast reflects unchanged high uncertainty in the market environment and the continuation of the downward industry trend**
- **Adjusted for restructuring measures and portfolio effects, EBIT margin forecast for between approximately 6.5% and 7.5%**
- **Weaker sales growth, increasing capital expenditure in research and development, as well as higher material and personnel costs reduce profitability**

Against the backdrop of these forecasted macroeconomic and industry-specific conditions, HELLA expects currency and portfolio-adjusted consolidated sales of approximately € 6.5 billion to € 7.0 billion for the current fiscal year 2019/2020 (1 June 2019 to 31 May 2020) (prior year portfolio-adjusted: around € 6.8 billion). Due to its strong strategic alignment with key automotive market trends, HELLA is likely to outperform the automotive sector as a whole. Nevertheless, the company's forecast reflects the negative industry outlook with continuing reductions in production figures. According to the company's expectations, this industry outlook could additionally weaken in the course of the current fiscal year as a result of further declines in production figures. In particular, HELLA also expects the first six months of the fiscal year (1 June to 30 November 2019) to be challenging after pre-drawn effects in connection with the newly introduced WLTP exhaust gas treatment process led to an extraordinarily high figure for the prior year. In addition, the company expects that the economic and market environment will continue to be characterised by high uncertainties and that, from today's perspective, the market is not expected to recover in the second half of the fiscal year (1 December 2019 to 31 May 2020).

In addition, the Company expects the ratio of earnings before interest and taxes adjusted for restructuring measures and portfolio effects to the portfolio-adjusted consolidated sales (adjusted EBIT margin) to be between about 6.5% and 7.5% (prior year: adjusted for restructuring measures and portfolio effects: 8.4%). This is caused by lower sales growth, on the one hand. And on the other hand, the Company expects that both further increasing capital expenditures in research and development as well as higher material and personnel costs will have a negative impact on profitability despite consistent cost management.

In terms of both currency and portfolio-adjusted sales and adjusted EBIT, the performance of the segments differs only slightly from the Group's performance.

The forward-looking statements made in this report are based on current assessments by HELLA's management, and were made with the expectation that there will not be any significant deviations as a result of political, economic, or social crises. The Company outlook is subject to risks and uncertainties which HELLA is not able to control or assess precisely, such as the future market environment and general economic conditions, actions by other market players and government measures. If any of these or other uncertainties and unknowns materialise, or if the assumptions on which such statements are based prove to be inaccurate, the actual results may deviate significantly from those expressed or implied in these statements.

Adjustments for portfolio changes

Included in the portfolio effects category are various processes which are adjusted for both sales growth and the EBIT margin. For example, the exit from the wholesale business was successfully completed in the past fiscal year 2018/2019. Therefore, the consolidated income statements in the Group management report for the fiscal year 2018/2019 have been adjusted from the date of the sale of the two major companies, FTZ and Inter-Team, on 3 September 2018. In order to ensure comparability with the current fiscal year 2019/2020, the contributions of the sold wholesale companies with regard to sales (€ 137 million) and earnings before interest and taxes (€ 6 million) for the past fiscal year 2018/2019 will be deducted from now on. In addition, in fiscal year 2019/2020, both the consolidated sales and the earnings before interest and taxes will also be adjusted for the transfer of the thermo-management activities to Behr Hella Service on 31 December 2019. Similar to the adjustment for portfolio effects after the sale of the wholesale business, the contributions to sales and earnings generated by Behr Hella Service are only included in the Group income statement as long as Behr Hella Service, as a joint venture company, is part of the HELLA Group. In order to ensure comparability between the two fiscal years, the contributions from Behr Hella Service with regard to sales (€ 61 million) and earnings before interest and taxes (€ 7 million) for the fiscal year 2018/2019 accordingly have also been deducted as a basis for comparison.

Therefore, after these adjustments, currency and portfolio-adjusted consolidated sales for the fiscal year 2018/2019 amounted to € 6,770 million (as stated: € 6,968 million) and adjusted earnings before interest and taxes to € 572 million (as stated: € 585 million). After adjusting for these effects, the ratio of adjusted EBIT margin to portfolio-adjusted sales during fiscal year 2018/2019 was 8.4% (as stated: 8.4%).

The corresponding reconciliation statement is as follows:

in € million and as a % of portfolio-adjusted sales	**2018 /2019 as stated**	Wholesale	Behr Hella Service	**2018/2019 adjusted**
Portfolio-adjusted consolidated sales	6,968	137	61	6,770
Adjusted earnings before interest and taxes	585	6	7*	572
Adjusted EBIT margin	8.4%			8.4%

* At equity share with earnings before interest and taxes (EBIT) of € 3 million

Corporate Governance of HELLA GmbH & Co. KGaA

The General Partner, the Supervisory Board and the Shareholder Committee of HELLA GmbH & Co. KGaA are committed to the principles of transparent and responsible corporate governance and control of the Company, attaching great priority to the standards of good corporate governance. As a family-owned business, HELLA's main focus is on entrepreneurial guidelines that implement long-term goals and sustainability, as well as compliance with standards of law and ethical standards.

With the following explanations, the General Partner, the Supervisory Board and the Shareholder Committee report on corporate governance at HELLA in accordance with Section 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) and, at the same time, on the conduct of the Company's business in accordance with Section 315d of the German Commercial Code (Handelsgesetzbuch – HGB). Furthermore, the report contains the information and explanations required under Section 315a and 315d HGB. An additional disclosure of such information and explanations in the notes is not necessary.

Report on Corporate Governance

I. CORPORATE GOVERNANCE MODEL OF HELLA GMBH & CO. KGAA AND THE HELLA GROUP

HELLA GmbH & Co. KGaA is a German partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). Its legal form is a hybrid with similarities to a German limited partnership (Kommanditgesellschaft – KG) on the one hand and to a German stock corporation (Aktiengesellschaft – AG) on the other, with the main focus being on stock corporation law. As with a German stock corporation, the KGaA is a corporation whose nominal capital is divided into shares.

As in a German limited partnership, the KGaA has two different groups of partners; the personally liable partners (Komplementär(e)) (General Partner(s)) that are responsible for managing the KGaA's business and are personally liable without restrictions for the KGaA's liabilities, and the (limited liability) shareholders (Kommandit-Aktionäre) that hold an interest in the nominal capital of the KGaA. The legal status of the (limited liability) shareholders does not differ significantly from that of the shareholders of a German stock corporation.

The Company has a General Partner, Hella Geschäftsführungsgesellschaft mbH, which has its registered office in Lippstadt. Its shares are held by the Company. Further governing bodies of HELLA GmbH & Co. KGaA are

1. the Shareholder Committee established in accordance with the Articles of Association, which currently consists of seven shareholder representatives elected by the Annual General Meeting;
2. the Supervisory Board, which is constituted on a parity basis of eight shareholder representatives and eight employee representatives pursuant to the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG); and
3. the Annual General Meeting.

HELLA has established the Shareholder Committee that – as the central representative body of the shareholders – is responsible for advising and supervising the Management Board on a continuous basis and may play an active role in management issues, for example by determining which business transactions require its consent. When taking advantage of the organisational scope inherent in the legal form of the KGaA, HELLA emphasises transparency and equal treatment of all shareholders. Resolutions of the Annual General Meeting, for example, are passed by a simple majority vote, unless mandatory legal provisions or the Articles of Association stipulate otherwise. This also applies to resolutions appointing or removing General Partners. Furthermore, the requisite consent of the General Partners to specific resolutions of the Annual General Meeting as prescribed by law is excluded according to the Articles of Association, to the extent permitted by law. In this and many other respects, HELLA GmbH & Co. KGaA closely follows the example of an ordinary stock corporation.

More detailed information on the differences to a stock corporation specific to the legal form can be found in the declaration of conformity (Entsprechenserklärung) of the General Partner, the Shareholder Committee and the Supervisory Board as of 28 May 2019, which has been made available at **WWW.HELLA.COM/DECLARATIONOFCONFORMITY** and is shown below.

1. Group management by the General Partner

Group management is carried out by the Managing Directors of Hella Geschäftsführungsgesellschaft mbH with its President and CEO, Dr. Rolf Breidenbach. There are further Executive Boards in the segments and business divisions that are responsible for the operational and strategic management of the business units. Entrepreneurial self-responsibility is the basic principle for managing the business at all levels. For material business transactions, the Group Management Board requires the approval of the HELLA GmbH & Co. KGaA Shareholder Committee, which codetermines the significant guidelines for business by means of this process.

The Annual General Meeting is responsible for the appointment and removal of General Partners; according to the Articles of Association, the relevant resolution of the Annual General Meeting is passed by a simple majority of the votes cast, provided that such resolution does not require the General Partner's consent. The Shareholder Committee is responsible for the appointment and removal of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH, as well as for determining the terms and conditions of their service agreements.

2. Supervisory Board: competencies, functions and committees

The role of the Supervisory Board is to advise and supervise the General Partner in their conduct of the Company's business. In this respect, the competencies of the Supervisory Board of HELLA GmbH & Co. KGaA are limited due to its legal form. As opposed to the Supervisory Board of a stock corporation, the KGaA Supervisory Board is not responsible for appointments and dismissals in relation to the Company's Management Board. Nor does it have any power to issue rules of procedure for the Company's Management Board or determine which business decisions require its consent. The main responsibilities of the Supervisory Board include the review and approval of the annual financial statements and the consolidated financial statements, including the management report and the Group management report and the audit of the non-financial group declaration (the CSR report). The Supervisory Board further examines the proposal for the appropriation of distributable profit and prepares resolution proposals in respect of each agenda item on which the Annual General Meeting is to decide. The exercise of the authorisations granted to the General Partner to increase the nominal capital from authorised capital and to buy back treasury shares is also subject to the Supervisory Board's consent. The Supervisory Board reports annually on its activities to the Annual General Meeting, which adopts a resolution on its release.

As a rule, the Supervisory Board convenes four times a year. Resolutions of the Supervisory Board are adopted by a simple majority of the votes cast; each member has one vote. In case of a tie, the Chairman has the casting vote if the stalemate continues after a second vote on the same matter.

The Supervisory Board has a Nomination Committee consisting of the Chairman of the Supervisory Board and another Supervisory Board member representing the limited liability shareholders as elected by the Supervisory Board. The Nomination Committee prepares the proposals of the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members. Currently, the members of the Nomination Committee are Prof. Dr. Michael Hoffmann-Becking and Elisabeth Fries. Furthermore, the Supervisory Board has an Audit Committee consisting of four Supervisory Board members elected by the Supervisory Board, of which two are shareholder representatives and two are employee representatives. Currently, the members of the Audit Committee are Klaus Kühn (Chairman), Prof. Dr. Michael Hoffmann-Becking, Manfred Menningen and Heinrich-Georg Bölter. The Audit Committee is responsible for monitoring the accounting processes, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements and compliance. It can propose recommendations or proposals to ensure the integrity of the accounting process. Furthermore, it issues a recommendation to the Supervisory Board for its proposal regarding the election of the auditor to be submitted to the Annual General Meeting. This recommendation must be substantiated in cases of inviting tenders for the audit mandate and must include at least two candidates. It decides instead of the Supervisory Board on the agreements with the auditor (in particular the audit assignment, determination of the main points of the audit and the fee agreement) and takes appropriate measures in order to establish and monitor the independence of the auditor. The Audit Committee also deals with any additional services provided by the auditor. It is responsible for approving the award of non-audit services to be undertaken by the auditor that are not prohibited, whereby it may adopt directives in relation to tax advisory services that are not forbidden, within the scope of which the award of such services does not require individual authorisation. The Audit Committee also prepares the Supervisory Board's decisions on the approval of the annual financial statements and consolidated financial statements and the audit of the CSR report. For this purpose, it is responsible for conducting an initial audit of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the proposal for the appropriation of distributable profit and the CSR report. The auditor participates in these meetings of the Audit Committee.

3. Shareholder Committee: competencies, functions and committees

The legal form of the KGaA makes it possible to create further optional corporate bodies. The Company took advantage of this opportunity. The Shareholder Committee, which has been created pursuant to the Articles of Association and is elected by the Annual General Meeting, supervises and advises the General Partner in its conduct of the Company's business and can issue rules of procedure for it. In addition, it determines which of the General Partner's transactions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the General Partner, and it represents the Company in legal disputes with the General Partner.

The Shareholder Committee exercises all the rights attached to the Company's shares in Hella Geschäftsführungsgesellschaft mbH. In particular, it appoints and removes the Managing Directors and is responsible for deciding on their employment contracts.

The Shareholder Committee is also responsible for executing shareholders' resolutions. In accordance with its rules of procedure, the Shareholder Committee also reviews the annual and consolidated financial statements, the management report and the Group management report, as well as the proposal for the appropriation of distributable profit; in addition, it submits resolution proposals in respect of each agenda item on which the Annual General Meeting is to decide. Further, the Shareholder Committee reports annually on its activities to the Annual General Meeting, which adopts a resolution on its release.

As a rule, the Shareholder Committee convenes five times a year. Resolutions of the Supervisory Board are adopted by a simple majority of the votes cast; each member has one vote. In case of a tie, the Chairman has the casting vote if the stalemate continues after a second vote on the same matter.

The Shareholder Committee has established a Personnel Committee consisting of its Chairman and two further members elected by the Shareholder Committee. Besides Manfred Wennemer, current Personnel Committee members are Roland Hammerstein and Konstantin Thomas. The Personnel Committee is responsible for preparing the Shareholder Committee's resolutions on the appointment and removal of Managing Directors of Hella Geschäftsführungsgesellschaft mbH and on their individual total remuneration and the remuneration system applied in this context. Notwithstanding the above, the Personnel Committee is responsible for the resolution regarding the conclusion, amendment and termination of the agreements with the General Partner and the service agreements of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH.

4. Cooperation of Management Board, Supervisory Board and Shareholder Committee

The General Partner, the Supervisory Board and the Shareholder Committee work together on the basis of mutual trust in the best interests of the Company. Control of the management of the Company is primarily exercised by the Shareholder Committee. The Management Board has a reporting duty. The Shareholder Committee advises the General Partner, and for important business transactions and measures which are defined by the Shareholder Committee in the rules of procedure for the General Partner, the consent of the Shareholder Committee must be obtained. The Supervisory Board is also responsible for supervising the management. For this purpose, the General Partner submits reports on a periodic basis and the Supervisory Board exercises information and inspection rights.

5. Competence profiles, objectives regarding the composition and diversity concepts of the Supervisory Board and the Shareholder Committee, and designation of the independent members

A) Contents

Taking into account the specifics of the enterprise at HELLA, the Supervisory Board and the Shareholder Committee have specified competence profiles for both bodies and objectives regarding their future composition, which always includes a diversity concept. These specifications are to be taken into account by the bodies in new elections in their respective election proposals. This applies mutatis mutandis in the case of judicial appointments of Supervisory Board members.

The competence profiles of the Supervisory Board and Shareholder Committee, which were defined in light of the tasks of the body and the related requirements for skills and knowledge of the body members, ensure that, for both bodies, the following competencies should be embodied in at least one member in both the Supervisory Board and the Shareholder Committee: (1) management experience in international markets, (2) industry expertise in the automotive industry or other manufacturing industries, (3) expertise in the areas of accounting or auditing and (4) experience in areas of law (for example compliance) that are relevant for HELLA.

In their respective composition, the Supervisory Board and the Shareholder Committee shall also take into account the international activities of the HELLA Group. For this reason, it is intended that both the Supervisory Board and the Shareholder Committee each have at least two members with relevant international experience, which means – for example – that they have worked abroad or have had significant interaction on an international level. Furthermore, the Supervisory Board and the Shareholder Committee take into account potential conflicts of interest of the members when determining their respective composition.

Independence of their respective members is also an important issue to which the Supervisory Board and the Shareholder Committee wish to pay due regard in connection with their respective composition, while taking into account the ownership structure. This is why both the Supervisory Board and the Shareholder Committee have set the objective that at least two members must be independent. As to the definition of independence, Section 5.4.2 DCGK is applied, whereby a member is, in particular, not considered to be independent if that member has any personal or business relationship with the Company, its corporate bodies, a controlling shareholder or any of its affiliates, which could give rise to a material conflict of interest that is not merely temporary.

The Supervisory Board and the Shareholder Committee also take age into account when determining their respective composition. Members from a variety of age groups should be represented in both bodies. Both bodies also take into account the age limits as defined in the internal rules of procedure, according to which as a rule, only those persons may be proposed as Supervisory Board members who, at the time of election, are not yet 75 years of age. Election as member of the Shareholder Committee shall be possible for the last time on the member's 70th birthday.

In their respective composition, all in all, the Supervisory Board and Shareholder Committee consider first and foremost the professional and personal qualification of future members. The applicable educational and professional requirements as well as the skills and knowledge of members of both bodies are described in further detail in the competence profile. Both bodies strive to ensure that the entire respective body includes individual members who have a balanced competence set to represent the widest possible spectrum of professional knowledge, skills and experience. In this context, both bodies also take into account additional diversity aspects related to subordinated selection criteria. There is a legal requirement stipulating that the Supervisory Board must consist of at least 30 per cent women and 30 per cent men.

B) Status of implementation and attained results

In its current composition, the Shareholder Committee meets all of the aforesaid composition objectives – including the diversity objectives – and the competence profile. The current composition of the Supervisory Board, too, also meets all of the aforementioned composition and diversity objectives and competence profile except for the objective regarding the age limit.

C) Names of the independent shareholders' members (Section 5.4.1 para. 4, sentence 3 DCGK)

In the opinion of the Shareholder Committee, all of its members (Manfred Wennemer, Roland Hammerstein, Dr. Jürgen Behrend, Dr. Gerd Kleinert, Klaus Kühn, Dr. Matthias Röpke and Konstantin Thomas) are independent as defined by the DCGK. This opinion is not inconsistent with the fact that Roland Hammerstein, Dr. Jürgen Behrend, Dr. Matthias Röpke and Konstantin Thomas are parties of the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA, which holds a total of 60.00% of the Company's voting rights. This does not justify the threat of a material conflict of interest that is not merely temporary, nor do the aforementioned members therefore have relations with a "controlling shareholder" within the meaning of Section 5.4.2 DCGK, as the pool agreement does not allow any of its contracting parties to hold a majority of the voting rights in the Company.

The Supervisory Board believes that all shareholder representatives, namely Prof. Dr. Michael Hoffmann-Becking, Manuel Frenzel, Elisabeth Fries, Stephanie Hueck, Klaus Kühn, Claudia Owen, Dr. Konstanze Thämer and Christoph Thomas, are also independent within the meaning of the above. For the reasons outlined above, there is nothing to preclude that, with the exception of Prof. Dr. Michael Hoffmann-Becking and Klaus Kühn, all shareholder representatives are parties of the pool agreement of the family shareholders.

6. Objectives for the composition/diversity concept for the Management Board of Hella Geschäftsführungsgesellschaft mbH

A) Contents

Taking into account the specifics of the enterprise at HELLA, the Shareholder Committee has specified principles for the composition of the Management Board of Hella Geschäftsführungsgesellschaft mbH, which includes a diversity concept. The principles should be taken into account for future appointments to the Management Board.

The priority of these principles is professional and personal qualification, especially with respect to educational and professional background. The areas of focus in terms of competence of the individual managing directors should be included in a balanced way according to the respective regulation stipulating the allocation of duties and corporate governance regulations to represent the widest possible spectrum of professional knowledge, skills and experience. In its respective composition, the Shareholder Committee shall also take into account the international activities of HELLA. For this reason, several members of the Management Board should have relevant international experience, which means – for example – that they have worked abroad or have had significant interaction on an international level. In this context, the Shareholder Committee also takes into account additional diversity aspects such as the suitable participation of women and men related to subordinated selection criteria.

In the composition of the Management Board of Hella Geschäftsführungsgesellschaft mbH, the Shareholder Committee also takes into account the aspects of continuity and change and, therefore, strives to achieve a balanced age structure in the Management Board. In addition, there is a legally binding age limit of 65 years. Upon turning 65 years old, as a rule, serving as a Managing Director at Hella Geschäftsführungsgesellschaft mbH shall no longer be possible and retirement is mandatory.

B) Status of implementation and attained results

In its current composition, the Management Board of Hella Geschäftsführungsgesellschaft mbH meets all of the aforementioned composition and diversity objectives.

7. Composition of the subscribed capital/shareholders' rights

The nominal capital of the Company amounts to € 222,222,224 and is divided into 111,111,112 no par value bearer shares. All shares have been fully paid in. The Articles of Association stipulate the shareholders' right to the issuance of share certificates representing their respective shares shall be excluded to the extent legally permitted and, unless such issuance is required, in accordance with the regulations applicable to the stock exchange on which the shares are admitted.

The shareholders exercise their rights provided for by law or by the Articles of Association before or during the Annual General Meeting and exercise their voting rights in this context. Each no par value share carries one vote at the Annual General Meeting. In addition, in the Annual General Meeting, shareholders may express their opinion on items on the agenda, propose motions and address questions to the General Partners.

The Annual General Meeting of HELLA GmbH & Co. KGaA is usually held in the first four months of the fiscal year at the Company's registered office or in another German city that has more than 50,000 inhabitants. The meeting is convened by the General Partner. Shareholders whose aggregate shareholding reaches one-twentieth of the nominal capital (i.e. € 11,111,112) may request the convening of an Annual General Meeting in writing, stating the purpose and reasons therefor. In the same manner, shareholders whose aggregate shareholding equals or exceeds a pro rata amount of € 500,000 may request that items be included in the agenda and published. Furthermore, shareholders whose shares in aggregate represent a pro rata nominal capital amount of € 100,000 may submit a request to the Management Board, under certain conditions, that a special auditor be appointed by the court to review a procedure in the context of the Company's establishment or a procedure that has taken place within the past five years.

The resolutions of the Annual General Meeting are passed by a simple majority of the votes cast, unless mandatory law or the Articles of Association dictate otherwise and, where the law requires a capital majority, with a simple majority of the nominal voting capital represented at the time of passing the resolution. This also applies, in particular, to amendments to the Articles of Association and to the passing of a resolution on a transformation into a stock corporation. The Supervisory Board is authorised to resolve amendments of these Articles of Association that only relate to the version.

8. Restrictions concerning the voting rights or the transfer of shares

According to the notifications received by the Company, 60.00% of the votes of the Company (a total of 66,666,669 no-par shares) were covered by the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA as of 31 May 2019. Currently, a total of 62 members of the family of shareholders (Hueck and Röpke families), as well as two legal entities, form part of this pool agreement. The pool agreement cannot be terminated ordinarily prior to 31 May 2024 and stipulates, among other things, that any exercise of the voting rights conferred by the pooled shares is subject to a vote in a meeting of the pool members to be held prior to the Annual General Meeting. Without the consent of the other pool members, pooled shares may be transferred only to descendants of Eduard Hueck sen., Richard Hueck sen. or Dr. Wilhelm Röpke or their respective spouses.

9. Major shareholders/special rights/participation of employees in the capital

According to the notifications received by the Company, the members of the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA received 60.00% of the votes of the Company as a pooled share portfolio as of 31 May 2019. In addition, the members of the pool agreement also hold shares that do not form part of the pool. There is no direct shareholding in HELLA GmbH & Co. KGaA of more than 10% of the voting rights.

No shares have been issued that confer multiple voting rights, preferential voting rights, maximum voting rights or special rights granting powers of control. There is no form of shareholding of employees in the Company's capital that would not enable the employees to directly exercise their shareholder rights.

10. Authorised capital/authorisation to buy back shares

In accordance with Article 5 (4) of the Articles of Association, the General Partner is authorised to increase the nominal capital with the approval of the Supervisory Board and the Shareholder Committee by a total amount of € 44 million by issuing, on one or more occasions on or before 9 October 2019, new no par value bearer shares against cash contributions and/or contributions in kind. In this context, the shareholders must generally be granted a subscription right. However, the General Partner is authorised to exclude, with the approval of the Supervisory Board and the Shareholder Committee, the shareholders' subscription rights as follows in four cases:

1. in case of a capital increase against contributions in kind for the purpose of acquiring companies, parts of companies or shares in companies or any other assets;

2. in so far as is necessary in order to grant a subscription right for newly issued shares to the holders or creditors of bonds issued by the Company or Group companies bearing option or conversion rights or obligations (warrants or convertible bonds), to the extent that such subscription rights would exist after exercise of their option or conversion right or fulfilment of their option or conversion obligation;

3. if the notional value of the new shares in the nominal capital does not exceed 10% of the nominal capital existing at the time this authorisation becomes effective and at the time a resolution to exercise the authorisation is adopted, provided that the issue price is not significantly lower than the stock exchange price, and further provided the notional value in the nominal capital of any shares that have been issued or sold with the exclusion of subscription rights on the basis of a corresponding authorisation in direct or analogous application of Section 186 (3) sentence 4 German Stock Corporation Act (Aktiengesetz – AktG) must be included in the calculation; and

4. for the avoidance of fractional shares.

The General Partner is also authorised, until 30 October 2019, to acquire treasury shares up to a total of 10% of the share capital or – if lower – of the nominal capital existing at the time the authorisation is exercised. The acquisition is made at the discretion of the General Partner with the consent of the Shareholder Committee and the Supervisory Board through the stock exchange or via a public offer request directed to all shareholders, or via a public invitation addressed to all shareholders for submission of sales offers. The General Partner is authorised to use the treasury shares that have been acquired with the consent of the Shareholder Committee and the Supervisory Board for all legally permissible purposes. In particular, the shares may be recalled without any further resolution being passed by the Annual General Meeting, may be sold through the stock exchange or via a public offer directed to all shareholders pro rata to their respective interests or in a different way with the exclusion of the shareholders' subscription right, provided the sale takes place against cash consideration and at a price that does not significantly fall below the stock exchange price; in addition, if the subscription right is excluded, the shares may be offered and transferred against contributions in kind, in particular in connection with the acquisition of companies, parts of companies or shares in companies or any other assets, or may be used to service rights or obligations to purchase shares of HELLA GmbH & Co. KGaA resulting from convertible bonds or bonds with warrants or similar instruments, or offered or transferred in connection with employee share ownership plans.

In this context, treasury shares may also be acquired using put or call options or forward contracts, or a combination of these instruments (derivatives). Derivatives may be issued or acquired, excluding any subscription right of the shareholders, with a credit or financial institution, or another appropriate counterparty that is experienced in the derivatives business, with the proviso that, on the basis of the derivatives, only shares will be delivered that were acquired in keeping with the principle of equal treatment. Moreover, the issuance or acquisition of derivatives may be publicly offered to all shareholders or may be effected through the derivatives exchange Eurex or a comparable successor system after prior announcement in the Company's designated publication media, with the exclusion of any subscription rights. The term of the derivatives must be selected such that the acquisition of the shares through the exercise of derivatives takes place on 30 October 2019 at the latest.

11. Material agreements with change-of-control clauses/compensation agreements

HELLA GmbH & Co. KGaA has entered into the material agreements set out below which contain change-of-control provisions, for example as a result of a takeover bid:

The listed bonds currently outstanding which HELLA has issued (a 2.375% bond maturing in January 2020 with a nominal value of € 500 million and a 1.0% bond maturing in May 2024 with a nominal value of € 300 million) are subject to change-of-control clauses under which the bond creditors may demand early repayment if a person or group of persons acting jointly gains control over HELLA GmbH & Co. KGaA and the rating is lowered on account of this within 120 days of the change of control. In addition, HELLA GmbH & Co. KGaA has been granted a syndicated cash credit facility of € 450 million on which it has not yet drawn. This facility expires on 1 June 2022 and is also subject to a change-of-control clause, under which the creditors may terminate the facility and call in all paid amounts if a person or a group of persons acting jointly gains control of HELLA GmbH & Co. KGaA. In all these cases, control is particularly deemed to have been gained if more than 50% of the voting-entitled shares are acquired. If any of the aforementioned instruments are prematurely called in as a result of such change of control, this could have a significant effect on HELLA's net assets, financial condition and results of operations.

The Company has not entered into any compensation agreements with any members of the Management Board or employees in the event of any takeover bid.

II. CORPORATE GOVERNANCE AND COMPLIANCE

In the interest of proper corporate governance, the members of the Management Board conduct the Company's business in accordance with statutory rules, the provisions of the Articles of Association of HELLA GmbH & Co. KGaA and Hella Geschäftsführungsgesellschaft mbH and the rules of procedure for the General Partner and Hella Geschäftsführungsgesellschaft mbH. In addition, the Management Board acts in accordance with the requirements set by the compliance guidelines, its Code of Conduct, the Corporate Governance Principles, its resolutions and other corporate rules.

Management practices extending beyond statutory requirements primarily result from the corporate philosophy. HELLA is firmly convinced that corporate success is founded on a corporate culture based on values. Equally important is the responsible treatment of employees, business partners and other concerned parties, society and the environment.

For more information, refer to the non-financial report in this annual report.

HELLA's top priority is customer satisfaction. At its core, this corporate philosophy is based on a comprehensive understanding of quality that is not limited to product quality but which also covers all of the Company's activities.

For HELLA's corporate culture, too, customer satisfaction is the point of departure. It can be achieved only if every employee internalises customer satisfaction individually as their own target and takes personal responsibility for achieving it. Consequently, the Company's guiding strategic principle is to demand and promote entrepreneurial self-responsibility for each HELLA employee, irrespective of their position within the Company. As a result, processes and organisational structures at HELLA are always aligned in such a way as to enable the entrepreneurial self-responsibility of its employees.

The core of the corporate culture consists of seven HELLA values, which were defined under the headline "Professionalism and a Human Approach" as the basis for lasting corporate success: entrepreneurial spirit, cooperation, sustainability, performance orientation, innovation, integrity and exemplary behaviour by each and every individual.

These values – particularly "acting with integrity" and "being a role model" – give rise to basic rules of behaviour which HELLA has anchored in its Code of Conduct. They are binding for all Group employees all over the world. The Code of Conduct brings together the basic rules on acting with integrity that apply to the Company between employees but also in relation to business partners, public authorities and other third parties in conformity with the law. It is an expression of the self-perception of HELLA, which is to meet the responsibility towards the Company in relation to shareholders and society and to live up to the expectations of customers, suppliers and business partners anew every day. The Code of Conduct, for example, is complemented by a Compliance Declaration on observing the rules of antitrust law.

Compliance – legally compliant behaviour and acting with integrity – is an integral part of the corporate culture, forms the basis for the business activities and is a prerequisite for sustained corporate success. The HELLA Corporate Compliance Office is responsible for the Group-wide compliance organisation and compliance management system that are anchored in the fundamental HELLA compliance guideline.

The Chief Compliance Officer and the Head of the Compliance Office coordinate the compliance organisation, enhance the HELLA compliance system and are responsible for the topics of antitrust law and corruption prevention. They report quarterly to the Management Board, biannually to the Audit Committee of the Supervisory Board and as needed on an ad hoc basis. The Chief Compliance Officer functionally reports to the President and CEO. Local compliance officers such as the Compliance Officer China and Mexico report to the Head of the Compliance Office. For other compliance matters (such as export control/customs, occupational health and safety, and product safety), specialist functions within the HELLA Group are responsible as central technical compliance divisions who are performing these tasks competently and independently with the support of the Compliance Office. The compliance organisation is supplemented by a central Compliance Board and the local compliance boards in China and Mexico as well as local compliance officers, who are responsible for compliance measures within the individual companies.

In addition to the basic elements of compliance organisation, targets, culture and communications, the HELLA compliance system includes above all the pillars of the compliance programme which must be developed further for all of the 15 current compliance subject areas: risk analysis, information/ instruction (prevention), controls and detection as well as reaction.

In order to strengthen the exchange between the individual central technical compliance divisions on cross-divisional topics and to support the focus of these specialist divisions on the requirements of the compliance guidelines in developing and expanding the respective compliance programme, regular meetings have been held since 2016 (every two months as of the fiscal year 2018/2019) between the heads of the central technical compliance divisions, under the direction of the Compliance Office.

Through (i) worldwide in-class events, e-learning courses and other training formats, (ii) directives, process instructions and other documents, (iii) newsletters and other publications, together with (iv) advice in day-to-day operations, the central specialist compliance divisions ensure that all employees around the world are familiar with the correct way of handling statutory and internal rules, including the HELLA Code of Conduct. These measures are a key preventative component of continuous compliance management.

Alongside the establishment and expansion of the HELLA compliance system and the HELLA compliance organisation, one focus of the Compliance Office in the fiscal year under review was on the following activities:

- The further development, adoption and Group-wide communication of the revised HELLA Code of Conduct: In the context of new requirements in the business environment, the HELLA Code of Conduct has been rewritten and additional matters have been incorporated. The HELLA Code of Conduct is now available in 13 languages, has been issued to all HELLA employees across the Group and will be communicated to all new employees.

- Training sessions and joint reminder management for compliance e-learning courses: the Compliance Office holds training courses to further reinforce awareness of compliant conduct among employees of the Company. In order to increase the number of employees who successfully complete the compliance e-learning training courses (Code of Conduct, antitrust law, data protection, information security, product safety, occupational health and safety, export control and transfer prices), the Compliance Office has – as of this fiscal year – been implementing an additional central reminder management process every quarter in cooperation with management across the Group, which has enabled the completion rate of the compliance e-learning training courses to be raised considerably.

- All specialist compliance departments describe their individual compliance management system (CMS) in a CMS manual: building on the seven core elements of a CMS in accordance with auditing standard IDW PS 980 or the relevant requirements of ISO standards, each specialist compliance department outlines all the key compliance measures for its compliance area in a detailed manual. Drafting of the CMS manuals is set to be completed in the next fiscal year and they will subsequently be continuously updated.

- In addition, a further focus in the fiscal year under review – in cooperation with the Internal Audit, Corporate Security and other specialist departments – concerned ensuring that information regarding misconduct by HELLA employees received via the Group-wide, web-based "tellUS!" whistleblower system or other channels is handled appropriately and effectively in line with the Company directive and the incident management process.

All new HELLA employees throughout the Group will continue to be invited to the e-learning module "Code of Conduct and compliance fundamentals" – as well as to all other compliance e-learning modules – as part of the onboarding process and their participation will be monitored.

Further details on the corporate philosophy and the principles of corporate governance can be found online under **WWW.HELLA.COM/CORPORATERESPONSIBILITY**.

III. DETERMINATIONS REGARDING FEMALE REPRESENTATION PURSUANT TO SECTION 76 (4) AND SECTION 111 (5) AKTG AND INFORMATION ABOUT THE GENDER QUOTA PURSUANT TO SECTION 96 (2) AKTG

The Management Board of HELLA GmbH & Co. KGaA has determined a target level of 9.5% for female representation for the first management level below the Management Board. For the second management level below the Management Board, the target level was set at 6%. In May 2017, it was decided that both target levels were to be reached by 30 June 2022.

No further determinations by the Supervisory Board pursuant to Section 111 (5) sentence 4 AktG have been made for reasons specific to the Company's legal form. In contrast to a stock corporation, the Supervisory Board of a KGaA does not have the authority to decide on the composition of the Management Board.

The composition of the Supervisory Board is governed by the mandatory requirement of Section 96 (2) AktG which specifies that at least 30% of its members must be women and at least 30% must be men. This requirement is met. Currently, six of the 16 Supervisory Board members (and four of the eight shareholder representatives) are women, which corresponds to a quota of 37.5%. So far, neither the shareholder representative's side nor the employee representative side has objected to the overall fulfilment of the quota requirement.

IV. APPLICATION OF THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)

The General Partner as well as the Shareholder Committee and Supervisory Board of HELLA GmbH & Co. KGaA publishes an annual declaration in accordance with Section 161 AktG confirming conformity to the recommendations of the "Government Commission for the German Corporate Governance Code" published by the German Federal Ministry of Justice in the official part of Bundesanzeiger and discloses any recommendations which are or have not been conformed to, stating the reasons for this. The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA published the declaration below in accordance with Section 161 AktG on 28 May 2019 on the Company's website:

DECLARATION REGARDING THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") declare, pursuant to Section 161 AktG that since the last time this declaration was made on 30 May 2018, and except for the deviations set out below, the Company has complied, and intends to comply in the future, with the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK), as amended on 7 February 2017, taking into account the special features of its legal form as set out below.

I. Special features of the legal form

The German Corporate Governance Code has been developed with companies organised as stock corporations or as European companies (SE) in mind and therefore does not take account of the special factors relating to the KGaA form. Accordingly, many of the recommendations of the German Corporate Governance Code can only be applied to HELLA GmbH & Co. KGaA in modified form. Material modifications are particularly required as a result of the following special factors relating to the Company's legal form.

1. Management Board

In contrast to a stock corporation whose affairs are managed by a board of directors, the management of a KGaA is the responsibility of the General Partners (partners with unlimited liability). They are not appointed or dismissed by the Supervisory Board but by the Annual General Meeting. The Company has a General Partner, Hella Geschäftsführungsgesellschaft mbH, which has its registered office in Lippstadt, and is represented by its Managing Directors Dr. Rolf Breidenbach (President and CEO), Dr. Werner Benade, Dr. Frank Huber, Stefan Osterhage, Bernard Schäferbarthold and Dr. Nicole Schneider. In contrast to the management board of a stock corporation, the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH are appointed for an indefinite period of time. The shares in HELLA Geschäftsführungsgesellschaft mbH are held by the Company. The resultant shareholder rights are exercised by the Shareholder Committee.

2. Shareholder Committee

The legal form of the KGaA, as opposed to that of a stock corporation, makes it possible to establish further optional corporate bodies. The Company took advantage of this opportunity. The Shareholder Committee, which has been created pursuant to the Articles of Association and is elected by the Annual General Meeting, supervises and advises the General Partner in its conduct of the Company's business and can issue rules of procedure for it. In addition, it determines which of the General Partner's transactions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the General Partner, and it represents the Company in legal disputes with the General Partner.

The Shareholder Committee exercises all the rights attached to the Company's shares in Hella Geschäftsführungsgesellschaft mbH. In particular, it appoints and removes the Managing Directors and is responsible for deciding on their employment contracts. The Shareholder Committee is also responsible for executing shareholders' resolutions.

To the extent where the DCGK contains recommendations relating to the tasks and responsibilities of a Supervisory Board, which in the case of HELLA GmbH & Co. KGaA are performed by the Shareholder Committee under the terms of its Articles of Association, these recommendations are deemed to apply to the Shareholder Committee.

3. Supervisory Board

Compared to the Supervisory Board of a stock corporation, the Supervisory Board of a KGaA has limited powers. In particular, it is not responsible for appointments and dismissals in relation to the Company's management. Nor does it have any power to issue rules of procedure for the Company's Management Board or determine which business decisions require its consent.

4. Annual General Meeting

The legal status of the Annual General Meeting is not dissimilar to that of a stock corporation. In particular, it elects the shareholder representatives of the Supervisory Board and the members of the Shareholder Committee. To the extent permitted by law, resolutions of the Annual General Meeting of HELLA GmbH & Co. KGaA are adopted by a simple majority. In contrast to a stock corporation, the Annual General Meeting of HELLA GmbH & Co. KGaA adopts legally binding resolutions approving the annual financial statements.

Under the Stock Corporation Act (Aktiengesetz – AktG), certain resolutions of the Annual General Meeting of a KGaA are subject to the approval of the General Partners (see Section 285 (2) and Section 286 (1) AktG). However, this consent requirement has been rendered inapplicable by the Articles of Association of HELLA GmbH & Co. KGaA to the extent legally permitted, in particular with regard to resolutions on amendments of the Articles of Association, fundamental and extraordinary business decisions, and the appointment and removal of General Partners. On the other hand, the annual financial statements cannot be approved by the Annual General Meeting without the General Partner's consent. According to the Articles of Association, the General Partner declares their consent when submitting their resolution proposals on the annual unconsolidated financial statements to the Annual General Meeting.

II. Deviations from the recommendations of the German Corporate Governance Code

1. Time period from the last declaration of conformity on 30 May 2018

In the period between the publication of the last declaration of conformity on 30 May 2018, the following recommendations of the German Corporate Governance Code in the versions applicable up until that day were not complied with:

a Deviating from Section 4.2.2 para. 2, sentence 3, the Shareholder Committee has not considered the relationship between the remuneration of the Management Board and that of senior management and the staff overall. The responsibilities of the individual members of the Management Board, his/her personal performance, the economic situation and performance of the Group, and the remuneration levels at peer companies are considered more appropriate and meaningful benchmarks for determining the level of remuneration.

b Deviating from Section 4.2.3 para. 3, the level of provision aimed for under the pension scheme for the Management Board has not been established. For the managing directors of Hella Geschäftsführungsgesellschaft mbH, the Company employs an asset-linked pension plan (Kapitalkontenmodell), under which benefits depend crucially on factors such as the prevailing interest rate and the development of the value of the investment assets.

c On 31 October 2014, the Annual General Meeting of the Company passed a resolution to dispense with the individualised disclosure of management compensation in accordance with Section 285 Number 9 Letter a) Sentences 5 to 8, 314 (1) Number 6 Letter a) Sentences 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB). Therefore, the Company deviates from the recommendations set forth in Section 4.2.5 DCGK.

d Deviating from Section 5.4.1 para. 2, sentence 2 DCGK, the Shareholder Committee and the Supervisory Board have not specified any regular limit of length of membership. These bodies believe that any general regular limit is not helpful because such a limit does not reasonably take into account specific individual aspects that would justify a longer length of membership of individual members of these bodies in the best interests of the Company and of the voting shareholders. In the opinion of the Shareholder Committee and the Supervisory Board, diversity as required by the DCGK may also be reflected in different lengths of membership in the respective body and, thus, in the level of experience of its members.

2. Forward-looking part

The Managing General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA intend to continue not applying the recommendations of the DCGK set forth under a) to d) in the future for the reasons outlined above.

III. Further Information

Section 4.2.3 para. 2, sentence 3 DCGK includes the recommendation for variable remuneration components determined by multi-year assessment, stipulating that this assessment basis should be mainly forward-looking. According to Section 4.2.3 para. 2, sentences 4 and 7 DCGK, both positive and negative developments shall be taken into account when determining variable remuneration components, and those components shall be related to demanding, relevant comparison parameters. While the Company's short-term variable remuneration (STI) for contracts that existed before the fiscal year 2016/2017 is calculated as a fixed percentage of the Group's consolidated earnings before taxes (EBT) and for contracts concluded thereafter using the performance of the operating free cash flow (OFCF), and does not retroactively penalise deteriorations in this performance measure over a multi-year period, the Company's long-term incentive (LTI) is tied to demanding targets for the Group's return on invested capital (ROIC) and is withheld over a forward-looking period of three fiscal years, during which it may decrease and be reduced to zero or increase, respectively, on account of deteriorations or improvements in the ROIC and/or the consolidated earnings before taxes (EBT). The Company considers this sufficient in the light of Section 4.2.3 para. 2, sentences 3, 4 and 7 DCGK.

V. PROPRIETARY TRANSACTIONS OF MANAGEMENT

In accordance with Article 19 of the EU Market Abuse Regulation, persons who complete management tasks at HELLA GmbH & Co. KGaA or who have a close relationship to these persons must disclose reportable transactions with shares or debt instruments of HELLA GmbH & Co. KGaA or the associated derivatives or other financial instruments of this issuer after a total volume of € 5,000 has been reached within a calendar year. The transactions notified to the Company in the fiscal year under review were duly published and are available on the website under **WWW.HELLA.COM/DIRECTORSDEALINGS**.

Remuneration report

Remuneration report

The remuneration report provides information on the remuneration systems for the Managing Directors of Hella Geschäftsführungsgesellschaft mbH and members of the Supervisory Board and Shareholder Committee of HELLA GmbH & Co. KGaA. The remuneration report takes into account the recommendations of the German Corporate Governance Code (DCGK) and contains the information and explanations required under the German Commercial Code (Handelsgesetzbuch, HGB) including the principles of the German Accounting Standard No. 17 (DRS 17) and in accordance with the International Financial Reporting Standards (IFRS).

More information in accordance with IFRS can be found in the consolidated notes.

The information required by Section 314 (1) no. 6a sentences 5 to 8 HGB on the remuneration paid to the individual members of the Management Board is not disclosed. On 31 October 2014, the extraordinary Annual General Meeting of the Company passed a dispensation resolution within the meaning of Section 286 (5) sentence 1 HGB in conjunction with Section 314 (2) sentence 2 HGB. The Company will refrain from disclosing the information recommended by Section 4.2.5 paras. 3 and 4 DCGK in its remuneration report for as long as a corresponding dispensation resolution remains in force.

I. Remuneration of the Management Board

In accordance with the Articles of Association, the legal relationships between the Company and a General Partner are governed by agreements between the General Partner and the Shareholder Committee to the extent that such relationships do not result from applicable mandatory provisions of the Articles or under law. In addition, the Shareholder Committee is responsible for deciding on the employment contracts of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH. In this connection, the Shareholder Committee also decides on the applicable remuneration system and the individual remuneration amount. It is assisted by its Personnel Committee in the performance of this task.

The individual remuneration of the Managing Directors has three components: a fixed non-performance-related component (plus non-performance-related remuneration in kind and ancillary benefits), an annual performance-related component (short-term incentive, STI) and a long-term performance-related component (long-term incentive, LTI). In addition, there are long-term pension liabilities towards the Managing Directors of Hella Geschäftsführungsgesellschaft mbH. For new contracts and extensions of existing contracts that have been concluded with Managing Directors since fiscal year 2016/2017, the Shareholder Committee has further developed and modified the calculation of the remuneration components and various other contractual terms. In future, the Company will base new appointments and contract extensions on the modified concept described separately below.

1. NON-PERFORMANCE-RELATED REMUNERATION COMPONENT

The non-performance-related remuneration component consists of an annual fixed salary and remuneration in kind as well as other ancillary benefits. The annual fixed salary is paid in monthly intervals.

The remuneration in kind and other ancillary benefits primarily consist of the private use of a company car. Furthermore, all the Managing Directors in their capacity as members of the Company's governing bodies are covered by the Group's D&O insurance. In the event of any claim, they are responsible for a deductible of at least 10% of the loss capped at one-and-a-half times their annual fixed salary.

2. PERFORMANCE-RELATED REMUNERATION COMPONENTS

A) Short-term variable remuneration (STI)

For contracts already in place before fiscal year 2016/2017, the short-term variable remuneration is calculated as a fixed percentage of the HELLA Group's operating earnings before taxes (EBT) for the fiscal year in question, adjusted for exceptional effects (extraordinary expenses and income reportable in the consolidated financial statements according to Section 277 (4) HGB-old version). In this connection, a minimum bonus amount not tied to EBT is granted. The bonus is paid once per fiscal year.

The Company applies a slightly modified calculation concept to contracts and extensions of existing contracts concluded as of fiscal year 2016/2017. Accordingly, the EBT is included in the calculation with a 70% weighting, while the remaining 30% is based on the performance of the operating free cash flow (OFCF). As evidenced in the cash flow statement of the legal consolidated annual closing, the operating free cash flow (OFCF) equates to the free cash flow from operating activities after investments and divestments (procurement and disposal of property, plant and equipment and intangible assets) and does not include company acquisitions. The Shareholder Committee specifies minimum, target and maximum values for the EBT and OFCF. The minimum values define the floor for the disbursement of an STI. If the target values are reached, the STI amounts to 120% of the annual fixed salary and 360% of the annual fixed salary upon reaching the maximum values.

B) Long-term variable remuneration (long-term incentive, LTI)

The long-term variable remuneration (long-term incentive, LTI) for the fiscal year is also paid in cash. It is calculated on the basis of two key performance indicators during a period of a total of four fiscal years, thus creating a long-term and sustainable incentive. In addition to the EBT margin, it is primarily based on the return on invested capital (ROIC), which the Company uses as a strategic management parameter. ROIC is defined as the ratio of operating return before interest and after taxes and invested capital. Return is calculated on the basis of operating earnings before interest and taxes (EBIT) for the past twelve months at the level of the Group units, less the standard income tax rate applicable in the country in question. Invested capital is the average of the opening and closing value of the assets shown on the face of the balance sheet excluding cash and cash equivalents and current financial assets less liabilities carried on the face of the balance sheet excluding current and non-current financial liabilities for the reporting period.

The LTI settlement amount is calculated as follows for contracts existing before fiscal year 2016/2017: an LTI base amount is initially calculated for the fiscal year in question. It is calculated for each fiscal year as a key performance indicator-based percentage of the fixed salary of each Managing Director. This percentage of the LTI base amount depends on the ROIC and may range from 0% (if the ROIC is 14% or less) to 200% (if the ROIC is 22% or more). The target is achieved at a ROIC of 18%. Payment of the LTI claim to the Managing Directors is made after a period of three fiscal years following the fiscal year for which the LTI base amount was calculated. One half each of the amount paid is determined by changes in the HELLA Group's ROIC and EBT respectively. For this purpose, the figures for the fiscal year for which the LTI base amount was calculated are compared with those for the year at the expiry of which the amount is paid. Every increase by one percentage point in the applicable criteria results in an increase of 7.5% in the LTI base amount, while every decrease by the same amount leads to a corresponding decrease in the LTI base amount. This does not give rise to any entitlement on the part of the Company to recover any compensation from a Managing Director in the event of a negative overall LTI settlement amount. In addition, it is not netted against a future positive LTI settlement amount.

The calculation concept for the LTI base amount was amended for contracts and extensions of contracts concluded as of fiscal year 2016/2017. The Shareholder Committee specifies minimum, target and maximum values for the ROIC. The minimum value (currently, i.e. for fiscal year 2019/2020, a ROIC of 10.7%) defines the floor for calculating an LTI base amount. If the target value is reached (currently a ROIC of 14.7%), the LTI base amount is 80% of the annual fixed salary and 240% of the annual fixed salary upon reaching the maximum value (currently a ROIC of 22.7%).

C) Remuneration cap

The Company has defined a remuneration cap under which the annual STI and LTI together are subject to a maximum equalling six times the applicable annual fixed salary. The Shareholder Committee of HELLA GmbH & Co. KGaA may at its own discretion make a positive or negative adjustment to all variable remuneration components if it is of the opinion that the calculation of the variable remuneration component is not in line with the Company's business performance because of extraordinary effects.

D) Pension commitments and comparable long-term obligations

The Company has also made pension commitments and comparable long-term obligations to the Managing Directors.

With respect to the Managing Directors of Hella Geschäftsführungsgesellschaft mbH, the Company uses a defined contribution pension plan to which it allocates a certain amount each year for the respective Managing Director. This financial contribution was increased for contracts concluded as of fiscal year 2016/2017. Upon pension eligibility arising, the accrued capital is paid either in a single lump sum or – subject to the Company's approval – in instalments over a maximum period of eight years. The contributions to the pension plan may be invested externally in one or more investment funds. The return here is based on the performance of the investment in question. In any case, a minimum interest rate is guaranteed. As a general rule, the capital account is dissolved on 31 May of the year following the Managing Director's 58th birthday. Eligibility for payment only arises once the Managing Director has left the Company. This period may be extended at the Managing Director's request and subject to the Company's approval. Pension eligibility also arises in the event of full or partial loss of earning capacity, protracted disability due to illness or upon death predating the Managing Director's contractual date of eligibility. In this case, the capital is paid either in a single lump sum or – subject to the Company's approval – in instalments over a maximum period of eight years to the beneficiaries nominated by the Managing Director. In addition to the pension plan funded by the Company, the Managing Directors of Hella Geschäftsführungsgesellschaft mbH are free to participate in a further asset-linked pension plan. In this case, capital is accumulated in the form of an individually defined deferred compensation component and largely follows the rules applicable to the asset-linked pension plan funded by the Company.

E) Termination benefits for Managing Directors

The employment contract automatically expires at the end of the month in which the Managing Director turns 65 or at the end of the month in which the notice granting a retirement, disability or similar pension is received. In the event of illness-related disability, the fixed salary or the difference over sickness benefits is paid for a further 18 months. In the case of death, the eligible beneficiaries receive the deceased Managing Director's fixed salary for a period of three months commencing with the month of death. If the Company revokes the appointment prior to the date of expiry of the service agreement, the service agreement can be terminated prematurely under exceptional circumstances. In cases in which the service agreement is terminated for material reasons for which the Managing Director is not responsible, a settlement of two times his/her annual remuneration or, if the remaining term of the service agreement is less than two years, a time-proportionate amount of the settlement is paid. For this purpose, the annual remuneration equals the sum total of the fixed annual salary plus a variable annual compensation less remuneration in kind and other ancillary benefits for the last full fiscal year prior to the termination of the appointment. In addition, a subsequent payment of apportioned LTI base amounts is made according to more detailed specifications of the LTI terms.

If the Managing Director's appointment is terminated in the course of the fiscal year, a time-proportionate amount of the bonus is paid. The minimum bonus is likewise calculated on a time-proportionate basis. The LTI base amount is also calculated on a time-proportionate basis for the year of termination. In certain cases, the LTI base amounts not yet due for payment lapse or are reduced on a time-proportionate basis upon exit.

There are no special change-of-control arrangements or particular compensation agreements with the Company in the event of a takeover bid.

3. TOTAL REMUNERATION FOR FISCAL YEAR 2018/2019

The total remuneration paid to the Managing Directors of Hella Geschäftsführungsgesellschaft mbH came to € 13,182 thousand in fiscal year 2018/2019 (prior year: € 15,446 thousand). Of this, fixed remuneration accounted for € 3,310 thousand (prior year: € 3,162 thousand) and variable remuneration for € 9,872 thousand (prior year: € 12,284 thousand).

Remuneration in kind and other ancillary benefits came to a total of € 158 thousand in fiscal year 2018/2019 (prior year: € 172 thousand). Remuneration in kind was measured on the basis of actual cost. The defined benefit obligation for liabilities from the defined contributions capital account system for the active Managing Directors was € 12,625 thousand (prior year: € 10,765 thousand) on 31 May 2019.[1] The financing contributions structured in the form of investment fund units and pledged to the active beneficiaries were valued at € 10,988 thousand as of the balance sheet date (prior year: € 9,933 thousand).

Pension liabilities towards former members of the Management Board and their surviving dependents came to € 15,584 thousand (prior year: € 13,906 thousand). In addition, there are liabilities that have been transferred to Allianz Pensionsfonds AG in the amount of € 3,894 thousand (prior year: € 3,675 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 538 thousand (prior year: € 249 thousand). The defined benefit obligation for comparable, long-term obligations from the defined contributions capital account system towards former members of the Management Board and their surviving dependents is € 5,438 thousand (prior year: € 5,182 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at

€ 4,980 thousand as of the balance sheet date (prior year: € 5,087 thousand). Payments under pension liabilities towards former members of the Management Board and their surviving dependants came to € 708 thousand (prior year: € 279 thousand).

Commitments of € 2,510 thousand (prior year: € 2,739 thousand) for amounts payable from the LTI programme arising from the occurrence or suspension of conditions were made in fiscal year 2018/2019.[2]

4. LIABILITY REMUNERATION FOR HELLA GESCHÄFTSFÜHRUNGSGESELLSCHAFT MBH

Under Article 8 of the Articles of Association, Hella Geschäftsführungsgesellschaft mbH as the General Partner receives liability remuneration of 5% of its paid-in capital payable on the balance sheet date. The Company paid an amount of € 1 thousand (prior year: € 1 thousand) in this connection.

II. Remuneration of the Supervisory Board

Under Article 16 of the Articles of the Association, the Annual General Meeting determines the remuneration payable to the Supervisory Board. In accordance with the still applicable resolution passed at the Annual General Meeting on 26 September 2014, all members of the Supervisory Board receive annual remuneration of € 20 thousand. The Chairman of the Supervisory Board receives annual remuneration of € 40 thousand and each Deputy Chairman € 30 thousand. Members serving on the Supervisory Board for only part of the fiscal year receive a corresponding time-proportionate amount. Each member of the Audit Committee receives additional annual remuneration of € 10 thousand. The Chairman of the Audit Committee receives additional annual remuneration of € 20 thousand. The members of the Nomination Committee do not receive any additional remuneration. All members of the Supervisory Board are reimbursed for all expenses which they incur in the performance of their duties plus value added tax. No attendance fees are paid. The total remuneration paid to the members of the Supervisory Board (fixed remuneration and remuneration for committee work) came to € 399 thousand in fiscal year 2018/2019 (prior year: € 400 thousand). Of this, fixed remuneration accounted for € 350 thousand (prior year: € 350 thousand) and committee remuneration for € 49 thousand (prior year: € 50 thousand).

As members of the Company's governing bodies, the members of the Supervisory Board are covered by the Group's D&O insurance. This cover is subject to a deductible of at least 10% per claim, which however is capped at one-and-a-half times the fixed annual remuneration.

In fiscal year 2018/2019, no payments or benefits other than those mentioned above were granted to members of the Supervisory Board for products and services, in particular for advisory and placement services.

III. Remuneration of the Shareholder Committee

Under Article 28 of the Articles of the Association, the Annual General Meeting determines the remuneration payable to the Shareholder Committee. Under the still valid resolution passed at the Annual General Meeting on 19 November 2010, the Chairman of the Shareholder Committee receives annual remuneration of € 300 thousand and all other members € 100 thousand. Members serving on the Shareholder Committee for only part of the fiscal year receive a corresponding time-proportionate amount. All members of the Shareholder Committee are reimbursed for all expenses which they incur in the performance of their duties plus value added tax. No attendance fees are paid. No additional remuneration is paid to members of the Personnel Committee.

As members of the Company's governing bodies, the members of the Shareholder Committee are covered by the Group's D&O insurance. This cover is subject to a deductible of at least 10% per claim, which however is capped at one-and-a-half times the fixed annual remuneration.

The total remuneration paid to the members of the Shareholder Committee came to € 900 thousand plus value added tax in fiscal year 2018/2019 (prior year: € 867 thousand plus value added tax). Of this, fixed remuneration accounted for € 900 thousand (prior year: € 867 thousand) and remuneration for committee work for € 0 thousand (prior year: € 0 thousand).

In fiscal year 2018/2019, no payments or benefits other than those mentioned above were granted to members of the Shareholder Committee for products and services, in particular for advisory and placement services.

1 Of which € 3,474 thousand (prior year: € 3,564 thousand) are employee-financed.
2 The commitment includes services rendered within the LTI programme based on 100% target achievement. Please refer to I. 2. B) for a detailed description of the LTI programme.

The following table sets out the individual remuneration paid to the members of the Supervisory Board for fiscal years 2018/2019 and 2017/2018:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2018/2019**	2017/2018	**2018/2019**	2017/2018	**2018/2019**	2017/2018
Prof. Dr. Michael Hoffmann-Becking, Chairman	40,000.00	40,000.00	10,000.00	10,000.00	50,000.00	50,000.00
Alfons Eilers, Deputy Chairman	30,000.00	30,000.00			30,000.00	30,000.00
Christoph Rudiger	13,315.07	0.00			13,315.07	0.00
Paul Berger	6,684.93	20,000.00	3,342.47	10,000.00	10,027.40	30,000.00
Michaela Bittner	20,000.00	20,000.00			20,000.00	20,000.00
Heinrich-Georg Bölter	20,000.00	20,000.00	5,671.23		25,671.23	20,000.00
Manuel Rodriguez Cameselle	20,000.00	20,000.00			20,000.00	20,000.00
Manuel Frenzel	20,000.00	20,000.00			20,000.00	20,000.00
Elisabeth Fries	20,000.00	20,000.00			20,000.00	20,000.00
Stephanie Hueck	20,000.00	20,000.00			20,000.00	20,000.00
Susanna Hülsbömer	20,000.00	20,000.00			20,000.00	20,000.00
Klaus Kühn	20,000.00	20,000.00	20,000.00	20,000.00	40,000.00	40,000.00
Manfred Menningen	20,000.00	20,000.00	10,000.00	10,000.00	30,000.00	30,000.00
Marco Schweizer	20,000.00	20,000.00			20,000.00	20,000.00
Dr. Konstanze Thämer	20,000.00	20,000.00			20,000.00	20,000.00
Christoph Thomas	20,000.00	20,000.00			20,000.00	20,000.00
Claudia Owen	20,000.00	20,000.00			20,000.00	20,000.00

The following table sets out the individual remuneration paid to the members of the Shareholder Committee for fiscal years 2018/2019 and 2017/2018:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2018/2019**	2017/2018	**2018/2019**	2017/2018	**2018/2019**	2017/2018
Manfred Wennemer, Chairman	300,000.00	300,000.00			300,000.00	300,000.00
Roland Hammerstein	100,000.00	100,000.00			100,000.00	100,000.00
Dr. Gerd Kleinert	100,000.00	100,000.00			100,000.00	100,000.00
Klaus Kühn	100,000.00	100,000.00			100,000.00	100,000.00
Dr. Matthias Röpke	100,000.00	100,000.00			100,000.00	100,000.00
Konstantin Thomas	100,000.00	100,000.00			100,000.00	100,000.00
Dr. Jürgen Behrend	100,000.00	66,575.34			100,000.00	66,575.34

Non-financial report HELLA GmbH & Co. KGaA

In 2019, HELLA is looking back on a successful company history spanning 120 years. Right from the start, HELLA has taken on responsibility for its employees, wider society and the environment as a globally active business, recognising that responsible conduct combined with sustainable social and ecological management across generations form the basis for long-term success. HELLA is publishing this separate combined non-financial report (henceforth "non-financial report") in compliance with Sections 315b and 289b ff. of the German Commercial Code (Handelsgesetzbuch – HGB) to provide greater transparency into non-financial aspects of fiscal year 2018/2019 that are material and necessary to understand HELLA GmbH & Co. KGaA's development, performance and current position as well as the impacts of its operations. The reporting period spans from 1 June 2018 to 31 May 2019. The content of this report is based solely on what is deemed to be material as well as the content specifications outlined in the HGB. To date, a framework has not been used when compiling reports on sustainability. In line with this, a framework was not used when compiling this non-financial report.

The commitment to sustainability is firmly anchored in HELLA's corporate culture. Ensuring sustainability is one of the seven HELLA values. Corporate responsibility also forms part of the HELLA Code of Conduct and corporate policy as well as other Company guidelines. Sustainability is the shared mission and duty of each and every person employed at HELLA. It is also a topic which is firmly embedded from an organisational standpoint, with the Management Board representative for HR also responsible for the area of sustainability. Various functional divisions are tasked with the ongoing development of individual sustainability issues at HELLA and concrete objectives are pursued by the appropriate responsible. A CSR council involving regular meetings of division managers and experts has also been established in order to facilitate the exchange of information across the Company. Communication and dialogue with the stakeholders is centrally managed from within the Corporate Communications and Investor Relations as well as the Environmental Management departments.

In 2018, HELLA established the most material sustainability issues for the Company both now and in the future by means of a material analysis conducted in compliance with the HGB. From the results of the analysis, six non-financial issues were identified as being material for HELLA. Over the reporting period, the CSR Council and the Management Board revisited this evaluation and checked and confirmed its validity.

HGB aspects	**Key issues for HELLA**
Environmental matters	Sustainable product benefits
Social matters	Product safety
Employee matters	Occupational safety and health protection Terms of employment Training and professional development
Combating corruption	Compliance
Respect for human rights	Not a key issue; respecting human rights is addressed by HELLA in the terms of employment, the HELLA Code of Conduct and the HELLA Code of Conduct for Suppliers and Service providers

HELLA procures a significant portion of its total purchasing volume from large suppliers in OECD countries that maintain comprehensive standards and processes in this area. The material analysis therefore found that issues relating to human rights in the HELLA supply chain were non-material in terms of their impacts and their importance for understanding the Company's development, performance and current position.

In order to ensure that HELLA continues to develop successfully in terms of sustainability in the future, the Company adopts a proactive stance and assesses opportunities for and risks to its own operations in a responsible manner. Potential new opportunities and risks are included within the scope of HELLA Enterprise Risk Management (ERM). This is considered to be the collective task of the Group as a whole. The opportunities and risks, including non-financial risks, are managed by the responsible experts in a structured manner.

In line with this, a risk assessment for the non-financial report has been carried out by specialists in compliance with Sections 315b and 289b ff. of the HGB. In compliance with the HGB, no material risks related to HELLA's operations, business relationships, products or services were identified (net consideration) that have had or will have very probable and serious negative effects on the six key issues to be reported identified in Section 289c (3) and (4) HGB.

The comprehensive opportunities and risks report including further details can be found in the group management report.

REFERENCE FRAMEWORK & AUDIT STATEMENT

Unless indicated otherwise, the information concerns the HELLA Group (henceforth "HELLA") as well as the parent company HELLA GmbH & Co. KGaA in accordance with the scope of consolidation of financial reporting. Joint ventures and Docter Optics including subsidiaries are separately responsible for managing the material issues and are therefore not considered here.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) conducted a voluntary audit of the non-financial report in accordance with ISAE 3000 (Revised) for limited assurance purposes. The audit statement is available subsequent to this non-financial report.

HELLA BUSINESS MODEL

HELLA employs around 39,000 people at over 125 sites around the world and achieved sales of € 7.0 billion in fiscal year 2018/2019. The family-owned company, with its headquarters in the German town of Lippstadt, is listed on the stock exchange and has been an important partner in the automotive industry for 120 years. Key trends in the automotive industry which have played a particularly significant role in sparking innovation and contributing to HELLA's success include autonomous driving, efficiency and electrification, connectivity and digitalisation, as well as individualisation.

The Company develops, produces and markets lighting and electronics solutions for the automotive industry as well as for manufacturers of special vehicles. HELLA also has one of the largest retail organisations for automotive parts, accessories, diagnostics and services in Europe.

More information on the business model is available in the group management report 2018/2019 in the chapter General information on the HELLA Group.

Sustainable product benefits

As a manufacturing company, HELLA is well aware of its responsibility towards the environment. HELLA has taken measures to continuously design its production processes more and more environmentally friendly. The Company also aims to contribute to reducing emissions and making vehicles more efficient by offering innovative product solutions. Sustainable product benefits are not managed by a central Group unit but are overseen by the Executive Boards of the various business divisions, with support provided by Strategy as well as Research and Development and Environmental Management.

ENVIRONMENTAL STANDARDS IN PRODUCTION

High environmental and quality standards are in place at HELLA. Environmental Management ensures that these standards are upheld on a global scale across the Company and that customer requirements are dealt with consistently. The central functions of Environmental Management as well as Environmental Protection, Occupational Health and Safety (EHS) are responsible for environmental protection at the production sites. Virtually all HELLA production sites[1] (38 out of 42) are certified to ISO 14001. HELLA regularly conducts audits of its environmental standards and risks are assessed as part of the Enterprise Risk Management. Twice a year the department reports to the management board.

The main driver of CO2 emissions at HELLA is electrical consumption during production. Against this background, the company set itself the target in the past fiscal year of reducing the specific electrical consumption in relation to sales in the producing HELLA companies by two 2 % per year. In the reporting year, HELLA has succeeded in lowering the specific electrical consumption by around 7% (from 92.8 kWh per € 1,000 sales in fiscal year 2017/2018[2] to 85.7 kWh per € 1,000 sales). Some of the measures taken in this regard included modernising machinery as well as implementing more efficient air-conditioning technology in Mexico.

PRODUCT SOLUTIONS FOR INCREASED EFFICIENCY & ELECTRIFICATION OF VEHICLES

Road traffic is a key contributor to global CO2 emissions. As such, it is the responsibility of the automotive industry as a whole to find ways of reducing CO2 levels. By offering innova-

1 In the areas of environmental management, environmental protection, occupational safety and health protection, the definition of the basic population of the production sites was calculated differently for historical reasons.
2 Key performance indicator for fiscal year 2017/2018 not checked

tive product solutions, HELLA aims to increase efficiency and contribute to the gradual electrification of vehicles. The Company also wishes to strengthen its own commercial potential through these products. The product portfolio is therefore being aligned with these aims, and the HELLA Management Board and the Research and Development department together with the customer-focused Product Centres are continuously engaged in developing and producing new products in the area of energy management. The guidelines for this are established within the scope of the annual strategy process.

To promote the development of new product solutions, around 7,700 people are employed in research and development at HELLA, constituting around 20% of the global workforce. In reporting year 2018/2019, HELLA invested a total of € 611 million in research and development, equating to 8.8% of sales. In cooperation with universities, research institutes, start-ups and customers, HELLA develops trend-setting solutions for the automotive industry.

Eco-friendly design plays a particular role within the product development process at HELLA. The design process is governed by a Group-wide environmental standard, which aims to limit the use of containing pollutants, conserve resources and facilitate product recycling. In the reporting year, HELLA made particular advancements in technologies for the fast-growing semi-electric cars – or 'mild hybrids' – market. These vehicles use a combination of an internal combustion engine and an electric motor which supports the drive.

- HELLA voltage converters are a decisive component for the electrification of power trains. Hybrid vehicles use architectures with different voltage levels to operate electric motor and comfort and assistance systems in an optimal way. As part of the interface, HELLA voltage converters (12V/12V and 48V/12V DC-DC converters) ensure that the components in the vehicle are supplied with the appropriate voltage in a reliable manner.

- The patented dual-voltage battery combines several, previously separate, functions (12 and 48 volt lithium-ion battery, battery management system, DC-DC converter and power electronics) in a single module. In compact and mid-range vehicles, the dual-voltage battery saves space and weight and reduces emissions.

- For larger vehicles, HELLA has further developed the PowerPack 48 Volt in the last fiscal year. It combines a powerful lithium-ion battery with battery management system and DC-DC converter in a signle module. These new battery solutions enable savings of 5 to 6 grams of CO2 per kilometre driven.

- In the mild hybrid architecture, the dual-voltage battery and PowerPack reduce emissions via additional features such as increased recuperation and active/passive sailing.

- With the number of hybrid and electric vehicles on the roads continually increasing, workshops must increasingly prepare for the safe handling of high-voltage drives. As a provider of diagnostic software for workshops, Hella Gutmann Solutions GmbH supports workshops in this regard and is gradually integrating these vehicle models into its software. Over 400 electric and hybrid models from well-known manufacturers are now available in the software.[3]

Product safety

The global automotive is making a collective effort to improve road safety. According to the World Health Organization, in 2016, almost 3,700 people were killed each day as the result of a traffic accident.[4] To make traffic safer, automobile manufacturers are increasingly equipping vehicles with modern assistance systems and are gradually automating driving. By offering high-performance assistance systems and innovative lighting technologies, HELLA is also making a contribution here. At the same time, HELLA's quality management and product safety measures ensure that its own products function reliably and are safe to operate.

ROAD SAFETY

Various HELLA sensors perceive and assess other road users and objects around the vehicle to enable the vehicle or driver to respond appropriately to their surroundings, thus preventing accidents.

- For instance, in the reporting year, HELLA further strengthened the market position of its 24 GHz radar sensors. These sensors can be used across all vehicle classes to provide assistance with aspects such as blind spot monitoring, lane changing and reverse parking.

- In the past fiscal year, HELLA has also worked on developing radar sensors with improved resolution for semi-automated driving in passenger vehicles on a 77 GHz basis. Series production of these new sensors is due to commence in 2020. HELLA has also been developing this sensor technology for the truck market through its partnership with ZF Friedrichshafen AG. For example, the sensors monitor truck blind spots in order to prevent accidents with cyclists when turning.

3 Status: April 2019
4 https://www.who.int/violence_injury_prevention/road_safety_status/2018/en/

- HELLA has also entered into a strategic partnership with Californian start-up AEye, one of the leading providers of visual perception systems (LiDAR sensors as well as iDAR system development). HELLA and AEye will collaborate to develop sensor solutions for driver assistance systems and automated driving. The first results of this partnership were showcased at the CES trade show in Los Angeles in January 2019.

- Series production of HELLA's SHAKE (Structural Health and Knock Emission) sensors for premium vehicles also commenced in fiscal year 2018/2019. The sensor measures the level of moisture between the tyres and the road surface and can therefore alert the driver to potentially dangerous driving situations, such as aquaplaning.

Poor visibility also increases the level of risk in road traffic. HELLA's innovative lighting systems help improve visibility for drivers when driving in dark conditions as well as in poor weather.

- For instance, HELLA is working towards increasing the use of innovative LED headlamp technologies in compact and mid-range vehicles as well as for special vehicles. Thanks to their brightness and colour similar to daylight, LED headlamps do not contribute to the tiredness of the driver to as great an extent as other technologies.

- The glare-free high beam light also helps to increase visibility by up to approx. 30 metres, providing drivers with more scope to break in good time in an emergency (reaction time improved by 1.3 seconds at 80 km/h).[5]

What's more, HELLA develops and markets innovative lighting solutions to increase occupational health and safety in special vehicles.

- Using HELLA VISIOTECH technology, lines or symbols can be projected onto the ground in the working area of special vehicles. The forklift warning symbol, for example, can be used to warn warehouse staff of approaching vehicles.

- HELLA first presented other applications, including those for use in public transport, at the IAA Commercial Vehicles trade show in 2018.

PRODUCT RESPONSIBILITY

To ensure the safety of HELLA products for both users and the environment, the Company places high demands on the quality and reliability of its own products. This includes obtaining comprehensive customer information, guaranteeing quality, complying with legal requirements and maintaining product safety.

HELLA informs its customers about the contents of individual products and takes care to avoid or minimise the use of potentially critical substances. HELLA products comply with the relevant regional requirements. This way, HELLA processually ensures that these requirements are met worldwide over the product life cycle.

Quality management

HELLA products are developed and manufactured according to the highest standards of quality (ISO 9001 and IATF 16949) as well as specific customer requirements. Quality management at HELLA comprises all activities and objectives relating to guaranteeing the quality of both products and processes. The comprehensive "Strategic quality (SQ)" quality management concept is used as a basis for this. Processes applicable across the Group are employed throughout the entire product lifecycle. HELLA products are carefully checked before leaving the plants. Process checks are conducted to verify compliance with legal and customer requirements.

The quality organisation at HELLA comprises the central function as well as regional, site and division-specific quality managers. Overarching quality goals are agreed in consultation with the Management Board using key performance indicators and the current status is reported on a monthly basis.

More information on the quality management is available in the group management report in the chapter General information on the HELLA group.

Product safety

Guaranteeing the safety of the Company's own products takes top priority at HELLA. The HELLA portfolio includes safety-related products which must be checked especially carefully, for example, in the area of sensor technology for assistance systems and control modules for electrical power steering. To ensure product safety, the Company focuses on the areas of cyber security, as well as functional, chemical, electrical and mechanical safety. Product safety officers supervise new products over their entire lifecycle – from development and production right through to disposal. New products are also checked by independent internal testers. Compliance with Group-wide specifications and processes relating to quality and product safety is regularly checked in both internal and external audits, with information provided to product managers and the HELLA Management Board in regular meetings.

5 Light Sight Safety Study conducted by the Technische Hochschule Mittelhessen University of Applied Sciences, May 2015

HELLA is working continuously to improve levels of quality and safety. In the reporting period, activities carried out at HELLA within the scope of product safety have been anchored within the structure of the Product Safety Management organisational unit. On top of this, the Company is currently engaged in the international standardisation process within the automotive industry.

Occupational safety & health protection

Occupational safety and health protection are of paramount importance at HELLA and ensuring the safety of employees in the workplace at all times is a top priority. Accidents can have drastic consequences, not just for those directly involved, but also for HELLA in the form of production downtime, negative environmental impacts or other forms of loss or damage. HELLA has also taken steps to actively promote the health and well-being of its employees, to ensure that staff are able to perform to the best of their abilities and are motivated at work.

HELLA takes a proactive stance when it comes to occupational safety and health protection. At least one EHS coordinator is responsible for minimising risks and preventing workplace accidents at each HELLA site. The coordinators report to site management as well as to the central EHS department in terms of tasks, which brings together the various experts. The Group EHS department provides the Management Board with incident statistics on a monthly basis.

As a signatory to the Seoul Declaration on Safety and Health at Work, HELLA is committed to establishing a culture of prevention. As part of this commitment, HELLA assesses risks and carries out safety inspections on a regular basis. During the reporting period, HELLA rolled out an obligatory process to standardise the provisions of this declaration across its global sites. HELLA regularly checks that the requirements are being strictly adhered to by conducting internal and external audits.

The occupational health and safety management system also aims to reduce the risk of injuries and accidents and preserve the health of employees in accordance with OHSAS 18001 (Occupational Health and Safety Assessment Series). HELLA is in the process of certifying all occupational health and safety management systems at the production sites in accordance with this or comparable standards. 17 HELLA production sites are currently certified, constituting 46% of the total number of HELLA production sites (previous year: 16 sites / 43%). In the reporting year, the rate of accidents[6] incurred at HELLA has dropped by 0.9%, decreasing from 6.1% to 5.2%. The statistics show how many accidents occurred over one million hours of work. They include all the accidents that resulted in more than one lost day of work.

Every effort is being made at HELLA to continuously improve and enhance both occupational health and safety as well as technical safety. For instance, robots are now being used to assist employees with physically demanding and monotonous tasks. HELLA works with new standards regulating the use of collaborative robots in order to assess the potential risks posed by such technology.

Terms of employment

In order to boost the motivation of its staff, HELLA aims to provide an attractive and fair working environment in which employees are encouraged to take initiative, put themselves and their ideas forwards and engage in ongoing training and development. A corporate culture in which each and every member of staff is made to feel valued and treated equally, fairly and with respect forms the basis for such an environment. The requirements for creating this environment are clearly set out in the HELLA values and HELLA Code of Conduct.

The Human Resources Management department plays a significant role in shaping the framework in which employees are able to reach their potential. Numerous processes and inhouse agreements regulate and guide the human resources activities carried out at HELLA. Audits check these regularly. At Group level, the Human Resources Management team is responsible for terms of employment and is represented on the Management Board. Due to their country-specific requirements, certain tasks are carried out by the responsible regional HR manager for the countries and companies in question. Clear requirements for the respect of human rights in terms of working principles and social principles (for example, diversity and inclusion, the prohibition of child and forced labour, freedom of association and the right to employee representation, working hours and remuneration) have been set out by the Company in the Code of Conduct.

In order to evaluate the measures, processes and terms of employment, HELLA usually conducts a global employee survey every four years, which is used to derive appropriate measures. For instance, new forms of communication between employees and managerial staff, such as "Meet the Board" events, were established during the reporting period in order to promote interaction between different parties.

In order to be perceived and recognised as a preferred employer, HELLA places a great deal of value on attractive work-

6 Only statistics for permanent employees and temporary workers have been taken into consideration (working hours of temporary workers estimated). Statistics for employees from external companies not included

ing conditions, including fair remuneration for its employees. Collective agreements and similar arrangements regulate the terms of employment for a large proportion of employees at HELLA. In addition to this, HELLA promotes the professional development of its staff (see "Training and professional development") through targeted measures tailored to the individual employee's circumstances. For example, HELLA supports employees in a variety of situations in Germany, Mexico and Romania by providing flexible working models, including flexi- and part-time hours and mobile working. At the Company headquarters in Lippstadt, HELLA is bringing together both work and family life by offering two daycare centres, childcare services during the holidays and, since spring 2019, a parent-child office, in which employees can look after their children while working at the same time in the event of last-minute changes to childcare arrangements. To further promote the sense of community spirit, HELLA also organises family events at international locations. In Germany, HELLA further supports its employees in finding caregivers for family members and provides a wide range of further family-oriented services.

The inclusion of employee representatives in Company bodies and other events such as "town hall" meetings and staff meetings further enables exchange and participation amongst employees.

Training and professional development

Qualified employees are vital to HELLA's success. For this reason, HELLA makes every effort to provide its employees with opportunities for continuous training and development so that they are best equipped to perform their current and future duties, as well as to prepare them for any changes they will face over the course of their careers.

Training and professional development as well as talent management are coordinated by the Human Resources department. The people in charge of these areas report to the member of the Human Resources team represented on the Management Board. The associated processes have for the most part been rolled out across the global HELLA network and are checked by means of audits. Employees with strong potential are identified as part of the annual talent review and special further development measures are defined for these individuals.

Vocational training and academic studies

HELLA attaches great importance to training junior employees and young professionals. At the HELLA sites in Germany, emphasis is placed on vocational training in technical and commercial positions as well as dual courses of study at Bachelor's and Master's level. The supplementary global HELLA Graduate programme is aimed at recent Master's graduates entering the world of work. To help new employees find their feet in the areas of project management, software and purchasing in particular, HELLA has launched the Kickstart programme in Germany. Over the course of six months, employees are given specific and intensive training on the tasks they will be facing in their new roles.

Professional development and qualification

HELLA supports its employees in their professional development. HELLA management staff hold feedback sessions with their employees at least once a year to discuss their development to date and their current and future needs, as well as to consider other potential avenues and measures. Given the significant role played by management staff in employee development, each new member of the management team undergoes training through HELLA's in-house Global Leadership Academy. In the reporting year, a number of more experienced members of the management team across the globe also received further training in the form of "fresh ups" from the Leadership Academy.

In order to further develop the knowledge and skills of specific staff target groups in terms of tasks, HELLA has focused in particular on further expanding the opportunities available for digital learnings. For instance, technical training modules for the purchasing department have been added to the in-house learning platform "MyTalentCompass". What's more, since this reporting year, the contents of the "Harvard Manage Mentor" learning platform have been made available to all staff to facilitate independent learning.

To further improve the training and educational services offered at HELLA, HELLA systematically collects feedback from employees on the various learning opportunities. Success monitoring is also carried out the training courses in order to check that employees have understood the course contents and have succeeded in implementing their new skills into their everyday work.

Compliance

Compliance is the foundation of business operations at HELLA and is vital for ensuring long-term success. Because of this, HELLA expects all staff to comply with all applicable laws and internal regulations and to lead by example, both when working with each other as well as with stakeholders. The seven HELLA values (looking ahead with entrepreneurial spirit; working together efficiently; ensuring sustainability;

delivering top performance; striving toward innovation; doing business with integrity; setting an example) and the Code of Conduct are mandatory for all HELLA employees across the Company's sites worldwide.

They describe how compliance and acting with integrity are an indispensable part of HELLA's corporate culture and a core component of its daily operations. The objective is to effectively incorporate compliance into the Company's business processes in order to systematically prevent misconduct and ensure that all employees adhere to all applicable rules and regulations. The HELLA Code of Conduct for suppliers ensures that compliance is upheld consistently beyond the boundaries of the Company. Suppliers must respect the standards outlined in the Code of Conduct. It demands that these standards are maintained across the entire supply chain.

The Company-wide compliance guideline defines the compliance management system alongside the compliance organisation in place at HELLA. This guideline is used to help systematically anchor compliance throughout the Company and to ensure that the applicable rules and regulations are upheld. Further guidelines, codes of conduct and processes provide further information and instruction on specific topics related to the area of compliance.

The Corporate Compliance Office is responsible for the compliance-related topics of corruption prevention and antitrust law. The Head of the Corporate Compliance Office reports to the Chief Compliance Officer who in turn reports directly to the President and CEO. The Corporate Compliance Office also reports regularly to the Management Board and to the Audit Committee of the Supervisory Board.

Other specialist compliance divisions are responsible for the topics of product safety, data protection, export control/customs, occupational health and safety, environmental protection, information security, employment law/social standards, fraud prevention, accounting, taxes, corporate security, anti-money laundering and capital market law. The heads of these specialist divisions meet every other month to discuss cross-divisional issues and best practices, as well as to develop joint initiatives. Regional compliance officers and compliance officers at selected sites support the work of the central Corporate Compliance Office.

More information on the compliance organisation is available in the group management report in the Corporate Governance Report.

HELLA always uses the most recent version of the Compliance Management System and adapts the system to changes in the market environment and legal conditions as required. HELLA also carries out regular risk analyses and uses this process to make further improvements to the management system.

HELLA rigorously investigates any and all violations of laws, the Code of Conduct and any internal regulations and these are not tolerated under any circumstances. Should an employee become aware of misconduct at HELLA and cannot or does not wish to approach their manager, a specialist department, the Managing Director or their plant manager directly, they can report potential misconduct using the web-based "tellUS!" system. This system is available in the local language and can be used anonymously. HELLA will follow up on any reports submitted via this system without delay.

Numerous measures are in place to further promote compliance at HELLA and to increase awareness of the importance of compliant behaviour. In autumn 2018, for example, HELLA revised the Code of Conduct to incorporate new topics such as information security, corruption prevention, product safety, environmental protection and occupational health and safety. Other issues such as working principles, social principles and antitrust law were also supplemented with further information. The revised Code of Conduct was translated into 13 languages and distributed to employees around the world. As part of the onboarding process, each new employee receives and confirms their understanding of the Code of Conduct.

HELLA is also implementing targeted training measures to boost awareness amongst its employees. This includes training on the Code of Conduct in the form of e-learning courses for employees based at a computer as well as in-person training events for production staff. More intensive specialist training is also provided for particular employee groups. For instance, since its launch in fiscal year 2014/2015, the web-based training course on the Code of Conduct and compliance fundamentals, which focuses on corruption prevention, has successfully been completed by over 19,900 active employees around the world, with over 3,100 employees completing it in fiscal year 2018/2019.

Audit report for the non-financial reporting →

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To HELLA GmbH & Co. KGaA, Lippstadt,

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of HELLA GmbH & Co. KGaA, Lippstadt, (hereinafter the "Company") for the period from 1 June 2018 to 31 May 2019 (hereinafter the "Non-financial Report").

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB..

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER´S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 June 2018 to 31 May 2019 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

1 PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

ASSURANCE CONCLUSION

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 June 2018 to 31 May 2019 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, 30 July 2019

PRICEWATERHOUSECOOPERS GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

ppa. Axel Faupel

Report by the Supervisory Board

Report by the Supervisory Board

Ladies and Gentlemen,

In fiscal year 2018/2019, the Supervisory Board closely followed the situation and development of HELLA GmbH & Co. KGaA. The Supervisory Board performed the tasks incumbent upon it as provided for by applicable law and the articles of association, and advised and supervised the Management Board.

The Management Board provided the Supervisory Board on a regular basis with written and verbal information on the business performance of HELLA GmbH & Co. KGaA. In particular, the market and sales situation of the Company against the background of general economic developments, the financial situation of the Company and its subsidiaries as well as earnings trends were presented to the Supervisory Board. In the context of the monthly reporting, sales and earning performance figures were discussed for the HELLA Group as a whole as well as broken down by business segment. Furthermore, during the Supervisory Board meetings, the current business situation, the sales, results and capital expenditure planning, as well as the operational targets were discussed. The Management Board provided detailed remarks regarding any deviations in the course of business from the budgeted values.

FOCUS OF DELIBERATIONS OF THE SUPERVISORY BOARD

In fiscal year 2018/2019, the Supervisory Board held four ordinary meetings, which took place on 9 August 2018, 6 November 2018, 31 January 2019 and 28 May 2019.

At the meeting on 9 August 2018, the annual financial statements of HELLA GmbH & Co. KGaA and of the Group as well as the non-financial report of HELLA GmbH & Co. KGaA for fiscal year 2017/2018 were presented and discussed in depth. Based on the initial review by the Audit Committee, the Supervisory Board approved both financial statements and the non-financial report. It also endorsed the proposal of the General Partner for the appropriation of distributable profits. Taking into account the recommendation of the Audit Committee regarding the election of the auditor, the Supervisory Board further addressed the proposed resolutions for the Annual General Meeting on 28 September 2018 and adopted them. Furthermore, the current business situation was presented by the Management Board.

At the meeting on 6 November 2018, the Management Board started by explaining the current business development for the business segments and the Group. The current status and the strategy for the sensor and actuator business of the HELLA Electronics division were also reported to the Supervisory Board. Furthermore, the results of the efficiency review, which was carried out by the Supervisory Board in October 2018, were discussed.

The main topic of the meeting on 31 January 2019 was the current financial situation of the Company. The Management Board also presented the activities and strategic alignment for the energy management area. Moreover, the Supervisory Board discussed the upcoming election of the Supervisory Board and the associated requirements regarding meeting the gender quota in the Supervisory Board.

At the meeting on 28 May 2019, the Management Board started by presenting the results of strategic planning for the business segments and the Group. This was followed by a comprehensive report from the Management Board on the economic situation of the Group as well as the outlook for fiscal year 2018/2019. Following this, the Supervisory Board discussed the business plans for fiscal years 2019/2020 to 2021/2022 with the Management Board. Furthermore, the annual declaration of conformity regarding the German Corporate Governance Code pursuant to Section 161 Stock Corporation Act (Aktiengesetz, "AktG") was adopted and subsequently published on the Company's website at **WWW.HELLA.COM/DECLARATIONOFCONFORMITY**. Before the meeting, the members of the Supervisory Board took part in a presentation on the latest developments in the market and competitive environment of the HELLA Group, focusing on the Automotive segment.

WORK OF THE COMMITTEES

The Supervisory Board has established an **AUDIT COMMITTEE** that is responsible for the initial review of the annual financial statements, of the consolidated financial statements, of the management reports, of the proposal for the appropriation of profits and of the non-financial reporting. The Audit Committee decides on the agreements with the auditor, in particular the instruction of the auditor, defining the main points of the audit and the fee agreement. The Audit Committee additionally deals with the supervisory duties prescribed by Section 107 (3) sentence 2 AktG. The members of the Audit Committee are Klaus Kühn (Chairman), Prof. Dr. Michael Hoffmann-Becking, Heinrich-Georg Bölter (as of 6 November 2018) and Manfred Menningen. Paul Berger was also a member of the committee until 30 September 2018.

The Audit Committee convened four times in the fiscal year 2018/2019. These meetings were held on 2 August 2018, 21 September 2018, 10 January 2019 and 8 April 2019. The meeting on 2 August 2018 was also attended by representatives of the auditor for the fiscal year 2017/2018 , KPMG AG Wirtschaftsprüfungsgesellschaft. The representatives of the current auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were present at the meetings as of the meeting on January 10, 2019.

At the meeting on 2 August 2018, the committee examined the initial review of the annual financial statements and of the consolidated financial statements as at 31 May 2018, as well as of the management reports, of the proposal for the appropriation of profits and of the non-financial report for fiscal year 2017/2018. Moreover, the Audit Committee held in-depth discussions on the recommendation regarding the election of the auditor as of fiscal year 2018/2019; the recommendation was then proposed to the Supervisory Board during its meeting on 8 August 2018. Furthermore, the Audit Committee received an overview of the resolutions for the Annual General Meeting which were going to be addressed during the Supervisory Board meeting on 9 August 2018. Finally, the annual reports by Auditing, Risk Management and Compliance Management were presented and discussed by the representatives for the Group functions.

At the meeting on 21 September 2018, the Audit Committee examined the three-month financial disclosure for fiscal year 2018/2019. The approaches that the HELLA Group is taking to prevent cybercrime were also explained to the Audit Committee.

At the meeting on 10 January 2019, the Management Board presented the half-year financial report for fiscal year 2018/2019. In talks with the auditor, the Audit Committee defined the auditing priorities for fiscal year 2018/2019. The agreement with the auditor for the review of the annual financial statements for fiscal year 2018/2019 was discussed and the decision was made to commission PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft accordingly. Further topics of discussion at the meeting were the six month reports by Auditing, Risk Management and Compliance Management as well as the review of the guideline for the approval of non-audit services undertaken by the auditor, which was adopted in August 2017.

The nine-month financial disclosure for fiscal year 2018/2019 was discussed at the meeting on 8 April 2019. The development and structure of the HELLA pension assets was a further main topic of discussion.

Outside the regular meetings, the Audit Committee granted the contract for auditing (limited assurance) the non-financial report for fiscal year 2018/2019 to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The Nomination Committee, which is responsible for the proposals presented by the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members, did not convene in fiscal year 2018/2019.

AUDITING OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AND THE SEPARATE NON-FINANCIAL REPORT OF THE COMPANY AND GROUP

On 28 September 2018, the Annual General Meeting appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), as auditor both for the annual financial statements and for the consolidated financial statements for fiscal year 2018/2019. The annual financial statements and the management report of HELLA GmbH & Co. KGaA for fiscal year 2018/2019 were prepared by the General Partner in accordance with the provisions applicable under the German Commercial Code (Handelsgesetzbuch, "HGB"); the consolidated financial statements and the Group management report were prepared in accordance with the International Financial Reporting Standards (IFRS) to be adopted in the European Union, and in accordance with the additional commercial law provisions under Section 315a HGB to be applied. The two financial statements including the management reports were audited by auditor PwC, which issued an unqualified auditors' certificate for all documents. In addition, the non-financial report was created for HELLA GmbH & Co. KGaA and the Group for fiscal year 2018/2019. This was reviewed by PwC on behalf of the Supervisory Board.

The Audit Committee of the Supervisory Board thoroughly reviewed the annual financial statements at its meeting on 6 August 2019. The representatives of the auditor, present at the meeting of the Audit Committee, reported on the result of their audits and gave additional information. In the course of its audit, the auditor did not find any material shortcomings in respect of the organisation and effectiveness of the internal control and risk management system. In addition, the Audit Committee discussed the initial review of the non-financial reporting. The audit report regarding non-financial reporting has been presented in this context and discussed in detail.

Based on the preparatory initial review by its Audit Committee, the Supervisory Board, for its part, also reviewed the annual financial statements and the management report of HELLA GmbH & Co. KGaA as well as the consolidated financial statements and the Group management report and separate non-financial reporting for fiscal year 2018/2019. Given the final result of the Supervisory Board's review, there are no objections to be raised against the annual financial statements, the consolidated financial statements or the non-financial reporting. At its meeting on 8 August 2019, which was attended also by the representatives of the auditors, the Supervisory Board approved the annual financial statements, the consolidated financial statements and the separate non-financial reporting, and endorsed the proposal of the General Partner for the appropriation of distributable profits.

MEMBERS OF THE SUPERVISORY BOARD

With respect to the employee representatives, Paul Berger left his posts on the Supervisory Board and the Audit Committee as of 30 September 2018. Christoph Rudiger was elected to replace him on the Supervisory Board as of 1 October 2018. Heinrich-Georg Bölter was elected as the successor to Paul Berger in the Audit Committee at the meeting of the Supervisory Board held on 6 November 2018.

THANKS TO THE MEMBERS OF THE MANAGEMENT BOARD AND TO ALL EMPLOYEES

The Supervisory Board would like to express its gratitude and appreciation to the members of the Management Board and to all employees of HELLA worldwide for their commitment and successful work in fiscal year 2018/2019.

Lippstadt, 8 August 2019

On behalf of the Supervisory Board

Prof. Dr. Michael Hoffmann-Becking
(Chairman)

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Consolidated income statement

of HELLA GmbH & Co. KGaA for the period from 1 June to 31 May

€ thousand	**Notes**	**2018/2019**	2017/2018*
Sales	09	**6,989,981**	**7,060,342**
Cost of sales	10	-5,175,810	-5,159,194
Gross profit		**1,814,171**	**1,901,148**
Research and development expenses	11	-610,730	-568,048
Distribution expenses	12	-475,351	-581,747
Administrative expenses	13	-256,550	-241,585
Other income and expenses	14	285,949	20,512
Earnings from investments accounted for using the equity method	31	50,967	43,910
Other income from investments		-913	97
Earnings before interest and taxes (EBIT)		**807,543**	**574,287**
Financial income	15	23,169	29,614
Financial expenses	15	-64,498	-73,751
Net financial result	15	**-41,329**	**-44,137**
Earnings before income taxes (EBT)		**766,213**	**530,149**
Income taxes	16	-135,803	-140,099
Earnings for the period		**630,410**	**390,051**
of which attributable:			
to the owners of the parent company		629,995	388,679
to non-controlling interests		415	1,372
Basic earnings per share in €	18	**5.67**	**3.50**
Diluted earnings per share in €	18	**5.67**	**3.50**

* The prior-year figures from the consolidated income statement have been adjusted. Please refer to Chapter 08 for further information.

Consolidated statement of comprehensive income

(after-tax analysis) of HELLA GmbH & Co. KGaA; for the period from 1 June to 31 May

€ thousand	**2018/2019**	2017/2018
Earnings for the period	**630,410**	**390,051**
Currency translation differences	-16,577	-25,659
Changes recognised in equity	-18,043	-25,659
Profits (-) / losses (+) reclassified to profit or loss	1,466	0
Financial instruments for cash flow hedging	-1,197	-3,603
Changes recognised in equity	13,620	-7,384
Profits (-) / losses (+) reclassified to profit or loss	-14,817	3,781
Change in fair value of financial instruments available for sale	-	-740
Changes recognised in equity	-	-2,447
Profits (-) / losses (+) reclassified to profit or loss	-	1,707
Change in fair value of debt capital instruments held	3,557	-
Changes recognised in equity	3,033	-
Profits (-) / losses (+) reclassified to profit or loss	524	-
Share of other comprehensive income attributable to associates and joint ventures	-5,755	-132
Items that were or can be transferred to profit or loss	**-14,218**	**-30,002**
Remeasurements of defined benefit plans	-38,187	3,228
Share of other comprehensive income attributable to associates and joint ventures	-662	650
Items never transferred to profit or loss	**-38,187**	**3,228**
Other earnings for the period	**-52,403**	**-26,774**
Comprehensive income for the period	**578,006**	**363,277**
of which attributable:		
to the owners of the parent company	577,902	362,078
to non-controlling interests	105	1,199

Consolidated statement of financial position

of HELLA GmbH & Co. KGaA as at 31 May

€ thousand	Notes	31 May 2019	31 May 2018
Cash and cash equivalents	22	876,763	688,187
Financial assets	23	557,131	332,934
Trade receivables	24	1,065,804	1,166,571
Other receivables and non-financial assets	25	207,838	148,972
Inventories	26	810,277	761,488
Current tax assets		37,326	25,800
Contract assets	27	35,944	-
Assets held for sale	28	27,838	2,030
Current assets		**3,618,922**	**3,125,981**
Intangible assets	29	383,494	311,481
Property, plant and equipment	30	1,941,659	1,994,276
Financial assets	23	43,105	37,212
Investments accounted for using the equity method	31	273,347	292,008
Deferred tax assets	32	95,241	110,748
Other non-current assets	33	53,861	49,518
Non-current assets		**2,790,707**	**2,795,243**
Assets		**6,409,629**	**5,921,224**
Financial liabilities	37	582,060	41,990
Trade payables	34	796,644	711,775
Current tax liabilities		44,389	70,194
Other liabilities	35	422,754	714,334
Provisions	36	131,862	132,689
Contract obligations	27	132,141	-
Current liabilities		**2,109,851**	**1,670,982**
Financial liabilities	37	786,102	1,165,910
Deferred tax liabilities	32	37,874	39,978
Other liabilities	35	100,601	223,422
Provisions	36	406,710	342,668
Non-current liabilities		**1,331,287**	**1,771,977**
Subscribed capital	38	222,222	222,222
Reserves and unappropriated surplus	38	2,743,660	2,252,155
Equity before non-controlling interests	**38**	**2,965,882**	**2,474,377**
Non-controlling interests	38	2,609	3,888
Equity		**2,968,491**	**2,478,265**
Equity and liabilities		**6,409,629**	**5,921,224**

Consolidated cash flow statement

of HELLA GmbH & Co. KGaA for the period from 1 June to 31 May

	€ thousand	**2018/2019**	2017/2018*
	Earnings before income taxes (EBT)	**766,213**	**530,149**
+	Depreciation and amortisation	383,237	443,649
+	Change in provisions	1,310	13,771
+	Cash receipts for series production	0	176,135
-	Non-cash sales transacted in previous periods	0	-123,614
-	Other non-cash income	-312,673	-34,336
-/+	Profits / losses from the sale of property, plant and equipment and intangible assets	-5,102	-3,632
+	Net financial result	41,329	44,137
-	Increase in trade receivables and other assets not attributable to investing or financing activities	-78,148	-85,075
-	Increase in inventories	-20,209	-122,716
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	74,828	72,878
+	Tax refunds received	19,619	2,977
-	Taxes paid	-154,207	-122,298
+	Dividends received	42,759	33,820
=	**Net cash flow from operating activities**	**758,956**	**825,845**
+	Cash receipts from the sale of property, plant and equipment	21,643	12,141
+	Cash receipts from the sale of intangible assets	4,902	5,868
-	Payments for the purchase of property, plant and equipment	-439,294	-513,127
-	Payments for the purchase of intangible assets	-137,797	-112,715
+	Cash receipts from the sale of subsidiaries, less cash and cash equivalents	348,056	0
+	Repayment from loans in connection with the sale of subsidiaries	44,331	0
+	Repayments from loans granted to investments	6,021	2,056
-	Payments for loans granted to investments	-3,423	-7,124
-	Payments for capital contributions to associated companies, joint ventures and unconsolidated companies	-5,377	0
-/+	Net payments for the purchase and sale of securities	-211,693	-21,493
=	**Net cash flow from investing activities**	**-372,633**	**-634,395**
-	Repayment of a bond	0	-300,000
-	Payments for the repayment of financial liabilities	-53,020	-51,848
+	Cash receipts from changes in financial liabilities	1,560	207,228
+	Interest received	12,971	11,711
-	Interest paid	-41,485	-47,495
-	Dividends paid	-117,500	-103,317
=	**Net cash flow from financing activities**	**-197,475**	**-283,722**
=	**Net change in cash and cash equivalents**	**188,848**	**-92,271**
+	Cash and cash equivalents as at 1 June	688,187	783,875
+/-	Cash and cash equivalents of a disposal group	0	0
+/-	Effect of exchange rate changes on cash and cash equivalents	-272	-3,417
=	**Cash and cash equivalents as at 31 May**	**876,763**	**688,187**

*Prior-year figures were adjusted. Please refer to chapter 39 for further information.

Consolidated statement of changes in equity

of HELLA GmbH & Co. KGaA

€ thousand	Subscribed capital	Capital reserve	Reserve for currency translation differences	Reserve for financial instruments for cash flow hedging	Reserve for available-for-sale financial instruments
As at: 1 June 2017	**222,222**	**250,234**	**-12,532**	**-59,585**	**7,357**
Earnings for the period	0	0	0	0	0
Other earnings for the period	0	0	-25,409	-3,679	-740
Comprehensive income for the period	**0**	**0**	**-25,409**	**-3,679**	**-740**
Distributions to shareholders	0	0	0	0	0
Changes in ownership interest in subsidiaries	0	0	16	-11	0
Transactions with shareholders	**0**	**0**	**16**	**-11**	**0**
As at: 31 May 2018	**222,222**	**250,234**	**-37,925**	**-63,275**	**6,617**
Effects from the first-time application of IFRS 9 and IFRS 15	**0**	**0**	**0**	**0**	**-6,617**
As at: 1 June 2018 adjusted	**222,222**	**250,234**	**-37,925**	**-63,275**	**0**
Earnings for the period	0	0	0	0	0
Other earnings for the period	0	0	-16,272	-1,197	0
Comprehensive income for the period	**0**	**0**	**-16,272**	**-1,197**	**0**
Distributions to shareholders	0	0	0	0	0
Disposal of non-controlling interests	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**	**0**
As at: 31 May 2019	**222,222**	**250,234**	**-54,197**	**-64,471**	**0**

See also Chapter 38 for notes on equity.

Reserve for debt capital instruments	Remeasurements of defined benefit plans	Other retained earnings/profit carried forward	**Reserves and unappropriated surplus**	**Equity before non-controlling interests**	Non-controlling interests	**Equity**
–	**–69,557**	**1,882,616**	**1,998,533**	**2,220,755**	**4,989**	**2,225,744**
–	0	388,679	388,679	388,679	1,372	390,051
–	3,227	0	–26,601	–26,601	–173	–26,774
–	**3,227**	**388,679**	**362,078**	**362,078**	**1,199**	**363,277**
–	0	–102,222	–102,222	–102,222	–1,095	–103,317
–	0	–6,239	–6,234	–6,234	–1,205	–7,439
–	**0**	**–108,461**	**–108,456**	**–108,456**	**–2,300**	**–110,756**
–	**–66,330**	**2,162,834**	**2,252,155**	**2,474,377**	**3,888**	**2,478,265**
317	**0**	**36,569**	**30,270**	**30,270**	**0**	**30,270**
317	**–66,330**	**2,199,403**	**2,282,425**	**2,504,647**	**3,888**	**2,508,535**
0	0	629,995	629,995	629,995	415	630,410
3,557	–38,182	0	–52,093	–52,093	–310	–52,403
3,557	**–38,182**	**629,995**	**577,902**	**577,902**	**105**	**578,006**
0	0	–116,667	–116,667	–116,667	–834	–117,500
0	0	0	0	0	–550	–550
0	**0**	**–116,667**	**–116,667**	**–116,667**	**–1,384**	**–118,050**
3,874	**–104,511**	**2,712,732**	**2,743,660**	**2,965,882**	**2,609**	**2,968,491**

See also Chapter 38 for notes on equity.

01 Basic information

HELLA GmbH & Co. KGaA and its subsidiaries (collectively referred to as the "Group") develop and manufacture lighting technology and electronics components and systems for the automotive industry. In addition to the development and manufacture of components, the Group also produces complete vehicle modules and air-conditioning systems in joint venture undertakings. The Group's production and manufacturing sites are located across the globe; its most significant markets are in Europe, the USA and Asia, particularly South Korea and China. In addition, HELLA has its own international sales network for all kinds of vehicle accessories.

The Company is a listed stock corporation, which was founded and is based in Lippstadt, Germany. The address of the Company's registered office is Rixbecker Str. 75, 59552 Lippstadt. HELLA GmbH & Co. KGaA is registered in the Commercial Register B of Paderborn district court under number HRB 6857 and prepares the consolidated financial statements for the smallest and largest group of companies.

The consolidated financial statements of HELLA GmbH & Co. KGaA for the fiscal year 2018/2019 (1 June 2018 to 31 May 2019) were prepared in accordance with all IFRS and IAS standards subject to mandatory application for the period as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), as adopted by the EU. The consolidated financial statements are accompanied by a Group management report and the additional disclosures required by Section 315e of the German Commercial Code (Handelsgesetzbuch – HGB). The comparative values of the prior year have been determined according to the same principles. The consolidated financial statements are prepared in euros (€). Amounts are stated in thousands of euros (€ thousand).

The consolidated financial statements are prepared using accounting and measurement methods that are applied consistently within the Group on the basis of amortised historical cost. This does not apply to assets that are available for sale and derivative financial instruments, which are measured at fair value. The consolidated income statement is prepared using the cost-of-sales method. The current/non-current distinction is observed in the consolidated statement of financial position. The amounts stated under current assets and liabilities are for the most part due for settlement within twelve months. Accordingly, non-current items are mainly due for settlement in more than twelve months. In order to enhance the clarity of the presentation, items of the consolidated statement of financial position and consolidated income statement have been grouped together where this is appropriate and possible. These items are broken down and explained in the notes to the consolidated financial statements. Please note that where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.

The Management Board released the consolidated financial statements for submission to the Supervisory Board on 29 July 2019. It is the responsibility of the Supervisory Board to review the consolidated financial statements and declare its approval. A resolution by the Supervisory Board approving the consolidated financial statements is expected to be passed at the ordinary Supervisory Board meeting to be held on 8 August 2019.

02 Scope of consolidation

In addition to HELLA GmbH & Co. KGaA, all significant domestic and foreign subsidiaries that are directly or indirectly controlled by HELLA are consolidated. The decrease in the number of subsidiaries was largely attributable to the sale of the wholesale business. More information is available in Notes 14 and 39. Associates and joint ventures are included in the consolidated financial statements using the equity method of accounting. The number of associates and joint ventures has changed due to formations.

Number	**31 May 2019**	31 May 2018
Fully consolidated companies	87	97
Companies accounted for using the equity method	54	52

The most important subsidiaries are set out below:

Company	Registered office	City	Share of equity (%)	
			31 May 2019	31 May 2018
HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100	100
HELLA Fahrzeugkomponenten GmbH	Germany	Bremen	100	100
HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100	100
HELLA Romania s.r.l.	Romania	Ghiroda-Timișoara	100	100
HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kočovce	100	100
HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100	100
HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100	100
HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100	100
HELLA Electronics Corporation	USA	Plymouth, MI	100	100
Jiaxing HELLA Lighting Co., Ltd.	China	Jiaxing	100	100

A complete listing of the shares held by the Group can be found in an attachment to the consolidated notes.

03 Principles of consolidation

If the balance sheet date of a subsidiary is not the same as that of HELLA GmbH & Co. KGaA, interim financial statements are prepared effective 31 May.

BUSINESS COMBINATIONS

Acquired subsidiaries are accounted for using the purchase method. The acquisition costs correspond to the fair value of the assets acquired, the equity instruments issued and the liabilities arising or assumed on the transaction date. They also include the fair values of all recognised assets and liabilities arising from contingent consideration. Acquisition-related costs are recognised as expenses upon arising. Upon first consolidation, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value on the date of acquisition. Goodwill is recognised as the amount by which the business combination costs, the amount of the non-controlling shares in the acquired company and the equity components already held on the acquisition date and measured at fair value, exceed the net assets measured at fair value. If this figure is negative, the difference is recognised directly in the income statement after reassessment.

NON-CONTROLLING INTERESTS

In the case of each business combination, the Group determines whether the non-controlling interests in the acquired company are to be measured at their fair value or in accordance with the share which they hold in the net assets of the acquired company at the date of acquisition. Transactions for the purchase or sale of non-controlling interests that do not result in a loss of control are recorded as equity transactions. Any difference between the figure by which the carrying amount of the non-controlling interests is adjusted to match the current share held in the company and the fair value of the consideration rendered or received is recognised directly within equity.

Any binding put options that have been agreed for non-controlling interests are recognised within financial liabilities and measured at their fair value on the basis of the agreed purchase price. If the put option is related to the purchase of a majority holding in the company concerned, its value is recognised as part of the business combination costs.

SUBSIDIARIES

Subsidiaries are entities that are controlled by the Group. The Group is deemed to control a subsidiary if it is exposed to varying returns from its involvement with the subsidiary or has rights to returns and has the ability to use its power over the subsidiary to affect these returns. The financial statements of subsidiaries are included in the consolidated financial statements as of the date on which the Group gains control over them and until the date on which control over them ends.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method comprise shares in joint ventures and associates.

Joint ventures are joint arrangements in which HELLA exercises joint control together with other partners and also has rights to the arrangement's equity.

Associates are entities over which the Group exercises material influence, but no control, and in which it usually holds 20% to 50% of the voting rights.

Shares in joint ventures and associates are accounted for using the equity method and are recorded at historical cost upon initial recognition. The Group's share also includes the goodwill arising on acquisition (less cumulative impairments).

The Group's share in the profits and losses is recognised in the income statement from the acquisition date. The cumulative changes following acquisition are deducted from or added to the carrying amount of the investment. If losses have reduced the fair value of the Group's share to zero, additional losses are only allowed for and recognised as liabilities to the extent that HELLA is subject to legal or constructive obligations to settle such losses. Gains at a later period are not taken into account until they are sufficient to cover the unrecognised loss.

INTRA-GROUP TRANSACTIONS

Intra-Group transactions, balances and unrealised gains or losses from intra-Group transactions are eliminated. However, the existence of unrealised losses is viewed as an indication that the transferred asset must be examined for impairment.

04 Currency translation

Foreign currency gains and losses from monetary assets and monetary liabilities are taken to profit or loss. One exception to this rule is a monetary item designated as a hedging item in a cash flow hedge, a net investment hedge or a fair value hedge of an equity instrument. The Company has elected to present the changes in the fair value of this item in other comprehensive income.

Currency translation differences for non-monetary items, changes which are recognised at fair value in the income statement (for example, equity instruments measured at fair value through profit or loss), are reported in the income statement as part of the gain or loss from measurement at fair value. However, currency translation differences for non-monetary items, changes which are recognised at fair value within equity (for example, equity instruments measured at fair value through other comprehensive income), are included in the revaluation reserve as part of other reserves.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the company operates (functional currency).

The consolidated financial statements are prepared in euros, the functional and reporting currency of HELLA GmbH & Co. KGaA.

The net profit/loss and balance sheet items of all Group companies that have a functional currency other than the euro are treated as follows:

1. Assets and liabilities are translated into euros for each balance sheet date using the spot exchange rate.
2. Income and expenses are translated for each income statement using the average exchange rate (unless this fails to give an appropriate approximation of the cumulative effects that would have arisen from currency translation at the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates).
3. Any currency translation differences are recognised in equity as separate items within the currency translation reserve and, hence, in other comprehensive income.

TRANSACTIONS AND OUTSTANDING BALANCES

Foreign currency transactions are translated into the functional currency at the spot exchange rate applicable on the transaction date. Gains and losses from the settlement of such transactions as well as from the translation of financial assets and liabilities held in foreign currencies at the spot exchange rate are recognised in the income statement unless they are designated as qualified cash flow hedges, in which case they are recognised within equity.

Currency translation differences arising in connection with consolidation from the conversion of net investments in economically independent foreign operations, financial liabilities, and other foreign currency instruments designated as hedges of such investments, are recognised within equity. If a foreign business is sold, any currency translation differences hitherto recognised within equity are recycled to profit and loss as part of the profit or loss derived from the sale. Goodwill arising from business combinations and from disclosed hidden reserves and liabilities that are recognised as adjustments to the carrying amounts of the assets and liabilities of the company concerned are translated using the end-of-year spot exchange rate in the same way as that applied to assets and liabilities.

The exchange rates used to translate the main currencies for HELLA were as follows:

	Average		Reporting date	
	2018/2019	2017/2018	**31 May 2019**	31 May 2018
€ 1 = US dollar	1.1440	1.1895	1.1151	1.1699
€ 1 = Czech koruna	25.7525	25.7244	25.8160	25.7970
€ 1 = Japanese yen	127.2595	131.2925	121.2700	127.3300
€ 1 = Mexican peso	22.1562	22.0756	21.8922	23.2461
€ 1 = Chinese renminbi	7.7653	7.7684	7.7045	7.4951
€ 1 = South Korean won	1,291.1452	1,308.7379	1,328.3100	1,261.2500
€ 1 = Romanian leu	4.6921	4.6203	4.7430	4.6508

05 New accounting standards

THE GROUP HAS APPLIED THE FOLLOWING AMENDMENTS TO IFRS, WHICH WERE ENDORSED BY THE EU AS EUROPEAN LAW FOR THE FIRST TIME IN FISCAL YEAR 2018/2019:

Improvements to IFRS 2014-2016

As a result of the amendments to IFRS 1, certain short-term exemptions that are no longer classified as relevant due to their being out of date are exempted from the application of IFRS.

The amendments to IAS 28 are concerned with the question of whether there is an option to measure at fair value through profit or loss an investment in an associate or joint venture each investment on an investment-by-investment basis.

There was no material impact on the consolidated financial statements.

Amendments of IFRS 2: Classification and Measurement of Share-Based Payment Transactions

The amendments to IFRS 2 "Share-Based Payment" clarify the recognition of cash-settled share-based payments. The main change is that IFRS 2 now contains guidance on the calculation of the fair value of the obligations arising from share-based payments. As with the approach for equity-settled share-based payments, only certain vesting conditions will be included in the calculation of the fair value in the future, whereas others only have an effect via the quantity. Accordingly, the specific guidance included in IFRS 2 overrides the general guidance found in IFRS 13 "Fair Value Measurement". There was no material impact on the consolidated financial statements.

Amendments of IFRS 4: application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"

The amendments to IFRS 4 "Insurance Contracts" seek to reduce the impact resulting from the different dates of first-time application of the standard for insurance contracts and of IFRS 9 "Financial Instruments". To this end, two optional approaches are introduced which can be used if specific criteria of companies issuing insurance contracts within the meaning of IFRS 4 are met: the overlay approach and the deferral approach. In the overlay approach, insurance companies can reclassify some of the income or expenses arising from designated financial assets from profit or loss to other comprehensive income. In the deferral approach, insurance companies have the option to defer application of IFRS 9 until the new IFRS 17 "Insurance Contracts" is applied for the first time. Application of the deferral approach is permitted only if the business activities of the insurer are predominantly connected with insurance. The application of these amendments did not have any impact on the consolidated financial statements.

IFRS 9: Financial Instruments

IFRS 9 modifies the accounting requirements for classifying and measuring financial assets, impairment of financial assets, and hedge accounting. Furthermore, application of the new standard requires additional disclosures, which result from the adaptation of disclosure requirements in accordance with IFRS 7.

The HELLA Group is using IFRS 9 for the first time with the current reporting period. The transition effects are accounted for cumulatively in the retained earnings. Application of IFRS 9 has no major effects on the consolidated financial statements in the area of classification and measurement, impairment, and hedge accounting. The HELLA Group exercises the right to retrospectively apply the regulations for the designation of interest rate and currency hedge transactions relative to the Cross Currency Based Spread (CCBS) component of the long-term interest rate/currency hedge transactions, which leads to reclassification within the reserve for financial instruments for cash flow hedging.

Classification and measurement

On 1 June 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and allocated its financial instruments to the appropriate IFRS 9 categories. The main effects of this reclassification are shown in the following table reconciling the IAS 39 and IFRS 9 categories.

Reclassification from available-for-sale to FVPL:
Certain investments in equity instruments were reclassified from available-for-sale to financial assets at FVPL (1 June 2018: € 91,837 thousand).

Reclassification from available-for-sale to FVOCI:
Investments in bonds were reclassified from available-for-sale to fair value through other comprehensive income (1 June 2018: € 230,240 thousand).

The long-term equity instruments are interests in other entities and non-consolidated affiliates, are recognised as FVPL and measured at cost (1 June 2018: € 9,969 thousand) because the fair values cannot be reliably determined.

The long-term debt instruments are securities that used to belong to the AfS category and are categorised as FVPL under IFRS 9.

Derivatives that did not meet the hedge accounting criteria were moved from held for trading to FVPL.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model (ECL). The new impairment model applies to financial assets valued at amortised cost, contract assets, lease obligations and debt instruments at FVOCI but not to investments in equity instruments.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The identified impairment loss was immaterial, which is why no impact was reported on 1 June 2018.

Trade receivables and contract assets:
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an impairment of trade receivables and contract assets as of 1 June 2018 that was assessed as immaterial at Group level. The application of the expected credit risk model resulted in the recognition of an impairment of € 4,941 thousand in the current reporting period.

Debt instruments:
Debt instruments that are held at FVOCI are considered low-risk and the ECL is thus determined based on the expected credit loss for the next 12 months. The application of the expected credit loss model resulted in the following scenario when recognising an impairment of € 705 thousand during the current reporting period (see Note 43).

Derivatives and hedging activities

The HELLA Group uses derivative financial instruments to hedge financial risks. Derivative financial instruments are recognised on the trading day, and are then accounted for on each balance sheet date and at the time the relevant contract is completed, and are measured at fair value. Derivatives are measured on the basis of observable current market data using suitable measurement techniques. Forward exchange transactions and commodity futures transactions are measured on a case-by-case basis at the respective forward rate or price on the balance sheet date. The forward rates or prices are based on the spot rates and prices, allowing for forward premiums and discounts. The fair values of instruments to hedge interest rate risks are obtained by discounting the future cash inflows and outflows. Market interest rates are used for discounting and applied over the residual term of the instruments. The instruments are discounted at the market interest rate over the residual term. The present value is calculated on the balance sheet date for each single interest rate, currency and interest rate/currency swap transaction. The counterparty's credit rating is usually included in the assessment on the basis of observable market data. Depending on whether the derivatives have a positive or negative fair value, they are reported within other financial assets or other financial liabilities. The recognition of changes in fair value depends on the accounting treatment applied. In principle, all derivative financial instruments are recognised at fair value through profit or loss. Changes in the fair value of assets held in this category are recognised directly in the income statement. In individual cases, selected hedging positions are presented as cash flow hedges in the statement of financial position in accordance with hedge accounting rules. This means that the effective portion of the change in fair value is recognised within equity (reserve for financial instruments for cash flow hedging), while the ineffective portion is recognised in the income statement. The portion of the change originally recognised within equity is recycled to the income

The following table shows the transition of measurement categories from IAS 39 to IFRS 9:

	Measurement category in accordance with IAS 39	**Carrying amount 31 May 2018**	**Fair value 31 May 2018**	Valuation hierarchy	Reclas-sification IFRS 9	**Carrying amount 31 May 2018 according to IFRS 9**	IFRS 9 Category
Cash and cash equivalents	LaR	688,187	688,187		0	688,187	Amortised cost
Trade receivables	LaR	1,166,571	1,166,571			1,166,571	Amortised cost
Financial assets							
Equity instruments	AfS	322,077	322,077	Level 1	-230,240	91,837	FVPL
Debt capital instruments					230,240	230,240	FVOCI
Loans	LaR	4,172	4,172			4,172	Amortised cost
Other bank balances	LaR	6,685	6,685			6,685	Amortised cost
Other financial assets							
Derivatives designated as hedging instruments	n.a.	5,758	5,758	Level 2		5,758	n.a.
Derivatives not designated as hedging instruments	HfT	2,690	2,690	Level 2		2,690	FVPL
Other receivables associated with financing activities	LaR	34,901	34,901			34,901	Amortised cost
Current financial assets		**2,231,040**	**2,231,040**		**0**	**2,231,040**	
Financial assets							
Equity instruments	AfS	30,373	30,373	Level 2	-20,404	9,969	FVPL
Debt capital instruments					20,404	20,404	FVPL
Loans	LaR	6,806	6,806	Level 2		6,806	Amortised cost
Other receivables associated with financing activities	LaR	32	32	Level 2		32	Amortised cost
Other financial assets							
Trade receivables	LaR	38,828	38,828	Level 2		38,828	Amortised cost
Non-current financial assets		**76,040**	**76,040**		**0**	**76,040**	
Financial assets		**2,307,080**	**2,307,080**		**0**	**2,307,080**	
Financial liabilities							
Financial liabilities to banks	FLAC	41,933	41,933			41,933	Amortised cost
Liabilities from leases	n.a.	57	57			57	n.a.
Trade payables	FLAC	711,775	711,775			711,775	Amortised cost
Other financial liabilities							
Derivatives designated as hedging instruments	n.a.	13,601	13,601	Level 2		13,601	n.a.
Derivatives not designated as hedging instruments	HfT	4,254	4,254	Level 2		4,254	FVPL
Other financial liabilities	FLAC	240,369	240,369		0	240,369	Amortised cost
Current financial liabilities		**1,011,990**	**1,011,990**		**0**	**1,011,990**	
Financial liabilities							
Financial liabilities to banks	FLAC	**273,808**	**299,601**	Level 2		273,808	Amortised cost
Bonds	FLAC	**892,064**	**929,771**	Level 1		892,064	Amortised cost
Liabilities from leases	n.a.	**38**	**38**			38	n.a.
Other financial liabilities							
Derivatives designated as hedging instruments	n.a.	**82,835**	**82,835**	Level 2		82,835	n.a.
Derivatives not designated as hedging instruments	HfT	**293**	**293**	Level 2		293	FVPL
Other financial liabilities	FLAC	**12,303**	**12,303**			12,303	Amortised cost
Non-current financial liabilities		**1,261,341**	**1,324,840**		**0**	**1,261,341**	
Financial liabilities		**2,273,330**	**2,336,830**		**0**	**2,273,330**	

statement as soon as the underlying transaction is recognised in the income statement.

The HELLA Group exercises the right to retrospectively apply the regulations for the designation of interest rate and currency hedge transactions relative to the Cross Currency Based Spread (CCBS) component of the long-term interest rate/currency hedge transactions, which leads to reclassification within the reserve for financial instruments for cash flow hedging.

In forward exchange transactions, the Group designates only the spot component of the change in fair value as the cash flow hedging instrument (spot-to-spot designation). The spot component is determined based on the relevant spot market prices. Forward points are defined as the difference between the contracted forward price and the spot price. Prior to 1 June 2018, fair value changes relating to the forward component were recognised in the reserve for financial instruments for cash flow hedging.

Since the application of IFRS 9, the Group has recognised changes in the fair value of forward exchange transactions attributable to forward points in the costs of the hedging in equity. These deferred costs of hedging are included in the initial cost of the underlying transaction when it is recognised.

IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 with regard to "Prepayment Features with Negative Compensation" stipulate that, for certain financial assets with early prepayment options, the valuation can take place at amortised cost or at fair value through other comprehensive income if the contractual situation is such that the one party receives reasonable compensation or pays reasonable negative compensation in the case of early termination. The amendments in the basis for conclusion make clear that, with regard to the accounting of a modification or exchange of a financial obligation measured at amortised cost that does not result in derecognition, adjustments to the amortised cost are to be recognised in profit or loss at the time of the modification or exchange. These amendments are mandatory and must be applied to fiscal years commencing on or after 1 January 2019. The HELLA Group applies IFRS 9 and the amendments to IFRS 9 at the same time. The effects from the application to the HELLA Group have been illustrated in the previous section of this chapter.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" and the additional clarification replace the previous guidance on the recognition of revenue in IAS 18 "Revenue" and IAS 11 "Construction Contracts" as well as the respective interpretations (IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31). With the introduction of IFRS 15 the IASB aims to pool the extensive revenue provisions in a single standard and to establish clear principles which a company has to apply from contracts with customers. Revenue is recognised using a five-step model framework under which the contract with the customer and the separate performance obligations which it contains are identified. The next step is to determine the transaction price and allocate it to the individual performance obligations. Finally, revenue is recognised in accordance with the allocated pro rata transaction price when and as the agreed performance obligation is satisfied or control is passed to the customer. IFRS 15 moreover extends the disclosures in the notes which through extended quantitative and qualitative information on contracts with customers are designed to enable the users of financial statements to gain a better understanding of these contracts and the revenue to be allocated to them.

The standard must be applied for the first time to fiscal years commencing on or after 1 January 2018. The HELLA Group applied the standard for the first time to the fiscal year starting 1 June 2018. The modified retrospective approach was chosen for the transition to IFRS 15; for this reason, prior-year figures do not need to be adjusted.

The HELLA Group has studied the effects of the implementation of IFRS 15 in a Group-wide project. Major transition effects arose in the Automotive segment and are shown below:

Customer tooling

For customer tooling, changes arose due to the new regulations for transferring control of goods or services to the customer. The HELLA Group has come to the conclusion that a separate performance obligation exists for customer tooling and that, as a result, revenues and the corresponding costs of sales are to be recognised when control is passed. As a result, the customer tooling previously carried in property, plant and equipment is now recognised in inventories. At the same time, the tooling already transferred in accordance with IFRS 15 in previous fiscal years and the corresponding down payments will be derecognised in the opening balance sheet as of 1 June 2018.

Development services on behalf of the customer

Under IFRS 15, revenue must be recognised for development services that make up a distinct performance obligation with respect to the customer and for which the HELLA Group has a contractual claim to consideration. Revenue is recognised at the point in time when control of the finished development service passes to the customer. Correspondingly, going forward, the expenses incurred for these development projects must be disclosed in sales in the sales costs and the reimbursements provided by the customers.

The cumulative effect of € 27.6 million from the first application was recognised as an adjustment of the opening balance sheet value in equity at the time of the first application on 1 June 2018. More information is available in Notes 26-27, 30-32 and 35.

The impacts of IFRS 15 on the consolidated financial statements as of 31 May 2019 are described below: The following effects would have occurred had IFRS 15 not been applied in the current reporting period: The sales would have amounted to € 7,001.4 million (€ 6,990.0 million with application of IFRS 15) and the cost of sales would have amounted to € 5,186.2 million (€ 5,175.8 million with application of IFRS 15). Earnings from investments accounted for using the equity method would have been € 51.4 million (€ 51.0 million with application of IFRS 15). Taxes on income would have amounted to € 134.5 million (€ 135.8 million with application of IFRS 15).

The inventories would have amounted to € 700.7 million (€ 810.3 million with application of IFRS 15). Application of IFRS 15 yields contract assets of € 35.9 million (€ 0.0 million without application of IFRS 15) (see Chapter 27 for details). Property, plant, and equipment would have amounted to € 2,229.8 million (€ 1,941.7 million with application of IFRS 15). Investments accounted for using the equity method would have amounted to € 272.3 million (€ 273.3 million with application of IFRS 15). The deferred tax assets would have amounted to € 95.9 million (€ 95.2 million with application of IFRS 15).

The other current liabilities would have amounted to € 609.7 million (€ 422.8 million with application of IFRS 15). Application of IFRS 15 yields current contract obligations of € 132.1 million (€ 0.0 million without application of IFRS 15). The deferred tax liabilities would have amounted to € 35.3 million (€ 37.9 million with application of IFRS 15) and the other non-current liabilities would have amounted to € 215.0 million (€ 100.6 million with application of IFRS 15). The consolidated equity would have amounted to € 2,944.1 million (€ 2,968.5 million with application of IFRS 15).

Clarification to IFRS 15: Revenue from Contracts with Customers

With the clarifications to IFRS 15 "Revenue from Contracts with Customers", the IASB has set out targeted amendments to IFRS 15 in the areas of identifying performance obligations, principal versus agent considerations and revenue from licenses. The clarifications must be applied at the same time as IFRS 15. The effects from the application to the HELLA Group have been illustrated in the previous section of this chapter.

IFRS 16: Leases

IFRS 16 "Leases" replaces previous lease standards and interpretations, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 must be applied for the first time to fiscal years commencing on or after 1 January 2019. The HELLA Group elected to adopt the standard early and applied IFRS 16 for the first time as of 1 June 2018 using the modified retrospective approach. This means that the comparative disclosures are not adjusted but continue to be reported under IAS 17 and IFRIC 4.

In the HELLA Group, the initial application mainly affects the leases previously classified as operating leases.

Impacts on the lessee's accounting

IFRS 16 mainly changes how lessees account for leases. In addition to eliminating the classification between finance and operating leases, the new standard requires all assets and liabilities arising under leases - except short-term leases and leases of low-value assets - to be reported in the statement of financial position. The recognition requirements for lessors have not changed significantly from IAS 17.

Former operating leases:
IFRS 16 changes the accounting for leases that were previously classified under IAS 17 as operating leases, i.e. that were carried off the statement of financial position. The HELLA Group applies IFRS 16 to all leases (except for those named below); in other words, it

- accounts for right-of-use assets and lease liabilities in the consolidated statement of financial position and initially measures them at the present value of the future lease payments;
- recognises the depreciation of right-of-use assets and interest on the lease liability in the consolidated income statement; and
- divides the total payment into a principal portion (presented within financing activities) and an interest portion (presented within operating activities) in the Group's income statement.

Lease liabilities not carried on the statement of financial position as of 31 May 2018 are reconciled with liabilities carried on the statement of financial positions as of 1 June 2018 as follows:

€ thousand

Unrecognised lease liabilities as of 31 May 2018	**109,764**
Operating lease obligations discounted at the Group's incremental borrowing rate at the time of initial application (2.4%) as of 31 May 2018	101,689
Current leases expensed on a straight-line basis	-7,763
Low-value leases recognised as expenses on a straight-line basis	-546
Adjustments relating to different assessments of extension and termination options	50,356
Lease liabilities recognised as of 1 June 2018	**143,736**

The Group has elected to recognise lease payments as expenses on a straight-line basis in accordance with IFRS 16 wherever the lease is short-term (lease term of 12 months or less) or is for a low-value asset (such as PCs and office furniture). This expense is reported in other expenses in the consolidated income statement. The HELLA Group has defined a threshold of € 5 thousand for the low value.

Former finance leases:
The main area where IFRS 16 and IAS 17 differ in their treatment of assets previously carried as finance leases is the measurement of residual value guarantees that lessees grant to lessors. Under IFRS 16, the Group is only allowed to recognise the amount expected to be paid under a residual value guarantee in its lease liability, not the maximum guaranteed amount that IAS 17 allows. This change had no material impact on the consolidated financial statements.

Impact on the lessor's financial reporting

IFRS 16 does not significantly change how lessors account for leases. Under IFRS 16, lessors still classify leases as either finance or operating leases and account for these two types of leases differently.

Please see Note 46 for additional information on leases.

Amendment of IAS 40: Transfers of Investment Property

The amendments to IAS 40 "Transfers of Investment Property" have clarified that transfers of real estate to or from investment property holdings can take place only if there is a change in use. A change in use applies if the property fulfils or no longer fulfils the definition of investment property and this change in use can be evidenced. The application of these amendments did not have any impact on the consolidated financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" clarifies the exchange rate to be used in the first-time accounting of a foreign currency transaction if the company receives or pays advance consideration in a foreign currency. The interpretation makes it clear that the date used to determine the exchange rate for the associated asset, income or expense is the transaction date of initial recognition of the non-monetary asset or non-monetary liability resulting from the advance consideration paid or received. There was no material impact on the consolidated financial statements.

THE FOLLOWING NEW STANDARDS HAVE ALREADY BEEN ENDORSED BY THE EU AS EUROPEAN LAW BUT WILL NOT TAKE EFFECT UNTIL A LATER DATE:

Amendments of IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 "Employee Benefits" specify how a company accounts for plan amendments, curtailments or settlements. The net defined benefit liability (asset) must be remeasured in cases of plan amendment, curtailment or settlement based on current actuarial assumptions so that the past service cost or gain or loss on settlement can be determined. In these cases, the amendments make it clear that the current service cost and net interest for the period after a plan amendment, curtailment and settlement are also to be determined based on the updated actuarial assumptions. The net interest for the period after a plan amendment, curtailment or settlement must be measured based on the remeasured net defined benefit liability (asset). These amendments are mandatory and must be applied to fiscal years commencing on or after 1 January 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

Amendments of IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments to IAS 28 "Investments in Associates and Joint Ventures" clarify that IFRS 9 "Financial instruments" is to be applied to long-term interests in an associate or joint venture that, in economic substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments clarify that the reporting entity applies IFRS 9 before recognising its share of losses and before applying the impairment requirements to the net investment in accordance with IAS 28. Moreover, no adjustments to the carrying amount are to be taken into account as a result of IFRS 9 that result from applying IAS 28 to the long-term interests. These amendments are mandatory and must be applied to fiscal years commencing on or after 1 January 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments
On 7 June 2017 the IFRS Interpretations Committee published interpretation IFRIC 23, "Uncertainty over Income Tax Treatments", which clarifies the accounting for uncertainties in income taxes with regard to current and deferred tax assets and liabilities. Such uncertainties in income taxes arise if the application of the tax law on a specific translation is uncertain and is therefore dependent on its interpretation by the relevant tax authority, which is not known to the entity at the time the consolidated financial statements are prepared. An entity takes these uncertainties into account in the taxable profit (tax loss) only if it is probable that the relevant tax amounts will be paid or reimbursed. The interpretation includes no additional disclosure requirements that go beyond IAS 12 "Income Taxes". However, information on discretionary decisions and uncertainties in accordance with IAS 1 "Presentation of Financial Statements" regarding accounting for income taxes may be required. IFRIC 23 must be applied to fiscal years commencing on or after 1 January 2019. The amendments are not expected to have a material impact on HELLA's consolidated financial statements.

Improvements to IFRS 2015-2017
Amendments have been made to three standards as part of the annual improvement project. Adjustments to the wording of individual IFRSs serve the purpose of clarifying the existing guidance. This also affects the standards IFRS 3 "Business Combinations", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. This type of transaction is a successive acquisition of shares. IFRS 11 "Joint Agreements" is affected in that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. This transaction is comparable to an investment in an associate that becomes an equity stake in a joint venture and vice versa. The amendments to IAS 12 "Income Taxes" clarify that the income tax consequences of dividend payments from financial instruments that are classified as equity must be recognised where the past transactions and events that generated distributable profits were originally recognised. The amendments to IAS 23 "Borrowing Costs" clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are mandatory and must be applied to fiscal years commencing on or after 1 January 2019. The amendments are not expected to have an impact on HELLA's consolidated financial statements.

THE FOLLOWING NEW OR AMENDED IFRS HAVE NOT YET BEEN ENDORSED BY THE EU AS EUROPEAN LAW AND WILL NOT BE APPLICABLE UNTIL A LATER DATE:
The HELLA Group plans to apply the newly issued standards and amendments from the date of mandatory application subject to endorsement for application in the EU.

IFRS 17: Insurance Contracts
On 18 May 2017, the IASB published IFRS 17 "Insurance Contracts". IFRS 17 sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard supersedes the current IFRS 4 "Insurance Contracts". Under IFRS 4, reporting entities currently have the option to apply a large number of financial reporting practices that are heavily influenced by national accounting laws and regulations. The new standard will therefore result in a standard and credible presentation of the accounting of insurance contracts. The new standard must be applied to fiscal years commencing on or after 1 January 2021. The application of these amendments will not have any impact on the consolidated financial statements.

Changes to the Conceptual Framework
The IASB issued its revised and expanded Conceptual Framework on 29 March 2018. It includes revised definitions of assets and liabilities and new guidance for measurement and derecognition, presentation and disclosure. The changes to the Conceptual Framework do not necessarily result in changes to existing standards. However, specific application cases may occur if there are omissions in the provisions. Because the Conceptual Framework is not a standard or interpretation, there are no plans to adopt it as European law. Where necessary, it includes an initial application date for the changes that is uniformly defined for fiscal years beginning on or after 1 January 2020.

Amendments of IAS 1 and IAS 8: Definition of Material
The amendments to IAS 1 and IAS 8 "Definition of Material (Amendments to IAS 1 and IAS 8)" clarify the definition of 'material' and align the definition used in the IFRS conceptual framework and the IFRS standards themselves. To avoid duplication of the definition of 'material' in IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the definition

will only be contained in IAS 1 in future. The changes are not associated with a change in the substance of the concept of materiality. These amendments and subsequent amendments to other standards and publications are subject to mandatory application for fiscal years starting on or after 1 January 2020. The amendments are not expected to have material impacts on future consolidated financial statements of the HELLA Group.

Amendments of IFRS 3: Definition of a Business

The amendments to IFRS 3 "Definition of a Business (Amendments to IFRS 3)" pertain to modifications of the definitions, application guidance and examples of IFRS 3 "Business Combinations" and clarify the definition of a business with the goal of making it easier to identify whether a transaction should be recognised as a business combination or as an acquisition of assets. To be considered a business, an acquisition of activities and assets would have to include inputs and a substantive process that together significantly contribute to the ability to create outputs. The modifications include explanatory examples to help determine whether a substantive process was acquired. An optional concentration test was added as well. The test provides a simplified way to assess whether the acquisition constitutes a business. If substantially all of the fair value of the acquired gross assets is concentrated in an asset or a group of similar assets, the assumption is made that a business was not acquired. The amendments are required to be applied to acquisition transactions with an acquisition date on or after the start of the first annual reporting period beginning on or after 1 January 2020. The amendments are not expected to have material impacts on future consolidated financial statements of the HELLA Group.

06 Basis of preparation and accounting

REVENUE RECOGNITION

The accounting policies were modified for revenue recognition in the fiscal year 2018/2019 (also see Chapter 05, New accounting standards). Accordingly, sales are designated as the income from the sale of goods and the provision of services in the normal course of business.

In accordance with IFRS 15, the HELLA Group recognises as revenue from contracts with customers the amount of consideration that it receives in exchange for transferring promised goods or services to a customer. The revenue is recognised when the customer, either at a point in time or over a period of time, obtains control of that good or service.

Five steps are applied to determine whether and in what amount revenue should be recognised. When applying the five steps to contracts with customers, the existing distinct performance obligations are identified. The transaction price for the customer contract is determined pursuant to IFRS 15. Variable amounts such as discounts, customer bonuses or other concessions are recognised during the year as sales deductions. Revenue is recognised in accordance with the allocated pro rata transaction price when and as the agreed performance obligation is satisfied or control is passed to the customer.

The following accounting policies were still being applied to revenue recognition in fiscal year 2017/2018:

Sales include the fair value of the consideration already received or still to be received for the sale of goods and performance of services in the normal course of business. Sales are stated excluding sales tax, returns, rebates and discounts and after elimination of internal Group sales.

The Group recognises sales when the amount of revenue can be reliably determined, it is sufficiently probable that the Company will derive economic benefits and the specific criteria set out below for each type of activity have been met. Sales from the sale of goods are recognised as soon as the material opportunities and risks relating to ownership of the goods, based on the provisions of the respective contract, have been transferred to the customer. In the case of the sale of goods, this generally applies when the goods have been delivered. If, as part of series deliveries, advance payments are made in addition to the unit price, these payments are reported as other liabilities, deferred over the duration of series production and recognised in sales.

Income from the provision of services is recognised in accordance with the terms of the contract in question, provided the service has been rendered and expenses have arisen.

FUNCTIONAL COSTS

Cross-functional costs contained in the consolidated income statement are reported in accordance with internal reporting requirements. Operating expenses are always initially allocated to the functional division in which they are primarily incurred. If the functional division performs services for which the economic benefit arises in another functional area, such expenses are allocated on a pro rata basis to the functional division for which the services were performed.

The offsetting of such amounts does not contain any direct reference to the primary cost type and is reported under “Reclassification of functional costs”. This applies in particular to the allocation of energy costs, the use of buildings and IT expenses. These are initially recognised together with their respective cost types under administrative costs and then reclassified to the functions where the cost was incurred using prorated usage formulas.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share of earnings after tax attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share also take account of the shares that may have to be issued if options or conversion rights are exercised. No such rights existed during the reporting period.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost less cumulative depreciation and impairments. Historical cost comprises the expenses directly attributable to the acquisition.

Subsequent cost, e.g. as a result of expansion or replacement investments, is only recognised as part of the historical cost of the asset or – if applicable – as a separate asset if it is probable that the Group will derive future economic benefits from them and the costs of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent a material reinvestment are recognised as an expense in the income statement in the fiscal year in which they arise.

Tools manufactured or acquired by the Group for production purposes are capitalised at cost in accordance with IAS 16 and recorded separately in the statement of assets as operating equipment. Each item of property, plant and equipment with historical cost that represents a significant portion of the total value of the item is recognised and depreciated separately.

Land is not depreciated. All other assets are depreciated on a straight-line basis. In this case, their historical cost or fair value is written down to their residual carrying amount over their expected average useful life as follows:

Buildings	30 years
Machinery	8 years
Production equipment	3–5 years
Operating and office equipment	5 years

The residual carrying amounts and expected useful lives are reviewed and, if necessary, adjusted on each balance sheet date.

If the carrying amount of any item of property, plant and equipment exceeds its estimated recoverable amount, it is immediately written down to this amount.

GOVERNMENT GRANTS

Government grants are recognised if it is reasonably certain that the related conditions will be satisfied and the grants will actually be received. Grants for the purchase or production of non-current assets (asset-related grants) are deducted from the historical cost of the assets in question and reduce future depreciation. Grants that are not awarded for non-current assets (performance-tied grants) are accounted for in the income statement in the same functional division as the related expense items. They are recognised in the income statement on a pro rata basis over the periods in which the expenses to be covered by the grants are incurred. Government grants awarded for future expenses are reported as deferred income.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the amount by which the cost of a business combination exceeds the fair value of the Group's shares in the net assets of the entity acquired and the sum of all non-controlling interests at the time of acquisition. The goodwill arising from business combinations is recognised as an intangible asset. The goodwill resulting from the acquisition of an associate or joint venture is included in the carrying amount of the investment accounted for using the equity method and is therefore not tested for impairment separately but as part of the total carrying amount. The goodwill reported is tested for impairment on an annual basis and measured at historical cost less cumulative impairment. Write-ups are not reversed. Gains and losses from the sale of an entity include the carrying amount of the goodwill allocated to such entity. The goodwill is allocated to cash-generating units for the purpose of impairment testing. It is allocated to those cash-generating units or groups of cash-generating units (CGUs) that are expected to benefit from the business combination giving rise to the goodwill.

Capitalised development expenses

Costs related to development projects that are subject to IAS 38 are recognised as intangible assets if it is likely, given their economic and technical viability, that the project will be successful and the costs can be reliably determined. Otherwise, the research and development expenses are recognised in the income statement. Capitalised development expenses are amortised on a straight-line basis over their expected useful life starting with the date on which the product goes into commercial production. Depreciation and amortisation is calculated over an average estimated useful life of three to five years. The depreciation/amortisation charged on capitalised development expenses is recognised in the cost of sales and is applied in the Automotive segment.

Acquired intangible assets

Acquired intangible assets are recorded at historical cost. Intangible assets with a definite useful life are amortised on a straight-line basis over their useful life of three to eight years.

IMPAIRMENT OF NON-MONETARY ASSETS

Assets with an indefinite useful life - primarily goodwill within the Group - are not depreciated or amortised but tested for impairment on an annual basis. Assets that are subject to depreciation or amortisation are tested for impairment when corresponding events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment is recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is either the fair value of the asset less the cost to sell or the value in use, whichever is higher. For the purposes of impairment testing, assets are aggregated at the lowest identifiable level for which cash flows can be generated for independent units (CGUs). The recoverable amount of a CGU is determined on the basis of the expected future discounted cash flows from planned use (value in use). These are based on Management Board forecasts covering a period of three years. With the exception of goodwill, non-monetary assets for which an impairment has been recognised in prior periods are reviewed at each balance sheet date to test whether the impairment must be reversed. The impairments and write-ups are included in the cost of sales.

CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised wherever the HELLA Group has recognised revenue from performing a contract, the customer has not yet paid the related consideration and other criteria, other than the passage of time, must be met before the Group can issue an invoice and thus recognise a receivable. The contract asset is derecognised as soon as the HELLA Group receives a payment from the customer under the contract.

A contract liability is recognised wherever the customer has made a payment or a receivable from the customer becomes due before the HELLA Group has performed a contractual obligation and thus recognised revenue. Contract liabilities must be netted against contract assets within a customer contract. Quantitative disclosures of performance obligations are reported if they are part of a contract with an expected original term of more than one year. The HELLA Group has elected not to make additional disclosures on performance obligations with an expected original term of one year or less.

INVENTORIES

Inventories are recognised at the lower of historical cost or net realisable value. Historical cost is determined using the moving average method. The historical cost of finished and unfinished goods includes the costs of product development, raw materials and supplies, direct personnel expenses, other direct costs, and the overheads attributable to production (based on normal plant capacity). The net realisable value is the estimated sales revenue achievable in the normal course of business less the necessary variable distribution expenses and the expected cost until completion.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances as well as checks. Bills received are reported as cash equivalents if their maturity on receipt is less than three months and they can be directly converted into sight deposits almost without generating any loss. If maturity on receipt is more than three months or the bill cannot be converted directly into sight deposits, the bills are reported in the securities category within financial assets. Other subordinated bills in qualitative terms do not result in derecognition of the corresponding receivable.

EQUITY

Subscribed capital

The limited partner shares issued by the Company are classified as equity. The various issues of capital from profit participation certificates are recognised as liabilities.

Capital reserve

Cash deposits attributable to the issuance of new shares which exceed the nominal value of the shares issued are recognised under the capital reserve. Costs directly attributable to the issuance of new shares are recognised in equity net after tax as a deduction from the capital reserves.

Reserve for currency translation differences

The reserve for currency translation differences comprises all foreign currency translation differences stemming from the translation of the financial statements of foreign business divisions.

Reserve for financial instruments for cash flow hedging

The reserve for financial instruments for cash flow hedging comprises the effective portion of cumulative net changes in the fair value of the hedging tools used to hedge cash flows until such point as the hedged cash flows are recognised in profit or loss.

Reserve for FVOCI financial instruments
The reserve for FVOCI financial instruments contains the cumulative net changes in the fair value of FVOCI financial assets until the derecognition of these assets.

Remeasurements of defined benefit plans
Remeasurements of net debt stemming from defined benefit plans comprise actuarial gains and losses attributable to changes in the actuarial assumptions upon which the calculation of defined benefit pension liabilities is based. It also includes the difference between the standardised and actual income generated by the plan assets as well as its impact on any asset ceiling in place.

Other retained earnings/profit carried forward
The item "Other retained earnings/profit carried forward" includes other retained earnings of the parent company and the past earnings of consolidated companies also included in the consolidated financial statements. This item also includes the statutory reserve of the parent company. The statutory reserve is subject to the distribution restrictions specified in the German Stock Corporation Act (Aktiengesetz – AktG). Offsetting of differences in assets and liabilities arising from the capital consolidation of subsidiaries consolidated before 1 June 2006, and the adjustments recognised directly in equity for the first-time adoption of IFRS are also included in this item.

TRADE PAYABLES

Trade payables are initially measured at their fair value. They are subsequently measured at amortised cost using the effective interest method.

CURRENT AND DEFERRED TAXES

Current tax expense is calculated in accordance with the tax legislation applicable in the countries in which the subsidiaries and associates operate. In accordance with IAS 12, deferred taxes are recognised for any temporary differences between the tax basis of the assets/liabilities and their carrying amount in the IFRS financial statements ("temporary concept"). Deferred taxes are also recognised for tax loss carryforwards. Deferred taxes are measured on the basis of the tax rates (and tax legislation) that apply on the balance sheet date or have essentially been legislated and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent to which it is likely that a taxable profit will be available to offset the temporary differences in assets or the unused losses.

Deferred tax assets and deferred tax liabilities are netted only if offsetting is legally permissible. In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

EMPLOYEE BENEFITS

Pension liabilities
Pension provisions are calculated using actuarial methods on the basis of the projected unit credit method in accordance with IAS 19. As a rule, the pension liabilities are measured using the latest mortality tables as of 31 May of the respective reporting year; in Germany, the calculations are based on the 2018 G Heubeck actuarial tables.

In the case of funded pension plans, the pension liabilities calculated using the projected unit credit method are reduced by the fair value of the fund assets. If the fund assets exceed the liabilities, recognition of the assets is limited to the present value of future refunds from the plan or the reduction in future contributions.

Remeasurements arise from increases or decreases either in the present value of the defined benefit liabilities of the plan (actuarial gains) or in the fair value of the plan assets. This may be caused by changes in the calculation parameters, differences between the estimated and actual risk exposure of the pension liabilities and returns on the fund assets, excluding amounts reported within net interest income and expenses.

Actuarial gains and losses are recognised directly in equity (other comprehensive income for the period) in the period in which they arise, such as remeasurement resulting from the application of an asset ceiling and income from the plan assets (excluding interest on net debt).

The service cost for pensions and similar liabilities is recognised as an expense in the operating result. The interest expense derived by multiplying the net provisions with the discount rate is likewise recognised within the corresponding items of net operating profit/loss.

Severance commitments
Benefits arising from the termination of employment are paid if an employee is laid off by a Group company before normal retirement age. The Group pays severance commitments if it is under an obligation to terminate the employment of current employees in accordance with a detailed formal plan that cannot be revoked or if it is under an obligation to pay compensation in the event of employment being terminated voluntarily by the employee. Payments that are due for settlement in more than twelve months after the balance sheet date are discounted to calculate their present value.

Profit-sharing and other bonuses

Liabilities and provisions are recognised for bonus payments and profit-sharing and the expected expenses reported on the basis of a measurement process. Provisions are set aside in the consolidated financial statements in cases in which there is contractual commitment or constructive obligation based on past business practice.

Partial retirement

The obligations from partial retirement according to the block model mostly have maturities of between two and six years. The size of top-ups is determined in line with pay-scale provisions. They are accumulated on a pro rata basis from the beginning of the commitment onwards. Payments that are due for settlement in more than twelve months after the balance sheet date are discounted to calculate their present value. Benefits are mostly invested in the form of fixed-income investments in order to take account of hedging in accordance with statutory provisions.

PROVISIONS

Provisions are recognised if the Group has a present legal or constructive obligation resulting from a past event, and it is likely that the settlement of the obligation will result in an outflow of resources and the amount of the provision can be reliably estimated.

If there are a large number of similar liabilities (as is the case for statutory warranties), the likelihood of an outflow of resources is determined on the basis of this group of liabilities. Provisions are also recognised if there is a low probability of an outflow of resources related to a single liability within this group.

Provisions are measured at the present value of the expected expenses, using a pre-tax rate that reflects current market expectations regarding the interest effect and the risks specific to the liability. The increase in provisions resulting from the related interest expenses is recognised in the income statement within interest expense.

Should warranty obligations arise from contractual or statutory warranty obligations, HELLA creates provisions for these obligations. Specific warranty provisions are made for warranty claims that have arisen or been asserted individually. When carrying out the measurement, the parts concerned are identified based on the established total supplied products and a failure rate estimated for these products. Failure rates are appropriately estimated using historical failure rates and all other available data for each individual warranty case. Measurement is based on the estimated average costs (material and replacement costs).

The previous section "Employee Benefits" describes provisions for employees.

Provisions for losses on supply and sales liabilities include liabilities under current third-party agreements from which future losses are expected.

The management uses historical figures from similar transactions to estimate the amount of the provisions, taking into account details of any events arising up until the consolidated financial statement is drawn up.

CONTINGENT LIABILITIES

Contingent liabilities are potential or existing liabilities towards third parties, for which an outflow of resources is unlikely or whose amount cannot be reliably determined. If no contingent liabilities were assumed under a business combination, these are not recognised in the statement of financial position. In the case of guarantees, the amount of the contingent liabilities stated in the notes corresponds to the liabilities existing on the balance sheet date.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and, at the same time, a financial liability or equity instrument of another entity. Financial instruments include financial assets and liabilities and contractual entitlements and obligations relating to the exchange or transfer of financial assets. A distinction is drawn between non-derivative and derivative financial instruments. Financial assets and liabilities are assigned to measurement categories in accordance with IFRS 9.

Financial assets

Financial assets are recognised in the statement of financial position if the Company is party to a contract concerning these assets. The purchase or sale of financial assets under normal market conditions is recognised or derecognised at the same value as at the settlement date.

Financial assets which are due for settlement in more than one year are classified as non-current. They are derecognised as soon as the contractual right to payments from the financial assets expires or the financial assets are transferred with all the significant risks and opportunities.

Financial instruments are assigned to the following measurement categories:

1. At amortised cost
2. At fair value through other comprehensive income (FVOCI)
3. At fair value through profit or loss (FVPL)

At amortised cost

A financial asset is carried at amortised cost if it meets the following two conditions and is not designated as at FVPL: First, it is held within a business model designed to hold assets to collect contractual cash flows. Second, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets carried at amortised cost are then measured using the effective interest method and amortised. Gains and losses are recognised in the income statement if the asset is derecognised, modified or impaired.

At fair value through other comprehensive income (FVOCI)

A debt instrument that meets the following two conditions must be measured at FVOCI unless the asset is classified at FVPL: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For debt instruments measured at FVOCI, interest income, currency revaluations and reversals of write-downs are recognised in the income statement and calculated in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. After the derecognition, the cumulative change in fair value recognised in OCI is recycled to the income statement.

At fair value through profit or loss (FVPL)

Assets measured at fair value through profit or loss include financial assets held for trading, financial assets designated as at fair value through profit or loss at initial recognition or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing them within a short period of time. Derivatives are also measured at fair value through profit or loss (FVPL) unless they are designated as hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model. Even if debt instruments meet the above classification criteria for amortised cost or FVOCI, they can still be measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Financial assets at FVPL are measured at fair value in the statement of financial position, with net value changes recognised in profit or loss.

Within the HELLA Group, this applies to financial instruments traded by Group companies.

Impairment

As of 1 June 2018, the Group measures the future expected credit loss for its receivables measured at amortised cost and its debt instruments measured at FVOCI. The chosen impairment method depends on whether there is a significant increase in credit risk. For trade receivables, the Group uses the simplified approach of IFRS 9 to measure lifetime expected credit losses since initial recognition.

Financial liabilities

During the fiscal year under review, as in the prior year, there were no non-derivative financial liabilities measured at fair value in the income statement or categorised as such. The accounting policies for the derivative financial liabilities measured at fair value included under other liabilities are described separately in the section entitled “Derivative financial instruments”.

All other non-derivative financial liabilities in the HELLA Group are allocated to the “at amortised cost” category. Non-derivative financial liabilities are initially measured at fair value less transaction costs. They are subsequently measured at their amortised cost using the effective interest method.

If an outflow of resources is expected after more than one year, these liabilities are classified as non-current. Liabilities are derecognised if the contractual commitments are settled, reversed or expire.

Derivative financial instruments

The HELLA Group uses derivative financial instruments to hedge financial risks. Derivative financial instruments are recognised at the time the relevant contract is completed and measured at fair value. Derivatives are measured on the basis of observable current market data using suitable measurement techniques. Forward exchange transactions and commodity futures transactions are measured on a case-by-case basis at the respective forward rate or price on the balance sheet date. The forward rates or prices are based on the spot rates and prices, allowing for forward premiums and discounts. The fair values of instruments to hedge interest rate risks are obtained by discounting the future cash inflows and outflows. Market interest rates are used for discounting and applied over the residual term of the instruments. The instruments are discounted at the market interest rate over the residual term. The present value is calculated on the balance sheet date for each single interest rate, currency and interest rate/currency swap transaction. The counterparty’s credit rating is usually included in the assessment on the basis of observable market data. Depending on whether the derivatives have a positive or negative fair value, they are reported within other financial assets or other financial liabilities. The recognition of changes in fair value depends on the accounting treatment applied. In principle, all derivative financial instruments are recognised at fair value through profit or loss. Changes in the fair value of assets held in this category are recognised directly in the income statement. In individual cases, selected hedging positions are presented as cash flow hedges in the statement of financial position in accordance with hedge accounting rules. This means that the effective portion of the change in fair value is recognised within equity (reserve for financial instruments for cash flow hedging), while the ineffective portion is recognised in the income statement. The portion of the change originally recognised within equity is recycled to the income statement as soon as the underlying transaction is recognised in the income statement.

ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS APPLIED UNTIL 31 MAY 2018

The Group has applied IFRS 9 retroactively but elected not to update the comparative information. As a result, the comparative information is still reported in accordance with the Group's previous accounting policies.

Financial assets

Financial assets are classified into one of the following four categories:

1. Financial assets at fair value through profit or loss (or "held for trading")
2. Held-to-maturity financial assets
3. Loans and receivables
4. Available-for-sale financial assets

Financial assets at fair value through profit or loss

A financial asset measured in the income statement at fair value is initially recognised at its fair value and also subsequently recognised at its fair value. The fair value option is not utilised. Within the HELLA Group, this applies to financial instruments traded by Group companies and to embedded derivative financial instruments. Contracts executed for the purpose of receiving or delivering non-financial items for the Group's own business requirements are not treated as derivatives but as executory contracts. Any embedded derivatives contained in the contracts are accounted for separately from the executory contracts. Changes in the fair value of the embedded derivatives are recognised in profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are initially recognised at fair value plus their direct acquisition costs. They are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, the Group did not have any financial assets in the "held-to-maturity" category.

Loans and receivables

Loans and receivables are initially recognised at fair value plus their direct acquisition costs. They are subsequently measured at amortised cost using the effective interest method. If there is any objective evidence of the impairment of an asset's value and the carrying amount is greater than the value determined in the impairment test, a corresponding impairment is recognised in the income statement. Objective evidence of impairment of an asset may be the deterioration of a borrower's creditworthiness, resulting in payment delays or imminent insolvency. All impairments are recorded indirectly using an impairment account. Within the HELLA Group, this measurement category largely consists of trade receivables and certain other assets. The accounting policies for derivative financial instruments with a positive fair value included under other assets are described separately in the section entitled "Derivative financial instruments".

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as "available for sale" on initial recognition or cannot be classified under any of the above categories. However, these assets were not acquired for the purpose of being sold in the near future. Non-current or current assets available for sale are recognised at their fair value on the balance sheet date. The fair value of publicly traded financial assets is determined using the market price. If there is no active market, the fair value is determined on the basis of the most recent market transactions or using a valuation method such as the discounted cash flow method.

They are initially recognised on the settlement date. Unrealised gains and losses are recognised within equity with due allowance made for any deferred taxes and are recycled to profit and loss upon the sale of the assets. If there is any objective evidence of the impairment of an asset's value and the carrying amount is greater than the value determined in the impairment test, a corresponding impairment is recognised in the income statement. Impairments are recorded using an impairment account. In these cases, the receivables are grouped into portfolios in which the reason for the impairment is identical in all cases and clearly separated from other receivables. Impairments are recognised when and as soon as receivables become uncollectible or likely to be uncollectible but only if the amount of impairment can be reliably determined. An impairment is recognised if there is objective evidence such as an extended default, initiation of debt collection procedures, pending insolvency or overindebtedness. Non- or low-interest-bearing receivables that are due for settlement in more than one year are discounted, in which case the interest component is recorded within interest income on a pro rata basis until settlement of the receivable. All the other investments included within financial assets belong to the “available-for-sale” category and are measured at historical cost as their fair value cannot be reliably determined. The shares and bonds stated under securities are marked to market.

Financial liabilities

During the reporting year, as in the prior year, there were no non-derivative financial liabilities measured at fair value in the income statement or categorised as such. The accounting policies for the derivative financial liabilities measured at fair value included under other liabilities are described separately in the section entitled “Derivative financial instruments”.

All other non-derivative financial liabilities of the HELLA Group are allocated to the “other liabilities at amortised cost” category. Non-derivative financial liabilities are initially measured at fair value less transaction costs. They are subsequently measured at amortised cost using the effective interest method. If an outflow of resources is expected after more than one year, these liabilities are classified as non-current. Liabilities are derecognised if the contractual commitments are settled, reversed or expire.

Derivative financial instruments

The HELLA Group uses derivative financial instruments to hedge financial risks. Derivative financial instruments are recognised on the trading day, and are then accounted for on each balance sheet date and at the time the relevant contract is completed, and are measured at fair value. The derivatives are measured on the basis of observable current market data using appropriate measurement methods. Forward exchange transactions and commodity futures transactions are measured on a case-by-case basis at the respective forward rate or price on the balance sheet date. The forward rates or prices are based on the spot rates and prices, allowing for forward premiums and discounts. The fair values of instruments to hedge interest rate risks are obtained by discounting the future cash inflows and outflows. Market interest rates are used for discounting and applied over the residual term of the instruments. The present value is calculated at the balance sheet date for each single interest rate, currency and interest rate/currency swap transaction. The counterparty’s credit rating is usually included in the assessment on the basis of observable market data.

Depending on whether the derivatives have a positive or negative fair value, they are reported within other financial assets or other financial liabilities. The recognition of changes in fair value depends on the accounting treatment applied. In principle, all derivative financial instruments are allocated to the “held for trading” category. Changes in the fair value of assets held in this category are recognised immediately in the income statement.

In individual cases, selected hedging positions are presented as cash flow hedges in the statement of financial position in accordance with hedge accounting rules. This means that the effective part of the change in fair value is recognised within equity, while the ineffective part is recognised in the income statement. The part of the change initially recognised within equity is recycled to profit and loss as soon as the underlying transaction is recognised in the income statement.

BORROWING COSTS

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or manufacture of a qualifying asset and can therefore be considered to form part of the historical cost of the asset concerned. All other borrowing costs are recognised as expenditure in the period in which they arise.

As in the prior year, there were no borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset in fiscal year 2018 /2019. For this reason, borrowing costs were recognised directly as expenditure within the period.

LEASES

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract contains the right to control the use of an identified asset, the Group assesses whether:

- the contract contains the right to use an identified asset, which may be specified explicitly or implicitly and should be physically distinct or represent essentially all of the capacity of a physically distinct asset. The asset is not identified if the supplier has a substantive substitution right;
- the Group has the right to obtain essentially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right if it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use. The Group also has the right to direct the use of the asset in those rare cases where the relevant decisions about how and for what purpose the asset is used are predetermined;
- the Group has the right to operate the asset; or

- the Group designed the asset in a way that predetermines how and for what purpose the asset will be used.

This standard applies to contracts concluded or amended on or after 1 June 2018.

The Group decided not to apply the exemption provided by IFRS 16 to contracts not identified as leases under IAS 17 and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

At the inception or remeasurement of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group has elected to separate the non-lease components for leases of land and buildings for reasons of materiality. With regard to other asset classes, such as machinery and office furniture, the Group has elected not to separate non-lease components from lease components, and instead to account for each lease component and any associated non-lease components as a single lease component.

Leases in which the Group is the lessee

The Group recognises a right-of-use asset and a lease liability at lease inception. The right-of-use asset is initially measured at cost, where cost consists of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and any direct costs incurred, less any lease incentives received. The Group has not assumed any obligations to cover the costs of dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. This means no provision is required to be recognised under IAS 37.

To determine the lease term, management considers all relevant facts and circumstances to assess the economic incentives to exercise, or not to exercise, an option to terminate the lease. Options to extend the lease (or periods after options to terminate the lease) are only included in leases if there is a good reason to assume that the term will be extended (or not terminated).

The right-of-use asset is then depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset or the end of the lease term. The useful life of right-of-use assets is estimated based on the useful life of property, plant and equipment. Depreciation begins on the commencement date of the lease. The right-of-use asset is also periodically tested for impairment pursuant to IAS 36 and, if found to be impaired, its carrying amount is adjusted to reflect the impairment and certain remeasurements of the lease liability.

The lease liability is measured on initial recognition at the present value of the remaining lease payments at the commencement of the lease, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, using an incremental borrowing rate that reflects the economic substance of the contract and the specific market conditions. The Group generally uses as its discount rate the interest rate it pays to borrow capital. The weighted average discount rate as of 31 May 2019 was 2.4%.

The lease payments included in the measurement of the lease payment comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate and are initially measured using the index or rate at the commencement date;
- amounts expected to be payable under residual value guarantees; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional period if the Group is reasonably certain to be able to exercise a extension option, and payments of penalties for terminating the lease early unless the Group is reasonably certain that it will not terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate, in the amounts the Group expects to be payable under a residual value guarantee or in the Group's assessment of whether it will exercise a purchase, extension or termination option. If the lease liability is remeasured in any of these scenarios, a corresponding adjustment to the carrying amount of the right-of-use asset is made or taken to profit or loss if the carrying amount of the right-of-use asset is reduced to zero. The Group has not made any adjustments of this kind in the period under review.

The Group elected not to recognise any right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less or for leases of low-value assets (primarily IT equipment, machinery and office furniture). The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

On initial application of IFRS 16, the Group used the following practical simplifications permitted by the standard:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases for which the lease term ends within 12 months of the date of initial application, 1 June 2018, in the same way as short-term leases;
- exclude initial direct costs in the measurement of the right-of-use asset as at the date of initial application and
- use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group elected to report in its statement of financial position those assets that do not meet the definition of investment property in property, plant and equipment, and to report lease liabilities in current and non-current financial liabilities.

The Group made the following classification in the statement of cash flows:

a cash payments for the principal portion of the lease liability within financing activities;
b cash payments for the interest portion of the lease liability within financing activities, applying the requirements in IAS 7 for interest paid;
c short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

IAS 17 – Comparable period
A lease is an agreement in which the lessor grants the lessee the right to use an asset for a specified period in return for a payment or series of payments.

Operating leases:
Leases in which the lessor retains a significant proportion of the risks and opportunities associated with ownership of the leased asset are classified as operating leases. Payments made in connection with an operating lease are recognised in the income statement on a straight-line basis over the duration of the operating lease.

Finance leases:
Leases for property, plant and equipment under which the Group bears the significant risks and enjoys the benefits associated with ownership of the leased assets are classified as finance leases. Assets under finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payment. An identical amount is recognised as a lease liability.

Every lease payment is divided into an interest component and a reduction of the principal so that the interest is consistently applied to the lease liability. The interest component of the lease payment is recognised as an expense in the income statement. The property, plant and equipment held under a finance lease is depreciated over the shorter of the two following periods: the asset's economic useful life or the term of the lease.

Leases in which the Group is the lessor
FRS 16 does not significantly change how lessors account for leases. If the Group is a lessor, it classifies each lease as either an operating lease or a finance lease at the inception of the lease. When classifying each lease, the Group makes a general determination as to whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. In this assessment, the Group considers certain indicators such as whether the lease term is the major part of the economic life of the asset.

The Group recognises lease payments received for operating leases as income within "other income" on a straight-line basis over the lease term.

The accounting policies that applied to the Group as a lessor in the comparable period do not differ from IFRS 16.

DIVIDEND DISTRIBUTIONS
Shareholder claims to dividend distributions are recognised as a liability in the period in which the corresponding resolution is adopted.

07 Discretionary decisions and management estimates
The preparation of the consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made. In addition, the application of company-wide accounting policies requires management to make judgments.

All estimates and assessments are reviewed on a continual basis and are based on past experience and other factors including expectations concerning future events that appear reasonable given the circumstances.

DISCRETIONARY DECISIONS AND CRITICAL ACCOUNTING ESTIMATES
The Group makes forward-looking assessments and assumptions. It is in the nature of things that the resulting estimates only very rarely correspond exactly to the actual, subsequent circumstances. The estimates and assumptions that engender a significant risk in the form of a material adjust-

ment to the carrying amount of assets and liabilities in the following fiscal year are discussed below.

ESTIMATED GOODWILL IMPAIRMENT

In accordance with the accounting policies described herein, the Group tests goodwill for impairment on an annual basis. The recoverable amount from cash-generating units (CGUs) is calculated on the basis of the value in use. These calculations must be based on certain assumptions (see also Chapter 29).

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group tests intangible assets (especially capitalised development expenses) and property, plant and equipment for impairment as soon as any indication of impairment arises in a specific case (triggering event). An impairment loss is recognised by comparing the carrying amount with the estimated recoverable value. In the case of self-created intangible assets, assessment of the point at which the capitalisation requirements have been met in accordance with IAS 38 is a matter of discretion. The most important estimates concern the definition of the useful lives of the individual intangible assets and property, plant and equipment, and the recoverable value of the non-current assets, particularly the cash flow forecasts and discount rates used in this context (see also Chapters 29 and 30). The underlying forecasts are based on experience as well as expectations regarding future market developments, particularly assumed sales volumes.

Product-specific operating equipment (tooling) that is manufactured for the HELLA Group's own production purposes and not for a customer is capitalised at its manufacturing costs. There is room for discretion in the determination of useful life.

PROVISIONS

Provisions are to be recognised in accordance with IAS 37 if a legal or constructive obligation has arisen for HELLA from a past event, it is probable that an outflow of economic resources will be required to settle this obligation and the amount of the obligation can be estimated reliably. Room for discretion exists with respect to estimating the probability of the outflow of resources as well as the amount of the obligation.

Warranty provisions are recognised based on past empirical values, taking into account conditions on the balance sheet date based on the costs directly attributable to the processing of individual warranty cases. Estimation of the anticipated expenses and reimbursements for the individual cases and calculation of the expenses for the generalised warranty risks are discretionary.

The amount of pension liabilities was calculated using actuarial methods and an estimation of the relevant influencing variables. In addition to the assumptions about life expectancy, assumptions regarding the parameters to be applied for the assumed rate of interest, wage trend, pension trend and fluctuation were made for the actuarial calculations.

INCOME TAXES

The Group is required to pay income tax in a number of countries. Significant assumptions therefore need to be made to determine the global income tax provisions. There are many transactions and calculations for which the final tax amount cannot be conclusively determined in the normal course of business. The Group measures the amount of the provisions for the expected external tax audits based on estimates of whether and to what extent income taxes will be payable. If the final tax amount for these transactions differs from the amount initially assumed, this is recognised in the actual and deferred taxes in the period in which the tax amount is conclusively determined (see Chapter 16).

Deferred taxes are recognised, among other things, for loss carry-forwards that can be used for taxation purposes. They are recognised on a discretionary basis based on estimated future taxable earnings.

FAIR VALUE OF DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded on an active market (for example, derivatives traded over the counter) is determined using appropriate measurement methods selected from a large number of methods. The assumptions used for this are predominantly based on the prevailing market conditions on the balance sheet date. The Group uses present value methods to determine the fair value of the financial assets that are not traded on an active market.

IMPAIRMENTS FOR FINANCIAL ASSETS

The Group satisfies the requirements of IFRS 9 regarding the determination of the impairment model. The impairment model applies to financial assets measured at their amortised cost or at their fair value with changes in fair value recognised in other comprehensive income (FVOCI), to contract assets pursuant to IFRS 15 and to lease obligations. Impairment is recognised using the expected loss model that takes account of past events, current conditions and forecasts of future economic conditions.

08 Prior-year figures

Reported sales according to regions were specified for the reporting period of the fiscal year 2017/2018. The financial statement items affected for the prior year have been adjusted accordingly. This does not result in correction of the undiluted and diluted results per share.

To ensure the ability to draw consistent comparisons with past or future periods, the sales according to regions will also be adjusted by the wholesale distribution sales after the end of the first fiscal quarter in the amount of € 441,461 thousand. The tables below show the corrected figures for the sales according to regions:

Adjusted sales by region (based on the headquarters of HELLA's customers):

€ thousand	2017/2018 as reported	2017/2018 Reclassification	2017/2018 adjusted
Germany	2,133,822	73,066	2,206,888
Europe without Germany	2,496,977	-73,066	2,423,911
North, Central and South America	1,221,386	0	1,221,386
Asia / Pacific / RoW	1,208,157	0	1,208,157
Consolidated sales	**7,060,342**	**0**	**7,060,342**

Adjusted sales by region (based on the headquarters of HELLA's customers):

€ thousand	2017/2018 adjusted	2017/2018 Adjustment	2017/2018 adjusted
Germany	2,206,888	-5,452	2,201,436
Europe without Germany	2,423,911	-436,023	1,987,888
North, Central and South America	1,221,386	0	1,221,386
Asia / Pacific / RoW	1,208,157	0	1,208,157
Consolidated sales	**7,060,342**	**-441,461**	**6,618,867**

The wholesale distribution business was sold in fiscal year 2018/2019. This means that wholesale distribution is no longer part of the Aftermarket segment. The prior-year figures for the fiscal year 2017/2018 have been amended to reflect this.

In accordance with the new structure the reporting for the Aftermarket segment was adjusted and is as follows for fiscal year 2017/2018:

€ thousand	2017/2018 as reported	Adjustments	2017/2018 adjusted
Sales with external customers	1,225,079	-580,233	644,847
Intersegment sales	2,532	0	2,532
Segment sales	**1,227,611**	**-580,233**	**647,378**
Cost of sales	-799,046	378,925	-420,121
Gross profit	**428,565**	**-201,308**	**227,257**
Research and development expenses	-13,479	59	-13,419
Distribution expenses	-326,106	168,079	-158,028
Administrative expenses	-19,461	0	-19,461
Other income and expenses	10,744	-1,240	9,504
Earnings from investments accounted for using the equity method	6,441	0	6,441
Other income from investments	352	0	352
Earnings before interest and taxes (EBIT)	**87,056**	**-34,410**	**52,646**

Based on the adjusted segment information of the previous year, the restatement of sales is as follows:

€ thousand	2017/2018 as reported	Adjustments	2017/2018 adjusted
Total sales of the reporting segments	**7,089,817**	**-580,233**	**6,509,585**
Sales in other divisions	95,143	0	95,143
Wholesale sales	0	580,233	580,233
Elimination of intersegment sales	-124,618	0	-124,618
Consolidated sales	**7,060,342**	**0**	**7,060,342**

The segment results are restated after the adjustments of the segment information to the consolidated net profit as follows:

€ thousand	2017/2018	Adjustments	2017/2018 adjusted
EBIT of the reporting segments	**594,151**	**-34,410**	**559,741**
EBIT of other divisions	-13,356	0	-13,356
EBIT wholesale	0	5,945	5,945
Unallocated income	-6,509	28,465	21,956
Consolidated EBIT	**574,287**	**0**	**574,287**
Net financial result	-44,137	0	-44,137
Consolidated EBT	**530,149**	**0**	**530,149**

As an accompaniment to the introduction of IFRS 15, the statement of expenses arising from individual development-related activities has been reassessed. An amended statement of the costs associated with pre-production samples created as part of development projects, with bids and proposals made prior to orders being placed, and with individual process optimisations introduced after the start of delivery is now being presented, with the aim of allocating costs more clearly to their sources.

This has resulted in the costs for producing samples and prototypes, and the process optimisations referred to above, being assigned to cost of sales, with bid and proposal costs assigned to distribution expenses. The prior year has been adjusted accordingly.

In line with the new attribution, the reporting for the Automotive segment was adjusted and is as follows for the fiscal year 2017/2018:

€ thousand	2017/2018 adjusted	Adjustments	2017/2018 adjusted
Sales with external customers	5,382,754	0	5,382,754
Intersegment sales	49,778	0	49,778
Segment sales	**5,432,533**	**0**	**5,432,533**
Cost of sales	-4,045,397	-60,136	-4,105,533
Gross profit	**1,387,135**	**-60,136**	**1,326,999**
Research and development expenses	-658,086	116,325	-541,761
Distribution expenses	-137,553	-56,189	-193,741
Administrative expenses	-192,879	0	-192,879
Other income and expenses	17,770	0	17,770
Earnings from investments accounted for using the equity method	42,769	0	42,769
Other income from investments	0	0	0
Earnings before interest and taxes (EBIT)	**459,156**	**0**	**459,156**

In line with the new attribution, the reporting for the Special Applications segment was adjusted and is as follows for the fiscal year 2017/2018:

€ thousand	2017/2018 as reported	Adjustments	2017/2018 adjusted
Sales with external customers	418,030	0	418,030
Intersegment sales	11,644	0	11,644
Segment sales	**429,674**	**0**	**429,674**
Cost of sales	-276,334	-4,824	-281,158
Gross profit	**153,340**	**-4,824**	**148,516**
Research and development expenses	-21,150	7,462	-13,688
Distribution expenses	-59,167	-2,638	-61,805
Administrative expenses	-29,456	0	-29,456
Other income and expenses	4,371	0	4,371
Earnings from investments accounted for using the equity method	0	0	0
Other income from investments	0	0	0
Earnings before interest and taxes (EBIT)	**47,939**	**0**	**47,939**

By analogy with the adjusted segment data for the prior year, the following reclassifications apply to the consolidated income statement for the fiscal year 2017/2018:

€ thousand	2017/2018 as reported	Adjustments	2017/2018 adjusted
Sales	**7,060,342**	**0**	**7,060,342**
Cost of sales	-5,094,043	-65,151	-5,159,194
Gross profit	**1,966,299**	**-65,151**	**1,901,148**
Research and development expenses	-692,033	123,986	-568,048
Distribution expenses	-522,912	-58,835	-581,747
Administrative expenses	-241,585	0	-241,585
Other income and expenses	20,512	0	20,512
Earnings from investments accounted for using the equity method	43,910	0	43,910
Other income from investments	97	0	97
Earnings before interest and taxes (EBIT)	**574,287**	**0**	**574,287**
Financial income	29,614	0	29,614
Financial expenses	-73,751	0	-73,751
Net financial result	**-44,137**	**0**	**-44,137**
Earnings before income taxes (EBT)	**530,149**	**0**	**530,149**
Income taxes	-140,099	0	-140,099
Earnings for the period	**390,051**	**0**	**390,051**
of which attributable:			
to the owners of the parent company	388,679	0	388,679
to non-controlling interests	1,372	0	1,372
Basic earnings per share in €	**3.50**	**0.00**	**3.50**
Diluted earnings per share in €	**3.50**	**0.00**	**3.50**

In the reporting year, this has resulted in the costs for producing samples and prototypes, and the process optimisations referred to above (together amounting to € 83,073 thousand), being assigned to cost of sales, with bid and proposal costs (amounting to € 63,966 thousand) assigned to distribution expenses. Accordingly, the research and development expenses in the reporting year were € 147,040 thousand lower. As the table above shows, the prior year has been adjusted accordingly.

09 Sales

Sales in fiscal year 2018/2019 amounted to € 6,989,981 thousand (prior year: € 7,060,342 thousand). Sales are attributable entirely to the sale of goods and performance of services.

They can be classified as follows:

€ thousand	2018/2019	2017/2018
Sales from the sale of goods	6,666,342	6,862,817
Sales from the rendering of services	323,639	197,525
Total sales	**6,989,981**	**7,060,342**

Sales by region (based on the headquarters of HELLA's customers):

€ thousand	2018/2019	2017/2018*
Germany	2,348,921	2,206,888
Europe without Germany	2,131,733	2,423,911
North, Central and South America	1,380,713	1,221,386
Asia / Pacific / RoW	1,128,615	1,208,157
Consolidated sales	**6,989,981**	**7,060,342**

* The previous year's figures of sales by region were adjusted. Please refer to Chapter 08 for further information.

To ensure the ability to draw consistent comparisons with other reporting periods, the consolidated sales will be adjusted by the operational residuals of the wholesale distribution business after the end of the first fiscal quarter.

Adjusted sales by region (based on the headquarters of HELLA's customers):

€ thousand	2018/2019 as reported	2018/2019 Adjustment	2018/2019 adjusted
Germany	2,348,921	-543	2,348,378
Europe without Germany	2,131,733	-21,256	2,110,478
North, Central and South America	1,380,713	0	1,380,713
Asia / Pacific / RoW	1,128,615	0	1,128,615
Consolidated sales	**6,989,981**	**-21,735**	**6,968,183**

10 Cost of sales

In the fiscal year, € 5,175,810 thousand (prior year: € 5,159,194 thousand) was recognised as expense under cost of sales.

Apart from directly attributable material and production costs, the cost of sales also comprises currency gains and losses (largely from the purchase of materials) and gains and losses from the disposal of fixed assets. Currency gains in the reporting period amounted to € 135,863 thousand (prior year: € 68,339 thousand), with currency losses at € 133,640 thousand (prior year: € 63,303 thousand). Gains and losses from the disposal of fixed assets amounted to € 1,118 thousand (prior year: € 1,807 thousand) and € 8,056 thousand (prior year: € 6,010 thousand) respectively.

€ thousand	2018/2019	2017/2018*
Material expenses	-3,656,987	-3,631,904
Personnel expenses	-760,646	-723,097
Depreciation/amortisation	-286,790	-368,047
Other	-364,278	-342,460
Reclassification of functional costs	-107,109	-93,686
Cost of sales	**-5,175,810**	**-5,159,194**

* The previous year's figures of cost of sales were adjusted. Please refer to Chapter 08 for further information.

11 Research and development expenses

The research and development expenses serve to generate future sales and mainly consist of personnel expenses and material expenses. The reported expenses in the fiscal year were € 610,730 thousand (prior year: € 568,048 thousand).

€ thousand	2018/2019	2017/2018*
Material expenses	-31,880	-42,187
Personnel expenses	-462,319	-422,140
Depreciation/amortisation	-23,602	-20,860
Other	-108,170	-93,196
Reclassification of functional costs	15,241	10,334
Research and development expenses	**-610,730**	**-568,048**

* The previous year's figures of research and development expenses were adjusted. Please refer to Chapter 08 for further information.

12 Distribution expenses

The distribution expenses include all downstream production costs that can, however, be attributable directly to the provision of goods or services to customers. This covers storage, supplying customers locally, and outbound freight. The classification as distribution expenses is carried out at Group level as well as within individual companies. The decrease in the distribution expenses was largely attributable to the sale of the wholesale distribution business.

€ thousand	2018/2019	2017/2018*
Material expenses	-5,006	-5,754
Personnel expenses	-171,746	-245,302
Depreciation/amortisation	-12,372	-10,129
Other	-171,724	-224,646
Reclassification of functional costs	-114,503	-95,915
Distribution expenses	**-475,351**	**-581,747**

* The previous year's figures of distribution expenses were adjusted. Please refer to Chapter 08 for further information.

13 Administrative expenses

The administrative expenses recognised cover all central functions that are not directly related to production, development, or distribution. These essentially consist of the financial, human resources, IT and similar departments.

€ thousand	2018/2019	2017/2018*
Material expenses	-66,660	-59,274
Personnel expenses	-271,969	-249,670
Depreciation/amortisation	-61,283	-45,242
Other	-55,005	-56,833
Reclassification of functional costs	198,367	169,434
Administrative expenses	**-256,550**	**-241,585**

* The previous year's figures of administrative expenses were adjusted.

14 Other income and expenses

Other income amounted to € 311,644 thousand in fiscal year 2018/2019 (prior year: € 47,334 thousand). This also includes € 9,087 thousand (prior year: € 9,388 thousand) in government grants, release of provisions of € 10,491 thousand (prior year: € 2,134 thousand) and insurance indemnification of € 1,354 thousand (prior year: € 2,871 thousand), as well as proceeds from the sale of buildings, amounting to €12,040 thousand.

In the fiscal year under review, the HELLA Group sold its shares in the wholesale distribution companies FTZ Autodele & Værktøj A/S, INTER-TEAM Sp. z o.o., Hellanor AS and Nordic Forum Holding A/S. The resulting deconsolidation proceeds of € 255,461 thousand are reported in other income and expenses.

Other expenses amounted to € 25,695 thousand in fiscal year 2018/2019 (prior year: € 26,823 thousand). This includes € 3,506 thousand (prior year: € 3,879 thousand) for restructuring measures in Germany, devaluations of loans amounting to € 3,735 thousand, losses resulting from the sale of financial assets amounting to € 3,927 thousand and consultancy costs amounting to € 9,068 thousand.

The other income includes amounts reclassified from the function costs in an amount of € 8,005 thousand (prior year: € 9,833 thousand).

15 Net financial result

Currency gains of € 8,350 thousand (prior year: € 15,419 thousand) are reported in other financial income and corresponding currency losses of € 23,395 thousand (prior year: € 29,011 thousand) incurred in financial transactions are reported in other financial expenses.

€ thousand	2018/2019	2017/2018
Interest income	12,911	11,786
Income from securities and other loans	1,908	2,409
Other financial income	8,350	15,419
Financial income	**23,169**	**29,614**
Interest expenses	-41,103	-44,740
Other financial expenses	-23,395	-29,011
Financial expenses	**-64,498**	**-73,751**
Net financial result	**-41,329**	**-44,137**

16 Income taxes

€ thousand	2018/2019	2017/2018
Current income tax expense	-106,176	-128,520
Deferred income tax expense	-29,627	-11,579
Total income taxes	**-135,803**	**-140,099**

Of actual income taxes, € 9,995 thousand is attributable to prior years (prior year: € 10,566 thousand).

Deferred taxes are calculated based on the tax rates applicable or announced, depending on the legal situation, in the individual countries at the expected time of realisation. The prevailing corporate income tax rate of 15% plus municipal trade tax and the solidarity surcharge results in an average tax rate of 31% for German companies. The tax rates outside Germany range from 10% to 35%.

The development of the actual taxes on income derived from the expected tax expense is shown below. A tax rate of 31% (prior year: 30%) is taken as a basis.

€ thousand	2018/2019	2017/2018
Earnings before tax	766,213	530,149
Expected income tax expense	**-237,526**	**-159,045**
Utilisation of previously unrecognised loss carryforwards	295	2,598
Reversal of previously unrecognised temporary differences	2,767	-3,182
Unrecognised deferred tax assets	-10,944	-8,853
Subsequent recognition of deferred tax assets	2,233	17,097
Deferred tax assets from outside basis differences	8,488	-9,270
Tax effect of changes in tax rates and laws	-2,063	-716
Tax-free income effects	88,528	5,720
Investments accounted for using the equity method	15,492	13,136
Tax effect of non-deductible operating expenses	-18,008	-7,677
Tax effect for prior years	-9,995	-10,566
Non-deductible foreign withholding tax	-4,630	-4,428
Tax rate deviations	30,115	21,304
Other	-556	3,781
Reported income tax expense	**-135,803**	**-140,099**

The sale of the wholesale distribution business resulted in tax-free income amounting to € 79 million. The sale of the wholesale distribution business also resulted in tax effects from non-deductible operating expenses, amounting to € 8 million.

17 Personnel

The average number of employees in the companies included in the consolidated financial statements totals 41,859 (prior year: 41,648) during the fiscal year 2018/2019.

Number	2018/2019	2017/2018
Direct employees	12,246	11,674
Indirect employees	27,432	27,768
Permanent employees	**39,678**	**39,442**
Temporary employees	2,181	2,206
Total employees	**41,859**	**41,648**

The average number of permanent employees in the HELLA Group in fiscal year 2018/2019 was 39,678 (prior year: 39,442). The number of employees is stated as a headcount. Direct employees are directly involved in the manufacturing process, while indirect employees are employed mainly in the areas of quality, research and development, as well as administration and distribution. The number of apprentices stood at 430 during the fiscal year (prior year: 455).

"Temporary employees" comprises employees from a fully consolidated company who are primarily active for other Group companies, but who also provide services for third parties in some cases.

Permanent employees in the HELLA Group by region:

Number	2018/2019	2017/2018
Germany	9,949	9,770
Europe without Germany	15,529	16,394
North, Central and South America	7,746	6,955
Asia / Pacific / RoW	6,454	6,323
Permanent employees worldwide	**39,678**	**39,442**

Personnel expenses (including temporary employees) can be broken down as follows:

€ thousand	2018/2019	2017/2018
Wages and salaries	1,307,708	1,296,626
Social security and retirement benefit expenses	358,972	343,583
Total	**1,666,680**	**1,640,209**

18 Earnings per share

Basic earnings per share are calculated by dividing the share of earnings attributable to the shareholders of HELLA GmbH & Co. KGaA by the weighted average number of ordinary shares issued.

Basic earnings per share amounted to € 5.67 and, as in the prior year, are equivalent to diluted earnings per share.

Number of shares	**31 May 2019**	31 May 2018
Weighted average number of shares in circulation during the period		
Basic ordinary shares	111,111,112	111,111,112
Diluted ordinary shares	111,111,112	111,111,112
€ thousand	**2018/2019**	**2017/2018**
Share of profit attributable to owners of the parent company	629,995	388,679
€	**2018/2019**	**2017/2018**
Basic earnings per share	**5.67**	**3.50**
Diluted earnings per share	**5.67**	**3.50**

19 Appropriation of earnings

The Management Board will propose to the Annual General Meeting of HELLA GmbH & Co. KGaA that a dividend amounting to a total of € 3.35 per no-par value share be distributed from the net profit reported in the separate financial statements prepared for the parent company under commercial law for the fiscal year 2018/2019. In addition to the regular dividend of € 1.05 per no-par value share (prior year: € 1.05), this is made up of another component and therefore a special dividend amounting to € 2.30 per no-par value share. This special dividend has largely come about as a result of the successful sale of the wholesale distribution business. The proposed dividend represents a distribution amount of € 372,222 thousand (prior year: € 116,667 thousand).

20 Adjustment of special effects in earnings before interest and taxes

The HELLA Group is managed by the Management Board through financial key performance indicators. The key performance indicators of adjusted sales growth and adjusted operating result margin (adjusted EBIT margin) take on prominent importance compared to the other financial key performance indicators in the management of the HELLA Group. A major guideline in assessing the suitability of management indicators is that they have to provide a transparent picture of operational performance. In this process, the non-recurring or exceptional effects in their type or size, referred to as special effects, can lead to distortions with regard to the EBIT margin, for example, and thus adversely affect the ability to assess the Company's performance.

Special effects are non-recurring or exceptional effects in their type and size, which are clearly differentiated from the usual operational business. They are tracked uniformly and consistently in the Group and the method used to calculate adjusted earnings figures must not vary over the course of time in order to facilitate periodic comparison.

For this reason, the adjusted EBIT margin has been defined as one of the most important key performance indicators for the steering of the Group's activities. The adjusted EBIT margin as a key performance indicator is not defined in the International Financial Reporting Standards. Rather it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the company's perspective, it presents the results of operations – adjusted for special effects – in a more transparent form and facilitates a comparison over time.

The wholesale distribution business was sold in fiscal year 2018/2019. The resultant deconsolidation proceeds of € 255,461 thousand were recorded in other income and expenses. This means that wholesale distribution is no longer part of the Aftermarket segment.

To ensure the ability to draw consistent comparisons with other reporting periods, as well as being adjusted for the operational residuals of the wholesale distribution business after the end of the first fiscal quarter, the consolidated income statement will also be adjusted for the attendant capital gains or losses, costs in connection with the implementation of the sale or as its result, and costs for the restructuring measures in the amount of € 222,697 thousand (prior year: € 21,956 thousand).

The adjusted result represents a profit/loss statement free of special effects for the operational business. The business activities included in this are not influenced by intermediate sales of shares or other non-recurring effects and thereby

The corresponding reconciliation statement for the fiscal years 2018/2019 and 2017/2018 is as follows:

€ thousand	2018/2019 as reported	Adjustment	2018/2019 adjusted
Sales	6,989,981	-21,798	6,968,183
Cost of sales	-5,175,810	14,799	-5,161,011
Gross profit	**1,814,171**	**-6,999**	**1,807,172**
Research and development expenses	-610,730	184	-610,546
Distribution expenses	-475,351	19,982	-455,368
Administrative expenses	-256,550	7,629	-248,921
Other income and expenses	285,949	-243,494	42,455
Earnings from investments accounted for using the equity method	50,967	0	50,967
Other income from investments	-913	0	-913
Earnings before interest and taxes (EBIT)	**807,543**	**-222,697**	**584,845**

€ thousand	2017/2018 adjusted	Adjustment	2017/2018 adjusted
Sales	7,060,342	-441,475	6,618,867
Cost of sales	-5,159,194	291,820	-4,867,375
Gross profit	**1,901,148**	**-149,655**	**1,751,493**
Research and development expenses	-568,048	0	-568,048
Distribution expenses	-581,747	124,911	-456,835
Administrative expenses	-241,585	0	-241,585
Other income and expenses	20,512	2,788	23,300
Earnings from investments accounted for using the equity method	43,910	0	43,910
Other income from investments	97	0	97
Earnings before interest and taxes (EBIT)	**574,287**	**-21,956**	**552,331**

21 Segment reporting

External segment reporting is based on internal reporting (so-called management approach). Segment reporting is based solely on financial information used by the company's decision makers for the internal management of the company and to make decisions regarding the allocation of resources and measurement of profitability.

THE HELLA GROUP'S BUSINESS ACTIVITIES ARE DIVIDED INTO THREE SEGMENTS: AUTOMOTIVE, AFTERMARKET AND SPECIAL APPLICATIONS:

The Automotive segment provides numerous lighting and electronics components to automobile manufacturers and other tier-1 suppliers worldwide. The product portfolio of the Lighting business division includes headlamps, signal lights, interior lights and lighting electronics. The Electronics business division focuses on the product areas of body electronics, energy management, driver assistance systems and components (such as sensors and engine compartment actuators). The Automotive segment develops, produces and sells vehicle-specific solutions, and develops and brings to market technological innovations.

The Aftermarket business segment produces and sells automotive parts and accessories, primarily in the areas of lighting, electrics and electronics, as well as workshop solutions in the areas of diagnostics and calibration. Furthermore, wholesalers and workshops receive support for their business via a state-of-the-art and fast information and order system as well as via comprehensive services, such as hotlines, training, technical information, sales support and efficient logistics. Strategic focal points of the segment include the stronger alignment of the aftermarket business with the company's original equipment expertise and the closer dovetailing of original equipment expertise and workshop equipment expertise.

The Special Applications segment comprises original equipment for special-purpose vehicles such as buses, caravans, agricultural and construction machinery, municipal vehicles and trailers. Technological competence is closely linked to the Automotive business, which means that the range of applications in LED and electronic products can be expanded appropriately and synergies leveraged at the same time.

All other Group segments are subordinate in terms of their economic significance and are therefore not segmented further. Their functions relate mainly to Group financing.

The segments together generated sales of € 792,159 thousand (prior year: € 919,836 thousand) with a single customer in the reporting year and therefore accounted for more than 10% of consolidated sales.

Sales as well as adjusted earnings before interest and taxes (EBIT) are the key performance indicators used to manage the business segments; assets and liabilities are not reported. The internal reporting applies the same accounting and measurement principles as the consolidated financial statements.

The segment information for fiscal years 2018/2019 and 2017/2018 is as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2018/2019**	2017/2018*	**2018/2019**	2017/2018*	**2018/2019**	2017/2018*
Sales with external customers	5,722,811	5,382,754	662,383	644,847	390,946	418,030
Intersegment sales	43,083	49,778	2,388	2,532	8,535	11,644
Segment sales	**5,765,894**	**5,432,533**	**664,771**	**647,378**	**399,480**	**429,674**
Cost of sales	-4,399,377	-4,105,533	-419,358	-420,121	-248,775	-281,158
Gross profit	**1,366,517**	**1,326,999**	**245,413**	**227,257**	**150,705**	**148,516**
Research and development expenses	-578,914	-541,761	-16,434	-13,419	-15,470	-13,688
Distribution expenses	-195,587	-193,741	-156,301	-158,028	-61,038	-61,805
Administrative expenses	-199,161	-192,879	-22,240	-19,461	-30,373	-29,456
Other income and expenses	16,526	17,770	12,109	9,504	16,793	4,371
Earnings from investments accounted for using the equity method	43,725	42,769	7,241	6,441	0	0
Other income from investments	-976	0	322	352	0	0
Earnings before interest and taxes (EBIT)	**452,131**	**459,156**	**70,110**	**52,646**	**60,618**	**47,939**
Additions to property, plant and equipment and intangible assets	500,619	509,087	14,505	14,367	29,173	24,768

* The prior-year figures for all segments have been adjusted. Please refer to Chapter 08 for further information.

Sales with external third parties in the fiscal years 2018/2019 and 2017/2018 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2018/2019**	2017/2018	**2018/2019**	2017/2018*	**2018/2019**	2017/2018
Sales from the sale of goods	5,500,536	5,227,971	623,497	636,829	387,154	417,785
Sales from the rendering of services	222,276	154,783	38,886	8,017	3,792	246
Sales with external customers	**5,722,811**	**5,382,754**	**662,383**	**644,847**	**390,946**	**418,030**

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

Sales by region with external third parties in the fiscal years 2018/2019 and 2017/2018 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2018/2019**	2017/2018	**2018/2019**	2017/2018	**2018/2019**	2017/2018
Germany	2,004,664	1,900,478	174,153	157,061	111,963	107,799
Europe without Germany	1,497,922	1,383,939	322,488	319,310	155,620	147,502
North, Central and South America	1,268,499	1,111,772	74,663	68,209	37,551	41,403
Asia / Pacific / RoW	951,726	986,565	91,079	100,267	85,812	121,326
Sales with external customers	**5,722,811**	**5,382,754**	**662,383**	**644,847**	**390,946**	**418,030**

Sales reconciliation:

€ thousand	**2018/2019**	2017/2018*
Total sales of the reporting segments	**6,830,146**	**6,509,585**
Sales in other divisions	122,084	95,143
Wholesale sales	158,421	580,233
Elimination of intersegment sales	-120,669	-124,618
Consolidated sales	**6,989,981**	**7,060,342**

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

Reconciliation of the segment results with consolidated net profit:

€ thousand	**2018/2019**	2017/2018*
EBIT of the reporting segments	**582,259**	**559,741**
EBIT of other divisions	-3,675	-13,356
EBIT wholesale	5,662	5,945
EBIT adjustments	222,697	21,956
Consolidated EBIT	**807,543**	**574,287**
Net financial result	-41,329	-44,137
Consolidated EBT	**766,213**	**530,149**

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

EBIT of other areas includes expenses for strategic investments in potential new technologies and business segments, depreciation and amortisation of assets not used for operations and expenses for central functions.

Non-current assets by region:

€ thousand	**2018/2019**	2017/2018
Germany	972,338	985,355
Europe without Germany	691,550	854,871
North, Central and South America	462,566	338,951
Asia / Pacific / RoW	478,593	427,201
Consolidated non-current assets	**2,605,047**	**2,606,378**

As a result of the adjustments to the segment reporting due to the sale of the wholesale distribution business, and the modified statement of expenses arising from individual development-related activities during the current reporting period, it has also been necessary to make amendments in the reporting periods over the course of fiscal year 2018/2019. This is shown below, with the figures divided according to segment.

After the adjustments made for the Automotive segment the interim reporting periods of the fiscal year 2018/2019 are as follows:

€ thousand	Q1 2018/2019 adjusted	Q2 2018/2019 adjusted	Q3 2018/2019 adjusted
Sales with external customers	1,371,652	2,841,368	4,207,606
Intersegment sales	11,376	22,508	32,778
Segment sales	**1,383,028**	**2,863,876**	**4,240,384**
Cost of sales	**-1,039,601**	**-2,148,309**	**-3,204,294**
Gross profit	**343,427**	**715,567**	**1,071,159**
Research and development expenses	-150,691	-300,847	-445,910
Distribution expenses	-52,789	-101,629	-146,502
Administrative expenses	-46,954	-100,666	-153,347
Other income and expenses	5,003	10,391	17,503
Earnings from investments accounted for using the equity method	7,717	21,354	27,999
Other income from investments	0	0	0
Earnings before interest and taxes (EBIT)	**105,715**	**244,170**	**335,834**
Additions to property, plant and equipment and intangible assets	87,996	183,287	285,726

After the adjustments made for the Aftermarket segment the interim reporting periods of the fiscal year 2018/2019 are as follows:

€ thousand	Q1 2018/2019 adjusted	Q2 2018/2019 adjusted	Q3 2018/2019 adjusted
Sales with external customers	173,679	334,710	489,908
Intersegment sales	566	1,082	1,622
Segment sales	**174,246**	**335,791**	**491,530**
Cost of sales	**-113,181**	**-216,732**	**-313,022**
Gross profit	**61,065**	**119,060**	**178,508**
Research and development expenses	-3,416	-7,290	-11,372
Distribution expenses	-42,148	-82,763	-120,162
Administrative expenses	-5,737	-11,816	-18,181
Other income and expenses	1,997	3,858	7,193
Earnings from investments accounted for using the equity method	2,863	4,103	4,988
Other income from investments	0	225	322
Earnings before interest and taxes (EBIT)	**14,624**	**25,377**	**41,296**
Additions to property, plant and equipment and intangible assets	5,459	6,626	11,100

After the adjustments made for the Special Applications segment the interim reporting periods of the fiscal year 2018/2019 are as follows:

€ thousand	Q1 2018/2019 adjusted	Q2 2018/2019 adjusted	Q3 2018/2019 adjusted
Sales with external customers	97,958	199,285	291,204
Intersegment sales	2,412	4,376	6,388
Segment sales	**100,370**	**203,660**	**297,592**
Cost of sales	**-61,709**	**-124,762**	**-184,821**
Gross profit	**38,661**	**78,898**	**112,771**
Research and development expenses	-3,741	-7,281	-11,242
Distribution expenses	-15,085	-31,142	-45,277
Administrative expenses	-7,842	-15,807	-23,277
Other income and expenses	897	2,464	4,004
Earnings from investments accounted for using the equity method	0	0	0
Other income from investments	0	0	0
Earnings before interest and taxes (EBIT)	**12,889**	**27,132**	**36,980**
Additions to property, plant and equipment and intangible assets	7,240	16,778	22,490

By analogy with the adjusted segment data for the prior year, the following reclassifications apply to the consolidated income statement for fiscal year 2018/2019:

€ thousand	Q1 2018/2019 adjusted	Q2 2018/2019 adjusted	Q3 2018/2019 adjusted
Sales	**1,786,682**	**3,550,064**	**5,169,373**
Cost of sales	-1,296,112	-2,577,847	-3,785,577
Gross profit	**490,570**	**972,217**	**1,383,796**
Research and development expenses	-157,746	-315,386	-469,170
Distribution expenses	-152,315	-276,289	-373,214
Administrative expenses	-59,791	-126,511	-187,648
Other income and expenses	6,889	257,084	262,080
Earnings from investments accounted for using the equity method	10,581	25,457	32,987
Other income from investments	359	225	327
Earnings before interest and taxes (EBIT)	**138,546**	**536,796**	**649,156**
Financial income	8,411	8,501	11,670
Financial expenses	-20,097	-33,529	-40,841
Net financial result	**-11,686**	**-25,028**	**-29,171**
Earnings before income taxes (EBT)	**126,860**	**511,767**	**619,985**
Income taxes	-31,490	-68,208	-109,989
Earnings for the period	**95,370**	**443,559**	**509,996**
of which attributable:			
to the owners of the parent company	95,476	443,388	509,814
to non-controlling interests	-106	172	182
Basic earnings per share in €	**0.86**	**3.99**	**4.59**
Diluted earnings per share in €	**0.86**	**3.99**	**4.59**

22 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, cheques and bills received.

23 Financial assets

€ thousand	31 May 2019 Non-current	31 May 2019 Current	31 May 2018 Non-current	31 May 2018 Current
Securities	20,249	535,890	20,404	322,077
Other investments	18,277	0	9,969	0
Loans	4,546	2,836	6,806	4,172
Other financial assets	33	18,406	32	6,685
Total	**43,105**	**557,131**	**37,212**	**332,934**

24 Trade receivables

Trade receivables of € 1,065,804 thousand include receivables due from associated companies, joint ventures, non-consolidated affiliated companies and companies in which an interest is held amounting to € 36,747 thousand (prior year: € 27,613 thousand).

€ thousand	31 May 2019	31 May 2018
Trade receivables involving associates, joint ventures and investments	36,255	27,106
Trade receivables with affiliated companies not included in the consolidated financial statements	492	506
Total	**36,747**	**27,613**

25 Other receivables and non-financial assets

€ thousand	31 May 2019	31 May 2018
Other current assets	10,043	17,255
Receivables from finance leases	16,277	14,033
Insurance receivables	37,564	3,613
Positive market value of currency hedges	13,518	8,448
Subtotal other financial assets	**77,403**	**43,349**
Advance payments for services	4,069	5,855
Advance payments for insurances	6,066	6,203
Advance payments for licences	4,297	4,760
Prepaid expenses	35,309	33,708
Receivables for partial retirement	427	302
Advance payments to employees	2,213	2,206
Other tax receivables	78,055	52,590
Total	**207,838**	**148,972**

26 Inventories

Inventories are broken down as follows:

€ thousand	31 May 2019	31 May 2018
Raw materials and supplies	302,819	230,952
Unfinished goods	319,884	272,313
Finished goods	73,472	81,434
Merchandise	108,992	213,240
Other	5,110	10,338
Gross inventories	**810,277**	**808,277**
Advance payments received	0	-46,789
Total inventories	**810,277**	**761,488**

In inventories, the following adjustments were made during the conversion to IFRS 15: Customer tools are a separate service obligation under IFRS 15. The capitalised services rendered up to the time of the power of disposition to the customer are reported as inventory assets. Therefore, € 71,909 thousand was reclassified in unfinished goods in the opening balance sheet dated 1 June 2018. The capitalised services from customer tools were recorded directly in inventories during the reporting period. The payments received from inventories are contract obligations under IFRS 15.

The carrying amounts of the inventories recognised at fair value less cost of sales amounted to € 198,562 thousand (prior year: € 209,734 thousand).

Impairments of € 19,424 thousand (prior year: € 22,255 thousand) were recognised in the income statement under the cost of sales in the reporting year. At the same time, impairments amounting to € 19,044 thousand (prior year: € 20,073 thousand) were reversed in the past fiscal year, as the impaired inventories were sold at higher values. Write-ups on inventory assets are recognised in the cost of sales, in line with impairments. This results in cumulative adjustments to inventory in the amount of € 46,487 thousand for the reporting period (prior year: € 46,107 thousand).

The cumulative impairments are allocated to the inventory classes as follows:

€ thousand	31 May 2019	31 May 2018
Raw materials and supplies	30,996	22,864
Unfinished goods	4,035	4,663
Finished goods	6,332	9,924
Merchandise	5,125	8,657
Total inventories	**46,487**	**46,107**

Acquisition and manufacturing costs of inventories amounting to € 3,655,310 thousand (prior year: € 3,730,346 thousand) were recognised as expenses in the cost of sales in the reporting period, as were reductions in inventory of € 68,143 thousand (prior year: € 48,709 thousand).

27 Contract assets and contract obligations

The contract assets as of 31 May 2019 were the result of business transactions where the HELLA Group had already provided services, but where there was not yet an absolute pecuniary claim with regard to the customer.

The contract obligations as of 31 May 2019 were the result of customer payments received in connection with development services and customer tools for which the power of disposition had not yet been transferred to the customer and other payments received from contracts with customers.

Contract assets and contract obligations

€ thousand	31 May 2019	31 May 2018
Contract assets	35,944	28,824
Contract obligations	132,141	114,148
Revenue received as part of contract obligations at the start of the fiscal year		
and recognised during the reporting period	13,105	-
from performance obligations fulfilled in previous fiscal years	9,569	-

The remaining contractual obligations as of 31 May 2019 mainly involved service obligations yet to be fulfilled from development contracts. Their realisation is recognised at the point in time when the power of disposition over the finished development service is transferred to the customer. From this, expected sales in the amount of € 133.8 million will mainly be realised over the next three years (prior year: € 128.9 million). As permitted under IFRS 15, no information will be provided on the remaining service obligations as of 31 May 2019 which have an expected original term of one year or less.

28 Non-current assets held for sale

In the context of the realignment of the Aftermarket business begun in 2018, the HELLA Group made an agreement with MAHLE to fully transfer the existing thermal management business to joint venture partner MAHLE under the umbrella of Behr HELLA Service GmbH. The joint venture specialises in marketing and selling products for cooling and air conditioning, and is assigned to the Aftermarket segment. The HELLA Group expects the sale of the shares to the joint venture and its subsidiaries to be completed by 31 December 2019. In fiscal year 2018/2019, no impairments were applied to the investment book value.

29 Intangible assets

€ thousand	Capitalised develop-ment expenses	Goodwill	Acquired intangible assets	Total
Acquisition or manufacturing costs				
As at: 1 June 2017	**423,466**	**86,681**	**195,891**	**706,038**
Currency translation	-1,598	-892	-573	-3,063
Additions	92,942	0	17,813	110,754
Disposals	-7,981	0	-2,211	-10,193
Reclassifications	4	0	-4	0
As at: 31 May 2018	**506,832**	**85,789**	**210,915**	**803,537**
Accumulated depreciation and amortisation				
As at: 1 June 2017	**261,591**	**31,534**	**158,063**	**451,188**
Currency translation	321	-319	-318	-316
Additions	31,384	0	15,074	46,458
Disposals	-4,752	0	-1,980	-6,731
Recorded impairments	1,456	0	0	1,456
As at: 31 May 2018	**290,001**	**31,215**	**170,839**	**492,055**
Carrying amounts 31 May 2018	**216,831**	**54,573**	**40,077**	**311,481**

€ thousand	Capitalised development expenses	Goodwill	Acquired intangible assets	Total
Acquisition or manufacturing costs				
As at: 1 June 2018	**506,832**	**85,789**	**210,915**	**803,537**
Change in the scope of consolidation	0	-11,683	-4,052	-15,734
Currency translation	1,104	-399	-281	424
Additions	116,186	0	21,611	137,797
Disposals	-16,647	0	-7,632	-24,279
Reclassifications	830	0	-830	0
As at: 31 May 2019	**608,306**	**73,707**	**219,732**	**901,744**
Accumulated depreciation and amortisation				
As at: 1 June 2018	**290,001**	**31,215**	**170,839**	**492,055**
Change in the scope of consolidation	0	-529	-2,917	-3,446
Currency translation	-448	-318	-254	-1,019
Additions	31,811	0	16,027	47,837
Disposals	-12,418	0	-7,229	-19,647
Recorded impairments	1,296	0	1,174	2,470
As at: 31 May 2019	**310,242**	**30,369**	**177,640**	**518,251**
Carrying amounts 31 May 2019	**298,064**	**43,338**	**42,092**	**383,494**

All capitalised development expenses resulted from internal developments; the relevant impairments were created due to reduced earnings expectations and are included in the cost of sales in the Automotive segment. The discount rate used in the context of the impairment loss was 6.85% (prior year: 7.06%).

Intangible assets include carrying amounts of € 94 thousand relating to finance leases. Please refer to Note 46, "Information on leases", for additional information on future lease payments.

GOODWILL

Goodwill is allocated to the business segments as follows:

€ thousand	**31 May 2019**	31 May 2018
Automotive	4,086	4,102
Aftermarket	39,251	50,471
Special Applications	0	0
Total	**43,338**	**54,573**

Goodwill impairment monitoring in the HELLA Group is based on the CGUs in the operative segments. A cash generating unit does not extend beyond its business segment. CGUs represent the smallest group of assets that generate cash flows, and are, hence, the smallest reporting units. A CGU can either be a legal entity or – insofar as a legal entity operates in different segments – a segmented business division of this legal entity or a sub-group.

If it is determined that the recoverable amount of a CGU is lower than its carrying amount, an impairment loss is recognised. The recoverable amount is determined on the basis of the expected future discounted cash flows from planned use (value in use). These are based on plans approved by the Management Board covering a period of at least three years. These plans are based on experience, as well as expectations regarding future industry developments.

The discount rates applied within the scope of the measurement are calculated on the basis of market data. As in the prior year, consistent growth rates were used to extrapolate cash flows after the detailed planning phase. The growth rates are based on analyses conducted by a specialist service provider, and do not exceed the non-current growth rates for the sector or the region in which the CGUs are active.

To take into account the increasing differentiation between segments, a specific peer group was used to determine the discount rates. The weighted capital cost of segments is thus based on the capital structure of the relevant group of listed companies to which the segment in question is comparable in terms of its risk/reward structure. For the CGU of the Automotive segment a capital cost of between 6.85% and 11.82% was used and a figure ranging between 6.12% and 23.07% for the Aftermarket segment; the ranges were caused by regional characteristics.

	Discount rates		Growth rates	
	31 May 2019	31 May 2018	**31 May 2019**	31 May 2018
Automotive	6.85 % to 11.82 %	7.06 % to 11.07 %	1 % to 2 %	1 % to 2 %
Aftermarket	6.12 % to 23.07 %	5.78 % to 15.98 %	0 % to 2 %	0.9 % to 3 %

The risk-free interest rate applied is 0.70% (prior year: 1.25%) and the market risk premium (incl. country risk) ranges between 6.50% and 11.50% (prior year: between 6.00% and 9.46%). The inflation spreads applied ranged between –0.54% and 12.09% (prior year: between –0.26% and 7.15%).

In the current fiscal year, there is no impairment of goodwill (prior year: € 0 thousand).

HELLA reports material goodwill in the amount of € 38,459 thousand (prior year: € 38,733 thousand) stemming from the CGU Hella Gutmann Holding GmbH. The changes compared to the prior year are explained by the purchase of the subsidiary Hella Gutmann Solutions International AG based in Switzerland. The significant valuation parameters for this CGU are a discount rate of 6.12% (prior year: 5.78%) and a growth rate of 1.0% (prior year: 0.9%). Sales growth of 13% (prior year: 6%) is anticipated during the detailed forecast period. The estimated recoverable amount for the cash-generating unit is significantly higher than its carrying amount. Consequently, even reasonably possible changes to the assumptions for determining the recoverable amount would not result in an impairment.

The material disposal of goodwill can be traced back to the sale of the wholesale business.

In addition to impairment testing, two sensitivity analyses were carried out for each group of cash-generating units. The most important sensitivity indicators for the impairment test are the discount rate and long-term growth rate. The results of the sensitivity analyses show that a 1 percentage point increase in the WACC or a 1 percentage point reduction in the long-term growth rate would not change the outcome of the impairment test in the Aftermarket and Automotive segments.

The following impairments (–) would arise:

	31 May 2019		31 May 2018	
Automotive segment	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
– 1 percentage point	0	0	0	0
+ 1 percentage point	0	0	0	0

	31 May 2019		31 May 2018	
Aftermarket segment	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
– 1 percentage point	0	0	0	-4,020
+ 1 percentage point	0	0	-5,172	0

30 Property, plant and equipment

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: 1 June 2017	**779,957**	**2,123,095**	**1,579,678**	**474,509**	**370,711**	**5,327,950**
Currency translation	-6,339	-16,067	4,072	-8,111	-8,204	-34,648
Additions	21,521	93,260	79,415	44,149	278,659	517,004
Disposals	-22,814	-49,145	-5,830	-16,206	-921	-94,916
Reclassifications	31,564	131,823	100,911	13,643	-277,942	0
Changes of reservation in the assets held for sale	-2,513	0	0	0	0	-2,513
As at: 31 May 2018	**801,377**	**2,282,967**	**1,758,246**	**507,984**	**362,303**	**5,712,877**
Accumulated depreciation and amortisation						
As at: 1 June 2017	**363,098**	**1,449,850**	**1,263,961**	**344,255**	**110**	**3,421,274**
Currency translation	-1,039	-8,604	2,440	-4,755	-5	-11,963
Additions	26,474	168,419	159,451	39,713	0	394,058
Disposals	-15,409	-49,129	-5,670	-15,754	0	-85,962
Recorded impairments	0	0	912	0	765	1,677
Reclassifications	1,228	7,400	-6,872	-1,646	-110	0
Changes of reservation in the assets held for sale	-483	0	0	0	0	-483
As at: 31 May 2018	**373,869**	**1,567,936**	**1,414,222**	**361,814**	**760**	**3,718,602**
Carrying amounts 31 May 2018	**427,508**	**715,031**	**344,023**	**146,170**	**361,543**	**1,994,276**

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: 1 June 2018	**801,377**	**2,282,967**	**1,758,246**	**507,984**	**362,303**	**5,712,877**
Effects from the first-time application of IFRS 15 and IFRS 16	129,131	-136,351	-632,112	11,894	-42,044	-669,482
As at: 1 June 2018 adjusted	**930,508**	**2,146,616**	**1,126,134**	**519,878**	**320,259**	**5,043,395**
Changes in the scope of consolidation	-50,003	-7,605	0	-33,130	-200	-90,937
Currency translation	1,160	723	-1,403	3,209	2,462	6,150
Additions	61,336	96,363	25,325	55,642	267,286	505,952
Disposals	-18,460	-95,835	-69,691	-32,897	-831	-217,713
Reclassifications	25,382	49,110	173,029	21,210	-268,731	0
Changes of reservation in the assets held for sale	0	0	0	0	0	0
As at: 31 May 2019	**949,924**	**2,189,371**	**1,253,393**	**533,913**	**320,245**	**5,246,846**
Accumulated depreciation and amortisation						
As at: 1 June 2018	**373,869**	**1,567,936**	**1,414,222**	**361,814**	**760**	**3,718,602**
Effects from the first-time application of IFRS 15 and IFRS 16	0	-86,975	-406,948	0	0	-493,923
As at: 1 June 2018 adjusted	**373,869**	**1,480,961**	**1,007,275**	**361,814**	**760**	**3,224,679**
Changes in the scope of consolidation	-16,020	-5,337	0	-27,824	0	-49,180
Currency translation	-609	24	-996	1,265	0	-316
Additions	48,026	160,537	72,834	51,283	0	332,680
Disposals	-12,185	-93,000	-66,026	-31,714	0	-202,925
Recorded impairments	0	0	0	0	250	250
Reclassifications	-21	-76,602	76,283	340	0	0
Changes of reservation in the assets held for sale	0	0	0	0	0	0
As at: 31 May 2019	**393,060**	**1,466,583**	**1,089,370**	**355,165**	**1,009**	**3,305,188**
Carrying amounts 31 May 2019	**556,864**	**722,789**	**164,022**	**178,748**	**319,236**	**1,941,659**

In the reporting period 2018/2019, no restrictions on the powers of disposition over property, plant and equipment existed in the form of land charges and assignments.

The additions to property, plant and equipment include € 51,452 thousand from leases. Please refer to Note 46, "Information on leases", for additional information on future lease payments.

Impairments are recognised in the cost of sales. The impairment loss on assets under construction totalling € 250 thousand is allocated to the Automotive segment.

31 Investments accounted for using the equity method

The following is a list of the Group's main investments accounted for using the equity method. The summarised financial information represents the IFRS financial statements of the two joint ventures BHTC and MHE as well as the associated company HBPO that were the basis for the at-equity measurement in the Group.

In the prior year, most of the investments accounted for using the equity method were assigned to the Behr Hella Service (BHS) group of companies. A plan to sell these investments was initiated during the reporting period, so they are now no longer recorded under assets held for sale (Note 28).

BHTC

Behr-Hella Thermocontrol Group (BHTC) consists of nine companies that are controlled and reported together by Behr-Hella Thermocontrol GmbH in Germany. BHTC develops, produces and distributes air-conditioning control devices for the automotive industry. It also focuses on the assembling of printed circuit boards and mounting of operating units, blower controllers and electronic control units for electric heater boosters.

€ thousand	31 May 2019	31 May 2018
Share of equity (%)	**50**	**50**
Cash and cash equivalents	55,480	54,692
Other current assets	164,083	125,979
Non-current assets	305,570	286,657
Total assets	**525,133**	**467,328**
Current financial liabilities	124,887	103,549
Other current liabilities	134,717	123,706
Non-current financial liabilities	70,213	39,506
Other non-current liabilities	59,083	43,125
Total liabilities	**388,900**	**309,886**
Net assets (100%)	**136,233**	**157,442**
Pro rata share of the net assets	**68,116**	**78,721**
Eliminations	934	-60
Carrying amount	**69,050**	**78,661**
Sales	517,879	468,713
Depreciation and amortisation	-55,896	-48,554
Interest income	177	91
Interest expenses	-2,806	-2,520
Taxes on income	-3,305	-11,910
Earnings before interest and income taxes (EBIT)	**16,147**	**35,318**
Earnings for the period	10,212	20,983
Other earnings for the period	-1,421	-30
Effects from the first-time application of IFRS 15	2,809	-
Comprehensive income for the period (100%)	**11,599**	**20,953**
Share of comprehensive income for the period	5,800	10,476
Dividends received	**15,000**	**0**

HBPO

Hella Behr Plastic Omnium (HBPO), consisting of 24 companies that are controlled and reported together by HBPO Beteiligungsgesellschaft mbH in Germany, has global operations in the fields of development, production planning, quality management, assembly and distribution of front-end modules.

€ thousand	**31 May 2019**	31 May 2018
Share of equity (%)	**33**	**33**
Cash and cash equivalents	60,653	50,214
Other current assets	276,349	309,596
Non-current assets	218,938	144,023
Total assets	**555,940**	**503,834**
Current financial liabilities	8,625	0
Other current liabilities	356,023	368,484
Non-current financial liabilities	36,167	0
Other non-current liabilities	7,100	7,165
Total liabilities	**407,915**	**375,648**
Net assets (100%)	**148,025**	**128,186**
Pro rata share of the net assets	**49,337**	**42,724**
Eliminations	-155	0
Carrying amount	**49,181**	**42,724**
Sales	2,009,454	1,985,615
Depreciation and amortisation	-36,216	-21,177
Interest income	307	221
Interest expenses	-838	-653
Taxes on income	-16,776	-16,173
Earnings before interest and income taxes (EBIT)	**73,829**	**69,560**
Earnings for the period	49,269	45,142
Other earnings for the period	259	-809
Effects from the first-time application of IFRS 15	311	-
Comprehensive income for the period (100%)	**49,839**	**44,333**
Share of comprehensive income for the period	16,611	14,776
Dividends received	**9,999**	**10,000**

MHE

Mando Hella Electronics (MHE) consists of three companies that are controlled and reported together by the Mando Hella Electronics Corp. in South Korea. MHE develops, produces and sells sensors and radar systems.

€ thousand	31 May 2019	31 May 2018
Share of equity (%)	**50**	**50**
Cash and cash equivalents	9,518	4,542
Other current assets	172,570	166,624
Non-current assets	158,288	142,883
Total assets	**340,376**	**314,049**
Current financial liabilities	72,584	85,573
Other current liabilities	69,510	66,137
Non-current financial liabilities	77,060	41,971
Other non-current liabilities	9,048	9,099
Total liabilities	**228,202**	**202,780**
Net assets (100%)	**112,175**	**111,269**
Pro rata share of the net assets	**56,087**	**55,635**
Eliminations	0	0
Carrying amount	**56,087**	**55,635**
Sales	464,187	412,119
Depreciation and amortisation	-22,286	-21,618
Interest income	263	138
Interest expenses	-6,825	-5,406
Taxes on income	-2,393	-5,100
Earnings before interest and income taxes (EBIT)	**26,392**	**28,889**
Earnings for the period	15,876	20,778
Other earnings for the period	-5,677	375
Effects from the first-time application of IFRS 15	0	-
Comprehensive income for the period (100%)	**10,200**	**21,152**
Share of comprehensive income for the period	5,100	10,576
Dividends received	**4,647**	**4,586**

The Group also has shares in further joint ventures and associates, which are also accounted for using the equity method; their summarised financial information is presented below:

€ thousand	31 May 2019	31 May 2018
100% basis		
Sales	763,613	672,550
Earnings before interest and income taxes (EBIT)	67,158	57,585
Group's total share of:		
Sales	341,089	301,110
Earnings before interest and income taxes (EBIT)	32,864	29,937
Earnings for the period	22,067	7,929
Other earnings for the period	-2,955	982
Comprehensive income for the period recognised in the Group	**19,112**	**8,910**
Carrying amount of the remaining companies accounted for using the equity method	**126,866**	**114,988**

Of the earnings during the period in the amount of € 22,067 thousand, € 7,686 thousand (prior year: € –1,226 thousand) was allocated to associated companies and € 14,381 thousand (prior year: € 9,155 thousand) was allocated to joint ventures. The carrying amount of the companies accounted for using the equity method in the amount of € 126,866 thousand was allocated in the amount of € 28,628 thousand (prior year: € 23,168 thousand) to associated companies and in the amount of € 98,238 thousand to joint ventures (prior year: € 91,820 thousand).

The financial information for all joint ventures and all associates is as follows:

€ thousand	31 May 2019	31 May 2018
100% basis		
Sales	3,755,132	3,538,997
Earnings before interest and income taxes (EBIT)	183,526	191,352
Group's total share of:		
Sales	1,501,873	1,403,331
Earnings before interest and income taxes (EBIT)	78,741	85,225
Earnings for the period	50,967	43,910
Other earnings for the period	-6,418	517
Comprehensive income for the period recognised in the Group	**44,549**	**44,427**

Impairments of € 2,439 thousand (prior year: € 5,300 thousand) were recognised in comprehensive income for the period recognised in the Group. The share of losses not recognised for the aforementioned companies accounted for using the equity method is € 0 thousand (prior year: € 747 thousand).

The recognised net assets of all joint ventures and all associates is broken down as follows:

€ thousand	**31 May 2019**	31 May 2018
Carrying amount of BHTC	69,050	78,661
Carrying amount of HBPO	49,181	42,724
Carrying amount of MHE	56,087	55,635
Carrying amounts of material companies accounted for using the equity method	**174,319**	**177,020**
Proportional net assets of other companies accounted for using the equity method	139,567	136,080
Goodwill, eliminations and impairment	-40,538	-21,092
Carrying amounts of the remaining companies accounted for using the equity method	**99,028**	**114,988**
Investments accounted for using the equity method	**273,347**	**292,008**

€ thousand	**31 May 2019**	31 May 2018
Pro rata share of the net assets as at 1 June	**292,008**	**273,901**
Effects from the first-time application of IFRS 15 and IFRS 16	675	0
Earnings for the period	50,967	43,910
Other earnings for the period	-6,418	517
Dividends	-40,842	-26,320
Capital increase	4,795	0
Reclassifications of the non-current assets held for sale	-27,838	0
Pro rata share of net assets as at 31 May	**273,347**	**292,008**

32 Deferred tax assets/liabilities

The deferred tax assets of € 95,241 thousand (prior year: € 110,748 thousand) and deferred tax liabilities of € 37,874 thousand (prior year: € 39,978 thousand) mainly relate to differences from the tax balance sheet values. The current portion of the deferred tax assets and deferred tax liabilities amount to € 104,155 thousand and € –81,785 thousand, respectively (prior year: € 125,598 thousand and € –86,295 thousand, respectively).

The deferred tax assets and liabilities are broken down as follows:

€ thousand	Deferred tax assets	Deferred tax liabilities	Net deferred taxes as at 31 May 2018	Effects from the first-time application of IFRS 15 and IFRS 9
Intangible assets	17,186	50,076	-32,889	0
Property, plant and equipment	55,479	62,519	-7,040	-1,987
Financial assets	3,431	307	3,124	0
Other non-current assets	0	10,460	-10,460	0
Receivables	1,200	263	937	803
Inventories	14,236	17,788	-3,551	0
Other current assets	6,786	9,864	-3,078	0
Non-current financial liabilities	881	0	881	0
Provisions for pensions and similar obligations	51,503	1,570	49,932	0
Other non-current provisions	12,404	435	11,969	0
Other non-current liabilities	665	1,118	-453	0
Liabilities	1,516	828	687	0
Other liabilities and accruals	87,765	53,904	33,861	0
Other current liabilities	13,228	3,619	9,609	0
Subtotal	**266,280**	**212,750**	**53,530**	**-1,185**
Loss carryforwards	17,240	0	17,240	0
Netting	-172,772	-172,772	0	0
Total	**110,748**	**39,978**	**70,770**	**-1,185**

There is sufficient probability that the loss carryforwards for which deferred tax assets are recognised will be realised. The amount of the loss carryforwards for which no deferred tax assets are recognised was € 217,786 thousand as at May 31 2019 (prior year: € 206,368 thousand). Future offsetting against taxable profits is not sufficiently likely. Of this amount, € 23,255 thousand (prior year: € 23,241 thousand) will mature in the next five years, and € 194,531 thousand (prior year: € 183,127 thousand) thereafter. Tax assets arising from temporary differences for which no deferred tax assets were recognised amounted to € 9,631 thousand on 31 May 2019 (prior year: € 8,157 thousand).

On May 31 2019, a temporary difference amounting to a liability of € 11,361 thousand (prior year: € 9,517 thousand) was recorded in connection with shares in subsidiaries and € 8,120 thousand (prior year: € 0 thousand) in connection with associated companies and joint ventures. No deferred tax li-

Recognised in profit or loss	Recognised in other comprehensive income	Change in the scope of consolidation	**Net deferred taxes as at 31 May 2019**	Deferred tax assets	Deferred tax liabilities
-20,881	29	537	-53,205	11,283	64,487
-28,721	28	-426	-38,147	55,523	93,670
2,116	3	0	5,243	5,327	84
-2,722	191	0	-12,991	436	13,427
-6,981	-2	159	-5,084	-4,617	467
4,728	18	-561	633	15,799	15,166
-14,629	-72	1,697	-16,081	7,208	23,289
7,554	0	0	8,435	8,435	0
6,206	355	242	56,735	63,977	7,242
-13,239	15,835	0	14,566	14,566	0
30,997	0	0	30,544	31,440	895
2,649	3	-767	2,573	689	-1,884
-12,857	0	-52	20,965	65,953	44,988
8,700	34	158	18,501	18,260	-241
-37,079	**16,422**	**986**	**32,687**	**294,278**	**261,591**
7,439			24,680	24,680	0
12			0	-223,716	-223,716
-29,627	**16,422**	**986**	**57,366**	**95,241**	**37,874**

abilities were recognised for this difference under IAS 12.39, however, because the subsidiaries' dividend policy is determined by the Group's Management Board. The Group can thus control the reversal of these temporary differences. The Management Board does not expect the temporary difference to be reversed in the foreseeable future.

The amounts of the income tax recognised directly in other earnings during the reporting period amounted to € –461 thousand for financial instruments used for cash flow hedging, € 386 thousand for financial instruments held at fair value through profit or loss, and € 16,027 thousand for the remeasurement of defined benefit plans. In the prior year, the amount of income tax that was recognised directly in other earnings was € –2,768 thousand.

33 Other non-current assets

€ thousand	**31 May 2019**	31 May 2018
Receivables from finance leases	42,064	33,254
Other non-current assets	1,714	5,574
Subtotal of other financial assets	**43,778**	**38,828**
Advance payments	301	387
Prepaid expenses	6,246	8,226
Plan assets	3,537	2,076
Total	**53,861**	**49,518**

See Note 46 for more detailed explanations about receivables from leases.

34 Trade payables

In the past fiscal year, there were liabilities to associated companies, joint ventures, non-consolidated affiliated companies and companies in which participating interests are held in the amount of € 23,160 thousand (prior year: € 34,024 thousand).

€ thousand	**31 May 2019**	31 May 2018
Materials and services	655,964	575,630
Capital expenditures	117,520	102,120
Related parties	23,160	34,024
with associates, joint ventures and investments	21,366	32,328
with affiliated companies not included in the consolidated financial statements	1,793	1,696
Total trade payables	**796,644**	**711,775**

35 Other liabilities

	31 May 2019		31 May 2018	
€ thousand	Non-current	Current	Non-current	Current
Derivatives	75,902	14,917	83,128	17,856
Other financial liabilities	24,680	166,071	12,303	240,369
Subtotal other financial liabilities	**100,582**	**180,988**	**95,431**	**258,224**
Other taxes	19	40,654	19	41,311
Accrued personnel liabilities	0	201,112	0	216,070
Advance payments received on orders	0	0	662	22,597
Deferred income	0	0	127,310	154,182
Other non-financial liabilities	0	0	0	21,949
Total	**100,601**	**422,754**	**223,422**	**714,334**

The payments received from orders and non-financial liabilities are contract obligations under IFRS 15. In the opening balance sheet dated 1 June 2018, they were reclassified in the contract obligations in the amount of € 45,208 thousand. Deferred revenue, corresponding to the tooling already transferred in accordance with IFRS 15 in previous fiscal years, and valued at € 274,723 thousand, was written off in the opening balance sheet. In addition, € 6,769 thousand of deferred revenue was reclassified to contract obligations in the opening balance sheet. Other financial liabilities include mainly liabilities from outstanding invoices or credit notes of € 158,540 thousand (prior year: € 209,035 thousand).

36 Provisions

The main components of provisions are presented below:

	31 May 2019		31 May 2018	
€ thousand	Non-current	Current	Non-current	Current
Pension provisions	340,304	404	275,527	320
Other provisions	66,406	131,459	67,141	132,369
Total	**406,710**	**131,862**	**342,668**	**132,689**

PENSION PROVISIONS

The HELLA Group provides pension benefits to the vast majority of its employees in Germany. Employees in many of the international HELLA companies also receive occupational pension benefits. There are both defined benefit and defined contribution pension plans.

The benefits provided by the German companies mainly consist of pension payments, the amount of which is based on length of service and which are paid in the form of old age, disability, and survivors' pensions. In addition, one company has a pension scheme whereby members receive a fixed sum depending on the income band in which they are classified. All employees can also participate in a contribution-based scheme through deferred compensation. Management is offered a contribution-based scheme through deferred compensation, which is financed through reinsurance policies. Due to continued low interest rates, the surpluses of the reinsurance for commitments made prior to 2009 have proven to be insufficient to fully finance the promised pension adjustment. The affected plans which had until now been accounted for in the same way as defined-contribution plans will therefore be recognised as defined benefit plans starting in this reporting year. The net liability recorded as a result of this reassessment resulted in a remeasurement loss of € 2,412 thousand, which is recognised in other earnings. The amount of € 28,065 thousand is attributable to liabilities and the amount of € 25,653 thousand to plan assets.

The companies continue to remain liable for fulfilment of the pension liabilities assigned to the pension fund, acting as guarantor in the event of non-performance, meaning that the pension liabilities and trust assets will be included on a net basis in the consolidated statement of financial position.

In England and the Netherlands, no new entitlements will be acquired in the formerly defined benefit pension systems. The earned benefits will be financed through insurance. A contribution-oriented plan has been introduced for the active plan members in the Dutch company to set up future pension entitlements.

Besides these systems, whose benefits are paid on an annuity basis, employees of the companies in Mexico, Korea, India and the Philippines receive benefits in the form of a single capital payment. The amount of the obligation from the respective defined benefit plan is determined on the basis of the salary and number of years of service. In Mexico, the guaranteed pension benefits are supplemented by a contribution-based Flex Plan into which the employer can pay variable contributions. Employees in Slovenia and France receive a one-off lump capital sum on retirement based on their salary. In Italy and Turkey, capital is paid out at the end of the working relationship, irrespective of the reason for the relationship ending.

Granting of defined benefit plans entails the customary long life, inflation, interest rate and market (investment) risks; these risks are regularly monitored and assessed.

In the USA, Australia, and Mexico, as well as in many European and Asian companies, employees receive company pension benefits in the form of what are referred to as defined contribution plans. Furthermore, in the USA there are liabilities for the medical care of active employees, although the costs of these benefits are not borne for former employees after retirement.

The funding status and the reconciliation to the balance sheet amounts are presented below:

€ thousand	**31 May 2019**	31 May 2018
Defined Benefit Obligation (DBO) at end of fiscal year	474,370	383,524
Fair value of plan assets at the end of the fiscal year	-134,403	-108,822
Recognised amount	**339,967**	**274,702**

The amounts carried are made up of the following balance sheet items:

€ thousand	**31 May 2019**	31 May 2018
Assets from covered pension plans	-728	-2,076
Pension provisions	340,695	276,778
Sum of the individual amounts	**339,967**	**274,702**

Asset cover for the pension provisions was as follows:

	31 May 2019		31 May 2018	
€ thousand	Present value	Plan assets	Present value	Plan assets
Without asset cover	324,817	0	270,520	0
At least partial asset cover	149,553	134,403	113,004	108,822
Total	**474,370**	**134,403**	**383,524**	**108,822**

Change in the present value of pension liabilities:

€ thousand	31 May 2019	31 May 2018
DBO at the beginning of the fiscal year	**383,524**	**385,561**
Current service cost	9,854	9,202
Past service cost	-53	-1,244
Expenses (+)/income (-) plan settlements	0	0
Interest expense	8,258	7,347
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	5,217	-23
Actuarial gains (-)/losses (+) due to changes in financial assumptions	50,992	-5,787
Actuarial gains (-)/losses (+) due to changes in experience-based assumptions	28,007	569
Pension payments	-12,081	-11,623
Tax payments	0	-1
Contributions by plan participants	0	33
Change of the scope of consolidation	-526	0
Transfers	1,072	221
Currency effects	288	-731
Reclassification of retirement benefits	-182	0
DBO at end of fiscal year	**474,370**	**383,524**

Development of plan assets:

€ thousand	**31 May 2019**	31 May 2018
Fair value of plan assets at the beginning of the fiscal year	**108,822**	**116,024**
Expected income from the plan assets	2,608	2,141
Actuarial gains (+)/losses (-) from plan assets	30,804	-986
Employer contributions	1,451	302
Contributions by plan participants	0	33
Pension payments from plan assets	-8,758	-8,498
Administrative costs	-87	-72
Changes of the scope of consolidation	-382	0
Currency effects	-55	-122
Reclassification of retirement benefits	0	0
Fair value of plan assets at the end of the fiscal year	**134,403**	**108,822**

The pension cost of the pension plans is broken down as follows:

€ thousand	**31 May 2019**	31 May 2018
Current service cost	9,854	9,202
Past service cost	-53	-1,244
Administrative costs	87	72
Net interest expense	5,650	5,206
Expense for defined benefit plans recognised in the consolidated earnings for the period	**15,538**	**13,236**
Actuarial gains (-)/losses (+) from scope of obligations	84,216	-5,241
Actuarial gains (-)/losses (+) from the plan assets	-30,804	986
Income (-)/ expense (+) from revaluation recognised in other comprehensive income	**53,412**	**-4,255**
Expense for defined benefit plans recognised in comprehensive income	**68,950**	**8,981**

Development of the balance sheet amounts

€ thousand	31 May 2019	31 May 2018
Balance sheet amount at the beginning of the fiscal year	**274,702**	**269,537**
Service costs	9,888	8,030
Net interest expense	5,650	5,206
Expense from remeasurement recognised in other comprehensive income	53,412	-4,255
Pension payments	-3,323	-3,125
Employer contributions	-1,451	-302
Tax payments	0	-1
Change of the scope of consolidation	-144	0
Transfers	1072	221
Currency effects	343	-609
Reclassification of retirement benefits	-182	0
Balance sheet amount at the end of the fiscal year	**339,967**	**274,702**

Actuarial gains/losses recognised in equity:

€ thousand	31 May 2019	31 May 2018
Actuarial gains (+)/losses (-) at at the beginning of the fiscal year	**-92,678**	**-96,926**
Actuarial gains (+)/losses (-) during the fiscal year	-53,412	4,255
Change of the scope of consolidation	-903	0
Currency effects	6	-7
Actuarial gains (+)/losses (-) at the end of the fiscal year	**-146,987**	**-92,678**

The present value was measured on the basis of the following assumptions:

	Germany		International	
	31 May 2019	31 May 2018	**31 May 2019**	31 May 2018
DBO (in € thousand)	439,418	351,331	34,952	32,193
Discount rate (in %)	1.26	1.93	3.09	3.26
Wage and salary trend (in %)	3.00	3.00	4.18	3.92
Pension trend (in %)	1.75	1.75	2.40	2.03

The cost of the pension plans was calculated on the basis of the following assumptions at the start of the year:

	Germany		International	
Weighted average in %	**2018/2019**	2017/2018	**2018/2019**	2017/2018
Discount rate	1.93	1.84	3.26	3.06
Wage and salary trend	3.00	3.00	3.92	2.26
Pension trend	1.75	1.75	2.03	1.23

The discount rate was determined in 2019 on the basis of the yields on the capital markets in the various relevant regions.

The following table shows how the present value of the defined pension liabilities would have changed at the balance sheet date if individual key assumptions had varied. The change was determined by a corresponding revaluation of the portfolio.

€ thousand		**31 May 2019**	31 May 2018
Discount rate	+ 0.5 percentage points	-8.3 %	-7.9 %
	-0.5 percentage points	9.5 %	9.0 %
Pension dynamics	+ 0.5 percentage points	5.6 %	5.7 %
	-0.5 percentage points	-5.1 %	-5.2 %
Salary dynamics	+ 0.5 percentage points	0.2 %	0.2 %
	-0.5 percentage points	-0.2 %	-0.2 %
Death rate	+ 10 percentage points	-3.1 %	-3.0 %
	-10 percentage points	3.6 %	3.3 %

The average duration of the defined pension liabilities, weighted on the basis of the present values, is 18 years (prior year: 17 years).

Breakdown of plan assets:

€ thousand	**31 May 2019**	31 May 2018
Shares	8.53 %	3.25 %
Bonds	25.77 %	49.22 %
thereof: no price quotation in an active market	0.00 %	0.09 %
Real estate	0.00 %	0.03 %
thereof: no price quotation in an active market	0.00 %	0.03 %
Investment funds	0.06 %	0.09 %
Insurance	63.85 %	45.79 %
thereof: no price quotation in an active market	63.85 %	45.79 %
Cash and cash equivalents	1.79 %	1.62 %
Total investment types	**100.00 %**	**100.00 %**

The domestic plan assets are largely managed by a pension fund and reinsurance policies. Proper management and use of the trust assets is supervised by external trustees. The pension fund and the insurance companies are also subject to supervision by the German Federal Financial Supervisory Authority (BaFin).

The plan assets do not include any own financial instruments or assets used by the Group itself.

Current income from the plan assets amounted to € 33,016 thousand in the fiscal year just ended (prior year: € 1,155 thousand).

The probable contributions for defined benefit pension plans for 2019/2020 are € 1,671 thousand (prior year: € 202 thousand).

The following overview shows the payments expected for the next ten fiscal years (not discounted, excluding payments from the plan assets):

€ thousand	
2018/2019	13,212
2019/2020	13,575
2020/2021	23,641
2021/2022	15,013
2022/2023	15,212
Total of the years 2023/2024 to 2027/2028	85,868

Group liabilities arising from defined contribution pension plans were recognised in profit and loss in the operating result. The expenses amounted to € 93,600 thousand in the past fiscal year (prior year: € 92,359 thousand). These expenses also include contributions to public pension insurance funds outside HELLA GmbH & Co. KGaA, which total € 89,187 thousand (prior year: € 87,180 thousand) for the fiscal year.

OTHER PROVISIONS

€ thousand	31 May 2018	Changes in the scope of consolidation	Additions	Reversals	Compounding	Other	Utilisation	**31 May 2019**
Severance commitments	16,567	0	5,857	0	0	-308	-17,836	4,280
Partial retirement programme	11,961	0	6,855	-121	82	4,809	-12,824	10,762
Profit-sharing and other bonuses	53,885	-725	29,430	-3,987	687	-997	-26,987	51,306
Warranty obligations	55,446	-999	63,677	-15,817	214	-191	-20,081	82,248
Onerous contracts	37,187	0	25,779	-7,696	456	-86	-18,032	37,609
Other provisions	24,463	-107	3,157	-8,561	4	8	-7,303	11,660
Total	**199,509**	**-1,832**	**134,756**	**-36,182**	**1,443**	**3,234**	**-103,063**	**197,865**

HELLA is exposed to product liability claims in which the Company may be accused of violating its duties of care, breaches of warranty obligations or material defects. In addition, claims may be asserted from breaches of contract due to recalls or government proceedings. HELLA has taken out insurance policies for such risks, the scope of which is deemed appropriate from a commercial point of view.

Provisions for warranty obligations comprise burdens for concrete isolated cases in the Automotive segment, in particular, for which the current portion amounts to € 58,176 thousand (prior year: € 25,241 thousand), and increased year-on-year mainly as a result of a special situation which is secured to a considerable extent by the aforementioned amounts of cover.

Insurance refunds expected in connection with warranty claims are recognised under other receivables and non-financial assets, and amounted to € 37,564 thousand in the reporting period (prior year: € 3,613 thousand).

Provisions for supply and sales liabilities include liabilities under current third-party agreements from which future losses are expected.

€ thousand	**31 May 2019**	31 May 2018
Present value of obligation	23,453	29,461
Fair value of plan assets	-12,691	-17,500
Provision for partial retirement programme	**10,762**	**11,961**

The provision for partial retirement programmes corresponds to the present value of the obligation on the balance sheet date less the fair value of plan assets on the balance sheet date. A discount rate of 0.19% was applied (prior year: 0.43%). The deducted plan assets are pledged securities. The change in the fair value of the plan asset is recognised under "Other" in the provisions table.

37 Financial liabilities

Current financial liabilities maturing within a year amounted to € 582,060 thousand (prior year: € 41,990 thousand). They include the bond of € 499,553 thousand (prior year: € 498,928 thousand) maturing on 24 January 2020 with a nominal volume of € 500,000 thousand and an interest rate of 2.375%.

Non-current financial liabilities came to € 786,102 thousand (prior year: € 1,165,910 thousand) and includes one bond of € 299,073 thousand (prior year: € 298,892 thousand) with a nominal volume of € 300,000 thousand and an interest rate of 1.0%. The term of the bond ends on 17 May 2024. Financial liabilities also include € 98,953 thousand (prior year: € 94,243 thousand) attributable to notes certificates denominated in yen issued in fiscal years 2002 and 2003 with a 30-year maturity, and € 87,208 thousand (prior year: € 82,842 thousand) attributable to a loan granted in yen with a 30-year maturity, both of which are fully currency-hedged to a value totaling € 175,177 thousand (prior year: € 175,177 thousand).

Capital from profit participation certificates of € 5,000 thousand (prior year: € 5,000 thousand), and lease liabilities amounting to € 113,792 thousand (prior year: € 38 thousand) are also recognised.

€ thousand	**31 May 2019**	31 May 2018
Cash and cash equivalents	876,763	688,187
Financial assets (current)	557,131	332,934
Current financial liabilities	-582,060	-41,990
Non-current financial liabilities	-786,102	-1,165,910
Net financial debt	**65,732**	**-186,780**

38 Equity

On the liabilities side, nominal capital is recognised at its nominal value under the "Subscribed capital" item. The nominal capital amounts to € 222,222 thousand. The no-par value shares are issued to the bearer. All issued shares are fully paid up. Each share confers a right to vote and a right to dividends if distributions are agreed.

In addition to "Other retained earnings/profit carried forward" and the capital reserve, "reserves and unappropriated surplus" include the differences stemming from the currency translation of the annual financial statements of foreign subsidiaries not recognised in the income statement and the impact arising from the measurement of derivative financial instruments acquired for hedging purposes also not recognised in the income statement, as well as the reserve for the financial instruments from the available-for-sale category (IAS 39) and/or the reserve for debt capital instruments (IFRS 9). Also included are the results from the remeasurement of defined benefit plans, recognised directly in equity. A detailed overview of the composition and changes in the results recognised directly in equity is presented in the consolidated statement of changes in equity.

The opening book value of the equity was adjusted by € 36,569 thousand through the first-time application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". The cumulative effect is reported in the consolidated statement of changes in equity.

Actuarial losses before taxes of € 54,214 thousand (prior year: profits of € 4,255 thousand) were recognised during the reporting period. The change in value of the defined benefit liabilities or of the assigned plan assets is attributable to calculation parameters and in particular the discount rate used here, which was 1.26% at the end of May 2019 (May 2018: 1.93%).

The shares in the Danish company FTZ Autodele & Værktøj A/S were sold, effective 3 September 2018. The disposal of the non-controlling interests in this regard, amounting to € 550 thousand, is reported in the consolidated statement of changes in equity.

After the Annual General Meeting on 28 September 2018, dividends totaling € 116,667 thousand (€ 1.05 per no-par value share) were distributed to owners of the parent company. Dividends in the amount of € 834 thousand were paid to non-controlling interests during the period.

The Group aims to maintain a strong equity base. The Group strives to strike a balance between a higher return on equity, which would be possible through greater leverage, and the advantages and security offered by a solid equity position. The Group is aiming for a ratio of less than 1.0 for net financial debt to reported earnings before interest, taxes, depreciation and amortisation (EBITDA) in the long term. The ratio was -0.1 on 31 May 2019.

39 Notes to the cash flow statement

As was the case in the prior year, the cash funds comprise exclusively cash and cash equivalents.

The introduction of IFRS 15 has resulted in changes affecting customer tools. These are now being reported in inventories rather than in property, plant and equipment, as they have been in the past. As a result, payments for customer tools have been removed from the “Payments for the purchase of property, plant and equipment” line of the net cash flow relating to investing activities, as have the corresponding depreciation figures. Payments for the creation and procurement of customer tools are now being reported as part of inventory changes. In view of the considerable up-front investments in customer tools, the HELLA Group sometimes receives reimbursement payments from customers – in advance of the authority to dispose being transferred – which are reported as deferred income within contract obligations. The contract obligations are shown in the line “Increase in trade payables and other liabilities not attributable to investing or financing activities”. When the authority to dispose is transferred, the contract obligations are realised, causing sales to increase. This change means that there is no longer a need to separate the reporting of reimbursement payments and deferred sales in the net cash flow from operating activities for the fiscal year 2018/2019.

The other non-cash income reported in the cash flow statement principally contains the effect of the sale of the wholesale distribution business, amounting to € 250,735 thousand, plus € 50,967 thousand attributable to the profits from investments accounted for using the equity method.

In fiscal year 2018/2019, the HELLA Group obtained cash receipts amounting to € 413,636 thousand from the sale of subsidiaries. After deduction of the transferred cash amounting to € 65,580 thousand, a net inflow totalling € 348,056 thousand is reported. Together with repayment of the financing of the former corporate operations in the amount of € 44,331 thousand, a receipt of payment amounting to a total of approximately € 392,387 thousand is reported.

The main categories of assets and liabilities, with the exception of cash and cash equivalents, of the subsidiaries FTZ Autodele & Værktøj A/S, INTER-TEAM Sp. z o.o., Hellanor AS and Nordic Forum Holding A/S, over which the HELLA Group relinquished control during the past fiscal year, are listed as follows: the transferred assets are split into inventories totalling € 125,487 thousand, receivables consisting of goods and services totaling € 71,758 thousand, other non-current assets totalling € 55,334 thousand, and other current assets totaling € 16,719 thousand. The transferred liabilities consist of other current liabilities amounting to € 59,791 thousand, liabilities consisting of goods and services amounting to € 47,260 thousand and other non-current liabilities amounting to € 21,343 thousand.

The following table shows the (net) changes of the short-term financial assets and short-term and non-current financial liabilities, and thus represents the non-cash changes of the line items, in addition to the cash flow statement.

€ thousand		Financial assets (current)	Financial liabilities (current)	Financial liabilities (non-current)
	31 May 2018	**332,934**	**41,990**	**1,165,910**
Cash changes	(Net) changes	211,693	-92,603	-342
Non-cash changes	Effects from the first-time application of IFRS 9 and IFRS 16	-421	29,691	114,045
	Changes in the scope of consolidation	0	-8,403	-18,813
	Effect of exchange rate fluctuations	-1,460	-497	16,932
	Change in fair value	1,305	4	9,896
	Interest expenses	0	41,103	0
	Changes in classification	0	508,917	-508,917
	Other changes	13,080	61,859	7,390
	31 May 2019	**557,131**	**582,060**	**786,102**

As with the reporting over the course of the year, which has already been adjusted, the presentation of incoming and outgoing payments from sales and purchases of securities has been adjusted in these consolidated financial statements. Up to now, payments had been reported within the net cash flow from financing activities, but will be reported within the net cash flow from investing activities in the future. Cash and cash equivalents are not affected by the reclassification. There is no impact on any other items within the reporting. The quantitative impacts for the reporting period in the prior year are shown in the following table.

	€ thousand	2017/2018 as reported	Reclassification	2017/2018 adjusted
	Earnings before income taxes (EBT)	**530,149**	**0**	**530,149**
+	Depreciation and amortisation	443,649	0	443,649
+/-	Change in provisions	13,771	0	13,771
+	Cash receipts for series production	176,135	0	176,135
-	Non-cash sales transacted in previous periods	-123,614	0	-123,614
-	Other non-cash income	-34,336	0	-34,336
+/-	Losses / profits from the sale of property, plant and equipment and intangible assets	-3,632	0	-3,632
+	Net financial result	44,137	0	44,137
+/-	Change in trade receivables and other assets not attributable to investing or financing activities	-85,075	0	-85,075
+/-	Change in inventories	-122,716	0	-122,716
+/-	Change in trade payables and other liabilities not attributable to investing or financing activities	72,878	0	72,878
+	Tax refunds received	2,977	0	2,977
-	Taxes paid	-122,298	0	-122,298
+	Dividends received	33,820	0	33,820
=	**Net cash flow from operating activities**	**825,845**	**0**	**825,845**
+	Cash receipts from the sale of property, plant and equipment	12,141	0	12,141
+	Cash receipts from the sale of intangible assets	5,868	0	5,868
-	Payments for the purchase of property, plant and equipment	-513,127	0	-513,127
-	Payments for the purchase of intangible assets	-112,715	0	-112,715
+	Cash receipts from the sale of subsidiaries, less cash and cash equivalents	0	0	0
+	Repayment from loans in connection with the sale of subsidiaries	0	0	0
+	Repayments from loans granted to investments	2,056	0	2,056
-	Payments for loans granted to investments	-7,124	0	-7,124
-	Payments for capital contributions to associated companies, joint ventures and unconsolidated companies	0	0	0
+/-	Net payments for the purchase and sale of securities	0	-21,493	-21,493
=	**Net cash flow from investing activities**	**-612,902**	**-21,493**	**-634,395**
+	Repayment of a bond	-300,000	0	-300,000
-	Payments for the repayment of financial liabilities	-51,848	0	-51,848
+	Cash receipts from changes in financial liabilities	207,228	0	207,228
+/-	Net payments for the purchase and sale of securities	-21,493	21,493	0
+	Interest received	11,711	0	11,711
-	Interest paid	-47,495	0	-47,495
-	Dividends paid	-103,317	0	-103,317
=	**Net cash flow from financing activities**	**-305,215**	**21,493**	**-283,722**
=	**Net change in cash and cash equivalents**	**-92,271**	**0**	**-92,271**
+	Cash and cash equivalents as at 1 June	783,875	0	783,875
+/-	Cash for assets held for sale	0	0	0
+/-	Effect of exchange rate fluctuations on cash	-3,417	0	-3,417
=	**Cash and cash equivalents as at 31 May**	**688,187**	**0**	**688,187**

40 Adjustment of special effects in cash flow

Adjusted free cash flow from operating activities was used as a performance indicator for internal HELLA Group management. Adjusted free cash flow from operating activities is a key performance indicator that is not defined in the International Financial Reporting Standards. Rather it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the Company's perspective, it presents the cash flows from the operating activities – adjusted for special effects – in a more transparent form and facilitates a comparison over time.

Cash flow from operating activities after capital expenditure and cash inflows from the sale or liquidation of investments are used for this purpose and adjusted for non-recurring cash flows.

The receipt of payment from the sale of the wholesale business in particular is not factored into the adjusted free cash flow from operating activities, whereas the repayment of the financing of their corporate operations for inventories, property, plant and equipment and of the operational business amounting to € 44,331 thousand flows into the adjusted free cash flow from operating activities.

By analogy with the adjustments and the portfolio adjustments in the adjusted EBIT, the free cash flow from operating activities is also adjusted for the payments made in connection with the sale amounting to € 31,436 thousand (prior year: € -5,158 thousand).

Furthermore, the free cash flow from operating activities in the prior year was adjusted for payments for the fine proceedings initiated against HELLA by the European Commission (€ 10,397 thousand).

The performance of the adjusted free cash flow (from operating activities) for the fiscal years 2018/2019 and 2017/2018 is shown in the following tables:

	€ thousand	**2018/2019 as reported**	Adjustment	**2018/2019 adjusted**
	Earnings before income taxes (EBT)	**766,213**	**-222,639**	**543,574**
+	Depreciation and amortisation	383,237	-5,745	377,492
+/-	Change in provisions	1,310	2,762	4,072
+	Cash receipts for series production	0	0	0
-	Non-cash sales transacted in previous periods	0	0	0
-	Other non-cash income	-312,673	249,824	-62,849
-	Profits from the sale of property, plant and equipment and intangible assets	-5,102	-58	-5,160
+	Net financial result	41,329	-58	41,271
-	Increase in trade receivables and other assets not attributable to investing or financing activities	-78,148	1,452	-76,696
-	Increase in inventories	-20,209	740	-19,469
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	74,828	-1,846	72,982
+	Tax refunds received	19,619	478	20,097
-	Taxes paid	-154,207	8,000	-146,207
+	Dividends received	42,759	0	42,759
=	**Net cash flow from operating activities**	**758,956**	**32,910**	**791,866**
+	Cash receipts from the sale of property, plant and equipment	21,643	-20	21,623
+	Cash receipts from the sale of intangible assets	4,902	-1,569	3,333
-	Payments for the purchase of property, plant and equipment	-439,294	115	-439,179
-	Payments for the purchase of intangible assets	-137,797	0	-137,797
+	Repayment from loans in connection with the sale of subsidiaries	44,331	0	44,331
=	**Free cash flow from operating activities**	**252,740**	**31,436**	**284,176**

	€ thousand	2017/2018 adjusted	Adjustment	Restructuring	2017/2018 adjusted
	Earnings before income taxes (EBT)	**530,149**	**-22,581**	**0**	**507,568**
+	Depreciation and amortisation	443,649	-4,199	0	439,450
+/-	Change in provisions	13,771	-479	0	13,291
+	Cash receipts for series production	176,135	0	0	176,135
-	Non-cash sales transacted in previous periods	-123,614	0	0	-123,614
-	Other non-cash income	-34,336	2,833	0	-31,503
-	Profits from the sale of property, plant and equipment and intangible assets	-3,632	0	0	-3,632
+	Net financial result	44,137	626	0	44,763
-	Increase in trade receivables and other assets not attributable to investing or financing activities	-85,075	5,129	0	-79,946
-	Increase in inventories	-122,716	-5,805	0	-128,522
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	72,878	11,637	10,397	94,912
+	Tax refunds received	2,977	0	0	2,977
-	Taxes paid	-122,298	6,732	0	-115,566
+	Dividends received	33,820	0	0	33,820
=	**Net cash flow from operating activities**	**825,845**	**-6,108**	**10,397**	**830,134**
+	Cash receipts from the sale of property, plant and equipment	12,141	-812	0	11,329
+	Cash receipts from the sale of intangible assets	5,868	166	0	6,034
-	Payments for the purchase of property, plant and equipment	-513,127	1,450	0	-511,678
-	Payments for the purchase of intangible assets	-112,715	147	0	-112,568
=	**Free cash flow from operating activities**	**218,011**	**-5,158**	**10,397**	**223,250**

41 Information on related party relationships

HELLA GmbH & Co. KGaA and its subsidiaries maintain business relationships with many companies and individuals in the course of their normal operations. In addition to the business relationships with fully consolidated companies, relationships exist with joint ventures, associates and companies in which an interest is held that are classified as related parties under IAS 24.

There are supply and service relationships between companies within the scope of consolidation and related parties, particularly with associates, joint ventures and non-consolidated affiliates. The outstanding items from the purchase and sale of goods and services between companies in the scope of consolidation and associates, joint ventures and non-consolidated affiliates are presented under the respective items. For further information on goods and services, see Chapters 24 and 34.

Members of the management in key positions at HELLA GmbH & Co. KGaA are the Management Board as well as members of the Shareholder Committee and the Supervisory Board. These individuals, immediate members of their families, and the companies they jointly or individually control are considered to be related parties under IAS 24.

The following transactions were made with related parties:

€ thousand	2018/2019	2017/2018
Income from the sale of goods and services	**164,595**	**127,145**
with associates	116,038	11,937
with joint ventures	48,245	114,697
with affiliated companies not included in the consolidated financial statements	312	511
Management in key positions:	206	164
Companies controlled by management in key positions	594	528
Expenses from the purchase of goods and services	**192,126**	**178,222**
with associates	1,071	0
with joint ventures	161,375	148,221
with investments	1,394	1,762
with affiliated companies not included in the consolidated financial statements	28,285	28,239
Management in key positions:	5	0
Companies controlled by management in key positions	902	767

The business relationships with related parties operate under normal market conditions. They do not fundamentally differ from supply and service relationships with third parties. The HELLA Group concluded no significant transactions with related party individuals. Income generated with members of the management in key positions or with companies they control mainly concerns the shipments of goods, while the expenses are related to shipments of goods, rental expenses and other services.

For assuming personal liability in its role as General Partner, HELLA Geschäftsführungsgesellschaft mbH receives a fee of € 1 thousand (prior year: € 1 thousand). Moreover, the Company is entitled to reimbursement by HELLA GmbH & Co. KGaA for all of the expenses arising in connection with the management of the Company's business activities, including the remuneration of the management bodies.

Remuneration for management in key positions:

€ thousand	2018/2019	2017/2018
Short-term benefits	13,922	15,366
Post-employment benefits	1,881	909
Other long-term benefits	777	1,682
Termination benefits	0	2,000
Total	**16,580**	**19,957**

Total remuneration paid to the management bodies:

€ thousand	2018/2019	2017/2018
Total remuneration paid to the active institution members	**14,481**	**16,713**
Management Board	13,182	15,446
Supervisory Board	399	400
Shareholder Committee	900	867
Total remuneration paid to the former institution members and their surviving dependants	**708**	**2,279**
Management Board	708	2,279
Supervisory Board	0	0
Shareholder Committee	0	0

Provisions for the pension liabilities towards former members of the Management Board and their surviving dependants came to € 15,584 thousand (prior year: € 13,906 thousand). This was transferred to Allianz Pensionsfonds AG in the amount of € 3,894 thousand (prior year: € 3,675 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 510 thousand (prior year: € 249 thousand). The defined benefit obligation for comparable, long-term obligations from the defined contributions capital account system towards earlier members of the Management Board and their surviving dependents is € 5,438 thousand (prior year: € 5,182 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 4,980 thousand as of the balance sheet date (prior year: € 5,087 thousand). Payments to former members of the Management Board and their surviving dependants came to € 708 thousand (prior year: € 2,279 thousand).

No loans or advances were granted to the members of the Management Board, the Supervisory Board or the Shareholder Committee.

See the remuneration report, which is part of the group management report, for details on the remuneration systems for managing directors of HELLA Geschäftsführungsgesellschaft mbH and the members of the Supervisory Board and the Shareholder Committee of HELLA GmbH & Co. KGaA.

42 Declaration of Conformity with the Corporate Governance Code

On 28 May 2015, the General Partners as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA (“Company”) approved a joint Declaration of Conformity in accordance with Section 161 Aktiengesetz (AktG – German Stock Corporation Act) which states that the recommendations of the German Corporate Governance Code have been and will be complied with as well as which recommendations have not been or are not being applied. This version and the update from 28 May 2019 have been made permanently accessible on the Company’s website at www.hella.com/declarationofconformity.

43 Disclosures on financial instruments

The carrying amounts and fair values of classes of financial instruments and the carrying amounts in accordance with IFRS 9 measurement categories as at 31 May 2019 and 31 May 2018 are set out below.

€ thousand	Measurement category under IFRS 9	**Carrying amount 31 May 2019**	**Fair value 31 May 2019**	Carrying amount 31 May 2018	Fair value 31 May 2018	Valuation hierarchy
Cash and cash equivalents	Amortised cost	876,763	876,763	688,187	688,187	
Trade receivables	Amortised cost	1,065,804	1,065,804	1,166,571	1,166,571	
Financial assets						
Equity instruments	FVPL	166,178	166,178	91,837	91,837	Level 1
Debt capital instruments	FVOCI	369,711	369,711	230,240	230,240	Level 1
Loans	Amortised cost	2,836	2,836	4,172	4,172	
Other bank balances	Amortised cost	18,406	18,406	6,685	6,685	
Other financial assets						
Derivatives designated as hedging instruments	n.a.	12,562	12,562	5,758	5,758	Level 2
Derivatives not designated as hedging instruments	FVPL	957	957	2,690	2,690	Level 2
Other receivables associated with financing activities	Amortised cost	63,884	63,884	34,901	34,901	
Current financial assets		**2,577,101**	**2,577,101**	**2,231,040**	**2,231,040**	
Financial assets						
Equity instruments	FVPL	18,277	18,277	9,969	9,969	Level 3
Debt capital instruments	FVPL	20,249	20,249	20,404	20,404	Level 2
Loans	Amortised cost	4,546	4,546	6,806	6,806	Level 2
Other receivables associated with financing activities	Amortised cost	33	33	32	32	Level 2
Other financial assets						
Trade receivables	Amortised cost	43,778	43,778	38,828	38,828	Level 2
Non-current financial assets		**86,883**	**86,883**	**76,040**	**76,040**	
Financial assets		**2,663,984**	**2,663,984**	**2,307,080**	**2,307,080**	
Financial liabilities						
Financial liabilities to banks and bond	Amortised cost	553,575	553,575	41,933	41,933	
Liabilities from leases	n.a.	28,485	28,485	57	57	
Trade payables	Amortised cost	796,644	796,644	711,775	711,775	
Other financial liabilities						
Derivatives designated as hedging instruments	n.a.	13,748	13,748	13,601	13,601	Level 2
Derivatives not designated as hedging instruments	FVPL	1,169	1,169	4,254	4,254	Level 2
Other financial liabilities	Amortised cost	166,071	166,071	240,369	240,369	
Current financial liabilities		**1,559,692**	**1,559,692**	**1,011,990**	**1,011,990**	
Financial liabilities						
Financial liabilities to banks	Amortised cost	274,731	325,394	273,808	299,601	Level 2
Bonds	Amortised cost	397,579	429,089	892,064	929,771	Level 1
Liabilities from leases	n.a.	113,792	113,792	38	38	
Other financial liabilities						
Derivatives designated as hedging instruments	n.a.	75,902	75,902	82,835	82,835	Level 2
Derivatives not designated as hedging instruments	FVPL	0	0	293	293	Level 2
Other financial liabilities	Amortised cost	24,680	24,680	12,303	12,303	
Non-current financial liabilities		**886,684**	**968,858**	**1,261,341**	**1,324,840**	
Financial liabilities		**2,446,376**	**2,528,550**	**2,273,330**	**2,336,830**	

€ thousand	Carrying amount 31 May 2019	Fair value 31 May 2019	Carrying amount 31 May 2018	Fair value 31 May 2018
Of which aggregated under IFRS 9 measurement categories:				
Financial assets				
FVPL	205,661	205,661	124,900	124,900
Amortised cost	2,076,050	2,076,050	1,946,182	1,946,182
FVOCI	369,711	369,711	230,240	230,240
Financial liabilities				
Amortised cost	2,213,280	2,295,453	2,172,252	2,235,751
FVPL	1,169	1,169	4,547	4,547

Notes on the abbreviations used:
FVPL: Fair Value through Profit or Loss.

FVOCI: Fair Value through Other Comprehensive Income, with reclassification to profit or loss.

The valuation technique used for financial assets and financial liabilities measured at fair value depends on the available inputs. If quoted prices can be accessed for identical assets in active markets, those prices are used to measure fair value (Level 1). If this is not possible, fair value is measured using the fair values of comparable market transactions as well as financial methods based on observable market data (Level 2). Fair values not based on observable market data are measured using generally recognised financial modelling methods or observable achievable prices from recent qualified funding rounds while taking account of the entity's life and development cycle (Level 3).

The Group reports possible transfers between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As in the prior year, no transfers were made between different levels of the fair value hierarchy during the current 2018/2019 reporting period. The carrying amounts of current financial instruments at the balance sheet date correspond to the market value owing to their short residual term and the fact that they are recognised at market value.

Non-current financial instruments on the assets side are mainly determined by the other investments, securities as cover assets for pension provisions and loans. The fair values of these equity components measured at acquisition costs could not be determined as no stock exchange or market prices were available. The long-term equity instruments are interests in other entities and non-consolidated affiliates, are recognised as FVPL and measured at cost, which is € 18,277 thousand (prior year: € 9,969 thousand), because the fair values cannot be reliably determined.

PLEDGED COLLATERAL

As of 31 May 2019, interest-bearing investments of € 15,500 thousand (prior year: € 17,500 thousand) were pledged to a trustee as statutory insolvency protection for partial retirement fund assets. They are netted against the obligations from partial retirement. Occasionally, collateral is pledged from the business assets to a limited extent as security for bank loans. These may, for example, be categorised as receivables.

The following table shows the net result from financial instruments for each IFRS 9 measurement category for the fiscal year 2018/2019:

€ thousand	Interests	Dividends	Fair value measurement	Currency translation	2018/2019
Financial assets FVPL	421	1,908	-3,139	1,402	591
Financial liabilities FVPL	0	0	8,142	0	8,142
Financial assets FVOCI – write-off	1,063	0	-1,104	-122	-163
Financial assets amortised cost	10,711	0	0	15,276	25,987
Financial liabilities amortised cost	-40,386	0	0	3,704	-36,682
Total	**-28,192**	**1,908**	**3,899**	**20,260**	**-2,125**

The following table shows the net result from financial instruments for each IAS 39 measurement category for the fiscal year 2017/2018:

€ thousand	Interests	Dividends	Fair value measurement	Currency translation	2017/2018
Loans and receivables	8,868	0	-1,328	9,451	16,991
Available for sale	2,918	858	1,707	0	5,483
Liabilities measured at amortised cost	-44,740	0	0	703	-44,037
Financial derivatives held for trading (net)	0	0	20,538	0	20,538
Total	**-32,954**	**858**	**20,917**	**10,154**	**-1,025**

The fair value measurement of the loans and receivables corresponds to the impairments of unrecoverable elements.

NET PROFIT/LOSS PER MEASUREMENT CATEGORY

When determining the net result from financial instruments, value adjustments/value recoveries, income and expense resulting from the application of the effective interest method, income and expenses from currency translation, gains or losses on disposals, and other changes in the fair value of financial instruments recognised in the income statement are taken into account.

FINANCIAL RISK MANAGEMENT

The HELLA Group is exposed to various financial risks in the course of its operations. In particular, these include liquidity, currency and interest rate risk. Risk management is carried out by the central financial management department in accordance with the guidelines adopted by the corporate bodies. Detailed information is provided in the management report.

On the procurement side, commodity price risks and risks relating to the general security of supply exist, among others. Moreover, credit risks arise from trade receivables, and also from receivables relating to financial transactions, such as the investment of cash or cash equivalents or the acquisition of securities. Liquidity risk can arise from a significant decline in the operating business performance as well as from the risk categories mentioned above.

Management of liquidity risks

HELLA works with mainly centralised liquidity structures in order to pool liquidity across the Group. The centralised liquidity is calculated on a regular basis and planned using a bottom-up process. HELLA actively manages the loan portfolio on the basis of the liquidity planning.

The following tables show the maximum settlements. The presentation shows the worst-case scenario for HELLA, i.e. the earliest possible contractual payment date. This takes into account creditor cancellation rights. Foreign currency positions are always converted at the spot rate applicable on the reporting date. Interest payments for positions with variable interest rates are always measured at the reference interest rate applicable on the balance sheet date. In addition to non-derivative financial instruments, derivative financial instruments (e.g. foreign currency forwards and interest rate swaps) are taken into account. For derivatives where gross payments are settled between the parties involved, only the settlements are presented in line with the worst-case scenario. These settlements are offset by cash proceeds, which are also presented. In addition, loans granted but not yet drawn in full and financial guarantees issued are included in the settlements.

Maximum future settlements as at 31 May 2019

€ thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	1,567,868	612,355	541,671	2,721,894
Derivative financial instruments	1,086,747	133,942	298,975	1,519,664
Loan commitments/financial guarantees	75	0	0	75
Total	**2,654,690**	**746,297**	**840,646**	**4,241,633**
Cash receipts from gross derivatives	1,077,500	105,938	239,807	1,423,245

Maximum future settlements as at 31 May 2018

€ thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	822,544	528,288	685,007	2,035,839
Derivative financial instruments	1,155,741	146,810	312,906	1,615,457
Loan commitments/financial guarantees	0	0	0	0
Total	**1,978,285**	**675,098**	**997,913**	**3,651,296**
Cash receipts from gross derivatives	1,135,917	115,887	234,619	1,486,423

The Group's liquidity supply is also sufficiently assured through cash and bank balances on hand, marketable short-term securities on hand, and the available unused bank lines of credit.

The table below sets out the main liquidity instruments:

€ thousand	**31 May 2019**	31 May 2018
Cash and cash equivalents	876,763	688,187
Marketable securities	535,890	322,077
Cash line of credit	602,025	644,774
Total	**2,014,678**	**1,655,038**

The total of the cash lines of credit available to the HELLA Group amounts to roughly € 602,025 thousand (prior year: € 644,774 thousand). This figure is made up of a syndicated credit sized at € 450,000 thousand (maturing in 2022, utilisation as at 31 May 2019: 0%) and short-term money market lines with a volume of € 152,025 thousand (utilisation as of 31 May 2019: 21%). In some cases, standard creditor cancellation rights apply to the latter (as part of financial covenants). These covenants are reviewed on an ongoing basis as part of corporate planning and are currently rated as non-critical. Owing to the broad and international base of its core banks, the funding risk is considered very low.

Management of currency risks

Currency risks (in the context of transaction risks) arise from receivables, liabilities, liquid funds, securities, and executory contracts in a currency other than the functional currency. The HELLA Group's currency risk is calculated as a net exposure by aggregating planned foreign currency cash flows.

The net exposure is constantly monitored and managed by regularly adjusting the hedge ratio to conform to the HELLA hedging strategy, which is regularly reviewed. Currency derivatives, primarily foreign currency forwards, are used to offset exchange rate-related fluctuations impacting these payments and positions.

This offsetting reflects the HELLA Group's expectation that the fair value measurements of the hedged item and hedging instrument normally move in opposite directions. For example, forward agreements are entered into to sell future cash flows from sales denominated in a foreign currency. A change in the exchange rate may have a positive impact on the cash flows from the foreign-currency sales but a negative effect on the currency forward, or vice versa.

Hedges are taken out for planned foreign currency transactions in their entirety and not just for components of the transactions.

As of 31 May 2019, significant net exposures of the HELLA Group for the fiscal year 2018/2019 were identified in USD (380 million long, prior year: 205 million long), MXN (2,651 million short, prior year: 3,241 million short), CNY (296 million long, prior year: 1,705 million long) and CZK (281 million short, 1,842 million short); (information is provided in the respective currency).

Currency derivatives are only used to hedge the currency risks arising from underlying transactions. Speculative transactions are not permitted.

Hedge ineffectiveness may occur as a result of credit value/ debit value adjustments that are not offset by changes in the values of the hedged cash flows or as a result of differences in the underlying conditions for the hedged item and the hedging instrument.

In principle, the fair value of currency derivatives is recognised. In the case of cash flow hedge accounting within the meaning of IFRS 9, the unrealised gains and losses from the hedging transaction are initially recognised in the statement of changes in equity, with no impact on the income statement The gains and losses are only realised when the hedged underlying transaction is also recognised in the income statement. Fair value hedges are generally not taken out.

HELLA mainly designated currency derivatives to hedge foreign currency cash flows from funding in JPY maturing in 2032 or 2033 under cash flow hedge accounting. Other currency derivatives used to hedge currency risks from operating cash flow, with a maturity of less than one year in almost all cases, were also designated as cash flow hedge accounting.

Hedge accounting was not applied to other currency derivatives used to hedge underlying financial transactions. Measurement changes are recognised in the income statement.

In the fiscal year 2018/2019, changes in the market value of the above-mentioned derivatives used for cash flow hedge accounting amounting to € 12,501 thousand (prior year: € 6,223 thousand) were recognised in equity. All in all, market values of currency derivatives used for hedging purposes amounting to € -75,396 thousand (prior year: € -88,429 thousand) were recognised in equity at the reporting date. Equity gains of € 11,763 thousand were recognised in the income statement in the fiscal year 2018/2019 (prior year: € 3,781 thousand). Currency derivatives not presented in accordance with hedge accounting showed changes in the market value of currency derivatives recognised in the income statement of € 856 thousand (prior year: € 1,480 thousand).

The relatively high sensitivity of the net profit/loss for the year is largely attributable to market fluctuations of non-derivative financial instruments and planned cash flows that are not hedged within the meaning of IFRS 9. The sensitivity analysis is performed on the basis of the hedging ratios as at the balance sheet date. They are reviewed regularly in the course of the fiscal year and may be above or below the level at the balance sheet date.

The following sensitivity analyses show the effects a 10% change in the exchange rate of each foreign currency would have on equity or on net profit/loss for the year (before taxes). The analysis is based on the respective risk position on the reporting date and only takes into account the largest gross exposure in the HELLA Group:

€ thousand		**31 May 2019**		31 May 2018	
Exchange rate	Foreign currency	depreciates by 10%	appreciates by 10%	depreciates by 10%	appreciates by 10%
Change in equity owing to fluctuations in the market value of currency derivatives used for hedging purposes (cash flow hedge accounting)	CNY	16,345	-19,977	19,368	-23,672
	CZK	-5,777	7,061	-10,458	12,782
	JPY	-5,804	2,661	-13,745	14,820
	MXN	-4,537	5,546	1,506	-1,840
	RON	-16,857	20,603	-19,616	23,975
	USD	6,889	-8,420	9,354	-11,433
Change in net profit/loss for the year owing to unhedged currency exposures in the case of non-derivative financial instruments and fluctuations in the market value of derivative financial instruments	CNY	-3,490	4,265	-8,554	10,455
	CZK	989	-1,209	6,492	-7,935
	JPY	1,845	-2,256	755	-923
	MXN	11,007	-13,453	13,379	-16,352
	RON	1,904	-2,327	852	-1,042
	USD	-30,944	37,820	-15,901	19,434

The following table shows the nominal values and measurements of the hedging instruments, aggregated for all currencies, as well as their balance sheet category and the change in ineffectiveness.

€ thousand	**Nominal amount of the hedging instrument**	**Carrying amount of the hedging instrument**		**Line items in the statement of financial position that include the hedging instrument**	**Change in fair value for calculation of hedge ineffectiveness for 2018**
Cash flow hedges		Assets	Liabilities		
Exchange rate risk	945,301	12,633	-94,143	Derivative financial assets/ liabilities	-

The following tables contain quantitative disclosures on the hedging instruments used in each category, broken down by the most important currencies:

	Nominal amount in € thousands		
	<1 year	1-5 years	>5 years
Exchange rate risk	867,820	77,481	175,177

Exchange rate risk	**Average prices over the entire term of the hedging instruments**
EUR/USD	1.2
EUR/CZK	26.02
EUR/JPY	127.87
EUR/RON	4.89
EUR/CNY	8.05
USD/MXN	20.47

The following table contains disclosures for designated hedged items in each risk category. HELLA only uses cash flow hedges for currency risks.

Since the hedged items consist of planned cash flows that have not (yet) been recognised in the financial statements, only the carrying amount of the hedging instrument portfolio is reported.

€ thousand		**Cash flow hedge reserve**	
Cash flow hedges	Change in value for calculation of hedge ineffectiveness for 2018/2019	Ongoing hedging activities	Hedging activities that no longer qualify for hedge accounting.
Exchange rate risk for forecast transactions	-	-75,396	-

Gains and losses from cash flow hedges are as follows:

Cash flow hedges in € thousand	**Hedging instrument gains/losses recognised in OCI in hedge accounting**	**Hedge ineffectiveness recognised in profit or loss**	**Individual items in the consolidated statement of comprehensive income (including hedge ineffectiveness)**	**Amount reclassified from the CFH reserve to the income statement**	**Individual income statement items affected by the reclassification**
Exchange rate risk	-75,396	-	Other operating earnings	11,763	Other operating earnings

The following table reconciles the equity items relating to currency risks in other comprehensive income (OCI):

Development of equity items from currency risks

€ thousand	Reserve for financial instruments for cash flow hedging	Hedging costs
As at: 1 June 2018	**-79,755**	**-8,674**
Profits or losses from effective hedging relationships	29,108	-41,609
Reclassifications due to being recognised in profit or loss	-32,836	44,599
As at: 31 May 2019	**-83,482**	**-5,685**

Management of interest rate risks

Interest rate risks arise when fluctuations in interest rates lead to changes in the value of financial assets and liabilities on the statement of financial position of HELLA. These may affect the amount of the interest income and expenses in the fiscal year as well as the market value of the derivatives concluded and other financial assets measured at fair value. As at 31 May 2019, interest rate-sensitive net debt stood at € 899,728 thousand (prior year: € 633,532 thousand).

These risks are managed by the HELLA Group through natural hedging, i.e. the elimination of interest rate risks by assuming offsetting items and through the targeted use of derivatives. The derivative financial instruments used are usually interest rate swaps. Interest rate derivatives are generally used to mitigate cash flow risks.

As with currency derivatives, interest rate derivatives are settled mainly by HELLA GmbH & Co. KGaA. The use of interest rate derivatives is also always associated with underlying transactions. Interest rate derivatives used to hedge interest rate risks from non-derivative financial instruments are designated as cash flow hedge accounting. Speculative transactions are not permitted.

The following sensitivity analyses show how a one percentage point movement in the respective market interest rate would change equity and net profit/loss for the year (in each case before taxes). The analysis is based on the respective risk position on the reporting date. The calculation method used is the net present value method.

€ thousand	**31 May 2019**		31 May 2018	
Market interest rate	rises by 1 percentage point	falls by 1 percentage point	rises by 1 percentage point	falls by 1 percentage point
Change in equity owing to fluctuations in the market value of fixed-income securities recognised directly in equity at fair value	-3,589	15,562	-17,443	21,487
Change in net profit/loss for the year owing to variable interest items in the case of non-derivative financial instruments and fluctuations in the market value of derivative financial instruments	8,997	-8,997	6,335	-6,335

MANAGEMENT OF COMMODITY PRICE RISKS

The HELLA Group is exposed to various commodity price risks through the purchase of components. These risks are managed by the HELLA Group through natural hedging, i.e. the elimination of commodity price risks by means of offsetting effects from purchasing and sales, and through the targeted use of derivatives. The derivatives used are commodity swaps. As of 31 May 2019, there were no commodity derivatives (market value in the prior year: € 0 thousand).

Commodity (net) exposure for 2019/2020 is expected to amount to € 19,540 thousand (prior year: € 20,840 thousand).

The following sensitivity analysis shows what effects fluctuations of 10% in the market prices of underlying commodities would have had on net profit/loss for the year (before taxes).

€ thousand	**31 May 2019**		31 May 2018	
Commodity price	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Change in net profit/loss for the year owing to fluctuations in the market value of hedged items and commodity derivatives used	-1,954	1,954	-2,084	2,084

MANAGEMENT OF OTHER PRICE RISKS

Other price risks arise for HELLA through investments in current or non-current, non-interest-bearing securities, largely equities and funds that are classified as "hold and sell" or "held for trading" and therefore measured at fair value through profit or loss.

Debt capital instruments, derivatives and equity instruments are classified and reported differently under IFRS 9. The cash flow characteristics test (SPPI) is also essential for classifying financial instruments.

We therefore present two key criteria for determining whether a debt capital instrument passes the SPPI test. The instrument passes the SPPI test wherever

- the assets were acquired for the purpose of holding them and collecting the related cash flows, and
- the cash flows consist solely of payments of principal and interest.

DEBT CAPITAL INSTRUMENTS

The business model for the debt capital instruments is "held for trading" and has to be subjected to the SPPI test. Debt capital instruments that fail the SSPI test are recognised and measured at FVPL.

If the contractual cash flows are solely payments of principal and interest (SPPI test passed), the debt capital instruments are measured at FVOCI with recycling to profit or loss. HELLA therefore no longer measures debt capital instruments at amortised cost.

EQUITY INSTRUMENTS

IFRS 9 requires all equity instruments to be accounted for at fair value through profit or loss. Fair value changes are taken to the income statement. There is an exception to this rule: It is possible to irrevocably elect to measure an equity instrument at fair value on initial recognition and present value changes in other comprehensive income as long as the instrument is not held for trading. If this option is exercised, the OCI is not reclassified to profit or loss upon recognition (FVO-

CI without recycling). HELLA will not use this option but will account for all equity instruments at fair value through profit or loss. These items are shown in the following table. Investments measured at acquisition cost because the fair value cannot be reliably determined are not exposed to balance sheet risk and are therefore not included in the presentation.

€ thousand	31 May 2019	31 May 2018
Price risk positions of the non-derivative assets	36,639	36,145

HELLA actively manages the price risks. By continuously observing and analysing the markets, it is possible to manage investments in real time. Negative developments on the capital markets can thus be identified at an early stage and appropriate measures taken. Derivatives are only used to manage other price risks in exceptional cases.

The following sensitivity analyses show what effects fluctuations of 10% in the market values of non-derivative and derivative financial instruments would have had on equity or on net profit/loss for the year (before tax). The analysis is based on the respective volumes on the reporting date.

€ thousand	31 May 2019		31 May 2018	
Securities price	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Change in equity owing to changes in prices of unimpaired securities and investments in public funds	3,664	-3,664	3,160	-3,160
Change in net profit/loss for the year owing to changes in prices of impaired securities	0	0	455	-455

MANAGEMENT OF DEFAULT RISKS

Default risks arise for the HELLA Group from its operations and from financial investments and financial derivatives with positive fair values. Default risks from trade receivables, contract assets or other financial assets pose the risk that the receivables will be collected significantly late or not at all if a customer or another counterparty fails to satisfy its contractual commitments.

The Company considers the probability of default when initially recognising an asset as well as whether the credit risk has constantly increased significantly in every reporting period. To determine whether the credit risk has increased significantly, the Company compares the default risk of the asset on the balance sheet date to the default risk at the time of initial recognition. The Group makes this assessment based on quantitative and qualitative information that is reasonable and appropriate, including past experience and/or forward-looking information that can be obtained without excessive effort or expense. The default risk largely depends on the characteristics of the customers and their industry and is thus monitored by central and regional financial officers. The credit ratings and payment practices of contracting partners are regularly analysed.

Regardless of the outcome of the above assessment, the Group presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and appropriate information that proves otherwise.

A financial asset is in default or credit impaired if any of the following criteria have been met:

– Bankruptcy or similar event indicating significant financial difficulty and a probable default on the part of the counterparty
– Probable debt waiver
– Other reasons for credit managers to assume that it is more likely that the receivables are not collectible

In addition, all past-due trade receivables are tested for impairment during the year.

Financial assets are written off if there is no reasonable expectation of recovery. The residual value of these written-off financial assets can still be recovered, possibly with the involvement of legal counsel, if a corporate restructuring of the Group becomes necessary. A residual value may still be recoverable for € 7 thousand of the receivables written off in the reporting period. Any amounts collected are recognised in profit or loss.

The maximum default risk for the financial assets corresponds to their carrying amount. Netting off is not carried out due to the full or partial lack of offsetting criteria under IAS 32. Collateral is accepted in individual cases as described below which means that the actual default risk is smaller.

The HELLA Group's derivative transactions are typically concluded by HELLA GmbH & CO. KGaA and internally passed on to HELLA subsidiaries. HELLA GmbH & Co. KGaA buys and sells all external derivatives on the basis of the German Master Agreement for Financial Derivatives Transactions (DRV). DRV versions used in the past generally did not meet the requirements for offsetting since the offsetting of outstanding amounts would only have been legally enforceable following future events, such as a counterparty's bankruptcy. However, most current versions of the DRV now contain offsetting options, which makes it likely that they will be instituted in existing contract versions in future. If local regulations prohibit internal forwarding of derivatives, a HELLA subsidiary can conduct transactions directly with a bank under an individual contract, which will generally be based on the Master Agreement of the International Swaps and Derivatives Association (ISDA) with compensation possibilities. The following table shows the offsetting potential for derivatives taken out by HELLA GmbH & Co. KGaA that are subject to the aforementioned agreements.

31 May 2019					
€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	13,504	0	13,504	8,253	5,251
Liabilities – derivatives	-90,814	0	-90,814	8,253	-82,561

31 May 2018					
€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	8,426	0	8,426	7,583	843
Liabilities – derivatives	-100,880	0	-100,880	7,583	-93,297

The Group has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables
- Debt capital instruments at FVOCI
- Other financial assets at amortised cost

TRADE RECEIVABLES

The Group's credit risk is mainly a factor of the individual characteristics of individual customers. However, management also considers the factors that affect the credit risk of the broader customer base, including the default risk associated with the industry and country where the customer is located. HELLA has established a process in which it individually assesses the creditworthiness of every new customer before offering the Group's customary payment and delivery terms. In conducting the review, the Group considers external ratings (if available), financial statements, credit reports, industry information and, in some cases, bank references.

Operational risk is mainly managed by continuously monitoring receivables. Specific default risks are addressed upon identification by recognising corresponding impairments.

In individual cases, HELLA Group companies also demand collateral to secure receivables. This includes warranties, performance guarantees, and advance securities. HELLA has drawn up internal rules for accepting collateral. The only acceptable collateral providers are banks and insurance firms with good credit ratings. Many shipments to customers are also subject to retention of title clauses. The HELLA Group holds no collateral as of 31 May 2019.

Trade receivables are essentially spread over key accounts from the automotive and automotive supply industry.
The recoverability of all the receivables, which do not include overdue or impaired financial assets, is considered very high. This assessment is primarily based on ratings issued by large rating agencies and the fact that the HELLA Group maintains long-standing business relationships with most of its customers. The historical default rate of these trade receivables is extremely low.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

An impairment analysis is conducted every balance sheet date using a provision matrix to measure expected credit losses. Provision rates are based on the number of days that trade receivables have been outstanding for groups of different customer segments with similar loss patterns (i.e. by region and customer type). The calculation reflects the probability-weighted result, the fair value of the money, and reasonable and appropriate information available on the balance sheet date regarding past events, current conditions and forecasts of future economic conditions. The maximum credit risk on the balance sheet date is the carrying amount (cf. Note 24).

Using this as a basis, the value adjustment for trade receivables as of 31 May 2019 and 31 May 2018 (applying IFRS 9) was calculated as follows:

	31 May 2019		
€ thousand	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	1,070,745	4,941	1,065,804
Total	**1,070,745**	**4,941**	1,065,804

	31 May 2018		
€ thousand	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	1,218,015	12,616	1,205,399
Total	**1,218,015**	**12,616**	1,205,399

Value adjustments for trade receivables carried at amortised cost as of 31 May 2019 are presented below and reconciled with the value adjustments for opening losses. The estimation techniques or main assumptions used to estimate the value adjustment for these financial assets did not change in the reporting period under review.

€ thousand	**2018/2019**
As at: 1 June 2018, in accordance with IAS 39	12,616
Changes as a result of the first-time application of IFRS 9	-2,713
As at: 1 June 2018, in accordance with IFRS 9	**9,903**
Additions	4,311
Utilisation	-2,948
Reduction	-3,551
Other	-95
Change in the scope of consolidation	-2,679
As at: 31 May 2019, in accordance with IFRS 9	**4,941**

Apart from business growth, there were no material changes in the gross amounts of the trade receivables that affected the estimation of the value adjustment.

DEBT INVESTMENTS

The Group solely invests in listed debt instruments that carry very little credit risk. All of the Group's debt instruments at FVOCI are listed bonds that have received investment-grade (very good and good) ratings from rating agencies and are thus considered to be low-risk investments.

The Group recognises lifetime ECLs if the credit risk has significantly increased since initial recognition. However, if the credit risk of the financial instrument has not significantly increased since initial recognition, the Group measures the loss allowance for this financial instrument using the 6-month CDS or the 12-month CDS. The expected credit losses (ECLs) for securities consider the exposure at default (EaD), the probability of default in the next 12 months (12m PD) and the loss given default (LGD) and are calculated as follows: ECL = EaD x 12m PD x LGD. The expected loss for individual cases is based on the spreads of the corresponding credit default swaps (CDSs).

In the years 2018/2019, the Group recognised a value adjustment of € 705 thousand (2017/2018: € 669 thousand) for expected credit losses for its debt instruments measured at FVOCI.

The maximum exposure at the end of the reporting period is the carrying amount of these investments (€ 369,711 thousand).

The estimation techniques or main assumptions used to estimate the value adjustment for these financial assets did not change in the reporting period under review.

The loss allowance for debt instruments at FVOCI changed as follows during the year. The comparison values for 2017/2018 represent the value adjustment pursuant to IAS 39.

€ thousand	2018/2019 12-month ECL	 Lifetime ECL without credit impairment	 Lifetime ECL with credit impairment	 POCI – financial assets	 Total
As at: 1 June 2018, in accordance with IAS 39 Impairment	**-3,347**	**0**	**0**	**0**	**-3,347**
Changes as a result of the first-time application of IFRS 9	2,530	0	0	0	2,530
First-time application of IFRS 9 (financial instruments FVPL)	-817	0	0	0	-817
As at: 1 June, in accordance with IAS 39 Impairment (financial instruments FVOCI)	148	0	0	0	148
As at: 1 June 2018, in accordance with IFRS 9	**-669**	**0**	**0**	**0**	**-669**
Transfer to lifetime ECL without credit impairment	0	0	0	0	0
Transfer to lifetime ECL with credit impairment	0	0	0	0	0
New financial assets/additions to the value adjustment	-249	0	0	0	-249
Value adjustments/utilisation of value adjustments	0	0	0	0	0
Value recovery/dissolution of existing value adjustments	213	0	0	0	213
Other effects	0	0	0	0	0
As at: 31 May 2019, in accordance with IFRS 9	**-705**	**0**	**0**	**0**	**-705**

Explanation of abbreviation:

POCI: Purchased or originated credit-impaired financial assets.

The Group's credit risk exposure to debt capital instruments at FVOCI can be summarised as follows:

€ thousand	2018/2019 12-month ECL	 Lifetime ECL without credit impairment	 Lifetime ECL with credit impairment	 POCI	 Total
Gross carrying amounts	**369,711**	0	0	0	**369,711**
Wertberichtigungen OCI	-705	0	0	0	-705

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company is also exposed to credit risk in connection with financial assets measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (€ 205,661 thousand).

OTHER FINANCIAL ASSETS AT AMORTISED COST

The value adjustments for other receivables as of 31 May 2019 are shown below in the reconciliation to the opening loss allowances.

Capital risk management

The HELLA Group manages its capital with the aim of ensuring that all Group companies can continue to operate as going concerns. By optimising the debt-equity ratio as needed, capital costs are kept as low as possible. These measures help to maximise shareholder income.

The capital structure consists of the current and non-current liabilities in the statement of financial position less the cash representing net borrowings and the balance sheet equity. The Risk Management Committee assesses and reviews the Group's capital structure on a regular basis. Risk-adjusted capital costs are taken into account in this assessment.

The overall capital risk management strategy pursued in the current fiscal year has not changed from the prior year.

€ thousand	2018/2019
As at: 1 June 2018, in accordance with IAS 39	**1,178**
Changes as a result of the first-time application of IFRS 9	192
As at: 1 June 2018, in accordance with IFRS 9	**1,370**
Additions	676
Utilisation	-1,178
Reduction	-
As at: 31 May 2019, in accordance with IFRS 9	**868**

44 Contractual commitments

There were contractual obligations to purchase or use property, plant and equipment amounting to € 85,529 thousand as at the reporting date (prior year: € 87,257 thousand). Contractual commitments for the acquisition of intangible assets in the fiscal year 2018/2019 were € 470 thousand (prior year: € 605 thousand).

45 Contingent liabilities

As of 31 May 2019, as in the previous year, no contingent liabilities existed within the HELLA Group.

46 Information on leases

THE HELLA GROUP AS LESSEE

The HELLA Group regularly operates as a lessee.

The Group has leases for various buildings, motor vehicles and pieces of office equipment. Leases are usually fixed for a particular period – generally 4 years for motor vehicles and between 5 and 15 years for buildings – but may include extension options. Some leases for buildings and office equipment include extension and termination options for the Group as a whole. These terms are utilised to maximise operational flexibility. Most extension and termination options can only be exercised by the Group, not by the lessor.

Leases are negotiated individually and cover a wide range of different terms and contract conditions. The HELLA Group is not subject to any obligations or restrictions from leases.

Usufructuary rights to assets:

€ thousand	Land and buildings	Machinery	Operating and office equipment	Total
As at: 1 June 2018	**0**	**0**	**0**	**0**
Changes as a result of the first-time application of IFRS 16	129,131	2,712	11,894	143,736
Additions	44,312	1,211	5,930	51,452
Depreciation/amortisation	-20,629	-1,214	-5,133	-26,976
Change of the scope of consolidation	-26,923	0	-388	-27,312
Currency translation	227	-173	55	109
As at: 31 May 2019	**126,117**	**2,536**	**12,358**	**141,010**

The right-of-use assets are measured at amortised cost and so do not require additional notes on remeasurement.

Lease liabilities:

€ thousand	31 May 2019
Up to 1 year	28,485
Between 1 and 5 years	68,411
More than 5 years	45,381
Total	**142,278**

Amounts recognised in profit or loss:

€ thousand	31 May 2019
Interest expenses for lease liabilities	-2,668
Variable lease payments that are not included in the valuation of the lease liability	-1,741
Income from subleasing of usufructuary rights	0
Expenses from short-term leases	-11,397
Expenses from leases in which the underlying assets are low in value	-546
Total	**-16,352**

Interest expenses for lease liabilities are reported within financing costs in the income statement and other comprehensive income.

Payments of € 27,019 thousand are recognised in the cash flow statement.

The portfolio of short-term leases is identical to the portfolio "up to one year". There are no additional lease liabilities.

There are no leases with residual value guarantees or pending leases that the Group has committed to.

The HELLA Group has not entered into any sale-and-lease back transactions.

THE HELLA GROUP AS LESSOR

In the Aftermarket segment, HELLA concludes finance lease agreements with workshops for its portfolio of diagnostic testing equipment and workshop equipment. These agreements generally have five-year terms. All lease agreements are concluded in euros and relate exclusively to business within the EU.

To reduce the risk associated with the transactions, HELLA conducts a credit check for each potential customer and, if needed, obtains bank guarantees for the full term of the lease. There are no variable lease payments that depend on an index or rate. Financial income from net capital expenditure in leasing for the period amounts to € 3,547 thousand.

Distribution of minimum lease payments (not discounted):

€ thousand	**31 May 2019**	31 May 2018
Up to 1 year	19,698	16,866
Between 1 and 5 years	47,652	37,344
More than 5 years	0	0
Future financing costs under finance leases	-9,009	-6,923
Total	**58,342**	**47,288**

Distribution of the present values of minimum lease payments:

€ thousand	**31 May 2019**	31 May 2018
Up to 1 year	16,277	14,033
Between 1 and 5 years	42,064	33,254
More than 5 years	0	0
Total	**58,342**	**47,288**

As at 31 May 2019, impairments for unrecoverable receivables from leases amounted to € 305 thousand (prior year: € 2,182 thousand).

47 Events after the balance sheet date

There were no events after the balance sheet date.

48 Audit fees

The total fee for the services of the auditor Pricewaterhouse-Coopers GmbH (prior year: KPMG AG Wirtschaftsprüfungs-gesellschaft) invoiced for the fiscal year 2018/2019 amounts to € 1,020 thousand and includes the fees and expenses for the audit. An additional € 172 thousand for tax consulting services, € 6 thousand for other consulting services and € 35 thousand for other services were recognised as expenses. The auditing services pertain to the audit of the annual and consolidated financial statements of the parent company. The tax advisory services primarily include sales tax consulting. The other confirmation services pertain to certifications of financial information of partial units and the examination of the bonus share compensation.

Lippstadt, 29 July 2019

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach
(Chairman)

Dr. Werner Benade

Dr. Frank Huber

Bernard Schäferbarthold

Dr. Nicole Schneider

Scope of consolidation
Fiscal year 2018/2019

Affiliated companies included in the consolidated financial statements:

No.	Company	Country	City	Investment in %	in
1	HELLA GmbH & Co. KGaA	Germany	Lippstadt	100.0	
2	HELLA Innenleuchten-Systeme GmbH*	Germany	Wembach	100.0	1
3	HELLA Innenleuchten-Systeme Bratislava, s.r.o.	Slovakia	Bratislava	100.0	2
4	HELLA Fahrzeugkomponenten GmbH*	Germany	Bremen	100.0	1
5	HFK Liegenschaftsgesellschaft mbH	Germany	Bremen	100.0	4
6	HELLA Electronics Engineering GmbH*	Germany	Regensburg	100.0	1
7	HELLA Aglaia Mobile Vision GmbH*	Germany	Berlin	100.0	1
8	HELLA Distribution GmbH*	Germany	Erwitte	100.0	1
9	RP Finanz GmbH*	Germany	Lippstadt	100.0	1
10	HELLA Finance International B.V.	The Netherlands	Nieuwegein	100.0	1
11	Docter Optics SE*	Germany	Neustadt an der Orla	100.0	1
12	Docter Optics Inc.	USA	Gilbert, AZ	100.0	11
13	Docter Optics Components GmbH	Germany	Neustadt an der Orla	100.0	11
14	Docter Optics s.r.o.	Czech Republic	Skalice u České Lípy	100.0	11
15	HORTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Neustadt / Orla KG	Germany	Düsseldorf	94.0	11
16	Docter Optics Asia Ltd.	South Korea	Seoul	100.0	11
17	HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100.0	1
18	HELLA Werkzeug Technologiezentrum GmbH*	Germany	Lippstadt	100.0	1
19	HELLA Corporate Center GmbH*	Germany	Lippstadt	100.0	1
20	HELLA Gutmann Holding GmbH*	Germany	Ihringen	100.0	1
21	HELLA Gutmann Solutions GmbH*	Germany	Ihringen	100.0	20
22	HELLA Gutmann Anlagenvermietung GmbH*	Germany	Breisach	100.0	20
23	HELLA Gutmann Solutions A / S	Denmark	Viborg	100.0	20
24	HELLA Gutmann Solutions AS	Norway	Porsgrunn	100.0	23
25	HELLA Gutmann Mobility GmbH	Germany	Berlin	100.0	20
26	HELLA OOO	Russia	Moscow	100.0	1
27	avitea GmbH work and more	Germany	Lippstadt	100.0	1
28	avitea Industrieservice GmbH	Germany	Lippstadt	100.0	27
29	HELLA Geschäftsführungsgesellschaft mbH*	Germany	Lippstadt	100.0	1
30	UAB HELLA Lithuania	Lithuania	Vilnius	100.0	1
31	hvs Verpflegungssysteme GmbH	Germany	Lippstadt	100.0	1
32	HELLA Holding International GmbH*	Germany	Lippstadt	100.0	1
33	HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100.0	32
34	HELLA Changchun Tooling Co., Ltd.	China	Changchun	100.0	32
35	HELLA Corporate Center (China) Co., Ltd.	China	Shanghai	100.0	32
36	Changchun HELLA Automotive Lighting Ltd.	China	Changchun	100.0	32
37	Beifang HELLA Automotive Lighting Ltd.	China	Beijing	100.0	32
38	HELLA (Xiamen) Automotive Electronics Co., Ltd.	China	Xiamen	100.0	32

No.	Company	Country	City	Investment in %	in
39	HELLA Asia Pacific Pty Ltd	Australia	Mentone	100.0	32
40	HELLA Australia Pty Ltd	Australia	Mentone	100.0	39
41	HELLA-New Zealand Limited	New Zealand	Auckland	100.0	39
42	Hella-Phil., Inc.	Philippines	Dasmariñas	90.0	39
43	HELLA Asia Pacific Holdings Pty Ltd	Australia	Mentone	100.0	39
44	HELLA Korea Inc.	South Korea	Seoul	100.0	43
45	HELLA India Automotive Private Limitited	India	Gurgaon	100.0	43
46	HELLA UK Holdings Limited	Great Britain	Banbury	100.0	32
47	HELLA Limited	Great Britain	Banbury	100.0	46
48	HELLA Corporate Center USA, Inc.	USA	Plymouth, MI	100.0	32
49	HELLA Electronics Corporation	USA	Plymouth, MI	100.0	48
50	HELLA Automotive Sales, Inc.	USA	Peachtree City GA	100.0	48
51	HELLA España Holdings S. L.	Spain	Madrid	100.0	32
52	Manufacturas y Accesorios Electricos S.A.	Spain	Madrid	100.0	51
53	HELLA S.A.	Spain	Madrid	100.0	51
54	HELLA Handel Austria GmbH	Austria	Vienna	100.0	32
55	HELLA Fahrzeugteile Austria GmbH	Austria	Großpetersdorf	100.0	54
56	HELLA S.A.S.	France	Le Blanc Mesnil-Cedex	100.0	32
57	HELLA Engineering France S.A.S.	France	Toulouse	100.0	56
58	HELLA Benelux B.V.	The Netherlands	Nieuwegein	100.0	32
59	HELLA S.p.A.	Italy	Caleppio di Settala	100.0	32
60	HELLA Lighting Finland Oy	Finland	Salo	100.0	32
61	HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100.0	32
62	HELLA CZ, s.r.o.	Czech Republic	Zruč nad Sázavou	100.0	32
63	HELLA Hungária Kft.	Hungary	Budapest	100.0	32
64	HELLA Polska Sp. z o.o.	Poland	Warsaw	100.0	32
65	Intermobil Otomotiv Mümessillik Ve Ticaret A.S.	Turkey	Istanbul	56.0	32
66	HELLA Centro Corporativo Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	32
67	HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	66
68	Grupo Administracion Tecnica S.A. de C.V.	Mexico	Tlalnepantla	100.0	66
69	Petosa S.A. de C.V.	Mexico	Tlalnepantla	100.0	66
70	HELLAmex S.A. de C.V.	Mexico	Naucalpan	100.0	66
71	HELLA A / S	Denmark	Aabenraa	100.0	32
72	Hella India Lighting Ltd.	India	New Delhi	82.7	32
73	HELLA Asia Singapore Pte. Ltd.	Singapore	Singapore	100.0	32
74	HELLA Trading (Shanghai) Co., Ltd.	China	Shanghai	100.0	73
75	HELLA Auto Service Center Ltd.	China	Shanghai	100.0	74
76	HELLA Slovakia Holding s.r.o.	Slovakia	Kočovce	100.0	32
77	HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100.0	76

No.	Company	Country	City	Investment in %	in
78	HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kočovce	100.0	76
79	HELLA Romania s.r.l.	Romania	Ghiroda-Timișoara	100.0	32
80	HELLA do Brazil Automotive Ltda.	Brazil	São Paulo	100.0	32
81	HELLA Automotive South Africa (Pty) Ltd	South Africa	Uitenhage	100.0	32
82	HELLA Middle East FZE	United Arab Emirates	Dubai	100.0	32
83	Hella-Bekto Industries d.o.o.	Bosnia and Herzegovina	Goražde	70.0	32
84	HELLA China Holding Co., Ltd.	China	Shanghai	100.0	32
85	HELLA (Xiamen) Electronic Device Co., Ltd.	China	Xiamen	100.0	84
86	Jiaxing HELLA Lighting Co., Ltd.	China	Jiaxing	100.0	84
87	HELLA Vietnam Company Limited	Vietnam	Ho Chi Minh City	100.0	32

* As in the previous year, the company exercises the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB).

Associates and joint ventures

No.	Company	Country	City	Investment in %	in
88	Behr-Hella Thermocontrol GmbH	Germany	Lippstadt	50.0	1
89	Behr-Hella Thermocontrol (Shanghai) Co., Ltd.	China	Shanghai	100.0	88
90	Behr-Hella Thermocontrol Inc.	USA	Wixom, MI	100.0	88
91	Behr-Hella Thermocontrol India Private Limited	India	Pune	100.0	88
92	Behr-Hella Thermocontrol Japan K.K.	Japan	Tokyo	100.0	88
93	Behr-Hella Thermocontrol EOOD	Bulgaria	Sofia	100.0	88
94	BHTC Mexico S.A. de C.V.	Mexico	Queretaro	100.0	88
95	BHTC Servicios S.A. de C.V.	Mexico	San Miguel de Allende	100.0	94
96	BHTC Finland OY	Finland	Tampere	100.0	88
97	Behr-Hella Service GmbH	Germany	Schwäbisch Hall	50.0	1
98	Behr Hella Service South Africa Pty Ltd.	South Africa	Johannesburg	100.0	97
99	Behr Hella Comércio de Peças Automotivas S.A.	Brazil	Arujá	100.0	97
100	Behr Service IAM USA Inc.	USA	Troy, MI	100.0	97
101	Behr Hella Service North America, LLC	USA	Peachtree City, GA	100.0	97
102	Beijing SamLip Automotive Lighting Ltd.	China	Beijing	24.5	43
103	Beijing Haohua Special Lighting Ltd.	China	Beijing	49.0	102
104	HSL Electronics Corporation	South Korea	Daegu	50.0	43
105	Mando Hella Electronics Corp.	South Korea	Incheon	50.0	32
106	Mando-Hella Electronics (Suzhou) Co., Ltd.	China	Suzhou	100.0	105
107	Mando-Hella Electronics Automotive India Private Limited	India	Sriperumbudur	100.0	105
108	Asia Aftermarket Holding GmbH	Germany	Poing	50.0	32
109	HBPO Beteiligungsgesellschaft mbH	Germany	Lippstadt	33.3	1
110	HBPO GmbH	Germany	Lippstadt	100.0	109
111	HBPO Germany GmbH	Germany	Meerane	100.0	110
112	HBPO Slovakia s.r.o.	Slovakia	Lozorno	100.0	110
113	HBPO Automotive Spain S.L.	Spain	Arazuri	100.0	110

No.	Company	Country	City	Investment in %	in
114	HBPO Mexico S.A. de C.V.	Mexico	Cuautlancingo	100.0	110
115	HBPO Czech s.r.o.	Czech Republic	Mnichovo Hradiště	100.0	110
116	HBPO North America Inc.	USA	Troy, MI	100.0	110
117	HBPO UK Limited	Great Britain	Banbury	100.0	110
118	HBPO Canada Inc.	Canada	Windsor	100.0	110
119	HBPO Rastatt GmbH	Germany	Rastatt	100.0	110
120	HBPO Ingolstadt GmbH	Germany	Ingolstadt	100.0	110
121	HBPO Manufacturing Hungary Kft.	Hungary	Kecskemét	100.0	110
122	SHB Automotive Module Company Ltd.	South Korea	Gyeongbuk	50.0	110
123	HBPO Automotive Hungaria Kft.	Hungary	Győr	100.0	110
124	HBPO Regensburg GmbH	Germany	Regensburg	100.0	110
125	HBPO Pyeongtaek Ltd.	South Korea	Pyeongtaek	100.0	110
126	HBPO Beijing Ltd.	China	Beijing	100.0	110
127	HBPO Asia Ltd.	South Korea	Seoul	100.0	110
128	HICOM HBPO SDN BHD	Malaysia	Shah Alam	40.0	110
129	HBPO Management Sevices MX S.A.	Mexico	Cuautlancingo	100.0	110
130	HBPO Services MX S.A.	Mexico	Cuautlancingo	100.0	110
131	HBPO Brasil Automotive Servicos Ltda	Brazil	São Paulo	95.0	110
132	HBPO Vaihingen/Enz GmbH	Germany	Lippstadt	100.0	110
133	HBPO Saarland GmbH	Germany	Kleinblittersdorf	100.0	110
134	Changchun Hella Faway Automotive Lighting Co., Ltd.	China	Changchun	49.0	33
135	Chengdu Hella Faway Automotive Lighting Co., Ltd.	China	Chengdu	100.0	134
136	InnoSenT GmbH	Germany	Donnersdorf	50.0	1
137	Hella Pagid GmbH	Germany	Essen	50.0	1
138	Beijing Hella BHAP Automotive Lighting Co., Ltd.	China	Beijing	50.0	84
139	Hella BHAP (Sanhe) Automotive Lighting Co., Ltd.	China	Sanhe	100.0	138
140	Hella BHAP (Tianjin) Automotive Lighting Co., Ltd.	China	Tianjin	100.0	138
141	Hella BHAP Electronics (Jiangsu) Co., Ltd.	China	Zhenjian	50.0	32

The companies listed below were not consolidated as they are of minor significance for the Group's net assets, financial position, and results of operations. For this reason, the other disclosures under Section 313 (2) (4) HGB could also be omitted. The Group's shares in these companies were recognised at fair value.

Companies not included in the consolidated financial statements:

				Investment	
No.	Company	Country	City	in %	in
142	Electra Hella's S.A.	Greece	Athens	73.0	32
143	HELLA Japan Inc.	Japan	Tokyo	100.0	32
144	CMD Industries Pty Ltd.	Australia	Mentone	100.0	43
145	Tec-Tool S.A. de C.V.	Mexico	El Salto, Jalisco	100.0	66
146	Astra-Phil., Inc.	Philippines	Manila	30.0	39
147	Hella-Stanley Holding Pty Ltd.	Australia	Mentone	50.0	1
148	H+S Invest GmbH & Co. KG i.L.	Germany	Pirmasens	50.0	1
149	FWB Kunststofftechnik GmbH	Germany	Pirmasens	24.9	1
150	H+S Verwaltungs GmbH i.L.	Germany	Pirmasens	50.0	1
151	INTEDIS GmbH & Co. KG	Germany	Würzburg	50.0	1
152	INTEDIS Verwaltungs- GmbH	Germany	Würzburg	50.0	1
153	The Drivery GmbH	Germany	Berlin	100.0	7
154	HELLA Fast Forward Shanghai Co., Ltd.	China	Shanghai	100.0	33
155	HELLA Ventures, LLC	USA	Delaware	100.0	48

Since no significant influence is exercised over the following companies, they were treated as investments.

Investments

				Investment	
No.	Company	Country	City	in %	in
156	PARTSLIFE GmbH	Germany	Neu-Isenburg	9.7	1
157	TecAlliance GmbH	Germany	Ismaning	7.0	1
158	EMC Test NRW GmbH electromagnetic compatibility	Germany	Dortmund	11.6	1
159	KFE Kompetenzzentrum Fahrzeug Elektronik GmbH	Germany	Lippstadt	12.0	1
160	Brighter AI Technologies GmbH	Germany	Berlin	5.0	1
161	YPTOKEY GmbH	Germany	Berlin	5.0	1
162	Breezometer Ltd.	Israel	Haifa	3.2	155

Independent auditor's report

To HELLA GmbH & Co. KGaA, Lippstadt

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of HELLA GmbH & Co. KGaA, Lippstadt, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 May 2019, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 June 2018 through 31 May 2019 and notes to the consolidated financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the group management report of HELLA GmbH & Co. KGaA, Lippstadt, for the fiscal year from 1 June 2018 through 31 May 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to [§ [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at May 31, 2019, and of its financial performance for the fiscal year from June 1, 2018 through May 31, 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not include the content of the above-mentioned corporate governance statement.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 June to 31 May 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill and impairments to property, plant and equipment and intangible assets with finite useful lives
2. Impact of the initial application of IFRS 15 on sales recognition
3. Accounting for warranty obligations
4. Disposal of the wholesale business

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1 Recoverability of goodwill and impairments to property, plant and equipment and intangible assets with finite useful lives

1 In the consolidated financial statements of the Company, goodwill amounting to € 43.3 million and intangible assets with finite useful lives amounting to € 340.2 million are reported under the "intangible assets" balance sheet item, and property, plant and equipment amounting to € 1,941.7 million is reported under the "property, plant and equipment" line item (together accounting for 36.3% of total assets). Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment tests are only carried out on property, plant and equipment and intangible assets with finite useful lives if there are indications that these assets may be impaired. The impairment tests are carried out at the level of the cash-generating units or groups of cash-generating units – in the case of impairment tests on goodwill, including the respective allocated goodwill. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount for the purposes of the impairment test. The recoverable amount generally determined using the value in use. The present value of the future cash flows from the respective cash-generating unit or group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the Group's three-year financial plan prepared by the management and adopted by the supervisory board forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit or group of cash-generating units. As the result of the impairment tests on goodwill and the impairment test for property, plant and equipment and intangible assets with finite useful lives, no impairment was found.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating units or groups of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore generally subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit we evaluated the methodology employed by the Company for the purposes of conducting the impairment tests, among other things, with the assistance of internal specialists from the "Valuation" area. After matching the future cash inflows used for the calculation against the three-year business plan of the Group, prepared by the management and adopted by the Supervisory Board, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied or the growth rate used can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and the growth rate used, and verified the calculation procedure In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on impairment testing and the balance sheet items "Intangible assets" and "Property, plant and equipment" are contained in numbers 03, 29 and 30 of the notes to the consolidated financial statements.

2 Impact of the initial application of IFRS 15 on sales recognition

1 Sales amounting to € 6,990.0 million was recognized in the Company's consolidated financial statements.

Sales are generated primarily from the sale of products and serial parts. In addition, sales are generated through sales of customized manufacturing tools which are produced by the Group itself. The Company assumes that the transfer of legal ownership to the customer will usually occur at the same time as the transfer of economic ownership, and sales are therefore recognized at that point. Development projects during which the Company applies and industrializes customized lighting and electronics components are usually amortized as an agreed premium on the product price. The sale of customer tools represents a separate performance obligation, with the effect being that sales and the corresponding costs of sales are realized at the date on which control is transferred to the customer. Accordingly, the customer tools previously recognized under property, plant and equipment are now presented as inventories. Where development services constitute a separate performance obligation vis-à-vis the customer and the HELLA Group has a contractual claim to receive consideration, this is recognized under IFRS 15 as sales. Sales recognized at the date on which power over the finished development service is transferred to the customer. Accordingly, the expenses incurred in connection with these development projects are reported as costs of sales and the consideration received from the customers are recognized as sales.

In this fiscal year, the initial application of the new accounting standard on sales recognition (IFRS 15) had an impact on sales recognition and deferment. Sales declined by € 11.4 million, primarily as the result of the delay in the date on which sales is recognized for customer tools and development services.

This significant sales item is based to a large extent on estimates and assumptions of the legal representatives. Recognizing and deferring sales correctly in accordance with the Group-wide application of the new accounting standard IFRS 15 is considered to be complex. This matter was therefore of particular importance for our audit.

2 As part of our audit, we assessed, among other things, the effects of the initial application of IFRS 15. With the knowledge that the calculation of the effects of the initial application is primarily based on the executive directors' assessments and assumptions, and that these have a significant effect on the amount of reported sales, we in particular assessed the information used as well as the appropriateness of the procedure used to calculate the impact of the initial application of IFRS 15. For the purposes of our audit, we obtained an understanding of the accounting treatment of various types of contractual terms based on the five-step model under IFRS 15. We also examined customer agreements, reviewed the identification of performance obligations, and evaluated whether these services are performed over a certain period or at a certain point in time.

We were able to satisfy ourselves that the estimates and the assumptions made by the executive directors were sufficiently documented and supported to justify proper sales recognition.

3 The disclosures relating to sales as well as the impact of the initial application of IFRS 15 are contained in the section 05 of the notes to the consolidated financial statements.

3 Accounting for warranty obligations

1 In the Company's consolidated financial statements provisions for warranties amounting to € 82.2 million are reported under the "Provisions" balance sheet item. These relate to warranty obligations arising from product sales and are determined for specific individual measures and in accordance with the previous or estimated future losses. Provisions with an expected remaining term of more than one year are discounted using the market rate of interest corresponding to the remaining term. When warranty provisions are recognized and measured, assumptions are made as to the nature and extent of future warranty claims and their respective probabilities of occurrence as well as the nature and expenses associated with the individual measures to be carried out. These assumptions are based on estimates by the executive directors. In connection with recognized warranty obligations, contractual insurance claims of € 37.6 million were recognized and are reported under the "Other receivables

and non-financial assets" balance sheet item. These are recognized if the grounds for and amounts of the claims can be estimated with reliable assurance.

We consider this matter to be of particular significance in the context of our audit since the recognition and measurement of this item is to a large extent based on estimates and assumptions made by the Company's executive directors.

2 To audit the recognition of the warranty obligations, we first examined the processes established by the Company for recognizing and processing warranty claims. Based on that examination, we assessed the recognition requirements based on discussions with responsible employees of the company and the underlying documents. With the knowledge that estimated values increase the risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct and significant effect on net profit or loss, we assessed the appropriateness of the carrying amounts among other things using the descriptions of the transactions, contractual documents and measurement bases presented to us and by comparing these against past figures. We reperformed the entire calculations (including discounting) for the provisions using the applicable measurement inputs and assessed the estimated timetable for utilizing the provisions. In addition we analyzed and assessed the recognition and measurement of contractual insurance claims.

We were able to satisfy ourselves that the estimates and assumptions of the executive directors on the basis of which a warranty obligation provision cand the associated contractual insurance claims were recognized and measured were sufficiently documented and substantiated.

3 The Company's disclosures relating to warranty claims are contained in the notes to the balance sheet items "Provisions" and "Other receivables and non-financial assets" in sections 25 and 36 of the notes to the consolidated financial statements.

4 Disposal of the wholesale business

1 In fiscal year 2018/2019, the Group completed the disposal of its wholesale business. With effect from 3 September 2018, the companies FTZ Autodele & Verktoj A/S and INTER-TEAM Sp. z o.o. were sold. Hellanor AS was also sold with effect from 10 December 2018. The wholesale business is therefore no longer part of the Aftermarket segment. The total proceeds in connection with the sale of the shares amounted to € 396 million. After deducting the cash transferred amounting to € 64 million, a net inflow of € 332 million in total was reported. As part of deconsolidation, a disposal gain of € 255 million was recognized at the Group level.

In our view, this matter was of particular importance for our audit due to the complex and voluminous contracts and the material effects on the Group's assets, liabilities, financial position and financial performance.

2 As part of our audit, we assessed the accounting presentation of the agreements to sell the wholesale business in the consolidated financial statements. Within this context, we first of all obtained an understanding of the underlying contractual agreements and their impact on the accounting treatment. To that end, we inspected and assessed the underlying documents and reviewed the calculation of the purchase price and verified the cash inflows against account statements. We then reviewed the derecognition of assets and liabilities. To calculate the deconsolidation effects we also conducted interviews with responsible persons involved in the transaction. We were able to satisfy ourselves that the presentation of the disposal of the wholesale business as a whole was sufficiently documented and justified and that the transaction was overall properly presented in the consolidated financial statements.

3 The Company's disclosures pertaining to the disposal are contained in sections 08, 14, 20 and 39 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the section "Corporate Governance of HELLA GmbH & Co. KGaA" of the Group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Group.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 28 September 2018. We were engaged by the supervisory board on 10 January 2019. We have been the group auditor of HELLA GmbH & Co. KGaA without interruption since the fiscal year 2018/2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Thomas Ull.

Hannover, 30 July 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Schröder
Wirtschaftsprüfer
(German Public Auditor)

Dr. Thomas Ull
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

on the consolidated financial statements, annual financial statements, Group management report and management report of HELLA GmbH & Co. KGaA dated 31 May 2019

To the best of our knowledge, the consolidated financial statements and annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the company in accordance with applicable accounting principles, and the Group management report and management report include a fair review of the development and performance of the business and the position of both the Group and the company, together with a description of the principal opportunities and risks associated with the expected development of the group.

Lippstadt, 29 July 2019

Dr. Rolf Breidenbach
(President and CEO of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Werner Benade
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Frank Huber
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Bernard Schäferbarthold
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Nicole Schneider
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Bodies of HELLA GmbH & Co. KGaA

Supervisory Board

Prof. Dr. Michael Hoffmann-Becking
Chairman of the Supervisory Board, attorney-at-law

Alfons Eilers
Deputy Chairman of the Supervisory Board,
trade union secretary

Paul Berger
Member of the works council until 30 September 2018

Michaela Bittner
Senior executive

Heinrich-Georg Bölter
Member of the works council

Manuel Frenzel
Shareholder

Elisabeth Fries
Shareholder

Stephanie Hueck
Entrepreneur, shareholder

Susanna Hülsbömer
Member of the works council

Klaus Kühn
Former member of the Board of Management of Bayer AG

Manfred Menningen
Trade union secretary on the Executive Board of the German Metalworkers' Union (IG Metall)

Claudia Owen
Shareholder

Manuel Rodriguez Cameselle
Member of the works council

Christoph Rudiger
Member of the works council since 1 October 2018

Marco Schweizer
Member of the works council

Dr. Konstanze Thämer
Doctor, shareholder

Christoph Thomas
Architect, shareholder

Shareholder Committee

Manfred Wennemer
Chairman of the Shareholder Committee, formerly CEO of Continental AG

Roland Hammerstein
Deputy Chairman of the Shareholder Committee, attorney-at-law, shareholder

Dr. Jürgen Behrend
Former Managing General Partner of Hella KGaA Hueck & Co.

Dr.-Ing. Gerd Kleinert
Former CEO of Kolbenschmidt Pierburg AG

Klaus Kühn
Former member of the Board of Management of Bayer AG

Dr. Matthias Röpke
Engineer, shareholder

Dipl.-Ing. Dipl.-Wirtsch.-Ing. Konstantin Thomas
Entrepreneur, shareholder

Management Board

HELLA GESCHÄFTSFÜHRUNGSGESELLSCHAFT MBH
General Partner

Dr. Rolf Breidenbach
President and CEO, Automotive Electronics, Purchasing, Quality, Legal and Compliance

Dr. Werner Benade
Aftermarket & Special Applications

Dr. Frank Huber
Automotive Lighting

Stefan Osterhage
Logistics and Process Management, until 31 May 2019

Bernard Schäferbarthold
Finance, Controlling, Information Technology and Process Management

Dr. Nicole Schneider
Human Resources, since 1 October 2018

Glossary

AFLAC (American Family Life Assurance Company)
American insurance company specialised in health and life insurance

AfS (available-for-sale)
Available-for-sale financial assets

Asia / Pacific / RoW
The Asia / Pacific region comprises the countries of Asia as well as Australia and New Zealand. “Rest of world” (RoW) is the term used to cover all other countries outside of those regions mentioned specifically

Associates
Associates are companies over which the Group exercises significant influence but no control

At equity
Inclusion in the consolidated financial statements using the equity method with proportional equity

Adjusted EBIT
Earnings before interest and income taxes, adjusted for extraordinary expenses, income or payments, relative to portfolio-adjusted sales

Adjusted EBIT margin
Ratio of adjusted EBIT to portfolio-adjusted consolidated sales

Adjusted EBITDA
Earnings before interest, income taxes, depreciation, and amortisation, adjusted for extraordinary expenses, income or payments, relative to portfolio-adjusted sales

Adjusted EBITDA margin
Ratio of adjusted EBITDA to portfolio-adjusted consolidated sales

Adjusted free cash flow
Net cash flow from operating activities after capital expenditure, excluding company acquisitions, adjusted for extraordinary expenses, income or payments

Cash-generating unit (CGU)
A cash-generating unit is the smallest identifiable group of assets that generates profit which is largely independent of the profit influences of other assets or other groups of assets

CCBS (cross currency basis spread)
Unit to measure how well a currency is performing; results in additional hedging costs that have an impact on both currencies

CDS (credit default swap)
Credit default swap is a credit derivative in which the risk of defaults from credits, bonds or borrowers are negotiated (credit default swap)

Compliance
Adherence to statutory and internal Company provisions

Currency and portfolio-adjusted consolidated sales
Consolidated sales without considering effects due to exchange rates and portfolio changes

DBO (defined benefit obligation)
Value of obligations arising from the Company pension scheme

EaD (exposure at default)
Exposure at default quantifies the amount of the credit claim that exists at the time of a borrower’s default

EBIT (earnings before interest and taxes)
Earnings before interest payments and income taxes

EBIT margin
Earnings before interest payments and income taxes in relation to the consolidated sales reported

EBITDA (earnings before interest, taxes, depreciation and amortisation)
Earnings before interest, income taxes, depreciation and amortisation

EBITDA margin
Earnings before interest payments, income taxes, depreciation and amortisation in relation to the consolidated sales reported

EBT (earnings before taxes)
Earnings before income taxes

ECL (expected credit losses)
Evaluation of expected credit losses from financial instruments

Europe excluding Germany
This region comprises all countries in Europe including Turkey and Russia but excluding Germany

FLAC (financial liabilities at amortised cost)
Financial liabilities measured at amortised cost

Free cash flow
Net cash flow from operating activities after capital expenditure, excluding Company acquisitions

FVOCI (fair value through other comprehensive income)
Financial instrument that is evaluated under fair value with reclassification to other earnings

FVPL (fair value through profit or loss)
Financial instrument that is evaluated under fair value with reclassification to profit or loss

HfT (held for trading)
Financial assets held for trading and financial liabilities held for trading

IFRS (international financial reporting standards)
International accounting rules for company financial statements to guarantee international comparability of annual and consolidated financial statements

Joint ventures
Joint ventures are joint arrangements in which HELLA exercises joint control together with other partners and also has rights to the arrangement's equity

KGaA (Kommanditgesellschaft auf Aktien)
The KGaA combines the elements of a stock corporation with those of a limited partnership

LaR (loans and receivables)
Loans and receivables

LGD (loss given default)
Loss given default is the expected percentual loss in the event of insolvency

NCAP (Euro NCAP)
Abbreviation for European New Car Assessment Programme; independent association to evaluate vehicle safety

n.a. (not applicable)
Not applicable

Net capital expenditure
Payments for the acquisition of property, plant and equipment and intangible assets less cash proceeds from the sale of property, plant and equipment and intangible assets as well as payments received for series production

Net financial debt
Net financial debt as the balance of cash and cash equivalents and current financial assets and current and non-current financial liabilities

North, Central and South America
The regions of North, Central, and South America include all the countries on the continents of North and South America

PD (probability of default)
Probability of default is the likelihood of default and thus describes the possible loss of a credit institution or a business relationship

POCI (purchased or originated credit impaired financial assets)
Financial assets already having an impaired credit rating at the time of purchase or origination

Rating
In terms of financial accounting, the rating is a method for classifying creditworthiness. This rating is issued by independent rating agencies on the basis of a company analysis

Return on equity
Return on equity is a ratio calculated by dividing net income by shareholders' equity

Return on Invested capital (RoIC)
The ratio of operating income before financing costs and after taxes (return) to invested capital

R&D
Research and development

Segment sales
Sales with third-party companies and other business segments

Segment sales of the business division
Sales with third-party companies, other business segments and other business divisions of the same business segment

SPPI (solely payments of principal and interest)
Contractual cash flows representing only principal and interest payments on the outstanding principal amount

SOE, Special OE (special original equipment)
Designation of "Special Original Equipment" at HELLA.
In this division, HELLA systematically taps customer target groups outside the automotive original equipment market, such as manufacturers of caravans, agricultural machinery and construction machinery and municipalities

Tier-1 supplier
First-level supplier

Legal notice

Publisher
HELLA GmbH & Co. KGaA
Corporate Communications & Investor Relations
Rixbecker Straße 75
59552 Lippstadt / Germany
www.hella.com

This report is available in German and English.
Both versions are available for download at
www.hella.de/geschaeftsbericht (German) and
www.hella.com/annualreport (English).

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Credits
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Key performance indicators

	2018/2019	2017/2018	2016/2017
Currency and portfolio-adjusted sales growth	5.0%	9.3%	4.3%
Adjusted EBIT margin	8.4%	8.3%	8.1%

In € million	2018/2019	2017/2018	2016/2017
Reported sales	6,990	7,060	6,585
Change compared to prior year	-1%	7%	4%
Adjusted earnings before interest and taxes (adjusted EBIT)	585	552	534
Change compared to prior year	6%	4%	12%
Earnings before interest and taxes (EBIT)	808	574	507
Change compared to prior year	41%	13%	21%
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	962	992	946
Change compared to prior year	-3%	5%	10%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,191	1,018	919
Change compared to prior year	17%	11%	13%
Earnings for the period	630	390	343
Change compared to prior year	62%	14%	26%
Earnings per share (in €)	5.67	3.50	3.08
Change compared to prior year	62%	14%	27%
Adjusted free cash flow from operating activities	284	223	149
Free cash flow from operating activities	253	218	69
Research and development (R&D) expenses	611	568	526
Change compared to prior year	8%	8%	-16%
Net capital expenditure	551	432	517
Change compared to prior year	28%	-17%	12%

	2018/2019	2017/2018	2016/2017
EBIT margin	11.6%	8.1%	7.7%
Adjusted EBITDA margin	13.8%	15.0%	14.4%
EBITDA margin	17.0%	14.4%	14.0%
R&D expenses in relation to sales	8.8%	8.6%	8.0%
Net capital expenditure in relation to sales	7.9%	6.1%	7.9%

	31 May 2019	31 May 2018	31 May 2017
Net financial liquidity / net financial debt (in € million)	66	-187	-278
Equity ratio	46.3%	41.9%	39.5%
Return on equity	25.4 %	17.5 %	17.3%
Employees	38,845	40,263	37,716

Development of the HELLA share (in €)	2018/2019	2017/2018	2016/2017
Starting price	53.80	45.14	33.95
Closing price	41.44	53.80	45.14
Highest price	57.35	58.75	46.26
Lowest price	33.90	42.36	27.73
Proposed dividend per share	3.35*	1.05	0.92

* including a special dividend of € 2.30 for the fiscal year 2018/2019

To guarantee a presentation of the company's operational performance that is transparent and comparable over time in light of the exit from wholesale distribution in the past fiscal year 2018/2019, the operational comparative variables have been adjusted for the wholesale distribution business activities from the second quarter onwards and the prior-year figures have also been adjusted accordingly. Furthermore, the International Financial Reporting Standards 9, 15 and 16 were used for the first time in fiscal year 2018/2019. The figures from the prior year were not adjusted in connection with these changes. As a result, these key performance indicators are difficult to compare. The HELLA Group's main key performance indicators (currency-adjusted and portfolio-adjusted sales growth and adjusted EBIT margin) are nonetheless largely unaffected. For further information please refer to the consolidated financial statements.

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9Z2 999 142-016
Printed in Germany