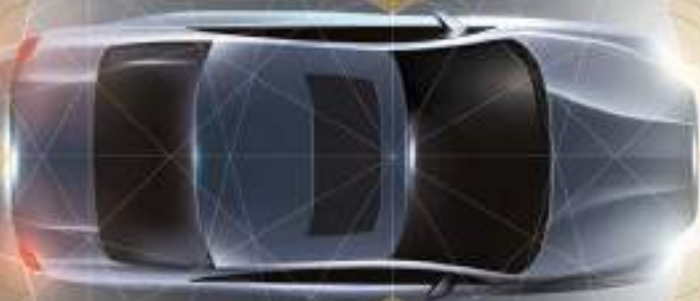




Technology with Vision

ANNUAL REPORT

2015/2016



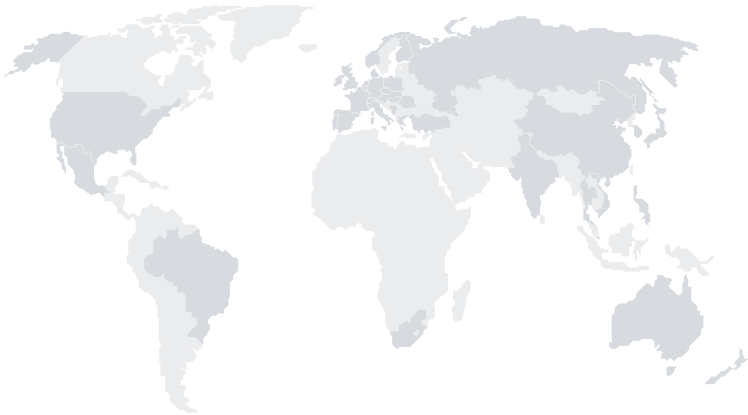


Key performance indicators

In € million	2015/2016	2014/2015	2013/2014
Sales	6,352	5,835	5,343
<i>Change compared to prior year</i>	9 %	9 %	11 %
Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)	858	781	708
<i>Change compared to prior year</i>	10 %	10 %	28 %
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	816	766	656
<i>Change compared to prior year</i>	7 %	17 %	19 %
Adjusted net operating profit/loss (EBIT)	476	445	399
<i>Change compared to prior year</i>	7 %	12 %	37 %
Net operating profit/loss (EBIT)	420	430	347
<i>Change compared to prior year</i>	-2 %	24 %	13 %
Earnings for the period	272	295	230
<i>Change compared to prior year</i>	-8 %	29 %	12 %
Earnings per share (in €)	2.42	2.70	2.23
<i>Change compared to prior year</i>	-11 %	21 %	
Net cash flow generated from operating activities	602	560	535
<i>Change compared to prior year</i>	8 %	5 %	21 %
Net capital expenditure	463	347	368
<i>Change compared to prior year</i>	33 %	-6 %	-14 %
Research and development (R&D) expenses	623	544	514
<i>Change compared to prior year</i>	15 %	6 %	16 %
	31. Mai 2016	31. Mai 2015	31. Mai 2014
Adjusted EBITDA margin	13.5 %	13.4 %	13.3 %
EBITDA margin	12.8 %	13.1 %	12.3 %
Adjusted EBIT margin	7.5 %	7.6 %	7.5 %
EBIT margin	6.6 %	7.4 %	6.5 %
R&D expenses in relation to sales	9.8 %	9.3 %	9.6 %
Net debt (in € million)	238	131	425
Net debt/EBITDA	0.3x	0.2x	0.6x
Equity ratio	39.6 %	38.8 %	30.1 %
Return on equity	14.2 %	22.0 %	19.0 %
Employees	33,689	31,864	30,692

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

HELLA Worldwide



134 LOCATIONS

all around the globe belong to the HELLA Group.

117 YEARS

of experience and expertise: ever since Sally Windmüller founded the "Westfälische Metall-Industrie Aktiengesellschaft" on 11 June 1899, the company from Lippstadt, Germany has been constantly developing to become one of the leading global suppliers in the automotive industry.

172

PATENTS

were registered in the fiscal year 2015/2016 alone. Since its formation the HELLA Group has always employed its pioneering spirit to take the automotive industry to ever greater heights.

33,689

EMPLOYEES

work at HELLA worldwide. 6,361 of these employees are engaged in Research and Development.

6.4

BILLION

euros in sales showcase the Company's success.

Company Profile

Technologies which shape the future: HELLA has been driving technological developments in the automotive industry for more than 100 years. Innovative lighting technology and electronics components are at the centre of its operations. In addition to this, vehicle parts and accessories are sold via one of Europe's largest distribution networks for the after-market. The Special Applications business division rounds off the portfolio with products for specialist vehicles. Through its global footprint and network and thanks to sales of EUR 6.4 billion in fiscal year 2015/2016, the HELLA Group numbers among the top 40 automotive suppliers worldwide. Almost 34,000 people work for the listed family-run company. More than 6,000 research and development experts among them ensure enduring innovative strength.

Minting new ideas in technology. As a leading supplier to the automotive industry we never stop pushing back the boundaries of what is technologically possible. We research, develop and work intensively to create innovative solutions and technologies that shape the market. We supply customers the world over with groundbreaking lighting technology and intelligent electronic components for cars, commercial vehicles and special applications. With almost 34,000 employees at more than 125 locations in over 35 countries we never lose sight of the diverse requirements of our stakeholders. Not standing still in development, working out ideas and taking them into serial production is what drives us, every day. Because for us, the future begins right here and right now.



Dr. Jürgen Behrend (Managing General Partner) and Dr. Rolf Breidenbach (President and CEO)

Ladies and Gentlemen,

In the fiscal year 2015/2016 HELLA recorded further substantial growth. Consolidated sales rose by 8.9 percent to € 6.4 billion. In a sometimes volatile environment we thus once again reached the target we had set ourselves, growing faster than the global automotive market. The basis of this success is the systematic focus on innovative technologies and product solutions for the mobility of tomorrow. In the past fiscal year we were driven primarily by successful new product start-ups in complex LED technology and innovative electronic components, which will allow us to cater for key megatrends such as environmental and energy efficiency, safety, styling and comfort.

HELLA is growing in all segments

Our Group-wide growth has been driven forward primarily by our strong market position in the Automotive segment, which recorded the strongest sales growth of 10.1 percent. At the same time, the Aftermarket segment has returned to a growth course, generating a solid increase of 5.9 percent in the fiscal year 2015/2016. The Special Applications segment also initiated a turnaround, with sales growth of 2.0 percent over the prior year.

Strong growth in the core market of Europe

Looking at growth by region, the business performance in the strategically important core market of Europe was especially gratifying, Sales in Europe – including Germany – were up 12.9 percent across the Group compared with the prior year. Supported by a stabilising market recovery, we benefited from rising demand, especially in the Automotive segment. Our activities in the Aftermarket business segment also have their focus in Europe, where we are one of the most important partners for spare parts and for independent garages.

But HELLA is stepping up its own growth not just in Europe but specifically in selected core markets where we expect to see positive growth momentum. It is essential for our long-term success to give the Company an increasingly broad global basis and to target our services specifically to individual growth markets.

Accordingly, in the fiscal year 2015/2016 the HELLA team recorded further growth. As at 31 May 2016 HELLA employed a total staff of 33,689. This is 5.7 percent more than in the prior year.

Consistent dividend policy and solid financing

With our strong and committed team we have successfully mastered the challenges we were faced with at the beginning of the second quarter of the fiscal year. Thanks to strong business performance over the course of the year we were able to partly offset the adverse impact on earnings that resulted from the exceptional failure of a supplier in China. In the year as a whole EBIT at € 420 million was nevertheless 2.3 percent below the prior-year figure. By contrast, adjusted EBIT not including special items rose to a fresh high of € 476 million.

In line with our established dividend policy, we want to distribute 30 percent of consolidated net profit to our shareholders again for the past fiscal year. Thanks to the positive performance in the fiscal year 2015/2016 as a whole, this corresponds to € 0.77 per share, a total amount of some € 86 million, and is thus at the prior year's level.

Around 70 percent of consolidated net profit will thus remain within the Company and provide support for the solid financing of our long-term growth course. Our funding structure is stable with an equity ratio of 40 percent. Going forward, this provides us with a high level of flexibility at all times, including times of economic fluctuation, to implement our business decisions systematically.

Global footprint and technological leadership as key success factors

The past fiscal year has shown once again that our global footprint and broad customer portfolio, which includes both premium and volume manufacturers, are critical to our success. By continually strengthening our HELLA network we will be able to take focused advantage of any growth opportunities that present themselves in the future as well. Over the medium term we will continue to direct our attention particularly to the markets in China and North America.

Innovative ideas form part of the HELLA DNA and are at the same time key factors for successful differentiation in the global automotive industry. This provides us with the opportunity to take advantage of one of our core strengths and to further expand our technological leadership in response to the central megatrends of environmental and energy efficiency, safety, styling and comfort.

LED technology remains the principal market driver

In the past fiscal year we successfully continued our two-pronged strategy in the Lighting business division, expanding our range of LED-based front headlamps for high-volume vehicle groups while at the same time working on innovative high-definition headlamps for the premium segment.

In the Electronics business division, our focus is increasingly turning to the support of our customers as they implement more economical, safe and comfortable vehicles. Automated functionalities, connectivity and energy efficiency are, now more than ever, proving to be key features that are rapidly gaining in importance and increasingly in demand. In proven partnerships with our customers, the leading automobile manufacturers, we develop essential components which support these functionalities. In the past fiscal year we defended our position as market leader for 24 GHz radar technology for the rear vehicle areas.

With its global links, innovative products, spirit of invention and financial clout, HELLA is in a promising position to help shape the automobile future, not only in the current fiscal year but also over the long term.

Lippstadt, August 2016



Dr. Jürgen Behrend
Managing General Partner



Dr. Rolf Breidenbach
President and CEO



The Management Board in one of our laboratories for electromagnetic compatibility. In special test chambers HELLA examines the interference immunity of electronic control units to electromagnetic fields and high-frequency outside influences.

THE MANAGEMENT BOARD OF HELLA KGAA HUECK & CO.

Markus Bannert
Business division
Lighting

Dr. Rolf Breidenbach
CEO Business divisions Electronics,
Aftermarket and Special OE, Purchasing,
Quality, Legal and Compliance



Dr. Jürgen Behrend
Managing General Partner,
Finance and Controlling

Stefan Osterhage
Human Resources,
Information Technology
and Logistics

Dr. Matthias Schöllmann
Sales Automotive



REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

In the fiscal year 2015/2016, the Supervisory Board closely followed the situation and development of HELLA KGaA Hueck & Co. 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 KGaA Hueck & Co. In particular, the market and sales situation of the enterprise 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 quarterly reporting, sales and earnings figures were presented for the HELLA Group as a whole as well as broken down to business segments.

Furthermore, during the Supervisory Board meetings, the current business situation, the sales, results and capital expenditure planning, as well as the operative targets were discussed. Any deviations in the course of business from the plans were explained by the Management Board in detail.

Focus of deliberations of the Supervisory Board

In the fiscal year 2015/2016 the Supervisory Board held four ordinary meetings, which took place on 11 August 2015, 5 November 2015, 27 January 2016 and 31 May 2016.

At the **meeting on 11 August 2015**, the annual financial statements of HELLA KGaA Hueck & Co. and of the Group for the fiscal year 2014/2015 were presented and discussed in depth. Based on the initial review by the audit committee, the Supervisory Board approved both financial statements. The Supervisory Board further addressed the proposals for the Annual General Shareholders' Meeting on 25 September 2015 and the earnings forecast for the current fiscal year 2015/2016. Furthermore, the Management Board presented the business plans for fiscal years 2015/2016, 2016/2017 and 2017/2018.

At the **meeting on 5 November 2015** the Management Board reported on the current business performance and provided an overview of the trend of the trading business, the emerging market trends and the strategies of the Aftermarket business division derived from them.

The main topic of the **meeting on 27 January 2016** was the current financial situation of the Company. Another focal point was HELLA's IT strategy.

The topics of the **meeting on 31 May 2016** were the Management Board report for the third quarter of the fiscal year 2015/2016 and the year-end forecast, as well as the business plans for the fiscal year 2016/2017. Furthermore, the declaration of con-



formity regarding the German Corporate Governance Code pursuant to Section 161 Stock Corporation Act (Aktiengesetz, "AktG") was adopted and has been published on the Company's website at www.hella.com/declarationofconformity.

Work of the committees

The Supervisory Board has established an Audit Committee which is responsible for the initial review of the annual financial statements, of the consolidated financial statements, of the management reports and of the proposals for the appropriation of profits. The Audit Committee is also responsible for preparing the agreements with the auditor, including the instruction of the auditor and fee agreement, as well as for defining the main points of the audit. The Audit Committee also 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, Paul Berger and Manfred Menning.

In the year under review, the Audit Committee convened four times. At the meeting on 5 August 2016, the Committee examined the initial review of the annual financial statements and of the consolidated financial statements as at 31 May 2015. Representatives of the auditor of the annual financial statements and consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, also participated in this meeting of the Audit Committee. Furthermore, the annual reports on corporate auditing, risk management and compliance management were presented and discussed.

At the meeting on 23 September 2015 the Audit Committee examined the three-month financial report for the fiscal year 2015/2016. Representatives of the auditor for the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, also reported on new accounting provisions.

At the meeting on 7 January 2016 the half-yearly financial report for the fiscal year 2015/2016 was presented. KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld explained the result of its audit review. The reports on corporate auditing and compliance management were also discussed.

At the meeting on 7 April 2016 the nine-month financial report was discussed and the main points of the 2015/2016 year-end audit defined. The Audit Committee also examined the agreement with the auditor for the review of the annual financial statements for the fiscal year 2015/2016. Based on the resolution passed KPMG AG Wirtschaftsprüfungsgesellschaft AG, Bielefeld, was instructed to conduct the audit. An additional focal point of the discussion was the global tax management of HELLA; moreover, the draft of the auditing plan for the fiscal year 2016/2017 was presented.

In the fiscal year 2015/2016 the **Nomination Committee** convened on 31 May 2016 following the resignation of a Supervisory Board member on the shareholder side effective the end of the ordinary general meeting on 29 September 2016 to discuss a proposal for a substitute member.

Audit of the annual financial statements and of the consolidated financial statements

On 25 September 2015 the annual general meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, as auditor both for the annual financial statements and for the consolidated financial statements for the fiscal year 2015/2016. The annual financial statements and the management report of HELLA KGaA Hueck & Co. for the fiscal year 2015/2016 were prepared by the Managing General Partners 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) in the form they are to be applied in the European Union, and in accordance with the additional commercial law provisions applicable under Section 315a HGB. The two financial statements including the management reports were audited by auditor KPMG, which issued an unqualified audit certificate for all documents. At the meeting on 2 August 2016 the Audit Committee thoroughly reviewed the financial statements. 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.

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 KGaA Hueck & Co. as well as the consolidated financial statements and the group management report for the fiscal year 2015/2016. Given the final result of the Supervisory Board's review, there are no objections to be raised against the annual financial statements and the consolidated financial statements. At its meeting on 10 August 2016 the Supervisory Board approved the annual financial statements and the consolidated financial statements and endorsed the proposal of the Managing General Partners for the appropriation of distributable profits.

Composition of the Supervisory Board

No changes were made to the composition of the Supervisory Board in the fiscal year 2015/2016.

Thanks to the members of the Management Board and to all employees

The Supervisory Board would also 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 the fiscal year 2015/2016.

Lippstadt, 10 August 2016

On behalf of the Supervisory Board



Prof. Dr. Michael Hoffmann-Becking
(Chairman)

HELLA ON THE CAPITAL MARKET

Capital markets with volatile uptrend

All told, the stock market put on a bright performance in the fourth quarter of the last fiscal year (1 March to 31 May), although the performance was marked by high volatility. At the start of the calendar year, weak Chinese economic data and the continuing decline in commodity prices led to sustained consolidation. Subsequently, however, surprisingly positive economic figures from China, robust US economic data and the substantial recovery in the oil price (c. +50%) prompted a recovery move on the international capital markets. These positive underlying data were flanked by declining concerns about a rapid interest rate turnaround in the USA and further monetary policy measures initiated by the European Central Bank (ECB). Yet the weak growth of the People's Republic of China and other major emerging markets continues to burden the German export economy.

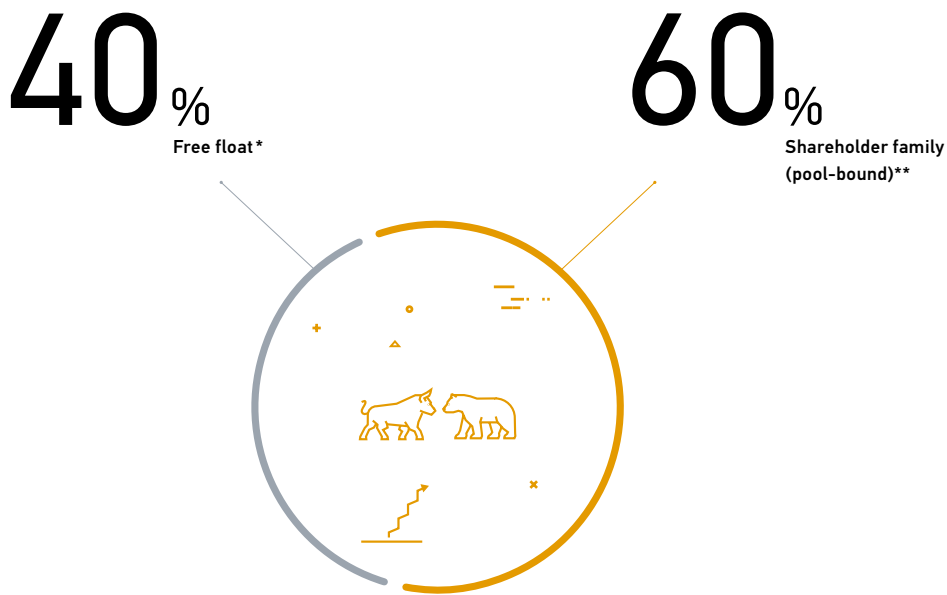
Germany's benchmark index, the DAX, rose by around 8% in the period under review and closed the reporting period at 10,262 points while the MDAX gained just under 7% and closed at 20,762 points as at 31 May 2016.

HELLA share price performance falls short of market development

Starting from a price in the mid-40s, the HELLA share recorded a stable performance in the first two months of the fiscal year but sustained losses in the wake of a hefty consolidation phase lasting several days on the capital markets in mid-August, triggered by turbulence on the Chinese capital markets and the clouding over of economic prospects in China and their impact on the global economy, and ended the first quarter with a 16% drop in its share price.

The share demonstrated heightened volatility in the second quarter. Reports of the failure of a supplier and the resultant exceptional burden on earnings led to a 9% decline in the share price on 18 September. This decline continued initially in the days that followed on the back of the emissions affair and the negative implications for the sector, until the share price bottomed out at around € 31. Positive news such as the announcement by the central banks on the interest rate cut in China and the postponement of the expected lift-off in interest rates by the FED prompted strong gains on the capital markets starting in October and a subsequent price recovery of the HELLA shares, which closed out the second quarter with gains of around 4% (6.3% including dividend payout).

Shareholder structure

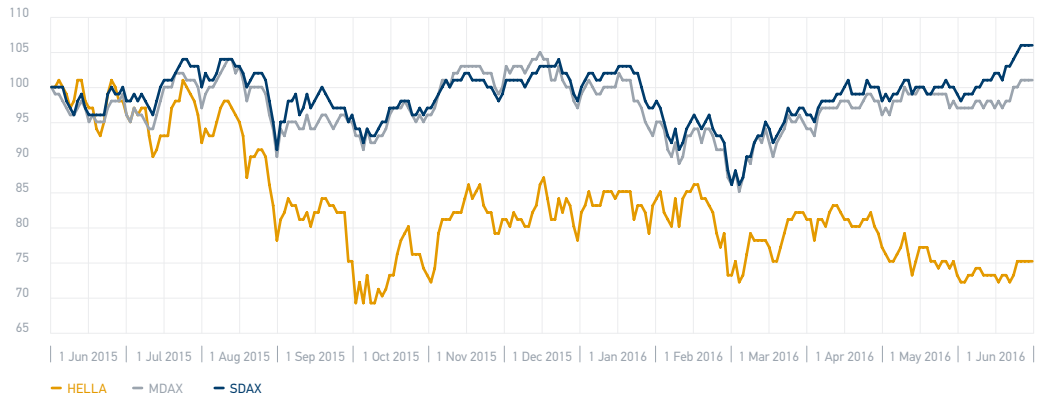


* According to the definition of Deutsche Börse.

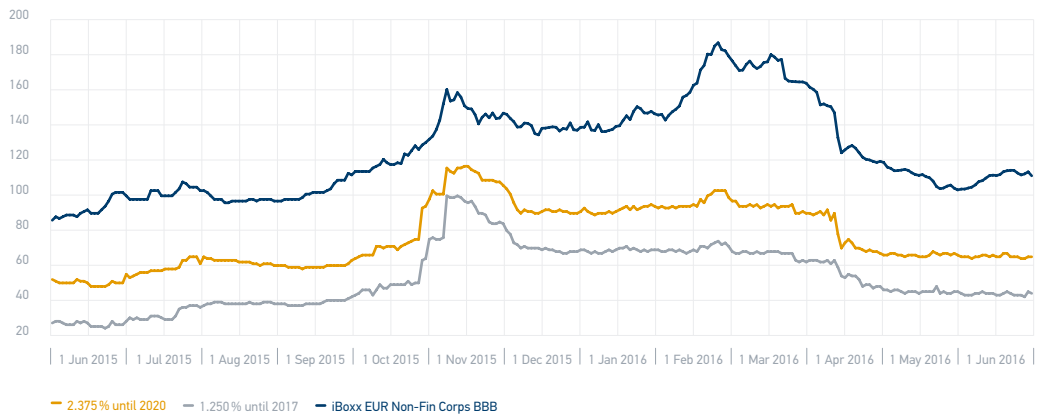
** 60% of the shares are subject to a pool agreement up until at least 2024.

With the start of the third quarter in December 2015 the global capital markets entered a prolonged consolidation phase which the HELLA shares were able to escape only to a limited extent. While the share price moved sideways from December until mid-January, the publication of the half-year results led to a positive share price performance up to a level above € 38 but this level could not be maintained in the wake of a further sell-off on the international capital markets at the start of February, prompting a decline in the share price down to € 33. The share recovered in the second half of February and ended the third quarter with a decline of approx. 8% below the MDAX, which consolidated by some 10%.

The HELLA share – price development in the period under review compared to selected indices (indexed on 1 June 2015)



HELLA bonds – development of the Z-spreads



At the beginning of the fourth quarter in March the HELLA shares moved broadly in line with the index for mid-sized businesses, the MDAX, and the sector-specific index of German automotive stocks (Prime Automotive) of Deutsche Börse AG. Following the release of the third-quarter business figures in mid-April, however, the HELLA share price subsequently underperformed the two above-mentioned indices.

The share ended the fiscal year with a XETRA closing price of € 33.95 (as at 31 May 2016). The share price decline in the period under review (1 June 2015 to 31 May 2016) came to 23.7 % and was thus slightly better than the sector-specific index of German automobile stocks (DAXsector Automobile), which ended the period under review with a loss of 24.2 %. By contrast, the cross-sector MDAX gained 1.5 %.

The share's liquidity has substantially increased compared with the prior fiscal year. In the period under review, the average daily XETRA trading volume was around 139,000 shares compared with 108,000 in the prior year. An exceptionally high trading volume was recorded in the second quarter of the fiscal year. This was mainly attributable to the report on the supplier default in China on 18 September and the inclusion of the HELLA share in the MDAX, Deutsche Börse's main index for medium-sized businesses, on 21 September 2016.

The family shareholders continue to constitute the largest HELLA shareholder group. The free float is 40 %. According to the definition of Deutsche Börse (German Stock Exchange), the number of shares held by the family shareholders that are not included in the pool agreement accounts is assigned to the free float. Following the private placement of around 1.6 % of the outstanding share capital by some family members, this percentage stood at around 11 % in April 2016. The remaining shares are held by institutional investors as well as private shareholders. In the period under review, none of the shareholders in the latter two groups held reportable shareholdings.

HELLA shares suffer slight losses in volatile markets

In the course of the fiscal year the HELLA bonds recorded a relatively stable performance in a market characterised by uncertainty about the economic trend, on the one hand, and the central banks' interest rate policies, on the other. In the first quarter the European bond market responded to doubts about the growth course in China with heightened credit default costs, which also prompted slight losses in the value of HELLA's euro bonds. In the second quarter, sector-specific news

particularly surrounding the emissions issue in September prompted a slide in bond prices of the entire automotive and automotive supply sector and a widening of spreads, which was at least partly reversed by the end of November. In the third quarter, the persistently low interest rate policies of the central banks, in particular, and the accompanying decline in yields on German government bonds prompted a fall in risk premiums, HELLA bonds included. In the final quarter of the fiscal year the ECB's announcement of its corporate bond purchase programme as a further quantitative easing measure resulted in an increased risk appetite among investors on the bond markets and thus a tightening of risk premiums for corporate bonds, which also benefited the HELLA bonds. The increased risk appetite took over from the considerable uncertainty on the market about global growth concerns, the low oil price and increased volatility. At the same time, interest rates continued to slide during this period, as a result of which the secondary market yield on outstanding bonds has continued to lose value and the price of outstanding bonds has risen. At the end of the fiscal year on 31 May 2016, the Z-spreads (measured in basis points over the euro mid-swap reference) of the 1.250% bond maturing in September 2017 and of the 2.375% bond maturing in January 2020 were trading at 44 and 66 basis points and thus slightly above the comparative spreads of 36 and 48 basis points, respectively, at the beginning of the fiscal year.

Investor Relations

In the fiscal year 2015/2016 the IR team continued its constant dialogue with investors, analysts and private shareholders. All in all, the Company attended seven national and international conferences; investor discussions were held on a total of 13 roadshow days in Europe and the USA.

The company's presentation kicked off at the International Motorshow IAA in Frankfurt in September 2015 in the "New Mobility World", where numerous investors and analysts took the opportunity to discuss trends and technologies and to experience the HELLA products live.

On 18 September, HELLA held an extraordinary investor conference call against the backdrop of the non-recurring charges arising from the default of a Chinese supplier in order to provide comprehensive information to all interested parties regarding the background to this default.

On 25 September 2015, the first Annual General Meeting since the company's initial stock market quotation took place at its headquarters in Lippstadt and was attended by around 500 shareholders.

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
Share capital	€ 222,222,224
Number of shares issued	111,111,112 shares
Highest price in the fourth quarter	€ 37.55 per share
Lowest prices in the fourth quarter	€ 32.58 per share
Average daily trading volume	108,231 shares
Average daily trading volume	€ 3.77 million
Closing price on 31 May 2016	€ 33.95 per share
Market capitalisation on 31 May 2016	€ 3,771.67 million

All trading information relates to XETRA.

On 2 December the Company held its second Capital Markets Day in London, at which around 50 international investors and analysts took the opportunity to obtain detailed information from the Company's top management about the market, technologies and growth prospects of HELLA.

The capital market remains very interested in HELLA. In the course of the fiscal year further analysts of national and international brokers included the HELLA share in their coverage, as a result of which around 17 financial analysts were watching the Company by the end of the fiscal year. An up-to-date list of brokers and their recommendations for the share can be viewed in the Investor Relations section of the website at www.hella.com/ir.



As HELLA places a great deal of importance on transparent communications and believes that all participants in the capital market are entitled to the same information, the company conducts freely accessible conference calls for analysts and investors in order to publicise its quarterly figures. The documents from these conferences as well as other IR presentations can be retrieved at any time on the IR website.

HIGHLIGHTS 2015/2016

June 2015



HELLA Distribution GmbH based in Erwitte/Germany further increases commissioning efficiency with the construction of a new eight-metre high building and the introduction of dynamic commissioning technology. As a result, orders can be processed more quickly, more flexibly and in larger volumes.

July 2015



In July the proven starter and alternator program TiMEFiT is renamed HELLA VALUEFIT. The range of work lights, single-function lights and multi-function lights is expanded to include starters and alternators.

September 2015



Less than a year after the successful IPO, HELLA is included in the MDAX. "We are pleased that this move will take place only a few months after the share started trading", says Dr. Jürgen Behrend, Managing General Partner of HELLA KGaA Hueck & Co.



Around 500 shareholders attend the first ordinary annual general meeting since the IPO at the Company head-quarter in Lippstadt. It decides on a dividend of € 0.77 per share. As announced at the IPO, the dividend thus comes to around 30 percent of net profit. The shareholders also ratify the acts of the Managing General Partners as well as the Shareholder Committee and the Supervisory Board.

October 2015



Following a construction period of only twelve months the second HELLA Kinderhaus is opened in Lippstadt. As a result, up to 130 children can now be cared for at the company head office, twice as many as previously. The Kinderhaus improves the work/life balance and is open to the children of employees and other children in the city area.



The joint venture Behr Hella Service celebrates its ten-year anniversary. Behr Hella Service was established in 2005 with the aim of serving the global free spare parts market for vehicle air conditioning and engine cooling systems. The product range of Behr Hella Service currently comprises around 7,000 products for passenger vehicles, commercial vehicles and transporters and for agricultural and construction machinery.

November 2015



As an innovative training workplace with social responsibility HELLA is awarded the sought-after Training Ace in Silver in the category Industry, Trade and Service. The Training Ace rewards companies which are particularly committed to training and developing young people.



HELLA is carrying out a full takeover of the joint ventures FTZ in Denmark and Inter-Team in Poland expanding its own wholesale business further. Both the Danish market leader FTZ and Inter-Team, the second-largest wholesaler in Poland, form part of the Nordic Forum, in which HELLA manages the wholesale business in Northern and Eastern Europe.

January 2016



The new light carpet function which HELLA as a lighting expert has realised for the first time in the form in the new BMW 7 illuminates the area around the side of the vehicle when a button is pressed on the car key. The star-shaped light carpet illuminates the ground on both sides of the vehicle and accompanies the driver to the vehicle when it is dark.

March 2016



The MULTIBEAM LED headlamp of Daimler AG and HELLA is in a class of its own: a total of 84 individually controlled LEDs per headlamp adjust the light distribution to traffic, weather and road conditions. The integrated adaptive high beam Assistant Plus ensures that the high beam can be used more often and offers greater safety.



The series production of body control units and control modules of fuel pumps starts up at the new HELLA plant in Indaiatuba, Brazil. The plant has an initial staff of more than 30 and supplies vehicle manufacturers in South America from its locations in Brazil.

April 2016



World premiere on the world's largest construction machinery fair, bauma: HELLA equips the high-tech future cabin of the CAB Concept Cluster with lighting and electronics solutions. The Concept Cluster was established by HELLA together with further renowned partners in 2015 and was presented to the public for the first time at the bauma. HELLA has contributed various innovations to the development.

COMPANY PROFILE

HELLA is a family-run company listed on the stock market and one of the 100 largest German industrial companies. As one of the top 40 automotive suppliers worldwide, we specialise in innovative lighting systems and vehicle electronics and have been a reliable partner for the automobile industry for more than one hundred years. What's more, we are an established supplier in the European aftermarket. In the fiscal year 2015/2016, the Group achieved sales of € 6.4 billion and had around 34,000 employees in over 35 countries.

Segments and business activities

The HELLA Group's business activities are divided into three segments: Automotive, Aftermarket and Special Applications. These differ in terms of the respective customer groups as well as their specific market cycles. The Automotive segment includes the business divisions Lighting and Electronics and once again contributed the largest share of consolidated sales in fiscal year 2015/2016 with sales of € 4.8 billion. Its customer base includes nearly all notable vehicle manufacturers and other automotive suppliers. HELLA combines additional business activities in the Aftermarket segment, which achieved sales of € 1.2 billion in fiscal year 2015/2016: through its strong global sales network, HELLA acts as a retailer for passenger car parts and is an important service partner for independent garages. Moreover, we ourselves operate as a wholesaler in Northern and Eastern Europe. The Special Applications business segment, which achieved sales of € 0.3 billion in fiscal year 2015/2016, develops, manufactures and sells lighting and electronic products for special vehicles such as buses, caravans, agricultural and construction machinery.

Strong growth in recent years

In the last ten years, HELLA has grown at an average compound annual growth rate (CAGR) of around 6 percent – this growth is much stronger than that of the global automotive market. We have largely achieved this above-average growth organically in the business divisions Lighting and Electronics. Since the financial and economic crisis of 2008, we have significantly increased our pace of growth once again with an average annual growth rate of around 10 percent, supported by megatrends in the automotive industry including the environment and energy efficiency, safety, styling and comfort.

Business Structure of the HELLA Group

Business Segments

INDEPENDENT AFTERMARKET

Parts
Wear parts, spare parts, accessories

Tools

Services
Technical services, sales support

WHOLESALE

Full range
Parts, tools

Garage concepts
Services, information

Local branch network

Logistics
E-commerce

GARAGE EQUIPMENT

Vehicle diagnostics and vehicle data

Air-conditioning service

Lighting service

Battery service

Tools

Aftermarket

76%

Automotive

LIGHTING

Headlamps
Rear Combination Lamps
Small lights
Interior lights
Lighting electronics

ELECTRONICS

Body electronics
Energy management
Driver assistance systems
Components (sensor systems and actuator technology)
Electric power steering (EPS)

19%

5%

Special Applications

SPECIAL ORIGINAL EQUIPMENT

Original equipment for special vehicles, e.g. buses, caravans, agricultural vehicles

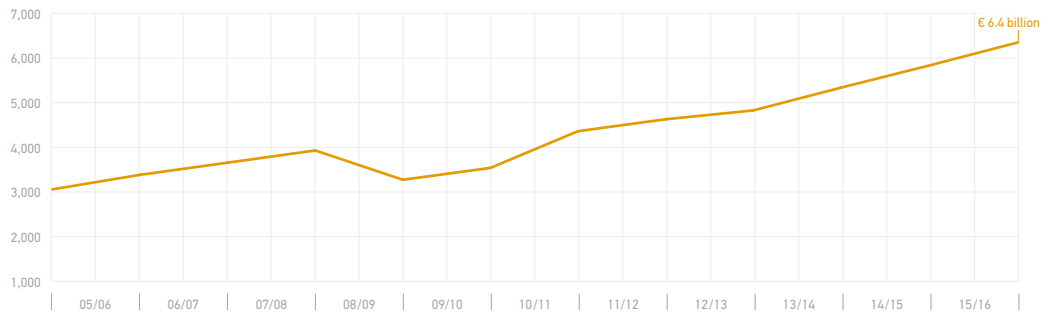
and construction equipment with lighting and electronics

TRANSIT

€ 6.4 billion

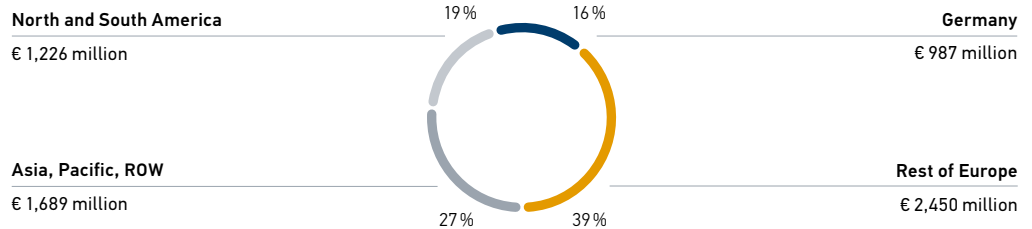
IN SALES. HELLA is growing: in the past ten years we have almost doubled our sales.

Development of HELLA Group sales (in € million)



Regional market coverage by end customers – fiscal year 2015/2016

Rounding differences may occur when using rounded percentage figures.



Sales to third parties according to business activity – fiscal year 2015/2016



Innovative leadership and technological excellence

HELLA stands for pioneering technology with vision. Thanks to our many years of experience and high levels of capital expenditure in developing our innovative strength, HELLA has established itself as one of the technological leaders in lighting technology as well as in many areas of electronics. Our products provide customers with significant added value with regard to increased safety, reduced energy consumption, functionality, design and added comfort in applications. More than 6,000 employees throughout the world work in research and development. In the past fiscal year we invested € 623 million in research and development to develop our technologies further. This corresponds to 9.8 percent of the consolidated sales and demonstrates our clear strategic objective of becoming an established technological leader in the Automotive segment with the business divisions Lighting and Electronics and expanding this continuously.

Developing our global presence

A central part of our strategy is gaining a global presence in significant growth markets. In fiscal year 2015/2016 we generated 54 percent of our consolidated sales in Europe, 27 percent in Asia/Pacific and 19 percent in North and South America. Geographic and also cultural proximity to our customers is an important success factor for us and ensures a great deal of flexibility in addressing local demand. In the relevant growth markets, we are rolling out existing products and also developing market-specific and customer-specific solutions. An important part of the continuous globalisation is our "lead strategy". Our sites in Germany, in particular, assume a central leadership and steering function in the expansion of our global network.

Market leadership in attractive segments

With our cutting-edge technology, we primarily serve the three central megatrends of the automotive industry: environmental awareness and energy efficiency, safety, as well as styling and comfort. Based on technological differentiation and innovation, we seek to achieve leading market positions in the relevant business fields and establish HELLA as a core supplier for top automobile manufacturers. With our high market shares, we generate the economies of scale required for us to come out on top against significantly larger competitors. To ensure this market-leading position in our business segments on a sustainable basis, we implement active portfolio management and develop our business fields strategically as a key part of our strategy.

Cooperation as strategic added value

With our network strategy, we aim to create significant added value for our customers through strong cooperation and joint ventures. For more than 15 years, 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 cooperation partners, while reducing the level of risk at the same time. In total, all the joint venture companies accounted for using the equity method achieved sales of € 3.3 billion in fiscal year 2015/2016. They contributed around € 53 million to the consolidated net profit/loss.

Highly economically resilient business portfolio

Our global positioning and diversified business portfolio make HELLA much more stable in the face of economic fluctuations. After all, while the sales of passenger cars in economically good times have a positive effect on the business performance of the Automotive segment, the activities in the Aftermarket segment stabilise business in times when existing vehicles are more likely to be repaired than replaced by new vehicles. This countercyclical orientation of the business segments really came into its own during the economic crisis of 2008/2009 and confirms the overall resilience of the HELLA business portfolio.

Operative excellence as part of the HELLA DNA

Operative competitiveness is a key requirement in the automotive supplier industry. In the last few years, HELLA has significantly and continuously expanded its operative capabilities. With a gross margin of around 27 percent in fiscal year 2015/2016, we are among the leaders in terms of the global competition. Operative excellence has become an important part of the HELLA DNA, alongside leadership in technology. To achieve operative excellence, we pursue a continuous improvement management approach with an established improvement organisation, clear process guidelines, objectives and a systematic focus on implementation.

HELLA KGaA Hueck & Co.

Dr. Jürgen Behrend
Managing General Partner

Dr. Rolf Breidenbach
President and CEO

Business Segment
Automotive

Business Segment
Aftermarket

Business Segment
Special Applications

**Business Division
Lighting**

**Business Division
Electronics**

Business Division Aftermarket and Special OE

Sales Automotive

Dr. Matthias Schöllmann

Finance and Controlling

Dr. Jürgen Behrend

**Human Resources,
Information Technology
and Logistics**

Stefan Osterhage

**Purchasing, Quality,
Legal and Compliance**

Dr. Rolf Breidenbach

Markus Bannert

Executive Board:

Michael Colberg,
Kamislav Fadel,
Dr. Christof Hartmann,
Dr. Frank Huber,
Sandra Kißler,
Dr. Ulf Merschmann,
Ignacio Moreno Betanzo,
Matthias Thiemann,
Daniel Wehsarg

Dr. Rolf Breidenbach

Executive Board:

Dr. Christian Amsel,
Heiko Berk,
Dr. Naveen Gautam,
Jens Grösch,
Michael Jaeger,
Ralf Kuhl,
Gerold Lucas,
Bernd Münsterweg,
Frank Petznick,
Dr. Marc Rosenmayr,
Joachim Ziethen

Dr. Rolf Breidenbach

Executive Board:

Dr. Jens-Holger Dodel,
Dominik Görts,
Dr. Andreas Habeck,
Violetta Sosna,
Dr. Nicolas Wiedmann



General Partners:

Dr. Jürgen Behrend, HELLA Geschäftsführungsgesellschaft mbH

The Management Board of HELLA Geschäftsführungsgesellschaft mbH:

Dr. Rolf Breidenbach (Chair), Markus Bannert, Stefan Osterhage, Dr. Matthias Schöllmann

Chair of the Supervisory Board:

Prof. Dr. Michael Hoffmann-Becking

Shareholder Committee:

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

Last updated: 10 August 2016

Business Segment

AUTOMOTIVE

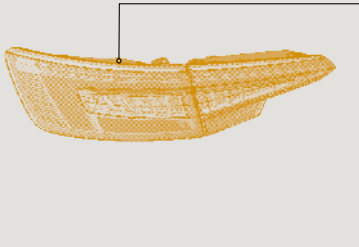
BUSINESS DIVISION LIGHTING

The business division Lighting grew by 12 percent to EUR 2.7 billion in the fiscal year 2015/2016. HELLA develops and produces headlamps, rear lamps, signal lamps and interior lights plus lighting electronics components for nearly all reputable automobile manufacturers throughout the world. Through its long-standing cooperation with premium original equipment manufacturers, HELLA has established a particularly strong position in the area of innovative high-end light products. After a successful market launch, HELLA has also been working intensively on modularisation and the rollout of these technologies in other vehicle segments.

The innovative capacity of HELLA in the lighting technology segment is central to the company's history: HELLA has launched a number of innovative lighting solutions since the company was first founded, starting with the first Acelyte headlamps in 1908 and the first headlamps with asymmetric light distribution in 1957 to the start of the world's first series production of full LED headlamps in 2008. This was followed in 2013 by the world's first Matrix LED headlamps, which emit a permanent high beam without dazzling oncoming traffic. In 2016, HELLA presented a world's first – the MULTIBEAM LED headlamp. This headlamp, developed in collaboration with Daimler, features 84 LEDs arranged in three rows, each of which can be controlled individually. This individual control allows for an extremely precise, highly-adjustable light distribution in the entire high beam range and, for the first time, emits a low beam which is not reliant on mechanical actuators. The purely electronic dynamic bend lighting is also the first of its kind in the world.

The LED technology in the headlamps holds numerous benefits over conventional halogen or xenon-based systems. With a similar optical design, LEDs take up less space and use less energy for the same performance. Their colour is close to daylight, offering drivers increased safety and creating a striking image. This means that automobile manufacturers can give individual vehicles or whole series of vehicles a unique face to improve recognition levels and support the current trend towards increased individualisation. In the years to come, we are anticipating continued significant improvements in market penetration.

HELLA develops innovative lighting systems which meet the highest requirements for safety, comfort and design



→ 2 on 1

For the first time, hardware and software sit on a single circuit board to control the dynamic indicator light function.



The tail light is used as socket for the stop light and is visually the striking centre point of the rear combination lamp of the new Audi A4.

Business Segment

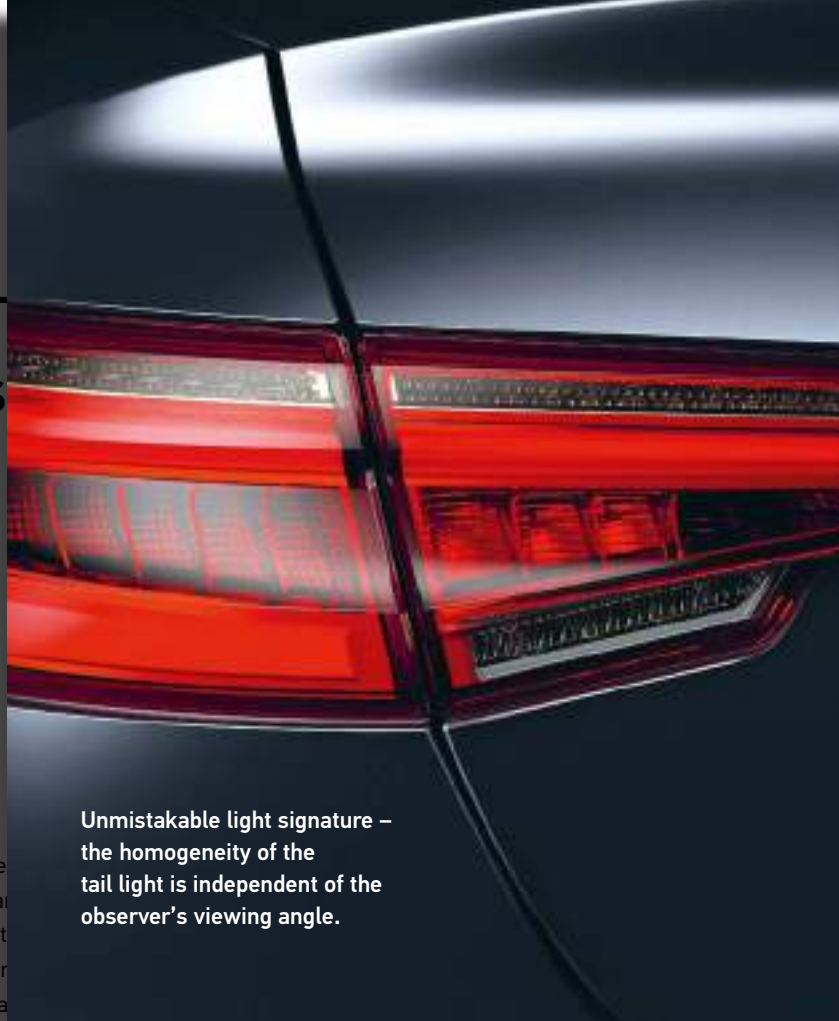
AUTOMOTIVE BUSINESS DIVISION

The business division Lighting grew in the year 2015/2016. HELLA develops and produces lamps and interior lights plus lighting solutions for all major automobile manufacturers through cooperation with premium original equipment manufacturers. HELLA has established a particularly strong position in the area of innovative high-end light products. After a successful market launch, HELLA has also been working intensively on modularisation and the rollout of these technologies in other vehicle segments.

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Unmistakable light signature – the homogeneity of the tail light is independent of the observer's viewing angle.





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Business Segment

AUTOMOTIVE

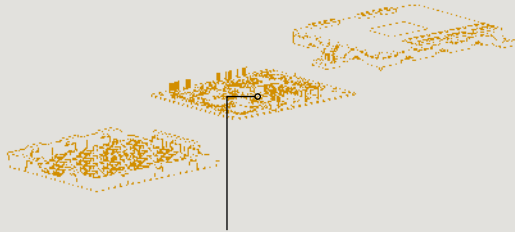
BUSINESS DIVISION ELECTRONICS

In the business division Electronics, we are actively involved in shaping the future of the automotive industry. We are focusing in particular on innovative product solutions for the megatrends of energy efficiency and the environment, safety and comfort. Thanks to our continuous and focused innovations, we have achieved a leading position on the global market in the fields that are relevant to us. In the fiscal year 2015/2016, Automotive Electronics sales stood at around EUR 2 billion and had therefore grown by around 8 percent compared to the prior year. Our electronics expertise is very much in demand with customers both in established markets in Europe and the US as well as in growth markets like China, India and Mexico. We are therefore continuously expanding our presence in these regions and are providing both production capacities and substantial development capacities locally. This will allow us to be close to the requirements of the markets and react quickly for our customers.

Our range of services in the business division Electronics includes special sensors and actuators, body electronics, and innovative technologies for driver assistance, energy management systems and power steering. In total, we have over 60 product groups in 21 product lines, which are pooled in five strategic product segments and help to make vehicles safer, more efficient and more comfortable. For example, our radar sensors ensure a higher level of safety in traffic, as they monitor the rear of the vehicle and assist the driver when changing lane or carrying out a reverse bay parking manoeuvre. Our Intelligent Battery Sensor is key for efficient energy management in the vehicle, as it monitors the status of the battery and ensures that the car is ready to start at any time. Together with our network partners, we are one of the global market leaders with more than 10 million battery sensors sold annually and a total of around 10 million 24 GHz radar sensors sold to date. In the field of comfort functions, we offer a wide variety of products on a global basis, including radio transmitter keys, rain/light sensors and air-conditioning sensors.

Vehicle electronics offers huge growth potential: in 2010, around 30 percent of the production costs of a car were attributed to electronic components. We expect this share to grow to up to 50 percent by 2030. Due to ever-increasing demands in relation to safety, autonomous driving, the electrification of the drive train and networking, automotive electronics are becoming increasingly relevant.

We are helping to shape the future in the areas of energy efficiency, road safety and comfort



→ The Battery Management Unit

functions as a component of the Battery Management System and monitors the voltage, temperature and power of the battery, thus contributing to a longer lifetime, and increased reliability and safety.



The Battery Management Unit – this is where all of the data relevant for modern Battery Management Systems is stored and controlled accordingly.

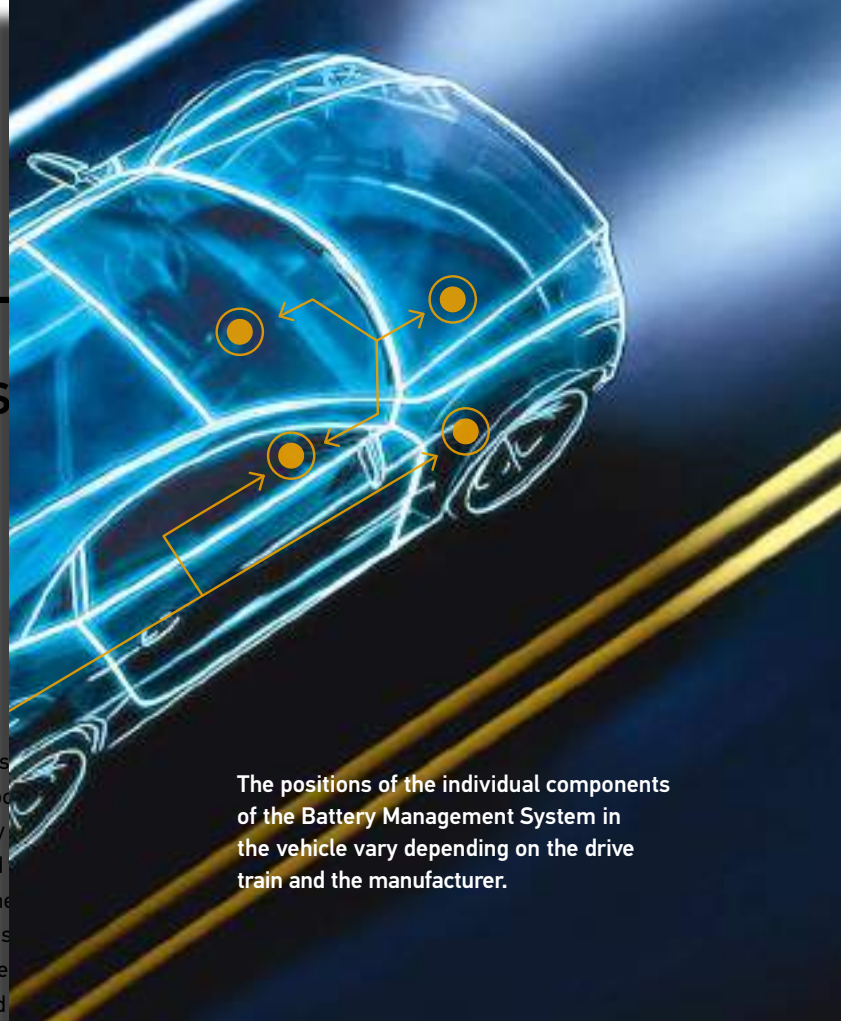
Business Segment

AUTOMOTIVE BUSINESS DIVISION

In the business division Electronics, we are active in the automotive industry. We are focusing on the megatrends of energy efficiency and safety. Thanks to our continuous and substantial investment in R&D, we maintain a strong position on the global market in the automotive electronics. In 2015/2016, Automotive Electronics sales have therefore grown by around 8 percent. Our expertise is very much in demand in Europe and the US as well as in growth markets like China, India and Mexico. We are therefore continuously expanding our presence in these regions and are providing both production capacities and substantial development capacities locally. This will allow us to be close to the requirements of the markets and react quickly for our customers.

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The positions of the individual components of the Battery Management System in the vehicle vary depending on the drive train and the manufacturer.



The Battery Management Unit – this is where all of the data relevant for modern Battery Management Systems is stored and controlled accordingly.

Business Segment

AFTERMARKET

As the complexity of modern vehicles is rising, the spare parts business is also becoming increasingly more challenging. HELLA provides garages with a comprehensive service package which includes a wide range of products and services to ensure safe and quick repairs. In the fiscal year 2015/2016, the Aftermarket business segment contributed EUR 1.2 billion to consolidated sales.

Our Aftermarket business segment is based on three pillars: the independent aftermarket, garage equipment and wholesale. We are one of the leading independent aftermarket partners in Europe for spare parts and for independent garages. Via our own network and together with our partners, we sell vehicle-specific or universal wear parts, spare parts and accessories and offer our customers the highest level of technical service and sales support. Our product range includes over 40,000 products, covering lighting, electrics, electronics, thermal management and brakes in OEM quality. Our joint ventures, Behr Hella Service and Hella Pagid, help us to expand our internal expertise.

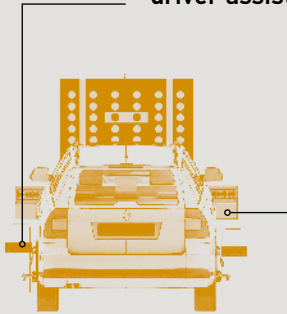
With our offer of high-quality garage equipment, at the heart of which is our subsidiary, Hella Gutmann Solutions, we help garages to diagnose, maintain and repair vehicles. Thanks to our comprehensive expertise and longstanding experience, we are a strong partner for garages that require practical support with extensive vehicle data and diagnostics units that are intuitive to use. At the same time, our service offering in this area is growing continuously. On top of diagnostics, we also successfully launched the air-conditioning technology and calibration systems product divisions on the market.

We have also enjoyed success as a wholesaler in Northern and Eastern Europe and hold leading market positions there. Our companies in Denmark, Norway and Poland are bundled together under the Nordic Forum umbrella and sell a comprehensive range of more than 300,000 OEM-quality products directly to garages via a subsidiary and partner network that is constantly growing. What's more, we provide our partners with complete, regionally adapted garage concepts and technical training. In the Wholesale segment, we have taken the first step towards introducing wholesale e-commerce on the Polish market in the past fiscal year and we will strengthen this pillar further.

Comprehensive service packages for garages

→ The CSC tool

of Hella Gutmann provides the option of universal calibration and adjustment of high-tech sensors for driver assistance systems.



The importance of driver assistance systems is rising rapidly, in tandem with demand for camera calibration and radar adjustment equipment.

Business Segment

AFTERMARKET

The cross before the eyes:
The magnet laser is attached to the CSC angled adjustment plate so that radar sensors and heads can be calibrated in this configuration.

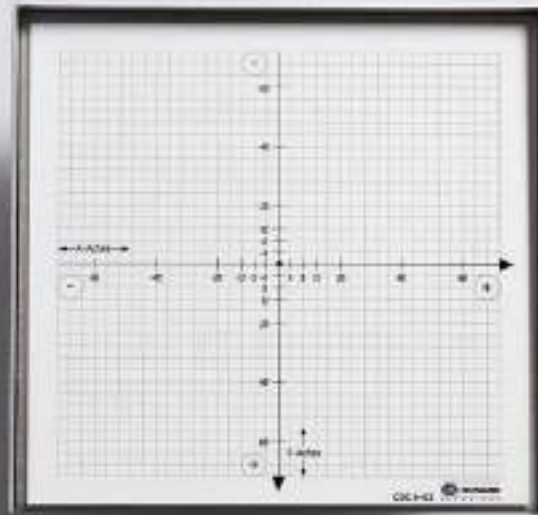
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Business Segment

SPECIAL APPLICATIONS

In the Special Applications segment, we develop, manufacture and sell lighting and electronics products for special vehicles such as construction equipment, agricultural vehicles, buses and motor homes, as well as for the marine sector. Our high level of technological expertise in the Automotive segment provides the launch pad for innovative product solutions in this segment. Segment sales in fiscal year 2015/2016 came to around EUR 0.3 billion. The main driver of the business performance here, too, is the increased replacement of conventional lighting products with LED technology. Demand for LEDs is thus growing thanks to their robustness, durability, energy efficiency and the design possibilities.

We offer standard products as well as vehicle-specific innovations for commercial and numerous special vehicles. As a result, our customers benefit from technological and economical synergies with our large-scale automotive production. The highly diversified portfolio of the Lighting division includes front and rear lights, work and auxiliary headlamps, beacons and roof beams. Our range of electric and electronic products includes components for smart energy management in vehicles, rain and light sensors, turning angle sensors, module switches and flasher units. Our products are specially designed for the extreme external conditions to which agricultural and construction vehicles, municipal vehicles or off-road vehicles are exposed on a day-to-day basis. As a result, the driver can rely on HELLA's quality even in the event of impact from stones, extreme temperatures or constant vibrations.

Technological expertise in special vehicles



→ 90 mm LED module.

Striking design and a high level of functionality in a small installation space.



HELLA is the sole supplier of all five 90-mm front light functions in LED with two modules. These 90-mm modules are used by equipment manufacturers of agricultural vehicles, among others. A striking design feature of the modules: the ring-shaped homogeneous daytime running light.

Business Segment

SPECIAL APPLICAT

Thanks to the low power consumption feature, the modules help reduce consumption and CO₂ emissions and come equipped with integrated driver electronics.



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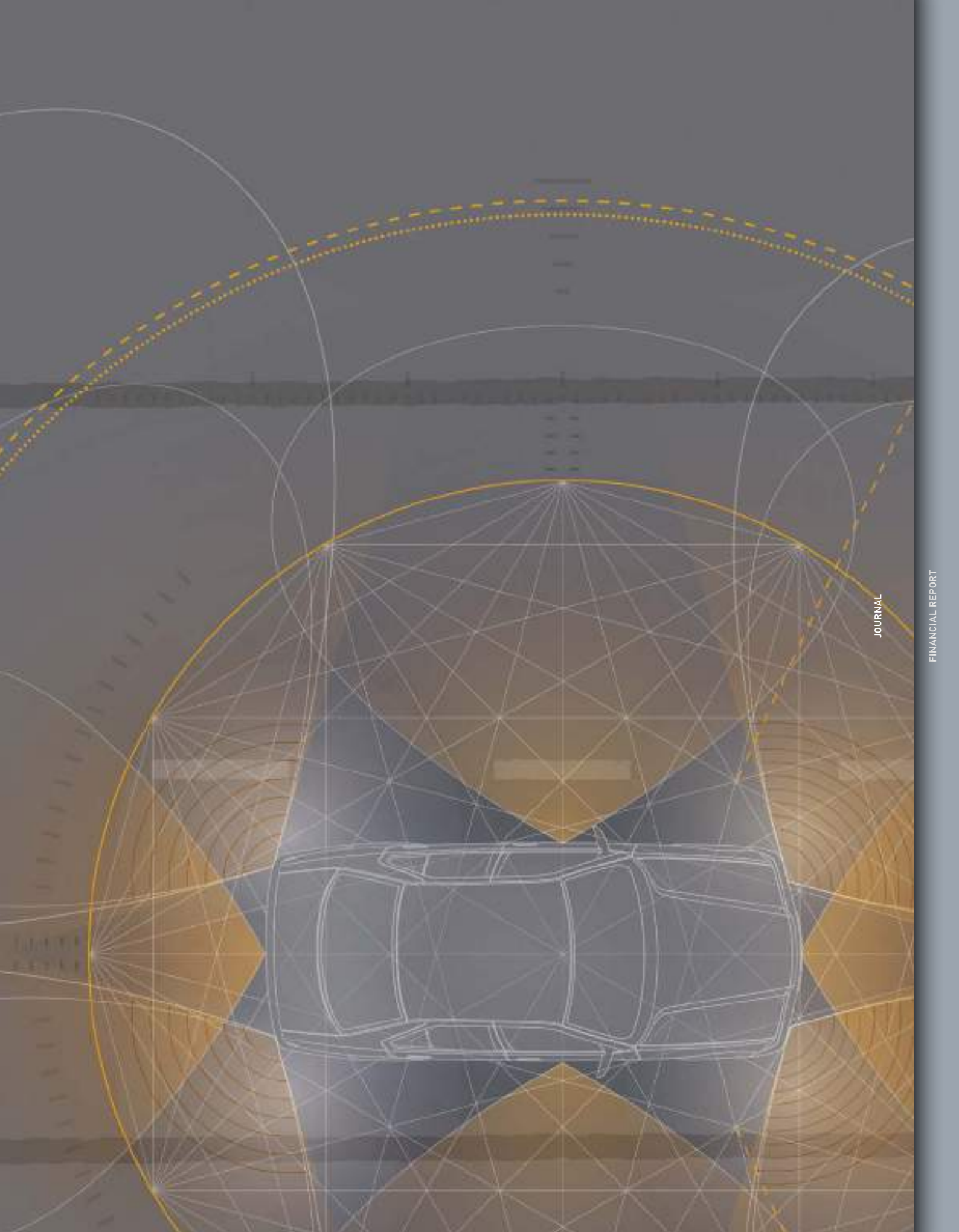
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Seeing the future

In everything we do we keep the major trends in the automotive sector firmly in sight: safety is increasing in importance. LEDs are taking the place of other light sources. Efficiency-enhancing components are saving the climate and our wallets. And “automotive” is turning into “autonomous”: vehicles now do more than just power themselves, they are also taking the strain off the driver through sophisticated assistance systems and increasing automation.



Spot off

With the new Mercedes-Benz E-class the next generation of the high-resolution MULTIBEAM LED headlamp is celebrating its world premiere. Featuring fully variable on-road illumination, it is making night-time driving more comfortable and safer than ever before. HELLA has invested in a new precision production facility at its Lipstadt plant to bring the innovative lighting technology with the required accuracy and quality onto the road.

It is late. A long day at work, many meetings, too many e-mails to count. Outside the building I am welcomed by the darkening night-time sky – and by a fine drizzle. I have 25 kilometres between me and home, mainly on country roads. Long enough to allow me to run through the day in my mind and get some distance from it. The LED headlamps play a major part in my enjoyment of the drive home in my new car. On such days I used to have to dip the high beam constantly so I would not dazzle the drivers coming towards me. This required a lot of concentration; above all, dipping the high beam meant that I was not able to see everything on my side of the carriageway clearly.

The new car at my side means that everything has changed: As soon as we leave a built-up area, my car now automatically switches to high beam. And it remains on all the time. What about the oncoming traffic? My car recognises it using a camera installed at the same height as the rear-view mirror and fades out the portion of the light beam that would dazzle the oncoming vehicles. The rest of the road ahead of me, including the verges, remains illuminated in a dazzling white similar to the mid-day sun in southern climes. And the headlamps can do even more: in every bend the light follows the course of the road. If the light shines on a road sign with a highly reflective surface, the light is dimmed in that area so that I can read the sign easily.

The technical idea behind the MULTIBEAM LED headlamps in the new Mercedes-Benz E-class is actually quite simple: a total of 84 LEDs arranged in three rows create the dipped headlights and the high beam. Each of the light emitting diodes can not only be added individually, it can also be dimmed to a figure between 0 and





MULTIBEAM LED

I LOOKED DEEPLY INTO ITS EYES AND LIKED IT IMMEDIATELY. THAT MAY BE BECAUSE I AM CRAZY ABOUT BLUE EYES. CAN A CAR HAVE BLUE EYES? YES IT CAN.

WITH THE HIGH-END PRODUCTION OF HEADLAMPS IN THE NEW E-CLASS WE HAVE ENTERED NEW TERRITORY IN MANY AREAS.

Dr. Ingo Engler, plant manager at HELLA

100 percent of the maximum light intensity. This creates fully variable light distribution on the road. In combination with the navigation system and a front camera this leads an unprecedented level of night-time driving comfort. And not only for the driver but also for the other road users. For example, a bad weather function ensures that if it rains the light falling onto the opposite carriageway is dimmed slightly, thereby reducing the indirect glare from the wet road surface.

But the engineers at supplier HELLA had to undertake years of development work to translate the idea into series production. One of the biggest challenges was that even though the light beam is created by up to 84 individual pixels, this must not be visible to the driver. The light beam has to be completely even, as if it was derived from a single source, which even includes the points of transition between individual LEDs. This requires a few technical tricks, and above all, precision in production that goes substantially beyond what is already the high level of headlamp technology today.

Plant 2 in Lippstadt. If you enter the hall where the key components of the MULTIBEAM LED headlamps of the new E-Class are produced you first have to stick one end of some small conducting straps underneath the sole of your shoes and push the other end into your socks. The visitor is then asked to step onto an apparatus which looks like a set of scales and which is designed to prevent electrostatic charging. "Even the tiniest amounts of electrical charge can destroy the electronic component parts", explains plant manager Dr. Ingo Engler. The production specialist has worked for HELLA for two years and is visibly proud of the production line where the core module is assembled. "Many of the production steps have been developed specifically for this headlamp – and they are showing us what the production of the future will look like."

At the start of the process stands the light source module, which is a printed circuit board on which the 84 LEDs are already mounted. First of all, what is known as the primary optics need to be mounted directly onto the printed circuit board. The primary optics ensure that the light beam of every single LED appears in a precisely predetermined direction on the actual lenses of the headlamp ("secondary





Precision counts: To achieve a completely even light distribution, fractions of a millimetre count in assembly.

optics"). Mounting of the optical component demands the highest level of precision. It cannot deviate more than 50 micrometres to the side from the ideal position; this is equivalent to the diameter of a single hair. No machine is able to position two components in relation to each other with such precision at the first try. For this reason, the optics are initially placed on the carrier frame of the light source module and then precisely adjusted under the observation of two high-resolution cameras. The plant for the geometric alignment of the optics is a world first and was developed specifically for the production of the new LED headlamp. Once they have been aligned, the optics and the light source module are joined with an adhesive which hardens within seconds under ultraviolet light.

They are checked, measured and adjusted continually throughout the further production process. The goal is always to achieve perfect quality. It is attained through a production philosophy which Engler describes as follows: "For us, every component in the first instance is a bad component. It is not until a permanently monitored production step or subsequent examination show that it works perfectly that it becomes a good component, which can then be released for further processing."

The next decisive step comes when the light source module equipped with the primary optics is connected to the electronic control unit for the first time: now every single LED is powered one after another and the light created is measured. This is important because the brightness of light emitting diodes tends to fluctuate slightly. Such fluctuations can be offset by calibrating the electronic control unit so that the luminous flux from the headlamp is very evenly distributed.

Then the robot takes over the work. It mounts the secondary optics and all further components of the core module in a star-shaped cell. Here, too, an adjustment system ensures perfect quality. Even the distance between primary and secondary optics must be set precisely to fractions of a millimetre so that the light can fall exactly on the section of the road that is to be illuminated. In the end, an opto-electronic precision module has been created which, as a core component of the headlamp, is transported to final assembly located in a neighbouring section of the hall. At the end of this highly automated assembly process each individual headlamp goes to a testing station where all light functions are tested one after the other for a short time: daytime running light, dipped headlights and high beam as well as the coming home function and the cornering light.

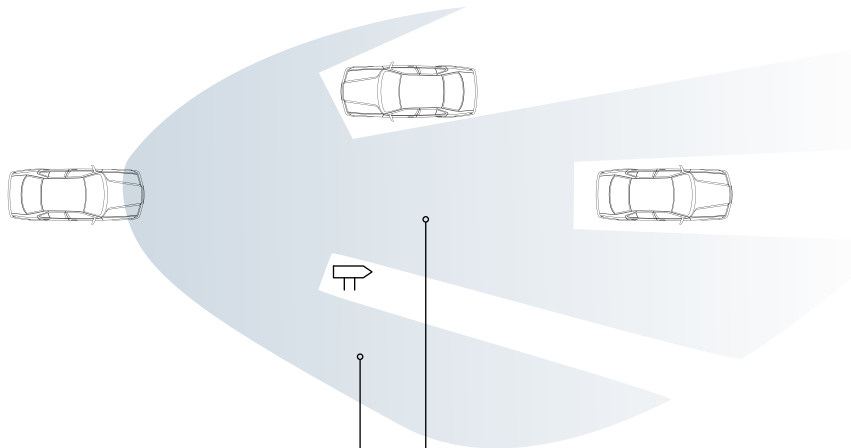
During the drive I think about the first time I met my new car. I looked deeply into its eyes and liked it immediately. That may be because I am crazy about blue eyes. Can a car have blue eyes? Yes it can. The HELLA technicians refer to "blue production" because, of course, the light emitted by the headlamps is white – the lawmakers would not allow anything else. It is only passively, i. e. in the inside of the headlamps, that my car shines in fascinating blue.

"Blue illumination is a nice example of how closely product and production experts can work together here", says Engler. It should be visible both when the daytime running light is switched on and during the night. Realising the latter was unproblematic: a side cover between the primary and secondary optics ensures a blue shine. It was more difficult to create for daytime running light, which in the new E-class is realised by means of two distinctive light guides. The higher of the two light guides also needed to be equipped with an additional cover. Following intensive experimentation the HELLA technicians not only found a transparent plastic which can be easily welded, they also identified the correct arrangement for the light exit: not via a long, straight line, which would inevitably have led to fluctuations in the production quality, but through dozens of small transverse openings. "We had never done anything like it before, and yet we were able to present our customer with the first functioning prototype within a period of time that is outstanding in terms of development technology", is how Engler describes the result of the collaboration.

Arriving home. The feeling starts as I enter the village, when the light beam of the headlamps suddenly changes. Now they ensure particularly broad illumination of the carriageway. When turning off, LEDs mounted at the side of the headlamp illuminate the side road. All that is left to do is to stop and get out, the headlamps shine on for another 30 seconds after I have left the vehicle. My new car says, "Good night!"

84

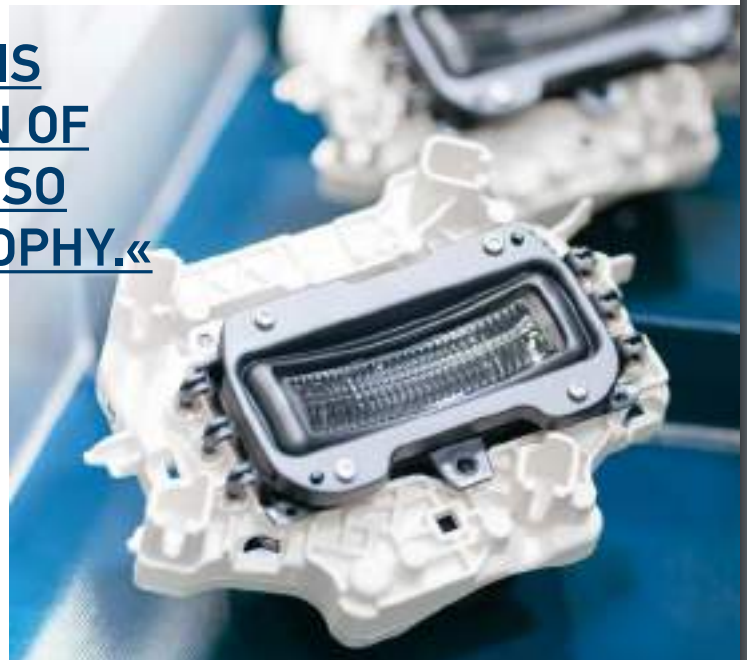
Individually controlled LEDs for each headlamp



Every single one of the 84 LEDs can be dimmed at will – for example, to make it easier to read road signs with a reflective surface.

By switching off individual LEDs, dazzling oncoming vehicles and vehicles in front can be avoided.

»PERFECT QUALITY IS NOT ONLY A QUESTION OF TECHNOLOGY BUT ALSO OF PRODUCTION PHILOSOPHY.«



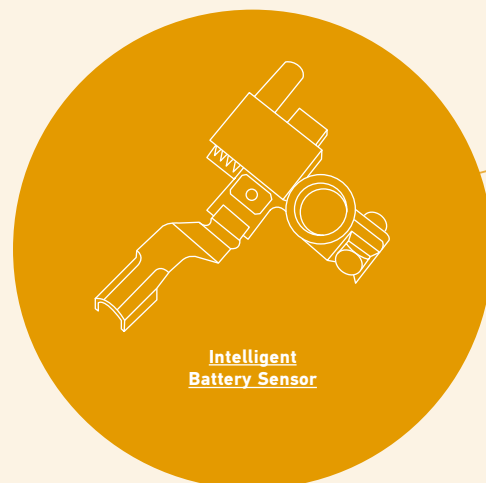
The light intensity of every single LED is tested and the control adjusted accordingly. This ensures that only modules without fault leave the assembly line.

Gram for gram

Climate protection as one of the major challenges of our time makes efficiency a key topic in the automobile industry: in order to emit less carbon dioxide, vehicles have to make every litre of fuel – or every kilowatt hour of energy – last longer than before. It is this development which HELLA is supporting thanks to a large selection of products from the business division Electronics. We present below four of these initially inconspicuous looking efficiency products.

Intelligent Battery Sensor

HELLA's Intelligent Battery Sensor is the key to efficient vehicle energy management. It monitors the battery's parameters – voltage, current and temperature – reliably and accurately. Thanks to the values measured, the energy reserves in the vehicle can always be reliably planned and energy flows controlled as required.

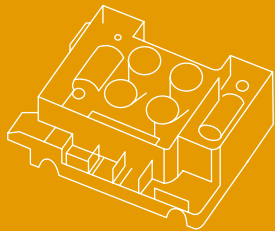


Battery Management System

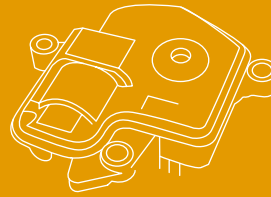
The Battery Management System is used in electric and hybrid vehicles. It monitors the status of the lithium-ion battery and records all relevant parameters of the battery system. If the battery's condition is critical, the system initiates the measures required to protect the battery and the vehicle.

Cooling Valve Actuator

The electric Cooling Valve Actuator is an important key component for active temperature control of the engine. It enables the engine control unit to regulate the coolant flow exactly and within the space of a few seconds. This means that following a cold start the engine can warm up more quickly by blocking the circulation of the coolant. As soon as the operating temperature is reached, the coolant temperature can be adjusted according to requirements. This reduces fuel consumption and emissions that are harmful to the environment.



Battery Management System



Cooling Valve Actuator



Auxiliary Water Circulation Pump

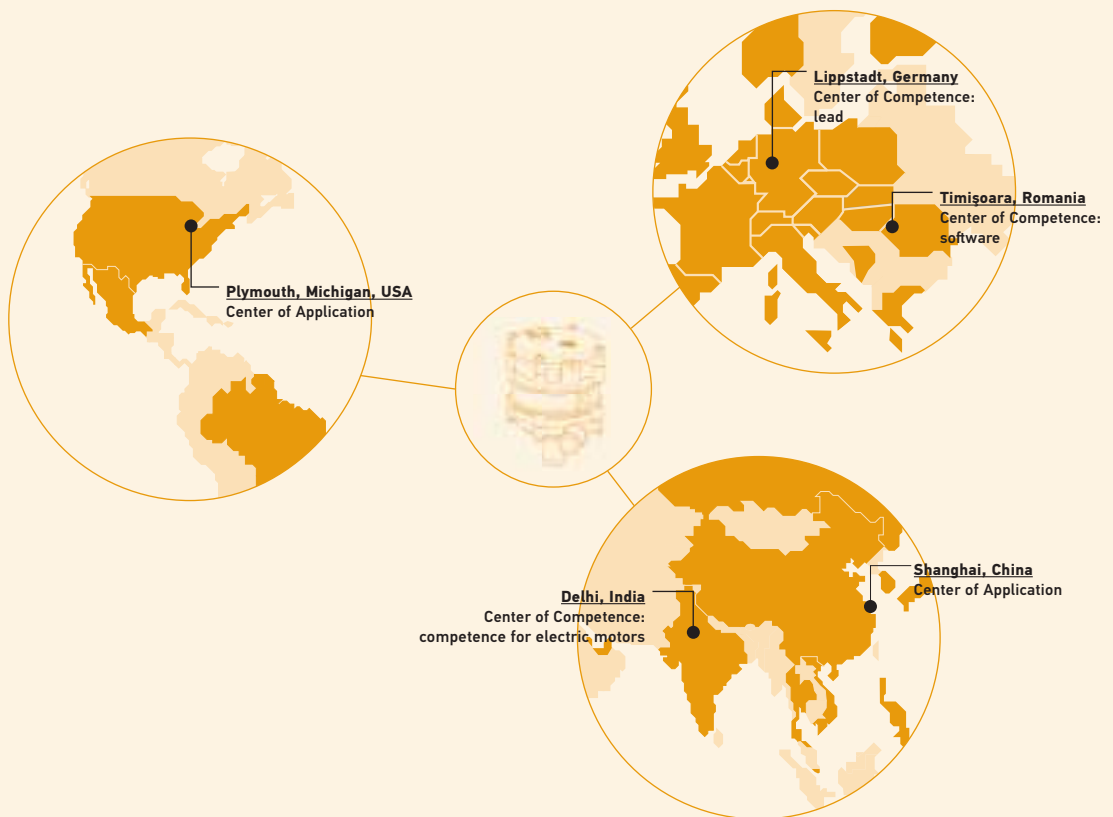
Auxiliary Water Circulation Pump

The Auxiliary Water Circulation Pump ensures an even more flexible coolant flow in the vehicle, irrespectively of the main circuit. It is attached to selected junctions of the cooling circuit and ensures that only as much pressure as needed is created at these locations. This means that for hybrid vehicles, for example, both the battery and the exhaust gas recirculation can be cooled, depending on the driving situation, thereby saving additional energy.

Global use for efficiency

The competencies at HELLA are distributed globally more than ever before when it comes to the development of electronic components. This increases proximity to the customer while at the same time allowing new kinds of requirements, ideas and concepts to be picked up, turning them into innovative product solutions.

The individual HELLA Centers of Competence were already working together in a global network as part of pre-development. In addition, there are Centers of Application in major growth regions, which adjust products that are ready for production to customer-specific requirements on site. Global thinking at HELLA thus extends from the idea through to implementation – the chart shows the networks involved in the case of the electric Auxiliary Water Circulation Pump.



Development of the electric Auxiliary Water Circulation Pump

This development project is coordinated and managed centrally from Germany. The development centres in India and Romania are closely involved to enable them to contribute their specific competencies. As soon as the pump is ready for production, customised adjustments are made at the Centers of Application in major growth regions. For example, the subsidiary in Plymouth, Michigan (USA) will be responsible for potential North American customers while the HELLA plant in Shanghai will look after Chinese customers. The new electric auxiliary water pump is due to be launched on the market in 2018.

Every gram counts: the automobile industry aims to play its part in global climate protection with the development of increasingly energy and fuel efficient vehicles. Political regulation lends further urgency to the manufacturers' efforts. The trend towards ever stricter limits is unmistakable: 95 g of CO₂ per kilometre is the magic target which must be reached by 2020 within the EU. As a technological and innovation leader HELLA supports the automobile manufacturers in both the volume and premium segments in the development of ever more economical and efficient vehicles with especially intelligent, innovative and efficient electronic products.

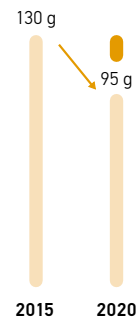
Optimum operating temperature through thermal management

One of the key concepts on the path towards more efficient vehicles is "thermal management". It means that manufacturers and suppliers together attempt to use the thermal energy created during driving in the best possible way and to enhance the efficiency of engines and other aggregates through intelligent electronic components to ensure that they always run at optimum operating temperature. Thermal energy is needed at certain times and in certain situations, for example during the cold start of a vehicle, while at other times the same energy urgently needs to be removed. Belt-driven water pumps and thermostat valves are mostly used to achieve this at present. These control valves work on the principle of a heating thermostat: they are based on the expansion of certain materials and thus their response to changes in temperature is relatively slow. A logical consequence of this is the automobile manufacturers' wish for substantially greater flexibility. HELLA has therefore developed an electric **Cooling Valve Actuator** as a key component. It enables the engine control unit to regulate the rate of flow exactly and respond within seconds. This means that following a cold start, the engine can warm up more quickly if the the circulation of the coolant is blocked. As soon as the operating temperature is reached, the coolant temperature can be adjusted according to requirements. This reduces fuel consumption and emissions that are harmful to the environment.

The coolant flow can be managed with even greater flexibility and fuel efficiency if electric auxiliary water circulation pumps are installed at certain junctions and are able to produce as much pressure as needed at these locations. This means that individual components, systems or areas can be heated or cooled depending on the driving situation, independently of the main circuit and exactly as required. Such an **Auxiliary Water Circulation Pump** – a roughly fist-sized, cylinder-shaped component – is currently being developed by HELLA. The pump is scheduled to be ready for production by 2018. Such exact temperature regulation contributes decisively to the vehicle's overall efficiency. For hybrid vehicles, for example, the battery or the exhaust gas recirculation can be cooled in this way. For vehicles with an internal combustion engine, for example, the turbocharger, the intercooler and the exhaust gas recirculation and, in the case of an electric vehicle, the battery, the power electronics and the electric motor can be cooled efficiently in this way.

27%

Saving energy – stricter
EU CO₂ targets



Energy management for every driving situation

Cars become substantially more climate-friendly through an electric drive, be it in the shape of a hybrid concept or as a pure electric car. In this context lithium-ion batteries play a central role. They are substantially more powerful than lead-acid batteries but also more sensitive: the batteries used can be damaged by extreme heat and by an uneven load distribution. Consequently, energy management is indispensable. HELLA is therefore offering a modular **Battery Management System** which can be expanded depending on the target voltage and number of individual components and can thus be configured to suit all electric drive concepts. The systems include sensors that monitor the load and temperature of the individual cells, a control unit and relay elements able to regulate the power flow from each cell.

With this technology for hybrid and electric vehicles HELLA is building on its experience in the area of conventional 12 volt vehicle wiring systems. Although their lead-acid batteries do not require a sophisticated energy management system, their charge condition should at least be monitored, especially with regard to the start/stop automatic system that has been established for some years now. This is because it must only become active if the battery is sufficiently charged: if the engine pauses at every red traffic light while the air conditioning, lights and radio are still in operation the battery may experience a net loss in charge. And if the vehicle is subsequently switched off for a prolonged period, the reserves may not be enough for the ensuing cold start.

The solution to the problem: an Intelligent Battery Sensor which measures the amperage at one of the battery poles continuously and is thus able to calculate the load in the battery at any time. It is only when it gives the go-ahead that the start/stop automatic system can intervene. HELLA launched just such a sensor on the market as early as 2005 – making the company a trailblazer and global market leader to this date. The fifth generation is now available, substantially smaller, even more precise and 44 percent lighter than the first model.

The **Intelligent Battery Sensor**, the **Battery Management System**, the **cooling valve actuator** and the **Auxiliary Water Circulation Pump** – each of these four selected HELLA electronic components fulfils a key role in the improvement of the energy efficiency of vehicles. However, they constitute only a small selection of what HELLA has to offer in the product portfolio of the business division Electronics. Through the continuous further development of products HELLA wants to remain the technological leader in this area and to support the automobile manufacturers in the development of ever more economical and efficient vehicles – gram for gram.

Mixed costing and global approach

Three questions for Michael Jaeger and Dr. Christian Amsel, Members of the Executive Board of the business division Electronics

Vehicles in the EU will have to save an average of another good 30 grams of CO₂ by 2020. How much of this figure can be saved through intelligent electronic products?

Michael Jaeger For us, the overall view is always important. We develop and build components which fit into a complex system. This makes it very difficult to make a direct comparison between a vehicle with and one without a specific HELLA electronic component. The saving only materialises as part of the overall system and is dependent on many parameters. For example, we were able to reduce CO₂ emissions in a prototype by 18 grams through a 48 volt vehicle wiring system – but this saving applies only to this vehicle with exactly these 48 volt components. What can be said with certainty today is that the various drive concepts will play a very decisive role in increased efficiency.

Talking about the various drive concepts, why is it that they play a decisive role with regard to the efficiency debate and how is HELLA positioned in this regard?

Dr. Christian Amsel What we need is a kind of mixed costing. The 95 gram target can probably not be achieved with optimised petrol and diesel engines alone. Every pure electric vehicle is, according to the law, included in the CO₂ average at zero grams; however, there is unlikely to be enough of them by 2020. Even for full hybrid vehicles, that is, vehicles able to drive solely with an electric motor as and when required, we expect no huge sales figures because prices are still very high. This is what makes the 48 volt mild hybrid so interesting:

although the CO₂ reduction is smaller than in a full hybrid, production is relatively inexpensive and it will probably soon be ready for the mass market. For large unit numbers the effect on the CO₂ average will be considerable. HELLA is well-positioned in these areas because we invested in innovative concepts early on. We contribute our competencies for the entire range of drive concepts and are able to help achieve efficiency gains in crucial areas.

The European automobile industry is normally a trailblazer in the sector, but the climate can only be saved through a global effort. What does this mean for HELLA?

Michael Jaeger It means that we have to think globally if we are to run with the leading pack at all times. We can see that even now important stimuli for the international automobile sector are coming from China and the USA. Accordingly, our development approach seeks to develop innovations in a global alliance.

Dr. Christian Amsel Specifically, we have different centers of competence at various locations around the world which are interlinked from the start when it comes to new products. This ensures, first of all, that we have our ear close to the market and its requirements worldwide and that we are able to respond quickly to new trends. Furthermore, we are thus able to manage our resources globally in an optimum way and we are working together to reduce CO₂ emissions even further going forward.

THE WAY FORWARD INTO AN AUTONOMOUS FUTURE

Automated driving is one of the major trends in the automotive industry. Assistance systems are increasingly helping drivers to master dangerous situations. In a few years' time they will be able to perform a preliminary set of routine tasks fully automatically. And there are no signs of an end to the trend towards ever safer mobility. But it is clear that electronics and lighting technology are of key importance along this path. Technology with vision is what is needed.



Assistants

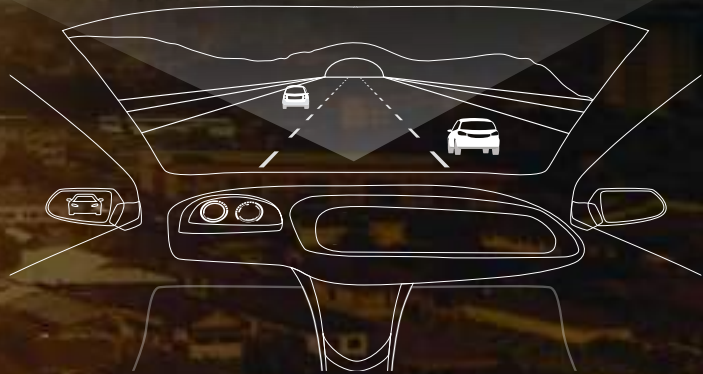
Lane change assistant, monitoring of blind spots or assistance when getting out of the car: for some years now HELLA's radar systems have been making driving both simpler and safer. At present, they employ mainly sensors which make use of the 24 GHz frequency band. They are technologically mature; HELLA is the leader in this segment.



Copilot

The next step which the major carmakers are aiming to take within the next several years is a form of electronic copilot, which will be able to steer the vehicle independently in certain situations. For example, the driver will then be able to read and reply to e-mails safely while in stop-and-go traffic on the motorway.

Two sensor technologies will play a decisive role: the even more powerful radar technology and optical image processing. Through its subsidiary HELLA Aglaia, a software supplier for camera systems, HELLA is among the leaders in this field.



Chauffeur

The goal waiting on the horizon: the fully autonomous car, which if desired finds and arrives at the destination completely unaided – even through the densest city traffic if necessary. In addition to the technologies already mentioned, precise lighting technology is also important for such a vehicle, especially at night. This is because although radars and other non-optical sensors are able to locate objects, identifying what these objects actually are is not possible without a camera and visual recognition.

9

% Sales Growth

HELLA continues on its growth trajectory (Sales growth prior year: 9%)

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GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2015/2016

General information on the HELLA Group

Business model

HELLA KGaA Hueck & Co. is one of the top 40 international automotive suppliers and among the 100 largest German industrial companies. In the Automotive business segment, HELLA supplies original equipment manufacturers (OEMs) with electronic and lighting technology products. Furthermore, in the Aftermarket business segment, HELLA is one of the most important partners for spare parts distributors and independent garages for products, diagnostics and services in Europe. The high degree of technological expertise, innovative ability and operational performance of the automotive business is applied to specialist vehicles in the Special Applications segment. At the end of fiscal year 2015/2016 on 31 May 2016, HELLA had approximately 34,000 permanent employees in over 35 countries at more than 125 locations and generated € 6.4 billion in sales.

HELLA corporate structure

The HELLA Group's business activities are divided into three segments: Automotive, Aftermarket and Special Applications.

The Automotive segment combines the HELLA business activities in original equipment and corresponding original replacement part business. In the areas of lighting technology and vehicle electronics, HELLA develops, produces and markets vehicle-specific solutions worldwide both for automotive OEMs and other automotive suppliers. Furthermore, technological innovations aligned with global megatrends are developed and brought to market maturity.

In the Aftermarket business segment, HELLA pools trading vehicle parts and accessories via a global sales network as well as workshop equipment in the independent replacement parts market. Additionally, HELLA acts as a service partner for wholesalers and garages, and operates as a wholesaler itself in Northern and Eastern Europe. These activities are complemented by the range of high-grade garage equipment, such as vehicle data as well as professional diagnostic tools and garage equipment, which enable specialist vehicle repair and maintenance at the garage.

In the Special Applications segment, HELLA develops, manufactures and markets lighting technology and electronic products for specialist vehicles such as construction and agricultural machinery, buses, caravans or for the marine sector. Our technological competence is closely linked to our Automotive business, which means that we can expand the range of applications in LED and electronic products appropriately and leverage synergies at the same time. By the end of the past fiscal year 2015/2016, the Special Applications segment also included stationary applications completely unrelated to vehicles, such as street and industrial lighting. In May of the past fiscal year, the business divisions for street and industrial lighting (Industries) and airfield lighting (Airport Lighting) were disposed of in the course of optimising the portfolio in the Special Applications segment.

➤ Further information on the business structure of the HELLA Group is available in the company profile starting on page 20.

Goals and strategies

The HELLA Group pursues a strategy of profitable and largely organic growth based on solid financial policy. Technological leadership, operational excellence and a global presence are success factors for profitable business. HELLA realises this strategic orientation at the Group level as well as in the three business segments Automotive, Aftermarket and Special Applications.

Moreover, differentiated strategic approaches are pursued in the individual segments for the respective business activities. While all relevant vehicle lighting technology products are provided globally in the Lighting business division of the Automotive segment, the Electronics business division takes a focused segment/product line approach aligned with the HELLA core competencies and regional/global focal points. In the Aftermarket segment, HELLA is active at all relevant steps along the value chain in replacement part distribution, wholesale, garage equipment and, particularly, diagnostics, offering solutions that specifically address the target group in question. Here, the activities focus on the strategically important core market in Europe. International business in Asia and in North and South America supplements this approach. The Special Applications segment takes on the technical designs and innovations used in the Automotive segment and applies them to meet the needs of the respective target group markets in a customer-tailored manner. Europe is the core market for these activities, but business in Asia and in North and South America is growing.

For the Group and the segments, HELLA focuses its strategic objective on market leadership, which, depending on the segment, product line or region, can be achieved in the short, medium or long term. Thus, in the Automotive segment, HELLA pursues the goal of taking market leading positions (top 1 to 3), globally or in certain regions, in the respective market segments relevant for the Company's competitiveness. Furthermore, HELLA also strives to attain a market-leading role in the Aftermarket and Special Applications segments in each of the relevant target group markets and sales regions.

In strategic terms, HELLA is guided by major megatrends in the automotive industry, with (1) the environment and energy efficiency, (2) safety and (3) styling and comfort being particularly significant for HELLA. The huge transition from conventional illumination systems to LED applications in lighting technology, high demand for driver assistance systems to increase safety and comfort, and for technologies that save energy and reduce CO₂ emissions, are opening up strategic growth potential for HELLA.

At the Group level, the two segments Aftermarket and Special Applications are of particular importance for the long-term stability of the HELLA business model since they provide a balance to the volatile automotive business. Compared to the Automotive business, the Aftermarket segment is anti-cyclical, which 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 subject to fundamentally different demand cycles. In this way, balanced and stable business performance is possible for the HELLA Group, even under difficult general economic conditions. The validity of this business strategy proved its worth for HELLA at the peak of the global economic crisis during fiscal year 2008/2009.

In addition to the HELLA core business, the network strategy is used to take a cooperation approach in which partnerships are forged with other companies as part of joint ventures. In particular, this is done to gain access to complementary technologies, develop new markets or customer groups and benefit from economies of scale. In this way, the many different joint ventures and company units accounted for using the equity method form part of the HELLA Group's strategic growth trajectory.

Control Systems

The HELLA Group's organisation is managed via a multidimensional matrix. It includes the three segments Automotive, After-market and Special Applications with the business divisions and strategic business fields, the regions with North and South America, Asia/China 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, in a shared service centre (HELLA Corporate Center) among other things. The segments have chief responsibility for strategic and operational business performance. 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.

The Group Management Board consists of Dr. Jürgen Behrend as Managing General Partner and the managing directors of HELLA Geschäftsführungsgesellschaft mbH under the leadership of its CEO, Dr. Rolf Breidenbach. 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 important business transactions, the Group Management Board requires the approval of the HELLA KGaA Hueck & Co. Shareholder Committee, which, through this process, co-determines the significant guidelines for business. 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 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 meeting takes place with the entire Management Board and the Executive Boards to discuss the budget and development compared with the previous year; the Shareholder Committee is informed about this. Quarterly and half-year reports are also prepared.

Financial performance indicators

The HELLA Group is managed by the Management Board through key financial indicators, which the Shareholder Committee defined for the Group's further operational and strategic development in fiscal year 2014/2015. Based on this resolution, the key indicators of sales growth and operating margin (EBIT margin) take on great importance compared to the other key financial indicators in the management of the Company. Accordingly, they are the HELLA Group's most important key performance indicators.

In the course of the fiscal year the Management Board in consultation with the Shareholder Committee developed the control model further. As a major guideline for this, the important management indicators have to provide a transparent picture of operational performance. However, 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 and thus adversely affect the ability to assess the Company's performance. For this reason, the EBIT margin has been replaced with the adjusted EBIT margin – adjusted for special effects – as one of the key performance indicators in the current fiscal year.

The adjusted EBIT margin as a performance indicator is not defined in the International Financial Reporting Standards. It is reported by HELLA as additional information because from the Company's perspective it presents the results of operations – freed of special effects – in a more transparent form and facilitates a comparison over time.

HELLA also uses other important financial and non-financial performance indicators in addition to these key performance indicators.

The target values for the Group are based on multiple comparative indicators, for example, market conditions and competition, internal performance standards and allocation of resources. Above-average growth compared to the automotive market or relevant market segment is sought with respect to sales. The target for the adjusted operating margin (ratio of adjusted EBIT to sales) should reach a level that is above average in the relevant competitive environment. Other key management-relevant indicators are the return on invested capital (RoIC) and the adjusted free cash flow from operations.

Non-financial performance indicators

The HELLA Group utilises non-financial performance indicators, primarily in the area of quality. Durability and reliability with a high degree of user comfort are important characteristics of the HELLA quality standards. Ensuring compliance with market-driven standards is the goal of active quality management, which is undergoing continuous further development. One quality measurement indicator is the defect rate, which is measured as the

Research and development

	2015/2016	+/-	2014/2015	2013/2014
R&D employees	6,361	5%	6,063	5,880
EXPENSES IN € MILLION				
Automotive	591	16%	512	478
Aftermarket and Special Applications	32	-1%	32	36
Total	623	15%	544	514
in % of sales	9.8		9.3	9.6

number of defects identified after delivery per one million parts ("parts per million" – ppm). The ppm rate in the fiscal year under review was in the low two-digit range. Owing to the necessary change in supplier in China, among other factors, the defect rate deteriorated over the previous year.

Research and development

Along with operational performance, the exceptional research and development culture at the Company forms the foundation of our ability to compete and our leading market position. More than 90% of our research and development expenses are accounted for by the Automotive business segment. HELLA uses its technology leadership to drive the central market trends of the automotive industry: environmental awareness and energy efficiency, safety, as well as styling and comfort.

Research and development expenses in fiscal year 2015/2016 came to € 623 million, equivalent to 9.8% of consolidated sales, and therefore slightly above the prior year's levels. The ratio of capitalised development expenses to development expenses in accordance with the consolidated income statement came to 8.8%, down from 9.1% in fiscal year 2014/2015.

This reflects our business strategy oriented towards technological leadership and innovation and the structural expenses incurred as part of the globalisation initiative to strengthen the global HELLA development network. The number of employees in research and development grew by 4.9% to 6,361 worldwide

in fiscal year 2015/2016. This means that around 19% of HELLA employees work in research and development. In addition, as part of its research and development activities HELLA also works closely together with third-party service providers, academic institutes and research facilities.

Business segment Automotive

In the Automotive business segment we sustain our innovative strength via high-performance pre-development. Following our central strategy, we co-ordinate worldwide development principally from Germany. In contrast, there are local development centres in the large growth regions, which support regionally specific adaptation on the one hand and also advance independent developments for the relevant markets on the other. In this way, HELLA pursues market-driven customisation of technologies and product designs to meet customer needs.

Business division Lighting

In the Lighting business division LED technology remains the overarching trend topic. With the successful launch of the MULTIBEAM LED headlamp in collaboration with automobile manufacturer Daimler AG, we have set another milestone and are now at the interface to light digitalisation: vehicles' external lighting will be controlled by software to a much greater extent in the future and will be digitally modulated with individually controllable lighting elements, according to the traffic and weather conditions. HELLA's research and development activities in this area are intense.

In fiscal year 2015/2016 we continued our two-pronged strategy. First, we have further rolled out LED headlamps in higher-volume vehicle segments through modularisation concepts. Secondly, HELLA continues to develop so-called high-definition headlamps for the premium segment; these achieve a considerably higher resolution with the prospect of several hundred-thousand individually controllable points of light (pixels). This helps ensure fine control that permits even more usable light to be brought to the road and to be adapted dynamically to traffic conditions, the course of the road and weather-related factors.

HELLA's research and development activities in lighting are currently focused particularly on four different technologies: pixelated LED light sources; LCD technologies; so-called digital mirror devices and applications that facilitate the use of laser light sources. We are also continuing our development activities in holography and OLED technology.

Along with its own strong lighting pre-development, HELLA works with a number of research partners. For instance, HELLA is developing laser-based emissions in headlamps together with the Fraunhofer application centre. Since the start of the year, we have moreover been conducting research on photonics production together with various partners and the Fraunhofer Institute for Production Technology IPT. A comprehensive partnership, involving HELLA and another six partners, is working on the flexible and resource-efficient production of high-performance optics. Furthermore, within the scope of the funded VoLiFa2020 project, fully adaptive LCD-based vehicle lighting is being developed together with another five partners.

In addition to this ongoing research cooperation, HELLA successfully completed further cooperation projects in fiscal year 2015/2016. They include the development of pixelated LED systems as part of the "μ-AFS" cooperation project together with Osram, Daimler and Infineon and with the Fraunhofer institutes IZM and IAF, sponsored by the German Ministry of Education and Research. Moreover, an auto-adjusting headlamp system was developed together with the Fraunhofer Institute for Production Technology, IPT. On top of this, a comprehensive research conglomerate for integrating flexible OLEDs was concluded at the end of 2015.

In addition, HELLA has been jointly operating the L-LAB as a research institute for lighting technology and mechatronics together with the University of Paderborn since 2000. L-LAB was expanded in April 2015 with the addition of the Hamm-Lippstadt University of Applied Science and is exploring current issues relating to vehicle lighting and engaging in application-oriented basic research.

Business division Electronics

As part of our development activities in the Electronics business division, we support our customers in the development and implementation of leading-edge functions in line with market trends, such as autonomous driving, networking and energy efficiency, and constantly expand our extensive expertise in these areas.

Hence, we developed our position in recent years as market leader for 24 GHz radar technology that is used at the rear of vehicles. In the segment of compact, mid-range and luxury

vehicles we have successfully placed a modular body control unit for comfort and safety functions and power management in the vehicle. In the area of specific product solutions for hybrid and electric vehicles, the successful introduction of a cooling circuit plate and a circulation pump that optimally manage the operating temperature of an engine or battery, depending on the drive train, has enabled us to successfully expand our thermal management expertise. In the area of air quality management, we are also researching increasingly on developing sensors for measuring air quality and the associated regulation of air flows in and around the vehicle.

In fiscal year 2015/2016 we further expanded our existing development standards in the Electronics business division and further optimised our development structures. In the Electronics business division our approach is to expand our existing expertise as producer of components to include systems competence to an increasing extent. In this context, we were able to complete the worldwide implementation of the System Engineering Academy at the end of fiscal year 2015/2016 and successfully conclude its transition into the operative business. The multi-month training programme has already produced its first graduates. This contributed significantly towards developing our product platform in the fiscal year under review. We will continue to run the programme in the coming fiscal year, thus maintaining and strengthening our competitiveness in a sustainable way.

Business segment Aftermarket

In the Aftermarket business segment the focus is on trading in spare parts, accessories and garage equipment. Research and development costs of segment-specific products are incurred to only a very limited extent, except for business with garage equipment, where we are represented in the entire innovation and production process.

Business segment Special Applications

In the Special Applications segment, HELLA primarily benefits from the transfer of knowledge from the Automotive segment in order to develop and apply new products for manufacturers of special vehicles by using existing basic technologies and product concepts.

The gradual introduction of LED technology in the original equipment of specialist vehicles (SOE) assumes particular importance in this respect. We are consistently implementing the accompanying benefits, such as enhanced safety through improved visibility, greater robustness, increased efficiency and design freedom, in various vehicle types, such as tractors, trailers and motorhomes. Besides the continuous development and production of customer-specific front and rear LED lighting, we further expanded our portfolio in fiscal year 2015/2016 in the area of universally deployable LED applications, to include 90-millimetre modules for low beam light functions. HELLA also cooperates with a network of other OEM suppliers in developing and equipping a future-oriented concept cabin for agricultural and construction vehicles.

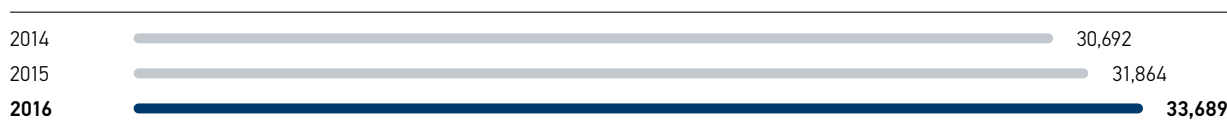
Sustainability

HELLA has committed to responsible use of resources. For us, environmental protection is more than complying with regulations. It is an integral part of our corporate culture in the spirit of sustainability. The HELLA Group therefore strives constantly to improve resource consumption and decrease CO₂ emissions at both the process and product levels. The gradual expansion of our environmental network and its continuous development in the period under review were important steps in this context.

The Irapuato, Trencin and Kamnik locations received ISO 14001 environmental management certification in fiscal year 2015/2016. To optimally integrate further locations into this network in future, we carry out regional workshops in the growth regions each year, with a particular focus on Mexico and China. Cross-functional internal audits promote mutual networking of the locations and support "good practice transfer". Audits are carried out by specially qualified regional HELLA auditors, who receive theoretical and practical training based on a consistent standard.

Moreover, in the past fiscal year all production locations defined and implemented specific energy goals as part of their environmental programme. In this way we will improve energy efficiency in our plants on a sustained basis and reduce energy consumption and the associated CO₂ emissions further.

- A six-figure investment was made at HELLA Innenleuchten-Systeme GmbH in Wembach/Germany during the period under review to reduce VOC emissions (volatile organic compounds) in the exhaust air. Thanks to the exhaust air system which began operating in March 2016, the clean gas value achieved is significantly below legal requirements.
- In the fiscal year under review, HELLA Fahrzeugteile Austria GmbH in Großpetersdorf reduced annual energy consumption by almost half to 80,780 kWh through the comprehensive conversion to LED lighting in large parts of the final assembly.
- The gradual introduction of LED lighting enabled HELLA Innenleuchten-Systeme Bratislava s.r.o. to achieve energy savings of around 74,000 kWh. HELLA Slovakia Front-Lighting s.r.o. invested a five-figure sum in Power Factor Corrections. Thanks to an investment in a heat exchanger, HELLA Jiaxing Lighting Co., Ltd. can use the dissipated heat of the air compressors for the hot water circuit. Roughly 5,000 m³ natural gas is saved every month as a result, equivalent to a reduction of around 144 tonnes of CO₂ per annum.

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

HELLA Plant 2 in Lippstadt/Germany is the only HELLA location subject to EU-wide trading in greenhouse gas emission certificates ("CO₂ certificates"). For the third trading period (from 2013 to 2020), the combustion plant has received an allotment notice for a term of eight years and an allotment of 95,747 certificates at no charge.

18,938 tonnes of CO₂ were emitted in the calendar year 2015, a level that is unchanged from the previous year. It was possible to settle the fee from the allocation of surplus certificates in the second trading period (30,083 certificates with a value of € 82,000) and the free allotment from the third period. Due to the general reduction of the free allotment and other factors, these certificates will no longer suffice in the future. Instead, an additional 35,000 certificates are required overall in the third trading period, which we will buy at auctions throughout that period. This is to be realised in several steps during the corresponding fiscal years. 5,000 certificates were last purchased in May 2015. We are working on the purchase of an additional 5,000 certificates in the calendar year 2016.

Moreover, with the continual optimisation of our existing products and the development of new ones we effectively contribute to a reduction in energy consumption and vehicle emissions. In this way HELLA supports automotive producers in meeting the European Union's ambitious exhaust regulations. At present, we are working intensively on differentiated on-board power supply solutions in the vehicle, which enable emission-reducing

functions such as stop-start function, energy recovery, coasting and the creeping-forward function. The step-by-step conversion of conventional lighting products to LED technology also ensures that substantial potential energy savings are made for both passenger and commercial vehicles.

Human Resources

HELLA employed 33,689 employees worldwide as at the reporting date of 31 May 2016. This equates to an increase of around 5.7% compared to the previous year. The most significant increase in personnel was recorded in Europe excluding Germany, where the number increased by 1,287 (plus 10.6%). The development is attributable to new production rollouts, greater production complexity and an extended product portfolio in Romania, the Czech Republic and Slovakia, as well as a new technology centre that was opened in Romania. Furthermore, HELLA recruited new staff in North and South America (increase of 4.7%) and in Asia/Pacific/RoW (increase of 5.4%) in particular in the fiscal year under review. In Germany the number of employees has remained largely stable with a slight increase of 0.3%.

HELLA deploys temporary staff supplied by personnel services companies in addition to its own permanent workforce, due to fluctuating order volumes. To prevent HR management indicators from becoming distorted, staff indicators for the personnel services companies are not included in the management indicators of the Group.

Permanent employees in the HELLA Group by region

	31 May 2016	+/-	Share
Germany	9,705	0.3 %	28.8 %
Rest of Europe	13,389	10.6 %	39.7 %
North and South America	4,690	4.7 %	13.9 %
Asia/Pacific/RoW	5,905	5.4 %	17.5 %
Permanent staff worldwide	33,689	5.7 %	100 %

To safeguard its competitiveness but also as an essential part of its company culture HELLA promotes the further development and qualification of its employees. The e-learning platform for the systematic qualification of employees that was introduced successfully in the prior year was expanded further in fiscal year 2015/2016 and merged under the conceptual approach of competence management, the "My Talent Compass". The previous platform for the global distribution of e-learning modules has already been gradually converted to this new system and forms the basis for gradually integrating further processes such as talent management, succession planning and recruitment, as well as mapping them in an integral system. This new IT-based system, for example, also creates global transparency across existing qualification programmes. Moreover, in fiscal year 2015/2016 the LEAD Compass, a central executive development programme, was rolled out in the NAFTA region. This programme was successfully established in Europe and Asia/Pacific in the previous year. We now place an additional emphasis on comprehensive and holistic personal development to ensure that experts and project managers, in particular, are qualified within this programme in the future too.

The first initiatives to ensure management qualification throughout the Group were implemented in parallel within the scope of the Global Leadership Academy. All employees that assume managerial responsibility in future will be invited to participate in a curriculum that is globally coordinated throughout the Group.

As an innovative technology firm we are always on the lookout for highly qualified employees. HELLA initiated the "Tell Your Friend" programme in fiscal year 2015/2016 in order to add momentum to its recruitment drive. This programme uses a bonus system to motivate existing HELLA employees to promote working for HELLA in their own personal network.

Economic report

General economic conditions

In fiscal year 2015/2016 (1 June 2015 to 31 May 2016), the global economy as a whole expanded slightly, albeit with considerable regional differences in some cases. The International Monetary Fund (IMF) calculates that global gross domestic product grew by 3.1 % in calendar year 2015. The same rate of growth is projected for 2016. The absence of a consistent, global and robust growth trend even six years after the global economic crisis reflects the still cautious recovery in developed countries, differentiated growth in the emerging markets and weaker-than-expected growth in China. Uncertain political and economic conditions, the strength of the US dollar, price erosion and short-term fluctuation in commodity prices are causing a slowdown in investment and spurring volatility on the capital markets. This has also been compounded by the uncertainty surrounding the US Federal Reserve's interest rate policy.

According to the IMF, the US economy recovered moderately by 2.4 % in calendar year 2015, so that growth rates are roughly on par with the prior year. It exhibited seasonally-adjusted growth of 1.4 % in the last three months of the prior year. This was due to weak exports, moderate domestic demand and a decline in corporate spending. However, with unemployment coming to 4.5 % in March 2016, the US job market remained on a distinctly positive trend, this being one of the main reasons for growth in the US automotive industry for the year as a whole. According to the US Department of Commerce, GDP expanded by 1.1 % in the first quarter of 2016.

China, which is the most important growth market for the automotive industry, continued to paint a mixed picture within the global economy in fiscal year 2015/2016. Although gross domestic product in China expanded by around 7 % in 2015, thus outpacing the global average, the normalisation of Chinese economic strength and particularly also the slump in local stock markets in the second half of 2015 placed a damper on spending. Thus, although the growth rate achieved matched the target, it was the lowest to be recorded in 25 years.

At 1.6 %, economic growth in the Eurozone fell short of the global average in calendar year 2015. This muted economic performance was due to the still festering international conflicts at geopolitical level. Within the European Union, concerns over the exit of the United Kingdom triggered further uncertainty. In addition, the more muted economic conditions in China and the United States, which are both important trading partners for the EU countries, left traces on the Eurozone economy. Moreover, some Eurozone countries have not yet fully overcome their economic problems, resulting in regional differences in this area as well. Whereas Spain recovered compared with the prior year, reporting a 3.2 % increase in gross domestic product, the Italian economy expanded by only 0.8 % and was thus only slightly above the stagnation level. At 1.1 %, France fell slightly short of the Eurozone average. However, according to the IMF, the Eurozone had an unexpectedly good first quarter in 2016.

In Germany, the economy continued on the muted upward trajectory of the last few years in calendar year 2015, growing by 1.5% and, hence, in line with the Eurozone average. Whereas overall development had come under pressure from conditions in key export countries at the beginning of the period under review, consumer spending and improved conditions in industry in particular buoyed German economic output at the beginning of 2016, resulting in moderate growth.

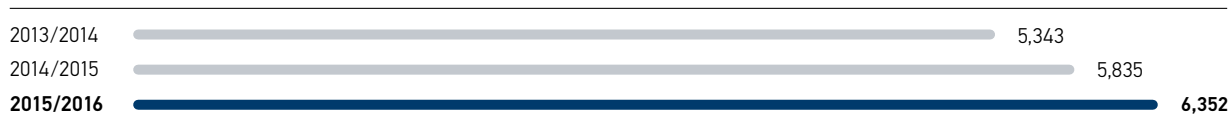
Brazil, Russia and India, which together with China are known as the "BRIC countries", painted a mixed picture in the period under review. Whereas Russia and Brazil experienced substantial contraction, India expanded by 7.3%, thus substantially exceeding the global average.

International trends in the automotive sector

According to the German Association of the Automotive Industry (VDA), the international automotive industry achieved considerable growth in its key markets, the United States, Western Europe and China, in fiscal year 2015/2016, although regional factors, particularly in Russia and Brazil and partially also in Japan, left appreciable traces on volume sales in the individual markets. Both the United States and China closed calendar year 2015 with new records, while Western Europe achieved its best result in five years. Despite the moderate macroeconomic conditions, the Western European automotive industry thus expanded in calendar year 2015.

In the HELLA fiscal year 2015/2016, China was again the most important growth market for the automotive industry ahead of the United States. By comparison, new registrations in China in the period from June to August 2015 had been down on the prior year. Implemented in October 2015, the tax relief for vehicles with a displacement of up to 1.6 litres evidently spurred demand in China, however, triggering double-digit growth in the period from September to November 2015. Consequently, the Chinese automotive market closed calendar year 2015 with a substantial increase of around 10% and a total of roughly 20 million new registrations. In the first five months of 2016, new vehicle registrations were up just under 11% to 8.9 million units (prior year: 8 million).

The US automotive market grew in all four quarters of the HELLA fiscal year 2015/2016. At just under 17.4 million new registrations, the light vehicles (passenger vehicles and light trucks) market in the United States grew by 6% in calendar year 2015. During this period, sales of light trucks (9.9 million units, up 13%) were very strong, while the passenger vehicle segment contracted by 2% to 7.5 million units. With new registrations coming to 7.1 million, the automotive industry expanded by a modest 1.1% in the months from January to May 2016.

HELLA Group sales (in € million)

Full-year new registrations rose by 9% to 13.2 million units in Western Europe in 2015. This growth continued at a similar rate in the first five months of 2016, with new registrations coming to 6.1 million (prior year: 5.6 million). The Western European automotive industry grew across all four quarters in the HELLA fiscal year 2015/2016, expanding at double-digit rates in some cases. This applies to the five largest markets – Germany, the United Kingdom, France, Italy and Spain – as well as the smaller Western European countries. Countries such as Portugal and Ireland in particular, which had previously experienced economic and debt crises, achieved strong growth rates in the substantial double-digit region in the HELLA fiscal year 2015/2016 due to catching-up effects.

The Japanese automotive market continued to feel the effects of the VAT hike implemented in April 2015 on "Kei cars" (vehicles with a displacement of up to 660 ccm). New registrations in calendar year 2015 dropped by 10% to 4.2 million vehicles, contracting at a somewhat more moderate rate of 5% in the first five months of 2016 to 1.8 million.

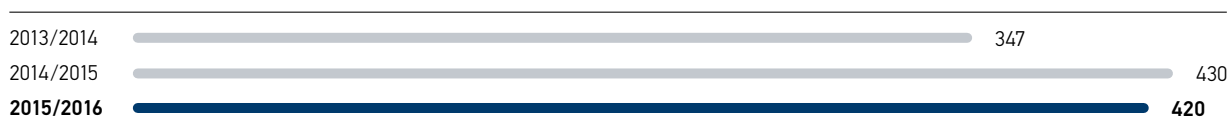
In India, low interest rates and rising consumer demand in the wake of growth in real wages and salaries ensured stable growth of 8% in calendar year 2015 to roughly 2.8 million new registrations. In the first five months of 2016, new registrations rose by roughly 5% over the same period of the prior year. The other two BRIC countries – Brazil and Russia – sustained sub-

stantial setbacks. In calendar year 2015, new registrations dropped by more than 25% in Brazil and by around 36% in Russia. Both countries recorded further weakness in the period from January to May 2016, although the rate of decline in Russia slowed slightly to somewhat less than 15%.

Business development and situation of the HELLA Group

In fiscal year 2015/2016 the Group's sales rose by € 0.5 billion or 8.9% to € 6.4 billion. 1.4 percentage points of this growth was due to exchange rate changes, primarily in the US dollar and the Chinese yuan. Organic growth adjusted for exchange rate effects came to 7.5%. Driven by the continued strong demand and positive exchange rate effects, sales growth matched the forecasts which had been issued by the Management Board in the prior year providing for growth in the high single digits.

Once again, Group growth was materially driven by global automotive business, which experienced the sharpest expansion with a 10.1% increase in sales with third-party companies. This growth trend was successfully continued thanks to stronger demand in the Chinese automotive market and solid demand in Europe. By addressing automotive mega trends such as energy efficiency (reduction in CO₂ emissions), safety and styling, the Group was again able to generate sales growth well in excess of the growth in global new registrations of passenger vehicles/light vehicles. One example of this is the greater use of innovative heat sinks in headlamps, which help to additionally reduce CO₂ emissions thanks to their lower weight.

Earnings before interest and tax (EBIT; in € million)

Sales with third-party companies in the Aftermarket segment rose by 5.9 % over the prior year.

The Special Applications segment recovered compared with the prior fiscal year, achieving growth of 2.0 % in sales with third-party companies over the prior year.

Measured in terms of regional market coverage by end customers, sales in North and South America contracted by 0.3%. This was chiefly due to low exports by German OEMs to this region. All in all, HELLA has eight production facilities in North and South America with plants in Mexico and the United States and one plant in Brazil. The region's share of consolidated sales dropped from 21 % to 19%.

Sales in the Asia/Pacific/RoW region grew by 8.2%, accounting for 27 % of consolidated sales. Thus, HELLA has a total of 13 facilities in China, including three joint ventures. In order to cover customer requirements from the Chinese market comprehensively, we have also steadily expanded our development capacity. Even though growth in the automotive sector in China has recently lost some of its momentum, demand on the world's biggest automotive market is still high and thus remains a major growth factor for HELLA.

Supported by the stabilisation of the market recovery, business performance in Europe was also positive. Sales in Europe including Germany were up 12.9% compared with the prior year. All in all, this region contributed 54 % of consolidated sales, up from 52 % in the prior year. Overall, sales generated outside Europe came to 46 % of consolidated sales. Sales generated outside Europe in the Automotive business segment, which has a substantially more global focus, accounted for 54 %.

Results of operations

Net operating profit/loss (EBIT) including special items dropped by 2.3% from € 430 million in the prior year to € 420 million in the year under review. The EBIT margin contracted from 7.4% in the prior year to 6.6%. This figure includes restructuring expenses of € 9 million for the entire fiscal year. In the prior year these expenses had come to € 15 million. They were recognised at the Group level and not assigned to the business segments due to their general and non-operating nature. Earnings were also significantly weighed down by one-time additional expenses in connection with the loss of a supplier in China. The resultant net expense came to € 47 million. HELLA was able to permanently overcome this exceptional situation at an early stage. As a result of these expenses, it was not possible to achieve the prior year's forecast of EBIT growth in the mid to high single

Regional market coverage by consumer – HELLA Group

	2015/2016		2014/2015		2013/2014	
	Absolute (in € million)	Relative	Absolute (in € million)	Relative	Absolute (in € million)	Relative
Germany	987	16 %	840	14 %	796	15 %
Rest of Europe	2,450	39 %	2,204	38 %	2,076	39 %
North and South America	1,226	19 %	1,229	21 %	1,060	20 %
Asia/Pacific/RoW	1,689	27 %	1,561	27 %	1,411	26 %
Consolidated sales	6,352	100 %	5,835	100 %	5,343	100 %

The prior-year sales have been adjusted due to a more precise regional breakdown.

digits and an EBIT margin unchanged over the prior year. The revised forecast that had been issued early on in the first quarter of the fiscal year under review on the basis of this realisation according to which the costs incurred as a result of the loss of a Chinese supplier would amount to up to € 50 million was confirmed. These expenses caused EBIT and the EBIT margin to fall short of the prior year, as had been announced in the outlook for the Company in the first quarter of the fiscal year under review.

Earnings before interest and income tax (EBIT) adjusted for the above-mentioned one-time expenses rose to € 476 million, marking a new all-time high. The adjusted EBIT margin as the ratio of adjusted net operating profit/loss (EBIT) to sales shrank by 0.1 percentage points to 7.5%. All in all, it came under pressure due to the substantial 0.5 percentage point increase in the research and development cost ratio compared with the prior year and the decline of 0.1 percentage points over the prior year in the contribution to earnings made by joint ventures and associates.

Full-year gross profit rose by € 134 million to € 1,688 million in fiscal year 2015/2016, resulting in a gross margin of 26.6%, i.e. unchanged over the prior year. This figure includes a charge of € 27 million in connection with the loss of a supplier in China. Excluding this special item, the gross profit margin is 27.0%. Despite increased costs in connection with the introduction of complex production methods for high-end lighting products in Eastern Europe, the high level of productivity was thus maintained.

Adjusted EBITDA (adjusted operating earnings before interest, taxes, depreciation and amortisation) rose by € 77 million to € 858 million, accounting for 13.5% of sales and thus remaining unchanged over the previous year.

For HELLA, Research and Development forms the basis of its technological competence and competitiveness. At € 623 million, the corresponding expenses were € 80 million higher than in the prior year. In relation to sales their share rose to 9.8%, compared to 9.3% in the prior year. In addition to heavy capital expenditure on technology and innovation, the high development expenses also reflect the intensive expansion of our international development network. As this network has not yet achieved the necessary level of efficiency due to the strong growth, HELLA initially recorded a disproportionately large increase in the pro-rated development cost ratio relative to current sales. However, the sustained increase in the gross income margin over the last few years has opened up economic scope for extensive research and development activities as a basis for dynamic and organic growth on a sustained basis.

Distribution costs rose by € 38 million over the prior year to € 494 million. At 7.8%, the ratio of distribution costs to sales held steady. Distribution costs particularly also include expenses for the Aftermarket segment's international sales network. Moreover, the distribution cost ratio includes the costs of the international distribution network of the Automotive segment and the cost of outbound freight in connection with supplying our customers.

Regional market coverage by consumer – Automotive

	2015/2016	2014/2015	2013/2014
Germany	13%	13%	14%
Rest of Europe	33%	30%	31%
North and South America	23%	25%	24%
Asia/Pacific/RoW	31%	31%	31%

The prior-year sales have been adjusted due to a more precise regional breakdown.

Administrative costs rose by € 21 million to € 218 million in fiscal year 2015/2016. At 3.4%, the cost ratio in relation to sales remained at the prior year's level. Net other income/expense as the balance between other expense and income dropped from € 16 million to € 14 million. This includes additional expense of € 20 million in connection with the loss of the Chinese supplier. On the other hand, the impairments of € 7 million which had arisen in the prior year were not repeated, something which had a positive effect. In addition, a year-on-year increase in other income, e.g. from government grants, the reversal of provisions and increased income from external services, largely cancelled out the effects of the aforementioned one-time expense in this item.

Income from the strategic network of joint ventures and other associates fell by € 2 million over the prior year to € 53 million due to the weak unit sales in South Korea in the first quarter. The share of around 13% of the profit contributed by the strategic network to consolidated net operating profit/loss again underscores the importance of this risk-diversified and strategic expansion of our business model based on enlarged product portfolios and market access.

Net financial expense climbed by € 4 million to € 40 million. In particular, the negative developments on the securities markets and negative exchange rate effects in financing depressed results. After net financial expense and income taxes of € 108 million, net income for the fiscal year came to € 272 million, down from € 295 million in the prior year. This corresponds to a decline of 8.0% and a net return on sales of 4.3%, down from 5.1% in the prior year.

Results of operations of the segments

In a market which continues to be characterised by strong automotive demand, external sales in the Automotive business segment not including intersegment sales of € 39 million grew by 10.1%. Including sales with other Group segments, which were down on the prior year, sales in the Automotive business segment climbed by 5.5% to € 4.8 billion.

The broad global footprint had a particularly positive effect. As the markets in Russia and Brazil as well as India are of subordinate importance for HELLA's business, the weakness in the macroeconomic conditions and in the automotive industry in Brazil and Russia in particular do not have adverse effect on HELLA's business performance. In particular, growth was driven by start-ups of new products such as complex LED technology, electronic systems and components for energy management, driver assistance systems and electronic steering. All told, sales in the Automotive segment rose more quickly than the increase in global new registrations and sales of passenger vehicles.

The segment result slipped by € 11 million to € 343 million due to the loss of a Chinese supplier and the related charge of € 47 million. This caused the EBIT margin to shrink from 7.7% to 7.1%. Adjusted for this charge, net operating profit/loss would have risen by 8.1% despite additional start-ups of new complex LED products in Eastern Europe and China.

Regional market coverage by consumer – Aftermarket and Special Applications

	2015/2016	2014/2015	2013/2014
Germany	22 %	16 %	17 %
Rest of Europe	58 %	62 %	59 %
North and South America	7 %	8 %	9 %
Asia/Pacific/RoW	13 %	15 %	14 %

The prior-year sales have been adjusted due to a more precise regional breakdown.

Additions to non-current property, plant and equipment in the segment, consisting mainly of capital expenditure for maintaining or expanding buildings, machinery, plants and other equipment, rose by € 59 million over the prior year to € 448 million.

The external sales of the Aftermarket segment excluding sales with other segments of around € 49 million rose by 5.9% over the prior year. Accordingly, segment sales climbed by 5.0% or € 60 million to € 1.2 billion.

This growth was mainly underpinned by our wholesale business in Denmark and Poland as well as our garage equipment business. Independent aftermarket business in Europe recovered appreciably over the prior year despite the ongoing consolidation among wholesale customers particularly in Germany.

Driven by growth in all business areas, the operating margin widened from 6.2% in the prior year to 6.4%. Net operating profit/loss grew by € 7 million to € 80 million. Additions to non-current property, plant and equipment rose by 6.3% over the prior year to € 28 million.

The Special Applications segment recovered slightly from the effects of the weak demand of the recent past in the agricultural sector. Excluding intersegment sales of € 1 million, external sales increased by 2.0%. Segment sales also climbed by 2.0% to € 316 million.

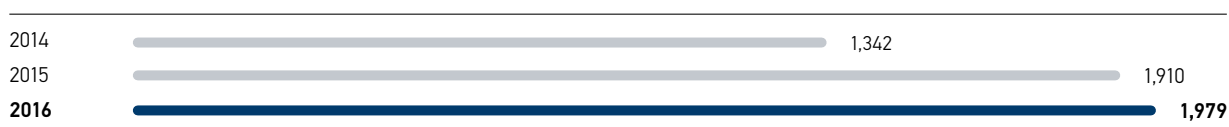
EBIT fell by € 14 million to € 5 million, resulting in a margin of 1.6%. Additions to non-current property, plant and equipment rose by 44% over the prior year to € 16 million.

Financial position

The finances of the HELLA Group are managed centrally by the parent company. Funding is largely raised centrally and made available to the Group companies as required. HELLA generally 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. Our financial management aims to safeguard the Group's liquidity and creditworthiness, which includes ensuring access to the credit capital market.

Capital structure

The liquidity position comprising cash and cash equivalents and current financial assets dropped by € 94 million to € 914 million in the fiscal year. Dividends to shareholders and non-controlling interests paid by the Group company came to € 87 million. Current and non-current financial liabilities rose by € 13 million to € 1,152 million.

HELLA Group equity (in € million; at 31 May of each year)

Net debt as the balance of cash and cash equivalents and current financial assets less current and non-current financial liabilities climbed by € 106 million to € 238 million. At the reporting date the ratio of net debt to EBITDA stood at 0.3 (prior year: 0.2).

The corporate rating issued by Moody's remains in the investment grade segment at Baa2 with a stable outlook. Moody's last updated its credit opinion in July 2016.

Alongside the financial liabilities shown on the face of the balance sheet, obligations from operating leases exist but are of minor importance. The present value of the resultant minimum lease payments came to € 42 million at the reporting date.

At the reporting date the cash-relevant inflow of € 70 million from trade receivables sold under a factoring programme was € 30 million down on the prior year. The factoring transaction was final and without any right of recourse.

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

→ **Capital market bonds**

At the reporting date, HELLA had two outstanding capital market bonds with terms of three-and-a-half and seven years, respectively. They comprise a bond of € 300 million maturing in September 2017 and a bond of € 500 million maturing in January 2020.

→ **Private placement**

In the years 2002 and 2003 a total of JPY 22 billion with a 30-year term was raised. This foreign currency liability is fully hedged against exchange rate fluctuations over its entire term. The liability was valued at € 182 million as at 31 May 2016.

→ **Syndicated credit facility**

In June 2015, a five-year syndicated credit facility of € 450 million was agreed with a syndicate of international banks. This facility has since been renewed for a further year and now expires in June 2021.

No further material funding requirements are expected in fiscal year 2016/2017.

Liquidity analysis

Cash generated from operating activities rose by € 42 million over the prior year to € 602 million. This includes payments of € 15 million for restructuring, down from € 38 million in the prior year, and expenses of € 34 million in connection with the loss of a supplier in China.

Cash generated from net operating profit/loss before non-cash depreciation and amortisation (EBITDA) increased significantly over the prior year. EBITDA rose by € 50 million to € 816 million.

This strong sales growth simultaneously resulted in the accumulation of working capital. The additional working capital arising from the increase in receivables and other assets climbed by € 115 million. Of this, € 30 million arose from the reduction of an existing factoring programme. In addition, the longer payment periods customary in Asia led to a further increase in trade receivables.

By contrast, inventories rose by € 34 million. Trade liabilities and other liabilities increased by € 122 million.

Taxes paid net of tax refunds came to € 109 million, down from € 113 million in the prior year.

Cash capital expenditure excluding payments for the acquisition of company shares or the issue or repayment of capital rose by € 69 million to € 547 million. It predominantly comprised main-

tenance and expansion spending on buildings, machinery, plants and other equipment. HELLA also invested continuously in customer-specific operating equipment, which is recognised in the Group's non-current assets as economic property on account of the opportunity and risk structure. In view of the considerable up-front investments in such operating equipment, HELLA receives reimbursement payments from customers as an advance on the delivery of parts, which are reported as prepayments within deferred income. These prepayments came to € 83 million in the fiscal year under review (prior year: € 131 million).

Payments for procuring operating equipment are allocated to investing activities in the cash flow statement, whereas cash proceeds from customer reimbursements are assigned to operating activities as prepayments for economic purposes.

Regardless of the economic view taken in the annual financial statements, the cash flow from equipment procurements and customer reimbursements in our internal capital expenditure planning are combined within the net capital expenditure indicator with the remaining cash proceeds and settlements for property, plant and equipment and intangible assets. The reason is that the advanced payment method of the customer reimbursements eases the need for capital expenditure in a closely related time frame and, therefore, is a significant factor in the investment decision. Net capital expenditure rose to € 463 million (7.3% of sales) in the fiscal year under review, up from € 347 million in the prior year (6.0% of sales).

Operating cash flow before dividends and net capital expenditure on financial assets or shares in associates came to € 56 million, down from € 82 million in the prior year. Adjusted for the restructuring payments (€ 15 million), the loss of a supplier (€ 34 million) and reduced factoring volumes (€ 30 million), adjusted operating cash flow came to € 134 million, up from € 120 million in the prior year.

The Group received net inflows of € 4 million from investing activities in connection with investments in associates, after net inflows of € 19 million in the prior year. This inflow was chiefly due to the reduction in the capital of one associate in Germany. Total outflows from financing activities came to € 67 million, down from € 148 million in the prior year. Net new borrowing stood at € 9 million. In the prior year, net loan repayments came to € 296 million. As part of active management of the liquidity available to the Group € 68 million was accrued from securities during the year under review following investments of € 50 million in the prior year. 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. A total of € 58 million was paid for the acquisition of all of the remaining outstanding shares in the wholesale business in Denmark and Poland.

Dividends of € 87 million (prior year: € 59 million) were paid to the shareholders. Liquidity decreased by € 18 million over the prior year to € 585 million. Including current financial assets,

which essentially comprise securities of € 329 million (prior year: € 405 million), available funds dropped from € 1,008 million to € 914 million. On this basis, HELLA is able to satisfy its payment obligations.

Financial position

Total assets grew by a further € 78 million to € 5 billion during the fiscal year under review. The high liquidity position of around € 0.9 billion still results in a substantial increase in total assets. The equity ratio stood at 40 % at the end of the fiscal year and was thus 0.1 percentage point up on the prior year. The increase in total assets resulting from the high liquidity position influences the equity ratio significantly. The equity ratio relative to total assets adjusted for liquidity comes to 48 %.

Overall statement

Fiscal year 2015/2016 was very positive for the HELLA Group from the Management Board's perspective. The Group expanded by 7.5% after currency adjustment, thus outpacing the growth of the global automotive market yet again.

Driven by its corporate strategy, the Automotive business segment in particular continued to grow substantially. Business gained further momentum thanks to new product start-ups and strong demand in the market. The Aftermarket segment was able to recover from the effects of the muted demand seen in the prior year and likewise continued on its growth trajectory. The Special Applications segment also improved slightly after the weak demand of the recent past.

In fiscal year 2015/2016, adjusted consolidated EBIT (earnings before interest and tax) reached a new high of € 476 million, thus growing by 7 % compared with the prior year. Adjusted structural expenses came to € 9 million, down from € 15 million in the prior year. Expenses in connection with the loss of a supplier in China stood at € 47 million. EBIT on an unadjusted basis came to € 420 million, equivalent to a 2.3% decline over the prior year. Consolidated profit after tax reached € 272 million (prior year: € 295 million). In accordance with the adjustments to the dividend policy adopted as part of the initial public offering, under which 30 % of the consolidated net profit attributable to the owners of the parent company is to be distributed to shareholders, the Management Board will propose to the Annual General Meeting that a dividend of € 0.77 per share be distributed for fiscal year 2015/2016. As there are 111,111,112 no-par value shares, this is equivalent to a distribution amount of € 86 million. In the prior year, an amount of € 86 million (€ 0.77 per shares) had been distributed. Since the most recent issue of new capital in November 2014, the Company has had 111,111,112 shares, this number likewise applying on the date of distribution.

The HELLA Group's financial position and assets and liabilities remained very solid, underpinned by its strong business performance. Adjusted operating free cash flow was up again substantially following the high capital expenditure of earlier years on property, plant and equipment and structures as part of the globalisation initiative. At € 134 million, it is higher than the prior year's figure of € 120 million.

Net debt rose by € 106 million to € 238 million. In addition to the inflow from operating free cash flow of € 56 million, there was an outflow for the dividend distribution (€ 87 million) and equity investments (€ 58 million). Net debt thus stands at 0.3 times EBITDA, up from 0.2 times in the prior year.

As the good business performance continued at the start of the new fiscal year 2016/2017, the Management Board takes a generally positive view of the net assets, financial position and results of operations at the time the management report was prepared.

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. To identify influencing factors on accounting and reporting early and to enable suitable measures for proper recording, various analyses and evaluations are carried out as part of risk management. Regulations that are applicable Group-wide 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 the 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 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 continuous 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

As an international supplier of automotive components, HELLA is exposed to numerous opportunities and risks. It attempts to identify them at an early stage, manage them preemptively and make responsible use of them by means of a systematic opportunities and risk management process.

Risk management system

HELLA views risk management as a proactive and preventive process for managing risks. It forms a central element of corporate governance as well as being an integral part of strategic development and the business planning and review cycle at HELLA.

The risk management system is coordinated by the Risk Management Board at the Group level. This body is responsible for tracking the Company's overall risk position. In addition, responsibility for risk management is defined at all organisational levels within the Group. This includes the Management Board as well as all corporate functions and business segments. In addition, HELLA is expanding its own risk management capabilities continuously.

Risk management methodology

HELLA applies a uniform methodology to implement an effective risk management process across the entire Group for identifying, analysing and evaluating risks at an early stage and for monitoring them on a long-term basis. Risk is defined as the probability of internal or external events liable to jeopardise the achievement of strategic or operating goals.

In accordance with the classifications used in the COSO (Committee of Sponsoring Organisations of the Treadway Commission) model, HELLA distinguishes five main types of risks: (1) strategic risks, (2) financial risks, (3) compliance risks, (4) operational risks and (5) external risks.

The Management Board mandates the implementation of the risk management system, which is communicated by the Risk Management Board at all levels of the Company. Responsibility for identifying and evaluating potential risks lies with the individual levels and organisational units within the Company. The heads of the departments or units assume the role of risk owner, risk leader or risk officer. Risk owners have various instruments for detecting and evaluating risks. These include questionnaires on specific activities, minutes of meetings and audit reports. In addition, all business divisions take part in an annual risk management workshop to identify, analyse and evaluate potential new risks, to develop appropriate precautions and to define responsibilities.

HELLA prepares a Group Risk Report describing all main risks on the basis of regular risk evaluations. The Risk Management Coordinator informs the Management Board of HELLA quarterly of existing risks, their evaluation and the measures performed. In the event of any material changes arising in the risk position in the intervening period, the Management Board is notified via clearly defined report paths. This ensures that the Management Board is able to exercise its supervisory duties and respond to new developments in a timely manner. Further-

more, the risk management system and the Group's general performance are regularly reviewed in close consultation with the Supervisory Board and the Shareholder Committee.

Any new risks are categorised and classified on the basis of HELLA's risk overview system. As a rule, risks are categorised

according to their impact and probability of occurrence. The Consolidated Annual Report groups the risks into three categories based on their impact and two categories based on their probability. For this purpose, the probability of occurrence is determined for a period of 1–5 years or a period of 5–10 years.

Impact descriptors	Possible consequences	
<p>1 – Minor Negative outcomes from risks or lost opportunities unlikely to have a permanent or significant effect on the Company's reputation or performance.</p>	<ul style="list-style-type: none"> → If the risk occurs, there may be a minor effect on net profit i.e. the impact on net profit for planned earnings is less than € 5 million → No regulatory consequences → Minor adverse publicity → Minor reversible harm 	
<p>2 – Noticeable Negative consequences of risks or lost opportunities have a material impact on the Company. They can be managed without any major impact in the medium term.</p>	<ul style="list-style-type: none"> → If the risk occurs, there may be a considerable effect on net profit i.e. the impact on net profit for planned earnings is up to € 50 million. → Limited regulatory consequences → Local adverse publicity for the area concerned → Major reversible harm 	
<p>3 – Critical Negative consequences of risks or lost opportunities have a material impact on the Company. Substantial efforts are necessary to overcome the problems that they cause and to develop a medium-term solution. However, the risks generally do not pose any medium-term risk to the Company's going-concern status. In extraordinary and extreme cases, the Company's going-concern status may be theoretically placed at risk.</p>	<ul style="list-style-type: none"> → If the risk occurs, there may be a very major effect on net profit i.e. the impact on net profit for planned earnings is greater than € 50 million. → Substantial regulatory consequences → Sustained negative coverage in the national press → Major sanctions imposed by the responsible authorities → Closure of part of the business → Irreversible loss 	
Probability	Occurrence	Definition
Probable	Once every 1–5 years	Probability of occurrence of 20 % to 90 % or greater in this period.
Less likely	Once every 5–10 years	Probability of occurrence of less than 20 % in this period.

They are evaluated according to the following categories:

All risk owners regularly report any changes in risks already reported as well as all new developments. Under the risk management strategy, new material risks must be reported immediately. Risks that are identified for the first time are systematically grouped into individual risk areas and managed by the risk leaders.

Opportunity management

HELLA takes a decentralised approach to opportunity management. Opportunity management forms part of the strategy and controlling process. Use is also made of external market analyses and forecasts in this connection. Opportunity management is also firmly integrated within the applicable business segments and anchored in the target agreement process. New opportunities are systematically identified using a continuous process and are evaluated where necessary and implemented if found to be suitable. In this regard, opportunities may particularly arise from changes in global or regional market conditions, technological trends and customer developments. Opportunities arising from day-to-day business are identified and acted on by operational management.

➤ **For more information on this, refer to the explanations on the strategic objectives of the Group which begin on page 55 of this management report.**

Description of material risks and summary of risk position

A final overview of the major risk categories is achieved by consolidating all risks. This seeks to identify at an early stage any developments liable to threaten the Company's going-concern status. Data is collected from all business divisions and corporate functions. The identified risks are allocated to the following five main categories:

- Strategic risks
- Financial risks
- Compliance risks
- Operational risks (including HR risks, sourcing risks, quality risks, IT risks)
- External risks (including market risks)

The order in which these risks are presented here does not reflect their significance, probability or impact. Moreover, previously unknown risks may have an adverse effect on the Group's operations, cash flow, financial performance or assets. The twelve largest risks to which HELLA is exposed are set out on page 83 of the report.

→ Strategic risks

As national economies, markets, technologies and statutory requirements are changing at an increasingly dynamic rate, strategic analysis and planning in the automotive sector are subject to growing uncertainty.

The sector currently faces three main challenges: (1) changes in consumer demand, (2) heightened environmental and safety requirements and (3) digital transformation. These trends offer both opportunities and risks for the automotive sector.

In this environment, the ability to innovate – in terms of both hardware and software – is becoming more and more crucial. What is more, with the growing proportion of software content, new competitors are entering the market. At the same time, the product cycles are becoming shorter. Thus, iteration cycles for new software solutions are now measured in months, while new vehicle models usually take three to four years to reach the market. Innovation and flexibility play an important role for the automotive supply industry not least of all against the backdrop of growing globalisation and mounting competitive and cost pressure. Among other things, HELLA has established an incubator in Berlin and an office in Silicon Valley to anticipate technological trends as a basis for new technologies and business models even more effectively.

As the business model of an automotive components supplier is structured to address only a limited number of customers, HELLA is exposed to various customer-side risks. It is therefore dependent on a balanced customer portfolio and long-term customer relationships. The Company's business structure also has a stabilising effect. Whereas the Automotive segment is dependent on automobile manufacturer sales, the Aftermarket segment is driven by sales of spare parts, accessories and garage equipment. This occurs very largely independently of

trends in demand for new vehicles. This risk-optimised business model means that HELLA has a balanced position even in the event of unexpected changes in the market or industry.

The strategic risks to which HELLA is exposed primarily arise from its business portfolio, partnerships and joint ventures as well as its global presence. They are currently classified as risks with a noticeable and critical impact and with a low probability of occurrence (once every 5–10 years; less probable).

→ Financial risks

HELLA's international business activities expose it to exchange rate risks. These may arise in connection with receivables, liabilities, cash and cash equivalents, securities and contracts which must be performed in another currency. Such risks are initially limited 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 the strategy for addressing currency risks for each Group company. 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. A Treasury Committee then makes a decision on the proposal. Currency risks are primarily hedged by means of currency forwards, which are structured on the basis of expected foreign-currency cash flows.

As European and international legislation is undergoing continuous evolution, transfer pricing strategies, intercompany transaction processing and accounting requirements are becoming increasingly more complex. This is leading to new challenges within the Company, calling for better coordination between the individual units. Continuous adjustment processes are therefore necessary.

Shortcomings in the application of internal rules may result in inefficient processes, accounting errors and breaches of tax law as well as unnecessarily high tax payments. To minimise such errors, the Group has a comprehensive and transparent transfer pricing policy, which is kept up to date by the Group Charging department. A global network has been established to facilitate communications between the companies and to avoid transfer pricing errors.

The Group's liquidity position is adequately secured by long-term loans, euro bonds and yen bonds. All agreed financial covenants which, if breached, could lead to extraordinary termination rights for the lender with potentially accelerated payment obligations, are monitored continuously. Customer credit risks may severely impair the Company's liquidity position.

With the growing complexity of the products and customer deliveries, the Company's trade credit receivables are also rising. These receivables are monitored on an ongoing basis by specialist departments to ensure early identification of any problems in customer deliveries. HELLA's general liquidity

position is monitored continuously. The financial risks to which the Company is exposed are mostly classified as risks with a minor and/or noticeable impact and are viewed as "less probable". In exceptional cases, a customer credit risk causing liquidity problems is classified as a risk with a critical impact. However, this risk is also "less probable".

→ Compliance risks

At HELLA, top priority has always been given to observance of laws and internal rules in order to avert any compliance breaches. With the rising complexity of the statutory and regulatory environment, however, the demands made regarding corporate compliance are rising. As a result, HELLA is also exposed to new types of risks.

Compliance management measures are described in the corporate governance report starting on page 88.

Despite extensive precautions, HELLA is not able to fully rule out the possibility of individual employees breaching statutory provisions (e.g. anti-trust or anti-corruption legislation), exposing the Group to the risk of fines, penalties and claims for damages.

In previous fiscal years, HELLA had already reported that European and US authorities had commenced anti-trust investigations into HELLA and other companies in the automotive lighting sector in 2012. The outcome of these investigations cannot at present be predicted. In the pending EU proceedings, the EU

Commission informed the Company on a purely formal basis that it would be commencing proceedings for the imposition of a fine. Other than this, there were no material activities in the past fiscal year. Looking forward, HELLA will continue to cooperate in full with the EU Commission. There were no new developments in the US proceedings in the past fiscal year. The outcome of these investigations is likewise not yet foreseeable at this stage.

Under EU law, a fine of up to 10% of annual consolidated sales may be imposed for anti-trust breaches. Fines and penalties imposed by the US authorities may amount to up to 20% of the US sales affected by the cartel agreements. In addition, third parties who suffer a loss as a result of violations of antitrust law can claim damages both in Europe and the USA.

HELLA protects the technologies it has developed by means of patents and other property rights where this makes strategic sense for the Company. Observance of these rights by competitors is constantly monitored and possible infringements are prosecuted accordingly. Apart from this, there is also the risk that HELLA itself might inadvertently infringe the rights of third parties, since competitors, suppliers and customers also apply for a large number of property rights. The existence of effective property rights cannot always be clearly determined for certain processes, methods and applications. Accordingly, HELLA may find itself being accused of breaching third-party property rights in individual cases. This may make the Group liable to pay dam-

ages or force it to acquire additional licences or refrain from using the relevant technology in certain countries. In order to avoid violating existing third-party property rights, HELLA systematically monitors new releases and compares these against its own technology portfolio.

Automotive OEMs are aware of the risk of cyber attacks as they make extensive use of computers and computer-aided electronics in the design, production and operation of vehicles. Various sensors and audiovisual systems are fitted to vehicles to heighten safety and performance. Vehicles linked to the Internet may therefore be a potential target of cyber crime.

HELLA's customers are increasingly also demanding the observance of safety standards. Failure to observe customer requirements may result in additional costs for HELLA or project delays. This, in turn, would leave traces on the Company's sales and profits. For this reason, HELLA seeks to satisfy customer requirements in full. Among other things, this necessitates the observance of the safety guidelines issued by reputable automotive OEMs as well as the minimum information security standards (in accordance with ISO 27001). Although the failure to observe these standards does not entail a breach of a legal requirement as such, it would still mean that the Company had failed to meet its general duty of care as defined in the "state-of-the-art" principle. This could prompt customers to recover damages from HELLA if, for example, confidential customer data were to be disclosed without authorisation.

Since the Group holds personal data on employees, customers and suppliers, it must adhere to the requirements of data protection legislation. HELLA must implement and maintain effective systems and control mechanisms to minimise the related risks. Failure to observe data protection rules may have legal ramifications and harm the Company's reputation. With regard to the EU Data Protection Regulation adopted in May 2016, HELLA's European subsidiaries in particular face new challenges in this area.

At the same time, environmental rules are becoming increasingly more stringent, meaning that looking forward HELLA may need to observe additional environmental and safety rules. Moreover, changes in legal requirements may have an adverse impact on market demand for HELLA products.

As an internationally active Group, HELLA must 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.

Although HELLA has already taken numerous effective precautions, compliance risks materially impacting the Group may still arise. For this reason, compliance risks are also classified as material due to their high regulatory complexity and dynamics. However, they are assumed to have only a moderate probability of occurrence ("less probable") as no serious events liable to jeopardise the Company's going-concern status are expected in the short term.

→Operational risks

The relocation of complex projects within the global HELLA network may lead to operational and organisational bottlenecks at individual sites. The rising product complexity is posing new challenges for producers in areas such as logistics, sourcing, production and staff training.

Large-scale project and technology transfers may result in operational and organisational bottlenecks as well as pre-production capacity problems. This may be due to insufficient machinery capacity, inadequately trained staff, poor supplier quality, general capacity problems and staff shortages.

Operational and organisational shortages may have a significant impact on business, causing additional remedial costs, delivery delays, contractual penalties and rising staff-training costs. For this reason, all the plants concerned receive support from cross-function teams.

As the global market is highly competitive, a number of original equipment manufacturers have started to offer longer warranty periods (up to eight years in some cases) for their vehicles to heighten the appeal of their products. As a consequence of this, they likewise expect their components suppliers to offer longer warranty periods on the products they provide. Among other things, automobile manufacturers use warranty cost analyses to lower the warranty costs per vehicle. The resultant warranty compensation system has a detrimental effect on components suppliers as they must bear part of the costs.

HELLA is attempting to minimise this risk by improving product quality and responding appropriately to any product quality shortfall reports. However, a certain potential for conflict arises whenever an attempt is made to pass on warranty costs in the absence of any substantial proof or justification. Given the current manual production processes, original equipment manufacturers agree that it is difficult to differentiate between actual defects in parts and system-related failures.

Quality risks and higher costs may also arise as a result of insufficient product maturity (due to an incomplete product design and/or premature commencement of production), insufficient personnel resources and staff training as well as internal processes that have not yet reached full maturity.

Conformity of production (COP) serves as proof that the Company is able to manufacture a given product series in accordance with all requirements. This includes the specifications and labelling requirements stipulated in the type approval documentation.

This forms a material part of the vehicle type approval process and involves an evaluation of the manufacturing processes to ensure that each product is built solely in accordance with the approved specifications. Mounting competition and globalisation are causing original equipment manufacturers to apply more and more pressure. HELLA ensures conformity of production by means of its comprehensive quality management system, in which testing is overseen, results checked and control plans evaluated.

There is a close reciprocal link between a company's output and that of its suppliers. Failure to manage and monitor supplier performance may lead to severe supply chain disruptions, delivery problems and quality issues that harm a company's credibility as well as its profits. By the same token, an effective supplier performance management programme can help to identify and address supplier issues early on.

HELLA is also dependent on its own supplier base. Any disruption 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 arise on the part of exclusive suppliers, this may lead to production and delivery bottlenecks as well as higher prices, material costs and quality problems, resulting in a loss of sales for the Company. Accordingly, HELLA seeks to diversify its supplier base.

HELLA's suppliers are constantly monitored and audited by teams of experts to avoid any interruptions in the supply chain. Supply chain management operates uniformly across the entire Company from the development phase through to the finished product.

Since HELLA uses complex IT structures, it is also vulnerable to any outage in its IT systems, which have the potential to interrupt business for several days. With development and production applications increasingly growing in complexity, ever larger volumes of data must be handled with limited IT resources. For this reason, all IT systems are monitored centrally and updated regularly to avoid possible outages. The Company additionally invests in its IT infrastructure to mitigate the risk of data losses.

Given its international expansion and the resultant global competition for employees, the need to recruit qualified employees and to retain them in the long term poses a challenge for the Company. In growth markets such as China, India and Eastern Europe in particular, HELLA is exposed to the risk of a rising salary base for qualified specialists. A shortage of staff would make its effect felt on development activities in particular. HELLA is developing a global recruitment, staff retention and training model to reduce the adverse effects of shortages of specialists and an inadequate expertise pool on project transfers. Operational risks may particularly arise in the areas of IT, quality, production processes and human resources management. These are predominantly classified as risks with a noticeable impact and a low probability of occurrence (once every 1 to 5 years).

→ External risks

The global economy is continuing to expand at a slow rate: GDP growth of 3.5% is projected for 2016, up from 3.1% last year. The divergence in growth between individual regions may widen

as a result of the differing effects of the recent decline in the price of oil and other commodities as well as country-specific factors. The short-term outlook for growth in commodity-exporting countries has deteriorated considerably, while countries that import commodities are benefiting from lower prices. This is reflected in declining inflation, weaker fiscal pressure and an improved balance of payments.

In the Automotive segment, the Chinese market in particular offers HELLA enormous potential for growth. Last year, over 20 million new vehicles were sold in China. As a result, the Chinese passenger vehicle market was able to defend its position as the world's largest single market. This was chiefly due to urbanisation trends. Automotive OEMs are likely to focus more heavily on the growing Chinese middle class as a target group. Future growth of the Chinese passenger vehicle market will probably be underpinned by the persistently low level of motorisation. The continuing growth in the Chinese market has led to the extensive relocation of key elements of the value chain – such as production and development – to China. In this way, HELLA is not only responding to the relocation of production activities in the automotive industry but also avoiding high import tariffs, longer transportation routes and other competitive disadvantages.

One of the greatest challenges facing the Aftermarket segment is the ongoing consolidation among customers. In many cases, this consolidation has been accompanied by greater price pressure, something which may have significant adverse effects on business.

The external risks to which HELLA is exposed are mostly market risks, such as fluctuation in customer demand or slower global economic growth. In addition, customer consolidation and restricted access to IAM spare parts as well as certain natural risks are classed as external risks. HELLA has classified these risks as difficult to forecast and largely beyond its control. The impact of external risks is considered to be moderate with a probability of such risks occurring once every one to five years.

→ **Statement on overall risk and opportunities situation**

The number of individual risks to which the HELLA Group is exposed has changed over the prior year. This is due to the fact that new business divisions (particularly Aftermarket and Spe-

cial OE) have been included in the Company's risk management workshops. Changes have predominantly arisen as a result of the new risks identified and reported at these workshops. In addition, a number of existing risks have been re-evaluated by risk owners with a focus on operations and compliance.

HELLA's Management Board assumes that the overall risk position is consistent with the Company's risk strategy and that risks are being managed in the light of the Group's goals. Accordingly, it is not aware of any actual or potential developments that could seriously threaten the Company's going-concern status in the foreseeable future.

Risk overview

No.	Risks	Risk category	Impact descriptors	Probability
1	Supplier development	Operational	Critical	Probable
2	Technology transfer	Operational	Critical	Probable
3	IT security requirements	Compliance	Noticeable	Probable
4	Warranties	Operational	Noticeable	Probable
5	Transfer of expertise	Operational	Noticeable	Probable
6	Shortage of specialists	Operational	Noticeable	Probable
7	Increased complexity	Compliance	Noticeable	Probable
8	Infringement of data protection rules	Compliance	Noticeable	Probable
9	Process deviations	Compliance	Noticeable	Probable
10	Deviation from standards	Operational	Noticeable	Probable
11	Cost overrun	Operational	Noticeable	Probable
12	Loss of receivables	Financial	Critical	Less likely

See page 75 of this report for definitions of the terms "impact descriptors" and "probability of occurrence".

Forecast report

Overall economic and industry-specific outlook

Despite adjusting its forecasts for this year and next in April 2016, the International Monetary Fund (IMF) still expects the global economy to grow at a moderate rate. Growth of 3.2% and 3.5% is expected for calendar years 2016 and 2017 respectively. This is chiefly due to an above-average upswing in a number of emerging markets and developing countries. The IMF anticipates that economic growth in industrialised countries such as the United States, Canada and the Eurozone will be muted. Brazil and Russia are still facing a recession and stagnation this year and in 2017. With uncertainties having heightened on a global level – not least as a result of the United Kingdom's decision to leave the European Union – alternative scenarios with lower global economic growth are more likely.

In the United States, growth is expected to come to 2.4% in 2016 and 2.5% in 2017, i.e. more or less unchanged over 2015. Although it is not yet possible to foretell the longer-term effects on the financial and economic markets of the United Kingdom's decision to leave the European Union, the first few economic research institutes have already made adjustments to their forecasts. Thus, in July 2016 the IMF lowered its forecast for growth in the Eurozone to 1.6% in 2016 and 1.5% in 2017. The muted growth in the Eurozone is attributable in part to high private and public-sector debt, muted capital spending, high unemployment on a regional level and the significant demographic changes in society.

China will continue to stabilise at just above 6% in the second half of the calendar year and in 2017 (6.5% in 2016 and 6.2% in 2017). The IMF expects Japan's economic output to rise marginally by 0.5% in 2016 but to contract by 0.1% in 2017. This downward trend is due to the appreciation of the yen, weak demand from developing countries and tax increases entering into effect. As things stand at the moment, India is expected to post the strongest economic growth on a global level (7.5% for both calendar years in the forecast period), mainly due to growing demand from the private sector as a consequence of rising real wages and lower energy prices. The recession in Russia should bottom out in 2017: following contraction in 2015, a decline of 1.8% is still expected in 2016 and an increase of 0.8% for 2017. In Brazil, rising unemployment, falling real wages, a lack of competitiveness in industry and domestic political uncertainty will cause the economy to contract by 3.8% in 2016, followed by zero growth in 2017.

Global uncertainties combined with political and economic instability are placing a damper on the upswing and driving up unpredictability for the automotive industry. The German Association of the Automotive Industry (Verband der Automobilindustrie – VDA) expects muted growth in the global passenger vehicle market in calendar year 2016. All in all, VDA anticipates that new registrations will increase by 3% to 80.6 million in 2016 as a whole, with all three main automotive markets (China, the United States and Western Europe) expected to remain on their growth trajectories in the current year. At this stage, it is not possible to gauge the possible market risks arising from the United Kingdom's departure from the European Union.

China will remain on its growth trajectory in 2016, solidifying its position as the world's most important passenger vehicle market. Accordingly, an increase of 8% to 21.7 million new vehicles is expected, additionally supported by the tax incentives that have already taken effect. As these incentives will expire in 2017, pull-forward effects are likely to arise in 2016 followed by a somewhat weaker year in 2017. In the US market, the light vehicles segment is expected to expand by 1% to 17.5 million units, while Western Europe should see growth of 5% to around 13.8 million units. In May 2016, VDA raised its forecast for Germany slightly to 3% and now projects 3.3 million new registrations in calendar year 2016. The forecast for the global automotive industry has received a damper from the sharp contraction in Brazil and Russia, two markets which are of only subordinate importance for HELLA.

Company-specific outlook

In light of the expected underlying conditions and in the absence of any significant upheavals as a result of political, economic or social crises, we expect the HELLA Group's business to grow in fiscal year 2016/2017. This positive business outlook is particularly being underpinned by the three main thrusts of the strategy which the Company has already been pursuing for some time now. First, HELLA remains heavily committed to expanding its own market position through strong technological competence and innovative product solutions addressing central megatrends, namely the environment, energy efficiency, safety, styling and comfort. Second, we see promising opportunities for advancing our global expansion on a lasting basis in growth regions such as China and NAFTA, in particular. Third, we are stepping up the continued expansion of our operational excel-

lence across the global HELLA network. Not least of all, our balanced business model in which the Aftermarket and Special Applications segments accompany our automotive business will act as a stabilising factor. As these two segments do not follow the classic automotive cycle, they offer additional stability precisely in challenging economic conditions characterised by heavy volatility. Moreover, the low volume of business in the United Kingdom and the small number of customers based there will shield HELLA from any direct short-term effects arising from the country's decision to leave the European Union. At this stage, it is not yet possible to gauge the long-term macroeconomic impact and consequences.

If the conditions mentioned above are met, expect sales and adjusted EBIT to grow at a rate in the mid-single digits for fiscal year 2016/2017. Accordingly, the adjusted EBIT margin should more or less remain at the prior year's level. The high expenses arising from special items, which were heavily influenced by the loss of a supplier in China in the year under review, should drop significantly.

The forward-looking statements in this report are based on current assessments by HELLA's management. They are 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 the other market players and government measures. If any of these or other uncertainties or vagaries should occur, or if the assumptions on which these statements are based turn out to be incorrect, the actual results may differ materially from the results explicitly specified or implicitly contained in these statements.

Other events in the fiscal year**→ Changes in the HELLA Management Board**

Carsten Albrecht, Managing Director of the Aftermarket, Special OE and Industries business division, left HELLA Geschäftsführungsgesellschaft mbH after seven years with effect from 31 October 2015. Mr. Albrecht's role will be fulfilled temporarily by CEO Dr. Rolf Breidenbach until a successor can be appointed.

Jörg Buchheim, President & CEO China since January 2014, resigned from HELLA Geschäftsführungsgesellschaft mbH as at 30 November 2015. To streamline the matrix leadership structure the management of the region 'China', like that of all other regions, will in future be assumed via the global responsibility of the business divisions and corporate functions.

In January 2016 the Shareholder Committee of HELLA KGaA Hueck & Co. appointed Bernard Schäferbarthold as new Managing Director for Finance and Controlling. Mr. Schäferbarthold will take up his post by 1 January 2017 at the latest. He is succeeding Dr. Wolfgang Ollig, who left the Company effective 1 July 2016 at his own request. Pending Mr. Schäferbarthold's entry, the Finance and Controlling department will be managed on an interim basis by Managing General Partner Dr. Jürgen Behrend.

→ Expansion of wholesale business

As a result of acquisitions in November 2015, HELLA took over the outstanding 21 % stake in Denmark's FTZ, having already acquired the remaining 50 % of Poland's Inter-Team in September. As a result, the former joint ventures have now passed into HELLA's full ownership. Both companies had already been fully consolidated. The acquisition of these stakes represents a systematic strengthening of HELLA's wholesale activities in Northern and Eastern Europe, pooled in the Nordic Forum.

Events after the balance sheet date

No events of special relevance other than those mentioned have taken place since the close of fiscal year 2015/2016. In the first months of the new fiscal year, the Group's net assets, financial position and results of operations have continued to develop positively.

Corporate Governance of HELLA KGaA Hueck & Co.

The General Partners, the Supervisory Board and the Shareholder Committee of HELLA KGaA Hueck & Co. 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 Partners, the Supervisory Board and the Shareholders' Committee report on the 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 (Unternehmensführung) in accordance with Section 289a of the German Commercial Code (Handelsgesetzbuch, "HGB"). Furthermore, the report contains the information and explanations required under Sections 289 (4), 289a and 315 (4) 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 KGaA Hueck & Co. and the HELLA Group

HELLA KGaA Hueck & Co. is a German partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). Its legal form is a combination 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 share 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 share 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 two General Partners, Dr. Jürgen Behrend and HELLA Geschäftsführungsgesellschaft mbH, which has its registered office in Lippstadt. The shares in HELLA Geschäftsführungsgesellschaft mbH are held by the Company. Further governing bodies of HELLA KGaA Hueck & Co. 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.

Like many other listed family-owned companies, HELLA has taken advantage of the organisational flexibility inherent in the legal form of the KGaA. This flexibility in particular has enabled the Company to establish the Shareholder Committee that – as the central representative body of the shareholders – is respon-

sible 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 such 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 KGaA Hueck & Co. 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 Partners, the Shareholder Committee and the Supervisory Board as of 31 May 2016, which has been published on the Company's website under hella.com/declarationofconformity and is reproduced below.

1. Group management by the General Partners

Group management consists of Dr. Jürgen Behrend as Managing General Partner and the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH with its 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 KGaA Hueck & Co. Shareholder Committee, which codetermines the significant guidelines for business by means of this process.

Pursuant to the Articles of Association, the General Partners are jointly responsible for the management of the Company's business. Important decisions, in particular the corporate strategy and decisions going beyond the day-to-day operations, are made jointly by the General Partners after consultation between Dr. Jürgen Behrend und Dr. Rolf Breidenbach, whereas the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH, headed by its CEO Dr. Breidenbach, are responsible for the operational implementation of the strategy and conducting the day-to-day business. In accordance with the Articles of Association and at the request of a General Partner, the Shareholder Committee decides over any differences of opinion between the General Partners concerning management actions. However, in accordance with the Company's Articles of Association, this does not apply as long as Dr. Jürgen Behrend acts as Managing General Partner; in this case, he has the casting vote. In this respect, he is ultimately responsible for all management issues.

The Annual General Meeting is responsible for appointing and removing 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 Partners' consent. Pursuant to the Articles of Association, Dr. Behrend may terminate his function as Managing General Partner effective as per the end of a calendar quarter, giving three months' notice to the Shareholder Committee. 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. The Articles of Association stipulate that Dr. Behrend has the right to make proposals for such appointments and removals, and can ultimately veto any such decision.

2. Supervisory Board: competencies, functions and committees

The role of the Supervisory Board is to advise and supervise the General Partners in their conduct of the Company's business. In this respect, the competencies of the Supervisory Board of HELLA KGaA Hueck & Co. 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. Also, it has no power to issue rules of procedure for the Company's Management Board and cannot 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. 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 Partners to increase the share 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 Paul Berger. 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. 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. 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 pre-

prepares the Supervisory Board's decisions on the approval of the annual financial statements and consolidated financial statements. For this purpose, it is responsible for conducting an initial review of the annual financial statements, the consolidated financial statements, the management reports and the proposal for the appropriation of distributable profit. 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 has taken 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 Partners in their conduct of the Company's business and can issue rules of procedure for them. In addition, it determines which of the General Partners' transactions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the General Partners, and it represents the Company in legal disputes with the General Partners.

The Shareholder Committee exercises all rights attached to the Company's shares in HELLA Geschäftsführungsgesellschaft mbH. In particular, it is responsible for the appointment and removal of the Managing Directors and the provisions of their service agreements. However, the Articles of Association stipulate that Dr. Behrend has the right to make proposals for such appointments and removals, and can ultimately veto any such decision.

Furthermore, the Shareholder Committee may issue rules of procedure for the Management Board of HELLA Geschäftsführungsgesellschaft mbH. 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 Wenner, 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, as well as on the individual total remuneration of the other General Partners 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 Partners and the service agreements of the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH.

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

The General Partners, 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 Partners, and for important business transactions and measures which are defined by the Shareholder Committee in the rules of procedure for the General Partners, the consent of the Shareholder Committee must be obtained. The Supervisory Board is also responsible for supervising the management. For this purpose, the General Partners submit reports on a periodic basis and the Supervisory Board exercises information and inspection rights.

5. Objectives regarding the composition of the Supervisory Board and of the Shareholder Committee

a) Content of the objectives

The Supervisory Board and the Shareholder Committee have specified objectives regarding their future composition, taking into account the specifics of the enterprise. These objectives are to be taken into account by the bodies in their respective elec-

tion proposals in the case of the next scheduled reappointment or before the end of a member's term of office. This applies mutatis mutandis in the case of judicial appointments.

→ In their respective composition, the Supervisory Board and the Shareholder Committee shall 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 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, when determining their respective composition, the Supervisory Board and the Shareholder Committee take into account potential conflicts of interest of the members.

→ 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. 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 shareholders or any of its affiliates, which could give rise to a material conflict of interest that is not merely temporary.

→ When determining their respective composition, the Supervisory Board and the Shareholder Committee 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, have not yet completed 75 years of age. Election as member of the Shareholder Committee shall be possible for the last time in the year in which the member completes 70 years of age.

→ In their respective composition, the Supervisory Board and Shareholder Committee consider first and foremost the professional and personal qualification of future members. In this context, they also consider diversity and seek an appropriate degree of female representation.

b) Status of implementation of objectives

In its current composition, the Shareholder Committee meets all of the aforesaid objectives. The current composition of the Supervisory Board, too, also meets all of the aforementioned objectives except for the objective regarding the age limit. In the opinion of the Supervisory Board, the Chairman of the Audit Committee (Klaus Kühn), in particular, belongs to the independent board members in accordance with the recommendation of Section 5.3.2 Sentence 3 DCGK.

Notwithstanding any self-imposed target, the mandatory minimum composition of 30 % each of men and women pursuant to Section 96 (2) AktG shall apply to the composition of the Supervisory Board in the case of new elections and nominations as of 1 January 2016. 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 representatives nor the employee representatives have objected to the overall fulfillment of the quota requirement.

6. Composition of the issued capital/shareholders' rights

The share 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 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 KGaA Hueck & Co. 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 Partners. Shareholders whose aggregate shareholding reaches one-twentieth of the share 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 proportionate 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 share 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 wording.

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

According to the notifications received by the Company, 60.00 % of the Company's voting rights (a total of 66,666,669 no par values shares) were pooled as of 31 May 2016 by way of a pool agreement of the family members who are shareholders of HELLA KGaA Hueck & Co. 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 may be terminated subject to notice for the first time as of 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.

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

According to the notifications received by the Company, as per 31 May 2016, the members of the pool agreement of the family shareholders of HELLA KGaA Hueck & Co. held a total of 60.00 % of the Company's voting rights as a pooled shareholding. In addition, the members of the pool agreements also hold shares that do not form part of the pool. As at 31 May 2016, only one member of the pool agreement held a direct shareholding in HELLA KGaA Hueck & Co. of more than 10 % of the voting rights (Laura Behrend, Lippstadt, Germany).

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

9. Authorised capital/authorisation to buy back shares

In accordance with Article 5 (4) of the Articles of Association, the General Partners are authorised to increase the share 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 Partners are authorised to exclude, with the approval of the Supervisory Board and the Shareholder Committee, the shareholders' subscription rights as follows: firstly, in case of a capital increase against contributions in kind for the purpose of acquiring a business, parts of a business or participations in a business or other assets; secondly, 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 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 fulfillment of their option or conversion obligation; thirdly, if the notional value of the new shares in the share capital does not exceed 10% of the share 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 share 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 AktG must be included in the calculation; and fourthly, for the avoidance of fractional shares.

The General Partners are 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 share capital existing at the time the authorisation is exercised. The acquisition is made at the discretion of the General Partners 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 Partners are 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 KGaA Hueck & Co. resulting from convertible bonds or bonds with warrants or similar instruments, or 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.

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

HELLA KGaA Hueck&Co. 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 1.25% bond maturing in September 2017 with a nominal value of € 300 million and a 2.375% bond maturing in January 2020 with a nominal value of € 500 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 KGaA Hueck&Co. and the rat-

ing is lowered on account of this within 120 days of the change of control. In addition, HELLA KGaA Hueck & Co. has been granted a syndicated cash credit facility of € 450 million on which it has not yet drawn. This facility expires on 1 June 2021 and is also subject to a change-of-control clause, under which the creditors may terminate the facility and call in all outstanding amounts if a person or a group of persons acting jointly gains control of HELLA KGaA Hueck & Co. 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 management (General Partners and Managing Directors of HELLA Geschäftsführungsgesellschaft mbH) 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 KGaA Hueck & Co. and HELLA Geschäftsführungsgesellschaft mbH and the rules of procedure for the General Partners and HELLA Geschäftsführungsgesellschaft mbH. In addition, the Management Board acts in accordance with the requirements set by the compliance guidelines, its Code of Conduct, its resolutions and other corporate rules.

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

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

For our corporate culture, too, customer satisfaction is the point of departure and prime objective. 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 our corporate culture consists of seven basic values, which we have 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 give rise to basic rules of behaviour which we have anchored in our Code of Conduct. They are binding on all Group employees all over the world. The Code of Conduct brings together the basic rules on ethical dealings that apply within the HELLA Group 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 our self-perception, which is to meet our responsibility towards our company in relation to shareholders and society and to live up to the expectations of our 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 competition law.

Compliance – i. e. adherence to statutory and internal Company provisions – is an integral part of our corporate culture, forms a basis for our business activities and is a prerequisite for sustained corporate success. The HELLA Corporate Compliance Office is 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, enhancing the HELLA compliance system, and are responsible for the topics of antitrust law, anti-corruption legislation and capital market law. They report regularly to the Management Board and to the Audit Committee of the Supervisory Board; the Chief Compliance

Officer reports to the Chairman of the Management Board. 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 data protection, export control/customs), specialist functions within the HELLA Group are responsible as central technical compliance divisions; they have been performing this task competently for a long time with the support of the Compliance Office. The compliance organisation is supplemented by a Compliance Board and the local compliance officers, who are responsible for compliance measures within the individual companies. Permanent members of the Compliance Board, which meets regularly as an advisory and decision-making body, include the Chief Compliance Officer, the Head of the Compliance Office and the heads of the following business areas: Corporate Finance, Risk Management, Corporate Audit, Corporate Communications and HR.

In addition to the basic elements of compliance organisation, targets, culture and communications, the HELLA compliance system includes the pillars of the compliance programme which must be developed (further) for each compliance issue: risk analysis, information/instruction (prevention), checks and detection as well as reaction.

Worldwide in-class events and Internet-based training (e-learning), directives and other publications together with advice in day-to-day operations 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 our continuous compliance management.

Alongside the establishment and expansion of the HELLA compliance system and the HELLA compliance organisation, one focus of the compliance measures in the past fiscal year was on the implementation of Internet-based training. The worldwide rollout of the e-learning module "Code of Conduct and compliance fundamentals" with a focus on anti-corruption legislation and "antitrust law" was largely completed. The "Code of Conduct" module has been successfully completed by some 15,300 employees so far (of which around 5,100 employees in the past fiscal year), while around 2,800 employees have concluded the "antitrust law" module, which was tailored for a smaller target group. As a rule, new employees are automatically invited to the e-learning training courses. In the area of antitrust law we also focused on Group-wide communication of the guidelines concerning dealings with competitors and corresponding training courses. In the past fiscal year, we also adopted a Code of Conduct for suppliers and service providers, which helps ensure that operations within HELLA's value-added chain are in line with international standards and conventions. Our expectations of our suppliers and service providers (and their employees) with regard to working conditions, health and safety, as well as the environment and business ethics, which are based on internationally accepted principles and summarised in the Supplier Code of Conduct.

In the area of capital market compliance, the Capital Market Compliance Committee and an Ad-hoc Committee ensure that potential insider information is handled in line with statutory provisions within HELLA as well as general adherence to the requirements of capital market legislation arising from HELLA's IPO in 2014.

HELLA also established a data protection management system, which it uses for the purposes of adequately addressing existing and future risks that arise when handling personal, customer and supplier data. The fundamental structures of the data protection management system follow the guidelines of the HELLA compliance system and shape the data protection guidelines within the scope of the programme. The data protection organisation comprises on the one hand a central Corporate Data Privacy Office, whose head reports directly to the CEO and specifies the objectives, strategies, frameworks and fundamental processes. On the other hand, data protection coordinators are trained as data protection supervisors at the various locations, in order to perform the tasks required at the respective locations.

In the last fiscal year, the focus was on realigning the system and establishing its organisational and technical principles. Besides selecting and training the local data protection coordinators for the German locations, a new data protection directive was adopted, which regulates the minimum standard for handling personal data throughout the entire Group. Furthermore, a software solution was implemented to systematically document the tasks with respect to the data protection management system.

Further details on the corporate philosophy and the principles of corporate governance can be found on the Internet at www.hella.com/corporateresponsibility.

III. Determinations regarding female representation pursuant to Section 76 (4) and Section 111 (5) AktG

The Management Board of HELLA KGaA Hueck & Co. has determined a target level of 9% for female representation in the first management level below the Management Board. For the second management level below the Management Board, the target level was set at 5.6%. Both target levels are to be reached by 30 June 2017.

For the Supervisory Board, the quota pursuant to Section 96 (2) AktG applies, which the Supervisory Board already fulfills in its current composition. No further determinations by the Supervisory Board pursuant to Section 111 (5) 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.

IV. Application of the German Corporate Governance Code

The General Partners as well as the Shareholder Committee and Supervisory Board of HELLA KGaA Hueck & Co. publish 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 disclose any recommendations which are or have not been conformed to, stating the reasons for this. The General Partners as well as the Shareholder Committee and the Supervisory Board of HELLA KGaA Hueck & Co. published the declaration below in accordance with Section 161 AktG on 31 May 2016 on the Company's website:

Declaration regarding the German Corporate Governance Code pursuant to Section 161 Stock Corporation Act (Aktiengesetz, "AktG")

The general partners (persönlich haftende Gesellschafter) as well as the shareholders' committee and the supervisory board of HELLA KGaA Hueck & Co. ("Company") declare, pursuant to Section 161 AktG, that since the last time this declaration was made on 28 May 2015, 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 5 May 2015 and 24 June 2014, taking into account the special features of its legal form as set out below.

I. Special features of the legal form

The DCGK is designed for companies in the legal form of a stock corporation or a European Company (SE) and does not take into account the special features of a limited partnership by shares (Kommanditgesellschaft auf Aktien, "KGaA"). Thus, a number of recommendations of the DCGK can be applied to HELLA KGaA Hueck & Co. only in a modified form. Important modifications follow from the special features of the legal form set out below:

1. Management

Unlike a stock corporation, which is managed by the board of directors (Vorstand), a KGaA is managed by its general partners. Their appointment and dismissal is not a responsibility of the supervisory board, but instead is a task of the general shareholders' meeting. The Company has two general partners, Dr. Jürgen Behrend and HELLA Geschäftsführungsgesellschaft mbH with its registered seat in Lippstadt. HELLA Geschäfts-

führungsgesellschaft mbH is represented by its managing directors Dr. Rolf Breidenbach (CEO and chairman of the management board), Markus Bannert, Dr. Wolfgang Ollig, Stefan Osterhage and Dr. Matthias Schöllmann. In contrast to the board of directors of a stock corporation, the appointment as managing director of HELLA Geschäftsführungsgesellschaft mbH is not limited in time. A chairman or speaker of the company's management only exists in relation to the managing directors of HELLA Geschäftsführungsgesellschaft mbH but not among the general partners. The shares in HELLA Geschäftsführungsgesellschaft mbH are held by the Company. The shareholder rights attaching to these shares are exercised by the shareholders' committee.

2. Shareholders Committee

The legal form of a KGaA, as opposed to that of a stock corporation, makes it possible to create further optional corporate bodies. The Company took advantage of this opportunity. The shareholders' committee, which has been created by the Company's articles of association and is elected by the general shareholders' meeting, supervises and advises the general partners in their conduct of business and can issue rules of procedure for them. In addition, it determines which of the general partners' business decisions require its prior consent. It has management powers and power of representation for the legal relationship between the Company and the general partners, and it represents the Company in legal disputes with the general partners. Following a request by a general partner, the shareholders' committee decides over any disagreement between the general partners concerning management actions. However, according to the Company's articles of association,

this does not apply as long as Dr. Jürgen Behrend acts as general partner; in this case, he has the casting vote.

The shareholders' committee exercises the rights attached to the Company's shares in HELLA Geschäftsführungsgesellschaft mbH. In particular, it appoints and removes the managing directors and determines the terms and conditions of their service agreements. However, the articles of association stipulate that Dr. Jürgen Behrend has the right to make proposals for such appointments and removals and can ultimately veto any such decision.

Furthermore, the shareholders' committee may issue rules of procedure for the managing directors of HELLA Geschäftsführungsgesellschaft mbH. The shareholders' committee is also responsible for executing shareholders' resolutions.

To the extent the DCGK contains recommendations relating to tasks and responsibilities of the supervisory board which, in the case of HELLA KGaA Hueck & Co., are fulfilled by the shareholders' committee, such recommendations are deemed to apply to the shareholders' 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. Also, it has no power to issue rules of procedure for the Company's management and cannot determine which business decisions require its consent.

4. General shareholders' meeting

The legal status of the general shareholders' meeting is not dissimilar to that of a stock corporation. In particular, it elects the members of the supervisory board and of the shareholders' committee. To the extent legally permitted, resolutions of the general shareholders' meeting are adopted by a simple majority vote. In contrast to a stock corporation, the general shareholders' meeting of HELLA KGaA Hueck & Co. has the exclusive power to approve the annual unconsolidated financial statements.

According to the Stock Corporation Act (AktG), certain resolutions of the general shareholders' meeting would require the consent of the general partners (see Section 285 para. 2 AktG and Section 286 para. 1 AktG). However, this consent requirement has been rendered inapplicable by the articles of association of HELLA KGaA Hueck & Co. 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 unconsolidated financial statements cannot be approved without the general partners' consent. According to the articles of association, the general partners declare their consent when submitting their resolution proposals on the annual unconsolidated financial statements to the general shareholders' meeting.

II. Deviations from Recommendations of the DCGK

1. Time period from the last declaration on 28 May 2015 until the announcement of the amended DCGK on 12 June 2015

In the time period from the last declaration on 28 May 2015 until 12 June 2015, the following recommendations of the DCGK, as applicable until that date, were not complied with:

a) Deviating from Section 4.2.2 para. 2, sentence 3, the shareholders' committee has not considered the relationship between the compensation of the Company's executive management (i. e., the compensation of Dr. Jürgen Behrend and the managing directors of HELLA Geschäftsführungsgesellschaft mbH) and that of senior management and the staff overall. The responsibilities of the individual members of the Company's executive management, his/her personal performance, the economic situation and the performance of the Group, and the compensation 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 Company's management 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. The defined benefit pension plan for Dr. Jürgen Behrend has been established already in 1987 and amended and extended in 2014. Against this background, defining a level of provision is therefore not considered useful or practicable.

c) On October 31, 2014, the general shareholders' meeting has resolved that no individualized disclosure of the remuneration granted to the Company's executive management shall be made pursuant to Sections 285 No. 9 a) sentence 5 et seq. and

314(1) No. 6 a) sentence 5 et seq. of the German Commercial Code (Handelsgesetzbuch). 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, the objectives adopted by the shareholders' committee and the supervisory board regarding their respective composition do not stipulate a concrete appropriate degree of female representation. Although both corporate bodies intend to pay due regard to aspects of diversity and female representation when making their respective recommendations to the general shareholders' meeting for elections of their respective members, they ultimately consider knowledge, ability and experience to be more relevant selection criteria than gender.

2. Time period since the announcement of the amended DCGK on 12 June 2015

In the period since 12 June 2015, the recommendations set forth under II. 1. a) through c), which have thus remained unchanged, have not been complied with for the reasons given in each case. In addition, deviating from the newly introduced Section 5.4.1 para. 2, sentence 1, the shareholders' 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 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 shareholders' 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.

3. Forward-looking Part

The general partners as well as the shareholders' committee and the supervisory board of HELLA KGaA Hueck & Co. intend to continue to deviate from the recommendations set forth under II. 1. a) through c) and under II. 2. for the reasons given above.

III. Further Notes

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 compensation components, and those components shall be related to demanding, relevant comparison parameters. While the Company's annual cash bonus is calculated as a fixed percentage of the Group's consolidated earnings before taxes (EBT) and does not retroactively penalize deteriorations in this performance measure over a multi-year period, the Company's LTI base amount is tied to demanding targets for the Group's return on invested capital and is withheld over a period of three financial years, during which it may decrease and be reduced to zero or increase, respectively, on account of deteriorations or improvements in the return on invested capital and/or the consolidated earnings before taxes. The Company considers this sufficient in light of Section 4.2.3 para. 2 sentences 4 and 7 DCGK. The corresponding declarations of conformity by HELLA KGaA Hueck & Co. can be found at www.hella.com/declarationofconformity.

V. Directors' dealings/shareholdings

of members of the governing bodies

Pursuant to Section 15a WpHG, the Managing General Partners (including the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH), the members of the Supervisory Board and the Shareholder Committee, as well as related persons, are required to disclose notifiable dealings with shares of HELLA KGaA Hueck & Co. or related financial instruments, if the value of the dealings made by the member of the governing body and related persons in the calendar year reaches or exceeds the sum of € 5,000. The transactions notified to the Company in the fiscal year under review were duly published and are available on the website at www.hella.com/directorsdealings.

According to the notices received by the Company, the following members of its governing bodies held shares in the Company which either directly or indirectly were greater than 1 % of the shares issued by the Company as at 31 May 2016: Management Board: Dr. Jürgen Behrend (0.76 % or including related parties: 4.02 %); Supervisory Board: Laura Behrend (10.19 %), Manuel Frenzel (1.66 %) and Christoph Thomas (0.98 % or including related parties: 2.71 %); Shareholder Committee: Moritz Friesenhausen (3.66 %) and Roland Hammerstein (3.90 %). All in all, the Managing General Partners (including the managing directors of HELLA Geschäftsführungsgesellschaft mbH) hold 4.03 %, the members of the Supervisory Board 16.56 % and the members of the Shareholder Committee 8.99 % of the shares in HELLA KGaA Hueck & Co. (including related parties in all cases).

Remuneration report

The remuneration report contains information on the remuneration systems for the Managing General Partner Dr. Jürgen Behrend and the Managing Directors of HELLA Geschäftsführungsgesellschaft as well as for the members of the Supervisory Board and of the Shareholder Committee of HELLA KGaA Hueck & Co. It 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). The information required by Section 314 (1) Number 6 a Sentences 5–8 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 passed a dispensation resolution within the meaning of Section 286 (5) Sentence 1 HGB in connection with Section 314 (2) Sentence 2 HGB. The Company will refrain from disclosing the information recommended by Section 4.2.5 (3) and (4) DGCK in its remuneration report for as long as a corresponding dispensation resolution remains in force.

I. Remuneration of the Managing General Partner Dr. Jürgen Behrend and of the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH

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 two components: a fixed non-performance-related component (plus non-performance-related remuneration in kind and ancillary benefits) and a variable performance-related component. Additionally, there are pension commitments by the Company to Dr. Jürgen Behrend and the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH.

Up until 10 November 2014, the performance-related component consisted solely of an annual cash bonus calculated as a fixed percentage of the Group's consolidated earnings before taxes (EBT) for the relevant fiscal year adjusted for exceptional effects. In addition, a minimum cash bonus independent of EBT was granted. Effective 10 November 2014, immediately before the date on which the Company was listed on the stock exchange for the first time (11 November 2014), a new remuneration system was put in place for Dr. Jürgen Behrend and the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH to supplement the performance-related remuneration with a long-term variable remuneration component (long-term incentive, LTI).

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. Contrary to this, Dr. Jürgen Behrend does not

receive an annual fixed salary but solely an annual minimum cash bonus. This minimum cash bonus is adjusted annually in line with the changes in the basic salary of a federal civil servant within the B 3 salary group (highest seniority) subject to an annual review by the Shareholder Committee.

The remuneration in kind and other ancillary benefits primarily consist of the private use of a company car and the reimbursement of certain costs incurred by Managing Directors who are seconded abroad. Furthermore, Dr. Jürgen Behrend and 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 1.5 times their annual fixed salary or (in Dr. Jürgen Behrend's case) the minimum cash bonus.

2. Performance-related remuneration components

a) Short-term variable remuneration (annual cash bonus)

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 under Section 277 (4) HGB). In this connection, a minimum bonus amount not tied to EBT is granted. The bonus is paid once per fiscal year.

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

The long-term variable remuneration (long-term incentive, LTI) 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 EBT, 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 tax to 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 assets less liabilities carried on the face of the balance sheet excluding current and non-current financial liabilities for the reporting period.

The LTI bonus payable is calculated as follows: first, an LTI basic bonus is calculated for each fiscal year as a percentage of the fixed salary of each Managing Director or, in Dr. Jürgen Behrend's case, as a percentage of the minimum cash bonus. The percentage of the LTI basic bonus 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). Payment of the LTI bonus to the Managing Directors is deferred until after a period of three fiscal years following the fiscal year for which the LTI basic bonus 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 basic bonus 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 basic bonus, while every decrease by the same amount leads to a corresponding decrease in the LTI basic bonus. 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 bonus. In addition, it is not netted against a future positive LTI bonus.

c) Remuneration caps/settlement arrangements for early termination of appointment

In connection with the introduction of the new remuneration system on 10 November 2014, the Company defined a remuneration cap, under which the annual bonus and the LTI bonus together are subject to a maximum equalling six times the applicable annual fixed salary or, in Dr. Jürgen Behrend's case, six times the minimum bonus. The Shareholder Committee of HELLA KGaA Hueck & Co. may at its own discretion make a positive or negative adjustment if it is of the opinion that the calculation of the variable remuneration component does not adequately reflect the Company's business performance in view of extraordinary effects.

d) Pension commitments

The Company has also made pension commitments to the Managing Directors. A defined benefit pension plan has been created for Dr. Jürgen Behrend. Claims under this plan arise when Dr. Jürgen Behrend relinquishes the position of Managing General Partner or passes away (in which case his surviving widow is the beneficiary).

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. 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 at the Company's discretion either be invested internally within the HELLA Group or externally in one or more investment funds. If they are invested internally, the return is based on the Company's EBIT or a similar indicator which is revised annually by the Company. In the case of an external investment, the return is based on the performance of the investment in question. In any case, a minimum interest rate is guaranteed. As a general rule, the pension plan is dissolved on 31 May of the year following the Managing Director's 58th birthday. 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 pre-dating 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, it is entitled to terminate the service agreement. 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 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 bonuses less remuneration in kind and other ancillary benefits for the last full fiscal year prior to the termination of the appointment plus the LTI bonus payable after the expiry of the last full fiscal year.

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 basic bonus is also calculated on a time-proportionate basis for the year of termination.

If the Company waives the Managing Director's services and revokes his appointment without simultaneously terminating the service agreement, the income received from any other activity is deducted in full from the amounts payable by the Company.

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 2015/2016

The total remuneration (excluding pension commitments) paid to the Managing General Partner Dr. Jürgen Behrend and the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH came to € 17,516 thousand in fiscal year 2015/2016 (prior year: € 18,622 thousand). Of this, fixed remuneration accounted for € 2,950 thousand (prior year: € 2,910 thousand) and variable remuneration for € 14,566 thousand (prior year: € 14,688 thousand).

Remuneration in kind and other ancillary benefits came to a total of € 238 thousand in fiscal year 2015/2016 (prior year: € 274 thousand). Remuneration in kind was measured on the basis of actual cost. The present value of the pension liabilities (defined benefit obligation) for the active Managing Directors (Dr. Jürgen Behrend and the Managing Directors of HELLA Geschäftsführungsgesellschaft mbH) came to € 19,917 thousand on 31 May 2016 (prior year: € 17,512 thousand). The fair value of the plan assets established for this purpose stood at € 9,941 thousand (prior year: € 7,559 thousand), resulting in the recognition of an amount of € 9,976 thousand (prior year: € 9,953 thousand).

Provisions for the pension liabilities towards former members of the Management Board and their surviving dependants came to € 8,990 thousand (prior year: € 9,604 thousand). This was partially transferred to Allianz Pensionsfonds AG. The net liabilities recognised for this group of people stands at € 4,001 thousand (prior year: € 4,408 thousand).

In addition, settlement amounts of € 6,720 thousand (prior year: € 0) were paid in fiscal year 2015/2016.

4. Liability remuneration for HELLA Geschäftsführungsgesellschaft mbH

Under Article 8 of the Articles of Association, HELLA Geschäftsführungsgesellschaft mbH as a General Partner receives liability remuneration of 5% of its paid-in capital payable on the reporting 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 € 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 € 400 thousand in fiscal year 2015/2016 (prior year: € 397 thousand). Of this, fixed remuneration accounted for € 350 thousand (prior year: € 351 thousand) and committee remuneration for € 50 thousand (prior year: € 46 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.

The chairman of the Supervisory Board, Prof. Dr. Michael Hoffmann-Becking, is a partner in a law firm which provides legal advisory services to HELLA KGaA Hueck & Co. and the Group in several different fields of law, including company law, capital market law, employment law and competition law. In fiscal year 2015/2016, the Group was billed a total of € 456 thousand plus value added tax for these advisory services (prior year: € 2,401 thousand plus value added tax). The advisory services provided in fiscal year 2015/2016 particularly included the preparation and execution of the Annual General Meeting of HELLA KGaA Hueck and Co. In addition, Christoph Thomas, a member of the Supervisory Board, who owns an architecture office, received fees of € 93 thousand (prior year: € 134 thousand) for the provision of advisory and coordination services. No other payments or benefits were granted to members of the Supervisory Board for products and services, in particular for advisory and placement services.

The following table sets out the individual remuneration paid to the members of the Supervisory Board in fiscal year 2015/2016.

€	Fixed remuneration		Remuneration for committee work		Total remuneration	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Prof. Dr. Michael Hoffmann-Becking, Chairman	40,000.00	38,356.17	10,000.00	12,410.96	50,000.00	50,767.13
Alfons Eilers, Deputy Chairman	30,000.00	29,178.09	0	0	30,000.00	29,178.09
Heidrun Altstädt	0	3,123.29	0	0	0	3,123.29
Laura Behrend	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Paul Berger	20,000.00	20,000.00	10,000.00	9,178.08	30,000.00	29,178.08
Michaela Bittner	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Heinrich-Georg Bölter	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Manuel Rodriguez Cameselle	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Dr. Heinz Günther Focken	0	6,465.75	0	0	0	6,465.75
Reinhold Franze	0	6,465.75	0	0	0	6,465.75
Manuel Frenzel	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Elisabeth Fries	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Eugenie Friesenhausen	0	6,465.75	0	0	0	6,465.75
Heinz Hemmis	0	3,342.47	0	0	0	3,342.47
Stephanie Hueck	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Susanna Hülsbömer	20,000.00	20,000.00	0	0	20,000.00	20,000.00
Klaus Kühn	20,000.00	13,589.04	20,000.00	11,890.41	40,000.00	25,479.45
Werner Lenke	0	9,698.63	0	3,232.88	0	12,931.51
Manfred Menningen	20,000.00	20,000.00	10,000.00	9,178.08	30,000.00	29,178.08
Dr. Matthias Röpke	0	6,465.75	0	0	0	6,465.75
Marco Schweizer	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Hans Sudkamp	0	6,465.75	0	0	0	6,465.75
Dr. Konstanze Thämer	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Christoph Thomas	20,000.00	13,589.04	0	0	20,000.00	13,589.04
Konstantin Thomas	0	6,465.75	0	0	0	6,465.75

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.

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 2015/2016 (prior year: € 868 thousand plus value added tax). Of this, fixed remuneration accounted for € 900 thousand (prior year: € 868 thousand) and remuneration for committee work for € 0 thousand (prior year: € 0 thousand).

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, in fiscal year 2015/2016.

The following table sets out the individual remuneration paid to the members of the Shareholder Committee in fiscal year 2015/2016.

€	Fixed remuneration		Remuneration for committee work		Total remuneration	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Manfred Wennemer, Chair	300,000.00	300,000.00	0	0	300,000.00	300,000.00
Moritz Friesenhausen	100,000.00	67,945.21	0	0	100,000.00	67,945.21
Roland Hammerstein	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Dr. Gerd Kleinert	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Klaus Kühn	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Dr. Matthias Röpke	100,000.00	100,000.00	0	0	100,000.00	100,000.00
Konstantin Thomas	100,000.00	100,000.00	0	0	100,000.00	100,000.00

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Consolidated income statement

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

€ thousand	Notes	2015/2016	2014/2015
Sales	09	6,351,889	5,834,691
Cost of sales	10	-4,663,691	-4,280,770
Gross profit		1,688,198	1,553,921
Research and development costs	11	-623,459	-543,931
Distribution costs	12	-493,913	-455,459
Administrative costs	13	-218,239	-196,869
Other income and expenses	14	13,918	16,298
Contribution to earnings from investments accounted for using equity method	29	52,979	55,336
Other income from investments		308	207
Net operating profit/loss (EBIT)		419,792	429,503
Financial income	15	32,515	38,453
Financing costs	15	-72,027	-74,331
Net financial result		-39,512	-35,878
Earnings before income taxes (EBT)		380,280	393,625
Taxes on income	16	-108,419	-98,172
Earnings for the period		271,861	295,453
of which attributable:			
to the owners of the parent company	36	268,500	286,995
to non-controlling interests	36	3,361	8,458
Undiluted earnings per ordinary share in €	18	2.42	2.70
Diluted earnings per ordinary share in €	18	2.42	2.70

Consolidated statement of comprehensive income

(after-tax view)

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

€ thousand	2015/2016	2014/2015
Earnings for the period	271,861	295,453
Currency translation differences	-80,215	115,514
Changes realised in equity	-80,215	117,957
Gains recognised in profit or loss	0	-2,443
Financial instruments for cash flow hedging	24,038	-25,333
Changes realised in equity	24,499	-39,443
Losses recognised in profit or loss	-461	14,100
Change in fair value of financial instruments available for sale	-7,344	6,022
Changes realised in equity	-10,307	5,924
Losses recognised in profit or loss	2,963	98
Share of other comprehensive income attributable to associates and joint ventures	-13,583	23,677
Items that were or can be transferred to profit or loss	-63,521	96,203
Revaluation from defined benefit pension plans	5,017	-22,633
Share of other comprehensive income attributable to associates and joint ventures	-99	-1,029
Items never transferred to profit or loss	5,017	-22,633
Other comprehensive income for the period	-58,504	73,570
Comprehensive income for the period	213,357	369,023
of which attributable:		
to the owners of the parent company	210,593	360,032
to non-controlling interests	2,764	8,991

See also Note 30 for details of tax effects.

Consolidated statement of financial position

of HELLA KGaA Hueck & Co. as at 31 May

€ thousand	Notes	31. May 2016	31. May 2015
Cash and cash equivalents	21	585,134	602,744
Financial assets	22	328,790	405,077
Trade receivables	23	937,471	839,322
Other receivables and non-financial assets	24	146,376	152,010
Inventories	25	607,584	608,853
Current tax assets		26,783	24,504
Non-current assets held for sale	26	2,924	3,357
Current assets		2,635,062	2,635,867
Intangible assets	27	225,021	220,861
Property, plant and equipment	28	1,697,539	1,612,331
Financial assets		17,033	19,653
Investments accounted for using equity method	29	261,448	266,768
Deferred tax assets	30	122,954	118,562
Other non-current assets	31	36,244	42,905
Non-current assets		2,360,239	2,281,080
Assets		4,995,301	4,916,947
Financial liabilities	35	86,880	100,221
Trade payables	32	633,818	573,893
Current tax liabilities		57,923	45,776
Other liabilities	33	558,043	556,934
Provisions	34	65,259	72,644
Current liabilities		1,401,923	1,349,468
Financial liabilities	35	1,064,789	1,038,886
Deferred tax liabilities	30	25,767	24,882
Other liabilities	33	193,284	236,371
Provisions	34	330,888	357,646
Non-current liabilities		1,614,728	1,657,785
Subscribed capital	36	222,222	222,222
Reserves and unappropriated surplus	36	1,750,563	1,658,016
Equity before non-controlling interests	36	1,972,785	1,880,238
Non-controlling interests	36	5,865	29,456
Equity		1,978,650	1,909,694
Equity and liabilities		4,995,301	4,916,947

Consolidated cash flow statement

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

€ thousand	Notes	2015/2016	2014/2015
Earnings before income taxes (EBT)		380,280	393,625
+ Depreciation and amortisation		395,753	336,193
+/- Change in provisions		-22,233	16,126
+ Payments received for series production		83,120	130,518
- Non-cash sales transacted in previous periods		-101,086	-89,816
- Other non-cash income		-59,703	-53,185
+ Losses from the sale of non-current assets		4,168	2,851
+ Net financial result		39,512	35,878
- Increase in trade receivables and other assets not attributable to investing or financing activities		-115,088	-128,979
- Increase in inventories		-34,264	-8,428
+ Additions to trade payables and other liabilities not attributable to investing or financing activities		121,707	39,978
+ Interest received		12,346	8,130
- Interest paid		-32,978	-46,109
+ Tax refunds received		12,766	6,181
- Taxes paid		-122,049	-118,892
+ Dividends received		39,903	35,851
= Net cash flow from operating activities		602,153	559,922
+ Cash proceeds from the sale of property, plant and equipment		9,048	16,458
+ Cash proceeds from the sale of intangible assets		4,940	3,602
- Payments for the purchase of property, plant and equipment		-489,869	-429,489
- Payments for the purchase of intangible assets		-70,735	-68,449
+ Repayments of loans from associates or unconsolidated companies		4,866	2,545
- Payments for loans granted to associates or unconsolidated companies		-4,147	-682
- Payments for the acquisition of subsidiaries, less cash received		0	-405
+ Cash proceeds from the liquidation of a non-consolidated company		103	0
+ Cash proceeds from the sale of shares in associates		0	21,505
- Capital in associates		0	-16,927
+ Cash proceeds from capital decrease in investments accounted for using equity method		2,766	13,200
= Net cash flow from investing activities		-543,028	-458,642
- Repayment of bond issued in October 2009		0	-200,002
- Payments for the repayment of financial liabilities		-59,427	-231,309
+ Cash proceeds from borrowing	35	68,556	134,912
+ Payments made for acquiring shares of non-controlling interests		-57,789	-14,786
- Payments made for the purchase and sale of securities		68,477	-49,741
- Dividend paid	36	-86,612	-59,060
+ Net cash proceeds from shares issued		0	272,456
= Net cash flow from financing activities		-66,795	-147,530
= Net change in cash and cash equivalents		-7,670	-46,250
+ Cash and cash equivalents as at 1 June		602,744	637,226
+/- Effect of exchange rate fluctuations on cash and cash equivalents		-9,941	11,768
= Cash and cash equivalents as at 31 May		585,134	602,744

See also Note 37 for details of the cash flow statement.

Consolidated statements of changes in equity

of HELLA KGaA Hueck & Co.

€ thousand	Subscribed capital	Capital reserve	Currency translation reserve	Cash flow hedge reserve
As at 1 June 2014	200,000	0	-33,397	-63,838
Earnings for the period	0	0	0	0
Other comprehensive income for the period	0	0	114,897	-25,254
Comprehensive income for the period	0	0	114,897	-25,254
Issue of new capital against cash contributions	22,222	255,556	0	0
Issuing costs	0	-5,322	0	0
Distribution to shareholders	0	0	0	0
Changes in ownership interest in subsidiaries	0	0	5	0
Transactions with shareholders	22,222	250,234	5	0
As at 31 May 2015	222,222	250,234	81,505	-89,092
Earnings for the period	0	0	0	0
Other comprehensive income for the period	0	0	-79,631	24,045
Comprehensive income for the period	0	0	-79,631	24,045
Distributions to shareholders	0	0	0	0
Changes in ownership interest in subsidiaries	0	0	-181	0
Transactions with shareholders	0	0	-181	0
As at 31 May 2016	222,222	250,234	1,693	-65,047

See also Note 36 for information on equity.

	Reserve for financial instruments held for sale	Revaluation from defined benefit pension plans	Other retained earnings/ profit carried forward	Reserves and unappropriated surplus	Equity before non-controlling interests	Non-controlling interests	Equity
	4,447	-48,276	1,253,246	1,112,182	1,312,182	29,879	1,342,061
	0	0	286,995	286,995	286,995	8,458	295,453
	6,022	-22,628	0	73,037	73,037	533	73,570
	6,022	-22,628	286,995	360,032	360,032	8,991	369,023
	0	0	0	255,556	277,778	0	277,778
	0	0	0	-5,322	-5,322	0	-5,322
	0	0	-55,500	-55,500	-55,500	-3,560	-59,060
	0	0	-8,937	-8,932	-8,932	-5,854	-14,786
	0	0	-64,437	185,802	208,024	-9,414	198,610
	10,469	-70,904	1,475,804	1,658,016	1,880,238	29,456	1,909,694
	0	0	268,500	268,500	268,500	3,361	271,861
	-7,344	5,023	0	-57,907	-57,907	-597	-58,504
	-7,344	5,023	268,500	210,593	210,593	2,764	213,357
	0	0	-85,556	-85,556	-85,556	-1,056	-86,612
	0	0	-32,309	-32,490	-32,490	-25,299	-57,789
	0	0	-117,865	-118,046	-118,046	-26,355	-144,401
	3,125	-65,881	1,626,439	1,750,563	1,972,785	5,865	1,978,650

01 Basic information

HELLA KGaA Hueck & Co. (HELLA KGaA) and its subsidiaries (collectively referred to as the "Group") develop and manufacture lighting technology and electronics components and systems for the automotive industry. 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 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, Lippstadt.

The consolidated financial statements of HELLA KGaA for fiscal year 2015/2016 (1 June 2015 to 31 May 2016) 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), and as adopted by the EU. The consolidated financial statements are accompanied by a Group management report and the additional disclosures required by Section 315a of the German Commercial Code (Handelsgesetzbuch – HGB). The comparative values of the prior fiscal 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 19 July 2016. 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 10 August 2016.

02 Scope of consolidation

In addition to HELLA KGaA Hueck & Co., all significant domestic and foreign subsidiaries that are directly or indirectly controlled by HELLA are consolidated. Material joint ventures are included in the consolidated financial statements using the equity method of accounting. The number of consolidated companies changed primarily due to intra-group mergers, newly incorporated companies and disposals.

Number	31 May 2016	31 May 2015
Fully consolidated companies	95	101
Companies accounted for using the equity method	57	52

The main subsidiaries are set out below:

Company	Country	City	Share of equity (%)	
			2015/2016	2014 / 2015
Changchun HELLA Automotive Lighting Ltd.	China	Changchun	100	100
HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100	100
FTZ Autodele & Værktøj A/S ¹	Denmark	Odense	100	79
HELLA Fahrzeugkomponenten GmbH	Germany	Bremen	100	100
HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100	100
INTER-TEAM Sp. z o.o. ¹	Poland	Warsaw	100	50
HELLA Romania s.r.l.	Romania	Ghiroda-Timisoara	100	100
HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kocovce	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 Notes.

¹Please refer to Note 36.

03 Principles of consolidation

If the reporting date of a subsidiary is not the same as that of HELLA 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 initial 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 already held on the acquisition date and the equity components 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 interest in the acquired company is to be measured at its fair value or in accordance with the share which it holds 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. The accounting and measurement methods applied by subsidiaries have been modified where necessary to ensure consistent accounting within the Group.

04 Currency translation

Changes in the fair value of financial securities that are denominated in a foreign currency and classified as available for sale are split into currency translation differences arising from changes in amortised cost, which are recognised in the income statement, and other changes in their carrying amount, which are recognised within equity.

Currency translation differences for non-monetary items, changes in which are recognised at fair value in the income statement (e.g. equity instruments measured at fair value in the income statement), 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 assets, changes in which are recognised at fair value within equity (e.g. equity instruments classified as available for sale), are included in the revaluation reserve.

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 KGaA Hueck & Co.

The net profit/loss and items of the statement of financial position 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 reporting 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 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	
	2015/2016	2014/2015	31 May 2016	31 May 2015
€ 1 = US dollar	1.1098	1.2219	1.1154	1.0970
€ 1 = Czech koruna	27.0722	27.5781	27.0220	27.4010
€ 1 = Japanese yen	131.2057	137.2846	123.8300	135.9500
1 € = Mexican peso	18.9342	17.1488	20.5185	16.8433
€ 1 = Chinese renminbi	7.1136	7.5619	7.3363	6.7994
€ 1 = South Korean won	1,296.2668	1,305.1421	1,326.1100	1,220.3100
€ 1 = Romanian leu	4.4647	4.4301	4.5108	4.4425
1 € = Danish krone	7.4575	7.4516	7.4376	7.4597

05 Changes in accounting methods

The Group has applied the following revised standards and a newly issued interpretation that have been endorsed by the EU as European law and are subject to mandatory application for the first time:

Improvements to IFRS 2011 – 2013

Amendments have been made to four standards as part of the annual improvement project. Adjustments to the wording of individual IFRSs served the purpose of clarifying the existing guidance. This concerned IFRS 1 “First-time adoption of International Financial Reporting Standards”, IFRS 3 “Business Combinations”, IFRS 13 “Fair Value Measurement”, and IAS 40 “Investment Properties”. The amendments were applied for the first time in accounting periods that commenced on or after 1 January 2015. There was no impact on the consolidated financial statements.

Amendment to IAS 19: Defined Benefit Plans – Employee Contributions

The amendments to IAS 19 “Employee Benefits” clarified the guidance relating to the allocation of employee or third-party contributions to service periods if the contributions are linked to the service period. In addition, they provided for accounting conveniences if the contributions are independent of the number of years of service. The amendments were applied for the first time in accounting periods that commenced on or after 1 February 2015. There was no impact on the consolidated financial statements.

Improvements to IFRS 2010 – 2012

Amendments have been made to seven standards as part of the annual improvement project. Adjustments to the wording of individual IFRSs served the purpose of clarifying the existing guidance. In addition, some revisions affected the disclosures required in the notes. This concerned IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, IAS 16 “Property, Plant and Equipment”, IAS 24 “Related Party Disclosures” and IAS 38 “Intangible Assets”. The amendments were applied for the first time in accounting periods that commenced on or after 1 February 2015. There was no impact on the consolidated financial statements.

IFRIC 21: Levies

The newly issued interpretation IFRIC 21 “Levies” provides guidance on the recognition of a liability to pay levies imposed by a government. It applies to levies that are recognised in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as well as levies whose timing and amount are known. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy under the applicable legislation. It does not apply to levies that come within the scope of another IFRS or penalties resulting from a breach of the applicable laws. There was no impact on the consolidated financial statements.

06 New accounting standards not yet applied

The following amendments to existing standards which have been endorsed as EU law must be applied to accounting periods commencing on or after 1 January 2016. The HELLA Group will apply the amendments to the revised standards from the next fiscal year 2016/2017. The Group has not yet applied or included these standards in the consolidated financial statements for fiscal year 2015/2016 in accordance with EU requirements.

Amendments to IAS 16 and IAS 41: Bearer plants

These amendments bring bearer plants which are used in the production of agricultural produce into the scope of IAS 16 "Property, Plant and Equipment" and simultaneously remove them from the scope of IAS 41 "Agriculture". The application of these amendments will not have any impact on the consolidated financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

These modifications to IFRS 11 "Joint Arrangements" provide guidance on accounting for acquisitions of interests in joint operations that represent a business operation within the meaning of IFRS 3 "Business Combinations". In such cases, the buyer is required to apply the principles for accounting for business combinations in accordance with IFRS 3. So far, the HELLA Group only holds investments in joint ventures within the scope of IFRS 11. Accordingly, the application of these amendments will initially not have any impact on the consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" provide guidance on determining acceptable methods of depreciation and amortisation. Accordingly, revenue-based depreciation methods are not permitted for property, plant and equipment and revenue-based amortisation methods are only allowed for intangible assets in certain exceptional cases (rebuttable presumption of inadequacy). The application of these amendments will not have any impact on the consolidated financial statements.

Improvements to IFRS 2012–2014

Amendments have been made to four standards as part of the annual improvement project. These provided clarification on four standards, including IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Contributions to Defined Benefit Plans" and IAS 34 "Interim Financial Reporting". Adjustments to the wording of the individual IFRSs serve the purpose of clarifying the existing guidance. In this context, IFRS 5 will be extended to include specific provisions on the accounting of assets classified as held for distribution to owners. The application of these amendments will not have any impact on the consolidated financial statements.

Amendments to IAS 1: Disclosure Initiative

The adjustments to IAS 1 "Presentation of Financial Statements" concern various reporting issues. They clarify that disclosures in the notes are only necessary provided they are material to the reporting company. This also expressly applies if a standard specifies a list of minimum disclosures. Furthermore, explanations are to be provided on the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income. IAS 1 also requires the additional disclosure of profit or loss and other comprehensive income that is attributable to associates and joint ventures accounted for using the equity method. The application of these amendments will not have any impact on the consolidated financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendment to IAS 27 "Separate Financial Statements" allows the equity method of accounting to be used for measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The application of these amendments will not have any impact on the consolidated financial statements.

In addition to the amendments outlined above, the IASB has adopted new or changed accounting guidance. EU endorsement is still pending. 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 14: Regulatory Deferral Accounts

IFRS 14 "Regulatory Deferral Accounts" permits first-time adopters of IFRS to continue to account, with some limited changes, for regulatory deferral accounts in accordance with the previously applied GAAP upon adoption of IFRS. IFRS 14 must be applied to accounting periods commencing on or after 1 January 2016. As the standard is only relevant for first-time adopters of IFRS, it does not have any impact on the consolidated financial statements.

IFRS 9: Financial Instruments

IFRS 9 "Financial Instruments" will be replacing the existing standard IAS 39 "Financial Instruments: Recognition and Measurement". It introduces a new approach for the classification of financial instruments based on the contractual cash flows of the financial instrument and the business model within which it is being held. The guidance for recognising impairments will be based on an expected loss model in the future. In addition, IFRS 9 revises the guidance on hedge accounting, which is oriented more closely to the reporting entity's risk management. These amendments must be applied to accounting periods commencing on or after 1 January 2018. The possible impact of IFRS 9 on the consolidated financial statements is currently being analysed.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" eliminate an inconsistency between the two standards. In its current form, IFRS 10 requires full profit or loss recognition when a par-

ent sells a subsidiary to an associate or joint venture. On the other hand, IAS 28 in its present form requires the profit or loss from the transaction between the entity and its associate or joint venture to be recognised only to the extent of the share in this company. In the future, the entire profit or loss from the transaction will only be recognised if the assets sold or contributed constitute a business as defined in IFRS 3 "Business Combinations". If these assets do not constitute a business, only the pro rata profit or loss is recognised. The date on which the modifications to IFRS 10 and IAS 28 are to be applied for the first time has been postponed indefinitely by the IASB. The possible impact on the consolidated financial statements is currently being analysed.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interest in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" clarify the application of the exception from the consolidation of subsidiaries. Under these amendments, a company may also apply the exemption from the duty to prepare consolidated financial statements if its ultimate or intermediate parent prepares IFRS financial statements in which the subsidiaries are measured at their fair value. In addition, a subsidiary that provides services related to its parent's investment activities is not consolidated if the subsidiary itself is an investment entity. The amendments clarify that if the equity method is applied to an associate or a joint venture that is an investment entity the parent that is not an investment entity can retain the fair-value measurement which the associate or joint venture applies to its subsidiaries. A parent that is an investment entity and measures all its subsidiaries at their fair value must provide the disclosures relating to investment entities required by IFRS 12. These amendments must be applied to accounting periods commencing on or after 1 January 2016. The application of these amendments is not expected to have any material impact on the consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" replaces the current guidance on the recognition of revenue in IAS 18 "Revenue" and IAS 11 "Construction Contracts". By issuing IFRS 15, the IASB intends to combine the extensive guidance on revenue within a single standard. 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 involves determining the transaction prices and to 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. Criteria are defined to determine whether the performance obligation is satisfied over time or at a point in time. The new standard must be applied to accounting periods commencing on or after 1 January 2018. The impact on the consolidated financial statements is currently being analysed.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 "Leases", which replaces IAS 17 "Leases" and the related interpretations. IFRS 16 primarily changes the manner in which the lessee accounts for leases. In addition to abolishing the distinction between finance and operating leases, the amended guidance requires all assets and liabilities under leases to be recognised in the statement of financial position except in the case of short-term or low-value leases. There is no material change in the recognition requirements for lessors compared with IAS 17. The new standard must be applied to accounting periods commencing on or after 1 January 2019. The impact on HELLA's consolidated financial statements is currently being analysed.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12: "Income Taxes" clarify the recognition of deferred tax assets for unrealised losses on assets meas-

ured at fair value. Accordingly, unrealised losses on assets which are measured at their fair value and for which no corresponding adjustments are made for tax purposes result in deductible temporary differences. In addition, the adjustments permit a more precise calculation of taxable income for the recognition of deferred tax assets. These amendments must be applied to accounting periods commencing on or after 1 January 2017. The application of these amendments is not expected to have any material impact on the consolidated financial statements.

Amendments to IAS 7: Disclosure Initiative

The purpose of the amendments to IAS 7 "Statement of Cash Flows" is to improve the information conveyed to users of the financial statements on the cash flow from financing activities. Companies must now prepare a statement reconciling the opening with the closing balances in the statement of financial position for liabilities arising from financing activities. These amendments must be applied to accounting periods commencing on or after 1 January 2017. They will result in additional disclosures in the notes.

Amendments to 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". These amendments must be applied to accounting periods commencing on or after 1 January 2018. The impact on HELLA's consolidated financial statements is currently being analysed.

07 Basis of preparation and accounting

Revenue recognition

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.

Revenues 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.

Interest income is recognised on a pro rata basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

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 area in which they are primarily incurred. If the functional area performs services for which the economic benefit arises in another functional area, such expenses are allocated on a pro rata basis to the functional area 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

Undiluted 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.

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 accounting period 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 production 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	25 years
Equipment and machinery	8 years
Production equipment	3–5 years
Operating and office equipment	8 years

The residual carrying amounts and expected useful lives are reviewed and, if necessary, adjusted on each reporting 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 line item 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 expenditure 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 is included in the carrying amount of the investment 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. Impairment losses are not reversed. Gains and losses from the sale of an entity include the carrying amount of the goodwill allocated to such entity. 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 are recognised as intangible assets in accordance with IAS 38 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 costs are recognised in the income statement. Advances or reimbursements from customers are deducted from reported development costs upon receipt; advances collected in the follow-up periods after the start of use are reported as disposals in the consolidated statement of changes in assets. Capitalised development costs are amortised on a straight-line basis over their expected useful life starting with the date on which the product goes into commercial production. Amortisation is calculated on a straight-line basis over an 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 reporting date to test whether the impairment must be reversed. The impairments and reversals of impairments are included in the cost of sales.

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 costs and the expected cost until completion.

Cash and cash equivalents

Cash and cash equivalents comprise cash and sight deposits.

Equity**Subscribed capital**

The limited partner shares issued by the Company are classified as equity. The various issues of profit participation rights 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 capital reserves. Costs directly attributable to the issuance of new shares are recognised in equity net after tax as a deduction from the capital reserves.

Currency translation reserve

The currency translation reserve comprises all foreign currency translation differences stemming from the translation of the consolidated financial statements of foreign business divisions as well as the effective portion of any foreign currency translation differences arising as a result of hedges of a net capital expenditure in a foreign business division.

Cash flow hedge reserve

The cash flow hedge reserve 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 financial instruments held for sale

The reserve for financial instruments held for sale contains the cumulative net changes in the fair value of financial assets held for sale until the derecognition or impairment of such assets.

Revaluation from defined benefit pension plans

Revaluations of net debt stemming from defined benefit pension 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.

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 reporting 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 at 31 May of the respective year under review; in Germany, the calculations are based on the 2005 G actuarial tables of Klaus Heubeck.

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.

Actuarial gains and losses arise from increases or decreases either in the present value of the defined benefit liabilities of the plan 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 revaluations 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 benefits

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 benefits 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 reporting date are discounted to calculate their present value.

Profit-sharing and other bonuses

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 legal or constructive obligation based on past business practice.

Provisions

Provisions are recognised if the Group has a present legal or constructive obligation resulting from a past event, it is probable 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 guarantees), 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 expense 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 individual warranty claims that have arisen or been asserted. 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).

HELLA creates provisions for severance payments likely to be paid, if it is liable for the early termination of employment contracts and HELLA is unable to withdraw from this liability.

Provisions for 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 reporting date.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset for one entity and, at the same time, a financial liability or equity instrument for another. 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 IAS 39.

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 assets are assigned to one of the following four categories:

1. Financial assets recognised in the income statement at fair value (or "held for trading")
2. Held-to-maturity financial assets
3. Loans and receivables
4. Available-for-sale financial assets

Financial assets recognised in the income statement at fair value

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 as well as 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. If such contracts include embedded derivative financial instruments that are required to be separated, these are accounted for separately from the executory contracts. The changes in the fair values of the embedded derivative financial instruments are recognised in the income statement.

Held-to-maturity financial assets

Held-to-maturity financial assets are initially recognised at their fair value plus directly attributable acquisition costs. They are subsequently measured at amortised cost using the effective interest method.

At the reporting 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 their fair value plus directly attributable 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 the impairment of an asset may include the deterioration of a debtor's credit quality and associated payment delays or imminent insolvency. All impairments are recognised indirectly via an impairment account. Within the HELLA Group, this measurement category largely consists of trade receivables and certain other assets.

The accounting and measurement methods 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 market value on the reporting date. The market price is used to determine the fair value of publicly traded financial assets. 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 direct impairment is taken to profit and loss.

Impairment losses are recognised via 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 if and as soon as receivables are irrecoverable or it is probable that they cannot be recovered but only if the amount of the impairment can be reliably determined. An impairment must be recognised in the event of any objective evidence such as protracted default, the commencement of debt recovery actions, pending insolvency or overindebtedness or the petition for or commencement of insolvency proceedings. 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 market value cannot be reliably determined. The shares and bonds stated under securities are marked to the market.

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 and measurement methods for the derivative financial liabilities measured at market 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 "other liabilities 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 obligations are settled, reversed or expired.

Derivative financial instruments

The HELLA Group uses derivative financial instruments to hedge financial risks. Derivative financial instruments are recognised on the date on which the corresponding contract is executed irrespective of their purpose and measured at fair value both initially and subsequently. The derivatives are measured on the basis of observable current market data using appropriate valuation 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 reporting 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 calcu-

lated at the reporting date for each single interest rate, currency and interest rate/currency swap transaction. The counterparty's creditworthiness is usually included in the assessment on the basis of observable market data.

Depending on whether the derivatives have a positive or negative market 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 2015/2016. For this reason, borrowing costs were recognised directly as expenditure within the period.

Leases

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. A lease liability is recognised in the same amount.

Each lease payment is split into an interest component and a reduction of the outstanding liability so that interest is applied consistently to the lease liability. The interest component of the lease payment is recognised as an expense in the income statement. The asset 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.

Dividend distributions

Shareholder claims to dividend distributions are recognised as a liability in the period in which the corresponding resolution is adopted.

08 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 and measurement methods 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 adjustment to the carrying amount of assets and liabilities in the following fiscal year are discussed below.

Estimated goodwill impairment

In accordance with the accounting and measurement principles 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 Note 27).

Estimated impairment of property, plant and equipment and intangible assets

The Group tests intangible assets 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. 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 Notes 27 and 28). The underlying forecasts are based on experience as well as expectations regarding future market developments, particularly assumed sales volumes.

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 Note 16).

Fair value of derivative and other financial instruments

The fair value of financial instruments not traded on an active market (e.g. 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

reporting date. The Group uses present value methods to determine the fair value of numerous assets available for sale that are not traded on an active market (see Note 40).

Critical assessments concerning the use of accounting and measurement methods

The Group complies with the provisions of IAS 39 to determine the impairment of assets available for sale. This decision requires an extensive assessment to be made. As part of this assessment, the Group appraises the duration and extent of any difference between the fair value of an investment and its historical cost as well as the financial position and short-term business prospects of the entity in which the investment was made, among other things, taking into account such factors as industry and sector conditions.

09 Sales

Sales in fiscal year 2015/2016 amounted to € 6,351,889 thousand (prior year: € 5,834,691 thousand). Sales are attributable entirely to the sale of goods and performance of services.

They can be classified as follows:

€ thousand	2015/2016	2014/2015
Sales from the sale of goods	6,183,634	5,665,641
Sales arising from the rendering of services	168,255	169,050
Sales total	6,351,889	5,834,691

Sales by region (based on the headquarters of HELLA's customers):

€ thousand	2015/2016	2014/2015
Germany	2,362,337	2,152,284
Eastern Europe	643,383	610,033
Rest of Europe	1,416,097	1,261,289
North and South America	936,640	886,866
Asia/Pacific	956,258	885,425
RoW	37,174	38,794
Consolidated sales	6,351,889	5,834,691

The prior-year sales have been adjusted due to a more precise regional breakdown. Please refer to Note 20 "Segment reporting" for further information on sales.

10 Cost of sales

In the fiscal year € 4,663,691 thousand (prior year: € 4,280,770 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 period under review amounted to € 56,303 thousand (prior year: € 61,427 thousand), with currency losses at € 63,681 thousand (prior year: € 49,869 thousand). Gains and losses from the disposal of fixed assets amounted to € 742 thousand (prior year: € 4,271 thousand) and € 4,910 thousand (prior year: € 7,122 thousand) respectively.

€ thousand	2015/2016	2014/2015
Cost of materials	-3,308,416	-3,025,733
Personnel expenses	-650,777	-674,008
Depreciation/amortisation	-326,020	-267,117
Other	-371,291	-297,167
Reclassification of functional costs	-7,187	-16,745
Cost of sales	-4,663,691	-4,280,770

11 Research and development costs

The research and development costs include expenses for future sales and mainly consist of personnel expenses and material

costs. The reported expenditure in the fiscal year was € 623,459 thousand (prior year: € 543,931 thousand).

€ thousand	2015/2016	2014/2015
Cost of materials	-57,939	-35,770
Personnel expenses	-371,874	-355,383
Depreciation/amortisation	-15,979	-17,529
Other	-113,754	-78,111
Reclassification of functional costs	-63,913	-57,138
Research and development costs	-623,459	-543,931

12 Distribution costs

The distribution costs 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 costs is carried out at Group level as well as within individual companies.

€ thousand	2015/2016	2014/2015
Cost of materials	-8,400	-6,093
Personnel expenses	-226,801	-216,901
Depreciation/amortisation	-12,316	-10,208
Other	-236,077	-213,735
Reclassification of functional costs	-10,319	-8,522
Distribution costs	-493,913	-455,459

13 Administrative costs

The administrative costs recognised cover all central functions that are not directly related to production, development, or dis-

tribution. These essentially consist of the financial, human resources, IT, and similar departments.

€ thousand	2015/2016	2014/2015
Cost of materials	-44,324	-51,459
Personnel expenses	-186,097	-182,773
Depreciation/amortisation	-37,842	-34,871
Other	-317,570	-264,478
Reclassification of functional costs	367,594	336,712
Administrative costs	-218,239	-196,869

14 Other income and expenses

Other income amounted to € 48,577 thousand in fiscal year 2015/2016 (prior year: € 52,074 thousand). This also includes € 6,472 thousand (prior year: € 3,136 thousand) in government grants, release of provisions of € 2,446 thousand (prior year: € 1,301 thousand) and insurance indemnification of € 1,231 thousand (prior year: € 4,663 thousand).

Other expenses of € 34,659 thousand (prior year: € 35,776 thousand) include an amount of € 19,789 thousand due to the loss of a supplier in China (see also comments in management report). In addition to the impairment of € 5,611 thousand (prior year: € 4,620 thousand) of goodwill (see also Note 27), other expenses

include further cross-function costs of € 14,178 thousand. The reclassification of function costs reflected in other income and expenses came to € 286,175 thousand in the fiscal year (prior year: € 280,727 thousand).

In addition, the voluntary severance and partial retirement programme launched in June 2013 resulted in total costs of € 9,432 thousand (prior year: € 15,382 thousand) in the period under review. This cost is reported in the other expenses outside the functional areas; in addition, this item is not allocated to any segment.

15 Net financial result

Currency gains of € 14,080 thousand (prior year: € 19,975 thousand) are reported in other financial income and, correspondingly, currency losses of € 37,655 thousand (prior year: € 33,378 thou-

sand) incurred in financial transactions are reported in other financing costs.

€ thousand	2015/2016	2014/2015
Interest income	12,330	12,863
Income from securities and other loans	6,105	5,615
Other financial income	14,080	19,975
Financial income	32,515	38,453
Interest expenses	-34,372	-40,953
Other financing costs	-37,655	-33,378
Financing costs	-72,027	-74,331
Net financial result	-39,512	-35,878

16 Income taxes

€ thousand	2015/2016	2014/2015
Actual income tax expenses	-119,119	-114,019
Deferred taxes	10,700	15,847
Total income taxes	-108,419	-98,172

Of actual income taxes, € – 15,945 thousand is attributable to prior years (prior year: € – 4,956 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 a tax rate of 30% for German companies. The tax rates outside Germany range from 10% to 38.43%.

The development of the actual taxes on income derived from the expected tax expense is shown below. A tax rate of 30% (prior year: 30%) is taken as a basis.

€ thousand	2015/2016	2014/2015
Earnings before tax	380,280	393,625
Expected tax expense	-114,084	-118,088
Utilisation of previously unrecognised loss-carryforwards	2,806	0
Reversal of previously unrecognised temporary differences	728	1,294
Unrecognised deferred tax assets	-17,256	-11,767
Subsequent recognition of deferred tax assets	17,681	22,182
Deferred tax assets from outside basis differences	-1,416	-13,275
Tax effect of changes in tax rates and laws	30	-306
Tax-free income effects	3,440	10,586
Associates accounted for using the equity method	15,894	14,177
Tax effect of non-deductible operating expenses	-14,098	-9,292
Tax effect for prior years	-15,945	-4,956
Non-deductible foreign withholding tax	-3,575	-4,508
Change in tax rate	16,803	16,461
Other	573	-680
Effective tax expense	-108,419	-98,172

Of the deferred tax assets subsequently recognised, € 9,152 thousand (prior year: € 13,531 thousand) are attributable to loss carryforwards in the USA. A better positioning in this region and suc-

cessful restructuring measures brought about an improvement in the results of operations of the companies there, meaning that this item is likely to be used.

17 Personnel

The average number of employees in the companies included in the consolidated financial statements totals 35,201 (prior year: 34,085) during fiscal year 2015/2016.

Number	2015/2016	2014/2015
Direct employees	8,687	8,609
Indirect employees	24,021	22,875
Permanent employees	32,708	31,484
Temporary employees	2,493	2,601
Total employees	35,201	34,085

The average number of permanent employees in the HELLA Group in fiscal year 2015/2016 was 32,708 (prior year: 31,484). 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 449 during the fiscal year (prior year: 442). "Temporary employees" comprises employees from a fully consolidated company.

Permanent employees in the HELLA Group by region:

€ thousand	2015/2016	2014/2015
Germany	9,656	9,681
Rest of Europe	12,720	11,740
North and South America	4,551	4,436
Asia/Pacific/RoW	5,781	5,627
Permanent workforce worldwide	32,708	31,484

Personnel expenses (including temporary employees) can be broken down as follows:

€ thousand	2015/2016	2014/2015
Wages and salaries	1,164,906	1,139,162
Social security and pension contributions	270,642	289,903
Total	1,435,548	1,429,065

18 Earnings per share

Undiluted earnings per share are calculated by dividing the share of earnings attributable to the shareholders of HELLA KGaA Hueck & Co. by the weighted average number of ordinary shares issued.

An issue of new capital on 7 November 2014 increased the number of outstanding shares by 11,111,112 to 111,111,112.

In this respect, 100,000,000 no-par value shares were included in the 2014/2015 weighting during the period from 1 June 2014 to 6 November 2014, and 111,111,112 no-par value shares in the period from 7 November 2014 (daily balance calculation).

Undiluted earnings per share amounted to € 2.42 and are equivalent to diluted earnings per share.

Number of shares	31 May 2016	31 May 2015
Weighted average number of shares in circulation during the period		
Ordinary shares, undiluted	111,111,112	106,270,929
Ordinary shares, diluted	111,111,112	106,270,929
€ thousand	2015/2016	2014/2015
Share of profit attributable to owners of the parent company	268,500	286,995
€	2015/2016	2014/2015
Earnings per share, undiluted	2.42	2.70
Earnings per share, diluted	2.42	2.70

19 Appropriation of earnings

The Management Board will propose to the Annual General Meeting of HELLA KGaA Hueck & Co. that a dividend of € 0.77 per share be distributed from the net profit reported in the separate financial statements prepared for the parent company under commercial

law for fiscal year 2015/2016, with the remainder of the net profit carried forward. The proposed dividend represents a distribution amount of € 85,556 thousand.

20 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 Lighting and Electronics business divisions are reported together in the Automotive segment. Both business divisions serve a similar customer base worldwide. Consequently, both segments are subject to broadly similar economic cycles and market developments. In addition, the individual products have comparable lifecycles. Original Equipment provides lighting and electronics components to automobile manufacturers and other tier-1 suppliers worldwide through an integrated distribution network. The product portfolio of the Lighting business division includes headlamps, signal lamps, interior lamps, and lighting electronics. The Electronics business division focuses on the product areas of body electronics, energy management, as well as

driver assistance systems and components (e.g. sensors and engine compartment actuators). The Automotive segment develops, produces and sells vehicle-specific solutions, and develops and brings to market technological innovations. The margins attainable within the segment are mainly dependent on the respective technology used, and to a lesser extent on customers, regions, and products.

The Aftermarket business segment is responsible for the trade in automotive parts and accessories, and the wholesale business. The trade product portfolio includes service parts for the Lighting, Electrical, Electronics, and Thermal Management segments. In addition, the automotive parts and accessories businesses and garages receive sales support through a modern, rapid information and ordering system, as well as through competent technical service. The Aftermarket segment makes only limited use of the Automotive segment's resources, and largely produces the independently developed items in its own plants.

The Special Applications segment comprises original equipment for special-purpose vehicles such as busses, caravans, agricultural and construction machinery, municipal vehicles and trailers. Technological competence is closely linked to 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.

The segments together generated sales of € 805,080 thousand (prior year: € 751,730 thousand) with a single customer in the year under review and therefore accounted for more than 10 % of consolidated sales.

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.

Sales as well as the net operating profit/loss before interest and income taxes (EBIT) are the key 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. Special items that are not included in the segment results are identified for the individual reporting periods. These special items are presented in the reconciliation table.

The segment information for fiscal years 2015/2016 and 2014/2015 is as follows:

€ thousand	Automotive		Aftermarket		Special Applications	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Sales with third-party companies	4,803,835	4,364,166	1,197,249	1,130,867	314,682	308,479
Inter-segment sales	38,983	226,418	49,491	56,014	1,172	1,316
Cost of sales	-3,671,482	-3,536,127	-831,126	-797,578	-211,988	-199,392
Gross profit	1,171,336	1,054,457	415,614	389,304	103,866	110,403
Research and development costs	-591,782	-511,637	-15,045	-15,634	-16,902	-16,661
Distribution costs	-116,193	-100,370	-310,504	-292,354	-67,107	-62,419
Administrative costs	-171,022	-150,959	-30,076	-26,713	-15,310	-14,877
Other income and expenses	4,455	13,952	13,507	12,235	434	2,450
Result of investments accounted for using the equity method	46,383	49,048	6,596	6,295	0	0
Earnings before interest payments and income taxes	343,177	354,492	80,092	73,133	4,981	18,896
Additions to non-current assets	447,753	388,689	28,118	26,440	16,316	11,363

Sales with external third parties in fiscal years 2015/2016 and 2014/2015 are as follows:

€ thousand	Automotive		Aftermarket		Special Applications	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Sales from the sale of goods	4,673,397	4,233,659	1,196,098	1,128,194	314,152	303,788
Sales arising from the rendering of services	130,439	130,507	1,152	2,673	529	4,691

Sales reconciliation:

€ thousand	2015/2016	2014/2015
Total sales of the reporting segments	6,405,412	6,087,260
Sales in other divisions	96,459	87,758
Elimination of intersegment sales	-149,982	-340,328
Consolidated sales	6,351,889	5,834,691

Reconciliation of the segment results with consolidated net profit/loss:

€ thousand	2015/2016	2014/2015
EBIT of the reporting segments	428,250	446,521
EBIT of other divisions	974	925
Unallocated income	-9,432	-17,943
Consolidated EBIT	419,792	429,503
Net financial result	-39,512	-35,878
Consolidated EBT	380,280	393,625

The voluntary partial retirement and severance payment programme that was initiated in June 2013 led to expense of € 9,432

thousand (prior year: € 17,943 thousand), which is attributable to income and expenses outside the reported segments.

Non-current assets by region:

€ thousand	2015/2016	2014/2015
Germany	904,262	902,246
Eastern Europe	671,772	603,567
Rest of Europe	82,100	84,905
North and South America	292,719	253,761
Asia/Pacific	406,271	433,568
RoW	3,115	3,033
Consolidated non-current assets	2,360,239	2,281,080

21 Cash and cash equivalents

The cash and cash equivalent items consist of cash and bank balances as well as checks.

22 Financial assets

€ thousand	31 May 2016		31 May 2015	
	Non-current	Current	Non-current	Current
Securities	175	328,117	149	402,778
Other investments	10,420	0	10,925	0
Loans	6,407	339	8,559	204
Other financial assets	31	334	20	2,095
Total	17,033	328,790	19,653	405,077

23 Trade receivables

Trade receivables of € 937,471 thousand include receivables due from associated, non-consolidated affiliated companies and companies in which an interest is held amounting to € 50,961 thou-

sand (prior year: € 45,898 thousand). Other non-current assets include non-current trade receivables amounting to € 29,661 thousand (prior year: € 38,347 thousand).

€ thousand	31 May 2016	31 May 2015
Trade receivables	50,961	45,898
with associates and equity investments	50,371	45,199
with affiliated companies not included in the consolidated financial statements	590	699

24 Other receivables and current non-financial assets

€ thousand	31 May 2016	31 May 2015
Other current assets	27,248	21,272
Insurance receivables	4,928	16,434
Positive market value of currency hedges	6,475	5,457
Subtotal other financial assets	38,651	43,163
Other non-financial assets	5,054	0
Advance payments	9,071	19,176
Prepaid expenses	26,151	18,890
Receivables for partial retirement	654	2,323
Advance payments to employees	2,251	1,953
Other tax receivables	64,544	66,505
Total	146,376	152,010

25 Inventories

Inventories are broken down as follows:

€ thousand	31 May 2016	31 May 2015
Raw materials and supplies	184,833	184,613
Unfinished goods	184,867	186,625
Finished goods	74,693	84,005
Merchandise	192,961	179,902
Other	8,690	2,779
Gross inventories	646,044	637,924
Advance payments received	-38,460	-29,071
Total inventories	607,584	608,853

The carrying amounts of the inventories recognised at fair value less cost of sales amounted to € 170,513 thousand (prior year: € 186,713 thousand).

Impairments amounting to € 12,032 thousand (prior year: € 14,565 thousand) were reversed in the past fiscal year, as the impaired

Overall, the following impairments on inventories were recognised:

€ thousand	2015/2016	2014/2015
Raw materials and supplies	18,809	15,173
Unfinished goods	3,611	4,918
Finished goods	7,918	4,183
Merchandise	8,010	8,389
Total inventories	38,348	32,663

The historical cost of inventories amounting to € 3,382,205 thousand (prior year: € 3,067,336 thousand) was recognised as

inventories were sold at higher values. Impairments and write-ups on inventory assets are recognised in the cost of sales.

Impairments of € 17,717 thousand (prior year: € 14,602 thousand) were recognised in the income statement in the year under review.

expenses in the period under review, as well as reductions in inventory of € 38,083 thousand (prior year: € 53,171 thousand).

26 Non-current assets held for sale

This item primarily comprises sites and buildings of disused production sites that are not assigned to any segment subject to reporting requirements. HELLA expects these sites and buildings to be sold within one year. In fiscal year 2015/2016, impair-

ments affecting profit and loss were made in the amount of € 433 thousand (prior year: € 2,560 thousand) and reported in the consolidated net profit/loss under other income and expenses.

27 Intangible assets

€ thousand	Capitalised development expenses	Goodwill	Acquired intangible assets	Total
ACQUISITION OR MANUFACTURING COSTS				
As at 1 June 2014	287,034	82,208	151,288	520,530
Changes in the scope of consolidation	0	0	1,844	1,844
Currency translation	3,974	2,625	1,099	7,698
Additions	49,414	1,557	19,035	70,006
Disposals	-4,908	0	-1,441	-6,349
As at 31 May 2015	335,514	86,390	171,825	593,729
CUMULATIVE DEPRECIATION AND AMORTISATION				
As at 1 June 2014	187,496	19,210	123,896	330,602
Currency translation	1,692	1,038	588	3,318
Additions	19,479	0	12,113	31,592
Disposals	-1,867	0	-905	-2,772
Recorded impairments	5,508	4,620	0	10,128
As at 31 May 2015	212,308	24,868	135,692	372,868
Carrying amounts 31 May 2015	123,206	61,522	36,133	220,861

€ thousand	Capitalised development expenses	Goodwill	Acquired intangible assets	Total
ACQUISITION OR MANUFACTURING COSTS				
As at 1 June 2015	335,514	86,390	171,825	593,729
Currency translation	-3,633	-1,974	-849	-6,456
Additions	55,067	0	15,668	70,735
Disposals	-14,998	-458	-1,639	-17,095
Reclassifications	-60	0	60	0
As at 31 May 2016	371,890	83,958	185,065	640,913
CUMULATIVE DEPRECIATION AND AMORTISATION				
As at 1 June 2015	212,308	24,868	135,692	372,868
Currency translation	-1,098	-930	-493	-2,521
Additions	22,533	0	16,948	39,481
Disposals	-10,287	-174	-1,633	-12,094
Recorded impairments	12,534	5,611	13	18,158
As at 31 May 2016	235,990	29,375	150,527	415,892
Carrying amounts 31 May 2016	135,900	54,583	34,539	225,021

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.

A discount rate of 7.11 % was applied in this connection. Intangible assets include carrying amounts of € 126 thousand (prior year: € 197 thousand) relating to finance leases. These serve as collateral for the finance lease liabilities. Please refer to Note 43 "Disclosures on leases" for additional information on future leasing payments.

Goodwill

Goodwill is broken down into the business segments as follows:

€ thousand	31 May 2016	31 May 2015
Automotive	6,729	12,816
Aftermarket	47,854	48,428
Special Applications	0	278
Total	54,583	61,522

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 subgroup.

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 market 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.

	Discount rates		Growth rates	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Automotive	7.84 % to 12.83 %	7.51 % to 15.33 %	1 % to 3 %	1 % to 3 %
Aftermarket	7.84 % to 18.41 %	7.51 % to 16.11 %	0 % to 3 %	1 % to 3 %

The risk-free interest rate applied is 1.29% (prior year: 1.29%) and the market risk premium (incl. country risk) ranges between 6.00% and 9.66% (prior year: between 6.00% and 9.75%). The inflation spreads applied ranged between -0.17% and 6.33% (prior year: between 0.0% and 7.17%).

The reduction in goodwill is attributable primarily to the goodwill impairment deriving from the lighting business of a company based in China. The company develops, produces and sells headlamps and rear combination lamps to international and local customers. Following the loss of a Chinese supplier the group unit was subjected to an impairment test and fully impaired as a result (€ 5,611 thousand). This impairment loss was reported under other income and expenses of the Automotive segment (see Note 14). The discount rate applied when determining the recoverable amount was 9.26% (prior year: 9.26%). Moreover, a company with goodwill totaling € 278 thousand in the Special Applications business segment was deconsolidated.

HELLA reports material goodwill in the amount of € 38,733 thousand (prior year: € 38,738 thousand) stemming from the CGU Hella Gutmann Holding GmbH. The significant valuation parameters for this CGU are a discount rate of 7.84% (prior year: 7.51%) and a growth rate of 2% (prior year: 2%). Sales growth of 4% (prior year: 6%) is anticipated during the detailed forecast period.

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. A sensitivity analysis performed for the business segments found 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 2016		31 May 2015	
	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Automotive segment				
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
- 1 percentage point	0	0	0	- 253
+ 1 percentage point	0	0	- 1,781	0
Aftermarket segment				
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
- 1 percentage point	0	0	0	- 1,768
+ 1 percentage point	0	0	- 6,743	0

28 Property, plant and equipment

€ thousand	Land and buildings	Technical equipment and machines	Production equipment	Other equipment, operating and office equipment	Assets under construction	Total
ACQUISITION OR MANUFACTURING COSTS						
As at 1 June 2014	672,493	1,816,607	1,011,453	421,616	223,190	4,145,359
Changes in the scope of consolidation	0	24	0	34	0	58
Currency translation	23,526	62,376	0	9,705	17,986	113,593
Additions	15,228	114,066	28,825	43,317	226,977	428,413
Disposals	-5,009	-40,815	-6,164	-17,299	-3,965	-73,252
Reclassifications	22,988	113,138	43,261	11,641	-191,028	0
As at 31 May 2015	729,226	2,065,396	1,077,375	469,014	273,160	4,614,171
CUMULATIVE DEPRECIATION AND AMORTISATION						
As at 1 June 2014	303,190	1,276,730	834,902	300,483	446	2,715,751
Changes in the scope of consolidation	0	0	0	0	0	0
Currency translation	6,671	35,307	0	6,240	4	48,222
Additions	23,882	155,017	69,832	40,407	0	289,138
Disposals	-1,466	-31,401	-4,997	-16,183	0	-54,047
Recorded impairments	0	2,776	0	0	0	2,776
Reclassifications	535	2,037	0	-2,167	-405	0
As at 31 May 2015	332,812	1,440,466	899,737	328,780	45	3,001,840
Carrying amounts 31 May 2015	396,414	624,930	177,638	140,234	273,115	1,612,331

€ thousand	Land and buildings	Technical equipment and machines	Production equipment	Other equipment, operating and office equipment	Assets under construction	Total
ACQUISITION OR MANUFACTURING COSTS						
As at 1 June 2015	729,226	2,065,396	1,077,375	469,014	273,160	4,614,171
Currency translation	-19,714	-49,347	-1,590	-15,022	-11,090	-96,763
Additions	34,504	124,124	58,747	37,219	235,361	489,955
Disposals	-11,646	-48,528	-51,874	-13,394	-3,496	-128,939
Reclassifications	13,890	6,805	236,298	-26,223	-230,770	0
As at 31 May 2016	746,260	2,098,450	1,318,956	451,594	263,165	4,878,425
CUMULATIVE DEPRECIATION AND AMORTISATION						
As at 1 June 2015	332,812	1,440,466	899,737	328,780	45	3,001,840
Currency translation	-4,507	-28,842	-1,132	-8,804	0	-43,285
Additions	22,592	165,601	102,102	37,337	0	327,632
Disposals	-9,183	-45,963	-48,917	-11,720	0	-115,783
Recorded impairments	0	8,242	1,857	133	250	10,482
Reclassifications	103	-107,759	122,717	-15,061	0	0
As at 31 May 2016	341,817	1,431,745	1,076,364	330,665	295	3,180,886
Carrying amounts 31 May 2016	404,443	666,705	242,592	120,929	262,870	1,697,539

Restrictions on the powers of disposition over property, plant and equipment exist in the form of land charges and assignments to the amount of € 2,629 thousand (prior year: € 2,871 thousand).

Property, plant and equipment include carrying amounts of € 913 thousand (prior year: € 3,571 thousand) relating to finance leases. Please refer to Note 43 "Disclosures on leases" for additional information on future leasing payments.

Impairments are recognised in the cost of sales. They are essentially caused by the changed general economic conditions in connection with the loss of the supplier in China (see also Note 14) and thus included in the Automotive segment.

29 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 joint ventures that were the basis for the at-equity measurement in the Group.

BHTC

Behr-Hella Thermocontrol Gruppe (BHTC) consists of eight 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.

	31 May 2016	31 May 2015
Share of equity (%)	50	50
€ thousand		
Cash and cash equivalents	34,693	42,420
Other current assets	98,024	90,665
Non-current assets	261,048	232,850
Total assets	393,765	365,935
Current financial liabilities	16,567	30,000
Other current liabilities	105,270	114,021
Non-current financial liabilities	106,630	41,059
Other non-current liabilities	33,077	30,097
Total liabilities	261,544	215,176
Net assets (100 %)	132,221	150,758
Proportional share of net assets	66,110	75,379
Sales	386,410	360,518
Scheduled depreciation and amortisation	-39,164	-31,575
Interest income	158	232
Interest expenses	-2,067	-1,750
Taxes on income	-9,152	-1,526
Earnings before interest and income taxes (EBIT)	27,517	26,397
Earnings for the period	16,457	23,353
Other comprehensive income for the period	-6,792	10,540
Comprehensive income for the period	9,665	33,893
Share of comprehensive income for the period	4,832	16,947
Dividends received	7,500	3,500

BHS

Behr Hella Service (BHS) comprises five companies that are controlled and reported together by Behr Hella Service GmbH in

Germany. It serves the global independent aftermarket for vehicle air conditioning and cooling spare parts and accessories.

	31 May 2016	31 May 2015
Share of equity (%)	50	50
€ thousand		
Cash and cash equivalents	4,701	20,342
Other current assets	64,367	53,996
Non-current assets	41,463	41,576
Total assets	110,531	115,914
Current financial liabilities	322	94
Other current liabilities	20,155	18,654
Non-current financial liabilities	40,000	40,000
Other non-current liabilities	413	395
Total liabilities	60,890	59,143
Net assets (100 %)	49,641	56,770
Proportional share of net assets	24,821	28,385
Sales	141,759	130,689
Scheduled depreciation and amortisation	-332	-548
Interest income	149	155
Interest expenses	-644	-741
Taxes on income	-4,852	-5,256
Earnings before interest and income taxes (EBIT)	17,491	18,581
Earnings for the period	11,863	12,884
Other comprehensive income for the period	-991	179
Comprehensive income for the period	10,872	13,063
Share of comprehensive income for the period	5,436	6,532
Dividends received	6,234	4,295

HBPO

Hella Behr Plastic Omnium (HBPO), consisting of 26 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.

	31 May 2016	31 May 2015
Share of equity (%)	33	33
€ thousand		
Cash and cash equivalents	43,554	46,353
Other current assets	260,925	212,610
Non-current assets	102,523	91,335
Total assets	407,002	350,298
Current financial liabilities	0	0
Other current liabilities	301,858	252,846
Non-current financial liabilities	0	0
Other non-current liabilities	8,975	7,531
Total liabilities	310,833	260,377
Net assets (100 %)	96,169	89,921
Proportional share of net assets	32,053	29,971
Sales	1,766,219	1,513,127
Scheduled depreciation and amortisation	- 18,256	- 16,676
Interest income	70	127
Interest expenses	- 274	- 65
Taxes on income	- 13,980	- 11,839
Earnings before interest and income taxes (EBIT)	52,682	44,136
Earnings for the period	40,171	33,820
Other comprehensive income for the period	- 3,923	2,858
Comprehensive income for the period	36,248	36,678
Share of comprehensive income for the period	12,081	12,225
Dividends received	10,000	9,999

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 2016	31 May 2015
100 % basis		
Sales	990,791	907,377
Earnings before interest and income taxes (EBIT)	63,730	70,267
Group's total carrying amount of share in associates of:		
Sales	433,658	418,955
Earnings before interest and income taxes (EBIT)	26,933	32,195
Share of consolidated net profit/loss for the period	20,530	29,978
Other consolidated net profit/loss for the period	- 5,922	9,169
Comprehensive income for the period recognised in the Group	14,608	39,147
Carrying amount of the remaining companies accounted for using the equity method	131,753	130,312

The financial information for all joint ventures and all associates is as follows:

€ thousand	31 May 2016	31 May 2015
100 % basis		
Sales	3,285,180	2,911,711
Earnings before interest and income taxes (EBIT)	161,420	161,177
Group's total carrying amount of share in associates of:		
Sales	1,286,424	1,168,884
Earnings before interest and income taxes (EBIT)	66,996	70,292
Share of consolidated net profit/loss for the period	52,979	55,336
Other consolidated net profit/loss for the period	-13,670	22,648
Comprehensive income for the period recognised in the Group	39,309	77,984

The share of losses not recognised for the aforementioned companies accounted for using the equity method is € 4,343 thousand (prior year: € 5,255 thousand). The recognised net assets of all joint ventures and all associates is broken down as follows:

€ thousand	31 May 2016	31 May 2015
Share of net assets attributable to BHTC	66,110	75,379
Share of net assets attributable to BHS	24,821	28,385
Share of net assets attributable to HBPO	32,053	29,971
Sum of assigned goodwill	7,140	7,140
Eliminations through consolidation	-429	-4,419
Net assets of material companies accounted for using the equity method	129,695	136,456
Group's carrying amount of the net assets of the other companies accounted for using the equity method	134,739	139,139
Goodwill and eliminations through consolidation	-2,986	-8,827
Net assets of other companies accounted for using the equity method	131,753	130,312
Investments accounted for using the equity method	261,448	266,768

€ thousand	31 May 2016	31 May 2015
Share of net assets at 1 June	266,768	239,516
Earnings for the period after intragroup eliminations	52,979	55,336
Other consolidated net profit/loss for the period	-13,682	22,648
Capital reduction	-2,766	-13,200
Capital contribution	0	16,927
Sale of shares	0	-19,306
Dividends	-41,852	-35,152
Share of net assets at 31 May	261,448	266,768

30 Deferred non-current tax assets/liabilities

The deferred tax assets of € 122,954 thousand (prior year: € 118,562 thousand) and deferred tax liabilities of € 25,767 thousand (prior year: € 24,882 thousand) mainly relate to differences from the tax balance sheet values. Before offsetting and impair-

ment, the current portion of the deferred tax assets and liabilities amounts to € 93,724 thousand and € -51,786 thousand, respectively (prior year: € 119,928 thousand and € -74,777 thousand).

The deferred tax assets and liabilities are broken down as follows:

€ thousand	31 May 2016		31 May 2015	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	16,381	35,172	6,028	31,666
Property, plant and equipment	31,481	67,352	37,756	63,976
Financial assets	5,382	2,255	1,046	3,139
Other non-current assets	513	232	0	1,547
Receivables	1,599	113	14,019	527
Inventories	14,666	2,630	12,504	8,753
Other current assets	4,826	13,365	4,155	16,275
Financial liabilities (non-current)	2,238	0	6	1,902
Provisions for pensions and similar obligations	52,910	3,914	55,345	969
Other provisions (non-current)	13,348	0	19,698	0
Other non-current liabilities	397	1,148	125	2,245
Liabilities	901	663	749	12,213
Other liabilities and deferred debts	65,907	34,695	83,246	34,414
Other current liabilities	5,825	320	4,455	2,594
Subtotal	216,374	161,859	239,132	180,221
Loss carryforwards	42,672	0	34,769	0
Netting	-136,092	-136,092	-155,339	-155,339
Total	122,954	25,767	118,562	24,882

It is guaranteed with 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 € 289,558 thousand as at 31 May 2016 (prior year: € 293,453 thousand). Future offsetting against tax-

able profits is unlikely. Of this amount, € 147,666 thousand will mature in the next five years, and € 141,893 thousand thereafter. Tax assets arising from temporary differences for which no deferred tax assets were recognised amounted to € 3,060 thousand at 31 May 2016 (prior year: € 1,728 thousand).

Deferred taxes that were recognised in other comprehensive income in the current period:

€ thousand	Before taxes	Tax income/ (tax expenses)	after taxes
Financial instruments for cash flow hedging	29,239	-5,201	24,038
Available-for-sale financial instruments	-6,847	-497	-7,344
Revaluation from defined benefit pension plans	7,661	-2,644	5,017
Change in fair value	30,053	-8,342	21,711

Deferred taxes that were recognised in other comprehensive income in the prior-year period:

€ thousand	Before taxes	Tax income/ (tax expenses)	after taxes
Financial instruments for cash flow hedging	-31,589	6,335	-25,254
Available-for-sale financial instruments	5,710	312	6,022
Revaluation from defined benefit pension plans	-33,756	11,128	-22,628
Change in fair value	-59,634	17,775	-41,860

31 Other non-current assets

€ thousand	31 May 2016	31 May 2015
Receivables from finance leases	29,057	35,707
Other non-current assets	604	2,640
Subtotal other financial assets	29,661	38,347
Advance payments	1,233	1,179
Prepaid expenses	3,523	1,411
Plan assets	1,827	1,968
Total	36,244	42,905

See Note 43 for more detailed explanations about receivables from leases.

32 Trade liabilities

In the past fiscal year, there were liabilities to associated, non-consolidated affiliated companies and companies in which par-

ticipating interests are held in the amount of € 30,585 thousand (prior year: € 32,932 thousand).

€ thousand	31 May 2016	31 May 2015
Materials and services	515,534	453,348
Capital expenditures	87,699	87,613
Related parties	30,585	32,932
with associates and equity investments	29,098	30,876
with affiliated companies not included in the consolidated financial statements	1,487	2,056
Total trade payables	633,818	573,893

33 Other liabilities

€ thousand	31 May 2016		31 May 2015	
	Non-current	Current	Non-current	Current
Derivatives	88,843	5,622	126,839	18,655
Other financial liabilities	10,765	157,123	941	190,254
Subtotal other financial liabilities	99,608	162,744	127,781	208,909
Other taxes	0	46,782	0	40,167
Accrued personnel liabilities	0	190,645	0	169,631
Advance payments received on orders	0	22,701	984	19,577
Deferred revenue	93,517	115,904	107,607	118,649
Other non-financial liabilities	159	19,267	0	0
Total	193,284	558,043	236,371	556,934

The advance payments received and reported relate primarily to services not yet rendered in full. Other non-financial liabilities

include mainly liabilities from outstanding invoices or credit notes of € 126,170 thousand (prior year: € 141,581 thousand).

34 Provisions

The main components of provisions are presented below:

€ thousand	31 May 2016		31 May 2015	
	Non-current	Current	Non-current	Current
Pension provisions	242,478	218	241,291	374
Other provisions	88,410	65,041	116,355	72,270
Total	330,888	65,259	357,646	72,644

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.

The companies continue to remain liable for fulfilment of the pension entitlements 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.

The defined benefit pension scheme in Great Britain and Ireland was closed to newcomers to the company. The same scenario is true for the old-age pension provision in the Dutch company, which also has a defined benefit arrangement. The benefits of both of these schemes are calculated on the basis of length of service and salary and are paid out when retirement age is reached or in the event of disability or death. The Dutch scheme also allows for additional employee contributions. The various plans

offered by the Norwegian company also provide pension payments. However, the benefits under the employer-financed plan are calculated taking into account statutory pension provision. The pension is supplemented by an additional employee-financed plan.

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 Bosnia, Slovenia, and France receive a one-off lump capital sum on

retirement based on their salary. In Italy and Turkey, a capital sum 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 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 2016	31 May 2015
Defined Benefit Obligation (DBO) at end of fiscal year	376,765	382,153
Fair value of plan assets at the end of the fiscal year	- 135,853	- 142,444
Amount not recognised in assets due to asset ceiling	0	4
Recognised amount	240,912	239,713

The amounts carried are made up of the following balance sheet items:

€ thousand	31 May 2016	31 May 2015
Assets from covered pension plans	- 1,784	- 1,952
Pension provisions	242,696	241,665
Sum of the individual amounts	240,912	239,713

Asset cover for the pension provisions was as follows:

€ thousand	31 May 2016		31 May 2015	
	Present value	Plan assets	Present value	Plan assets
Without asset cover	233,106	0	231,310	0
At least partial asset cover	143,659	135,853	150,843	142,444
Total	376,765	135,853	382,153	142,444

Change in the present value of pension liabilities:

€ thousand	31 May 2016	31 May 2015
DBO at start of fiscal year	382,153	334,222
Current service cost	8,632	7,661
Past service cost	0	-157
Expenses (+)/income (-) plan settlements	-332	0
Interest expense	7,490	9,222
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	-430	14
Actuarial gains (-)/losses (+) due to changes in financial assumptions	-8,450	40,181
Actuarial gains (-)/losses (+) due to changes in experience-based assumptions	-753	261
Pension payments	-11,280	-11,045
Payments for plan settlements	-295	0
Tax payments	-67	-1
Contributions paid by beneficiaries from the plan	2,315	1,270
Currency effects	-2,218	525
DBO at end of fiscal year	376,765	382,153

Development of plan assets:

€ thousand	31 May 2016	31 May 2015
Fair value of plan assets at start of fiscal year	142,444	138,933
Expected income from plan assets	2,731	3,810
Actuarial gains (+)/losses (-) from the plan assets	-2,269	6,639
Employer contributions	1,386	835
Beneficiary contributions	2,315	1,270
Pension payments from plan assets	-9,423	-9,544
Payments for plan settlements	-295	0
Administrative costs	-86	-53
Currency effects	-950	554
Fair value of plan assets at the end of the fiscal year	135,853	142,444

Development of the asset ceiling:

€ thousand	31 May 2016	31 May 2015
Asset ceiling at start of fiscal year	4	1,528
Interest expense	0	0
Actuarial gains (-)/losses (+)	-4	4
Reclassification of pensions	0	-1,528
Asset ceiling at end of fiscal year	0	4

The pension cost of the pension plans is broken down as follows:

€ thousand	31 May 2016	31 May 2015
Current service cost	8,632	7,661
Past service cost	0	-157
Expenses (-) / income (+) plan settlements	-332	0
Administrative costs	86	53
Net interest expense	4,759	5,412
Expense recorded in the consolidated net profit/loss for defined benefit pension plans	13,145	12,969
Actuarial gains (-) / losses (+) from scope of obligations	-9,633	40,456
Actuarial gains (-) / losses (+) from the plan assets	2,269	-6,639
Actuarial gains (-) / losses (+) from the asset ceiling	-4	4
Income (-) / Expense (+) from revaluation recognised in other comprehensive income	-7,368	33,821
Expense recorded in comprehensive income for defined benefit pension plans	5,777	46,790

Development of the balance sheet amounts

€ thousand	31 May 2016	31 May 2015
Balance sheet amount at start of fiscal year	239,713	196,817
Service costs	8,386	7,557
Net interest expense	4,759	5,412
Expense from revaluation recognised in other comprehensive income	-7,368	33,821
Pension payments	-1,857	-1,501
Employer contributions	-1,386	-835
Tax payments	-67	-1
Currency effects	-1,268	-29
Reclassification of pensions	0	-1,528
Balance sheet amount at end of fiscal year	240,912	239,713

Actuarial gains/losses recognised in equity:

€ thousand	31 May 2016	31 May 2015
Actuarial gains (+)/losses (-) at start of fiscal year	-99,487	-67,058
Actuarial gains (+)/losses (-) during the fiscal year	7,368	-33,821
Reclassification of pensions	0	1,528
Currency effects	240	-136
Other changes	2	0
Actuarial gains (+)/losses (-) at end of fiscal year	-91,877	-99,487

The present value was measured on the basis of the following assumptions:

	Germany		International	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Weighted average in %				
DBO (in € thousand)	337,638	340,925	39,127	41,228
Discount rate (in %)	2.02	1.92	3.00	2.74
Wage and salary trend (in %)	3.00	3.00	2.31	2.32
Pension trend (in %)	1.75	1.75	1.19	1.24

The cost of the pension plans was calculated on the basis of the following assumptions:

	Germany		International	
	2015/2016	2014/2015	2015/2016	2014/2015
Weighted average in %				
Discount rate	1.92	2.71	2.74	3.66
Wage and salary trend	3.00	3.00	2.32	2.88
Pension trend	1.75	2.00	1.24	1.20

The discount rate was determined in 2016 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 reporting date if individual key assumptions had varied.

		31 May 2016	31 May 2015
Discount rate	+0.5 percentage points	-8.2%	-8.6%
	-0.5 percentage points	9.4%	10.0%
Pension dynamics	+0.5 percentage points	5.9%	6.1%
	-0.5 percentage points	-5.2%	-5.5%
Salary dynamics	+0.5 percentage points	0.4%	0.4%
	-0.5 percentage points	-0.3%	-0.3%
Mortality risk	+10 percentage points	-3.0%	-3.1%
	-10 percentage points	3.3%	3.5%

The average duration of the defined pension liabilities, weighted on the basis of the present values, is 18 years (prior year: 18 years).

Breakdown of plan assets:

€ thousand	31 May 2016	31 May 2015
Shares	5.39%	7.11%
Fixed-income securities	55.27%	54.59%
thereof: no price quotation in an active market	2.04%	1.47%
Real estate	0.52%	0.64%
thereof: no price quotation in an active market	0.52%	0.64%
Investment funds	0.47%	0.31%
Insurance	36.09%	35.04%
thereof: no price quotation in an active market	36.09%	35.04%
Cash	1.87%	1.87%
Other investments	0.39%	0.44%
Total all investment types	100.00%	100.00%

The domestic plan assets are largely managed by a pension fund. Proper management and use of the trust assets is supervised by external trustees. The pension fund is also subject to supervision by the German Federal Financial Supervisory Authority (BaFin).

Current income from the plan assets amounted to € 462 thousand in the past fiscal year (prior year: € 10,449 thousand).

The probable contributions for defined benefit pension plans for 2016/2017 are € 1,181 thousand (prior year: € 1,524 thousand).

The plan assets do not include any own financial instruments or assets used by the Group itself.

The following overview shows the payments expected for the next ten fiscal years (not discounted, excluding payments from the plan assets):

€ thousand	
2016/2017	11,395
2017/2018	12,448
2018/2019	12,180
2019/2020	12,540
2020/2021	19,876
Total of the years 2021/2022 to 2026/2027	73,375

Group liabilities arising from defined contribution pension plans were recognised in profit and loss in the operating result. The expenses amounted to € 78,259 thousand in the fiscal year (prior year: € 83,134 thousand). These expenses also include contribu-

tions to public pension insurance funds outside HELLA KGaA, which total € 73,032 thousand (prior year: € 74,398 thousand) for the fiscal year.

Other provisions

€ thousand	1 June 2015	Additions	Reversals	Compounding	Other	Utilisation	31 May 2016
Severance benefits	11,679	1,568	-335	0	-122	-11,013	1,777
Partial retirement programme	18,792	12,341	0	434	-2,387	-10,722	18,458
Profit-sharing and other bonuses	33,398	8,858	-4,325	2,197	-1,394	-5,553	33,181
Warranty obligations	71,338	32,832	-24,626	1,568	-3,796	-24,916	52,400
Losses on trade receivables	36,708	13,626	-1,114	1,264	-1,430	-13,276	35,778
Other provisions	16,710	13,748	-4,016	174	-396	-14,363	11,857
Total	188,625	82,973	-34,416	5,637	-9,525	-79,844	153,451

Provisions for warranty obligations comprise burdens for concrete isolated cases in the Automotive segment, in particular, for which the current portion amounts to € 28,969 thousand (prior year: € 26,246 thousand).

Provided it meets the capitalisation requirements, the compensation expected in connection with warranty claims is accounted for under other assets (€ 4,928 thousand, prior year: € 16,343 thousand).

€ thousand	31 May 2016	31 May 2015
Present value of liability	47,248	45,196
Fair value of plan assets	-28,790	-26,404
Provision for partial retirement programme	18,458	18,792

The provision for partial retirement programmes corresponds to the present value of the obligation on the reporting date less the fair value of plan assets on the reporting date. A discount rate

of 0.45% was applied (prior year: 0.63%). The deducted plan assets are securities. The change in the fair value of the plan asset is recognised under "Other" in the provisions table.

35 Financial liabilities

Current financial liabilities maturing within a year amounted to € 86,880 thousand (prior year: € 100,221 thousand).

Non-current financial liabilities amounted to € 1,064,789 thousand (prior year: € 1,038,886 thousand) including € 299,426 thousand (prior year: € 298,983 thousand) attributable to a bond with a 1.25% coupon maturing in September 2017 with a nominal volume of € 300,000 thousand and € 497,723 thousand attributable to a bond with a 2.375% coupon (prior year: € 497,142 thousand) maturing in 2020 and a nominal volume of € 500,000 thousand.

The item also includes € 96,907 thousand (prior year: € 88,268 thousand) attributable to notes certificates denominated in yen issued in 2002 and 2003 with a 30-year maturity, and € 85,223 thousand (prior year: € 80,867 thousand) attributable to a loan granted in yen, both of which are fully currency-hedged to a value totaling € 175,177 thousand (prior year: € 175,177 thousand).

Participatory capital of € 5,000 thousand (prior year: € 5,444 thousand), and finance lease liabilities amounting to € 60 thousand (prior year: € 700 thousand) are also recognised.

€ thousand	31 May 2016	31 May 2015
Cash and cash equivalents	585,134	602,744
Financial assets	328,790	405,077
Current financial liabilities	-86,880	-100,221
Non-current financial liabilities	-1,064,789	-1,038,886
Net debt	-237,745	-131,286

36 Equity

On the equity and liabilities side, share capital is recognised at its nominal value under the "Subscribed capital" item. The share 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.

Other retained earnings of the parent company and past earnings of consolidated companies are included under the item "Other retained earnings/profit carried forward", unless they have been distributed. 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 (Aktengesetz – 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. Actuarial gains and losses recognised directly in equity, the differences arising 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 and financial assets not recognised in profit or loss, as well as financial assets from the available-for-sale category, are also recognised in this item. 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.

Actuarial losses before taxes of € 7,368 thousand (prior year: losses of € 33,821 thousand) were recognised in the 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 2.02 % at the end of May 2016 (May 2015: 1.92 %).

On 25 September 2015, dividends totalling € 85,556 thousand (€ 0.77 per no-par value share) were distributed to owners of the parent company. Dividends in the amount of € 1,056 thousand were paid to non-controlling interests during the period.

On 30 September 2015, further shares in the Polish company Inter-Team were acquired. The purchase price was € 33,296 thousand. This did not lead to any change in the accounting method, as Inter-Team was already fully consolidated. The company now holds a 100 % share in Inter-Team after the purchase. Specifically, the Group recognised:

- a € 6,889 thousand reduction in non-controlling interests
- a € 26,262 thousand reduction in other retained earnings
- a € 146 thousand reduction in the currency translation reserve.

The carrying amount of the net assets of Inter-Team in the consolidated financial statements amounted to € 13,778 thousand at the time of acquisition.

The following is a summary of the impact of changes in the Group's investment in Inter-Team:

€ thousand	
Share of company as at 1 June 2015	6,291
Impact of increase in the investment	6,889
Share of comprehensive income	2,208
Share of company as at 31 May 2016	15,388

Furthermore, the remaining 21.01 % share in the Danish automotive parts wholesaler FTZ was also acquired during the period under review for a purchase price of € 24,493 thousand. The company holds a 100 % share in FTZ after the purchase. As FTZ was already fully consolidated, this did not lead to any change in the accounting method. Specifically, the Group recognised:

- a € 18,556 thousand reduction in non-controlling interests
- a € 5,923 thousand reduction in other retained earnings
- a € 13 thousand reduction in the currency translation reserve.

The carrying amount of the net assets of FTZ in the consolidated financial statements amounted to € 88,326 thousand at the time of acquisition.

The following is a summary of the impact of changes in the Group's investment in FTZ:

€ thousand	
Share of company as at 1 June 2015	64,171
Impact of increase in the investment	18,556
Share of comprehensive income	19,468
Share of company as at 31 May 2016	102,195

The remaining 40% of the American company Hella Mining were also acquired and the company was subsequently merged with Hella Inc. The negative share of non-controlling interests of € 145 thousand was reclassified accordingly as a capital reserve. Specifically, the Group recognised:

- a € 145 thousand reduction in non-controlling interests
- a € 123 thousand reduction in other retained earnings
- a € 22 thousand reduction in the currency translation reserve.

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 debt to operating result before depreciation/amortisation (EBITDA) in the long term. On 31 May the ratio was 0.3.

37 Notes to the cash flow statement

Net cash flow from financing activity includes dividends paid of € 86,612 thousand. They consist of payments of € 85,556 thousand (€ 0.77 per share) to the owners of the parent company and payments to non-controlling interests amounting to € 1,056 thousand.

HELLA makes considerable investments in customer-specific operating equipment, which is capitalised as economic property in the Group's non-current assets. Due to the considerable up-front investments in such operating equipment, HELLA sometimes receives from customers – as an advance on delivery of parts – reimbursement payments, which are reported as deferred income as prepayment on sales.

In accordance with IAS 7, payments for procuring operating equipment must be allocated to investing activities in the cash flow statement, whereas cash proceeds from customer reimbursements as a prepayment on sales must be economically assigned to operating activity.

Regardless of the means of presentation in accordance with the accounting standard, the cash flows from procurement of oper-

ating equipment and customer reimbursements are grouped in internal reporting together with the other payments for and proceeds from property, plant and equipment and intangible assets to give the key indicator "net capital expenditure", since advance payment of the customer reimbursements reduces the funding requirement for capital expenditures at the time they are needed and is therefore a major factor in investment decisions.

Adjusted operating cash flow is used as a performance indicator for internal Group management. This indicator is designed to show cash flows from business operations. It is calculated based on cash generated from operating activities as well as incoming and outgoing payments for investments in intangible assets and property, plant and equipment. Cash flows from income or expenses which are non-recurrent in nature are not taken into consideration when calculating adjusted operating cash flow. The cash flow resulting from the reduced sale of trade receivables amounting to € 30,000 thousand is not included on account of its non-operational character. The development of adjusted operating cash flow is shown in the table below:

€ thousand	2015/2016	2014/2015
Net cash flow from operating activities	602,153	559,922
Cash proceeds from the sale of property, plant and equipment	9,049	16,458
Cash proceeds from the sale of intangible assets	4,940	3,602
Payments for the purchase of property, plant and equipment	-489,869	-429,489
Payments for the purchase of intangible assets	-70,735	-68,449
- Total cash investments	-546,615	-477,878
= Operating cash flow	55,538	82,044
+ Severance and partial retirement payments	15,094	38,449
+ Loss of supplier	33,758	0
+ Reduction in factoring volume	30,000	0
= Adjusted operating cash flow	134,390	120,493

38 Information on related party relationships

HELLA KGaA Hueck & Co. 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 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, as well as non-consolidated affiliates, are presented under the respective items. For further information on goods and services, see Notes 23 and 32.

The following transactions were made with related parties:

€ thousand	2015/2016	2014/2015
Income from the sale of goods and services	201,679	216,898
with associates	14,748	10,217
with joint ventures	186,174	206,233
with investments	0	0
with affiliated companies not included in the consolidated financial statements	757	448
Expenses from the purchase of goods and services	158,799	142,315
with associates	831	260
with joint ventures	123,850	99,108
with investments	1,038	1,067
with affiliated companies not included in the consolidated financial statements	33,080	41,880

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.

In addition, this company is entitled to claim compensation from HELLA KGaA Hueck & Co. for all of the expenses arising in connection with the management of the company's business activities, including the remuneration of the management bodies.

For assuming personal liability in its role as General Partner, HELLA Geschäftsführungsgesellschaft mbH receives a fee of € 1 thousand (prior year: € 1 thousand).

Remuneration for management in key positions:

€ thousand	2015/2016	2014/2015
Short-term benefits	16,753	19,887
Post-employment benefits	386	347
Other long-term benefits	846	219
Termination benefits	6,720	0
Total	24,705	20,453

Members of the management in key positions at HELLA KGaA Hueck & Co. are the Management Board (the Managing General Partner Dr. Jürgen Behrend and the managing directors of HELLA

Geschäftsführungsgesellschaft GmbH), as well as members of the Shareholder Committee and the Supervisory Board.

Total remuneration paid to the management bodies:

€ thousand	2015/2016	2014/2015
Total remuneration paid to the active institution members	16,753	19,887
Management Board	15,453	18,622
Supervisory Board	400	397
Shareholder Committee	900	868
Total remuneration paid to the former institution members and their surviving dependants	7,068	351
Management Board	7,068	351

The Chairman of the Supervisory Board, Dr. Michael Hoffmann-Becking, is a partner in a law firm which provides legal advisory services to HELLA KGaA Hueck & Co. and the Group in several different fields of law, including company law, securities law, labour law and competition law. During fiscal year 2015/2016, the Group was billed a total of € 456 thousand plus sales tax for these advisory services (prior year: € 2,401 thousand plus value added tax). Specifically, the advisory services provided during fiscal year 2015/2016 consisted largely of support for the first ordinary annual general meeting of HELLA KGaA Hueck & Co. Moreover, Supervisory Board member Christoph Thomas, as the owner of an architecture firm, received a fee of € 93 thousand (prior year: € 134 thousand) for the provision of advisory and support services connected to the planning of the second HELLA company crèche. No other payments or benefits were granted to members of the

Supervisory Board for products and services, in particularly for advisory and placement services.

€ 8,990 thousand (prior year: € 9,604 thousand) was appropriated for the pension liabilities to former members of the Management Board of HELLA KGaA Hueck & Co. and the former managing directors of the predecessor company and their surviving dependants. This was partially born by Allianz Pensionsfonds AG. The plan assets absorbed by the liabilities for this group of people amounted to € 4,001 thousand (prior year: € 4,408 thousand).

No loans or advances were granted to the members of the Management Board, the Supervisory Board or the Shareholder Committee.

39 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 KGaA Hueck & Co. ("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 Ger-

man Corporate Governance Code have been and will be complied with as well as which recommendations have not been or are not being applied. This and the updated version of 31 May 2016 have been made permanently accessible on the Company's website at www.hella.com/declarationofconformity

40 Disclosures on financial instruments

General information on financial instruments

We set out below the carrying amounts and fair values of classes of financial instruments and the carrying amounts in accord-

ance with IAS 39 measurement categories as at 31 May 2016 and the prior year.

€ thousand	Measurement category under IAS 39	Carrying amount	Fair value	Carrying amount	Fair value	Fair value hierarchy
		31 May 2016	31 Mai 2016	31 May 2016	31 Mai 2015	
Cash and cash equivalents	LaR	585,134	585,134	602,744	602,744	
Trade receivables	LaR	937,471	937,471	839,322	839,322	
Financial assets						
Available-for-sale financial assets	AFS	328,117	328,117	402,778	402,778	Level 1
Loans	LaR	339	339	204	204	
Other bank balances	LaR	334	334	2,095	2,095	
Other financial assets						
Derivatives used for hedging	n.a.	1,751	1,751	2,276	2,276	
Derivatives not used for hedging	HFT	4,724	4,724	3,181	3,181	
Other receivables associated with financing activities	LaR	32,176	32,176	37,706	37,706	
Financial assets (current)		1,890,046	1,890,046	1,890,307	1,890,307	
Financial assets						
Available-for-sale financial assets	AFS	10,595	10,595	11,074	11,074	Level 2
Loans	LaR	6,407	6,407	8,559	8,059	Level 2
Other receivables associated with financing activities	LaR	31	31	20	20	Level 2
Other financial assets						
Trade receivables	LaR	29,661	29,661	38,347	38,347	Level 2
Financial assets (non-current)		46,694	46,694	58,000	57,500	
Financial assets		1,936,740	1,936,740	1,948,307	1,947,807	
Financial liabilities						
Financial liabilities to banks	FLAC	85,901	85,901	97,153	97,153	
Financial lease liabilities	n.a.	979	979	3,068	3,068	
Trade payables	FLAC	633,818	633,818	573,893	573,893	
Other financial liabilities						
Derivatives used for hedging	n.a.	4,378	4,378	11,897	11,897	Level 2
Derivatives not used for hedging	HFT	1,244	1,244	6,224	6,224	Level 2
Other financial liabilities	FLAC	157,123	157,123	190,254	190,254	
Financial liabilities (current)		883,442	883,442	882,489	882,489	
Financial liabilities						
Financial liabilities to banks	FLAC	170,673	223,269	153,793	152,506	Level 2
Bonds	FLAC	894,056	971,568	884,393	942,616	Level 1
Financial lease liabilities	n.a.	60	60	700	700	
Other financial liabilities						
Derivatives used for hedging	n.a.	88,843	88,843	118,625	118,625	Level 2
Derivatives not used for hedging	HFT	0	0	8,214	8,214	Level 2
Other financial liabilities	FLAC	10,765	10,765	941	941	
Financial liabilities (non-current)		1,164,397	1,294,505	1,166,666	1,223,602	
Financial liabilities		2,047,839	2,177,947	2,049,155	2,106,091	
Of which aggregated under IAS 39 measurement categories:						
Financial assets HFT		4,724	4,724	3,181	3,181	
LaR		1,591,553	1,591,553	1,528,998	1,528,498	
AFS		338,712	338,712	413,853	413,853	
Financial liabilities HFT		1,244	1,244	14,438	14,438	
FLAC		1,952,336	2,082,444	1,900,427	1,957,363	
Financial assets, derivatives used for hedging		1,751	1,751	2,276	2,276	
Financial liabilities, derivatives used for hedging		93,221	93,221	130,522	130,522	

Level 1: Measurement of market value based on listed, unadjusted prices on active markets.

Level 2: Measurement of market value based on criteria for assets and financial liabilities that can be either directly or indirectly derived from prices on active markets.

Level 3: Measurement of market value based on criteria that cannot be derived from active markets.

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 2015/2016 reporting period. The carrying amounts of short-term financial instruments at the reporting date correspond to the market value owing to their short residual term and the fact that they are recognised at market value.

The carrying amounts of non-current financial liabilities also largely correspond to the market values owing to the mostly variable interest rates. Long-term financial instruments on the

assets side are mainly determined by the other investments 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. As the market value cannot be reliably determined, the other investments and non-consolidated affiliated companies reported here are carried at acquisition costs in the amount of € 10,595 thousand (prior year: € 11,074 thousand). The change in value compared with the prior year is due to a permanent impairment.

At the reporting date, there were no plans to sell the other investments and non-consolidated affiliates measured at acquisition cost.

Pledged collateral

As at 31 May 2016, fixed-term deposits of € 28,773 thousand (prior year: € 26,404 thousand) were pledged to a trustee as statutory insolvency protection for partial retirement fund assets. 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.

Net profit/loss per measurement category

The following table shows the net result from financial instruments for each IAS 39 measurement category:

€ thousand	Interest	Dividends	Fair value measurement	Currency gains/losses	2015/2016
Loans and receivables	7,612	0	-1,890	754	6,476
Available for sale	4,718	1,160	-2,963	0	2,915
Liabilities measured at amortised cost	-34,372	0	0	443	-33,929
Financial derivatives held for trading (net)	0	0	-24,121	0	-24,121
Total	-22,042	1,160	-28,974	1,198	-48,659

€ thousand	Interest	Dividends	Fair value measurement	Currency gains/losses	2014/2015
Loans and receivables	7,258	0	-1,724	5,185	10,719
Available for sale	5,605	1,270	-98	0	6,777
Liabilities measured at amortised cost	-40,953	0	0	-3,464	-44,417
Financial derivatives held for trading (net)	0	0	8,333	0	8,333
Total	-28,090	1,270	6,511	1,721	-18,588

The fair value measurement of the loans and receivables corresponds to the impairments of unrecoverable elements.

When determining the net result from financial instruments, goodwill impairments/write-ups, 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 its 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 reporting 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 2016 € thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	906,817	1,107,115	360,176	2,374,108
Derivative financial instruments	594,684	64,644	340,661	999,989
Loan commitments/financial guarantees	0	0	0	0
Total	1,501,501	1,171,759	700,837	3,374,097
Cash proceeds from gross derivatives	587,576	34,200	254,757	876,533

Maximum future settlements as at 31 May 2015 € thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	917,202	1,064,511	320,466	2,302,179
Derivative financial instruments	611,556	73,033	354,578	1,039,167
Loan commitments/financial guarantees	0	1,000	565	1,565
Total	1,528,758	1,138,544	675,609	3,342,911
Cash proceeds from gross derivatives	589,464	40,293	242,267	872,024

The Group's liquidity supply is also sufficiently assured through cash and bank balances on hand, marketable short-term secu-

rities on hand, and the available unused bank lines of credit. The following table shows the significant liquidity instruments:

€ thousand	31 May 2016	31 May 2015
Cash and bank balances on hand	585,134	602,744
Marketable securities	328,117	402,778
Cash line of credit	705,553	769,367
Total	1,618,804	1,774,889

The total of the cash lines of credit available to the HELLA Group amounts to roughly € 705,553 thousand (prior year: € 769,367 thousand). This figure was made up of a syndicated loan sized at € 450,000 thousand (maturing in 2021 with a one-year extension option, utilisation as at 31 May 2016: 0%) and short-term money market lines of credit in the amount of € 255,553 thousand (utilisation as at 31 May 2016: 28%). 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. Currency derivatives, primarily foreign currency forwards, are used to hedge against exchange rate-related fluctuations impacting these payments and positions. The currency risk of the HELLA Group is continuously monitored and managed on the basis of the net exposures calculated for the Group. Net exposure is calculated by aggregating planned foreign currency cash flows.

As at 31 May 2016, significant net exposures of the HELLA Group for fiscal year 2016/2017 were identified in USD (4 million short, prior year: 67 million long), MXN (800 million long, prior year: 499 million short), CNY (531 million long, prior year: 152 million long) and CZK (4,192 million short, prior year: 20 million long); (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.

In principle, the fair value of currency derivatives is recognised. In the case of cash flow hedge accounting within the meaning of

IAS 39, 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 profit or loss.

HELLA mainly designated currency derivatives to hedge foreign currency cash flows from funding in yen 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 fiscal year 2015/2016, changes in the market value of the above-mentioned derivatives used for cash flow hedge accounting amounting to € 29,700 thousand (prior year: € -39,399 thousand) were recognised in equity. All in all, market values of currency derivatives used for hedging purposes amounting to € -94,109 thousand (prior year: € -130,649 thousand) were recognised in equity at the reporting date. Equity gains of € 461 thousand were recognised in the income statement in fiscal year 2015/2016 (prior year: € -13,702 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 € 4,431 thousand (prior year: € 7,924 thousand).

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 2016		31 May 2015	
		depreciates by 10%	appreciates by 10%	depreciates by 10%	appreciates by 10%
Exchange rate	Foreign currency				
	CNY	1,717	-2,099	4,715	-5,762
	CZK	-2,038	2,491	-11,770	14,385
Change in equity owing to fluctuations in the market value of currency derivatives used for hedging purposes (cash flow hedge accounting)	JPY	-10,794	13,951	-6,794	8,522
	MXN	-4,596	5,618	-6,336	7,745
	PLN	44	-54	-3,016	3,686
	USD	4,909	-6,000	14,395	-17,593
	CNY	-6,583	8,045	-2,031	2,482
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	CZK	14,102	-17,236	-66	80
	JPY	979	-1,196	-6,055	7,401
	MXN	-3,548	4,337	2,691	-3,289
	PLN	-3,612	4,414	47	-57
	USD	365	-446	-5,587	6,828

The relatively high sensitivity of the equity to exchange rate fluctuations of the JPY results from the hedging of the funding issued in this currency (AFLAC). It will be listed this year instead of the DKK sensitivity. The sensitivities for 31 May 2015 have been adjusted accordingly. 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 IAS 39. The sensitivity analysis is performed on the basis of the hedging ratios as at the reporting date. They are reviewed regularly in the course of the fiscal year and may be above or below the level at the reporting date.

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 2016, interest rate-sensitive net financial debt stood at € 573 million (prior year: € 652 million).

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 KGaA Hueck & Co. 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. As at the reporting date on 31 May 2016 the net present value method was introduced as the new calculation method, replacing modified duration, in order to enable the Company to take into account the hedging of non-current liabilities in JPY. The figures for 31 May 2015 have been adjusted accordingly.

€ thousand	31 May 2016		31 May 2015	
	rises by 1 percentage point	falls by 1 percentage point	rises by 1 percentage point	falls by 1 percentage point
Market interest rate				
Change in equity owing to fluctuations in the market value of fixed-income securities recognised directly in equity at fair value	-15,649	20,356	-11,244	16,348
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	5,726	-5,726	6,527	-6,527

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 at 31 May 2016, there were no commodity derivatives with a material market value (market value in the prior year: € 0 thousand).

Commodity (net) exposure for 2016/2017 is expected to amount to € 2.0 million (prior year: € 8.5 million).

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 2016		31 May 2015	
	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Commodity price				
Changes to net profit/loss for the year owing to fluctuations in the market value of hedged items and commodity derivatives used	-198	198	-850	850

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 "available for sale" and therefore measured at fair value in equity. In addition, price risks arise from other investments that belong to the "available-for-sale"

category, provided they are measured at fair value. 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 2016	31 May 2015
Price risk positions of the non-derivative assets	27,239	49,547

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 2016		31 May 2015	
	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	2,607	-2,607	3,699	-3,699
Change in net profit/loss for the year owing to changes in prices of impaired securities	117	-117	80	-80

Management of default risks

Default risks arise for the HELLA Group from its business operations and from financial investments and financial derivatives with positive fair values.

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.

Derivative transactions are concluded by HELLA KGaA Hueck & Co. solely on the basis of the German Master Agreement for Financial Derivatives Transactions (DRV). This does not meet the requirements for netting off, since offsetting of outstanding amounts would be legally enforceable only subject to future events, such as the insolvency of a contractual partner. The table below shows the potential for offsetting the financial instruments that are recognised by HELLA KGaA Hueck & Co. and are subject to the stated agreements.

€ thousand	31 May 2016				
	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	6,475	0	6,475	2,458	4,017
Liabilities – derivatives	-94,448	0	-94,448	2,458	-91,990

					31 May 2015
€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	5,457	0	5,457	–4,896	561
Liabilities – derivatives	– 144,960	0	– 144,960	4,896	– 140,064

Financial derivatives and financial investments are only entered into with banks with good credit ratings.

Operational risk is mainly managed by continuously monitoring receivables. If a specific default risk is identified, this risk is taken into account by recognising impairments in the corresponding amount.

In individual cases, HELLA Group companies also demand collateral to secure receivables. This includes warranties, performance guarantees, and advance securities. HELLA has a directive in place regarding the acceptance of securities. The only acceptable collateral providers are banks and insurance firms with good credit ratings. Furthermore, many supplies to customers are subject to retention of title.

The maximum default risk for the financial assets corresponds to the carrying amounts in the statement of financial position.

Financial assets that are overdue but not impaired are shown below:

					31 May 2016				31 May 2015	
€ thousand	up to 30 days	31 days to 60 days	61 days to 90 days	more than 90 days	up to 30 days	31 days to 60 days	61 days to 90 days	more than 90 days	up to 30 days	31 days to 60 days
Trade receivables	20,980	1,139	3,530	2,922	38,078	2,496	1,236	3,395	38,078	2,496
Financial receivables	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	0	0	0	0	0
Total	20,980	1,139	3,530	2,922	38,078	2,496	1,236	3,395	38,078	2,496

However, these are to be offset against the collateral accepted by the HELLA Group, so that the actual default risk is lower.

Lending commitments to companies that are not fully consolidated or to third parties are only made by HELLA Group companies in a few isolated cases. The default risk here is limited to the loan amount. As at 31 May 2016 no loan commitments were granted to companies not fully consolidated or to external third parties (prior year: € 1,565 thousand).

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 based primarily on the fact that the HELLA Group has a long-standing business relationship with most of its customers. The historical default rate for these trade receivables is extremely low.

An analysis of the individual impaired financial assets is shown below:

€ thousand	31 May 2016			31 May 2015		
	Gross carrying amount	Impairment	Net carrying amount	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	980,855	13,723	967,132	894,085	16,416	877,669
Financial receivables	594,613	2,732	591,881	613,270	1,763	611,507
Other financial assets	379,260	1,533	377,727	460,664	1,533	459,131
Total	1,954,728	17,988	1,936,740	1,968,019	19,712	1,948,307

The following table shows the development of impairments in respect of financial assets in fiscal year 2015/2016 and the prior year:

€ thousand	Trade receivables	Financial receivables	Other financial assets	Total
As at 1 June 2014	14,883	960	1,752	17,595
Additions	3,702	803	0	4,504
Utilisation	-741	0	0	-741
Reduction	-1,427	0	-219	-1,646
Other effects	0	0	0	0
As at 31 May 2015	16,417	1,763	1,533	19,712
Additions	2,261	969	0	3,230
Utilisation	-4,607	0	0	-4,607
Reduction	-330	0	0	-330
Other effects	-18	0	0	-18
As at 31 May 2016	13,723	2,732	1,533	17,988

With regard to the financial assets that are neither overdue nor impaired, there is currently no indication that further value adjustments will be needed due to defaults.

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.

41 Contractual obligations

There were contractual obligations to purchase or use property, plant and equipment amounting to € 5,218 thousand as at the reporting date (prior year: € 11,036 thousand). In addition, there

were contractual obligations to purchase intangible assets amounting to € 27 thousand (prior year: € 4,623 thousand).

42 Contingent liabilities

In prior fiscal years, HELLA had already reported that European and US authorities had in parallel commenced anti-trust investigations into HELLA and other companies in the automotive lighting sector in 2012, the outcome of which is still not foreseeable at present. In material terms there were no significant activities in the EU proceedings during the past fiscal year; in formal terms the EU Commission has announced to us that it is initiating proceedings for payment of a fine. We will continue to cooperate fully with the EU Commission. In the US proceedings there were no activities in the past fiscal year.

According to EU regulations, a fine of up to 10% of consolidated sales in the fiscal year before the decision to impose the fine can be imposed for violations of antitrust law. Fines and penalties imposed by the US authorities may amount to up to 20% of the

sales in the US affected by the cartel agreements. In addition, third parties who suffer loss as a result of violations of antitrust law can claim damages both in Europe and the USA.

The investigations HELLA has itself conducted with the assistance of external law firms revealed a number of incidents that constitute anti-competitive behaviour in accordance with existing practice of the European Commission. With regard to the EU proceedings, however, it cannot be predicted at present what view the European Commission will take of the scope and severity of potential breaches in its final decision. There were no changes in the US proceedings in the past fiscal year. Consequently, it is at the moment not possible to put a reliable figure on the possible financial charges in connection with the proceedings in Europe and the USA. No provisions have therefore been set aside.

43 Disclosures on leases

HELLA KGaA regularly acts as lessee. These are operating as well as finance leases.

Operating leases as lessee

The expenses under operating leases recognised in the income statement amounted to € 28,273 thousand in the fiscal year (prior year: € 21,905 thousand). Some lease contracts include extension options. HELLA's liability from operating leases largely relates to leases for passenger vehicles, office equipment, and smaller machinery.

Distribution of the present values of minimum lease payments:

€ thousand	31 May 2016	31 May 2015
Up to 1 year	14,890	16,863
Between 1 and 5 years	29,630	33,546
More than 5 years	2,424	8,095
Total	46,944	58,504

Liabilities arising from finance leases as lessee

The leased items contained in the statement of financial position in the context of finance leases largely relate to development services

and machine leasing. The lease terms generally range from three to six years. Some leases contain extension or purchase options.

Distribution of minimum lease payments (not discounted):

€ thousand	31 May 2016	31 May 2015
Up to 1 year	963	3,069
Between 1 and 5 years	77	700
More than 5 years	0	0
Future financing costs under finance leases	-1	-2
Total	1,039	3,768

Distribution of the present values of minimum lease payments:

€ thousand	31 May 2016	31 May 2015
Up to 1 year	979	3,068
Between 1 and 5 years	60	700
More than 5 years	0	0
Total	1,039	3,768

Receivables from finance leases as lessee

In the Aftermarket segment, HELLA concludes finance lease agreements with garages for its portfolio of diagnostic testing equipment, garage equipment and A/C servicing equipment. These

agreements generally have 5-year terms. All lease agreements are concluded in euros and relate exclusively to business within the EU.

Distribution of minimum lease payments (not discounted):

€ thousand	31 May 2016	31 May 2015
Up to 1 year	14,764	12,817
Between 1 and 5 years	31,774	27,246
More than 5 years	0	0
Future financing costs under finance leases	-4,811	-4,356
Total	41,727	35,707

Distribution of the present values of minimum lease payments:

€ thousand	31 May 2016	31 May 2015
Up to 1 year	12,670	10,963
Between 1 and 5 years	29,057	24,744
More than 5 years	0	0
Total	41,727	35,707

As at 31 May 2016, impairments for unrecoverable receivables amounted to € 207 thousand (prior year: € 179 thousand).

44 Events after the reporting date

There were no events after the reporting date which required reporting.

45 Audit fees

The total fee for the services of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft invoiced for fiscal year 2015/2016 amounts to € 1,063 thousand (prior year: € 931 thousand) and includes the fees and expenses for the audit. An additional € 11 thousand

(prior year: € 258 thousand) for other audit services, € 370 thousand (prior year: € 287 thousand) for tax consulting services and € 213 thousand (prior year: € 7 thousand) for other services were recognised as expenses.

Lippstadt, 19 July 2016

The Managing General Partners of HELLA KGaA Hueck & Co.



Dr. Jürgen Behrend

HELLA Geschäftsführungsgesellschaft mbH



Dr. Rolf Breidenbach
(Chair)



Markus Bannert



Stefan Osterhage



Dr. Matthias Schöllmann

Scope of consolidation

Fiscal year 2015/2016

Affiliated companies included in the consolidated financial statements:

Number	Company	Country	City	Investment	
				in %	in
1	HELLA KGaA Hueck & Co.	Germany	Lippstadt	100.0	
2	HELLA Innenleuchten-Systeme GmbH ¹	Germany	Wembach	100.0	1
3	HELLA Innenleuchten-Systeme Bratislava, s.r.o.	Slovakia	Bratislava	100.0	2
4	HELLA Fahrzeugkomponenten GmbH ¹	Germany	Bremen	100.0	1
5	HFK Liegenschaftsgesellschaft mbH	Germany	Bremen	100.0	4
6	HELLA Electronics Engineering GmbH ¹	Germany	Regensburg	100.0	1
7	HELLA Aglaia Mobile Vision GmbH ¹	Germany	Berlin	100.0	1
8	HELLA Distribution GmbH ¹	Germany	Erwitte	100.0	1
9	RP Finanz GmbH ¹	Germany	Lippstadt	100.0	1
10	HELLA Finance Nederland	The Netherlands	Nieuwegein	100.0	9
11	Docter Optics SE ¹	Germany	Neustadt an der Orla	95.8	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	HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100.0	1
17	HELLA Werkzeug Technologiezentrum GmbH ¹	Germany	Lippstadt	100.0	1
18	HELLA Corporate Center GmbH ¹	Germany	Lippstadt	100.0	1
19	HELLA Gutmann Holding GmbH ¹	Germany	Ihringen	100.0	1
20	HELLA Gutmann Solutions GmbH	Germany	Ihringen	100.0	19
21	HELLA Gutmann Anlagenvermietung GmbH	Germany	Breisach	100.0	19
22	HELLA Gutmann Solutions International AG	Switzerland	Hergiswil	100.0	19
23	HELLA Gutmann Solutions A/S	Denmark	Viborg	100.0	19
24	HELLA Gutmann Solutions AS	Norway	Porsgrunn	100.0	23
25	HELLA 000	Russia	Moscow	100.0	1
26	avitea GmbH work and more	Germany	Lippstadt	100.0	1
27	HELLA Geschäftsführungsgesellschaft mbH	Germany	Lippstadt	100.0	1
28	HELLA Holding International GmbH ¹	Germany	Lippstadt	100.0	1
29	HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100.0	28
30	HELLA Changchun Tooling Co., Ltd.	China	Changchun	100.0	28
31	HELLA Corporate Center (China) Co., Ltd.	China	Shanghai	100.0	28
32	Changchun HELLA Automotive Lighting Ltd.	China	Changchun	100.0	28
33	Beifang HELLA Automotive Lighting Ltd.	China	Beijing	100.0	28
34	HELLA (Xiamen) Automotive Electronics Co. Ltd.	China	Xiamen	100.0	28
35	HELLA Asia Pacific Pty Ltd.	Australia	Mentone	100.0	28
36	HELLA Australia Pty Ltd.	Australia	Mentone	100.0	35
37	HELLA-New Zealand Limited	New Zealand	Auckland	100.0	35
38	Hella-Phil., Inc.	Philippines	Dasmariñas	90.0	35
39	HELLA Asia Pacific Holdings Pty Ltd.	Australia	Mentone	100.0	35
40	HELLA Korea Inc.	South Korea	Seoul	100.0	39
41	HELLA India Automotive Private Limited	India	Gurgaon	100.0	39
42	HELLA UK Holdings Limited	Great Britain	Banbury	100.0	28

Number	Company	Country	City	Investment	
				in %	in
43	HELLA Limited	Great Britain	Banbury	100.0	42
44	HELLA Ireland Limited	Ireland	Dublin	100.0	43
45	HELLA Corporate Center USA, Inc.	USA	Plymouth, MI	100.0	28
46	HELLA Electronics Corporation	USA	Plymouth, MI	100.0	45
47	HELLA Inc.	USA	Peachtree City, GA	100.0	45
48	HELLA España Holdings S. L.	Spain	Madrid	100.0	28
49	Manufacturas y Accesorios Electricos S.A.	Spain	Madrid	100.0	48
50	HELLA S.A.	Spain	Madrid	100.0	48
51	HELLA Handel Austria GmbH	Austria	Vienna	100.0	28
52	HELLA Fahrzeugteile Austria GmbH	Austria	Großpetersdorf	100.0	51
53	HELLA S.A.S.	France	Le Blanc Mesnil-Cedex	100.0	28
54	HELLA Engineering France S.A.S.	France	Toulouse	100.0	53
55	HELLA Benelux B.V.	The Netherlands	Nieuwegein	100.0	28
56	HELLA S.p.A.	Italy	Caleppio di Settala	100.0	28
57	Nordic Forum Holding A/S	Denmark	Odense	100.0	28
58	INTER-TEAM Sp. z o.o.	Poland	Warsaw	100.0	57
59	FTZ Autodele & Værktøj A/S	Denmark	Odense	100.0	57
60	P/f FTZ Faroerne	Faroe Islands	Tórshavn	70.0	59
61	HELLAnor A/S	Norway	Skytta	100.0	57
62	Automester A/S	Norway	Skytta	100.0	61
63	Ucando GmbH	Germany	Berlin	100.0	57
64	Ucando Sp. z o.o.	Poland	Warsaw	100.0	63
65	HELLA Lighting Finland Oy	Finland	Salo	100.0	28
66	HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100.0	28
67	HELLA CZ, s.r.o.	Czech Republic	Zruc nad Sazavou	100.0	28
68	HELLA Hungária Kft.	Hungary	Budapest	100.0	28
69	HELLA Polska Sp. z o.o.	Poland	Warsaw	100.0	28
70	Intermobil Otomotiv Müessillik Ve Ticaret A.S.	Turkey	Istanbul	56.0	28
71	HELLA Centro Corporativo Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	28
72	HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	71
73	Grupo Administracion Tecnica S.A. de C.V.	Mexico	Tlalnepantla	100.0	71
74	Petosa S.A. de C.V.	Mexico	Tlalnepantla	100.0	71
75	HELLAmex S.A. de C.V.	Mexico	Naucalpan	100.0	71
76	Sistemas Iluminacion S.A. de C.V.	Mexico	Tlalnepantla	100.0	28
77	HELLA A/S	Denmark	Aabenraa	100.0	28
78	Hella India Lighting Ltd.	India	New Delhi	82.5	28
79	HELLA Asia Singapore Pte. Ltd.	Singapore	Singapore	100.0	28
80	HELLA Trading (Shanghai) Co., Ltd.	China	Shanghai	100.0	79
81	HELLA Auto Service Center Ltd.	China	Shanghai	100.0	80
82	Changchun Hella Shouxin LED Lighting Co. Ltd.	China	Changchun	51.0	79
83	HELLA Slovakia Holding s.r.o.	Slovakia	Kocovce	100.0	28
84	HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100.0	83
85	HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kocovce	100.0	83

Number	Company	Country	City	Investment	
				in %	in
86	HELLA Romania s.r.l.	Romania	Ghiroda-Timisoara	100.0	28
87	HELLA do Brazil Automotive Ltda.	Brazil	São Paulo	100.0	28
88	HELLA Automotive South Africa Pty. Ltd.	South Africa	Uitenhage	100.0	28
89	HELLA Middle East FZE	United Arab Emirates	Dubai	100.0	28
90	Hella-Bekto Industries d.o.o.	Bosnia and Herzegovina	Gorazde	70.0	28
91	HELLA China Holding Co., Ltd.	China	Shanghai	100.0	28
92	HELLA (Xiamen) Electronic Device Co. Ltd.	China	Xiamen	100.0	91
93	Jiaxing HELLA Lighting Co. Ltd.	China	Jiaxing	100.0	91
94	HELLA (Thailand) Ltd.	Thailand	Bangkok	100.0	28
95	HELLA Vietnam Company Limited	Vietnam	Ho Chi Minh City	100.0	28

1 The company exercises the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB).

Associates:

Number	Company	Country	City	Investment	
				in %	in
96	Behr-Hella Thermocontrol GmbH	Germany	Lippstadt	50.0	1
97	Behr-Hella Thermocontrol (Shanghai) Co., Ltd.	China	Shanghai	100.0	96
98	Behr-Hella Thermocontrol Inc.	USA	Wixom, MI	100.0	96
99	Behr-Hella Thermocontrol India Private Limited	India	Pune	100.0	96
100	Behr-Hella Thermocontrol Japan K.K.	Japan	Tokyo	100.0	96
101	Behr-Hella Thermocontrol EOOD	Bulgarien Bulgaria	Sofia	100.0	96
102	BHTC Mexico S.A. de C.V.	Mexico	Queretaro	100.0	96
103	BHTC Servicios S.A. de C.V.	Mexico	San Miguel de Allende	100.0	102
104	Behr-Hella Service GmbH	Germany	Schwäbisch Hall	50.0	1
105	Behr Hella Service South Africa Pty Ltd.	South Africa	Johannesburg	100.0	104
106	Behr Hella Comércio de Peças Automotivas S.A.	Brazil	Arujá	100.0	104
107	Behr Service IAM USA Inc.	USA	Troy, MI	100.0	104
108	Behr Hella Service North America, LLC	USA	Peachtree City, GA	100.0	104

Number	Company	Country	City	Investment	
				in %	in
109	Beijing SamLip Automotive Lighting Ltd.	China	Beijing	24.5	39
110	Beijing Haohua Special Lighting Ltd.	China	Beijing	49.0	109
111	HSL Electronics Corporation	South Korea	Daegu	50.0	39
112	Mando Hella Electronics Corp.	South Korea	Incheon	50.0	28
113	Mando-Hella Electronics (Suzhou) Co. Ltd.	China	Suzhou	100.0	112
114	Mando-Hella Electronics Automotive India Private Limited	India	Sriperumbudur	100.0	112
115	Merca Trading Oy Ab	Finland	Espoo	50.0	59
116	000 Orum Merca	Russia	St. Petersburg	100.0	115
117	Asia Aftermarket Holding GmbH	Germany	Poing	50.0	28
118	HBPO Beteiligungsgesellschaft mbH	Germany	Lippstadt	33.3	1
119	HBPO GmbH	Germany	Lippstadt	100.0	118
120	HBPO Germany GmbH	Germany	Meerane	100.0	119
121	HBPO Slovakia s.r.o.	Slovakia	Lozorno	100.0	119
122	HBPO Automotive Spain S.L.	Spain	Arazuri	100.0	119
123	HBPO Mexico S.A. de C.V.	Mexico	Cuautlancingo	100.0	119
124	HBPO Czech s.r.o.	Czech Republic	Mnichovo Hradiste	100.0	119
125	HBPO North America Inc.	USA	Troy, MI	100.0	119
126	HBPO UK Limited	Great Britain	Banbury	100.0	119
127	HBPO Canada Inc.	Canada	Windsor	100.0	119
128	HBPO Korea Ltd.	South Korea	Busan	100.0	119
129	HBPO Rastatt GmbH	Germany	Rastatt	100.0	119
130	HBPO Ingolstadt GmbH	Germany	Ingolstadt	100.0	119
131	HBPO China Ltd.	China	Shanghai	100.0	119
132	HBPO Manufacturing Hungary Kft	Hungary	Kecskemét	100.0	119
133	SHB Automotive Module Company Ltd.	South Korea	Gyeongbuk	50.0	119
134	HBPO Automotive Hungaria Kft.	Hungary	Győr	100.0	119
135	HBPO Regensburg GmbH	Germany	Regensburg	100.0	119
136	HBPO Pyeongtaek Ltd.	South Korea	Pyeongtaek	100.0	119
137	HBPO Beijing Ltd.	China	Beijing	100.0	119
138	HBPO Asia Ltd.	South Korea	Seoul	100.0	119
139	HBPO Japan K.K.	Japan	Tokyo	100.0	119
140	HICOM HBPO SDN BHD	Malaysia	Shah Alam	40.0	119
141	HBPO Management Sevices MX S.A.	Mexico	Cuautlancingo	100.0	119
142	HBPO Services MX S.A.	Mexico	Cuautlancingo	100.0	119
143	HBPO Brasil Automotive Servicos Ltda.	Brazil	São Paulo	95.0	119
144	Hella Behr IT Services GmbH i.L.	Germany	Lippstadt	50.0	1
145	ARTEC Advanced Reman Technology	Germany	Illingen	50.0	1
146	MD Hungaria Kereskedelmi	Hungary	Hernad	100.0	145
147	Changchun Hella Faway Automotive Lighting Co., Ltd.	China	Changchun	49.0	29
148	Chengdu Hella Faway Automotive Lighting Co., Ltd.	China	Chengdu	100.0	147
149	InnoSenT GmbH	Germany	Donnersdorf	50.0	1
150	Hella Pagid GmbH	Germany	Essen	50.0	1
151	Beijing Hella BHAP Automotive Lighting Co., Ltd.	China	Beijing	50.0	91
152	Hella BHAP (Sanhe) Automotive Lighting Co., Ltd.	China	Sanhe	100.0	151

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 disclo-

tures under Section 313 (2) (4) HGB could also be omitted. The Group's shares in these companies were recognised at amortised cost as no market prices were available.

Companies not included in the consolidated financial statements:

Number	Company	Country	City	Investment	
				in %	in
153	hvs Verpflegungssysteme GmbH	Germany	Lippstadt	100.0	1
154	Electra Hella's S.A.	Greece	Athens	73.0	28
155	HELLA Japan Inc.	Japan	Tokyo	100.0	28
156	AutoMester Danmark ApS	Denmark	Odense	100.0	59
157	Din Bilpartner Aps	Denmark	Odense	100.0	59
158	CMD Industries Pty Ltd.	Australia	Mentone	100.0	39
159	Tec-Tool S.A. de C.V.	Mexico	El Salto, Jalisco	100.0	71
160	HELLA Property Investments Ltd.	Great Britain	Banbury	100.0	42
161	Astra-Phil., Inc.	Philippines	Manila	30.0	35
162	Hella-Stanley Holding Pty Ltd.	Australia	Mentone	50.0	1
163	H+S Invest GmbH & Co. KG	Germany	Pirmasens	50.0	1
164	FWB Kunststofftechnik GmbH	Germany	Pirmasens	20.1	163
165	H+S Verwaltungs GmbH	Germany	Pirmasens	50.0	1
166	INTEDIS GmbH & Co. KG	Germany	Würzburg	50.0	1
167	INTEDIS Verwaltungs-GmbH	Germany	Würzburg	50.0	1
168	SL – Hella Slovakia s.r.o.	Slovakia	Nové Mesto	49.0	83

Since no significant influence is exercised over the following companies, they were treated as investments.

Investments:

Number	Company	Country	City	Investment	
				in %	in
169	PARTSLIFE GmbH	Germany	Neu-Isenburg	9.7	1
170	TecAlliance GmbH	Germany	Ismaning	7.0	1
171	EMC Test NRW GmbH electromagnetic compatibility	Germany	Dortmund	11.6	1
172	CarTec Technologie- und EntwicklungsCentrum GmbH	Germany	Lippstadt	16.7	1
173	KFE Kompetenzzentrum Fahrzeug Elektronik GmbH	Germany	Lippstadt	12.0	1

Auditor's report

"We have audited the consolidated financial statements prepared by HELLA KGaA Hueck & Co., Lippstadt, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the notes to the consolidated financial statement together with the Group management report for the fiscal year from 1 June 2015 to 31 May 2016. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on the basis of spot checks within the framework of the audit. The audit

includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in the scope of consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides an accurate view of the Group's position and suitably presents the opportunities and risks of future development."

Bielefeld, 2 August 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Andrejewski
(Auditor)

Dr. Hain
(Auditor)

Responsibility statement

on the consolidated financial statements, annual financial statements, Group management report and management report of HELLA KGaA Hueck & Co. dated 31 May 2016.

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 per-

formance 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, 19 July 2016



Dr. Jürgen Behrend
(Managing General Partner
of HELLA KGaA Hueck & Co.)



Dr. Rolf Breidenbach
(President and CEO of HELLA
Geschäftsführungsgesellschaft mbH)



Markus Bannert
(Managing Director of
HELLA Geschäftsführungsgesellschaft mbH)



Stefan Osterhage
(Managing Director of
HELLA Geschäftsführungsgesellschaft mbH)



Dr. Matthias Schöllmann
(Managing Director of
HELLA Geschäftsführungsgesellschaft mbH)

Bodies of HELLA KGaA Hueck & Co.

Supervisory Board of HELLA KGaA Hueck & Co.

Prof. Dr. Michael Hoffmann-Becking

Attorney-at-law, Chairman of the Supervisory Board

Alfons Eilers

Trade union secretary, first deputy chairman

Laura Behrend

Student

Paul Berger

Member of the works council

Michaela Bittner

Senior executive

Heinrich Georg Bölter

Member of the works council

Manuel Frenzel

Student

Elisabeth Fries

Housewife

Stephanie Hueck

Entrepreneur

Susanna Hülsbömer

Member of the works council

Klaus Kühn

Privatier, Chairman of the Supervisory Board of Flossbach von Storch, Member of the Supervisory Board of Morphosys AG

Manfred Menningen

Trade union secretary on the Executive
Board of the German Metalworkers' Union (IG Metall)

Manuel Rodriguez Cameselle

Member of the works council

Marco Schweizer

Master mechanic

Dr. Konstanze Thämer

Doctor

Christoph Thomas

Architect

Shareholder Committee

Manfred Wennemer

Former CEO of Continental AG,
Chairman of the Shareholder Committee

Roland Hammerstein

Attorney-at-law, deputy chairman

Moritz Friesenhausen

Business consultant

Dr.-Ing. Gerd Kleinert

Former CEO of Kolbenschmidt Pierburg AG

Klaus Kühn

Former member of the Management Board
of Bayer AG, Leverkusen

Dr. Matthias Röpke

Engineer

Dipl.-Ing. Dipl.-Wirtsch.-Ing. Konstantin Thomas

Entrepreneur

Management Board

Dr. Jürgen Behrend

Managing General Partner

HELLA Geschäftsführungsgesellschaft mbH

General Partner

Dr. Rolf Breidenbach

President and CEO

Carsten Albrecht

until 31 October 2015

Markus Bannert

Jörg Buchheim

until 30 November 2015

Dr. Wolfgang Ollig

until 30 June 2016

Stefan Osterhage

Dr. Matthias Schöllmann

Glossary

Adjusted EBIT

Earnings before interest and income taxes and the non-recurring charges arising from the loss of the supplier in China, as well as the costs incurred in conjunction with the voluntary partial retirement and severance payment programme.

Adjusted EBIT margin

Earnings before interest and income taxes and the non-recurring charges arising from the loss of the supplier in China, as well as the costs incurred in conjunction with the voluntary partial retirement and severance payment programme relative to sales.

Adjusted EBITDA

Earnings before depreciation and amortisation, interest and income taxes and the non-recurring charges arising from the loss of the supplier in China, as well as the costs incurred in conjunction with the voluntary partial retirement and severance payment programme relative to sales.

Adjusted EBITDA margin

Earnings before depreciation and amortisation, interest, income taxes and the non-recurring charges arising from the loss of the supplier in China, as well as the costs incurred in conjunction with the voluntary partial retirement and severance payment programme relative to sales.

AFLAC

Acronym for "American Family Life Assurance Company". American insurance company specialised in health and life insurance.

Asia/Pacific/RoW

The Asia/Pacific region comprises the countries of Asia as well as Australia and New Zealand. "Rest of world" is the term used to cover all other countries outside of those regions mentioned specifically, such as the African states.

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

Compliance

Adherence to statutory and internal Company provisions

DBO (defined benefit obligation)

Value of obligations arising from the company pension scheme

EBIT (earnings before interest and taxes)

Earnings before interest payments and income taxes

EBIT margin

Return on sales (ratio of EBIT to sales)

EBITDA (earnings before interest, taxes, depreciation and amortisation)

Earnings before depreciation, amortisation, interest and income taxes

EBITDA margin

Ratio of EBITDA to sales

EBT (earnings before taxes)

Profit before income taxes

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

Acronym for "Kommanditgesellschaft auf Aktien", a partnership limited by shares. The KGaA combines the elements of a stock corporation with those of a limited partnership.

NAFTA

Acronym for "North American Free Trade Agreement". The North American Free Trade Agreement is a trade association between Canada, the USA and Mexico, and forms a free trade zone in North America.

Net capital expenditures

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 debt

Net debt as the balance of cash and cash equivalents and current financial assets and current and non-current financial liabilities.

North and South America

This region comprises all countries of North and South America.

Operating cash flow

Cash generated from operating activities after capital expenditure, excluding company acquisitions and restructuring measures

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.

R&D

Research and development

Rest of Europe

This region comprises all countries in Europe including Turkey and Russia but excluding Germany.

Return on equity

The return on equity is a ratio calculated by dividing net income by shareholders' equity.

ROIC (return on invested capital)

The ratio of operating income before financing costs and after taxes (return) to invested capital.

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

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/motorhomes, agricultural machinery and construction machinery as well as municipalities.

Tier-1 supplier

First-level supplier

Imprint

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www.hella.com

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www.hella.de/geschaeftsbericht (German)
and www.hella.com/annualreport (English).

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Global Presence

Employees and Locations



EUROPE

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Bosnia-Herzegovina	● ●	Ireland	●	Spain	● ● ●
Czech Republic	● ● ● ●	Italy	●	Switzerland	●
Denmark	● ● ● ●	Norway	●	The Netherlands	●
Finland	● ● ● ●	Poland	●	Turkey	●
France	● ● ● ●	Portugal	●	UK	●
Germany	● ● ● ●	Romania	● ● ● ●		
		Russia	●		

NORTH AND SOUTH AMERICA

Brazil	● ● ● ●
Mexico	● ● ● ●
USA	● ● ● ●



ASIA, PACIFIC, ROW

Australia	● ●	Singapore	●
China	● ● ● ●	South Africa	●
Dubai	●	South Korea	● ● ● ●
India	● ● ● ●	Thailand	●
Japan	● ● ● ●	The Philippines	● ● ●
New Zealand	● ● ● ●	Vietnam	●

LEGEND ● Sales ● Production ● Development

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