Technology with Vision

ANNUAL REPORT
2019/2020

TOGETHER

Acting in partnership and as colleagues is deeply rooted in HELLA's culture. But these fundamental principles were seldom so important as they are now. This is demonstrated by the current challenges: only by combining forces are we able to overcome the consequences of the Covid-19 pandemic. Only together are we able to develop solutions for tomorrow's mobility and successfully shape the transformation of the automotive industry. The automotive world is becoming increasingly complex. Technologies and customer requirements are becoming ever more demanding, the challenges ever greater. Some problems can no longer be solved alone, even if this was the case in the past. The best way for us is to go forward together. For this reason, we will continue to build on partnerships and collaborations in future. We will network our expertise and promote cooperative interaction. Within and beyond the Company, inside the global HELLA network, as well as in cooperation with strong industrial partners, academic institutions and innovative start-ups. **TOGETHER.**

CONTENTS

-14.3%

CURRENCY AND PORTFOLIO-ADJUSTED SALES GROWTH

Currency and portfolio-adjusted sales
in € million

2019/2020
BUSINESS DEVELOPMENT

In a market environment that was already in decline, HELLA's business development over the past year has been additionally impacted by the Covid-19 pandemic. Consequently, currency and portfolio-adjusted sales decreased by 14.3% to € 5.8 billion, the adjusted EBIT margin came to 4.0%. Due to non-cash impairments, however, HELLA ended the fiscal year with a net loss.

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

2018/2019	Change	**2019/2020**
572	-59%	233

in % of portfolio-adjusted sales

2018/2019	Change	**2019/2020**
8.4%	-4.4 percentage points	4.0%

EARNINGS BEFORE INTEREST AND TAXES (EBIT)
in € million

2018/2019	Change	**2019/2020**
808	-142%	-343

in % of reported sales

2018/2019	Change	**2019/2020**
11.6%	-17.4 percentage points	-5.9%

RESEARCH AND DEVELOPMENT EXPENSES
in € million and as a % of portfolio-adjusted sales
fiscal year 2019/2020

620 € million

10.6%

ADJUSTED FREE CASH FLOW FROM OPERATING ACTIVITIES

227 € million

NET CAPITAL EXPENDITURE
in fiscal year 2019/2020

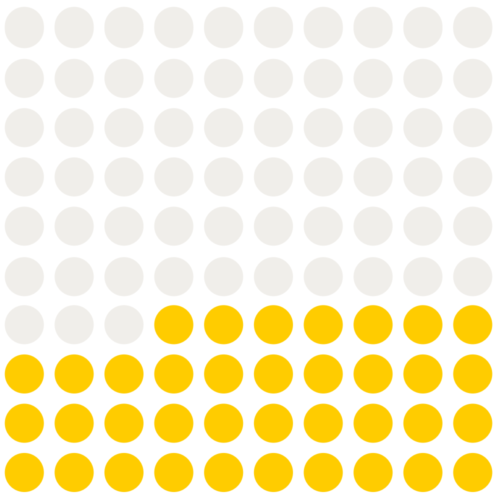
431 € million

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

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

Segment	Reported sales	Change	EBIT	Change
AUTOMOTIVE	4,944	-14.3%	164	-63.6%
AFTERMARKET	560	-7.1%	51	-18.0%
SPECIAL APPLICATIONS	343	-14.2%	27	-54.7%

EQUITY RATIO
as at 31 May 2020



37.0%

FOREWORD

Ladies and Gentlemen,

The fiscal year 2019/2020 was a year that will doubtlessly be remembered for a long time, due to the global Covid-19 pandemic. Never before has the health of our workforce been jeopardised on such a wide scale. Never before has the automotive industry come to such an abrupt standstill. Never before have we had to put so much effort into organising the complete relaunch of our business activities.

While the danger emanating from the virus has not yet been overcome, it can be noted for HELLA: we have coped well with the associated challenges to date. Most of all, we have succeeded in protecting the health of our employees and in keeping the infection rate to a very low level. That is the most important thing. It was impressive to see how the HELLA workforce around the world closed ranks and fought back against the crisis. In the name of HELLA's management board, I would like to express my special thanks for this. Without the great discipline and extraordinary dedication on the part of our employees, we would not have come through this time as well as we have.

At the same time, our thanks goes out to our customers and business partners as well as our shareholders for the confidence they have placed in our Company and for having remained faithful to HELLA in these turbulent times.

HELLA PERFORMED WELL IN A DEMANDING MARKET ENVIRONMENT

Of course, we have also been greatly impacted by the massive market collapse following the Covid-19 pandemic. In a market environment that was already in decline, this has additionally impacted our business development. We completed the fiscal year with a decrease in sales and earnings. Currency and portfolio-adjusted consolidated sales fell by 14.3 percent to € 5.8 billion, adjusted EBIT contracted to € 233 million. The adjusted EBIT margin amounted to 4.0 percent. On account of non-cash impairments, that we had to recognise in light of a decline in market demand even over the medium to long term and the associated lower level of capacity utilisation within HELLA's global production network, we had to report a net loss overall in the past fiscal year.

Even if these results do not come up to the expectations we originally had for the fiscal year, we can nevertheless be satisfied with our performance in light of the specific unforeseeable circumstances prevailing in the past year. For example, we have once again succeeded in performing better than the global automotive market, which contracted by 18 percent over the same period.

In this context, it was important that we first of all focused on the absolute essentials, namely series development, production launches and ongoing series production. Everything else was put on hold. Secondly, we continued to press forward with our existing cost control campaigns and by doing so lowered our costs to the required minimum. This also comprised short-time working at HELLA locations in Germany and comparable measures throughout the international network of locations. Thirdly, in light of the great market uncertainty, we placed a special focus on ensuring we have sufficient liquidity. A financial cushion of some € 2 billion puts us in a very good position in this respect.

Despite a good liquidity position, the Company's management will propose to the annual general meeting that the dividend

"The automotive industry is undergoing a profound transformation process. Consequently, competitive and cost pressure will continue to rise."

Dr. Rolf Breidenbach

"HELLA is strong, in this respect nothing has changed. We have a forward-looking business model, we are present all around the globe and are technological leaders in numerous product fields."

Dr. Rolf Breidenbach

payment be suspended for the fiscal year 2019/2020. The decision to make this proposal mainly arose on account of the net loss incurred by the HELLA Group for the past fiscal year and the negative market expectations. Proceeding in this manner is intended to safeguard the Company's financial flexibility over the long-term future.

PRESSURE FOR CHANGE IN THE INDUSTRY CONTINUES TO INCREASE

There is an ongoing high level of market uncertainty, which also means the great challenges will remain in place. Not everything can be attributed to the coronavirus. Rather, the coronavirus crisis acts as an amplifier that additionally intensifies a large number of fundamental challenges the industry is facing. Finally, the automotive industry has for years already been undergoing a profound transformation process that is accompanied by unprecedented pressure for change.

Manufacturers and suppliers alike are having to make massive investments in trending topics, such as electromobility, autonomous driving, software and digitalisation. This will require a tremendous effort, both in terms of technology and financial resources. At the same time, new financially strong companies, some from completely different sectors, are forcing their way onto the market. In this process, established value added structures are being broken up completely in many cases.

In addition, the market has become smaller and therefore more competitive. Leading market research organisations are currently working on the assumption that global light vehicle production will not reach the level seen in 2017 and 2018 before the year 2025. Two years ago, the forecasts predicted 10 to 20 million more vehicles. This means that competitive and cost pressure will continue to rise in the industry overall.

BOOSTING COMPETITIVENESS AND SAFEGUARDING THE FUTURE

We have proven in the past that HELLA can perform successfully even in a demanding market environment. Operational excellence and cost efficiency are two of the Company's strengths. For example, we have continually improved our cost base over the last few years. This is one fundamental reason why we have been able to win important orders and generate stronger growth than the market. Even at the current time our order books are well filled. But we must not and will not sit back and relax. We think for the long term. Our objective is to put HELLA into a strong and resilient position to meet the challenges of the coming decade. Consequently, we must continue to improve our competitiveness by taking resolute action at an early stage from a position of strength. We will therefore remain faithful to our corporate strategy and continue to make a significant level of investment in research and development. Over recent years, our capital expenditure in this field came to around ten percent of consolidated sales each year. We will not abandon this figure. On the contrary: we will work even more intensely on the topics of future relevance for the automotive sector, invest in software and automation and drive forward the agility of our organisation. In order to safeguard our competitiveness over the long term, we will also continue to keep an eye on our cost structures. We have already been forced to cut 5,400 jobs worldwide over the last two years. In light of the increasing market pressure, there is no way of avoiding further structural adjustments especially at our domestic locations in Germany, where around one quarter of HELLA's global workforce is employed. As in the past, we will address the necessary adjustments from a broad perspective and apply the principle of social responsibility in their implementation. After all, this has always been one of HELLA's distinguishing marks: the "human approach" and "professionalism". Ensuring the right balance on an ongoing basis underlies our actions and forms one important pillar of the Company's strength.

HELLA IS IN A GOOD POSITION IN TERMS OF STRATEGY AND FINANCIAL RESOURCES

And HELLA is strong, in this respect nothing has changed: we are in a good position in terms of strategy and financial resources. We have a forward-looking business model, we are present all around the globe, we are technological leaders in numerous product fields and we have an enormous base of underlying expertise. These are all factors promising a good future.

Last but not least, my confidence springs from the fact that there are so many dedicated employees behind the Company who demonstrate day-in day-out that they are willing and able to do their very best for HELLA. For this reason, I am convinced that, all acting together, we will keep the Company on its path of success as one of the world's leading automotive suppliers even 120 years after its formation despite the challenging times ahead. We intend to maintain this position over the long term of the coming decade – to the benefit and advantage of our customers, shareholders and employees.

Lippstadt, August 2020

Dr. Rolf Breidenbach
President and CEO

THE MANAGEMENT BOARD
of HELLA GmbH & Co. KGaA

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

Dr. Frank Huber
Automotive Lighting

Bernard Schäferbarthold
Finance, Controlling, Information Technology,
Process Management, Special Applications

Björn Twiehaus
Automotive Electronics
(Deputy Managing Director)

2019/2020

HELLA SHARE

In the fiscal year 2019/2020, the HELLA share was unable to escape the negative industry development and ended the fiscal year with an XETRA closing price of € 35.10. However, with a decrease of 10.6%, the share outperformed the Prime Automotive benchmark index, which decreased by 17.4% in the same period. In contrast, the MDAX rose by 2.5% due to its broader industry mix.

AT A GLANCE
The HELLA share

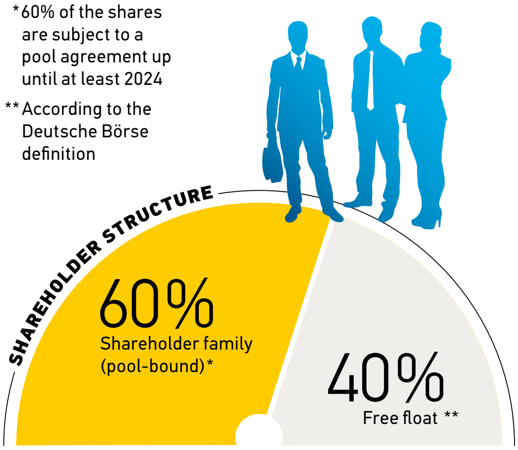
Initial stock market quotation	11 November 2014
Ticker symbol	HLE
ISIN	DE000A13SX22
SIN	A13SX2
Share class	No-par value ordinary bearer shares
Market segments	Prime Standard (Frankfurt Stock Exchange) Regulated market (Luxembourg Stock Exchange)
Index	MDAX

€ 3.90 billion
MARKET CAPITALISATION
on 31 May 2020

111,111,112
NUMBER OF SHARES ISSUED

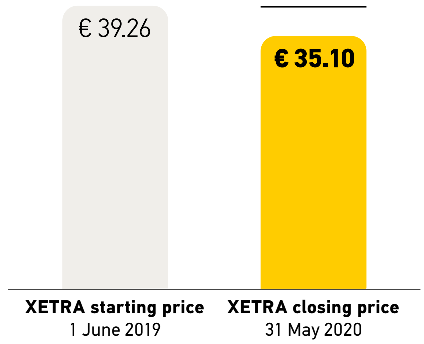
€ 7.83 million
203,928 shares
AVERAGE DAILY TRADING VOLUME
in fiscal year 2019/2020

€ 222,222,224
NOMINAL CAPITAL

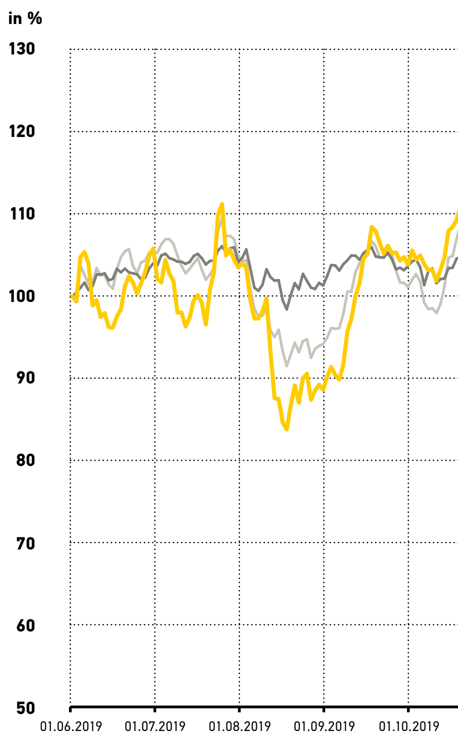


*60% of the shares are subject to a pool agreement up until at least 2024
** According to the Deutsche Börse definition

PERFORMANCE OF THE HELLA SHARE
in fiscal year 2019/2020 and compared to the index



HELLA SHARE
Price performance during the reporting period compared to selected indices (indexed on 1 June 2019)



€ 2 billion

is the **current HELLA financial cushion** comprising credit facilities, cash and cash equivalents

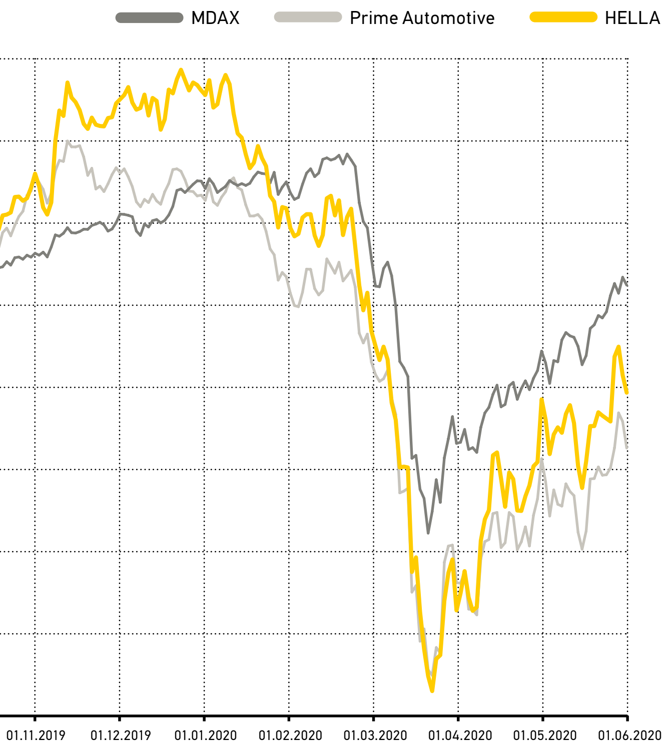
-10.6%
HELLA SHARE

-17.4%
PRIME AUTOMOTIVE

+2.5%
MDAX

€ 50.55
HIGHEST PRICE
in fiscal year 2019/2020

€ 20.82
LOWEST PRICE
in fiscal year 2019/2020



Baa1 Rating

Despite the current market challenges, Moody's reaffirmed the **HELLA Rating** due to the effective cost control approach and strong liquidity position.

LOOKING BACK AT THE **EQUITY MARKET YEAR**

COVID-19 PANDEMIC BURDENS CAPITAL MARKETS

The Covid-19 pandemic placed a heavy strain on the capital markets in the fiscal year 2019/2020. In particular, the shares of German automotive stocks, the DAX sector Automobile (hereinafter: Prime Automotive), fell significantly with losses of 17.4%, while the MDAX achieved a slight increase of 2.5% due to diversified stocks.

After initial prospects for a settlement of the US-China trade dispute provided growth impetus, Prime Automotive came under pressure due to weaker economic data and an unexpected US customs tariff announcement. As a result, Prime Automotive fell by 3.9%, while the MDAX closed the first quarter with an increase of 3.8%. In the second quarter, renewed signs of a recovery in the trade conflict, hopes of economic stimulus measures and an expansionary monetary policy led to an increase in the MDAX share price (+6.8%) and that of Prime Automotive (+19.1%).

Since the third quarter, the outbreak of the coronavirus has led to significant price losses. The MDAX lost 7.6% during this period; Prime Automotive slumped by 20.0%. In the fourth quarter, positive stimuli generated by economic stimulus programmes were only able to partially compensate for further price losses due to the Covid-19 pandemic. As a result, the MDAX closed at the previous quarter's level, while Prime Automotive closed with a drop of 9.8%.

HELLA SHARE OUTPERFORMS THE INDUSTRY INDEX

The HELLA share posted a total decrease of 10.6% due to various risks, but still outperformed the Prime Automotive benchmark index.

The HELLA share recorded a decrease of 8.6% in the first quarter, due in part to negative industry reports but mainly as a result of the publication of the corporate outlook for fiscal year 2019/2020. In the second quarter, the HELLA share clearly set itself apart from the performance of automotive stocks and the MDAX. The share achieved above average gains due to company and industry-specific news and analyst assessments, and recorded an increase of 36.5%.

Due to negative capital market and industry developments in the third quarter, the HELLA share reduced disproportionately and lost 23.8% of its value. It also performed negatively in the fourth quarter as a result of the Covid-19 pandemic; with a decline of 6.0%, however, the share reduced less significantly in comparison.

LIQUIDITY OF THE HELLA SHARE

The average daily XETRA trading volume in the reporting period was around 204,000 shares (prior year: 187,000), the equivalent of roughly € 7.8 million (prior year: approx. € 8.3 million). The market capitalization stands at € 3.90 billion (prior year: € 4.60 billion), with the number of shares issued not changing.

HELLA BONDS

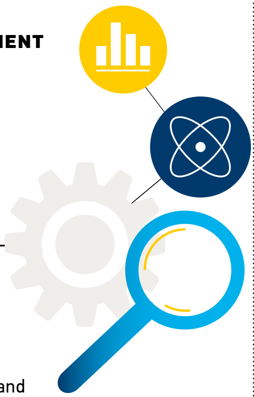
Currently, HELLA has two bonds issued: A 1.000% EURO bond (WKN A19HBR) for € 300 million, with a seven-year term running until 17 May 2024 and a 0.500% EURO bond (WKN A2YN2Z) for € 500 million, also with a seven-year term, running until 26 January 2027. In mid-June 2020, Moody's confirmed the company rating at the level of Baa1 in the course of reviewing 14 European automotive suppliers for a downgrade. The negative outlook was maintained due to the high sector risks.

2019/2020

SHORT PROFILE

HELLA is a listed, global, family-owned company with more than 125 locations in around 35 countries, and is considered one of the leading automotive suppliers worldwide. Specialising in innovative lighting systems and vehicle electronics, HELLA has been an important partner for the automotive industry and the aftermarket for 120 years. Furthermore, HELLA's Special Applications segment develops, manufactures and sells lighting and electronics solutions for special vehicles.

INVESTMENTS IN RESEARCH AND DEVELOPMENT



10.6%

of sales (fiscal year 2019/2020)

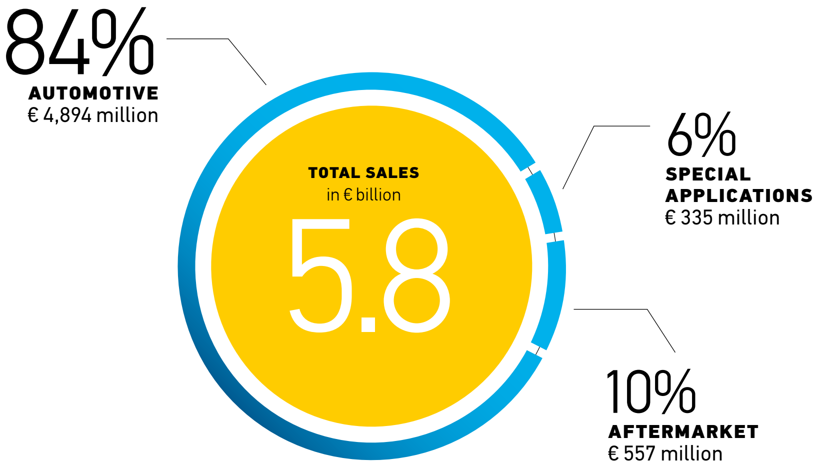
7,789

EMPLOYEES work in research and development at HELLA worldwide (31 May 2020)

279 **PATENTS** were registered for the first time in the last fiscal year.

EXTERNAL SALES BY BUSINESS SEGMENT

fiscal year 2019/2020



AUTOMOTIVE

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

The HELLA electronics portfolio provides crucial help in making driving safer, more efficient and more comfortable. This range of services comprises innovative product solutions in the areas of driver assistance, energy management, body electronics and steering electronics, software, sensors and actuators as well as lighting electronics. With radar sensors for assisted and automated driving as well as power and battery electronics for electric and hybrid vehicles, the HELLA Electronics division serves key automotive market trends.

AFTERMARKET

With a large range of around 35,000 spare parts, wear parts and accessory parts as well as a comprehensive range of services, HELLA is one of the most important partners for spare parts retailers and independent garages in Europe. These activities are supplemented with a comprehensive range of products from Hella Gutmann Solutions, which focusses on high-quality equipment for diagnostics, exhaust gas testing, lighting adjustment, calibration, system testing and the corresponding measuring instruments for vehicle workshops, car dealerships and vehicle testing organisations.

SPECIAL APPLICATIONS

In the Special Applications segment, HELLA develops and manufactures lighting and electronics products for special vehicles such as construction and agricultural vehicles, buses, trailers and motorhomes, as well as for the marine sector. Here, HELLA transfers its high level of technological expertise from the core automotive business to these target groups, whilst also developing standalone product solutions for these customer groups – for example in the form of intelligent lighting solutions that can project warnings or marking lines onto the work surface.

SALES DISTRIBUTION BY REGION (BY REGISTERED OFFICE OF THE HELLA CUSTOMER)
fiscal year 2019/2020 in € million
and as a percentage of consolidated sales

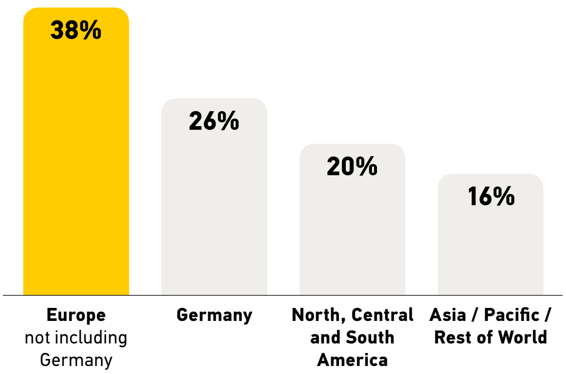
1,870 — 32%
GERMANY

1,681 — 29%
EUROPE
not including Germany

1,253 — 21%
NORTH, CENTRAL AND SOUTH AMERICA

1,025 — 18%
ASIA, PACIFIC, ROW

Employees by region
fiscal year 2019/2020



36,311
EMPLOYEES
worldwide (31 May 2020)

HELLA GROUP
AT A GLANCE

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

TECHNOLOGICAL EXCELLENCE
Research and development have always been an integral component of our company DNA and are therefore the central pillar on which our competitive strength is built. One in five employees works in this area, and we invest roughly 10% of our sales into the development of new future technologies and mobility solutions. This allows us to consistently position ourselves in accordance with major market trends: autonomous driving, efficiency and electrification, connectivity and digitalisation, and individualisation.

LEADING MARKET POSITION
In the markets in which we are active, we constantly pursue a leading market position. Our focus on technology and innovation leadership is helping us achieve this goal. For example, we are a leading provider of complex Matrix LED headlamps as well as radar sensors for assisted and automated driving. We are also supporting our customers on the road to e-mobility: with a comprehensive product spectrum including power and battery electronics for all e-mobility development stages.

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

COMPREHENSIVE PARTNER NETWORK
We rely on a strong network of partners. To this end, we have been working together for many years with powerful industry partners in different forms of cooperation in order to successfully develop new technologies, business models and markets. These partnerships include both joint ventures and open cooperation agreements with partners both within and beyond the automotive industry with a view to driving strategic topics forward quickly, flexibly and in a targeted manner.

COMMITTED EMPLOYEES
Our employees are the basis of our success. At the end of the fiscal year 2019/2020, we had around 36,000 permanent employees worldwide. One quarter of these employees are in Germany. The other three quarters work at HELLA's international locations, particularly in China, India, Eastern Europe, the USA and Mexico.

THE HIGHLIGHTS OF 2019/2020

SUCCESSFUL TRADE FAIR PRESENTATION

At the 2019 International Motor Show (IAA) in Frankfurt in the New Mobility World, HELLA presented innovative product solutions for e-mobility and automated driving. German Chancellor Angela Merkel also stopped by the HELLA booth to learn more about one of the company's top innovations from Dr. Rolf Breidenbach, President and CEO: the dual-voltage battery.

GLOBAL CENTRE OF EXCELLENCE

HELLA Engineering France moved into a new office and development building in Toulouse. Alongside the local staff, executives from Lippstadt and 50 guests participated in the official opening ceremony. The HELLA location in Toulouse is the global centre of excellence for steering electronics. Established in 2009, it now employs around 70 people.

EXCELLENT QUALITY

HELLA received several awards for outstanding quality: two awards from Mazda for the reliable production of lane change assistants and various sensors, and two other awards from SAIC GM and General Motors North America for sophisticated lighting solutions from the plant in Jiaxing, China.

TOGETHER AGAINST THE CORONAVIRUS

HELLA quickly and informally provided assistance in the form of generous donations in kind and of money during the coronavirus crisis In Romania, HELLA purchasers also supported medical institutions in the procurement of protective clothing.

PRODUCTION KICK-OFF IN CHINA

The joint venture HELLA BHAP Electronics has kicked off series production. Control units and lighting electronics are the first products to leave the conveyor belts. The joint venture was founded in 2018 by HELLA and BHAP, one of China's biggest automotive suppliers. The plant initially boasts a production space that occupies 7,000 square meters.

SOCIAL COMMITMENT

HELLA employees have proven their readiness to donate generously. Take the Lippstadt location for example. The staff collected 15 boxes full of food, including pasta, tinned goods, jam, biscuits, and chocolate. They will be sent to the Keiner ist allein (Nobody is alone) association that supports needy people in Lippstadt. The proceeds from HELLA's Cent-Spende (Donate a cent), which amounted to € 7,500, will be used to support various non-profit institutions in the Lippstadt region. Since the initiative was launched, it has collected total donations of around € 18,000 which have been used to support more than 30 projects.

INNOVATIVE BATTERY MANAGEMENT

HELLA takes the second generation of high-voltage battery management systems to the streets. From summer 2020, HELLA will be equipping the electric vehicle fleet of a German premium manufacturer with them. The high-voltage battery management systems from HELLA ensure the safe, reliable functioning of Li-ion batteries for electric and full hybrid vehicles. Since 2016, HELLA has supplied battery management systems for the manufacturer's e-vehicles and full and plug-in hybrids.

POWERFUL RADAR PLATFORM

HELLA has launched the latest radar technology based on 77 GHz. The radar sensors have been produced since spring 2020; initially in the electronics plant in Hamm, Germany. And at CES 2020 in Las Vegas, HELLA and the U.S. start-up Oculii closed the deal on a strategic partnership. With the software developed by Oculii, the HELLA radar sensors' performance can be further increased by cost-efficiently improving the accuracy, range, and quality of information. Oculii's software technology will be integrated into the 77 GHz radar platform from HELLA from 2023.

DISTINCTIVE APPEARANCE

An illuminated radiator grille sets the distinctive appearance of the new BMW X6 in scene. The new sports activity coupe has the kidney grille typical of the BMW brand. Based on a lighting concept developed by HELLA, end customers can choose whether the grille should be illuminated when the vehicle is opened and closed, or while moving as well. The illuminated radiator grille is an added enhancement to the distinctive vehicle design.

ARTIFICIAL DRIVING SOUND

HELLA provides electric, hybrid, and fuel cell vehicles with a sound similar to that of a conventional internal combustion engine. It enables road users to better hear approaching vehicles that are otherwise virtually noiseless, thus warning them of their approach. At speeds below 20 km/h, the acoustic warning system simulates a sound whose intensity increases with increasing speed. And when driving backwards, the system automatically generates an acoustic signal.

TOGETHER

ONE PRINCIPLE, THREE PERSPECTIVES: Acting in partnership is deeply rooted in HELLA's culture. This applies both within and outside the company. Three articles make clear how this fundamental approach shapes how people interact at HELLA and, among others, how it has contributed to our success so far in coping with the coronavirus pandemic, and how it contributes to refining how we address growth markets and new technologies even further.

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ACTING AS EQUALS

Working together with highly efficient suppliers to develop innovative product solutions is the HELLA way. This is demonstrated by the HELLA Co-Innovation Platform – a competition through which suppliers are systematically integrated at an early stage into product development.

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WITH JOINT FORCES

The Covid-19 pandemic is an unprecedented challenge for business and society. How has the HELLA community coped with the pandemic so far – and most of all: how is the coronavirus changing how people work at HELLA over the long term? A preliminary conclusion.

22

"CO-OPERATIONS ARE ESSENTIAL IN CHINA"

What strategy is HELLA pursuing in China, what is the role played in this by partnerships and how were they impacted by the coronavirus crisis? Answers to these questions can be found in an interview with the regional managers: Didier Keskas and Jörg Brandscheid.

WITH JOINT FORCES

STRENGTHENED BY THE CRISIS: The Covid-19 pandemic has posed an unprecedented challenge for the economy and society. How is HELLA mastering the pandemic and the associated measures – and above all, how will the coronavirus change working at HELLA over the long term? An interim conclusion from five viewpoints.

Lippstadt, an early morning in the middle of January. Representatives from the Operational Safety & Health, Works Safety, Human Resources, Law & Compliance, and Communication departments are seated at a conference table. Other employees from other departments and regions are present via telephone hook-up.

It is the first review of the situation by HELLA's global crisis team. The new coronavirus is spreading and is seemingly unstoppable: first in Wuhan, then in other parts of China, and only a few weeks later, around the globe. It's a different world now – and the economy has reacted with the deepest recession in decades. Hardly any industry is unaffected.

The automotive industry has been particularly affected by the pandemic. Customers were not going to dealerships, automotive manufacturers were shutting down their plants, and logistics chains were threatening to break. Workflows had to be restructured and employees needed additional protection.

The danger of the virus has not been averted. It is still not possible to tell how long it will impact industry, the economy as well as the world and how serious the consequences will be in the long term. But one thing is certain: until now, HELLA has handled the crisis well. And that is due not least to the extraordinary commitment of the HELLA employees. But how will the coronavirus change working at HELLA for the long term? Which new ideas can the company implement as lessons learned from the crisis? A preliminary interim conclusion from five different viewpoints.

THE PRODUCTION LINES KEPT RUNNING

The most acute phase of the pandemic measures showed just how important effective supply chain management is. The existing early warning systems shall now be fine-tuned.

To explain how Purchasing and Critical Parts Management confronted the coronavirus, we need to look back at 2008 and 2009, the days of the last major global economic crisis. Back then, HELLA began to set up a new team of experts. Their mission: To monitor supply chains and detect possible bottlenecks in materials procurement in order to react even earlier.

"Global supply chains in the automotive industry are complex, highly precise clocked processes. Even minor disruptions can have serious consequences," said Ludger Meerbecker, who heads the effort at HELLA to minimise supply chain risks caused by material bottlenecks, for example. "The financial crisis that happened around ten years ago taught us to do that. Since then, we have used that knowledge to significantly strengthen our preventive supply chain management. We use it to ensure that we can act quickly in critical supply situations and maintain our ability to fulfil existing customer orders at any time."

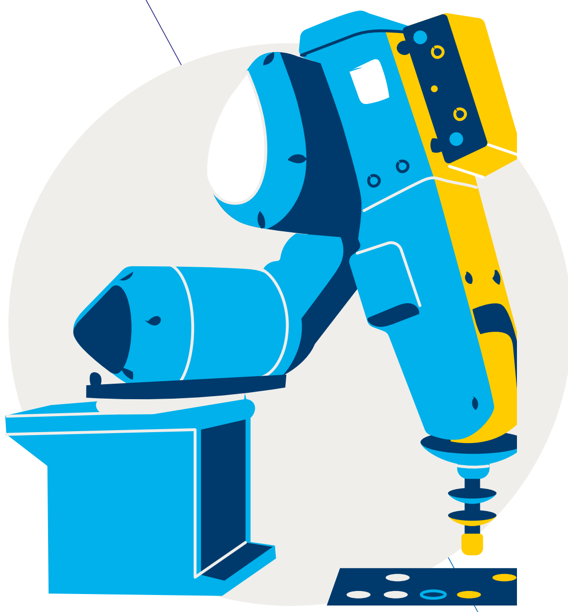
In the years after the financial crisis, HELLA expanded the relevant early warning systems, databases, and other control mechanisms – a strategy that paid off in the spring of 2020. "Although we could not fully anticipate the dimensions that the pandemic would soon assume, we were immediately aware that it could also directly affect us – and our materials procurement in particular," explained Meerbecker. "After all, many of HELLA's suppliers – including those who supply key parts such as electronics components – are located in Asia." Immediately after receiving the initial signals from China, HELLA supplemented the staff in Critical Parts Management, critically examined all of the materials procured, and searched for and found alternatives. As a result, the customers' production lines were kept running, even after the borders were closed later.

Ludger Meerbecker's team worked closely with the Group's global purchasing department, headed by Daniel Wehsarg. The time pressure was also great there. For example, there was quickly a shortage of personal protective equipment for employees and disinfectant in the global market at the beginning of the pandemic. And Purchasing also faced major challenges with regard to logistics services. "In the early days in particular, we had to be agile and creative in order to find the right suppliers and safeguard logistics," said Daniel Wehsarg. "That shows that HELLA is a reliable partner for automobile manufacturers and its own suppliers alike, and how good the team performance in the global HELLA network was. These are surely positive lessons that we have learned from the crisis. And we will also be able to use the insights and experience we gained from such extreme situations during the acute phase of the pandemic measures in future, when the focus is on assessing our supplier base or our procurement strategies."

Meerbecker also sees a gain for HELLA in the area of project organisation. The crisis led to new, pragmatic, and efficient forms of collaboration, in particular across departments and divisions. He thinks that now the databases and platforms that exist to map the entire supplier structure should be developed further. And together with those responsible for production at HELLA, he would like to examine the situation with regard to suppliers of critical components in more detail and top up inventories where necessary, so that HELLA can act even more actively and preventively in exceptional circumstances in the future.

10,000

employees logged into the HELLA networks from their homes on some days during the acute phase of the pandemic measures. Group IT was able to strengthen the infrastructure to handle increased demand in a very short time.



FLEXIBLY MASTERING THE CRISIS

When original equipment manufacturers closed their plants and suppliers shut down their production, HELLA's global production operations had to be restructured quickly. The company's strength was its decentralised structures.

Barnabás Szabó, the man at the top of global Lighting production at HELLA, appreciates pragmatic solutions. "In production operations, you always have to be prepared for the unimaginable," said Szabó. "But nobody has a detailed plan for a situation like the coronavirus pandemic in their desk drawer." And even if someone did have such a plan, it would have needed to be overturned and rethought on a daily basis. Every day, we received new notifications, new regional regulations, border closings, and production shutdowns that had to be taken into account for the global production process.

"The biggest challenge was the pandemic's dynamics, which meant that events happened at different times in different places. That made the task of coordination extremely complex for us," Szabó recalled. "At one location, a customer shut down production and at another, a supplier decreased production volumes. Other customers received at least partial deliveries." From the beginning of March, production management had to react to constant changes in the supply chain in real time, and flexibly deploy the available forces to ensure that deliveries were received where they were needed at the time. After all, while light vehicle production had shut down almost completely in Europe and the U.S., the Chinese automotive market was showing the first signs of recovery. Both standstills and restarts had to be managed simultaneously.

A specific situation proved to be an advantage once again: even before the virus spread, HELLA had continuously advanced its structural decentralisation. "Despite clear hierarchies in the central functions, with a very strong and strict global lead, those responsible at HELLA on site have a high degree of autonomy and creative freedom to run the daily business," said Szabó. The right decision-making structures already existed for decisions that had to be made on a region-by-region basis. That is another reason why the shutdown and restart of global production was able to proceed as trouble-free as possible. "That proved to be a major strength. It enabled us to react flexibly, quickly, and pragmatically to the regions' different requirements – perhaps even faster than some of our competitors."

VIDEO CONFERENCES, NOT BUSINESS TRIPS

Adjusting personnel planning to the new requirements was a complex task. The good thing about it: Many changes that were a response to the emergency have proven effective for day-to-day business after the crisis.

The deadline came suddenly, and there wasn't much time. HELLA's first customers in Europe had just announced that they were shutting down their production plants. It was obvious that demand for lighting and electronics products would continue to decline. To counter the dramatic business losses, HELLA quickly adopted an extensive package of measures. Postponement of nonessential capital expenditures, restrictions on business trips, telephone conferences instead of physical meetings, more mobile working and short-time work. They all had to be planned in detail and implemented.

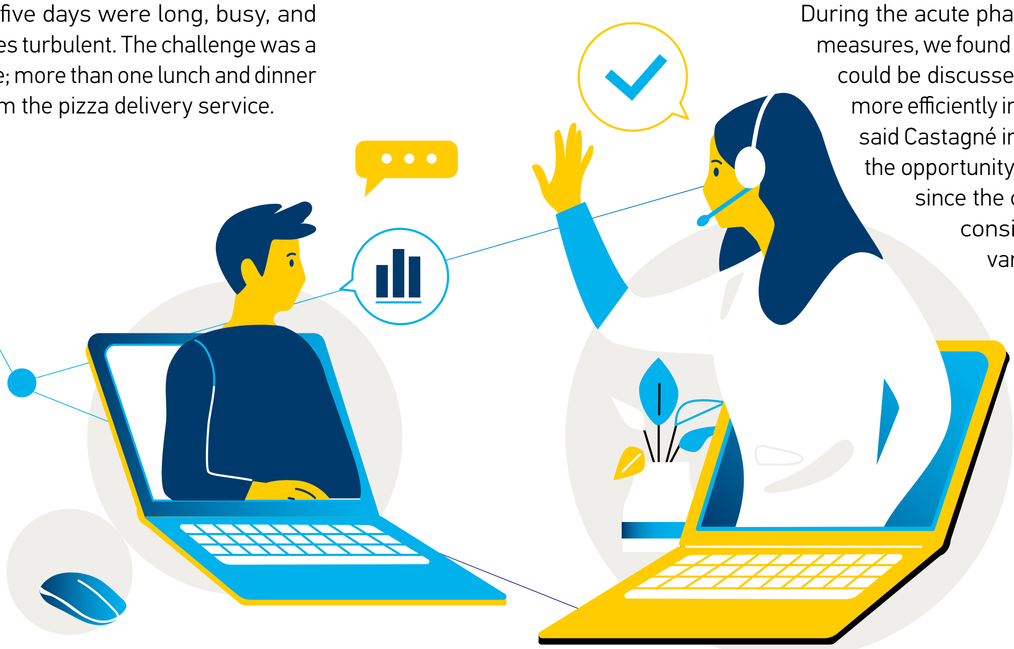
"On a Monday morning in the middle of March, we were suddenly faced with the task of designing a complete human resources plan for the lockdown period to be implemented worldwide – for over 36,000 employees, by the end of the week," recalled Nicole Castagné, the HR business partner for the central functions and Head of Global Recruiting and HR Marketing at HELLA. For Castagné, her team, and the colleagues at the international locations, the next five days were long, busy, and sometimes turbulent. The challenge was a major one; more than one lunch and dinner came from the pizza delivery service.

"Mobile working, working from home, short-time work regulations - many of the instruments we relied on are typical measures," said Castagné. "But we had never had to deploy them to that extent and at that speed." The team took on the task, mastered it, and the plan took effect on the following Monday.

To ensure the greatest amount of safety possible for those employees who were not able to work from home, risk assessments were also carried out at all HELLA locations. Offices, workstations, and open spaces were inspected in minute detail, hygiene rules were intensified, and personal distance rules were implemented. At some locations, safety was increased by putting up additional Plexiglas partitions. And in all places where the required personal distance could not be maintained at all times, wearing a mask was made mandatory.

The Operational Safety and Health department headed by Dr. Andreas Vogelpohl at HELLA drew up the basic concept for the measures. They were partially based on what the Group experienced during the swine flu epidemic of 2009 and 2010. "Of course the coronavirus pandemic has an entirely different magnitude and represented a major challenge to us despite all of the existing prevention plans," said Vogelpohl. "We will surely continue to implement some of the new standards in future. When it comes to everyday hygiene in particular, we have become much more sensitive than we were in the years before the pandemic."

Nicole Castagné also sees positive ideas for the future, despite all the challenges: "Dealing with the crisis helped us come together as a team. At the same time, we grew while carrying out our tasks." The new experiences with working from home have also changed the perspective on day-to-day business, the way employees work together. Video conferences often yielded more results more efficiently than the usual telephone calls and the number of business trips will decrease in future. "Earlier, we would have taken the car, train, or plane on many occasions. During the acute phase of the pandemic measures, we found out that many things could be discussed and decided upon more efficiently in video conferences," said Castagné in summary. "We had the opportunity to do so earlier. But since the coronavirus, we are consistently taking advantage of it."



DIGITALISATION SURGE

HELLA has experienced an additional digitalisation surge. People collaborate digitally and meetings are held online. Within a very short time, Information Management created the technical conditions to accommodate this push.

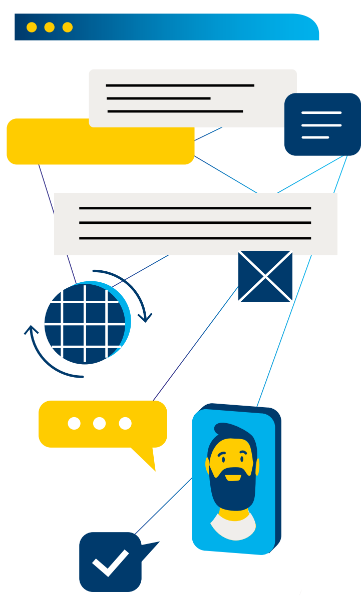
Shortly after noon in Germany, capacity utilisation is at a maximum: some people are still working in China and computers have already been booted up at the HELLA locations in the U.S. and Mexico. During the intensive lockdown phase, almost 7,000 employees logged into the global HELLA network from home at the same time. Before the coronavirus, there were usually no more than 600 at a time.

"In the middle of March, all employees were instructed to work from home whenever possible. Before that time, many colleagues were already working from home as a means of preventing any infection chains from emerging in the first place. When we saw dramatically higher utilisation heading our way in March at the latest, we heard the alarm bells ringing," said Dr. Felix Willing, Chief Information Officer at HELLA. "The number of colleagues who logged into our IT network from home suddenly surged."

It hardly took more than a weekend for the special task force to create the technical conditions for supporting the new requirements. They scaled up bandwidths, created additional lines, gave almost every employee in the world the option to log into the network from home as if they were sitting at their workstation on the HELLA premises.

The crisis has accelerated workplace digitalisation at all levels, leading to a veritable digitalisation surge in the company. People are exchanging information via digital channels, meetings primarily take place online, and more. The Microsoft Teams collaboration platform was rolled out at a tempo that probably would not have been possible without the pressure to act caused by the coronavirus pandemic.

According to Willing, it has also led to a change in corporate culture when it comes to the possibilities of digital collaboration: "Despite all the negative implications and economic losses, the coronavirus crisis made many things happen. To some extent, it showed us what the workplace of the future could look like: a mixture of stationary work, new and flexible worlds of work, and mobile working." The breakthrough will continue to affect everyday work routines at HELLA post-coronavirus, change it for the long term, and make the company even more efficient and attractive.



TOGETHER AGAINST THE CORONAVIRUS

HELLA considers itself part of society. That is why the company also took on responsibility for others quickly and informally during the Covid-19 crisis. A selection:

Masks made by HELLA

HELLA employees in the Czech Republic, Mexico, and India produced a large number of simple masks for mouth and nose protection under their own initiative.

Help for responders

With their expertise, purchasers at HELLA supported medical institutions in the worldwide procurement of protective clothing.

400,000

breathing masks were donated by HELLA worldwide.

Neighbourhood assistance

During the lockdown phase, HELLA employees offered needy colleagues and fellow citizens their support for everything from shopping and donations of food to tutoring the children of employees.

And action!

At company headquarters in Lippstadt, HELLA handed over the company car park to the local cinema operator for a drive-in cinema every evening.

LOOKING AHEAD

Now that the first phase of the crisis has been mastered, HELLA is looking ahead to the future again: What will the future market environment look like and how will HELLA position itself?

"The greatest challenge of the Covid-19 pandemic has been that the crisis affected virtually all of our business divisions, globally, and at a rapid pace," said Dr. Christopher Mokwa, Head of Corporate Strategy and Mergers & Acquisitions, and Chief Digital Officer at HELLA. Employees must be protected, business must remain up and running, costs must be reduced, and the company's liquidity must be safeguarded.

"To the greatest extent possible under these challenging circumstances, we have successfully mastered the first phase of the coronavirus crisis. Because we remained true to HELLA's fundamental principles during the crisis – above all when it comes to the spirit of partnership and collegiality, but also with regard to early, preventive, and entrepreneurial action," he added.

Now that the capacity utilisation of the Chinese plants continues to normalise and production in other regions is gradually returning to normal, the future is becoming more of a focus. "Of course nobody can reliably predict how long and with what level of intensity the coronavirus crisis will remain with us," said Mokwa. "Nevertheless, our sights are firmly set on the future, we are working with scenarios based on how the world might look with and after Covid-19."

What production volumes can the industry count on in the future, and how will consumer behaviour change? How will the political and economic circumstances in individual markets develop? How may priorities shift for different products and customers? What influence will the further acceleration of digitalisation have? And based on the answers: How will HELLA position itself, and how will portfolios, structures, and processes be redesigned to be equipped for the consequences in the best way possible? HELLA is faced with such issues right now.

As long as the coronavirus situation continues to develop so dynamically, there are almost no binding answers to be found. That makes it even more important to ensure that HELLA remains the decisive step ahead through the continuous updating of its planning assumptions and consistent implementation of the measures adopted.

Jörg Brandscheid, (52) has headed the HELLA electronics division in China since October 2019. The electrical engineer has worked in various positions in the automotive industry and comparable industries for more than 25 years. Most recently, he had a leadership position in the areas of drive electronics and development.

“CO-OPERATIONS ARE ESSENTIAL IN CHINA”

ATTRACTIVE PROSPECTS: China produces around 25 million vehicles each year, making it the biggest automotive market in the world. HELLA has been present there with its own business locations since 1992. Currently, the company has over 5,000 employees in China. How has the coronavirus pandemic impacted business there? What strategy is HELLA following in China and what kind of role do partnerships play? An interview between Didier Keskas and Jörg Brandscheid, who are responsible for HELLA’s lighting and electronics business in China.

“The crisis around the coronavirus has once again shown the importance of mutual effort, personal responsibility, and the individual contribution each of us makes.”

Jörg Brandscheid

Didier Keskas, (51) has been responsible for the lighting business in the Asia/Pacific region since September 2019. Keskas was born in France and has a degree in mechanical engineering and a master’s degree in business administration. He has 25 years of experience in the automotive industry. Keskas previously held various positions in the areas of production technology, key account as well as regional management.

The Chinese market is not only the world’s biggest market for the automotive industry right now. It is also one of the most dynamic with regard to the economy, technology, and infrastructure. The impact of the coronavirus pandemic hasn’t changed the situation. The country and its large cities are the source of many of the most important new trends, whether it has to do with electromobility, autonomous driving, or lighting technology.

That makes it all the more important for HELLA to be strongly represented in the region, keeping a close eye on developments and fine-tuning its own strategy in response. This is why alongside its own companies, HELLA relies on co-operations with local partners in China. They are one of the keys to expanding HELLA’s position in the market and tackle the topics of the future.

To find out more about strategies and prospects, we have interviewed Didier Keskas and Jörg Brandscheid, who have been responsible for HELLA’s lighting and electronics business in China since 2019. The most important issues: How do partners in joint ventures benefit from each other? And what are the biggest challenges for the future?

Mr Keskas, Mr Brandscheid, the Covid-19 crisis has hit the automotive industry hard; at the beginning China in particular. How did you experience the first phase of what has become a global pandemic?

Didier Keskas: Although we do not have a location in the Wuhan region, of course the coronavirus outbreak had an effect on us. Our top priority was initially to protect our employees as completely as possible by enabling them to work from home to a great extent, for example. Overall, we were very successful. And we made it through that phase in relatively good economic shape as well. February was tough. We had massive factory shutdowns. Our utilisation fell to around 25 percent. Since then, however, employment has continuously increased from month to month. In many areas, we are now basically on target. And when it comes to the outlook in the near future, we are more or less optimistic. There are many catch-up effects and the demand for individual mobility remains high in China.

Jörg Brandscheid: Overall, the Chinese automotive industry has come through the

crisis relatively well. In part, that is surely due to the way China applied countermeasures to prevent the virus from spreading and the fact that the strict measures were put in place during Chinese New Year, when the country is typically at a stillstand. The market recovered fairly quickly, but that shouldn't distract from the fact that it is still marked by uncertainty.

How were you able to ramp up business operations so quickly while complying with the necessary health protection measures?

Keskas: When it looked like the situation was gradually improving from March, we were mainly preoccupied with the question of how we could ramp up production again safely under the new general conditions and protect our employees' health as thoroughly as possible. From the very beginning, we specified strict safety measures, from flexible weekly planning, a good balance between working at the company and mobile work, disinfection at regular intervals and employee temperature checks to rules about distance and the mandatory wearing of masks.

Brandscheid: Our employees followed all of the measures with plenty of understanding and a spirit of co-operation and will continue to do so. Their attitude greatly impressed me. The crisis around the coronavirus has once again shown

> **"The world is becoming ever faster and more complex. Companies who consider themselves lone wolves are putting a lot of resources, time, and money at risk."**
>
> **Didier Keskas**

Changchun HELLA FAWAY Automotive Lighting

1 The joint venture's focus is on the production of lighting systems for the Chinese market. HELLA's partner in the joint venture is FAWAY Automobile Components, a subsidiary of the Chinese automobile manufacturer FAW. The joint venture with a registered office in north-eastern China was founded in 2012.

Beijing Hella BHAP Automotive Lighting

2 The joint venture of HELLA and the Chinese automobile manufacturer BAIC or its subsidiary, BHAP, was founded in 2014. The joint venture develops, manufactures, and sells headlamps and rear combination lamps specifically for the Chinese market. The company relies on HELLA's comprehensive experience in the field of lighting technology and combines it with the BAIC Group's market access.

HELLA BHAP Electronics (Jiangsu)

3 In 2018, the existing partnership with the BAIC Group was intensified and the two companies founded a joint venture for electronics components – HELLA's first electronics joint venture in China. Located in Zhenjiang, its plant currently has a production floor of 7,000 m2 and began production at the end of 2019. Control units and lighting electronic components are manufactured there, particularly for the customers of the BAIC Group.

the importance of mutual effort, personal responsibility, and the individual contribution each of us makes. Colleagues from different Chinese locations got in touch to voluntarily support the health measures at other locations, for example.

And now to the market itself: China is not only the biggest automotive market in the world. It also has developed into a trendsetter for electromobility and autonomous driving. To what extent will the coronavirus pandemic change that?
Brandscheid: In my opinion, it will not change anything. The global coronavirus pandemic might slow down the pace a bit. In 2019, around one million electric vehicles were sold in the Chinese market. However, in 2020 we won't quite reach such a high number. But that doesn't change the fact that China is basically one of the global trendsetters when it comes to mobility.

HELLA has been active in the Chinese market since the beginning of the 1990s. How has the company positioned itself over the years?
Brandscheid: Well, Didier and I started in our positions last autumn. Thus, we haven't been part of the HELLA team for very long. What I can say – from my earlier, non-affiliated viewpoint as well – is that HELLA has tackled the right, relevant topics from the very beginning. In recent years, HELLA's electronics business in China has grown at a significantly faster rate than the market itself. That is not a random result. Instead, it underscores the company's excellent strategic orientation.
Keskas: HELLA has always understood

“HELLA has tackled the right, relevant topics from the very beginning. In recent years, HELLA’s electronics business in China has grown at a significantly faster rate than the market itself.”

Jörg Brandscheid

how to harmonise technological leadership, economic efficiency, and co-operation, which is the way the company established its cohesive corporate culture. That is also the case in China. Committed employees, innovative products, and high-performance production systems are the basis for the successful positioning of HELLA’s lighting business in China. We have a leading market position here, above all in the premium segment.

What does HELLA’s China strategy for the future look like? What do you view as the main challenges?

Keskas: With regard to the lighting business, we primarily want to expand our co-operation with Chinese automobile manufacturers. We have a history of close business relationships with international manufacturers and their local joint ventures in China. That is why we still see high growth potential with local original equipment manufacturers, in the higher-volume segments in particular. Currently, we are involved in negotiations – some of which are very concrete –, with five or six Asian manufacturers.

Brandscheid: One challenge is that the growth rates in China will surely hit a plateau. We must not forget that Chinese light vehicle production was already decreasing before the coronavirus outbreak. The other one: We have immense price pressure in China, not least because local suppliers are catching up when it comes to expertise and quality.

HELLA relies on joint ventures in China like in no other market in the world. Only a few weeks ago, a new joint venture was announced. What kind of role do partnerships play for HELLA in China?

Keskas: Partnerships are essential in China because they improve our market access. This allows us to gain a foothold more quickly than if we had to rely on ourselves alone. For example, our joint ventures with BHAP and Faway in the lighting

industry are a key contributor to our strong market position in China. We contribute our lighting technology know-how to the co-operation and our partners pave the way for access to large-scale customer groups such as BAIC and FAW.

Brandscheid: Based on these example, you can see that we have achieved plenty when considering the topic of partnership. HELLA hasn't been perceived as just a guest in China for a long time. Instead, we are practically part of the family. The same applies in the electronics sector: we collaborate with BHAP there as well. And we are currently working on new partnerships in the battery electronics sector. However, they follow a different logic from the lighting joint ventures that Didier mentioned.

Please explain.

Brandscheid: We are not primarily interested in improved market access – our focus is technology. Let me explain briefly: We are a leading provider of battery management systems for Li-ion batteries. However, we do not produce battery cells and therefore cannot provide complete battery packs. In Europe that is not a big problem because as a rule, manufacturers there procure the various individual components and do the system integration themselves. Chinese manufacturers, on the contrary, take a different tack: they explicitly request system solutions. That is why we are extremely interested in co-operating with battery cell manufacturers in China: we want to be able to offer complete packages for the high and low voltage sectors alike.

In such partnerships, how do you deal with possible cultural differences?

"Partnerships are essential in China because they improve our market access. This allows us to gain a foothold more quickly than if we had to rely on ourselves alone."

Didier Keskas

HELLA Evergrande Electronics (Shenzhen)

4 The joint venture between HELLA and Evergrande was established in 2020. The partnership's focus is on the development and production of high-voltage battery management systems for electric vehicles and full hybrids. HELLA contributes expertise in battery electronics and system integration, and Evergrande shares its know-how in battery cell production and applications.

HELLA MINTH Jiaxing Automotive Parts

5 HELLA's most recent partnership agreement was concluded with the MINTH Group in China in June 2020. The new joint venture will drive the development, production, and marketing of illuminated logos and transparent covers for radar systems (radomes) forward. Both companies are already active in the sector. Both partners have equal shares in the joint venture with a production facility in Jiaxing.

Keskas: Looking at China from the European market perspective, you definitely experience one cultural difference or another. In the Chinese automotive industry, growth is the principle factor. Gaining market share plays a major role. The issue of profitability is also important, but plays a secondary role. That is due to historical reasons. The European industry also went through a similar phase.

Brandscheid: Intense, close collaboration with local partners offers an excellent opportunity to build cultural bridges. That is why it is important to remain in constant dialogue and maintain a local presence. That is the only way to learn to understand each other better and find out customers' needs in detail. Mutual trust is a top priority in Asian work and management culture. Communication is maintained across all levels of the hierarchy, whether it's in formal meetings or working meals. And trust also means not abandoning others, even in times of crisis.

Is founding a joint venture the only option? Aren't strategic co-operations sufficient in China?

Brandscheid: There are gradations between founding a joint venture and working in flexible co-operation. Both forms have advantages and disadvantages. To return to my example of battery management systems, we are currently working together as part of a joint development project in order to be able to act as quickly and flexibly as possible. But as soon as the market resonance and economic efficiency are sustainable and certain, we will also consider a joint venture. It's not a matter of black or white. It is often a continuous process.

Keskas: The world is becoming ever faster and more complex. Companies who consider themselves lone wolves are putting a lot of resources, time, and money at risk. That is why I am sure that partnerships will continue to gain in importance, whether it's close co-operations or more flexible, agile ones. You are in a better position with the right partner.

ACTING AS EQUALS

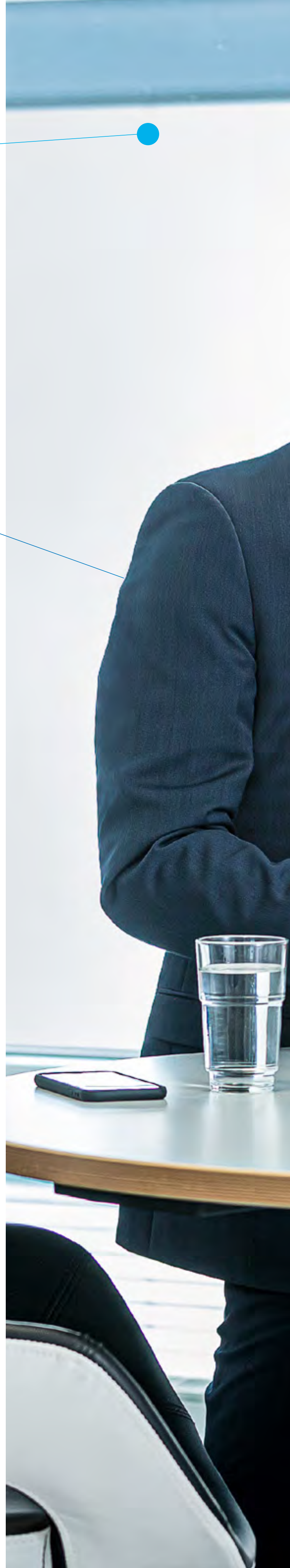
ROOM FOR IDEAS: Worldwide, HELLA has more than 20,000 suppliers. To tap the enormous creative potential of this high-performance network even more thoroughly, the company is breaking new ground. Selected suppliers are now being integrated into product development via a structured innovation competition, the HELLA Co-Innovation Platform, earlier and more systematically. The first results of joint development projects should be in series production within a matter of years.

It is about the size of a hand, weighs one to two kilos, and at first glance seems like an insignificant metal box: the voltage converter. It plays a key role in vehicle electrification, but doesn't show it at all. Without a voltage converter, full and mild hybrid vehicles would be unthinkable – as would electric cars. Voltage converters are also important for conventional vehicles. They make it possible to realise fuel-saving functions such as the start/stop automatic system.

Some technical background: Voltage converters ensure that the various electronic consumers in a vehicle always receive the correct voltage. In hybrid vehicles, they connect the voltage classes of the different vehicle electrical systems to each other. For example, mild hybrids have a conventional 12-volt network to supply actuator motors, control systems, and the radio. They also have a 48-volt vehicle electrical system that enables extra electrical functions such as coasting: rolling forwards in idle when the motor is switched off. And voltage converters also ensure that the energy recovered from braking can be made available again to the 12-volt network, thus saving energy while driving.

> **"We wanted to use our suppliers' extensive engineering expertise more often and more systematically."**
>
> **Joachim Ziethen**

HELLA has been active in this market since 2007. Currently, the automotive supplier produces around 3.5 million voltage



converters annually. The trend is on an upswing: as electrification progresses, the demand for voltage converters is rising. At the same time, product generations must be continuously further developed, in particular with a view toward the specific expectations of vehicle manufacturers. Future generations of voltage converters will need to be even less expensive, more compact, and weigh less. Cooling is the primary focus. The more efficiently the transformers switch, the less heat is dissipated. A reduction in dissipated heat would enable the switch from currently necessary water cooling to air cooling. This would enable vehicle systems to do without hose fittings, and components could be installed even more flexibly. But in order to realise the conversion, the amount of heat dissipated during switching must be reduced.

In partnership with Infineon, HELLA is working on an innovative solution. The two companies have co-operated in a wide range of fields for years. An innovation competition provided the stimulus for the most recent co-operation: the HELLA Co-Innovation Platform, HIP for short.

The innovation platform was initiated by the HELLA Electronics division at the end of 2018. It aims to integrate selected, high-performance suppliers into the innovation process systematically, at an early phase. As part of the competition, suppliers were invited to present innovative approaches to solving specific topic areas from the current HELLA electronics pre-development portfolio: X-by-Wire (electronic vehicle control system), sensors for automated driving, interfaces for human-machine interaction, smart materials, and of course, voltage converters.

"The idea of a competition came up around two or three years ago – to be precise, at a conference on the issue of how companies can harness their suppliers to strengthen their innovative power," explained Joachim Ziethen, head of electronics purchasing at HELLA. He is working from home and wearing a headset. We are communicating via video conference.

Michael Jaeger (52) is a member of the Electronics Executive Board. Since 1 June, he is responsible for the global Product Center Automated Driving. Previously, he has led the sensors and actuators business. The mechanical engineering graduate has worked for HELLA since 2012.

"Back then I had the feeling that although everyone was talking about how important it is to integrate suppliers as close partners, few were actually implementing the concept of supplier-enabled innovation."

The basic principle of the approach is to avoid waiting until you have a finished product to begin working with suppliers. Companies should start to develop product solutions that best meet the relevant customer requirements together with suppliers in the early concept phase.

There have been a handful of such co-operations between HELLA and suppliers. But there was no structured process for tracking down suitable ideas. "We have wondered why we do not use our suppliers' extensive engineering expertise more often and more systematically," said

"We systematically addressed suppliers who have seemed to have been drivers of innovation in recent years."

Michael Jaeger

“It is a major competitive advantage for us to be integrated into pre-development with Infineon at an early phase. Without the competition, it would have taken much longer.”

Joachim Ziethen

Joachim Ziethen
(46) has been head of purchasing for the Electronics division since the end of 2014 and in that function, is also a member of the Executive Board. The business graduate began his career at HELLA in 2003, initially in corporate strategy. In 2008, he became head of series purchasing.

Ziethen. After all, HELLA has an annual purchasing volume of around € 4 billion and a base of more than 20,000 suppliers – including a number of companies that are technologically strong.

Michael Jaeger is in charge of electronics pre-development at HELLA, among other areas of responsibility. “Innovation competitions have a long tradition at HELLA, but have mostly focused on in-house projects until now. The HELLA Co-Innovation Platform took the idea further and extended it to purchasing. The momentum came from Purchasing as well. That is why we systematically addressed suppliers who have seemed to be drivers of innovation in recent years,” explained Jaeger. The engineer has worked at HELLA since 2012 and was responsible for previous innovation competitions in the Electronics division as well. “From the very beginning we felt that the suppliers were eager to participate in the competition. But in the end we were pleasantly surprised at the strong competitive spirit and quantity of promising ideas.”

Twenty-seven suppliers participated in the competition, and even companies from the U.S., China, and Japan were active on the Co-Innovation Platform. Seventy proposals were submitted, and the three that were the most impressive based on the criteria of innovative power, economic efficiency, and co-operation potential were declared the winners. HELLA agreed to collaborate on concrete pre-development projects with them.

HELLA’s joint project with Infineon was one of the winning proposals. With 47,000 employees and € 8 billion in sales, Infineon is a market leader for semiconductors in automotive applications. The collaboration aims to improve voltage converters: increase their switching speed, reduce power loss during switching, and create a more compact – and therefore less expensive – design. The improved product will enable HELLA to expand its market leadership position in the business field.

The concept presented by Infineon makes it possible to manufacture certain semiconductors in voltage converters from the semiconductor material gallium nitride (GaN). Most semiconductor switches are made of silicon, but they function relatively slowly, with very high losses.

THE HELLA CO-INNOVATION PLATFORM IN FIGURES

70
ideas were submitted by a total of 27 suppliers.

18
of them entered the first selection round

There have been trials with new materials, but most of them failed due to high development costs. The solution from Infineon has eliminated many of the problems. It would make the next generation of 48-volt/12-volt voltage converters for mild hybrid vehicles significantly more efficient and competitive.

However, the fundamental question of how the new material should be used in the component remains open for the present. Depending on how GaN components are used, either their efficiency – and with it, cooling requirements – or the size of the converter can be optimised. Both alternatives have their advantages. But the question does not have a definitive answer yet. Despite the Covid-19 crisis, the project is still on a good path. Series production is expected to start in 2023/2024.

Without the HIP competition, when would HELLA have thought about GaN and collaboration with Infineon? “There's no exact answer. But one thing is certain: it would have taken much longer,” replied Ziethen. “It is a major competitive advantage for us to be integrated into pre-development with Infineon at an early phase. This allows us to closely coordinate development with our requirements. Infineon will not supply us with a standard component, but one that exactly meets our needs.”

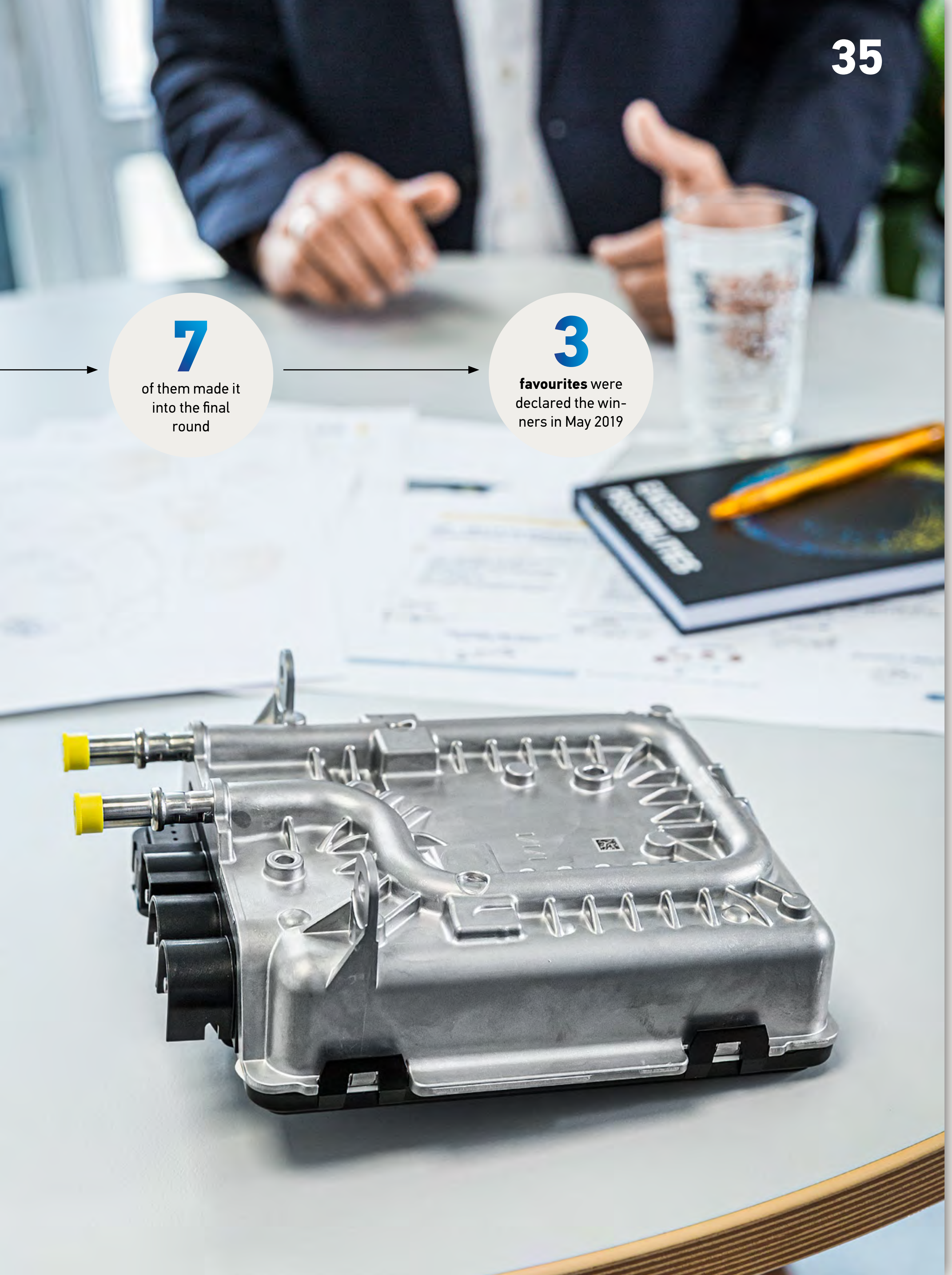
“From the very beginning we felt that the suppliers were eager to participate in the competition. But in the end we were pleasantly surprised at the strong competitive spirit and quantity of promising ideas.”

Michael Jaeger

HELLA is not the only one to benefit from the close partnership. Infineon also gains from working in dialogue with HELLA on an automotive application of the new material in such an early phase. It's a genuine win-win situation – as equals.

After all, that is the actual heart of the concept. The structured innovation competition aims to provide additional stimulation for exchange between partners, brainstorming, and creativity and in the best case, generate unexpected synergies. As a rule, day-to-day business does not offer much space to speak about ideas and exchange information on incomplete concepts.

“The HELLA Co-Innovation Platform was a great success. That is reflected in both the response from the participants and the overall high level of proposals they contributed,” said Ziethen and Jaeger in summary. Back in the days when the economy and society were not dominated by the situation around the coronavirus, there was talk of implementing a second edition of the HELLA Co-Innovation Platform. The consideration was to extend the competition to include start-ups and universities. Those plans have been put on hold. But as soon as the situation returns to some degree of normality, they can be quickly taken out of the drawer.



7
of them made it into the final round

3
favourites were declared the winners in May 2019

GROUP MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS OF HELLA GMBH & CO. KGAA

FISCAL YEAR 2019/2020

- **Covid-19 pandemic has a considerable impact on industry development:** Light vehicle production drops 17.7% to 75.5 million units; over 16 million fewer cars and light commercial vehicles produced than in the previous year
- **Consolidated currency and portfolio-adjusted sales decrease** by 14.3% to € 5,800 million
- **Adjusted earnings before interest and taxes fall to € 233 million;** adjusted EBIT margin falls to 4.0%
- **Adjusted free cash flow from operating activities falls** to € 227 million
- **Reported sales in the Automotive segment decrease** by 14.3% to € 4,944 million
- **Reported sales in the Aftermarket segment fall** by 7.1% to € 560 million
- **Reported sales in the Special Applications segment drop** by 14.2% to € 343 million
- **Business outlook for the fiscal year under review was adjusted in light of the Covid-19 pandemic;** suspension of dividend payments proposed
- **Long-term programme for the sustainable improvement of competitiveness** adopted

GENERAL INFORMATION ON THE HELLA GROUP

This group management report was combined with the management report of HELLA GmbH & Co. KGaA in accordance with Section 315 (3) HGB in conjunction with Section 298 (2) HGB. The combined management report contains the financial position, financial status as well as the results of operations of HELLA GmbH & Co. KGaA and the HELLA Group as well as other information stipulated by the German Commercial Code (Handelsgesetzbuch, HGB).

Business model

HELLA is a global, listed, family-owned company with sales of € 5.8 billion in fiscal year 2019/2020. At the end of the fiscal year, the Company had 36,311 permanent employees worldwide. HELLA's business activities are divided into three segments: Automotive, Aftermarket and Special Applications:

Automotive

Accounting for over 80% of Group-wide sales, the Automotive segment represents the largest business segment of the HELLA Group. This segment combines HELLA's business activities in original equipment for automotive applications and the corresponding original replacement part business. In the Automotive segment, HELLA develops, produces and markets vehicle-specific solutions worldwide both for automobile manufacturers and other automotive suppliers. The reported Automotive segment aggregates the two business segments Lighting and Electronics. The product portfolio of the Lighting business division includes headlamps, rear combination lamps, interior and car body lighting, as well as radomes, with HELLA supplying both the premium and high-volume segments. Through its long-standing cooperation with virtually all renowned original equipment manufacturers, HELLA has established a particularly strong market position in the area of sophisticated lighting technologies. The Electronics business division focuses on the product divisions of energy management, driver assistance systems, body electronics, sensors and actuators, and steering as well as lighting electronics. Product solutions in these business fields are intended first and foremost to help make vehicles safer, more efficient and more comfortable.

Aftermarket

In the Aftermarket segment, HELLA combines the automotive parts and accessories business as well as workshop equipment in the independent aftermarket. With a portfolio of over 35,000 products, HELLA offers an extensive range of vehicle-specific parts, universal parts and accessories in this segment. Additionally, HELLA acts as a service partner for wholesalers and workshops and complements these activities with a range of high-grade workshop equipment. The product portfolio for vehicle workshops, car dealerships and vehicle testing organisations focuses primarily on vehicle diagnostics, exhaust gas testing, lighting adjust-

HELLA at a glance Sales (fiscal year 2019/2020): € 5.8 billion • Employees (31 May 2020): 36.311		
Reported segment Automotive Sales: € 4.9 billion • Employees 29,887	**Business segment Aftermarket** Sales: € 0.6 billion • Employees 1,646	**Business segment Special Applications** Sales: € 0.3 billion • Employees 2,458

Reported consolidated sales in fiscal year 2019/2020; permanent employees as at the balance sheet date of 31 May 2020 ment, calibration, system testing and the corresponding measuring instruments.

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

For more information on the business model, see the Company profile in this Annual Report.

International position and markets

Customer focus is a key factor for success for HELLA. This enables the Company to better anticipate changes in the industry and also offer regional or customer-specific solutions in a targeted manner in addition to its range of universal solutions available worldwide. Accordingly, HELLA is present in around 35 countries and has a global network consisting of over 125 sites. This means it is represented in all major core markets of the automotive industry, consolidated into four regions: Germany, Europe (not including Germany), North, Central and South America, and Asia/Pacific/Rest of World.

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

The global presence of the Company is also reflected in the regional sales distribution. Accordingly, in fiscal year 2019/2020, around a third of sales were made in Germany, 29% in other European countries and the remaining 39% in the markets of North, Central and South America and Asia/Pacific/Rest of World. This international outlook helps to reduce the risk of the Company's business model because it means that fluctuating demand in individual markets can be balanced out.

Corporate structure

LEGAL CORPORATE STRUCTURE

HELLA GmbH & Co. KGaA, which has its registered office in the German town of Lippstadt, is the parent company of the HELLA Group and also the Company's largest operational business. As the parent company, it is involved – either directly or indirectly – in 152 companies, of which 85 were fully consolidated in the consolidated financial statements 2019/2020. Since 2003, the Company has been a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA) under German law. This legal form encapsulates the key guiding principle of entrepreneurial self-responsibility, as it combines the flexibility of a partnership with the capital market access of a stock corporation.

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

ALLIANCES AND PARTNERSHIPS

Since the end of the 1990s, HELLA has made a concerted effort to enter into alliances and partnerships in order to maintain the Company's long-term, profitable growth path. These relationships include both companies from the automotive industry and those from other sectors, as well as collaborations with research institutes. 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 Company's various partners, while at the same time reducing the level of risk.

In fiscal year 2019/2020, eight joint ventures in total were included in the consolidated financial statements using the at-equity method of accounting. In the fiscal year under review, they generated total sales of € 3.3 billion and earnings before interest and taxes (EBIT) for HELLA of € 14 million. The contribution made by these joint ventures to the adjusted EBIT was 6.2%.

Part of this contribution came from HELLA's new electronics joint venture with BHAP, which started series production towards the end of 2019. In the fiscal year under review, HELLA also founded a joint venture for high-voltage battery management systems together with the Chinese company Evergrande; the official inauguration took place in July 2020. The new joint venture, HELLA Evergrande Automotive Battery Management Systems (Shenzhen) Co., Ltd., aims to develop and produce high-voltage battery management systems for electric and hybrid vehicles on the Chinese automotive market.

In addition, at the beginning of the new fiscal year 2020/2021, HELLA has agreed to set up a joint venture with the company MINTH. It is to promote the development, production and marketing of radomes and illuminated logos. Both companies are already active in this field. The joint venture with a production facility in Jiaxing, China, will be supported by both partners in equal shares. It will have an international focus, but in a first step will initially serve the Chinese automotive market. Subject to the approval of the relevant antitrust authorities, the joint venture is scheduled to start operations in fall 2020.

In light of changing market conditions and the development of each partnership, the cooperation network of the HELLA Group is subject to regular review and further development. In line with this partnership approach, HELLA is increasingly also entering into open alliances, as these enable it to advance selected areas of focus quickly and flexibly as well as to exploit opportunities for further growth based on trends in the automotive market.

For example, in fiscal year 2019/2020, HELLA entered into a development partnership with the US-based start-up Oculii in the field of high-performance radar solutions for assisted and automated driving. As one of the world's foremost suppliers of automotive radar sensors, HELLA will contribute its expertise and many years of experience in the development and industrialisation of radar sensors to the partnership. With the software developed by Oculii, the radar sensors' performance can be further increased by improving accuracy, range and quality of information without modifications to the hardware architecture. A key objective of the partnership is to integrate Oculii's software technology into HELLA's 77 GHz radar platform. Initial series production for this product generation is forecast to begin in 2023.

Moreover, the collaborations already established in fiscal year 2018/2019 – with the French technology company Faurecia in the field of vehicle interior lighting and Plastic Omnium in the field of integrated solutions for the front and rear of vehicles – were able to acquire their first series and pre-development projects.

PORTFOLIO CHANGES

HELLA's corporate strategy includes a consistent approach to portfolio management, with a focus on criteria such as technological leadership, market leadership and the ability to meet key financial performance indicators. The Company regularly reviews the soundness and sustainability of its business activities on the basis of these parameters, and has implemented the following changes to its portfolio in fiscal year 2019/2020:

- **Withdrawal from thermal management business**
  As of 31 December 2019, HELLA is no longer active in the thermal management independent aftermarket, and has transferred its 50% share in the joint venture Behr Hella Service to its former joint-venture partner MAHLE (disposal price: € 19 million). The joint venture, which was founded in 2005, specialises in marketing and selling products for cooling and air conditioning in the automotive aftermarket.

- **Sale of relay business**
  In order to align its electronics business more closely with the major market trends of electromobility and autonomous driving, HELLA has sold its relay business to the Chinese relay manufacturer Hongfa (disposal price: € 12 million). The object of the transaction was the relevant development and production activities of the two HELLA companies located in Xiamen, China. The closing of the transaction took place on 31 December 2019.

- **South Korean joint venture**
  In order to cover more business via its own sales channels in future, HELLA has transferred its shares in the South Korean joint venture HSL Electronics to its partner SL (disposal price: € 22 million). The sale was concluded on 11 September 2019. HSL Electronics produces various electronics components, including intelligent battery sensors and accelerator pedal sensors, for Korean automotive manufacturers. HELLA is now aiming to serve these business fields with greater focus via its own sales channels.

Goals and strategies

CORPORATE STRATEGY

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

In order to manage the considerable short-term financial impact caused by the Covid-19 pandemic, HELLA has taken the decision to introduce an extensive package of measures aimed at reducing personnel and material costs. Alongside the introduction of short-time working at HELLA facilities in Germany and similar measures at other locations internationally, this includes a hiring freeze at all sites around the globe, the suspension of all internal projects including improvement, methodology and pre-development projects, suspension of external service provision and consultancy, and the postponement of investments that are not essential to business continuity.

At the beginning of the fiscal year 2020/2021, HELLA further announced its intention to increase the company's competitiveness by means of a newly established programme of measures. The background for this is, on the one hand, the reduced market expectations. The company assumes that global vehicle production will only grow moderately in the medium to long term, even after the possible end of the Covid-19 pandemic. The company estimates that competition will intensify further as a result of the reduced market volume and resulting overcapacities. On the other hand, the competitive pressure will also increase due to the fact that automobile manufacturers will have to invest massively in technological trend topics in order to cope with the change in the industry, which will lead to an intensification of cost pressure.

In order to adapt proactively to the changing market environment and to further strengthen the company's competitiveness for the coming years, HELLA has decided on a comprehensive set of measures. On the one hand, this includes further significant investments in research and development, software, digitalisation and automation. On the other hand, the programme involves structural adjustments in the global HELLA network. The focus of the measures is primarily on the German locations with about one quarter of the worldwide HELLA workforce. The core measure envisaged is a reduction of the workforce at the company's headquarters in Lippstadt by around 900 jobs. The job reduction is to take place by the end of 2023 and will relate in particular to the areas of administration and development. With these foresighted structural adjustments, HELLA intends to further improve the company's cost position in global competition and thus strengthen the basis for further profitable growth in the long term.

1. Technological leadership

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

Growth opportunities arising from changes in the industry are in particular realised by the Automotive segment as well as the Special Applications segment. In the Lighting business division, for example, HELLA offers a full range of lighting technology products and systems for vehicles, while also working with partners to provide more complex system solutions. In the Electronics business division, HELLA focuses on selected product fields – based on its core competencies as well as regional or global focuses. To exploit additional growth opportunities along global market trends, HELLA is positioning itself in the Electronics business division as a supplier of high-performance core components, such as sensors and actuators, as well as a provider of selected subsystems and software solutions.

In the Aftermarket segment, HELLA is active in the independent aftermarket and in the field of workshop equipment, offering solutions that specifically address the target group in question. Independent aftermarket business activities focus primarily on core competencies in the fields of lighting and electrics/electronics. In the Company's workshop equipment business operations, the focus is on sophisticated solutions for diagnostics, calibration, lighting adjustment and exhaust gas analysis. HELLA is currently continuing to pursue its strategy – introduced in fiscal year 2018/2019 – of further developing the Aftermarket segment. This involves aligning the product portfolio more closely with the Company's expertise in original equipment for lighting and electronics. Furthermore, business activities are to be combined together more effectively on the basis of a consolidated target-group landscape, reducing administration and sales expenditure as a result.

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

2. Market leadership

Secondly, HELLA pursues the strategic goal of maintaining a leading market position for business fields in which the Company operates. This is to be achieved by specific segment, product group and region. The economies of scale that can be achieved as a result of holding a leading market position help to further strengthen the Company's competitiveness and profitability. In relation to the Automotive segment, HELLA strives to attain a position among the three leading providers in the respective market segments. The most important regional markets of the segment are Europe, China, India and North/Central America.

HELLA also strives to attain a leading market position in the Aftermarket and Special Applications segments in each of the relevant target group markets and sales regions. Business activities in the Aftermarket segment focus especially on the market in Europe, where HELLA maintains a strong market position. Added to this is international business in the Asia/Pacific region and North, Central and South America. Europe is the core market of the Special Applications business segment. In this highly fragmented market, HELLA holds a leading market position primarily based on its automotive expertise in lighting technology and vehicle electronics.

The goal of market leadership is also supported by the established network strategy, which sees HELLA enter into strategic partnerships with other companies.

3. Resilient business model

Thirdly, HELLA pursues the goal of a stable, resilient and low-risk business model. The aim here is to ensure balanced and solid business development which is as far as possible independent of specific economic fluctuations and market cycles. In addition, the international position of the Company and the broad diversification of the customer portfolio aim to help reduce economic dependence on individual customers and markets.

The Aftermarket and Special Applications segments are also intended to contribute to stable business development. Compared to the Automotive business, the Aftermarket segment is generally anti-cyclical. This means that when demand for new vehicles is lower, the need for repairs and replacement parts tends to increase. Business activities in the Special Applications segment are partly subject to different demand cycles owing to the differences in the product and customer landscape.

4. Operational excellence

Fourthly, HELLA promotes continuous improvement of operational excellence with regard to all levels, functions and processes within the business. This includes systematic cost and quality management, optimisation and focusing of global production and development capacities, long-term process standardisation as well as systematic investment in and further education of its staff.

In a bid to strengthen its operational excellence, HELLA is following a systematic cost control programme aimed at safeguarding the short-term profitability of the business as well as providing financial scope to make sustainable investments. This approach involves managing costs consistently – in order to reduce travel, IT, services, logistics and marketing outlay, for example – as well as increasing the flexibilisation of human resources planning and adjusting it on the basis of industry development.

In order to further optimise structures and processes, HELLA launched a number of other initiatives in fiscal year 2019/2020. For example, HELLA is implementing a comprehensive automation drive which involves the installation of new, intelligent and robot-driven manufacturing technologies in all of its lighting production facilities (not including joint venture sites). In relevant administrative corporate functions as well, HELLA is deploying digital process automation systems targeted primarily at repetitive manual work in software applications. And in the fiscal year under review, HELLA also began to transfer corporate administration service activities to a global business service organisation. The consolidation of specific administration activities at two global and two regional centres of excellence is intended to further improve business administration performance and optimise costs.

FINANCIAL STRATEGY

With the aim of ensuring financial stability, a solid financial strategy is an integral part of HELLA's corporate strategy. In this context, HELLA pursues a long-term funding plan which safeguards financial flexibility even in the event of increased economic volatilities, while also ensuring that the necessary funds are made available for investment in further growth. The Group aims to maintain a strong equity base. The Group strives to strike a balance between a higher return on equity, which would be possible through greater external financing, and the advantages and security offered by a solid equity position. The Company is aiming for a ratio of less than 1.0 for net financial debt to adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) in the long term as per previous fiscal years.

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

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

M&A STRATEGY

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

Management systems

MANAGEMENT OF THE HELLA GROUP

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

Group management is carried out by the managing directors of Hella Geschäftsführungsgesellschaft mbH. In fiscal year 2019/2020, Deputy Managing Director for the Lighting business division, Dr. Frank Huber, took over management of the business division with effect from 1 June 2019. In addition, the HELLA GmbH & Co. KGaA Shareholder Committee appointed Björn Twiehaus to the position of Deputy Managing Director for Electronics on the Management Board effective from 1 April 2020. Further, Dr. Werner Benade, Managing Director of the Aftermarket and Special Applications division, left the Company's Management Board on the expiration of his contract on 31 March 2020. Since then, President and CEO Dr. Rolf Breidenbach has been managing the Aftermarket segment. Bernard Schäferbarthold, Managing Director for the finance, controlling, information technology, and process management corporate function, has assumed responsibility for the Special Applications segment. By mutual agreement, the former Managing Director for Human Resources Dr. Nicole Schneider left the Company on 29 February 2020. A new Managing Director for Human Resources will be appointed to the Management Board in due course and Dr. Rolf Breidenbach will cover the role until then.

In the segments and business divisions, the respective Executive Boards and executive managers support the

HELLA GmbH & Co. KGaA

<table>
<tr><td rowspan="2">Corporate structure</td><td colspan="4">The Management Board of HELLA GmbH & Co. KGaA
Dr. Rolf Breidenbach (President and CEO)</td></tr>
<tr><td colspan="2">Reported segment Automotive</td><td>Business segment Aftermarket</td><td>Business segment Special applications</td></tr>
<tr><td>Finance, Controlling, Information Technology and Process Management
Bernard Schäferbarthold

Human Resources
Dr. Rolf Breidenbach

Purchasing, Quality, Legal and Compliance
Dr. Rolf Breidenbach</td><td>Business division Lighting
Dr. Frank Huber

Executive Board:
Marcel Bartling,
Dr. Lea Corzilius,
Jens Grösch,
Dr. Christof Hartmann,
Didier Keskas
Dr. Michael Kleinkes,
Christian Päschel,
Ludger Rembeck,
Michael Sohn,
Dr. Tobias Sprute,
Barnabas Szabo,
Wolfgang Vlasaty</td><td>Business division Electronics
Dr. Rolf Breidenbach
Björn Twiehaus (Deputy)

Executive Board:
Heiko Berk,
Jörg Brandscheid,
Dr. Naveen Gautam,
Jens Grösch,
Michael Jaeger,
Ralf Kuhl,
Gerold Lucas,
Andreas Lütkes,
Bernd Münsterweg,
Lennart Pletziger,
Guido Schütte,
Jörg Weisgerber,
Joachim Ziethen</td><td>Dr. Rolf Breidenbach

Executive Manager:
Stefan van Dalen</td><td>Bernard Schäferbarthold

Executive Manager:
Dr. Nicolas Wiedmann</td></tr>
</table>

International HELLA companies

General Partner

Hella Geschäftsführungsgesellschaft mbH

Managing Directors of Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach (Chair), Dr. Frank Huber, Bernard Schäferbarthold, Björn Twiehaus

Chairman of the Supervisory Board

Klaus Kühn

Shareholder Committee

Carl-Peter Forster (Chair), Dr. Jürgen Behrend, Horst Binnig, Samuel Christ, Roland Hammerstein, Klaus Kühn, Dr. Matthias Röpke, Konstantin Thomas

As at: 30 July 2020

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

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

PERFORMANCE INDICATORS

The Management Board references financial and non-financial performance indicators in its management of the Company. Their target values are based on various comparative values, for example, market conditions and competition, internal performance standards and allocation of resources.

Financial performance indicators

The four key financial performance indicators are the currency and portfolio-adjusted sales growth, the adjusted EBIT margin, return on invested capital (ROIC) and adjusted free cash flow from operating activities (adjusted OFCF). In this context, the key performance indicators of currencyand portfolio-adjusted sales growth and adjusted EBIT margin take on great importance in the management of the Group. Accordingly, they are the Company's most important performance indicators.

Most important financial performance indicators

Currency and portfolio-adjusted sales growth	Percentage change in consolidated sales adjusted for effects due to exchange rates and portfolio changes
Adjusted EBIT margin	Earnings before interest and taxes (EBIT) reported in consolidated financial statements in relation to portfolio-adjusted sales, adjusted for extraordinary effects:

Important financial performance indicators

Adjusted free cash flow from operating activities	Operating net cash flow after investments without company acquisitions, adjusted for extraordinary effects:
Return on invested capital	The ratio of operating income before financing costs and after taxes (return) to invested capital

The currency and portfolio-adjusted sales growth and the adjusted EBIT margin, as well as the adjusted free cash flow from operating activities and return on invested capital, are key performance indicators that are not defined in the International Financial Reporting Standards. They are used because they serve the Company's key purpose of providing a transparent picture of operational performance, as extraordinary effects can negatively affect the assessment of the Company's performance. In order to more accurately present the Company's business development performance and improve comparability over time, the Company relies on adjusted figures with regard to sales growth, earnings before interest and taxes, as well as free cash flow from operating activities, and reports them as additional information.

Extraordinary effects may arise from portfolio changes, restructuring measures and unexpected impairments. In fiscal year 2019/2020, consolidated sales were adjusted for currency effects and for the sale of shares in the joint venture Behr Hella Service on 31 December 2019. With regard to adjusted earnings before interest and taxes (adjusted EBIT), adjustments were made for restructuring effects, for the effects of the Behr Hella Service transaction and for unexpected non-cash impairments of € 533 million. These were accounted for in the last quarter of fiscal year 2019/2020 and were caused primarily by the significant reduction in market volume brought about by the Covid-19 pandemic and the assumption that the worldwide production volume of cars and light commercial vehicles would be significantly below the planning assumptions and market expectations forecast before the coronavirus outbreak in the medium to long term, and that this would lead to lower utilisation of the global HELLA production network.

Investments in research and development

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

The consolidated sales of fiscal year 2018/2019 were adjusted for currency effects and withdrawal from wholesale business as a basis for comparison. With respect to adjusted EBIT, adjustments were made for restructuring effects and the withdrawal from wholesale business. To provide a better basis for comparison between the two fiscal years, the contributions to sales and earnings resulting from the business activities of Behr Hella Service in fiscal year 2018/2019 were also deducted with regard to the comparable operating variables.

Non-financial performance indicators

In addition to financial key performance indicators, HELLA utilises non-financial performance indicators. An important non-financial indicator is the customer line return. This is measured as the number of defects identified after delivery per one million parts (ppm). This key performance indicator is therefore also a measure of quality and customer satisfaction.

HELLA GMBH & CO. KGAA

Because the risks and opportunities of HELLA's parent company HELLA GmbH & Co. KGaA, the forecast performance and key research and development activities are inseparable from the Group, the position of the parent company is in line with that of the Group. For this reason, this report contains information about the Group as a whole and about the financial situation of HELLA GmbH & Co. KGaA. Unless otherwise stated, the information that follows relates to the Group.

HELLA is managed as an integrated Group from the parent company, which is itself involved in global activities as an operational unit. Due to this deep integration, the Company is mainly managed on the basis of the Group's aggregated performance indicators. In order to manage the parent company HELLA GmbH & Co. KGaA as an operational unit, the reported sales and (adjusted) EBIT according to IFRS are of particular importance. Sales figures in accordance with IFRS differ from those according to the German Commercial Code (HGB), particularly in respect of how project revenues are recorded. Fundamentally, EBIT in accordance with IFRS corresponds conceptually to operating earnings according to the HGB (earnings before tax on income and net financial result). The annual financial statements of the Company HELLA GmbH & Co. KGaA have been prepared in accordance with the provisions of the German Commercial Code (HGB).

Outside the operational business of HELLA GmbH & Co. KGaA, income from profit transfer agreements and expenses from absorption of losses as well as income from investments play an important role with regard to the Company's earnings, but are not included in the operating performance indicators in internal management.

Research and development

Along with operational performance, research and development are key components of the Company's corporate strategy and provide the foundation for its competitive ability and technological and market leadership in many product divisions. With this in mind, HELLA spent a total of € 620 million on research and development in fiscal year 2019/2020 (prior year: € 611 million), equating to a ratio of 10.6% to portfolio-adjusted consolidated sales (prior year: 9.0%). The ratio of capitalised development expenses to development expenses in accordance with the consolidated income statement came to 8.7% (prior year: 19.0%).

The Company's systematic focus on research and development is also reflected by the number of patent applications it has filed. In the fiscal year under review, these rose by 7.3% to 279 new initial applications despite a weakening effect brought about by short-time working (prior year: 260 applications filed). Staffing capacities for research and development were also expanded in some select areas in the fiscal year under review. The number of staff employed in research and development therefore rose slightly to 7,789 (prior year: 7,768), while the total number of employees across the Group fell. This means around 21% of all permanent employees throughout the Company work in research and development.

Research and development expenses were incurred in particular to bolster and expand HELLA's leading technological position along automotive market trends amid accelerating change within the industry. In this context, around 70% of research and development costs can be attributed to specific customer projects with booked business; the remaining 30% are invested in pre-development, fundamental research, software and tools.

As of the balance sheet date, HELLA maintains an extensive international network of around 35 research and development institutes (without taking into account the R&D facilities of joint ventures), including two business incubators with registered offices in Berlin and Shanghai, as well as one venture-capital arm in Silicon Valley. HELLA also has two research facilities for vehicle lighting technology and electronics – two fields that are becoming increasingly interlinked – where cross-discipline research is carried out, focusing particularly on long-term automotive issues with significance for the future. In this context, for example, an interdisciplinary project was carried out to investigate vehicle-to-X communication for automated driving functions. Through modulation, i.e. rapid switching of front and rear lights on and off, communication between vehicles over a distance of more than 200 metres could be demonstrated. Existing lighting systems in the vehicle can thus be used for data transmission without impairing the conventional lighting function with regard to the perception of the human eye.

In addition to its own resources, HELLA also collaborates closely with other partners, including other technology companies, external service providers, academic institutes and research facilities.

AUTOMOTIVE

Particularly in the Automotive segment, the research and development activities throughout the entire Group help to strategically align the HELLA business portfolio along the key automotive market trends and to implement opportunities for further profitable growth. More than 90% of the R&D expenses are accounted for by this business segment.

Firstly, HELLA has powerful research and development departments that maintain the innovative power in the Automotive segment over the long term. Secondly, HELLA maintains – in the Automotive segment in particular – various open, strategic alliances with other industry partners and companies in the fiscal year under review to enable the rapid and flexible advancement of relevant areas of focus and topics for the future.

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

Automotive lighting

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

One of HELLA's main focuses relates to the further development of existing lighting technologies, for example by standardising and modularising primary headlight components. For instance, HELLA is working on Matrix LED headlamp technologies, which – thanks to their modular design as single, double or triple-row systems – can be offered to premium and high-volume manufacturers as a scalable and cost-optimised solution.

Following the success of the LED technology in broader vehicle classes in previous years, HELLA is currently working

Research and development

	2019/2020	2018/2019	+/-
R&D employees (as at 31 May)	7,789	7,768	+0.3%
R&D expenses in € million			
Automotive	584	579	+0.9%
Aftermarket and Special Applications	37	32	+14.7%
Total	**620**	**611**	**+1.6%**
in % of portfolio-adjusted sales	10.6%	9.0%	

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

on systematic improvement of the concept, aiming to achieve exceptional light output and functionality with minimal light module dimensions. This means that headlamps with these higher resolution modules can produce all worldwide approval variants simply by varying the control algorithms and without the need for hardware modifications. The digital control system can activate each pixel individually and implement the light distribution according to the respective regional regulations.

HELLA is also currently developing high-resolution LED module designs. A key technology in this context is the new "Digital Light SSL | HD" lighting system, featuring over 30,000 intelligent and individually controllable pixels, and thus enabling numerous new safety and convenience features such as optical lane markings. "Digital Light SSL | HD" is an advanced concept derived from existing LED systems. In addition to a larger light-emitting surface, the significantly higher number of pixels provides the basis for a variety of new functionalities. In this system, over 30,000 points of light are generated by light sources the size of a finger nail. The SSL | HD technology therefore requires less space and offers greater efficiency, giving vehicle manufacturers much more design freedom when building their vehicles. Start of series production is planned for 2022.

Furthermore, HELLA is also focusing on offering standalone software modules to control lighting systems. In the future, "Digital Light SSL | HD" could enable the development of new business models, for example on a pay-per-use basis.

Alongside concepts aiming to miniaturise matrix modules on the basis of existing technologies – as in the case of the SSL | HD technology, for example – HELLA is also developing new lighting solutions which take up much less space in the vehicle architecture yet offer the same consistently high level of performance and functionality, giving original equipment manufacturers greater freedom when designing their vehicles. To this end, HELLA is increasingly involved in the development of large-scale integrated optical systems, which achieve the highest possible efficiency for stringent design requirements and the associated very narrow light exits.

Therefore, as part of a slimline design approach, HELLA is developing concepts for implementing the main lighting functions of a car headlamp which result in a light exit height of less than 20 mm. Various technical concepts can be selected and combined on the basis of a modular development system, with adaptations possible depending on vehicle design as well as additional customer specifications and regulatory requirements. The first headlamps based on slimline concepts for implementing main lighting functions are expected to be available for end-consumers in 2021.

As the design and requirements of vehicle interiors evolve, so too does the interior lighting. In fiscal year 2019/2020, HELLA therefore developed new functionalities for the ambient lighting of vehicle interiors. This is no longer limited to the colour and colour intensity in interiors, but also includes the use of light to display useful information. Development of a new generation of roof consoles also included additional features for ambient lighting.

Due to the increasing complexity of vehicle interior lighting, HELLA also collaborates with the French automotive supplier Faurecia to design holistic system solutions. To this end, the fiscal year under review saw the deployment of a joint project team with Faurecia. Development activities are currently focusing on series development for a German automotive manufacturer for the efficient integration of light guides in door trim panels, while pre-development projects are also looking at solutions for indirect lighting of the vehicle interior using light-permeable surfaces.

HELLA's pre-development activities in the field of car body lighting are currently focused on how lighting solutions could support digitalisation and personalisation of vehicles. For example, the development of a digital projector for opening and exiting the vehicle could play a key role here. HELLA is also working on new lighting solutions for illuminating the side of the vehicle, enabling improved shape and contour design, and on concepts for the use of light modules for communication between autonomous vehicles and other road users. Various concepts have also been developed for the illumination of brand logos, which can also contribute to unique selling points and brand differentiation.

In the past fiscal year, HELLA has also stepped up work on the comprehensive integration of lighting technologies into the vehicle body. In addition to collaboration with the French partner Plastic Omnium, this was achieved through the organisational integration of the FoC (Front of the Car) topic area into the bodywork lighting product segment. Together with Plastic Omnium, HELLA has developed a prototype with integrated FoC applications which has confirmed the fundamental market interest in integrated lighting and electronics solutions in the vehicle front and rear. On this basis, various internal and customer-specific pre-development activities were launched in the fiscal year under review. In addition, HELLA has already been nominated for series development of highly decorative panels using new production technologies with initial series production scheduled for 2021.

HELLA is also investigating the role of bodywork lighting in automated driving applications in the EU-funded international research project InterAct together with industrial partners BMW and Bosch as well as academic partners CRF (FIAT research centre), ICCS (University of Athens), ITS (University of Leeds), the Technical University of Munich and the project coordinator DLR (German Aerospace Center). One of the main focuses for the research is how communication might work between autonomous vehicles and non-automated road users such as pedestrians, cyclists and other motorists within an urban infrastructure. In the fiscal year under review, for example, empirical studies were conducted with light-based eHMI (external human-machine interaction) technologies as fully integrated solutions in automated test vehicles. The project is due for completion in September 2020.

With respect to rear lamps too, individualisation for specific manufacturers and end customers remains a key trending topic for automotive lighting technology. In the fiscal year under review, HELLA has worked on systems for innovative display solutions for vehicle rear lighting, which could easily implement individual signatures and symbols, as well as all manner of animations, in conjunction with the new software tool GAIN (Graphical Animation Interpreter). Furthermore, development work is also focusing on volume holograms for 3D light signatures, as well as light guide systems for design customisation and as a replacement for the costly OLED technology.

A further focus relates to the development of new, efficient and cost-effective optical materials and technologies for light guidance and conduction, for example, by means of diffractive optical elements. Here, HELLA is working together with companies such as the US start-up Light Field Lab whose technological approach involving light guides based on nanoparticles is not only able to generate 3D representations similar to holograms, but also offers huge potential for a whole host of automotive lighting applications. In order to evaluate this potential, a joint proof of concept was started in October 2019, in which Light Field Lab's light guide technology is being evaluated with regard to automotive applications involving both the headlamps and rear lamps. Initial material tests so far indicate good resistance of the optical components to automotive requirements.

As part of the "Smart Headlamp Technology" (SHT) research project, which has been running since April 2017, an expanded lighting simulation and hardware-in-the-loop test environment was developed in the fiscal year under review, which allows early development validation and maturity advancement in lighting function development and evaluation at lower development costs. The SHT research project aims to develop an intelligent headlamp that both detects potential performance variations at an early stage (condition monitoring) and compensates for them ("self-healing"). The Fraunhofer Institute for Mechatronic Systems Design IEM and the Universities of Paderborn and Dortmund are also involved in the research project, which is supported by the European Regional Development Fund (ERDF).

In addition to these research collaborations in preliminary lighting development, HELLA has been operating the research institute for automotive lighting and mechatronics (L-LAB) since 2000. Activities in the fiscal year under review focused on research into innovative concepts for light guidance and the development and use of high-resolution adaptive headlamp systems. For example, research was conducted into how holography technology can be employed in order to use plastic foils less than 0.1 mm thick for the purposes of light guidance. The aim is to replace conventional reflectors and lenses in headlamps. This enables the development of new types of headlamp systems with significantly lower weight and reduced space requirements and at the same time opens up new design possibilities. Research was also conducted to explore how a headlamp light distribution pattern can be generated by means of highly precise, clocked guidance of a laser beam. In addition, extensive studies were carried out to optimise headlamp systems in order to increase road safety in adverse weather conditions. With a view to designing highly automated driving systems, research was conducted on how to boost the robustness and functionality of optical sensor systems.

Automotive electronics

As part of the research and development activities in the Electronics business division, HELLA supports automotive manufacturers and suppliers in the development and implementation of forward-looking functions and technologies. Here, HELLA's research and development activities are primarily focused on the central market trends of autonomous driving, efficiency and electrification, connectivity and digitalisation, and individualisation. In this context, HELLA's strategy is to continuously expand its market position as a supplier of high-performance components such as sensors, actuators, pumps and steering electronics. At the same time, HELLA is also positioning itself as a provider of relevant subsystems and digital business models in order to take advantage of additional growth opportunities arising from the ongoing revolution in mobility.

In view of the market trend towards autonomous driving, HELLA has positioned itself in particular as a supplier of high-performance key components. These can implement both basic driver assistance functions and more sophisticated autonomous driving functionalities. However, a particular focus of HELLA's development is on solutions with scalability for automation levels 1 to 3. In fiscal year 2019/2020, HELLA successfully completed the series development of radar sensors on a 77 GHz basis and began series production on the basis of several customer orders. The 77 GHz radar technology features high performance and range as well as a compact design. This simplifies integration into the vehicle body and enables a 360-degree perception of the vehicle environment. At the same time, HELLA's 77 GHz radar sensors are based on a modular, scalable platform concept with which customer-specific requirements can be implemented flexibly and efficiently. In this way, four different sensor variants can be derived to implement NCAP requirements as well as functions for automated driving.

In order to further expand its leading market position in radar sensor technology, HELLA is currently working on the development of 77 GHz radar technology for the premium and high-volume market. In this context, HELLA announced a strategic partnership with the US start-up Oculii in early 2020. The aim of the collaboration is to further boost the performance of the 77 GHz radar platform by integrating software developed by Oculii without changing the hardware architecture. Results of the development partnership are expected to go into series production in 2023. Both project partners have already completed a first joint proof of concept.

In order to promote the trend towards autonomous driving, HELLA has also pushed ahead with the development of steering electronics for electric power steering. A key focus here is the development of the next generation of steering control modules. Series production of the first steering electronics with fail-operational design is expected to start towards the end of 2020. Like previous product generations, these optimise fuel efficiency by supporting the steering as needed with the aid of an electronically controlled electric motor. Furthermore, as redundantly designed systems, they also represent an essential prerequisite for the implementation of highly automated driving functionalities and also increase the safety of the steering systems in conventional vehicles. In pre-development projects in the area of steering control, HELLA is also working on new product solutions for steer-by-wire functions which are required for the more advanced development stages of automated driving and open up new design possibilities in the vehicle interior.

With respect to the efficiency and electrification market trend, HELLA is pursuing the strategic goal of providing comprehensive support to automotive manufacturers on the road to electromobility. To this end, HELLA is investing in specific product solutions for all development stages of electrification. This includes, for example, intelligent battery sensors and voltage converters that can be used in vehicles with conventional combustion engines as well as in hybrid and electric vehicles. In addition, the research and development activities of HELLA also continue to aid in optimising vehicles regardless of the power train. With this in mind, HELLA is working on the next generation of fuel pump control modules.

In fiscal year 2019/2020, HELLA also worked on the third generation of 12/48-volt voltage converters. These make it possible to use the recovered energy stored in the 48-volt vehicle electrical system to supply 12-volt loads. In driving scenarios where the internal combustion engine is switched off, during active and passive coasting, for example, they ensure a reliable supply to the vehicle electrical system over two voltage networks. The latest generation of 12/48-volt voltage converters is expected to go into series production in 2023.

In addition, HELLA is working on electronic solutions which have been developed and launched specifically for full hybrid and electric vehicles. HELLA is also developing innovative solutions for charging electric vehicles, such as a highly efficient onboard charger which has been optimised in terms of weight and dimensions and which features a particularly high power density. It has a charging capacity of 3 kW to 22 kW and offers the option of bidirectional charging. Thanks to integrated smart charging functions, the load on the grid can also be intelligently regulated to offset overload peaks for the grid supply. In addition, HELLA is anticipating to start series production of the second generation of high-voltage battery management systems in the summer of 2020. These systems will be supplied to a European premium original equipment manufacturer for use in its electric vehicles as well as full and plug-in hybrids. High-voltage battery management systems monitor the voltage, temperature and current of lithium-ion batteries. In addition, they implement various safety-relevant functions, including those relating to high voltage. Based on its expertise in the field of high-voltage battery electronics, HELLA is also developing comparable low-voltage battery management systems on a 12-volt or 48-volt basis with a possible market launch in 2024.

Furthermore, HELLA is also working on relevant subsystems in the field of electromobility, with a particular focus on solutions for mild hybridisation on a 48-volt basis. The product solutions include the Dual Voltage Battery Management System, which is intended in particular for the compact and mid-sized classes. It integrates a 48-volt and

12-volt battery, including the power electronics, in a single device and enables savings of 5 to 6 grams of CO_2 per kilometre driven. The switching of the cells enables the capacity of the lithium-ion batteries to be used in either a 12-volt or 48-volt vehicle electrical system, depending on the application. The savings potential of the Dual Voltage Battery Management System was successfully confirmed by tests based on prototypes in the fiscal year under review. With regard to the dual voltage battery, a market launch is expected in 2024; current customer-specific development activities focus, among other things, on the air-based cooling concept and the redundant design of the dual voltage battery as required for the demands of highly automated driving functions. As an additional subsystem solution for mild hybrids, HELLA is also working on the PowerPack 48 Volt, which has been specially designed for vehicles in higher performance classes. It combines a 48-volt lithium-ion battery pack including battery management and voltage converter in a single product.

As a new functionality in the field of digitalisation, HELLA is currently working on a comprehensive system solution for keyless and fully hands-free vehicle access based on ultra-broadband technology. Thanks to its high-precision localisation technology, it eliminates in particular the danger of relay attacks and fully meets the security requirements of vehicle insurers. In addition, access authorisations can be managed simply and securely, for example for car sharing services. The system solution developed by HELLA is compatible with both iOS and Android operating systems and could be available on the market as early as 2022. In the future, the vehicle access system could be extended to include additional comfort and personalisation features.

Research and development activities in electronics were also driven forward by the research institute for automotive electronics (E-LAB) founded in June 2018. In the fiscal year under review, one of the institute's focus areas was to extend HELLA's hardware expertise as a component supplier to include new software-based approaches. For example, a system has been developed that uses a vehicle level sensor to detect the condition of the road surface (e.g. potholes, cobblestones), stores and processes the data in a cloud and makes it available to other road users from there. In addition to the functionality itself, the analysis of the necessary infrastructure in the vehicle and the cloud was of particular importance in this context. New concepts for interaction between vehicle and occupants were also developed. The development activities resulted, among other things, in a radar-based gesture recognition system for interior applications, which, for example, enables contactless and intuitive operation of window lifts.

In addition to the initiatives of the research institute for automotive electronics, HELLA is also working on future automotive topics within the framework of research collaborations and other projects. In fiscal year 2019/2020, HELLA also successfully completed the "Autokonf" project. The aim of the project, which was funded by the German Federal Ministry of Education and Research and in which BMW, the Fraunhofer Institute for Microsystems and Solid State Technologies (EMFT), intedis and itk Engineering were also involved, was to develop fail-safe functions for autonomous driving. In a subsequent project, the fail-safe system will be further developed under close-to-production conditions and tested in a test vehicle. The HELENE research project to develop a high-voltage charging converter with high energy density was also continued.

AFTERMARKET

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

In the fiscal year under review, activities have focused on the development of comprehensive service solutions. With "CheckPoint powered by Hella Gutmann", Hella Gutmann has implemented a calibration and diagnostic centre which integrates hardware, software and know-how in order to equip workshops for new market requirements on a cross-brand basis. The performance and service spectrum includes multi-brand diagnostics, calibration of camera-, lidar- and radar-based driver assistance systems, component activation and adjustment of adaptive lighting systems. In the fiscal year under review, the pilot phase took place with twelve partner workshops throughout Germany. In February 2020, the first CheckPoints went into operation on this basis as franchise modules within existing workshop concepts.

The expansion of remote service continues to be a central topic in the area of diagnostic service. The remote procedure can even be used to perform calibrations and other actions on vehicles that are not yet included in the mega macs software. In order to perform these tasks on the latest vehicle models, Hella Gutmann has developed the CSC-Tool Digital – a solution concept using digital calibration panels for front cameras.

Furthermore, new versions were launched for efficient and easy camera and radar calibration solutions for CSC-Tool Mobile and CSC-Tool Second Edition. In addition, further hardware enhancements, such as a new EVO radar angle adjustment plate, new calibration panels for rear view and surroundings cameras, and the possibility of adjusting emerging laser sensors were integrated into the portfolio in fiscal year 2019/2020.

Hella Gutmann was also involved in the development of powerful diagnostic equipment in the fiscal year under review. The new SDI (Smart Diagnostic Interface) software architecture was rolled out for the mega macs 77. The new operating concept features an optimised and intuitive user interface and allows faster access to relevant vehicle data.

With the development of the mega macs Droid, Hella Gutmann has also stepped up its efforts to appeal to new customer groups. In this context, Hella Gutmann developed a diagnostics app based on the Android operating system last year, which enables the use of existing display hardware (e.g. tablets), generates a high degree of flexibility in operation through variable display devices and at the same time guarantees the diagnostic depth from the mega macs product family.

As part of the increasing digitalisation of workshop processes, a new software product was launched on the market by Hella Gutmann. The Digital Assistant provides all the necessary data, information and instructions directly to the tablet or smartphone. The software also provides direct access to OE-compliant digital inspection plans, manuals, data, and photo and video documentation, while also enabling state-of-the-art communication with the customer.

A cloud-based data-on-demand service (macsDS – Data Service) is provided by the Mobility Solutions division on a flexible basis. This provides insights, evaluations and recommendations based on a given use case by aggregating and combining a wide range of data points. One of the key objectives is to tap into new customer groups and develop new business models.

At the same time, Hella Gutmann is currently working on a new web application with which customers of the company can manage their product portfolio. This will enable new and digitalised forms of interaction, communication and collaboration with Hella Gutmann customers in the future.

SPECIAL APPLICATIONS

The strategic alignment of the Special Applications business segment is based both on applying core expertise related to lighting technology and electronics from the Automotive segment to applications for special vehicles and small volume manufacturers as well as on the development of new lighting and electronics solutions specifically for these target groups and markets.

In fiscal year 2019/2020, the systematic introduction of LED lighting technologies across all customer groups remained a key focus of research and development activities in the Special Applications segment. This development was driven by the improved functionality and performance of LED lighting systems and the growing importance of lighting design in all vehicle categories.

For this purpose, HELLA uses established concepts in the automotive sector, for example with regard to Matrix LED technologies, and applies them in line with the requirements in the field of special vehicles. For example, HELLA is currently developing the "Smart Worklight System", a new lighting system for agricultural and construction machinery. As individual work lamps and LEDs can be controlled using the existing wiring harness, it is possible to respond in a custom way to specific working or driving situations. For example, because the risk of dazzling other people as well as the self-dazzling effect caused by reflective objects can be avoided, operational safety and comfort can be improved on this basis when using agricultural and construction machinery. The Smart Worklight System is currently in pre-development projects with various target customers and could be launched on the market in late 2021.

Another field of development has been the transfer of established EdgeLight technology from the Automotive segment. In the fiscal year under review, HELLA has launched a new full-LED auxiliary headlamp for trucks with the EdgeLight position light as well as the "K-LED Rebelution" beacon, which features an EdgeLight light guide. For signalling functions, the EdgeLight technology has also gone into series production as part of a comprehensive lighting package that HELLA has developed for a British small-volume manufacturer.

As a key strategic initiative, HELLA further expanded its electronics expertise in the Special Applications segment in fiscal year 2019/2020. The Company has added products to its electronics portfolio in the fields of sensors, actuators, energy management and body electronics. HELLA is also currently working on the application of radar sensors for a global manufacturer of fork lift trucks and on the implementation of

Permanent staff in the HELLA Group (as at 31 May)

customer projects for various other electronic components, such as intelligent battery sensors and rain/light sensors.

Human Resources

In fiscal year 2019/2020, the number of permanent employees fell by 6.5% and totalled 36,311 employees (prior year: 38,845 employees) as at the balance sheet date of 31 May 2020. The main reason for this decline was the necessary adjustment of personnel capacities and the need for greater flexibility in this regard due to declining market volumes. As a result, the number of employees dropped significantly in production in particular. The number of employees in the administrative and sales departments also declined, though in research and development the number of employees was slightly above the previous year's level.

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

Due to the declining industry development, the number of employees has been reduced in all HELLA regions. In Germany, for example, it fell by 4.0% to 9,479 employees as of the balance sheet date (previous year: 9,873 employees), and in Europe excluding Germany it fell by 5.7% to 13,877 employees (previous year: 14,722 employees). In North, Central and South America, HELLA had 7,137 permanent employees on the balance sheet date, 9.0% less than in the previous year (7,847 employees). In Asia/Pacific/Rest of World, the number of permanent employees dropped by 9.1% to 5,818 (previous year: 6,403).

HELLA GMBH & CO. KGAA

In the HELLA GmbH & Co. KGaA, the number of employees fell slightly to 5,738 (previous year: 5,819 employees).

Further information on employee matters can be found in the non-financial report section.

Permanent employees in the HELLA Group by region

	31 May 2020	+/-	Share
Germany	9,479	-4.0%	26.1%
Europe not including Germany	13,877	-5.7%	38.2%
North, Central and South America	7,137	-9.0%	19.7%
Asia / Pacific / RoW	5,818	-9.1%	16.0%
Permanent employees worldwide	**36,311**	**-6.5%**	**100%**

Economic report

Economic development

- **Global economy grows by just 2.9% in calendar year 2019**
- **Global Covid-19 pandemic hampers global economic development considerably; economic downturn in the first half of calendar year 2020**

According to data released by the International Monetary Fund (IMF) in June 2020, the global economy grew by 2.9% in calendar year 2019. However, this growth rate was actually the lowest recorded for several years and was below the forecast published by the IMF in July of the previous year. There were many different stresses on the global economy in calendar year 2019, all of which contributed to the further slowdown in growth that was already occurring by then. Among other things, these included trade disputes and ongoing uncertainty around Brexit, as well as other factors with a detrimental effect, such as the structural changes that continued to sweep through the automotive industry.

Since the beginning of 2020, economic performance has been weakened dramatically by the outbreak and ongoing spread of the novel coronavirus – initially in Asia and then the other regions of the world – and, in turn, this has also affected consumer behaviour, industrial production, and trade and investment, among other things. As a result, the International Monetary Fund significantly reduced its outlook for calendar year 2020 in the forecast that it published back in April of this year before going on to revise this downwards even further to a drop of 4.9% in the update published in June. Similarly, the macroeconomic performance indicators that are available for the first quarter of the calendar year at the date of publication indicate a significant economic downturn, with an even deeper recession predicted for the second quarter of the year.

For further information on the macroeconomic and industry-specific outlook, please refer to the forecast report.

The impact of the Covid-19 pandemic also came to affect economic development within the respective regions in HELLA fiscal year 2019/2020. According to Eurostat (the statistical office of the European Union), GDP within the eurozone did still increase by 1.3% and 1.0% in the third and fourth quarters respectively compared to the same quarters in the prior year. However, this was partly attributable to external trade surpluses. Yet, the eurozone was already starting to feel the economic effects of the Covid-19 pandemic at the beginning of calendar year 2020, when GDP fell by 3.1% compared to the first quarter of the prior year.

According to data from the Federal Statistical Office (Destatis), GDP in Germany experienced a price-adjusted and calendar-adjusted increase of 0.5% in the third quarter compared to the same period the prior year; in the fourth quarter, growth stood at 0.4%. According to Destatis, foreign trade along with private and public consumption proved to be particularly strong stimuli in this regard. However, both factors had already become less pronounced by year end. In the first quarter of calendar year 2020, economic performance in Germany then declined by 2.3% due to the spread of coronavirus.

In the USA, the economy likewise continued to weaken in the second half of calendar year 2019. Once adjusted for inflation and annualised, GDP growth stood at 1.9% in the third quarter and 2.1% in the fourth quarter. During this period, high levels of private consumer spending continued to shore up economic performance while corporate investment declined. By contrast, GDP fell by 5.0% in the first three months of new calendar year 2020 due to the Covid-19 pandemic, representing the biggest recession since 2008.

According to official data from China's National Bureau of Statistics, the Chinese national economy grew by 6.0% in both the third and the fourth quarters of calendar year 2019. Particularly in the third quarter, growth proved to be more moderate than initially anticipated and, during this period, reached its lowest level for approximately 27 years. The primary factors responsible for weakening the country's economic performance were the trade conflict with the USA, consumer reticence and a high level of debt. Then, in the first quarter of calendar year 2020, China became the first main place to really feel the effects of the Covid-19 pandemic. In this period, GDP declined by 6.8% compared with the prior year.

Industry development

- **In fiscal year 2019/2020, light vehicle production slumps by 17.7% to 75.5 million new vehicles; more than 16 million fewer cars and light commercial vehicles are produced than in the prior year**
- **Global light vehicle production already down (-5.9%) in the first half of the fiscal year; economic situation of the automotive industry also weakened dramatically by the Covid-19 pandemic in the second half of the year (-29.9%)**

The global automotive industry was placed under immense economic stress in the period corresponding to HELLA fiscal year 2019/2020 (1 June 2019 to 31 May 2020). According to data released by market research institution IHS in July 2020, the volume of new cars being produced fell by a total of 17.7% to just 75.5 million units (prior year: 91.7 million units). Even in the first half of the fiscal year, global light vehicle production slumped (-5.9%) due to the continued worsening of the macroeconomic environment and the ongoing weakness of the market. The already negative development of the industry was then further exacerbated in the second half of the year by the Covid-19 pandemic, which from January 2020 onwards led to extensive production shutdowns by customers, interruptions to global logistics chains and a considerable fall in demand. Consequently, light vehicle production declined by almost a third in the second half of the fiscal year.

In HELLA fiscal year 2019/2020, all regional automotive markets were significantly affected by the massive slump in demand. In the region of Europe excluding Germany, light vehicle production fell by around a fifth in the reporting period to 13.3 million new vehicles (prior year: 16.5 million units). Meanwhile, in Germany, it fell by 23.2% to 3.9 million new vehicles (prior year: 5.1 million units).

In the region of North, Central and South America, automotive production decreased by 21.3% to 15.9 million new cars and light commercial vehicles (prior year: 20.2 million units), which is primarily attributable to the selective nature of the US market. Here, the drop in light vehicle production was 20.5%, with 8.6 million new vehicles being produced (prior year: 10.9 million units).

In the Asia/Pacific/Rest of World automotive market, the relatively faster recovery and increasing capacity utilisation, particularly towards the end of the fiscal year, meant that the decline in production figures proved to be slightly less severe. Consequently, light vehicle production fell by 15.0% within the region as a whole to 42.5 million units (prior year: 50.0 million units). In China, the world's biggest single automotive market, car and light commercial vehicle production decreased by 12.4% to 21.9 million vehicles (prior year: 25.0 million units).

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

in thousands	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	+/-
Europe not including Germany	3,559	4,353	3,794	1,572	**13,279**	-19.6%
Germany	1,080	1,289	1,053	482	**3,904**	-23.2%
North, Central and South America	4,934	4,943	4,477	1,504	**15,858**	-21.3%
USA	*2,640*	*2,629*	*2,546*	*823*	**8,640**	*-20.5%*
Asia / Pacific / RoW	11,137	12,671	10,023	8,638	**42,470**	-15.0%
China	*5,392*	*6,794*	*4,528*	*5,208*	**21,922**	*-12.4%*
Worldwide	**20,710**	**23,256**	**19,347**	**12,197**	**75,510**	**-17.7%**
Change over the prior year's reporting period	-6.6%	-5.2%	-10.7%	-47.7%	**-17.7%**	

Source: IHS Light Vehicle Production Forecast, July 2020 (Changes compared to prior year in percent)

Business development of the HELLA Group

- **Currency and portfolio-adjusted consolidated sales in fiscal year 2019/2020 is down by 14.3% to € 5,800 million; decline in reported sales of 16.6%**
- **Business development already hampered in first half of the year due to decline in production volumes; Covid-19 pandemic further exacerbates fall in demand**
- **Adjusted earnings before interest and taxes fall to € 233 million; adjusted EBIT margin decreases to 4.0%**
- **Lower margin is mainly the result of a considerable drop in sales; extensive cost savings can only partially compensate for the effects triggered by the weakness of the market**
- **Reported EBIT comes to € -343 million due to non-cash impairments amounting to € 533 million; earnings for the period stand at € -432 million**
- **Adjusted operating free cash flow falls to € 227 million**

RESULTS OF OPERATIONS

HELLA successfully completed its exit from the wholesale distribution business in fiscal year 2018/2019. On 31 December 2019, the shares in the joint venture Behr Hella Service – under which HELLA had combined the thermal management activities for the aftermarket business – were transferred to the former joint venture partner MAHLE. To ensure comparability between fiscal year 2019/2020 and the prior year of 2018/2019, the operating variables for both periods have been adjusted in accordance with these portfolio changes. The adjusted consolidated income statement is presented as a table in the following overview; the reported key performance indicators are presented in the consolidated financial statements for fiscal year 2019/2020. For further information, please also refer to the consolidated financial statements for fiscal years 2019/2020 and 2018/2019.

Business development had already been hampered in the first half of the fiscal year by the downturn within the industry, which had seen production volumes drop worldwide. This was further exacerbated in fiscal year 2019/2020 (1 June 2019 to 31 May 2020) by the Covid-19 pandemic and the associated containment measures that led to a massive fall in demand, production shutdowns by customers and interruptions to global logistics chains.

Within this context, currency and portfolio-adjusted sales for the HELLA Group decreased by 14.3% to € 5,800 million in fiscal year 2019/2020 (prior year: € 6,770 million). Sales generated from wholesale distribution (€ 158 million) and Behr Hella Service (€ 61 million) in the prior fiscal year have been adjusted accordingly based on the completed sale of these business activities for the comparative period. In addition, reported consolidated sales amounting to € 5,829 million (prior year: € 6,990 million) were supported by positive currency exchange rate effects (+0.4 percentage points; up € 29 million). Consequently, they fell by 16.6% compared to the prior year.

The overall negative industry development and, in particular, the impact of the Covid-19 pandemic in the second half of the fiscal year led to adverse effects and declining sales in all regions. The European automotive market was particularly badly affected by these. Sales in Europe not including Germany decreased by 14.9% to € 1,681 million (prior year: € 1,976 million) and in Germany by 18.2% to € 1,870 million (prior year: € 2,285 million). In North, Central and South America, sales dropped by 9.2% to € 1,253 million (prior year: € 1,381 million), while in Asia/Pacific/Rest of World, they fell by the same percentage of 9.2% to € 1,025 million (prior year: € 1,129 million).

In fiscal year 2019/2020, adjusted earnings before interest and taxes (adjusted EBIT) of the HELLA Group decreased year-on-year to € 233 million (prior year: € 572 million). The adjusted EBIT margin thus decreased to 4.0% (prior year: 8.4%). The underlying cause of this was a significantly smaller gross profit margin due to the considerable fall in demand and the fact that this could not be fully compensated even though an extensive package of measures aimed at cutting personnel and non-personnel costs was implemented immediately along with other cost management techniques. In addition, the profitability of the HELLA Group was detrimen-

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

Consolidated income statement*

in € million	2019/2020	+/-	2018/2019
Sales	**5,829**	**-13.9%**	**6,770**
Cost of sales	-4,457		-5,021
Gross profit	**1,373**	**-21.5%**	**1,749**
Ratio of gross profit to sales	23.5%		25.8%
Research and development expenses	-620		-611
Distribution expenses	-353		-407
Administrative expenses	-215		-249
Other income and expenses	36		42
Earnings from investments accounted for using the equity method	14		48
Other income from investments	-2		-1
Adjusted earnings before interest and taxes (adjusted EBIT)	**233**	**-59.3%**	**572**
Ratio of adjusted EBIT to sales	4.0%		8.4%

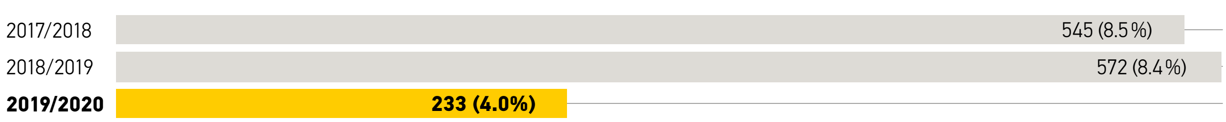
* HELLA completed its exit from the wholesale business in fiscal year 2018/2019 and also sold its shares in the company Behr Hella Service on 31 December 2019. To ensure comparability between fiscal years 2019/2020 and 2018/2019, the operating variables of both reporting periods have been matched accordingly. Please refer to the consolidated financial statements of fiscal years 2019/2020 and 2018/2019 for further information.

tally affected by slight increases in research and development expenses set against the backdrop of declining sales and by a significantly lower contribution to earnings by the joint ventures.

As well as allowing for extraordinary impairments amounting to € 533 million in connection with significantly lower market expectations, adjusted earnings before interest and taxes also included, in particular, adjustments for the income and expenses that had accrued in conjunction with the exit from the wholesale distribution and thermal management businesses and had led to an extraordinarily high value the prior year. In addition, adjustments were made with regard to restructuring measures.

After taking account of these special effects, negative earnings before interest and taxes (EBIT) of € -343 million were recorded for the reporting period (prior year: € 808 million) and the reported EBIT margin was -5.9% (prior year: 11.6%). This negative earnings figure is mainly attributable to non-cash impairments amounting to € 533 million. These were accounted for in the fourth quarter of fiscal year 2019/2020 and were primarily caused by the significant reduction in market volume brought about by the Covid-19 pandemic and the assumption that the worldwide production volume of cars and light commercial vehicles would be significantly below the planning assumptions and market expectations forecast before the coronavirus crisis in the medium to long term, and that this would lead to lower utilisation of the global HELLA production network.

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



Regional market coverage by customer – HELLA Group

	2019/2020		2018/2019	
	Absolute (in € million)	Relative	Absolute (in € million)	Relative
Germany	1,870	32%	2,285	34%
Europe not including Germany	1,681	29%	1,976	29%
North, Central and South America	1,253	21%	1,381	20%
Asia / Pacific / RoW	1,025	18%	1,129	17%
Portfolio-adjusted consolidated sales	**5,829**	**100%**	**6,770**	**100%**

The non-cash impairment primarily concerns the Automotive segment (€ 466 million), but also relates to the Aftermarket (€ 39 million) and Special Applications (€ 28 million) segments to a lesser extent. In regards to the regions, the one that is primarily affected is North, Central and South America (€ 270 million). Meanwhile, the impairment figures for the other regions are: € 147 million for Germany, € 108 million for Europe excluding Germany and € 8 million for Asia/Pacific/Rest of World. € 373 million were recorded on tangible assets, € 111 million on intangible assets and € 48 million on financial assets.

In fiscal year 2019/2020, gross profit decreased to € 1,373 million (prior year: € 1,749 million), which was primarily attributable to lower production volumes and the associated reduction in capacity utilisation. Accordingly, the gross profit margin for the fiscal year was 23.5% (prior year: 25.8%).

Research & development (R&D) expenses increased to € 620 million (prior year: € 611 million). The R&D ratio thus increased to 10.6% (prior year: 9.0%) in relation to the significantly lower consolidated sales. Among other things, R&D expenses were incurred for production ramp-ups, as well as from the expansion of and drive to bolster HELLA's leading technological position in line with automotive market trends. Particularly in the fourth quarter of the fiscal year, HELLA targeted R&D expenses primarily at serial development projects and production start-up activities in light of the global slump in demand associated with the Covid-19 pandemic.

Expenses for sales and administration and the balance of other income and expenses decreased to € 532 million in the reporting period (prior year: € 614 million). This improvement was partially brought about by savings measures in the area of sales and administrative expenses. Due to the lower consolidated sales, the ratio of these expenses was – at 9.1% – the same as the prior year (prior year: 9.1%).

In the reporting period, contributions to earnings by the joint ventures fell to € 14 million (prior year: € 48 million) because of their significantly weaker development within the context of the general weakness of the market and, in particular, the Covid-19 pandemic. In addition, the non-cash impairments had a detrimental effect on the contribution to earnings. Accordingly, the joint ventures' contribution to the Group-wide adjusted EBIT decreased to 6.2% (prior year: 8.4%).

Fiscal year 2019/2020: Quarterly business development

	1st quarter	2nd quarter	3rd quarter	4th quarter
Currency and portfolio-adjusted sales growth	-5.5%	-1.0%	-4.7%	-44.2%
Reported sales (in € million)	1,570	1,743	1,535	981
Adjusted earnings before interest and taxes (in € million)	113	144	90	-114
Adjusted EBIT margin	7.2%	8.3%	5.8%	-11.7%
Reported earnings before interest and taxes, in € million	111	119	82	-655
Reported EBIT margin	7.1%	6.8%	5.3%	-66.7%

Regional market coverage by customer

	Automotive		Aftermarket		Special Applications	
	2019/2020	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019
Germany	32%	35%	25%	19%	30%	29%
Europe not including Germany	26%	26%	50%	54%	39%	40%
North, Central and South America	24%	22%	11%	12%	10%	10%
Asia / Pacific / RoW	18%	17%	14%	15%	21%	22%

The net financial result for fiscal year 2019/2020 is € -39 million (prior year: € -41 million). Expenses relating to income taxes amount to € 50 million in the reporting period (prior year: € 136 million).

Due to the overall negative EBIT resulting from the impairments in the fourth quarter, the earnings for the period decreased to € -432 million (prior year: € 630 million). This extraordinarily high earnings figure for the prior year was also due to the income associated with the sale of the wholesale distribution activities. Earnings per share decreased to € -3.88 (prior year: € 5.67).

HELLA GMBH & CO. KGAA

In fiscal year 2019/2020, the total sales of HELLA GmbH & Co. KGaA decreased by €310 million to €2,027 million (prior year: € 2,337 million). The drop in sales was primarily the result of the ongoing weakness of the market and, in particular, the Covid-19 pandemic, which had a negative impact in the final fiscal quarter.

Approximately 38% of sales were generated by affiliated companies (prior year: 37%). These mainly related to the global supply of modular products in the area of original equipment. Alongside this, the parent company ensured the supply of the international HELLA trade network as part of its central distribution system. Approximately 64% of sales resulted from export activities (prior year: 61%).

When changes in inventories are factored in, along with internally produced and capitalised assets, the overall performance decreased by a total of € 311 million (or 13.3%) to € 2,031 million (prior year: € 2,342 million).

Due to the current market situation, sales according to IFRS amounted to € 1,916 million (prior year: €2,223 million). The adjusted EBIT according to IFRS – as a key performance indicator singled out in the internal control system – dropped to € 51 million (prior year: € 107 million). Thus, the adjusted EBIT according to IFRS were in line with the mid-double figure million range that had been forecast for the earnings. For the fiscal year under review, we had forecast that sales according to IFRS would remain stable and at a comparable level to those of the prior year.

The development of the results of operations as per the annual financial statements is presented below in accordance with German commercial law:

Miscellaneous operating income increased by € 26 million to € 110 million (prior year: € 84 million). The increase in miscellaneous operating income is primarily attributable to the rise in income from foreign currency transactions (+ € 8 million) as well as the increase in valuation effects from financial transactions (+ € 4 million).

The material expenses ratio (material expenses in relation to overall performance) fell by 2.3 per cent to 47.2% (prior year: 49.6%). This slight decrease is the result of changes to the product mix.

Compared to the prior year, personnel expenses fell by € 10 million to € 484 million (prior year: € 494 million). This was primarily the result of the Covid-19 pandemic and the associated reduced working hours. In the reporting year, the personnel expenses ratio (personnel expenses in relation to overall performance) increased to 23.8% (prior year: 21.1%). This development is attributable to the disproportionate decline in overall performance compared to the personnel expenses.

In fiscal year 2019/2020, depreciations amounted to € 86 million (prior year: € 76 million). This increase primarily resulted from prior year capital expenditure, which then had a follow-on effect on the reporting period.

Miscellaneous operating expenses decreased by € 43 million to € 629 million (prior year: € 672 million). This decrease is primarily attributable to the lower costs for purchased services (- € 35 million) and the expenses specific to the prior year that had been generated by changing over the tool accounting system (- € 11 million). The main factors exerting an influence in the opposite direction were the losses resulting from the disposal of financial assets through the sale of the shares held in Behr Hella Service GmbH (+ € 10 million) and also the higher valuation expenses (+ € 7 million).

Cumulatively, the aforementioned changes in overall performance and miscellaneous operating income, along with the total operating expenses, led to the operating result deteriorating by € 41 million to € -17 million (prior year: € 24 million). The operating result equates to -0.8% of the overall performance (prior year: 1.0%).

The deterioration in the results of operations at the Group companies led to a reduction in dividend payouts. On balance, earnings from investments as well as profit and loss transfers stood at € 150 million, which was considerably lower than the figure for the prior year (prior year: € 474 million). This decrease resulted primarily from the sale of the wholesale distribution business in Northern Europe during the prior year.

Financial income, including the aforementioned earnings from investments, decreased by € 340 million on balance after deducting financial expenses, leading to a net financial result of € 118 million (prior year: € 458 million).

Taxes on income fell to € 22 million (prior year: € 49 million). Thus, earnings after tax were € 79 million (prior year: € 433 million).

In light of this, the net income for the year decreased significantly by € 355 million to € 78 million (prior year: € 433 million).

FINANCIAL STATUS

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

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

At the end of fiscal year 2019/2020, the HELLA Group further strengthened its liquidity as a precautionary measure in light of the economically challenging market environment and established a new syndicated credit facility of over € 500 million. This facility is valid until June 2022 with an option to extend the term by a year. Even before the establishment of this credit facility, HELLA already had cash and cash equivalents at its disposal amounting to approximately € 1 billion. At the beginning of April 2020, it drew down an existing € 450 million credit facility, once again as a precaution.

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

- **Capital market bonds**
  At the balance sheet date, HELLA had two outstanding capital market bonds with terms of approximately seven years each. These comprise a bond of € 300 million maturing in 2024 and a bond of € 500 million issued in September 2019 that matures in January 2027.

- **Private placement**
  A total of JPY 22 billion with a 30-year term was raised in 2002 and 2003. This foreign currency liability is fully hedged against exchange rate fluctuations over its entire term. The value of the liability on 31 May 2020 was € 189 million.

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

- **Syndicated credit facility**
  In June 2015, a five-year syndicated credit facility of € 450 million was agreed with a syndicate of international banks. This credit line has been renewed two times for one year each and now expires in June 2022. In April 2020, HELLA drew down the credit line as a precaution in light of the Covid-19 pandemic. In addition, another syndicated credit line of € 500 million expiring in June 2022 was established as a precaution in May 2020 in view of the economically challenging environment. By mutual agreement, this credit line can be renewed by a period of one year.

The net cash flow from operating activities fell by € 123 million year-on-year to € 636 million (prior year: € 759 million). This development is mainly attributable to the lower earnings due to the Covid-19 pandemic and the resulting reduction in sales as well as substantial value adjustment measures. Within this context, a lower level of working capital resulting from reduced sales and lower tax payments had a positive effect on net cash flow from operating activities.

Cash investing activities, excluding cash payments or receipts for the purchase or sale of company shares or capital increases or repayments and securities, amounted to € 431 million (prior year: € 551 million). The investing activities primarily included capital expenditure for the worldwide development, administration and production network. HELLA also invested in product-specific capital equipment.

As part of the active management of the liquid funds available to the Group, € 100 million were gained from securities in the reporting period (prior year: outflow of € 212 million). For liquidity management purposes, capital is usually invested in short-term securities or securities with a liquid market so the funds can be made available for potential operating requirements at short notice.

The adjusted free cash flow from operating activities decreased during fiscal year 2019/2020 to € 227 million (prior year: € 243 million). Free cash flow from operating activities was adjusted for payments for restructuring measures and portfolio adjustments (€ 23 million) in the reporting period (prior year: € -10 million for portfolio adjustments, mainly in conjunction with the sale of the wholesale distribution business, as well as payments for restructuring measures).

After taking account of these special effects, the reported free cash flow from operating activities fell in the fiscal year under review to € 205 million (prior year: € 253 million).

Total cash outflows from financing activities came to approximately € 13 million (prior year: € 197 million). Net new borrowing stood at € 387 million (prior year: € 51 million net drawn credit).

From the sales of shares in the joint ventures HSL Electronics Corporation and Behr Hella Service, as well as Hella Phil. Inc. and Hella (Xiamen) Automotive Electronics Co. Ltd., cash receipts amounting to around € 48 million were booked.

The dividend of € 3.35 per share adopted at the annual general meeting on 27 September 2019 amounted to a total of € 372 million and was paid out in full to the Company's shareholders.

Compared to the end of the prior year, liquidity from cash and cash equivalents increased by € 326 million to € 1,203 million (31 May 2019: € 877 million). Including current financial assets, which essentially comprise securities of € 446 million (31 May 2018: € 557 million), available funds rose to € 1,648 million (31 May 2019: € 1,434 million). On this basis, HELLA is able to satisfy its payment obligations.

FINANCIAL POSITION

Total assets decreased by € 717 million to € 5,693 million in fiscal year 2019/2020 (prior year: € 6,410 million). The equity ratio is 37.0%, putting it below the level on the balance sheet date of 31 May 2019 (46.3%). The equity ratio relative to total assets adjusted for liquidity comes to 52.1% (31 May 2019: 59.7%).

Current and non-current financial liabilities increased by € 420 million to € 1,788 million (31 May 2019: € 1,368 million). Net financial debt as the balance of cash, current financial assets, and current and non-current financial liabilities increased by a total of € 206 million to € 140 million (net financial liquidity 31 May 2019: € 66 million).

At the end of the reporting period date, the company rating awarded by Moody's was Baa1 with a negative outlook due to the high levels of uncertainty within the industry. This HELLA rating was confirmed by Moody's at the beginning of current fiscal year 2020/2021. Prior to this, Moody's had announced in March that it would be reviewing the corporate rating of HELLA and of 13 other European automotive suppliers in light of the wide range of market challenges to determine whether they should be downgraded.

HELLA GMBH & CO. KGAA

In the fiscal year under review, the financial position and net assets of parent company HELLA GmbH & Co. KGaA fell significantly below the prior year's level. Total assets increased by € 258 million to € 3,757 million (prior year: € 3,499 million). The primary cause of this was that the Company drew down a € 450 million syndicated credit facility as a precaution and a provision to guard against risk during the spreading Covid-19 crisis.

The value of property, plant and equipment rose by € 17 million to € 331 million (prior year: € 314 million). In addition, financial assets increased slightly by € 23 million to € 1,338 million (prior year: € 1,315 million). The increase is primarily attributable to the higher loans made to affiliated and associated companies (+ € 32 million). Meanwhile, the sale of the shares in Behr Hella Service GmbH exerted an influence in the opposite direction in the context of investments (- € 13 million).

In the fiscal year under review, trade receivables decreased to € 107 million (prior year: € 173 million). The effects of the Covid-19 pandemic were the primary reason for this.

Receivables from affiliated companies increased by € 75 million to € 544 million (prior year: € 469 million). This was primarily the result of the development of cash pool receivables as of the reporting date and the trade receivables from affiliated companies (+ € 61 million). In addition, there was an increase in the amounts due from domestic and foreign subsidiaries under loans (+ €17 million). Exerting an influence in the opposite direction were the receivables from companies with which an investment relationship exists (- €3 million).

The net financial debt of the Company (miscellaneous securities plus cash in hand and at bank minus debenture bonds, other financial liabilities and liabilities towards banks) increased by € 274 million to € 326 million (prior year: € 52 million). The increase is primarily attributable to the fact that the Company drew down a € 450 million syndicated credit facility as a precaution and a provision to guard against risk during the Covid-19 crisis. Factors exerting an influence in the opposite direction were the payment of dividends to the shareholders as well as further payments made for capitalisation and financing of the investment portfolio.

HELLA primarily finances itself through a combination of trade credit, equity, bonds and loans. To serve as a liquidity reserve, there are two syndicated credit facilities for amounts of € 450 million and € 500 million with a term to June 2022. As a precaution during the Covid-19 pandemic, the Company drew down the syndicated credit line for € 450 million on 1 April 2020. The € 500 million credit line was set up in May 2020 and has not been drawn down. The liquidity resulting from the total financing as at 31 May 2020 is sufficient even to bridge more serious slumps.

Compared to the prior year, equity fell by € 294 million to € 1,311 million (prior year: € 1,605 million). This is primarily attributable to the significantly lower net income for the year of € 78 million. The € 372 million dividend payment made to the shareholders also had an impact. In light of this, the equity ratio decreased to 34.9% (prior year: 45.9%).

For details of the composition of the subscribed capital, please refer to the annual financial statements of HELLA GmbH & Co. KGaA.

FURTHER KEY EVENTS IN THE FISCAL YEAR

- **Chinese joint venture factory commences production**
  Series production successfully started at the new factory operated by HELLA BHAP Electronics, a joint venture in Zhenjiang. Initially, the site is producing sun roof control units as well as components for lighting electronics, the latter having been introduced in June 2020. In the future, the site's product portfolio is to be gradually expanded to include electronics components for energy management and driver assistance applications. Appropriate research and development capabilities are being established at the site for this purpose. HELLA BHAP Electronics was established in 2018 between HELLA and Chinese automotive supplier BHAP.

- **Joint venture for high-voltage management systems**
  HELLA and Evergrande have established a joint venture to develop and produce high-voltage battery management systems for the Chinese automotive market. HELLA will be contributing its expertise in battery electronics and system integration to the joint venture; Evergrande will be providing expertise in battery cell production along with application know-how. The joint venture is to supply the electric vehicle manufacturer Evergrande NEVS, which is another subsidiary of the Evergrande Group. In addition, the joint venture is to supply other automobile manufacturers and tier-1 suppliers.

- **Development partnership for radar sensors**
  HELLA and the US start-up Oculii have announced a strategic partnership. The partners plan to develop high-performance, scalable radar solutions for assisted and automated driving. HELLA will contribute its expertise and many years of experience in the development and industrialisation of radar sensors to the partnership. With the software developed by Oculii, the radar sensors' performance can be further increased without any hardware modifications. Oculii's software technology is due to be integrated into the 77 GHz radar platform from 2023 onwards. The partnership also includes a strategic investment in Oculii.

New high-definition headlamp technology SSL | HD
After refining its existing Matrix LED systems, HELLA is now launching the next generation of lighting technology. Its new "Digital Light SSL | HD" technology further miniaturises light sources, allowing more than 30,000 LED pixels to be individually and intelligently controlled. The first large-lot order for integrating the technology into a headlamp has already been successfully procured. Series production is scheduled to commence in mid-2022.

Capital Markets Day 2020
In order to keep following its path of success in a persistently challenging market environment, HELLA continues to consistently invest in the automotive themes of the future in line with the major market trends while focusing on strict cost and efficiency management. The automotive supplier presented this main approach to investors and analysts as part of the annual Capital Markets Day and informed them of further strategic developments. Around 35 investors and analysts participated in the event, which took place at the DRIVERY in Berlin in the middle of February 2020.

Complete lighting system in series production
As innovation cycles accelerate and technologies grow more complex, more and more manufacturers are looking for system solutions that can be easily customised. To meet this need, HELLA has become the first supplier to provide an end-to-end system for lighting systems: Light Design. All components, from headlamp modules to control units to sensors, can be combined in this modular system. Automobile manufacturers also receive software solutions to simulate light functions (ALiSiA) or design animations (GAIN). HELLA will be supplying a lighting system of this type to a Chinese manufacturer of electric vehicles in summer 2020; a second series production run is planned for this customer at the end of the calendar year.

Business development of the segments

AUTOMOTIVE

- **Reported sales in the Automotive segment decrease by 14.3% to € 4,944 million in fiscal year 2019/2020**
- **Business development hampered by a market environment that is in overall decline, decreasing production volumes exacerbated significantly by the Covid-19 pandemic in the second half of the fiscal year**
- **Earnings before interest and taxes decrease to € 164 million; EBIT margin is 3.3%**
- **In particular, the significantly lower business volume and higher R&D expenses reduce profitability**

In fiscal year 2019/2020, market volumes were already declining in the first half of the fiscal year and this was then exacerbated significantly by the Covid-19 pandemic from January 2020 onwards. This led to considerably lower market volumes overall, resulting in negative reported sales growth in the Automotive segment. Consequently, reported sales in this segment fell by 14.3% to € 4,944 million in the reporting period (prior year: € 5,766 million). The initial signs of recovery in the Chinese automotive market towards the end of the fiscal year were not able to compensate for the considerable losses incurred, particularly in the European and American markets.

The Automotive segment's earnings before interest and taxes (EBIT) decreased to € 164 million in the reporting period (prior year: € 452 million). The EBIT margin is therefore 3.3% (prior year: 7.8%). Firstly, this is due to the lower gross profit margin achieved due to the massive fall in demand. Secondly, even though R&D expenses were targeted at serial development projects and production start-up activities in light of the Covid-19 pandemic, the continuous rise in these R&D expenses still had a negative effect on the Automotive segment's profitability in view of the lower segment sales. Extensive measures were immediately introduced to reduce personnel and non-personnel costs significantly, but these were not able to compensate fully for the effect.

Income statement for the Automotive segment

in € million	**2019/2020**	+/-	2018/2019
Sales with external customers	4,894		5,723
Intersegment sales	49		43
Segment sales	**4,944**	**-14.3%**	**5,766**
Cost of sales	-3,908		-4,399
Gross profit	**1,035**	**-24.2%**	**1,367**
Ratio of gross profit to sales	20.9%		23.7%
Research and development expenses	-584		-579
Distribution expenses	-158		-196
Administrative expenses	-180		-199
Other income and expenses	39		17
Earnings from investments accounted for using the equity method	14		44
Other income from investments	-2		-1
Earnings before interest and taxes (EBIT)	**164**	**-63.6%**	**452**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	3.3%		7.8%

AFTERMARKET

- **Reported sales in the Aftermarket segment fall by 7.1% to € 560 million**
- **The weakness of the spare parts market and the extraordinarily high value achieved for the workshop business in the prior year reduce sales development**
- **Earnings before interest and taxes decrease to € 51 million; EBIT margin is 9.2%**
- **Profitability strengthened by the improvement in gross profit due to product mix effects and by the optimisation of sales and administrative expenses**

In fiscal year 2019/2020, reported sales in the Aftermarket segment decreased by 7.1% to € 560 million (prior year: € 604 million). Both the spare parts business and business involving advanced workshop equipment declined during the reporting period. The spare parts business was affected by persistently low market demand in Southwest Europe and the Middle East and this was made even worse by the Covid-19 pandemic. To a certain extent, business in Eastern Europe experienced movement in the opposite direction. In addition, there was a decline in business involving workshop products. Due to the introduction of new regulatory requirements, the prior year period was characterised by a special business cycle. Furthermore, additional negative effects resulting from the coronavirus pandemic made themselves felt within this business field.

At the same time, profitability in the Aftermarket segment deteriorated during the reporting period. EBIT for the segment decreased to € 51 million (prior year: € 63 million) and the EBIT margin fell accordingly to 9.2% (prior year: 10.4%). This development was mainly due to a lower gross profit margin as a result of the lower business volume. Profitability was also reduced by higher research and development expenses, a higher cost ratio in the area of sales and administrative expenses, as well as other income and expense items. Moreover, the prior year earnings of the segment initially included the proportional share of the contributions to earnings from Behr Hella Service. These were then reclassified into assets held for sale when the agreement to sell the shares was established and were transferred to MAHLE on 31 December 2019.

Income statement for the Aftermarket segment

in € million	2019/2020	+/-	2018/2019
Sales with external customers	557		601
Intersegment sales	4		2
Segment sales	**560**	**-7.1%**	**604**
Cost of sales	-346		-369
Gross profit	**215**	**-8.4%**	**234**
Ratio of gross profit to sales	38.3%		38.8%
Research and development expenses	-17		-16
Distribution expenses	-136		-150
Administrative expenses	-21		-22
Other income and expenses	10		12
Earnings from investments accounted for using the equity method	0		4
Other income from investments	0		0
Earnings before interest and taxes (EBIT)	**51**	**-18.0%**	**63**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	9.2%		10.4%

SPECIAL APPLICATIONS

- **Reported sales in the Special Applications segment drop by 14.2% to € 343 million**
- **Business in Special Applications declines due to market weakness of individual customer groups**
- **Earnings before interest and taxes fall to € 27 million; EBIT margin decreases to 8.0%**
- **Profitability strengthened by the improvement in gross profit due to product mix effects and by the optimisation of sales and administrative expenses**

Reported segment sales for Special Applications declined by 14.2% to € 343 million in fiscal year 2019/2020 (prior year: € 399 million). This was mainly attributable to the sustained market weakness in the business for agricultural and construction machinery, which had a detrimental effect on the segment's business development over the entire reporting period. Additional stresses resulted from the spread of the coronavirus, which weakened the Chinese market initially and then also the European market.

In addition, the segment's EBIT fell significantly to € 27 million (prior year: € 61 million). Consequently, the EBIT margin dropped to 8.0% (prior year: 15.2%). This was partly attributable to the considerably lower business volume, which had a negative impact on the gross profit margin. Another factor was that the segment's profitability was reduced by expenses for the enhancement of the product portfolio, which is continuously being expanded by new electronics components. In addition, the prior year's EBIT had been brought about by a disproportionately high balance of miscellaneous income and expenses as a result of selling the building at the now closed Australian production site.

Income statement for the Special Applications segment

in € million	2019/2020	+/-	2018/2019
Sales with external customers	335		391
Intersegment sales	8		9
Segment sales	**343**	**-14.2%**	**399**
Cost of sales	-215		-249
Gross profit	**127**	**-15.6%**	**151**
Ratio of gross profit to sales	37.1%		37.7%
Research and development expenses	-19		-15
Distribution expenses	-57		-61
Administrative expenses	-27		-30
Other income and expenses	4		17
Earnings from investments accounted for using the equity method	0		0
Other income from investments	0		0
Earnings before interest and taxes (EBIT)	**27**	**-54.7%**	**61**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	8.0%		15.2%

Overall statement and target achievement

- **Original forecast for fiscal year 2019/2020 withdrawn in March 2020 due to Covid-19 pandemic**
- **Business results are in within the forecast range updated in May 2020**
- **Company management proposes suspension of dividend payments**

Overall, fiscal year 2019/2020 was affected by a significant decline in industry development. This was also deeply exacerbated by the effects of the global Covid-19 pandemic, leading to a massive decline in global automotive production.

In the fiscal year under review, HELLA was likewise affected considerably by these macroeconomic factors as well as market-related ones. In the first nine months of the fiscal year, the Company's currency and portfolio-adjusted sales and its adjusted earnings before interest and taxes (adjusted EBIT) both remained within the anticipated range despite the outbreak of the coronavirus, which was initially confined to Asia. In addition, HELLA responded to the challenges associated with the Covid-19 pandemic by implementing an extensive package of measures aimed at cutting personnel and non-personnel costs in mid-March 2020. Despite having introduced these countermeasures immediately, the Company announced on 18 March 2020 that the massive economic consequences of the Covid-19 pandemic could only be partially compensated and, as a result, that it would no longer be possible to achieve the targets originally planned for fiscal year 2019/2020. HELLA subsequently published a more specific Company outlook on 25 May 2020.

HELLA went on to generate currency and portfolio-adjusted sales of € 5.8 billion and to achieve an adjusted EBIT margin of 4.0%. Originally, the Company had expected its currency and portfolio-adjusted consolidated sales to fall within the range of approximately € 6.5 billion to € 7.0 billion and had forecast an adjusted EBIT margin of 6.5% to 7.5%.

Non-cash impairments of € 533 million also had to be accounted for by HELLA in the fourth quarter of fiscal year 2019/2020. These were primarily caused by the significant reduction in market volume brought about by the Covid-19 pandemic and the assumption that the worldwide production volume of cars and light commercial vehicles would be significantly below the planning assumptions and market expectations forecast before the coronavirus crisis in the medium to long term, and that this would lead to lower utilisation of the global HELLA production network.

In view of the resulting net loss incurred at Group level for the fiscal year under review and the negative market expectation, the company management of HELLA GmbH & Co. KGaA has decided to propose to the annual general meeting on 25 September 2020 that the dividend payment be suspended for fiscal year 2019/2020 in spite of the good liquidity position.

Internal control in Group accounting

The Group-wide internal control system for accounting is an important component and includes organisation, review and monitoring structures that ensure that business transactions are properly recorded, evaluated and applied to the financial reporting. Various analyses and evaluations are carried out as part of risk management with the objective of identifying influencing factors on accounting and reporting early and to enable suitable measures for proper recording. Accounting regulations applicable throughout the Group which, together with annual financial statement planning, determine the process for preparing the financial statements are codified in an accounting handbook.

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

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

Opportunity and risk report →

OPPORTUNITY AND RISK REPORT

As an international automotive supplier, HELLA is confronted with numerous opportunities and risks arising from the Group's corporate actions, its business strategy and its market environment. By adopting a systematic approach to opportunity and risk management, HELLA strives to identify and evaluate opportunities and risks as quickly as possible, to take the action necessary to take advantage of such opportunities, and to manage risk responsibly. The potential consequences arising from opportunities and risks are presented separately and are not offset against one another.

Opportunity management

Identifying opportunities is a key component of HELLA's strategy and planning processes. This also involves taking into account external market analyses and forecasts. The strategic alignment of HELLA is subjected to a continuous, systematic review process and is adjusted as needed. At the same time, new opportunities are also identified and evaluated, and implemented if suitable. The work that needs to be done to implement these opportunities is shared between the Company's various operational units.

The industry environment, as well as the key market trends of autonomous driving, efficiency and electrification, digitalisation and connectivity, and individualisation, present HELLA with significant opportunities. In order to take advantage of the attendant industry transformation and its opportunities sustainably, HELLA has been proactive in shaping its product portfolio systematically in line with these trends. For instance, HELLA offers core components for assisted and autonomous driving as well as electronic solutions for various electrification categories of vehicles alongside its innovative lighting technologies for premium and high-volume manufacturers.

Additionally, HELLA's global positioning presents opportunities for successful business development. HELLA is represented in all major core markets. In order to take advantage of profitable growth opportunities in the relevant markets and to best meet the needs of customers on a local level, HELLA is pursuing a number of region-specific strategies. Against this backdrop, HELLA is also constantly expanding its collaborative network with local and regional partners.

Risk management

ORGANISATION OF RISK MANAGEMENT

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

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

MONITORING, EVALUATING AND REPORTING RISKS

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

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

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

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

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

METHODOLOGY FOR RISK EVALUATION AND DOCUMENTATION

In order to measure and manage identified risks effectively, HELLA quantifies them according to the dimensions of probability of occurrence and economic impact in the event of occurrence. The respective measures taken by the HELLA Group to mitigate risks are included in the evaluation (net review).

Due to the multi-layered nature of the risk management system and the stringent requirements of data security, the risks are documented using a risk management tool developed specifically for this purpose.

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

Business risks in the HELLA Group – overall situation

HELLA is not aware of any actual or potential developments that could seriously threaten its going-concern status in the foreseeable future. From the current perspective, the calculated overall risk would not result in overindebtedness or insolvency. Due to the changes to the method of recording risks, which also takes into account very rare but feasible extreme events in relation to the strategic alignment of the Company's product and service portfolio, the calculated overall risk has risen compared to the previous year. In particular, the recorded extent of strategic risks has increased compared to the previous year. In addition, the reclassification of warranty consequences arising from product safety risks, which are now comprehensively included in the operational quality risks, has led to reclassification effects between operational and compliance risks. Nevertheless, hitherto unknown risks could also have a negative impact on HELLA's economic or financial situation.

Since the second half of fiscal year 2019/2020, the outbreak of the Covid-19 pandemic and the measures introduced in response have had a negative impact on HELLA's sales and procurement activities. How long this will continue is currently still unforeseeable, and it will continue to have a significant impact on the Company's sales and earnings performance. For example, there has been a severe adverse impact on demand, production volumes, supply chains and employment. As of the balance sheet date, the potential ramifications of a pandemic have been taken into account in principle in the Company's risk portfolio.

Overview of major business risks in the HELLA Group

For consolidation and clear representation of the risk position, all risks from the risk portfolio are classified into primary risk categories. These are based on the globally rec-

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

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

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

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

ognised framework concept from the Committee of Sponsoring Organizations of the Treadway Commission (COSO):

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

STRATEGIC RISKS

Strategic risks at HELLA essentially arise from the business model, from the Company's global positioning and from changes in the industry environment. The most significant change in this area since the previous fiscal year's opportunity and risk report has been brought about by the changes to the method of recording strategic risks.

Risks from the business model

As an automotive supplier, HELLA relies on a limited number of customers. This brings with it risks arising from potential worsening of the economic situation and performance of individual customers, e.g. due to fluctuations in specific core markets, uncertainty and changes in the industry environment, and new regulatory requirements. For example, in the past fiscal year, the global Covid-19 pandemic has led to production shutdowns for numerous customers, which have also impacted HELLA's sales and earnings performance. In order to mitigate risks arising from the business model to the fullest extent, HELLA is working to achieve a business model which is both balanced and resilient. For instance, HELLA has a broad and diversified portfolio in the automotive segment, with customers in all of the major core markets. Furthermore, the Aftermarket and Special Applications business segments – with their specific customer groups and market cycles – contribute to a balanced business portfolio.

Risks arising from the Company's global positioning

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

Risks arising from changes in the industry environment

The automotive industry is currently undergoing a profound change which picked up more speed over the fiscal year under review. Various risks may occur for HELLA as part of this industry change. Factors that could have an impact include the increasing speed of innovation and growing competition, which has been made all the more intense by the Covid-19 pandemic and the associated slump in global market volumes. This transformation brings with it an increasing cost pressure on suppliers, increasing requirements in terms of adapting the strategy and management processes in line with changes in the industry environment, and greater technological complexities. A failure to take the product and technology portfolio in the right direction can therefore pose a risk to continued business success, and may result in failure to achieve financial goals and an adverse impact on the Company's sales and earnings performance. In order to reduce these risks, HELLA maintains a regular and systematic strategy process as well as a consistent opportunity management. Hence, HELLA has developed a sustainable corporate strategy in line with market trends in the automotive sector, and strives to anticipate and capitalise on emerging trends in industry and technology as early as possible. In addition to its own development and pre-development capacities, HELLA is also pursuing strategic collaborations with other industry partners in this regard.

FINANCIAL RISKS

The operations of the HELLA Group and its international focus pose a series of financial risks. This report includes the risk arising from adjustments in value and depreciation of assets, as this risk is now being recorded as a financial risk in a centralised manner for the first time. As a result, the total extent of financial risks has risen slightly in comparison with the previous year. The exchange rate risks and risks arising from complexity in the transfer pricing strategy, Group accounting and tax conditions presented in the previous year's report are not included here because they are no longer among the major specific risks faced by the Company based on the risk calculation conducted on the balance sheet date.

Risks arising from disruption to liquidity

HELLA pursues a strategy of solid financial policy. Despite this, risks can arise from a potential disruption to the Company's liquidity situation. This may be caused by increasing complexity of products and customer deliveries, leading to the Company's trade credit receivables rising. These receivables are continually monitored by specialist departments, so that potential deficiencies in customer payment behaviour are identified early on. The Company's liquidity can also be subjected to sustained adverse effects due to the potential occurrence of certain risks or if one or more customers default on payment, especially against the background of the Covid-19 pandemic. The Group's liquidity situation is adequately secured by long-term credit, particularly euro bonds and yen bonds, as well as credit lines. All agreed financial covenants which, if breached, could lead to extraordinary termination rights for the lender with potentially accelerated payment obligations, are monitored continuously. Due to the considerable impact of the global Covid-19 pandemic on the international automotive industry and therefore on the sales volumes of HELLA in the second half of the fiscal year, the Company took the decision to introduce a raft of extensive measures in order to further reduce personnel and material costs, including the temporary closure of in-house production facilities, the introduction of short-time working or similar measures, and the establishment of a suitable loan facility. HELLA has also taken the precautionary measure of establishing an additional syndicated credit line. As of the balance sheet date, the Company's credit rating from Moody's stood at Baa1, based on the uncertainty of the industry environment and its poor outlook.

Risks arising from adjustments in value and depreciation of assets

Financial reporting requires an assessment of corporate management with regard to the impairment of assets. The assessment encompasses in particular the specific expectations for the economic performance of these assets, as well as mathematical parameters relating to industry development. Because both variables include estimations and uncertainties, there is a risk of values being adjusted in the future. The results of the impairment tests are subject to a separate investigation by the operations and commercial departments. Any errors are thus highly likely to be minimised. There is also a financial risk posed by changes in the industry environment. For example, in exceptional cases the sustainability of business activities can be impaired beyond the scope of individual assets, leading to a reduced valuation of goodwill and depreciation of groups of assets.

COMPLIANCE RISKS

At HELLA, top priority is given to the observance of laws and internal rules in order to avert any compliance breaches. However, given the increasing complexity of regulatory frameworks and despite taking extensive precautionary measures, risks caused by the illegal conduct of individual employees cannot be completely eliminated. At HELLA, compliance risks are divided into two categories: risks arising from non-compliant products in the context of product safety, and miscellaneous compliance risks. Since the previous year, warranty consequences arising from product safety risks have been reclassified as quality risks, which means that the extent of risk in the category of product safety has decreased compared to the previous year. Based on the degree of risk calculated on the balance sheet date, patent risks are included in this report. Risks due to environmental protection and safety requirements, on the other hand, are not included.

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

Risks due to non-compliant products in the context of product safety arise primarily as a result of the use of new, sophisticated technologies and the complex ways in which they interact with each other. Non-compliance may result in financial risks such as fines or damages, significant damage to the Company's reputation and personal liability for those involved. There is also the potential danger of not being able to meet new product safety requirements due to increasing technical complexity, leading to adverse consequences for the Company's sales performance. In order to minimise these risks, ensure product safety and meet high customer expectations, HELLA takes full account of the product safety requirements for both new and existing technologies. Alongside the established field of functional safety, which concerns the malfunctioning of safety-related functions, product safety also includes chemical, electrical and mechanical safety as well as product cyber security. The latter relates to risks arising from cyber attacks on vehicle infrastructures. In order to enable all safety measures to be implemented effectively and efficiently and to pool knowledge in this area, HELLA has grouped all of the product safety activities into the Product Safety Management department. When combined with procedural validation and participation in the international standardisation process in the automotive industry, this will minimise the product liability risks for the Company.

Risks due to non-compliance with antitrust law regulations

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

Patent risks

A key component of HELLA's corporate strategy is to position itself as a technological leader, underscored by a number of initiatives including extensive research and development activities. Inadequate intellectual property protections for new technologies in the form of patents may result in competitors imitating HELLA's innovations. This would then weaken the competitive position of the Company because it would eliminate its unique selling point on the market, thus strengthening competitors who could simply copy the technology at reduced R&D investment. Potential violations of HELLA's intellectual property by other companies are identified as part of benchmarking activities and market observation of individual areas of R&D, after which these findings are reported to HELLA's patents office for further action. Equally, as new technologies are adopted, there is a growing risk of violating the patents of other companies too. To minimise this risk, new ideas are thoroughly investigated to ensure they are not protected by the rights of any third parties.

OPERATIONAL RISKS

As products and their production processes are becoming increasingly complex and demanding, operational risks arise, for example, in the areas of logistics, procurement, production and employee training. At HELLA, these risks are divided into four subcategories: quality risks, risks in connection with production and procurement, risks due to downtime in the information management system, and personnel and other operational risks. In comparison with the previous year, the extent of the quality risks has increased because of a reclassification between these risks and the warranty consequences arising from risks relating to product safety. On the other hand, the amount of risk arising from failures in information management has been reduced by transferring some of the risk to insurance. As a result, this no longer results in any relevant individual risk.

Quality risks

Important features of HELLA's quality management system are ensuring compliance with market and customer-driven standards, durability and reliability of the produced parts (ensuring fail-safe operation) with a high degree of user benefits. At the same time, however, technological complexity, the necessity of complying with legislation concerning historical technologies, and the requirements in terms of the product, functionality, the speed of innovation, and effective production processes, are all factors that are on the increase. The responsibility assumed by HELLA in relevant joint ventures with regard to ensuring product quality is also growing. Due to fluctuation, a lack of product or process maturity, increasing customer requirements in terms of time and technical matters, limited possibilities for leadership and influence in joint ventures, and sometimes insufficient resources or inadequate personnel expertise, there may be risks and quality deficits. This may entail additional expenses; for example, due to increasing material requirements, settlement costs, warranty payments or additional logistics expenditure. Quality risks can therefore have an immediate impact on HELLA's results of operations. At the same time, it is important to take steps to safeguard the Company's reputation as it maintains international business relationships with almost all original equipment manufacturers on the market, including those new to the automotive sector. In order to reduce quality risks, HELLA is continually working to improve product and process maturity and is also introducing additional safeguards on product integrity. This serves as proof that the Company is able to manufacture its products in accordance with all requirements. This includes the specifications and labelling requirements stipulated in the type approval documentation. Product integrity is a key requirement for the internal and external equipment-type approval process. It is ensured by means of extended international measures within the quality management system and the associated management tasks agreed.

Risks arising from disruptions in the supply chain

As an automotive supplier, HELLA is also dependent on its own supplier base. Any disruption or insufficient quality level in the supply chain would have an adverse effect on production, logistics and sales as well as the Company's general reputation. If any shortfalls or outages arise on the part of suppliers, this may lead to production and delivery shortages as well as higher material and quality costs and quality problems. Accordingly, HELLA seeks to diversify its supplier base whenever possible. HELLA's suppliers are also constantly monitored and audited by teams of experts to avoid any interruptions in the supply chain and to maintain a high quality level. The Covid-19 pandemic only had a very brief direct impact on supply – all supply chains are now once again operating as normal. As the crisis continues, however, it is exacerbating the existing risks; for example, due to an increased risk of insolvency or potential new supplier shortfalls upstream of HELLA in the supply chain. Supply chain management operates uniformly across the entire company. By the same token, an effective supplier performance management programme helps to identify and address supplier issues early on.

Risks due to higher prices for materials

As an industrial company that processes materials, HELLA purchases a wide variety of (raw) materials, especially in the automotive segment. In this context, HELLA is exposed to potential procurement risks. For example, higher demand could cause procurement bottlenecks or trigger an increase in prices for key materials, such as electronic components. This can have an immediate impact on the Company's results of operations. To counteract rising material costs and increase the Company's economic efficiency, HELLA maintains a predictive procurement management system. This includes early anticipation of potential industry developments, a multiple-supplier strategy for specific components, an increased emphasis on procuring goods from local suppliers and further optimisation of material usage and logistics.

Risks from shortages of specialists

In order to maintain its position on the market and in terms of technological leadership, HELLA relies on qualified staff and management personnel, particularly those deployed in key positions. HELLA is therefore in a global competition for specialists. Consequently, potential risks may arise from not adequately covering personnel requirements with the right specialists and managers. In order to reduce these risks and to ensure staffing requirements are met, HELLA has adopted a systematic approach to recruitment and professional development. This includes a dedicated and well-structured succession planning system for relevant staff and management personnel within the context of the annual global talent review process.

FOR MORE INFORMATION ON ACQUIRING, INTEGRATING AND TRAINING EMPLOYEES, PLEASE ALSO REFER TO THE PRESENTATION IN THE NON-FINANCIAL REPORT IN THE ANNUAL REPORT.

Risks arising from resource shortages

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

EXTERNAL RISKS

The external risks to which HELLA is exposed are mostly market risks, such as fluctuations in customer demand or slower global economic growth. For HELLA, external risks are normally difficult to predict and largely beyond its control. In comparison with the previous year, the calculated amount of risk has risen slightly.

Risks arising from fluctuations in general economic conditions

HELLA's economic situation is largely dependent on the performance of the automotive industry and on general and regionally specific economic conditions. Uncertainties therefore result from both macroeconomic and sector-specific conditions; for example, in the form of decreasing demand such as that brought about by the outbreak of the Covid-19 pandemic, new regulatory requirements, the introduction of trade restrictions and other barriers to free trade. HELLA aims to counter this external risk by adopting a predictive planning and management process, maintaining its international position, and by employing a risk-diversified business model where the Aftermarket and Special Applications segments balance out the Automotive segment.

Forecast report →

FORECAST REPORT

Economic outlook

- **Economic development massively hampered in 2020 by spread of the Covid-19 pandemic**
- **Global GDP expected to fall by 4.9% in current calendar year 2020 according to IMF estimates**
- **Economic forecasts subject to huge uncertainty**

Given that the global economy was already experiencing a recession in the first quarter, development throughout the rest of calendar year 2020 will continue to be heavily affected by the coronavirus crisis and by the countermeasures implemented within this context. For instance, according to a scenario published in June, the International Monetary Fund (IMF) expects global GDP to fall by a total of 4.9% this calendar year. According to the IMF, the industrial nations – in particular – are going to be disproportionately affected by the impact of the pandemic. The IMF expects these countries to see an overall downturn of approximately 8.0%. In its previous forecast published back in April, the IMF had already reduced its economic outlook by 6.3%. This represents a reduction of a magnitude never experienced before.

As a result, the economic forecasts for all core markets were likewise revised downwards. For example, the IMF now expects GDP in the eurozone to fall by 10.2% in 2020 and believes that Germany is likely to experience a 7.8% drop in GDP. In the USA, a decrease of 8.0% is anticipated. The Chinese national economy is still expected to grow in calendar year 2020 but, at a rate of 1.0%, this growth will be considerably below the level seen in previous years.

At the same time, the economic forecasts by the International Monetary Fund stress the high levels of uncertainty associated with the Covid-19 pandemic. The national economies may gradually recover in the second half of calendar year 2020 in accordance with estimates by the IMF. However, further development of the global economy will be heavily dependent on the course of the pandemic, the intensity and effectiveness of the efforts to contain it, potential restrictions on logistics chains and changes in private consumer behaviour.

Against this backdrop, the IMF currently expects global GDP to increase by 5.4% in 2021 as a result of catch-up effects and growth stimulation initiatives by governments. In such a scenario, growth would be 6.0% within the eurozone and 5.4% in Germany. According to the IMF, the US economy is set to grow by 4.5% and the Chinese economy by 8.2% in 2021.

Industry outlook

- **Already low market volume is further reduced by Covid-19 pandemic; economic development of the automotive industry to remain considerably depressed**
- **IHS currently forecasting that global automotive production will grow by 2.3% in fiscal year 2020/2021; thus, the global market volume is to remain significantly below the pre-crisis level**

The global automotive industry will continue to be affected by the Covid-19 pandemic to a vast extent; this will further exacerbate the declining industry development already observable before the pandemic broke out. Against this backdrop, the IHS Light Vehicle Production Forecast released in July 2020 assumes that global production of cars and light commercial vehicles will only experience slight growth in HELLA fiscal year 2020/2021 (1 June 2020 to 31 May 2021), increasing by 2.3% to 77.3 million units (prior year: 75.5 million units). Consequently, despite the moderate catch-up effects that are expected to occur even before the end of the current fiscal year, the volume of vehicles

Expected production of passenger cars and light commercial vehicles during fiscal year 2020/2021

in thousands	2020/2021	+/-
Europe not including Germany	13,644	+2.8%
Germany	4,298	+10.1%
North, Central and South America	17,462	+10.1%
USA	*10,060*	*+16.4%*
Asia / Pacific / RoW	41,847	-1.5%
China	*23,280*	*+6.2%*
Worldwide	**77,251**	**+2.3%**

Source: IHS Light Vehicle Production Forecast, July 2020 (Changes compared to prior year in percent)

will still be significantly below the pre-crisis level. In addition, further negative effects resulting from the Covid-19 pandemic are possible at any time, making it harder to provide a more precise forecast of industry development.

As things currently stand, the IHS Light Vehicle Production Forecast assumes that the production figures in the region of Europe excluding Germany will increase by 2.8% to 13.6 million units in the current fiscal year (prior year: 13.3 million units) and that they will increase by 10.1% to 4.3 million units in Germany (prior year: 3.9 million units).

According to current IHS estimates, passenger car and light commercial vehicle production will increase by the same percentage of 10.1% in North, Central and South America to 17.5 million units (prior year: 15.9 million units) and will increase in the US market on its own by 16.4% to 10.1 million units (prior year: 8.6 million units).

In Asia/Pacific/Rest of World, the production figures will fall by 1.5% to 41.8 million vehicles in the current fiscal year (prior year: 42.5 million units). Given that automotive production started up earlier in China than elsewhere, the volume of new vehicles produced is expected to grow by 6.2% to 23.3 million units in the case of this particular single market (prior year: 21.9 million units).

Company outlook

- **Currency and portfolio-adjusted consolidated sales expected to be within the range of around € 5.6 billion to € 6.1 billion; adjusted EBIT margin expected to be roughly between 4.0% and 6.0%**
- **Forecast for current fiscal year 2020/2021 reflects the high level of market uncertainty and lower light vehicle production**
- **Company management decides on long-term programme for the sustainable improvement of competitiveness**

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

Currently, the general macroeconomic and industry-specific conditions are being strongly determined by the ongoing course of the Covid-19 pandemic, which may also involve further waves of infection and associated countermeasures. Consequently, the current market environment is subject to extraordinarily high levels of uncertainty, particularly as regards any potential recovery in the course of fiscal year 2020/2021.

In view of the continuing high level of market uncertainty and reduced global vehicle production, HELLA expects currency and portfolio-adjusted consolidated sales in the range of around € 5.6 billion to € 6.1 billion (fiscal year 2019/2020, adjusted for Behr Hella Service: € 5.7 billion) and an EBIT margin adjusted for restructuring measures and portfolio effects within the range of around 4.0% to 6.0% (fiscal year 2019/2020, adjusted for Behr Hella Service: 4.0%).

In terms of both currency and portfolio-adjusted sales and adjusted EBIT, segment performance is set to differ only slightly from the Group's performance.

To strengthen the Company's position in a sustainable manner in the face of the challenging market conditions and increasing pricing pressure, at the beginning of the current fiscal year the company management adopted a long-term programme aimed at increasing competitiveness. Within this context, HELLA plans to cut around 900 administrative and development positions at the Company headquarters in Lippstadt by 2023. In addition, the existing continuous improvement programmes at the HELLA sites in Germany are to be intensified and, depending on the market, extended across the global network.

Assuming that all structural measures in Germany are implemented successfully, an annual EBIT contribution of around € 140 million is to be expected. The majority of this will, in all likelihood, take effect as of fiscal year 2022/2023. The one-off expenses required for these complete measures in Germany are expected to be around € 240 million and will largely be incurred in current fiscal year 2020/2021.

HELLA GMBH & CO. KGAA

EBIT according to IFRS and the operating result according to the German Commercial Code are strongly determined by the economic development of the Group as a whole. In future, the results of operations of the parent company will be more heavily influenced by earnings from profit and loss transfer agreements and investments pertaining to domestic and foreign subsidiaries and partnerships. Meanwhile, the operational side of the business will make up a lower proportion of earnings.

Consequently, the results of operations of the parent company are subject to all the influences that need to be taken into account within the Group. As a result, the future outlook remains in line with the outlook for the Group.

For current fiscal year 2020/2021, HELLA GmbH & Co. KGaA is expecting reported sales according to IFRS to be within the range of approximately € 1.7 billion to € 1.9 billion on the operational side of the business, primarily as a result of the reduced market expectation for global light vehicle production. In regards to the adjusted EBIT margin according to IFRS, a value in the range of 2.0% to 4.0% is forecast for fiscal year 2020/2021.

The long-term programme for the sustained improvement of competitiveness that has been adopted by HELLA will largely relate to HELLA GmbH & Co. KGaA. Consequently, the majority of both the one-off expenses and the annual EBIT contributions will be allocated to HELLA GmbH & Co. KGaA.

Declaration on HELLA GmbH & Co. KGaA corporate governance →

DECLARATION ON HELLA GMBH & CO. KGAA CORPORATE GOVERNANCE

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

With the following explanations, the General Partner, the Supervisory Board and the Shareholder Committee report on corporate governance at HELLA in accordance with Principle 22 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) and, at the same time, on the conduct of the Company's business in accordance with Section 315d of the German Commercial Code (Handelsgesetzbuch – HGB). Furthermore, the report contains the information and explanations required under Section 289f, 315a and 315d HGB. An additional disclosure of such information and explanations in the notes is not necessary.

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

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

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

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

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

HELLA has established the Shareholder Committee that – as the central representative body of the shareholders – is responsible for advising and supervising the Management Board on a continuous basis and may play an active role in management issues, for example by determining which business transactions require its consent. When taking advantage of the organisational scope inherent in the legal form of the KGaA, HELLA emphasises transparency and equal treatment of all shareholders. Resolutions of the Annual General Meeting, for example, are passed by a simple majority vote, unless mandatory legal provisions or the Articles of Association stipulate otherwise. This also applies to resolutions appointing or removing General Partners.

Furthermore, the requisite consent of the General Partners to specific resolutions of the Annual General Meeting as prescribed by law is excluded according to the Articles of Association, to the extent permitted by law. In this and many other respects, HELLA GmbH & Co. KGaA closely follows the example of an ordinary stock corporation.

More detailed information on the differences to a stock corporation specific to the legal form can be found in the declaration of conformity (Entsprechenserklärung) of the General Partner, the Shareholder Committee and the Supervisory Board as of 28 May 2020, which has been made available at **WWW.HELLA.COM/DECLARATIONOFCONFORMITY** and is shown below.

1. Group management by the General Partner

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

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

2. Supervisory Board: competencies, functions and committees

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

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

The Supervisory Board has a Nomination Committee consisting of the Chairman of the Supervisory Board and another Supervisory Board member representing the limited liability shareholders as elected by the Supervisory Board. The Nomination Committee prepares the proposals of the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members. Currently, the members of the Nomination Committee are Klaus Kühn (Chair-

BODIES

MANAGEMENT BOARD:
Responsible for strategic and operational management of the HELLA Group

SHAREHOLDER COMMITTEE:
Supervises and advises the Management Board as an authoritative monitoring body; decides on measures of the Management Board requiring its consent

SUPERVISORY BOARD:
Supervises and advises the Management Board; competencies are limited due to the legal form of the Company

SHAREHOLDERS:
Exercise co-management and monitoring rights through the Annual General Meeting

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

3. Shareholder Committee: competencies, functions and committees

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

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

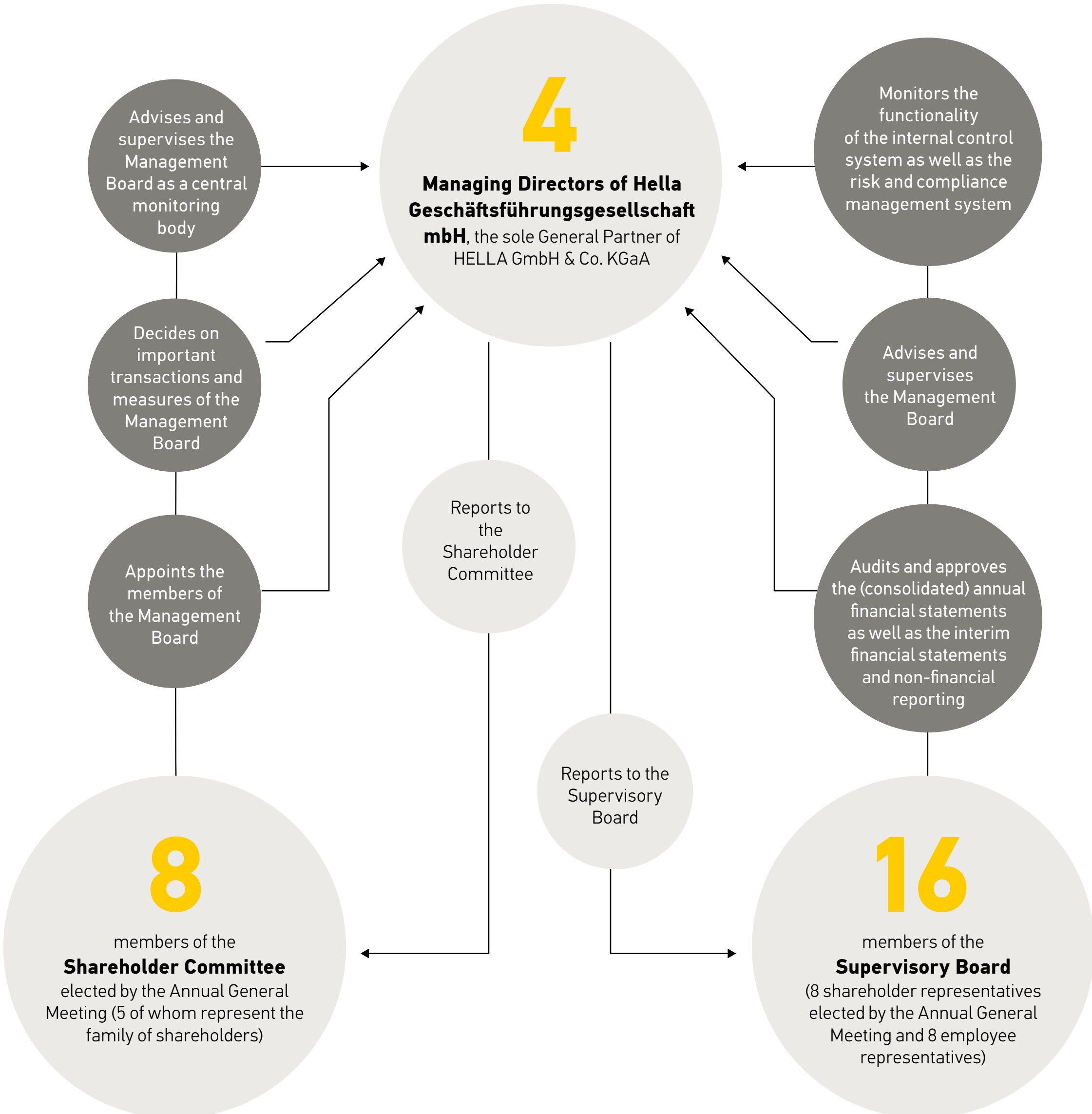
The Shareholder Committee is also responsible for executing shareholders' resolutions. In accordance with its rules of procedure, the Shareholder Committee also reviews the annual and consolidated financial statements, the management report and the Group management report, as well as the proposal for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

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

In the fiscal year under review, the Shareholder Committee held ten ordinary meetings/conference calls, three of which were with the Management Board. It also held four extraordinary conference call meetings with the Management Board. In addition, the Shareholder Committee met with the Management Board for three strategy workshops, latterly by means of a conference call. All members of the Shareholder Committee attended each of the aforementioned meetings with the exception of Dr. Kleinert, who was unable to attend one of the meetings.

The Shareholder Committee has established a Personnel Committee consisting of its Chairman and two further members elected by the Shareholder Committee. Currently, the members of the Personnel Committee are Carl-Peter Forster (Chairman), Dr. Jürgen Behrend and Klaus Kühn. The Personnel Committee is responsible for preparing the Shareholder Committee's resolutions on the appointment and removal of Managing Directors of Hella Geschäftsführungsgesellschaft mbH and on their individual total remuneration and the remuneration system applied in this context. Notwithstanding the above, the Personnel Committee is responsible for the resolution regarding the conclusion, amendment and termination of the agreements with the General Partner and the service agreements of the

COOPERATION BETWEEN THE BODIES



* As at: 30 July 2020

Managing Directors of Hella Geschäftsführungsgesellschaft mbH. In the fiscal year under review, the Personnel Committee held three meetings – two face-to-face meetings and one conference call. All three meetings were attended by all members.

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

The General Partner, the Supervisory Board and the Shareholder Committee work together on the basis of mutual trust in the best interests of the Company. Control of the management of the Company is primarily exercised by the Shareholder Committee. The Management Board has a reporting duty. The Shareholder Committee advises the General Partner, and for important business transactions and measures which are defined by the Shareholder Committee in the rules of procedure for the General Partner, the consent of the Shareholder Committee must be obtained. The

Supervisory Board is also responsible for supervising the management. For this purpose, the General Partner submits reports on a periodic basis and the Supervisory Board exercises information and inspection rights.

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

A) Contents

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

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

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

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

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

B) Status of implementation and attained results

In its current composition, the Shareholder Committee meets all of the aforesaid composition objectives – including the diversity objectives – and the competence profile.

The current composition of the Supervisory Board also meets all of the aforementioned composition and diversity objectives and the competence profile.

6. Independence of the members of the Supervisory Board and the Shareholder Committee

The Supervisory Board and the Shareholder Committee pay due regard to the independence of their respective members in connection with their respective composition, while taking into account the ownership structure. In accordance with Recommendation C.6 (2) DCGK and Recommendation C.7 (1) sentence 1 DCGK, it is intended that, in the case of each body, more than half of the members elected by the Annual General Meeting shall be independent from the Company and the Management Board and at least two members shall be independent from any controlling shareholder.

There is currently no such controlling shareholder on whom the members of the Supervisory Board or the Shareholder Committee could be dependent. Although the family shareholders of HELLA GmbH & Co. KGaA – who are parties to a pool agreement – hold a total of 60.00% of the Company's voting rights, the pool agreement does not allow any one of the parties to hold a majority of the voting rights in the Company.

According to Recommendation C.7 DCGK, a member is considered to be independent from the Company and its Management Board if they do not have any personal or business relationship with the Company or its Management Board which could give rise to a material conflict of interest that is not merely temporary.

In the opinion of the Shareholder Committee, all of its members (Carl-Peter Forster, Dr. Jürgen Behrend, Horst Binnig, Samuel Christ, Roland Hammerstein, Klaus Kühn, Dr. Matthias Röpke and Konstantin Thomas) are independent as defined by Recommendation C.7 DCGK. This opinion is not inconsistent with the fact that Roland Hammerstein has been a member of the Shareholder Committee for more than twelve years and that Dr. Jürgen Behrend was a member of the Management Board of Hella Geschäftsführungsgesellschaft mbH in the two years prior to his appointment to the Shareholder Committee. According to Recommendation C.7 DCGK, long-term membership of the Committee and the lack of a two-year cooling-off period following an individual's Management Board membership merely indicate the possibility of a lack of independence. When assessing the independence of members, it is important to consider all of the circumstances of each individual case in a manner detached from the formal, standardised indicators of the DCGK. In the case of such an assessment, there is no indication that Roland Hammerstein or Dr. Jürgen Behrend is subject to a conflict of loyalties or roles. No material conflicts of interest that were not merely temporary have arisen in the work of the Shareholder Committee in recent years. Furthermore, Roland Hammerstein and Dr. Jürgen Behrend are significant shareholders in the Company and hence have a heightened interest in effective corporate governance and the long-term success of the Company. In addition, Dr. Jürgen Behrend was only a few days short of the two-year threshold when he was reelected at the 2019 Annual General Meeting.

The Supervisory Board believes that all its members elected by the limited liability shareholders, namely Dr. Dietrich Hueck, Stephanie Hueck, Dr. Tobias Hueck, Klaus Kühn, Claudia Owen, Dr. Thomas B. Paul, Charlotte Sötje and Christoph Thomas, are also independent within the meaning of the above. This is not inconsistent with the fact that Dr. Thomas B. Paul is a partner in a law firm which advises the Company on corporate law, capital market law and occasionally on other legal matters. These advisory services constitute only a small proportion of the activities of the law firm and, in the opinion of the Supervisory Board, do not present the risk of a material conflict of interest that is not merely temporary.

7. Self-assessment of the Supervisory Board and the Shareholder Committee

In accordance with Recommendation D.13 of the DCGK, the Supervisory Board and the Shareholder Committee regularly assess how effectively they as a body and their committees fulfil their tasks. To this end, both bodies undertake a self-assessment by means of questionnaires roughly every two years. The results of these questionnaires are evaluated in anonymised form and then discussed in a plenary session. Any required improvements that arise from this are then addressed.

As a number of new members joined the two bodies following the election in September 2019, the next self-assessment is scheduled for autumn/winter 2020/2021. This will give the new members sufficient time to form an accurate impression of the work of the bodies.

8. Objectives for the composition, diversity concept and long-term succession planning for the Management Board of Hella Geschäftsführungsgesellschaft mbH

A) Contents

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

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

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

B) Status of implementation and attained results
In its current composition, the Management Board of Hella Geschäftsführungsgesellschaft mbH meets all of the aforementioned composition and diversity objectives.

C) Long-term succession planning
Together with the Management Board, the Shareholder Committee is responsible for long-term succession planning. The aim is to fill vacant positions on the Management Board with candidates from within the Company itself where possible. The President and CEO and the Chairman of the Shareholder Committee maintain a continuous dialogue in order to identify promising candidates at an early stage and to evaluate their suitability for higher-level management tasks in a structured manner over a significant period of time. Furthermore, within the Shareholder Committee, succession planning is discussed primarily by the Personnel Committee, whose members are constantly analysing the performance of the Management Board in order to identify a need for new members at an early stage. If external candidates are to be considered for vacant positions, the Shareholder Committee uses professional employment agencies for management staff. If a new Management Board member is required at short notice, internal and external candidates are considered in parallel and selected by means of a process adapted to the circumstances in question. All selection processes are carried out on the basis of the Shareholder Committee's objectives regarding the composition of the Management Board of Hella Geschäftsführungsgesellschaft mbH, including the diversity concept.

9. Composition of the subscribed capital/ shareholders' rights

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

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

The Annual General Meeting of HELLA GmbH & Co. KGaA is usually held in the first four months of the fiscal year at the Company's registered office or in another German city that has more than 50,000 inhabitants. Due to the Covid-19 pandemic, the Annual General Meeting for fiscal year 2019/2020 will be held virtually this year without the physical presence of the shareholders.

The Annual General Meeting is convened by the General Partner. Shareholders whose aggregate shareholding reaches one-twentieth of the nominal capital (i.e. € 11,111,112) may request the convening of an Annual General Meeting in writing, stating the purpose and reasons therefor. In the same manner, shareholders whose aggregate shareholding equals or exceeds a pro rata amount of € 500,000 may request that items be included in the agenda and published. Furthermore, shareholders whose shares in aggregate represent a pro rata nominal capital amount of € 100,000 may submit a request to the Management Board, under certain conditions, that a special auditor be appointed by the court to review a procedure in the context of the Company's establishment or a procedure that has taken place within the past five years.

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

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

According to the notifications received by the Company, 60.00% of the votes of the Company (a total of 66,666,669 no-par shares) were covered by the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA as of 31 May 2020. Currently, a total of 63 members of the family of shareholders (Hueck and Röpke families), as well as two legal entities, form part of this pool agreement. The pool agreement cannot be terminated ordinarily prior to 31 May 2024 and stipulates, among other things, that any exercise of the voting rights conferred by the pooled shares is subject to a vote in a meeting of the pool members to be held prior to the Annual General Meeting. Without the consent of the other pool members, pooled shares may be transferred only to descendants of Eduard Hueck sen., Richard Hueck sen. or Dr. Wilhelm Röpke or their respective spouses.

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

According to the notifications received by the Company, the members of the pool agreement of the family shareholders of HELLA GmbH & Co. KGaA held 60.00% of the votes of the Company as a pooled share portfolio as of 31 May 2020. In addition, the members of the pool agreement also hold shares that do not form part of the pool. There is no direct shareholding in HELLA GmbH & Co. KGaA of more than 10% of the voting rights.

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

12. Authorised capital/authorisation to buy back shares

In accordance with Article 5 (4) of the Articles of Association, the General Partner is authorised to increase the nominal capital with the approval of the Supervisory Board and the Shareholder Committee by a total amount of up to € 44 million by issuing, on one or more occasions on or before 26 September 2024, new no-par value registered shares against cash contributions and/or contributions in kind. In this context, the shareholders must generally be granted a subscription right. However, the General Partner is authorised to exclude, with the approval of the Supervisory Board and the Shareholder Committee, the shareholders' subscription rights as follows in four cases:

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

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

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

4. and for the avoidance of fractional shares.

The General Partner is also authorised, until 26 September 2024, to acquire treasury shares up to a total of 10% of the current nominal capital or – if lower – of the nominal capital existing at the time the authorisation is exercised. The acquisition is made at the discretion of the General Partner with the consent of the Shareholder Committee and the Supervisory Board through the stock exchange or via a public offer request directed to all shareholders, or via a public invitation addressed to all shareholders for submission of sales offers.

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

In this context, treasury shares may also be acquired using put or call options or forward contracts, or a combination of these instruments (derivatives). Derivatives may be issued or acquired, excluding any subscription right of the shareholders, with a credit or financial institution, or another appropriate counterparty that is experienced in the derivatives business, with the proviso that, on the basis of the derivatives, only shares will be delivered that were acquired in keeping with the principle of equal treatment. Moreover, the issuance or acquisition of derivatives may be publicly offered to all shareholders or may be effected through the derivatives exchange Eurex or a comparable successor system after prior announcement in the Company's designated publication media, with the exclusion of any subscription rights. The term of the derivatives must not exceed 18 months in each case and must be selected such that the acquisition of the shares through the exercise of derivatives takes place on 26 September 2024 at the latest.

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

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

The listed bonds currently outstanding which HELLA has issued (a 1.0% bond maturing in May 2024 with a nominal value of € 300 million and a 0.5% bond maturing in January 2027 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 GmbH & Co. KGaA and the rating is lowered on account of this within 120 days of the change of control. In addition, HELLA GmbH & Co. KGaA has been granted a syndicated cash credit facility of € 450 million. This facility expires on 1 June 2022 and is also subject to a change-of-control clause. The same applies to a second syndicated credit facility of over € 500 million, which is valid until June 2022 with an option to extend the term by a year; this was established by HELLA GmbH & Co. KGaA in May 2020. Under the change-of-control clause, the creditors may terminate the facility and call in all paid amounts if a person or a group of persons acting jointly gains control of HELLA GmbH & Co. KGaA. In all these cases, control is particularly deemed to have been gained if more than 50% of the voting-entitled shares are acquired. If any of the aforementioned instruments are prematurely called in as a result of such change of control, this could have a significant effect on HELLA's net assets, financial condition and results of operations.

The Company has not entered into any compensation agreements with any employees in the event of any takeover bid. The Company has entered into agreements with members of the Management Board which state that, in the event of a change of control, a Managing Director may resign from his/her post and give notice on his/her employment contract for good cause by the end of the sixth calendar month after a change of control, with effect from the end of the ninth calendar month. Until the resignation has taken effect, the Managing Director must support the Company in all matters relating to the change of control, acting to the best of his/her ability and working in the interests of the Company. Following his/her resignation, the Managing Director shall be entitled to a settlement of two times his/her annual remuneration or, if the residual term of the employment contract is less than two years, a time-proportionate settlement. Please refer to the remuneration report for more details.

II. CORPORATE GOVERNANCE AND COMPLIANCE

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

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

FOR MORE INFORMATION ON THIS SUBJECT, PLEASE ALSO REFER TO THE NON-FINANCIAL REPORT IN THE ANNUAL REPORT.

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

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

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

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

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

HELLA VALUES

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

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

In order to strengthen the exchange between the individual central specialist compliance divisions on cross-divisional topics and to support the focus of these specialist divisions on the requirements of the compliance guidelines in developing and expanding the respective compliance programme, quarterly meetings are held between the heads of the central specialist compliance divisions, under the direction of the Compliance Office.

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

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

- Group-wide communication of the "Corruption prevention" and "Gifts & invitations" directives: after sharing these two Group directives with all HELLA employees via central and local communication measures in the first half of fiscal year 2019/2020, further training was provided for selected target groups (particularly Sales & Marketing, Purchasing and Programme Management) in the second half of the year in the form of Group-wide face-to-face training and webinars on the directives. To date, there have been more than 100 training sessions and over 1,000 participants.

- Creation of a new "Code of Conduct and compliance fundamentals" e-learning module: the Compliance Office has created a new "Code of Conduct and compliance fundamentals" e-learning module with technical support from the Human Resources department (training). All of the work was completed in-house. The module content has been completely reworked in line with the 2018 version of the HELLA Code of Conduct. In compliance with HELLA's standardised guidelines, the module has been made more user-friendly. It focuses on case studies featuring everyday situations where employees encounter compliance-related issues and challenges relating to matters such as anti-discrimination, conflicts of interest and handling confidential information. The new e-learning module will once again be available in eight languages and will be introduced across the Group over the course of the next fiscal year.

- All specialist compliance departments describe their individual compliance management system (CMS) in a CMS manual: building on the seven core elements of a CMS in accordance with auditing standard IDW PS 980 or the relevant requirements of ISO standards, each specialist compliance department outlines all the key compliance measures for its compliance area in a detailed manual. In the fiscal year under review, the Compliance Office continued to supervise the CMS documentation and an initial version was completed for most compliance areas. The documentation will be subject to ongoing updates in the future.

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

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

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

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

The Management Board of HELLA GmbH & Co. KGaA has determined a target level of 9.5% for female representation for the first management level below the Management Board. For the second management level below the Management Board, the target level was set at 6%. In May 2017, it was decided that both target levels were to be reached by 30 June 2022. No further determinations by the Supervisory Board pursuant to Section 111 (5) sentence 4 AktG have been made for reasons specific to the Company's legal form. In contrast to a stock corporation, the Supervisory Board of a KGaA does not have the authority to decide on the composition of the Management Board.

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

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

The General Partner as well as the Shareholder Committee and Supervisory Board of HELLA GmbH & Co. KGaA publishes an annual declaration in accordance with Section 161 AktG confirming conformity to the recommendations of the "Government Commission for the German Corporate Governance Code" published by the German Federal Ministry of Justice in the official part of Bundesanzeiger and discloses any recommendations which are or have not been conformed to, stating the reasons for this. The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA published the declaration below in accordance with Section 161 AktG on 28 May 2020 on the Company's website:

DECLARATION OF 28 MAY 2020 REGARDING THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") declare, pursuant to Section 161 AktG that since the last time this declaration was made on 30 October 2019, and except for the deviations set out below, the Company has complied, and intends to comply in the future, with the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK), as amended on 7 February 2017 ("DCGK 2017") and on 16 December 2019 ("DCGK 2020"), taking into account the special features of its legal form as set out below.

I. SPECIAL FACTORS RELATING TO LEGAL FORM

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

1. Management

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

2. Shareholder Committee

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

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

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

3. Supervisory Board

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

4. Annual General Meeting

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

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

II. DEVIATIONS FROM THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

1. Time period from the last declaration of conformity on 30 October 2019

In the period since the publication of the last declaration of conformity on 30 October 2019, the following recommendations of the German Corporate Governance Code in the applicable version were not complied with. DCGK 2020 was published on 20 March 2020, replacing the previous DCGK 2017 version.

a Deviating from Section 4.2.2 (2) sentence 3 DCGK 2017 and Recommendation G.4 DCGK 2020, the Shareholder Committee has not considered the relationship between the remuneration of the Management Board and that of senior management and the staff overall. The responsibilities of the individual members of the Management Board, his/her personal performance, the economic situation and performance of the Group, and the remuneration levels at peer companies are considered more appropriate and meaningful benchmarks for determining the level of remuneration.

b Deviating from Section 4.2.3 (3) DCGK 2017, the level of provision aimed for under the pension scheme for the Management Board has not been established. For the managing directors of Hella Geschäftsführungsgesellschaft mbH, the Company employs an asset-linked pension plan (Kapitalkontenmodell), under which benefits depend crucially on factors such as the prevailing interest rate and the development of the value of the investment assets.

c Deviating from Section 5.3.2 (3) sentence 3 DCGK 2017 and Recommendation D.4 sentence 2 DCGK 2020, the Chairman of the Supervisory Board is also the Chairman of the Audit Committee. As the former CFO of a DAX30 company, he has particularly thorough knowledge and extensive experience of accounting principles and internal control procedures. The purpose of Section 5.3.2 (3) sentence 3 DCGK 2017 and Recommendation D.4 sentence 2 DCGK 2020 can only be applied to HELLA to a limited extent, as the Shareholder Committee constitutes a second monitoring body. At HELLA, the Chairman of the Shareholder Committee undertakes key tasks which are the responsibility of the Chair of the Supervisory Board in a conventional stock corporation.

d Deviating from Section 5.4.1 (2) sentence 2 DCGK 2017, the Shareholder Committee and the Supervisory Board have not specified any regular limit of length of membership. These bodies believe that any general regular limit is not helpful because such a limit does not reasonably take into account specific individual aspects that would justify a longer length of membership of individual members of these bodies in the best interests of the Company and of the voting shareholders. In the opinion of the Shareholder Committee and the Supervisory Board, diversity as required by the DCGK may also be reflected in different lengths of membership in the respective body and, thus, in the level of experience of its members.

e The rules of procedure for the Supervisory Board and the Shareholder Committee have been available on the Company's website since 15 May 2020. This was not the case in the period before this date, representing a deviation from Recommendation D.1 DCGK 2020. There was no equivalent to this recommendation in DCGK 2017; the Company was only required to update its website when the new requirements came into force.

2. Forward-looking part

a Deviating from Recommendation C.4 DCGK 2020, as of 1 June 2020 the Chairman of the Shareholder Committee will have a total of four mandates on Supervisory Boards or comparable bodies at non-Group listed companies, two of which are chairman mandates. The Shareholder Committee is confident that the Chairman will have sufficient time for his duties on the Shareholder Committee despite the fact that the total number of mandates slightly exceeds the limit in the recommendation.

b Deviating from Recommendation G.7 DCGK 2020, the performance criteria for the variable remuneration components of the Management Board members for the upcoming fiscal year 2020/2021 will, as an exceptional case, only be defined after the start of the fiscal year. Due to the serious economic implications of the Covid-19 pandemic, the current degrees of target achievement are not appropriate targets for the upcoming fiscal year. The Shareholder Committee will therefore review and redefine the values. However, this is not possible at the current time due to the amount of uncertainty still surrounding the situation. As soon as it is possible to make more accurate predictions regarding industry development and to define a sensible budget for fiscal year 2020/2021, the Shareholder Committee will make the necessary adjustments to the degrees of target achievement.

c) The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA intend to continue not applying the recommendations of DCGK 2020 set forth in Section 1 letters a) and c) in the future for the reasons outlined above.

III. FURTHER INFORMATION

According to Recommendation G.7 DCGK 2020, the performance criteria for all variable remuneration components should be based primarily on strategic objectives alongside operational ones. Contracts concluded or extended as of fiscal year 2019/2020 calculate short-term incentives (STI) on the basis of earnings before tax (EBT) and operating free cash flow (OFCF). Long-term incentives (LTI) are linked to the return on invested capital (RoIC) and its development over a four-year period as well as the development of the operating result (EBIT) and the share price. The degree of achievement of specific strategic target values is key to the concrete calculation of the STI and LTI. The Shareholder Committee sets these target values based on HELLA's operational planning; in the current fiscal year 2019/2020, no LTI will be paid below an RoIC of 10.7% and no STI will be paid below an EBT of € 213 million and an OFCF of € 88 million. The Shareholder Committee will redefine the target values for fiscal year 2020/2021 in light of the Covid-19 pandemic. Basing the calculation on the specified variables is in line with the strategic objective of achieving a return on invested capital which is above the weighted average cost of capital and ensuring sufficient liquidity. Furthermore, the Shareholder Committee can, at its own discretion and exercising all due care and diligence, adjust the variable remuneration depending on achievement of the strategic objectives (including the CSR objectives). The Company considers this to be sufficient in the light of Recommendation G.7 DCGK 2020.

UPDATED DECLARATION OF 8 JULY 2020 REGARDING THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

The General Partner as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") published the most recent declaration in accordance with Section 161 AktG on 28 May 2020. The declaration is subject to the following updates:

Deviation from Recommendations G.7 sentence 1 and G.8 of the German Corporate Governance Code in the version published on 16 December 2019 (DCGK 2020)

As stated in the declaration of 28 May 2020, the Shareholder Committee has given consideration to the economic implications of the Covid-19 pandemic and the resulting impact on the Company's remuneration system. In its meeting on 3 July 2020, the Shareholder Committee decided to reduce the target values for the variable remuneration components for fiscal year 2020/2021 in order to reflect the altered conditions in the automotive industry.

In the same meeting, the Shareholder Committee also decided to define prioritised targets for short-term incentives (STI) for fiscal year 2020/2021, which – on the basis of a target agreement with the management – also encompass qualitative parameters and will be incorporated into the STI calculation with a weighting of 50%. The prioritised targets include, most importantly, the comprehensive implementation of the restructuring measures and organisational development measures approved by the Shareholder Committee as well as the development of the order intake.

The Shareholder Committee has also made adjustments to the variable remuneration components to be accounted for and paid out for fiscal year 2019/2020 and those to be accounted for and paid out after the end of this fiscal year in order to prevent the complete devaluation of these components due to the serious economic implications of the Covid-19 pandemic. With regard to the remuneration amount, the Shareholder Committee based the STI on the forecast from the beginning of March 2020 (end of third quarter) for the end of the fiscal year – that is, without taking into account the Covid-19 lockdown which began in the second half of March – and reduced the resulting values by 20%.

With regard to the LTI, if the figures were calculated without any adjustment, the tranche to be paid out following the end of fiscal year 2019/2020 would come to a value of 0. Further tranches to be paid out after the end of fiscal year 2020/2021 would also be at serious risk of being devalued to 0. The Shareholder Committee deemed this to constitute unreasonable hardship. It therefore decided that the portion of a given tranche earned per fiscal year is to be calculated and frozen and that, when due, the total of all frozen tranche portions will be paid out. For fiscal year 2019/2020, a portion amounting to 0 will therefore be included in the calculations. This means that payment of an LTI tranche will be based on the average value of the tranche over the last four fiscal years. Taking into consideration the successful development of the Company in the years leading up to the beginning of the Covid-19 pandemic and the continued dedication of the Management Board in fiscal year 2019/2020, this adjustment is deemed to be appropriate.

These resolutions of the Shareholder Committee represent a deviation from Recommendations G.7 sentence 1 and G.8 DCGK 2020. According to Recommendation G.7 sentence 1, the performance criteria for all variable remuneration components are to be defined in advance for the upcoming fiscal year. According to Recommendation G.8, there should be no subsequent changes to the target values or the comparison parameters. The deviations from both recommendations are justified due to the crisis triggered by the Covid-19 pandemic. Waiting and observing the economic developments throughout June, thus deviating from G.7 sentence 1, was necessary, as it was not possible to make any meaningful predictions regarding Company development before the start of the current fiscal year on 1 June 2020. The deviation from G.8 was necessary to prevent the remuneration system – whose target values were based on the preceding, extremely successful fiscal years – from losing any incentivising effect for the Management Board. In these times of crisis, it is particularly important to ensure that the Management Board are highly motivated and committed.

In all other respects, the declaration of conformity from 28 May 2020 remains unchanged.

V. PROPRIETARY TRANSACTIONS OF MANAGEMENT

In accordance with Article 19 of the EU Market Abuse Regulation, persons who complete management tasks at HELLA GmbH & Co. KGaA or who have a close relationship to these persons must disclose reportable transactions with shares or debt instruments of HELLA GmbH & Co. KGaA or the associated derivatives or other financial instruments of this issuer after a total volume of € 20,000 (up to and including 2019: € 5,000) has been reached within a calendar year. The transactions notified to the Company in the fiscal year under review were duly published and are available on the website under **WWW.HELLA.COM/DIRECTORSDEALINGS**.

Remuneration report

REMUNERATION REPORT

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

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

I. Remuneration of the Management Board

In accordance with the Articles of Association, the legal relationships between the Company and a Managing General Partner are governed by agreements between the Managing 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 – with the support of its personnel committee – on the applicable remuneration system and the individual remuneration amount.

The individual remuneration of the Managing Directors has three components: a fixed non-performance-related component (plus non-performance-related remuneration in kind and ancillary benefits), an annual performance-related component (short-term incentive, STI) and a long-term performance-related component (long-term incentive, LTI). In addition, there are long-term pension liabilities towards the Managing Directors of Hella Geschäftsführungsgesellschaft mbH.

In fiscal year 2019/2020 and the first two months of fiscal year 2020/2021, the Shareholder Committee made a number of adjustments to the variable remuneration system and brought these into force by means of contractual amendments with all members of the Management Board as of the start of fiscal year 2020/2021. The resulting changes will be described in the section concerning the remuneration component in question. In the context of this work, the Shareholder Committee also gave consideration to the serious economic implications of the Covid-19 pandemic. The changes resulting from the pandemic are described separately in Section I. 2. E).

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 12 equal monthly instalments.

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

2. PERFORMANCE-RELATED REMUNERATION COMPONENTS

A) Short-term variable remuneration (STI)

The short-term variable remuneration is calculated as a percentage of the annual fixed salary depending on the degree of achievement of certain targets. This incorporates (i) 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 (old version)) with a weighting of 70% and (ii) the operating free cash flow (OFCF) as reported in the cash flow statement of the statutory consolidated annual financial statements with a weighting of 30%. As of fiscal year 2020/21, the Shareholder Committee can also define prioritised targets for the Management Board which, on the basis of a target agreement with the management, also encompass qualitative parameters and are composed of collective/team targets – which apply to the Management Board in equal measure – and individual targets. These prioritised targets may be incorporated into the STI calculation with a weighting of between 30 and 50%. The degree of target achievement to be ascertained by the Shareholder Committee can be between 0 and 200%. For fiscal year 2020/2021, the Shareholder Committee has set the weighting of these targets for the STI calculation to 50%. The weighting of the EBT has therefore been reduced to 35% and that of the OFCF to 15%. The prioritised targets include, most importantly, the comprehensive implementation of the restructuring measures and organisational development measures approved by the Shareholder Committee as well as the development of the order intake.

The bonus is paid once per fiscal year. The Shareholder Committee specifies minimum, target and maximum values for the EBT and OFCF. The achievement of the prioritised targets in fiscal year 2020/2021 will be evaluated by the Shareholder Committee by means of an overall assessment. In fiscal year 2020/2021, the STI will amount to 110% of the annual fixed salary (prior year: 120%) if the target values are reached and 330% of the annual fixed salary (prior year: 360%) upon reaching the maximum values. The reduction in the percentages is linked to a recalibration of the relationship between STI and LTI. The Shareholder Committee has increased the weighting of the LTI and reduced the weighting of the STI accordingly.

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 according to the development of the return on invested capital (RoIC) and the EBT margin as well as, starting in fiscal year 2020/2021, on the performance of the HELLA share. The long-term variable remuneration is based on a calculation period of four fiscal years in total (or, as of fiscal year 2020/2021, five fiscal years), thus ensuring a long-term, sustainable incentivising effect. For one Managing Director, the consideration of the share performance and the extension of the calculation period started to apply in fiscal year 2019/2020.

The return on invested capital (RoIC) is used by the Company as a strategic management parameter. It is defined as the ratio of operating income before interest and after taxes (return) 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 financial assets less liabilities carried on the face of the balance sheet excluding current and non-current financial liabilities for the reporting period.

The performance of the HELLA share is defined as the price performance plus dividends paid. To this end, the volume-weighted average prices of the last 20 trading days of the fiscal year in which the calculation period of an LTI tranche begins are compared with those of the last 20 trading days of the subsequent fiscal years in the calculation period. The dividends paid in the interim are added. Technical price effects (e.g. in the case of share splits), on the other hand, are deducted.

The payment amount for an LTI tranche is calculated as follows:

Firstly, an LTI base amount is determined for the first fiscal year in the calculation period. This amount is calculated as a fixed percentage of the annual fixed salary depending on the RoIC. The Shareholder Committee specifies minimum, target and maximum values for the RoIC. The minimum value defines the floor for calculating an LTI base amount. For fiscal year 2020/2021, the LTI base amount will be 120% of the annual fixed salary if the target value is reached and 360% of the annual fixed salary upon reaching the maximum value (prior year: 80% and 240% respectively; one Managing Director's employment contract already included the increased percentages in fiscal year 2019/2020).

Payment of an LTI tranche is made to the Managing Directors once the calculation period comprising a total of four fiscal years (or, as of fiscal year 2020/2021, five fiscal years) has come to an end. In the past – up to and including the LTI tranche whose calculation period ended in fiscal year 2019/2020 – the payment amount, which was derived from the LTI base amount, was determined on the basis of a comparison between the values for the RoIC and the EBT margin in the first and last fiscal year of the calculation period. If the values in the last fiscal year were higher than in the first fiscal year, the LTI base amount was increased, whereby every percentage point change in the RoIC or the EBT margin changed the LTI base amount by 7.5%.

In light of the serious economic implications of the Covid-19 pandemic, the Shareholder Committee has modified this calculation in order to reduce the volatility of the long-term variable remuneration and to enable equal consideration of the economic success of the Company in all years of the calculation period. It was therefore decided for all ongoing LTI tranches that the payment amounts shall depend to an equal extent on the economic success of the Company over the entire four-year term (as of fiscal year 2020/2021: five-year term) of the respective LTI tranche. The calculation will be carried out as follows: firstly, 1/4 of the LTI base amount (as of fiscal year 2020/2021: 1/5) will be frozen. This amount is notionally assigned to the first fiscal year of the calculation period. The remaining 3/4 (as of fiscal year 2020/2021: 4/5) will change depending on the development of the RoIC and the EBT margin of the HELLA Group and, in the future, depending on the performance of the HELLA share in the three (in the future: four) subsequent fiscal years of the calculation period. For this purpose, the figures for the fiscal year for which the LTI base amount was calculated are compared with all subsequent fiscal years of the calculation period. If, in a subsequent fiscal year of the calculation period, the figures have improved (worsened) compared to the first fiscal year, 1/4 (in the future: 1/5) of the LTI base amount will be increased (reduced) and frozen to the benefit of the Managing Director (see schematic below).

An increase in the EBT margin and/or the RoIC by one percentage point will – as previously – result in an increase of 7.5% in the pro rata LTI base amount, while every decrease by the same amount will lead to a corresponding decrease. The share performance that is to be taken into account in future has a direct proportional effect, i.e. a positive (negative) share performance of 30%, for example, increases (decreases) the pro rata LTI base amount by 30%. Once these comparisons have been carried out for all fiscal years of the calculation period, the total of the frozen amounts will be paid to the Managing Directors at the end of the calculation period.

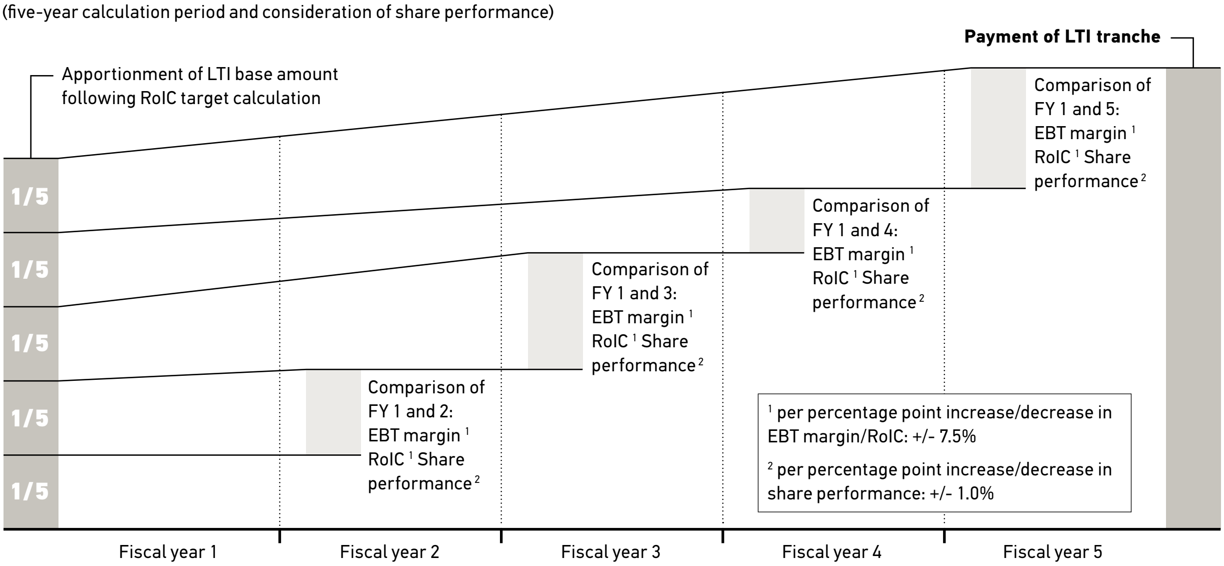
This does not give rise to any entitlement on the part of the Company to recover any compensation from a Managing Director in the event of a negative overall LTI settlement amount. In addition, it is not netted against a future positive LTI settlement amount.

C) Remuneration cap

The Company has defined a remuneration cap under which the annual STI and LTI together are subject to a maximum equalling six times the applicable annual fixed salary.

SCHEMATIC REPRESENTATION OF LTI CALCULATION FOR TRANCHES AS OF FISCAL YEAR 2020/2021

(five-year calculation period and consideration of share performance)



D) Adjustment and reclaim possibilities (clawback)
The Shareholder Committee of HELLA GmbH & Co. KGaA may at its own discretion make a positive or negative adjustment to all variable remuneration components if it is of the opinion that the calculation of the variable remuneration component is not in line with the Company's business performance because of extraordinary effects. The achievement of the strategic targets (including the CSR targets) of HELLA GmbH & Co. KGaA must also be taken into account.

Furthermore, in the event of a deliberate or grossly negligent breach of duty of care committed by a Managing Director, the Company reserves the right to claim back or refuse to pay out the variable remuneration components granted to this Managing Director for fiscal year 2020/2021 or subsequent fiscal years.

E) Adjustments in light of the Covid-19 pandemic
Due to the economic implications of the Covid-19 pandemic from March 2020 onwards, the target STI and LTI values previously defined by the Shareholder Committee were no longer realistic figures. This applies to both fiscal year 2019/2020 and fiscal year 2020/2021. The Shareholder Committee therefore decided to make extraordinary adjustments to the variable remuneration system for both fiscal years.

With regard to the short-term variable remuneration (STI) granted for fiscal year 2019/2020, the Shareholder Committee based the amount on the forecast from the beginning of March 2020 (end of third quarter) for the end of the fiscal year – that is, without taking into account the Covid-19 lockdown which began in the second half of March – and reduced the resulting values by 20%. The 20% reduction corresponds to the voluntary salary waiver declared by the Management Board with regard to their fixed salary in the last two months of fiscal year 2019/2020 in solidarity with the workforce. With regard to the LTI, if the figures had been calculated without any adjustment, the tranche to be paid out following the end of fiscal year 2019/2020 would have come to a value of 0. The Shareholder Committee deemed this to constitute unreasonable hardship. It therefore decided, by means of a discretionary adjustment, that the payment amount would be based on the average value of the tranche over the last four fiscal years, with a value of 0 included in the calculations for fiscal year 2019/2020. Taking into consideration the successful development of the Company in the years leading up to the beginning of the Covid-19 pandemic and the continued dedication of the Management Board in fiscal year 2019/2020, this adjustment is deemed to be appropriate.

In the case of one Managing Director only, no adjustment was made as – due to a special agreement regarding contractual conditions – the LTI base amount for fiscal year 2016/2017 was to be paid out as the minimum amount.

For the variable remuneration components for fiscal year 2020/2021, the Shareholder Committee decided to reduce the target values applicable in previous years in order to reflect the current challenges in the automotive industry.

In the opinion of the Shareholder Committee, the redefinition of the target values was necessary to prevent the remuneration system – whose target values were based on the preceding, extremely successful fiscal years – from losing any incentivising effect for the Management Board.

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

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

G) Termination benefits for Managing Directors

The employment contract automatically expires at the end of the month in which the Managing Director turns 65 or at the end of the month in which the notice granting a retirement, disability or similar pension is received. In the event of illness-related disability, the fixed salary or the difference over sickness benefits is paid for a further 18 months. In the case of death, the eligible beneficiaries receive the deceased Managing Director's fixed salary for a period of three months commencing with the month of death.

If the Company revokes the appointment prior to the date of expiry of the service agreement, the service agreement can be terminated prematurely under exceptional circumstances. In cases in which the service agreement is terminated for material reasons for which the Managing Director is not responsible, a settlement of two times his/her annual remuneration or, if the residual 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 short-term variable annual remuneration less remuneration in kind and other ancillary benefits for the last full fiscal year prior to the termination of the appointment. For contracts concluded or extended as of fiscal year 2019/2020, this settlement shall count towards any non-compete compensation. In addition, a subsequent payment of apportioned LTI base amounts will be made, although they will be reduced pro rata based on the remaining part of the calculation period. In certain cases, the LTI base amounts not yet due for payment lapse completely upon exit ("bad leaver").

The same settlement rules also apply in the event of a change of control. In this case, a Managing Director may resign from his/her post and give notice on his/her employment contract for good cause by the end of the sixth calendar month after a change of control, with effect from the end of the ninth calendar month. Until the resignation has taken effect, the Managing Director must support the Company in all matters relating to the change of control, acting to the best of his/her ability and working in the interests of the Company.

Furthermore, the Managing Director is subject to a post-contractual non-compete clause, the term of which shall be between 12 and 24 months, to be agreed on an individual basis. During the term of the non-compete clause, the Managing Director shall receive 50% of his/her final fixed remuneration, taking into account any income earned during the term of the non-compete clause. In fiscal year 2019/20, compensation payments amounting to € 37 thousand were made to Dr. Werner Benade for the months of April and May 2020.

In fiscal year 2019/2020, a termination agreement was concluded with Dr. Nicole Schneider which provides for a settlement of € 1,990 thousand in accordance with the above-mentioned rules. This settlement payment also covered the compensation for the post-contractual non-compete clause. In addition, the LTI base amounts apportioned to Dr. Schneider will be paid subsequently. The payment amounts will depend on the future development of the RoIC and the EBT margin and cannot be specified at the present time.

3. TOTAL REMUNERATION FOR FISCAL YEAR 2019/2020

The total remuneration paid to the Managing Directors of Hella Geschäftsführungsgesellschaft mbH came to € 7,717 thousand in fiscal year 2019/2020 (prior year: € 13,182 thousand). Of this, fixed remuneration accounted for € 3,295 thousand including ancillary benefits (prior year: € 3,310 thousand) and variable remuneration for € 4,422 thousand (prior year: € 9,872 thousand). The fixed remuneration is affected by a voluntary salary waiver declared by the Management Board in the last two months of fiscal year 2019/2020 in solidarity with the workforce. The variable remuneration is affected by discretionary adjustments made by the Shareholder Committee in order to prevent substantial devaluation of the variable remuneration due to the impact of the Covid-19 pandemic (see Section 2. E).

The concrete total remuneration paid to the Managing Directors is in line with other companies. The Company referred to studies on Executive Board remuneration among MDAX companies as the relevant peer group.

Remuneration in kind and other ancillary benefits came to a total of € 130 thousand in fiscal year 2019/2020 (prior year: € 158 thousand). Remuneration in kind was measured on the basis of actual cost. The defined benefit obligation for liabilities from the defined contributions capital account system for the active Managing Directors was € 15,222 thousand (prior year: € 12,625 thousand) on 31 May 2020 – according to HGB: € 14,681 thousand (prior year: € 12,286 thousand). The financing contributions structured in the form of investment fund units and pledged to the active beneficiaries were valued at € 12,677 thousand as of the balance sheet date (prior year: € 10,988 thousand).

Pension liabilities towards former members of the Management Board and their surviving dependents came to € 16,047 thousand (prior year: € 15,584 thousand) – according to HGB: € 12,978 thousand (prior year: € 12,563 thousand). In addition, there are liabilities that have been transferred to Allianz Pensionsfonds AG in the amount of € 3,904 thousand (prior year: € 3,894 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 662 thousand (prior year: € 510 thousand). The defined benefit obligation for comparable, long-term obligations from the defined contributions capital account system towards former members of the Management Board and their surviving dependents is € 7,047 thousand (prior year: € 5,438 thousand) – according to HGB: € 6,658 thousand (prior year: € 5,146 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 6,174 thousand as of the balance sheet date (prior year: € 4,980 thousand). Payments under pension liabilities towards former members of the Management Board and their surviving dependants came to € 729 thousand (prior year: € 708 thousand). The total remuneration paid to former members of the Management Board came to € 3,986 thousand in fiscal year 2019/2020 (prior year: € 1,750 thousand), composed mainly of payable LTI tranches for the previous years, settlement payments and payments under pension liabilities.

Commitments of € 1,910 thousand (prior year: € 2,510 thousand) for amounts payable from the LTI programme arising from the occurrence or suspension of conditions were made in fiscal year 2019/2020.[1]

4. LIABILITY REMUNERATION FOR HELLA GESCHÄFTSFÜHRUNGSGESELLSCHAFT MBH

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

[1] The commitment includes services rendered within the LTI programme based on 100% target achievement. Please refer to I. 2. B) for a detailed description of the LTI programme.

5. INDIVIDUAL REMUNERATION (HGB) OF THE MEMBERS OF THE MANAGEMENT BOARD FOR FISCAL YEAR 2019/2020

Due to the serious economic implications of the Covid-19 pandemic and the associated impact on the Company's remuneration system, the Shareholder Committee has made use of the margin of discretion regarding the variable remuneration components of the Management Board for fiscal year 2019/2020 in line with Section 3.3.4 of the service agreements concluded with the Managing Directors.

The following tables set out the individual remuneration of the members of the Management Board for fiscal year 2019/2020 in accordance with HGB following exercise of the margin of discretion:

€ thousand	Fixed salary	Other[1]	One-year variable remuneration (STI)[2]	Multiple-year variable remuneration (LTI)	Total remuneration
Dr. Rolf Breidenbach	1,467	59	1,600	470	3,596
Dr. Werner Benade (up to 31.03.2020)	370	12	390	10	782
Dr. Frank Huber	429	31	520	0	980
Dr. Nicole Schneider (up to 29.02.2020)	321	8	340	0	669
Ulric Bernard Schäferbarthold	519	14	720	274	1,527
Björn Twiehaus (as of 01.04.2020)	59	5	70	28 [3]	162

[1] Other remuneration includes in particular non-cash benefits arising from the use of company cars.
[2] Including special bonuses granted
[3] Fair value at the time of granting the proposed LTI. No LTI was paid to Björn Twiehaus in fiscal year 2019/2020.

In fiscal year 2019/2020, Dr. Frank Huber received a special bonus of € 50 thousand and Ulric Bernard Schäferbarthold received a special bonus of € 150 thousand, both for extraordinary services rendered in fiscal year 2018/19.

The recorded expenses for the LTI of Björn Twiehaus amount to € 0 thousand.

The pension entitlements accrued by the Management Board members in fiscal year 2019/2020 result in the following individual service costs and defined benefit obligations in accordance with IFRS:

	Service costs			Present value of pension liabilities		
€ thousand	Paid in by Company	Paid in by Managing Director	**Total**	Paid in by Company	Paid in by Managing Director	**Total**
Dr. Rolf Breidenbach	647	0	**647**	4,197	5,682	**9,879**
Dr. Werner Benade (up to 31.03.2020)	164	500	**664**	537	799	**1,336**
Dr. Frank Huber	329	0	**329**	781	0	**781**
Dr. Nicole Schneider (up to 29.02.2020)	227	500	**727**	240	563	**803**
Ulric Bernard Schäferbarthold	293	1,100	**1,393**	1,115	1,256	**2,371**
Björn Twiehaus (as of 01.04.2020)	0	0	**0**	52	0	**52**

The pension entitlements accrued by the Management Board members in fiscal year 2019/2020 result in the following individual service costs and defined benefit obligations in accordance with HGB:

	Service costs			Present value of pension liabilities		
€ thousand	Paid in by Company	Paid in by Managing Director	**Total**	Paid in by Company	Paid in by Managing Director	**Total**
Dr. Rolf Breidenbach	600	0	**600**	4,158	5,628	**9,786**
Dr. Werner Benade (up to 31.03.2020)	148	500	**648**	507	751	**1,258**
Dr. Frank Huber	175	0	**175**	653	0	**653**
Dr. Nicole Schneider (up to 29.02.2020)	170	500	**670**	240	522	**762**
Ulric Bernard Schäferbarthold	212	1,100	**1,312**	1,024	1,153	**2,177**
Björn Twiehaus (as of 01.04.2020)	0	0	**0**	45	0	**45**

II. Remuneration of the Supervisory Board

Under Article 16 of the Articles of Association, the Annual General Meeting determines the remuneration payable to the Supervisory Board. Under the still valid resolution passed at the Annual General Meeting on 27 September 2019, the members of the Supervisory Board will be remunerated as follows for the periods as of 28 September 2019 (figures in brackets relate to the amounts that applied up to and including 27 September 2019):

- All members of the Supervisory Board receive annual remuneration of € 50 thousand (€ 20 thousand).
- The Chairman of the Supervisory Board receives annual remuneration of € 100 thousand (€ 40 thousand) and each Deputy Chairman € 75 thousand (€ 30 thousand).
- Each member of the Audit Committee receives additional annual remuneration of € 25 thousand (€ 10 thousand). The Chairman of the Audit Committee receives additional annual remuneration of € 50 thousand (€ 20 thousand).

Members serving on the Supervisory Board for only part of the fiscal year receive a corresponding time-proportionate amount.

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 € 795 thousand in fiscal year 2019/2020 (prior year: € 399 thousand). Of this, fixed remuneration accounted for € 705 thousand (prior year: € 350 thousand) and committee remuneration for € 90 thousand (prior year: € 49 thousand).

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

In fiscal year 2019/2020, no payments or benefits other than those mentioned above were granted to members of the Supervisory Board for products and services, in particular for advisory and placement services.

III. Remuneration of the Shareholder Committee

Under Article 28 of the Articles of 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 27 September 2019, the Chairman of the Shareholder Committee receives annual remuneration of € 360 thousand and all other members € 120 thousand. For fiscal year 2019/2020, the regulation applies in a time-proportionate manner to the time as of 28 September 2019. For periods before this, the Chairman of the Shareholder Committee receives annual remuneration of € 300 thousand and all other members € 100 thousand. Members serving on the Shareholder Committee for only part of the fiscal year receive a corresponding time-proportionate amount. All members of the Shareholder Committee are reimbursed for all expenses which they incur in the performance of their duties plus value added tax. No attendance fees are paid. No additional remuneration is paid to members of the Personnel Committee.

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

The total remuneration paid to the members of the Shareholder Committee came to € 1,104 thousand plus value added tax in fiscal year 2019/2020 (prior year: € 900 thousand plus value added tax). Of this, fixed remuneration accounted for € 1,104 thousand (prior year: € 900 thousand) and remuneration for committee work for € 0 thousand (prior year: € 0 thousand).

In fiscal year 2019/2020, 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.

The following table sets out the individual remuneration paid to the members of the Supervisory Board for fiscal years 2019/2020 and 2018/2019:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2019/2020**	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019
Prof. Dr. Michael Hoffmann-Becking, Chairman	13,005.46	40,000.00	3,251.37	10,000.00	16,256.83	50,000.00
Alfons Eilers, Deputy Chairman	9,754.10	30,000.00			9,754.10	30,000.00
Christoph Rudiger	40,245.90	13,315.07			40,245.90	13,315.07
Paul Berger	0	6,684.93	0	3,342.47	0	10,027.40
Michaela Bittner	40,245.90	20,000.00			40,245.90	20,000.00
Heinrich-Georg Bölter (Deputy Chairman as of 27.09.)	57,144.81	20,000.00	3,251.37	5671.23	60,396.17	25,671.23
Manuel Rodriguez Cameselle	6,502.73	20,000.00			6,502.73	20,000.00
Manuel Frenzel	6,502.73	20,000.00			6,502.73	20,000.00
Elisabeth Fries	6,502.73	20,000.00			6,502.73	20,000.00
Stephanie Hueck	40,245.90	20,000.00			40,245.90	20,000.00
Susanna Hülsbömer	40,245.90	20,000.00			40,245.90	20,000.00
Klaus Kühn (Chairman as of 27.09.)	74,043.72	20,000.00	36,010.93	20,000.00	110,054.64	40,000.00
Manfred Menningen	40,245.90	20,000.00	18,005.46	10,000.00	58,251.37	30,000.00
Marco Schweizer	6,502.73	20,000.00			6,502.73	20,000.00
Dr. Konstanze Thämer	6,502.73	20,000.00			6,502.73	20,000.00
Christoph Thomas	40,245.90	20,000.00			40,245.90	20,000.00
Claudia Owen	40,245.90	20,000.00			40,245.90	20,000.00
Dr. Dietrich Hueck	33,797.81	0			33,797.81	0
Dr. Tobias Hueck	33,797.81	0			33,797.81	0
Dr. Thomas B. Paul	33,797.81	0	14,754.10		48,551.91	0
Charlotte Sötje	33,797.81	0			33,797.81	0
Britta Peter	33,797.81	0			33,797.81	0
Paul Hellmann	33,797.81	0	14,754.10		48,551.91	0
Franz-Josef Schütte	33,797.81	0			33,797.81	0

The following table sets out the individual remuneration paid to the members of the Shareholder Committee for fiscal years 2019/2020 and 2018/2019:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2019/2020**	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019
Manfred Wennemer, Chairman up to 27.09.2019	97,540.98	300,000.00			97,540.98	300,000.00
Roland Hammerstein	113,497.27	100,000.00			113,497.27	100,000.00
Dr. Gerd Kleinert, member up to 27.09.2019	32,513.66	100,000.00			32,513.66	100,000.00
Klaus Kühn	113,497.27	100,000.00			113,497.27	100,000.00
Dr. Matthias Röpke	113,497.27	100,000.00			113,497.27	100,000.00
Konstantin Thomas	113,497.27	100,000.00			113,497.27	100,000.00
Dr. Jürgen Behrend	113,497.27	100,000.00			113,497.27	100,000.00
Carl-Peter Forster (Chairman as of 27.09.2019)	243,770.49	0			243,770.49	0
Samuel Christ (as of 27.09.2019)	81,256.83	0			81,256.83	0
Horst Binnig (as of 27.09.2019)	81,256.83	0			81,256.83	0

NON-FINANCIAL REPORT HELLA GMBH & CO. KGAA

HELLA is publishing this separate combined non-financial report (henceforth "non-financial report") in compliance with Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch – HGB) to provide greater transparency into non-financial aspects that are material and necessary to understand HELLA GmbH & Co. KGaA's development, performance and current position as well as the impacts of its operations. The reporting period spans from 1 June 2019 to 31 May 2020. The content of this report is based solely on what is deemed to be material as well as the content specifications outlined in the HGB. A framework was not used when compiling this report as a framework has not been used to date when compiling reports on sustainability.

Diligent corporate governance, responsibility for people and society, and protection of the environment form part of HELLA's corporate culture. With this in mind, it is a key objective of HELLA to be a reliable business partner that conducts itself with integrity in its day-to-day business activities, to lead by example and to meet the legal and ethical demands placed on companies. The Company's conduct is characterised by this stance. As an international business, HELLA assumes responsibility for the economic, ecological and social impacts its operations have. For this reason, the goal of acting sustainably is established in its corporate culture and in its systems, processes and policies. Likewise, ensuring sustainability is one of HELLA's core values and a duty of each and every person employed at the Company.

Organisational responsibility for sustainability is held within the HELLA Management Board by the member of the Board responsible for Finance, Controlling, Information Technology and Process Management. The specialist functions each have their own duties relating to management and the continual development of specific sustainability matters. In order to ensure that current demands of relevant stakeholders are brought to bear within the Company, specialist representatives and international experts regularly meet in the CSR Council. Communication and dialogue with the stakeholders is centrally managed from within the Corporate Communications, Investor Relations and Environmental Management departments.

At the start of 2020, HELLA revised the key sustainability aspects for the Company based on a materiality analysis conducted in accordance with the HGB. The various interests of stakeholders, including key customer, investor and employee groups, were represented by delegates from the relevant specialist departments. As part of the analysis, eight material non-financial aspects were identified, and the issue of respect for human rights was reassessed and identified as being material. In this context, the focus is on matters to which the Company is able to make a material contribution. Over the reporting period, the CSR Council and the Management Board reviewed and confirmed the materiality analysis.

As part of risk and opportunity management, HELLA identifies both current and potential risks and opportunities arising from its operations. Potential new aspects are included within the scope of HELLA Enterprise Risk Manage-

Issues according to the German Commercial Code (HGB)	**Key issues for HELLA**
Environmental matters	Product innovations Energy management and emissions
Social matters	Product safety
Employee matters	Occupational safety and health protection Employer attractiveness Employee development
Combating corruption	Compliance
Respect for human rights	Social standards in the supply chain

ment (ERM), whose remit is interpreted as covering all areas of the Group. The opportunities and risks that arise in each case, including non-financial risks relating to the environment, social matters and corporate governance, are managed by the relevant experts in these fields.

For the non-financial report, the relevant experts have carried out a risk assessment in compliance with Sections 315b and 289b ff. of the HGB. The risk assessment did not identify any risks which, on a net basis, meet the materiality criteria in accordance with Section 289c (3) No. 3 and 4 of the HGB. The Company will present further information in the detailed opportunity and risk report within the combined management report.

REFERENCE FRAMEWORK & AUDIT REPORT

Unless stated otherwise, the information concerns the HELLA Group (henceforth "HELLA") as well as the parent company HELLA GmbH & Co KGaA, excluding joint ventures and the subsidiaries Docter Optics and HELLA Gutmann Solutions. They are seperately responsible for managing the material issues and are therefore not considered here.

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

HELLA BUSINESS MODEL

HELLA employs 36,311 people at over 125 sites around the world at the reporting date and achieved sales of € 5.8 billion in fiscal year 2019/2020. The Company develops, produces and markets lighting and electronics solutions for the automotive industry as well as for manufacturers of special vehicles. HELLA also has a highly effective retail organisation for automotive parts, accessories, diagnostics and services.

A fundamental factor in HELLA's success is the fact that it has over 7,700 employees working in research and development worldwide. Research and development activities focus in particular on the major trends taking place in the automotive industry, such as autonomous driving, increasing efficiency and electrification.

More information on the business model is available in the Group management report.

Product innovations

HELLA strives to make the mobility of tomorrow safer, more efficient and more comfortable. Technological excellence and ongoing product innovations are key prerequisites to making this happen. It is for this reason that HELLA invests heavily in research and development. Its activities in this area focus above all on key market trends such as electrification and autonomous driving.

At HELLA, the business segments and divisions hold primary responsibility for the development of new products. Developments are implemented by customer-focused product centres, which are supported by central functions such as Quality, Product Safety and Environmental Management. The fundamental priorities of research and development activities are defined as part of the annual strategic process, something in which the Management Board is also heavily involved. The prioritised product ideas are subsequently implemented within a comprehensive process landscape.

Right from the product development phase, HELLA strives to avoid pollutants that would harm the environment, aims to plan in way that uses resources efficiently, and works to increase the energy efficiency and durability of its products. The design process is governed by the Group-wide environmental standard, along with customer-specific requirements.

To promote the development of new product solutions, over 7,700 people are employed in research and development at HELLA, representing around 21% of the global workforce. In reporting year 2019/2020, HELLA invested a total of € 620 million in research and development, equating to 10.6% of sales.

HELLA offers customers a varied portfolio of innovative product solutions which aim to help make mobility safer and more efficient. During the reporting period, HELLA worked to promote the following issues with a future focus:

- With the high-resolution SSL | HD lighting system, HELLA has driven forward the development of a new generation of lighting technology. Housing more than 30,000 pixels, this lighting technology makes it possible to achieve numerous new safety functions, such as an advanced glare-free high beam and light-based lane markings. Series production is scheduled to begin in 2022.

- In the field of electronics, HELLA offers innovative product solutions for various electrification categories of vehicles. One example is voltage converters, which enable efficient driving scenarios such as recuperation when vehicles are coasting.

- HELLA battery management systems ensure that lithium-ion batteries function safely and reliably when they are used in hybrid and electric vehicles, for example. These systems monitor the vehicle's voltage, temperature and flow of current. In addition, they implement various safety-relevant functions, including those relating to high voltage. HELLA has developed a new generation that is to go into series production in summer 2020.

- The patented HELLA dual-voltage battery unites several previously separate functions (12 and 48 V lithium-ion battery, battery management system, voltage converter and power electronics) in a single component, reducing weight and the space required. As a result, the CO_2 emissions of vehicles in the compact and mid-range classes can be reduced by 5 to 6 grams per kilometre travelled.

- HELLA is working to increase road safety through its powerful assistance systems and components. For instance, it launched a new form of 77 GHz radar technology on the market during the reporting period. The 360-degree perception of the vehicle environment enables numerous functions to be implemented. For example, the technology is already being used as a blind spot warning assistant for trucks. In addition, HELLA is working to develop the technology further with car manufacturers in mind. The radar sensors meet NCAP safety standards and can therefore also be used for autonomous driving functions.

Further information on HELLA's research and development activities, and on its product innovations, is provided in the Group management report.

Energy management and emissions

Protecting the environment and the climate represents a significant global challenge. With this in mind, the efforts HELLA is making in relation to energy and emission management are an important ecological aspect of its approach to sustainability. As a manufacturing company, HELLA is striving to continually reduce the environmental impact it has along the entire value chain.

Accordingly, high environmental and quality standards are in place at the Company's production facilities. Environmental Management ensures that these standards are upheld across the Company and that customer requirements are dealt with consistently. The central functions of Environmental Management, Environmental Protection, and Occupational Health and Safety (EHS) are responsible for environmental protection at the production sites. Virtually all HELLA production sites (34 out of 36) are certified to ISO 14001. Audits are conducted to ensure that the Company's strategy, management system and standards are being implemented. Risks are assessed as part of Enterprise Risk Management. HELLA's energy and emission management is regularly addressed by the Management Board, ensuring short decision-making processes.

A key factor when it comes to reducing environmental impact concerns increasing energy efficiency in production, as the majority of HELLA's CO_2 emissions come from current consumption during production. Accordingly, HELLA follows an integrated energy and emission management approach, develops energy concepts for production sites and deploys energy-efficient production processes and technologies. As a result, the energy efficiency of any systems purchased is always taken into account when making investment decisions.

Across the Group, HELLA pursues the environmental objective of reducing energy intensity in production. To provide a concrete figure, the Company is aiming to reduce specific current consumption as a proportion of sales by 2% per year in the HELLA production companies certified to ISO 14001. In the reporting year, HELLA was able to successfully reduce its current consumption[1]; however, it did record considerable sales losses due to the effects of the Covid-19 pandemic. As a result, the reduction objective was not achieved. Specific current consumption in the production facilities of the ISO 14001 certified sites amounted to 96.7 kWh per € 1,000 of sales in the reporting period.

In fiscal year 2019/2020, measures such as the modernisation of compressed-air systems in Germany and improved machine utilisation rates helped to reduce current consumption.

HELLA records and reports its own CO_2 emissions. It includes emissions from fossil fuels (scope 1) and indirect CO_2 emissions from the purchase of generated electricity (scope 2).[2]

CO_2 emissions in fiscal year 2019/2020[2 3] in tCO_2

Scope 1	54,731
Scope 2	202,938

1 HELLA has redefined the organisational scope in the current fiscal year; therefore, no comparisons can be made with the previous year.
2 The calculation of the scope 1 emissions is based – in accordance with the requirements of GHG Protocol – on the gas consumption of the production sites as well as the diesel and petrol consumption of standby generators, including the fleet consumption of the Romanian and German companies, with Defra's emission factors (2019) applied. The calculation of the scope 2 emissions is based on the reported electricity use or district heating of the production sites following the location-based method of the GHG Protocol, with the emission factors of the IEA (2019) or Defra (2019) applied.
3 Consumption data from 1 June 2019 to 30 April 2020 available; consumption for May 2020 was projected on the basis of the previous month. In addition, approximately 30% of the gas consumption was projected on the basis of the same month in the previous year.

In addition to systematically expanding energy concepts, HELLA is also striving to achieve a steady increase in energy efficiency and a progressive reduction in CO_2 emissions.

Product safety

HELLA works continually to ensure that its products are safe for people and the environment when they are used properly. With this in mind, the HELLA Code of Conduct includes a commitment which states that the Company's utmost priority is to develop top-quality products that satisfy safety and legal requirements. Accordingly, HELLA products are assessed and inspected using strict quality management systems.

The Company monitors product safety from the point that the product is developed, through all of its production phases and right up to its launch on the market. It is therefore responsible for identifying, reporting and escalating any safety issues that may arise. HELLA's quality management is the responsibility of the Quality central function, together with a Company-wide quality network. The products are developed and manufactured according to the highest standards of quality in line with ISO 9001 and IATF 16949 as well as specific customer requirements. The Company's comprehensive quality management concept, called Strategic Quality (SQ), is used as a basis for this. In addition, the independent Product Safety central function concerns itself with all risks to human health and life that could potentially result from HELLA products. It encompasses the established concept of functional safety as well as mechanical, electrical and chemical safety, plus cybersecurity. This includes obtaining comprehensive customer information, guaranteeing quality, complying with legal requirements and ensuring product safety. HELLA aims to avoid product recalls as well as any resulting liability claims, sales losses or damage to the Company's reputation. The resulting business risk is presented in detail in the opportunity and risk report.

Directives and processes define the manner in which product quality and product safety is to be implemented. The Product Safety central function ensures that the requirements relating to this are introduced and put into practice efficiently and effectively at HELLA's locations worldwide. This demonstrates that product safety is firmly anchored in product development and production processes.

From the point at which the quotation is created right up to the start of production, a safety manager takes care of and puts in place the measures that are needed to ensure product safety. A safety assessor working independently of the project examines product safety in project milestones. During market monitoring, any discrepancies in the products are identified in the field and, if necessary, further steps are taken.

Clear paths of escalation to the Product Safety Committee and the higher-level Product Safety and Conformity Committee ensure that measures are implemented quickly and efficiently and that the relevant stakeholders are involved. The HELLA Management Board nominates the representatives who are relevant to this case and is kept informed in regular meetings.

Internal and external audits are conducted on an ongoing basis to monitor efficiency and global implementation of the processes. These focus in particular on development sites that work with safety-related products.

HELLA is working continuously to enhance its already high levels of quality and safety. As an example, during the reporting period the Company defined the process landscape for managing activities relating to product safety and product conformity. In addition, it further developed processes concerning how chemical, electrical and mechanical product safety as well as product cybersecurity are handled. A procedure to assess the safety of customer recalls was also defined and established.

Occupational safety and health protection

Protecting the health of employees and providing safe workplaces is of paramount importance to HELLA. Ensuring the safety of employees in the workplace at all times is a top priority. By upholding this, it ensures that people are protected and that any production downtimes, negative environmental impacts or other instances of damage are avoided. HELLA has also taken steps to actively promote the health and well-being of its employees, ensuring that staff are able to perform to the best of their abilities and are motivated at work.

HELLA takes a proactive stance when it comes to occupational safety and health protection. The Environmental Protection, Occupational Health and Safety (EHS) central function is responsible for managing this. At the locations, at least one EHS manager coordinates the implementation of operational environmental protection and occupational health and safety. These managers minimise the risks that are relevant to the locations and help to prevent accidents at work. The EHS coordinators report to the applicable site management on disciplinary matters and to the central EHS department in terms of tasks. This department also provides a networking environment in which the various experts are able to work together. The Group EHS department provides the Management Board with incident statistics.

As a signatory to the Seoul Declaration on Safety and Health at Work, HELLA is committed to establishing a culture of prevention. Accordingly, risk assessments and safety inspections are carried out on a regular basis within the Company. Compliance with the requirements is monitored by means of regular internal and external audits.

The occupational health and safety management systems also aim to reduce the risk of injuries and accidents and to preserve the health of employees. HELLA is gradually working to have the systems in place at its production sites certified to the new international standard ISO 45001. Currently, 10 HELLA production sites (out of 36) are either already certified to ISO 45001 or are certified to the OHSAS 18001 standard, which is being withdrawn[4].

	Fiscal year 2019/2020 (quarters 1–3)[6,7]	Fiscal year 2018/2019
Accident rate (accidents per 1 million work hours)	4.7	5.2
Lost time rate (accident severity, time lost in hours per 1 million work hours)	496.1	Not recorded

The accident rate [5], which refers to the number of accidents at work per one million work hours, once again improved in fiscal year 2019/2020. As of this fiscal year, HELLA has also been recording accident severity as a management-related indicator.

Every effort is being made at HELLA to continuously improve and enhance occupational safety and health protection, and to adapt this to current needs.

In the reporting period, the global Covid-19 pandemic meant that protecting the health of employees and business partners became an even greater priority. The Company responded to the spread of coronavirus early on and took steps to combat it swiftly. As a key function, occupational safety coordinators in global and local task forces have helped to define and implement a new, Group-wide hygiene concept as well as other local measures where necessary. These measures include rapidly identifying suspected and confirmed cases of the disease and ensuring that the people affected self-isolate at home. Examples of preventative measures include a blanket ban on travel and visits, the expansion of home working and ensuring a minimum distance between workstations.

Employer attractiveness

As an attractive employer, HELLA strives to bring motivated and dedicated employees to the Company worldwide, to retain them and to provide them with professional development opportunities. Fostering an appealing working environment has a major role to play in this. HELLA's management approach in this area includes ensuring that this kind of environment is in place, plus creating and maintaining a corporate culture that promotes diversity, appreciation, achievement and entrepreneurial foresight. These objectives are also reflected in the Company's values.

HELLA pursues a strategic human resources management approach that is coordinated by the Human Resources central function and implemented by the HR managers in each of the regions and locations. Human resources management plays a significant role in shaping the framework in which employees are able to reach their potential. Numerous processes and in-house agreements govern and guide the human resources activities carried out globally at HELLA. Regional and country-specific requirements are managed in the companies responsible for them. Audits are conducted regularly to monitor how these activities are being implemented and to assess their effectiveness. At Group level, responsibility for this rests with the Human Resources Management team, which reports directly to the Management Board. Involving employee representatives and the European Group Works Council, and holding various event formats such as "town hall" meetings and staff meetings, provide opportunities for exchange and participation across all hierarchy levels.

The principles underpinning day-to-day conduct are addressed in the HELLA Code of Conduct. They include respect for human rights. In fiscal year 2019/2020, additional labour and social standards were passed and now operate together with the Code of Conduct to provide guidelines for HR policy. The Code of Conduct, which is mandatory, also sets out the requirement for diversity and inclusion, the prohibition of child and forced labour, the right to freedom of association and employee representation, and standards regarding working hours and remuneration. These principles

4 No comparison with the previous year can be made as additional regional standards were also considered in the past year.
5 Only statistics for permanent employees and temporary workers have been taken into consideration (working hours of temporary workers estimated). Statistics for employees from external companies not included. They include all the accidents that resulted in more than one lost day of work.
6 The reporting date is 29 February 2020. For the fourth fiscal quarter, no current data on working hours was available by the editorial deadline due to plant closures caused by the Covid-19 pandemic.
7 The scope of the occupational safety figures also includes the HELLA Gutmann Solutions GmbH subsidiary.

are implemented by the HR managers based on the regional legal frameworks. During the reporting period, for example, HELLA implemented a new process in Mexico to identify potential cases of discrimination in a standardised manner and to deal with psychosocial challenges in the workplace.

In order to be perceived and recognised as a preferred employer, HELLA places a great deal of value on attractive working conditions, including fair remuneration in line with market conditions. To do this, the Company is guided by the wage and salary benchmarks in each of its local markets and updates these regularly. Collective agreements and similar arrangements govern the terms of employment for a large proportion of employees at HELLA. Employee remuneration is differentiated solely on the basis of qualifications and performance, not gender.

In addition to this, HELLA promotes the professional development of its staff (see "Employee development") through targeted measures.

A family-friendly HR policy that promotes work-life balance is a vital aspect in ensuring that employees are satisfied. In this regard, the Company offers various regional measures such as flexible working time models, rules concerning remote working, promotion of health, sporting activities and family services such as childcare and other care services for relatives or holiday programmes for the children of employees. In the reporting period, HELLA focused heavily on expanding remote working so that employees were able to work from home wherever possible due to the coronavirus pandemic, providing them with additional protection and making it easier for them to take care of children and other family members. The pandemic has accelerated the use of digital methods in collaborative activities at HELLA. International collaboration between employees is also benefitting from this development.

As of 31 May 2020, 36,311 people were employed at HELLA.

In the reporting period, HELLA was able to further strengthen its position as an attractive employer.

The voluntary turnover rate indicates how many employees have chosen to leave HELLA as a percentage of the number of employees. At HELLA, it is regarded as a central indicator of employee satisfaction. In the reporting period, this turnover rate was 12.2% globally. It usually deviates significantly depending on the region, with the North, Central and South America region accounting for the largest proportion of staff turnover.

In order to record employee satisfaction in a methodical manner, HELLA is committed to conducting global employee surveys on a regular basis.

Employees (number of persons)[8] by region and gender

Region	Male	Female	Total
Germany	7,138	2,341	**9,479**
Europe not including Germany	7,852	6,025	**13,877**
Asia, Pacific, ROW	3,860	1,958	**5,818**
North, Central and South America	3,944	3,193	**7,137**
Total	**22,795**	**13,516**	**36,311**

Employees (number of persons)[8] by age groups

Region	to 29 years	30–39	40–49	over 50
Germany	762	2,307	2,417	3,993
Europe not including Germany	3,060	4,809	3,468	2,540
Asia, Pacific, ROW	1,440	3,097	996	285
North, Central and South America	2,632	2,217	1,484	804
Total	**7,894**	**12,430**	**8,365**	**7,622**

8 The information concerns the HELLA Group, the parent company HELLA GmbH & Co KGaA in accordance with the scope of consolidation of the financial reporting, as well as subsidiaries and joint ventures.

Employee development

Qualifications and further education are essential to the success of a business. At the same time, they provide a basis on which employees are able to engage in professional and personal development. The performance of employees and what they do to ensure continual improvement are key factors to achieving success in the highly competitive automotive industry. For this reason, HELLA is committed to developing and fostering its employees based on their roles, skills and needs. As a reflection of this, the Company is confronting the structural changes taking place in the automotive industry and the rise of digitalisation by introducing targeted staff development programmes that support lifelong learning and employee flexibility.

The central Human Resources department manages employee development jointly with the local Human Resources departments, managers and division heads. The aim is to provide employees with qualifications based on their current and future job remits and to build and expand a pool of talent. The relevant management processes are rolled out across the Group and established in the global tool landscape. They are monitored by means of audits. The Management Board is regularly consulted regarding measures in certain areas and is kept informed of their implementation.

In the context of employee development, HELLA's primary activities involve a standardised performance assessment process (known as the performance review), systematic training and global talent management.

Performance assessment: HELLA management staff hold feedback sessions with their employees at least once a year to discuss their development to date and their current and future needs, as well as to consider other potential avenues and measures. This performance assessment process has been rolled out globally and helps to establish a Group-wide feedback culture. In the current reporting period, at least one performance review was conducted at HELLA for almost all employees at a certain level of seniority.

Training: The aim of HELLA's training programmes is to build and develop employees' knowledge and expertise to ensure that they have the right qualifications for their roles. An extensive range of training measures is provided in face-to-face seminars and workshops – and, increasingly, in virtual webinar formats. Training sessions specific to an employee's skills and role are assigned and tracked across the Group via the My Talent Compass platform. For example, occupational safety training courses, webinars on the Code of Conduct and various subject-specific training sessions were held during the reporting period. Tests taken at the end of each training course ensure that employees have understood the course contents and have succeeded in implementing their new skills in their everyday work.

In fiscal year 2019/2020, each HELLA employee (white collar) completed 13.4 hours of training on average.

HELLA focuses heavily on training and developing managers who are responsible for people, as they have a significant influence on the working environment of their team members. For this reason, new and future managers are provided with a tailored training programme to prepare them for their leadership roles. Known as the Global Leadership Academy, it combines formal training on aspects such as labour law and HELLA's processes with training sessions that focus on personality-oriented skills.

Talent management: HELLA manages an annual talent review process for around 14,000 employees worldwide, with the aim of building a talent pool and identifying employees with high potential. As part of this, managers assess the potential and performance of their staff. In this context, aspects including international mobility, nominations for special talent programmes or promotions and transfers to other areas are assessed and corresponding development measures are defined. Fair assessment and comparability are ensured by means of talent conferences at various management levels, extending right up to the Management Board.

Compliance

Compliance – which refers to acting with integrity and according to regulations – is the foundation of business operations at HELLA and is vital for ensuring long-term success. Responsible corporate governance is the benchmark for the conduct of the Management Board and every employee at HELLA. Because of this, the Company expects all staff to comply with all applicable laws and internal regulations and to lead by example, both when working with each other and when working with various stakeholders. The seven HELLA values (looking ahead with entrepreneurial spirit; working together effectively; ensuring sustainability; delivering top performance; striving toward innovation; doing business with integrity; setting an example) and the Code of Conduct are mandatory for all HELLA employees across the Company's locations worldwide. They describe how compliance with regulations and acting with integrity are indispensable guidelines for employees' actions day to day. The objective is to effectively incorporate acting with integrity into the

Company's business processes in order to ensure that all employees adhere to all applicable rules and regulations.

As a means of systematically preventing misconduct, HELLA has established a Group-wide compliance organisation with a central Compliance Office. The Chief Compliance Officer reports directly to the President and CEO. The Management Board and Audit Committee of the Supervisory Board are kept informed on a regular basis.

The Company-wide compliance guideline defines the HELLA compliance management system in accordance with auditing standard IDW PS 980. It aims to effectively incorporate compliance into the Company and to ensure that all employees adhere to all applicable rules and regulations.

The Corporate Compliance Office is responsible for the HELLA compliance management system as well as the compliance-related topics of corruption prevention and antitrust law. The other compliance-related topics defined in the compliance guideline – product safety, data protection, export control/customs, occupational health and safety, environmental protection, information security, employment law/ social standards, fraud prevention, accounting, taxes, corporate security, anti-money laundering and capital market law – are the responsibility of the relevant specialist compliance divisions. Under the leadership of the Compliance Office, the heads of these specialist divisions regularly discuss cross-divisional issues and best practices, and develop joint initiatives. Further information on the compliance organisation is available in the Group management report.

HELLA consistently keeps the compliance management system up to date and adapts it to changes in the market environment and legal conditions as required. HELLA also carries out risk analyses and uses this process to make further improvements to the management system.

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

Numerous measures are in place to further promote compliance at HELLA and to increase awareness of the importance of compliant behaviour. For example, in the reporting period, HELLA approved the "Corruption prevention" and "Gifts & invitations" directives plus supplementary documents and communicated these across the Group. Group-wide face-to-face training and webinars were offered to selected target groups to provide them with in-depth knowledge of the two directives.

To further enhance employee awareness, HELLA created the new "Code of Conduct and compliance fundamentals" e-learning module in the past fiscal year. It focuses on case studies featuring everyday situations where employees encounter compliance-related issues and challenges relating to matters such as anti-discrimination, conflicts of interest and handling confidential information. The new e-learning module will be available in eight languages and will be rolled out across the Group over the course of fiscal year 2020/2021. To date, the web-based training series on the Code of Conduct and compliance fundamentals has successfully been completed by over 20,200 current HELLA employees around the world, with around 2,000 employees completing it in fiscal year 2019/2020.

Social standards in the supply chain

As an international Group, HELLA attaches great importance to compliance with social and environmental standards in its own supply chain. The Company therefore cultivates responsible supplier relationships to ensure a reliable supply of goods and services at competitive prices while taking social and ecological standards into account. How suppliers are selected and partnerships are formed are important factors for success in this context. HELLA's global purchasing network comprises more than 20,000 suppliers. A large number of these suppliers come from countries with OECD standards.

The central Purchasing department is responsible for defining and reviewing global standards relating to procurement management at HELLA, as well as quality, environmental and social standards. The Management Board is involved by means of escalation models. The requirements defined in the HELLA Code of Conduct for suppliers and service providers serve as a key management instrument in this context. This Code of Conduct contains the minimum requirements regarding social and environmental standards, working on the basis of international conventions such as the UN Global Compact and conventions from the International Labour Organization (ILO). Requirements including respect for human rights, occupational health and safety, environmental protection and ethical business conduct are established in the Code of Conduct. It also addresses the explicit prohibition of child labour, forced labour, slavery and discrimination in all its forms. The Code of Conduct is mandatory for suppliers worldwide and forms part of the general terms of delivery at HELLA. Suppliers must also ensure that the standards are upheld in their supply chains.

One area of focus in the Code of Conduct is on the responsible procurement of raw materials in order to avoid conflict minerals. HELLA requires strategic suppliers affected by this to carry out conflict minerals reporting in accordance with the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative and makes the summary available to its own customers on request.

The central Purchasing Quality department regularly conducts self-assessments and on-site audits of strategic suppliers[9] of production materials to ensure that quality requirements are being met. In addition, risk-based assessments of the Code of Conduct for suppliers have been piloted in the reporting periode in order to evaluate sustainability. The risk-based selection is based on the Country Sustainability Ratings of the sustainability investment specialists RobecoSAM.

If deficits are identified as part of the sustainability assessment, HELLA works together with the supplier concerned to create action plans and appropriate remedial measures. This ensures that expectations are met within an appropriate time frame. HELLA reserves the right to terminate the relationship with the supplier in question if serious infringements persist. HELLA intends to continue its due diligence activities in the supply chain during the coming fiscal year.

9 Strategic suppliers represent 80% of the total purchasing volume of production materials at HELLA.

Audit report for the non-financial reporting

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING[1]

To HELLA GmbH & Co. KGaA, Lippstadt

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of HELLA GmbH & Co. KGaA, Lippstadt, (hereinafter the "Company") for the period from 01 June 2019 to 31 May 2020 (hereinafter the "Non-financial Report").

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

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

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

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

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

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

PRACTITIONER´S RESPONSIBILITY

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

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

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 June 2019 to 31 May 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

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

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

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

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

ASSURANCE CONCLUSION

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 01 June 2019 to 31 May 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

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

Frankfurt am Main, 31 July 2020

PRICEWATERHOUSECOOPERS GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Nicolette Behncke **ppa. Meike Beenken**
Wirtschaftsprüferin
[German public auditor]

Report by the Supervisory Board

REPORT BY THE SUPERVISORY BOARD

Ladies and Gentlemen,

In fiscal year 2019/2020, the Supervisory Board closely followed the situation and development of HELLA GmbH & Co. KGaA. The Supervisory Board performed the tasks incumbent upon it as provided for by applicable law and the articles of association, and advised and supervised the Management Board.

WORK WITH THE MANAGEMENT BOARD

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

FOCUS OF CONSULTATIONS OF THE SUPERVISORY BOARD

In fiscal year 2019/2020, the Supervisory Board held four ordinary meetings, one of which took the form of a conference call, plus two extraordinary meetings in the form of conference calls. The ordinary meetings were held on 8 August 2019, 29 October 2019, 22 January 2020 and 28 May 2020. The extraordinary meetings were held on 30 March 2020 and 28 April 2020. Following the appointment of its employee representatives and shareholder representatives, the Supervisory Board also convened for its inaugural meeting in this format on 27 September 2019. The Supervisory Board meetings had an average attendance rate of 95%, while the meetings of the Audit Committee and Nomination Committee each had an attendance rate of 100%. Claudia Owen, Christoph Thomas and Manuel Rodriguez-Cameselle were each unable to participate in one meeting of the Supervisory Board. Manfred Menningen couldn't attend three of the meetings. Otherwise, all of the meetings were attended by all the other members.

At the meeting on 8 August 2019, the annual financial statements of HELLA GmbH & Co. KGaA and of the Group as well as the non-financial report of HELLA GmbH & Co. KGaA for fiscal year 2018/2019 were presented and discussed in depth. Based on the initial review by the Audit Committee, the Supervisory Board approved both financial statements and the non-financial report. It also endorsed the proposal of the General Partner for the appropriation of distributable profits. In addition, it addressed the report on the Supervisory Board's activities and it discussed and adopted the proposed resolutions for the Annual General Meeting on 27 September 2019. Furthermore, the current business situation was presented by the Management Board.

The Chairman and Deputy Chairman of the Supervisory Board were appointed during the inaugural meeting of the Supervisory Board in its new format on 27 September 2019.

The Management Board presented a report to the Supervisory Board at the meeting held on 29 October 2019, starting with an update on the status and strategy of HELLA's Aftermarket business at that time. The Management Board then provided insights into how the business activities of both the business segments and the Group as a whole were currently developing. The members of the Nomination Committee and the Audit Committee of the Supervisory Board were also appointed during this meeting. In the same context, the Supervisory Board approved a new version of its rules of procedure and an updated declaration of conformity pursuant to the German Corporate Governance Code, in line with Section 161 of the German Stock Corporation Act (AktG). Prior to the meeting, on that same day the Supervisory Board members had participated in a training session on the subject of corporate governance at HELLA GmbH & Co. KGaA and the requirements that have to be met by members of bodies.

The main topic of the meeting on 22 January 2020 was the current financial situation of the Company. The Management Board also presented the strategic course that the HELLA Group was aiming to pursue, and the Supervisory Board addressed the subject of business transactions with related parties in accordance with Sections 111a ff. AktG, which were introduced on 1 January 2020.

In the extraordinary meetings on 30 March 2020 and 28 April 2020, the Supervisory Board and Management Board discussed the Company's present situation and heard extensive reports on the subjects of crisis management and the measures that the Company had introduced in the wake of the global Covid-19 pandemic. The meetings focused heavily on the Company's liquidity management strategy, working on the basis of projected scenarios. From the first half of March 2020 onwards, the Supervisory Board also received weekly Management Board reports on the Company's current situation and the impact of the Covid-19 pandemic. During the extraordinary meeting on 28 April 2020, the Supervisory Board decided to hold this year's Annual General Meeting in a virtual format that would eliminate the need for shareholders to be physically present. It made this decision in line with the position adopted by the Management Board and the Shareholder Committee.

At the meeting on 28 May 2020, the Supervisory Board once again addressed the Group's financial situation and the impact of the Covid-19 pandemic on the basis of in-depth reports from the Management Board. It also heard a report on the plans being drawn up for the business with a view to fiscal year 2020/2021. In the light of the changes to the German Corporate Governance Code, the Supervisory Board approved a revised version of the aims established for the composition of the Supervisory Board and the independence of Supervisory Board members. The Supervisory Board reviewed and confirmed the independence of Dr. Thomas B. Paul, who is a partner in a law firm that advises HELLA GmbH & Co. KGaA on various legal matters. Finally, the annual declaration of conformity pursuant to the German Corporate Governance Code, in line with Section 161 AktG, was adopted and subsequently published on the Company's website at **WWW.HELLA.COM/DECLARATIONOFCONFORMITY**.

WORK OF THE COMMITTEES

The Supervisory Board has established an Audit Committee that is responsible for the initial review of the annual financial statements, the consolidated financial statements, the management reports, the proposal for the appropriation of profits and the non-financial reporting. The Audit Committee decides on the agreements with the auditor, in particular the audit assignment, the determination of the main points of the audit, and the fee agreement. The Audit Committee also deals with the monitoring duties prescribed by Section 107 (3) sentence 2 AktG. Since their appointment on 29 October 2019, the members of the Audit Committee have been Klaus Kühn (Chairman), Paul Hellmann, Manfred Menningen and Dr. Thomas B. Paul. Professor Dr. Michael Hoffmann-Becking and Heinrich-Georg Bölter served as members until 27 September 2019, acting alongside Klaus Kühn and Manfred Menningen.

The Audit Committee convened four times in fiscal year 2019/2020: on 6 August 2019, 25 September 2019, 13 January 2020 and 1 April 2020. Representatives of the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, also took part in the meetings.

At the meeting on 6 August 2019, the Committee examined the initial review of the annual financial statements and the consolidated financial statements as at 31 May 2019, as well as the management reports, the proposal for the appropriation of profits and the non-financial report for fiscal year 2018/2019. Furthermore, the Committee received an overview of the resolutions for the Annual General Meeting, which were due to be addressed during the Supervisory Board meeting on 8 August 2019. As well as this, the annual reports from Auditing, Risk Management and Compliance Management were presented and discussed by the representatives for the Group functions. Finally, the Committee heard a report on plans for refinancing the corporate bond that had expired in January 2020.

At the meeting on 25 September 2019, the Audit Committee examined the three-month financial statement for fiscal year 2019/2020. It also heard a presentation on developments in the global network of HELLA Corporate Centers, with a focus on strengthening the provision of shared services at a single administrative location.

At the meeting on 13 January 2019, the Management Board presented the half-year financial report for fiscal year 2019/2020. In talks with the auditor, the Audit Committee defined the auditing priorities for fiscal year 2019/2020. The agreement with the auditor for the review of the annual financial statements for fiscal year 2019/2020 was discussed and the decision was made to commission PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft accordingly. Further topics of discussion at the meeting were the six-month reports by Auditing, Risk Management and Compliance Management.

The nine-month financial statement for fiscal year 2019/2020 was discussed at the meeting on 1 April 2020. The discussions also addressed methodological approaches to calculating project costs in the Automotive segment, and the status of implementing a supply chain financing programme. Further to this, the Audit Committee approved the annual auditing plan presented by Auditing for fiscal year 2020/2021. Finally, the implications of the Covid-19 crisis were discussed with the auditor, with certain areas of focus for auditing activities drawn out and given particular attention.

Outside the regular meetings, the Audit Committee granted the contract for auditing (limited assurance) the non-financial report for fiscal year 2019/2020 to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

Consisting of Professor Dr. Michael Hoffmann-Becking and Elisabeth Fries, the Nomination Committee met once in fiscal year 2019/2020, on 30 July 2019. This meeting was held by phone and discussed the Supervisory Board's proposal to appoint shareholder representatives as members during the 2019 Annual General Meeting.

Since 29 October 2019, the members of the Nomination Committee have been Klaus Kühn and Claudia Owen.

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

On 27 September 2019, the Annual General Meeting appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as auditor both for the annual financial statements and for the consolidated financial statements for fiscal year 2019/2020. The annual financial statements and the management report of HELLA GmbH & Co. KGaA for fiscal year 2019/2020 were prepared by the General Partner in accordance with the provisions applicable under the German Commercial Code (Handelsgesetzbuch, "HGB"); the consolidated financial statements and the Group management report were prepared in accordance with the International Financial Reporting Standards (IFRS) as they apply in the European Union, and in accordance with the additional commercial law provisions as they apply under Section 315a HGB. The two financial statements, including the combined management report, were audited by auditor PwC, which issued an unqualified auditors' certificate for all documents. In addition, the non-financial report was created for HELLA GmbH & Co. KGaA and the Group for fiscal year 2019/2020. This was reviewed by PwC on behalf of the Supervisory Board.

The Audit Committee of the Supervisory Board thoroughly reviewed the annual financial statements at its meeting on 10 August 2020. The representatives of the auditor, present at the meeting of the Audit Committee, reported on the result of their audits and gave additional information. In the course of its audit, the auditor did not find any material shortcomings in respect of the organisation and effectiveness of the internal control and risk management system. In addition, the Audit Committee discussed the initial review of the non-financial reporting. The audit report regarding non-financial reporting has been presented in this context and discussed in detail.

Based on the preparatory initial review by its Audit Committee, the Supervisory Board, for its part, also reviewed the annual financial statements and the management report of HELLA GmbH & Co. KGaA, as well as the consolidated financial statements, the Group management report and separate non-financial reporting for fiscal year 2019/2020.

Given the final result of the Supervisory Board's review, there are no objections to be raised against the annual financial statements, the consolidated financial statements or the non-financial reporting. At its meeting on 12 August 2020, which was also attended by the representatives of the auditor, the Supervisory Board approved the annual financial statements, the consolidated financial statements and the separate non-financial reporting, and endorsed the proposal of the General Partner for the appropriation of distributable profits.

APPOINTMENT OF SUPERVISORY BOARD

During the first half of fiscal year 2019/2020, all the Supervisory Board members who had been elected by the shareholders and employees reached the end of their terms of office. A new election was therefore held among employees and shareholders in September 2019.

Professor Dr. Michael Hoffmann-Becking, Alfons Eilers, Manuel Frenzel, Elisabeth Fries, Manuel Rodriguez-Cameselle, Marco Schweizer and Dr. Konstanze Thämer all stepped down from their roles on the HELLA GmbH & Co. KGaA Supervisory Board during the election process. The Supervisory Board expressed its gratitude and appreciation to them for their many years of dedication.

Dr. Dietrich Hueck, Dr. Tobias Hueck, Dr. Thomas B. Paul and Charlotte Sötje were appointed to the Supervisory Board as new representatives of the limited liability shareholders at the Annual General Meeting on 27 September 2019. The remaining shareholder representatives were re-elected.

Prior to this, on 2 September 2019, the delegates' meeting had appointed Britta Peter, Paul Hellmann and Franz-Josef Schütte to act as new employee representatives on the Supervisory Board. The remaining employee representatives were reappointed to their roles.

Each appointment was made with effect from the end of the Annual General Meeting on 27 September 2019 and will continue until the end of the Annual General Meeting that releases Supervisory Board members from their duties after they have served four fiscal years in office. This term of office does not count the fiscal year in which it begins.

Professor Dr. Michael Hoffmann-Becking acted as Chairman of the Supervisory Board until his role ended at the conclusion of the Annual General Meeting on 27 September 2019. Klaus Kühn was appointed as the new Chairman of the Supervisory Board during the inaugural meeting of the Supervisory Board in its new format on 27 September 2019.

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 achievements in fiscal year 2019/2020.

Lippstadt, 12 August 2020

On behalf of the Supervisory Board

Klaus Kühn

Consolidated financial statements of HELLA GmbH & Co. KGaA

FISCAL YEAR 2019/2020

CONSOLIDATED NOTES

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTES TO THE STATEMENT OF FINANCIAL POSITION

OTHER NOTES

Consolidated income statement

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

€ thousand	Notes	2019/2020	2018/2019
Sales	09	**5,829,416**	**6,989,981**
Cost of sales	10	-4,490,912	-5,175,810
Gross profit		**1,338,505**	**1,814,171**
Research and development expenses	11	-622,696	-610,730
Distribution expenses	12	-353,382	-475,351
Administrative expenses	13	-219,764	-256,550
Impairment loss	22	-532,620	0
Other income and expenses	14	34,537	285,949
Earnings from investments accounted for using the equity method	31	14,347	50,967
Other income from investments		-1,933	-913
Earnings before interest and taxes (EBIT)		**-343,007**	**807,543**
Financial income	15	18,193	23,169
Financial expenses	15	-57,219	-64,498
Net financial result	15	**-39,026**	**-41,329**
Earnings before income taxes (EBT)		**-382,033**	**766,213**
Income taxes	16	-49,633	-135,803
Earnings for the period		**-431,666**	**630,410**
of which attributable:			
to the owners of the parent company		-431,012	629,995
to non-controlling interests		-654	415
Basic earnings per share in €	18	**-3.88**	**5.67**
Diluted earnings per share in €	18	**-3.88**	**5.67**

Consolidated statement of comprehensive income

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

€ thousand	2019/2020	2018/2019
Earnings for the period	**-431,666**	**630,410**
Currency translation differences	-36,486	-16,577
Changes recognised in equity	-34,078	-18,043
Profits (-) / losses (+) reclassified to profit or loss	-2,409	1,466
Financial instruments for cash flow hedging	-2,326	-1,197
Changes recognised in equity	-10,158	13,620
Profits (-) / losses (+) reclassified to profit or loss	7,832	-14,817
Change in fair value of debt capital instruments held	-5,110	3,557
Changes recognised in equity	-3,167	3,033
Profits (-) / losses (+) reclassified to profit or loss	-1,943	524
Share of other comprehensive income attributable to associates and joint ventures	-5,175	-5,755
Items that were or can be transferred to profit or loss	**-43,922**	**-14,218**
Remeasurements of defined benefit plans	-11,288	-38,187
Share of other comprehensive income attributable to associates and joint ventures	-644	-662
Items never transferred to profit or loss	**-11,288**	**-38,187**
Other earnings for the period	**-55,210**	**-52,403**
Comprehensive income for the period	**-486,876**	**578,006**
of which attributable:		
to the owners of the parent company	-485,831	577,902
to non-controlling interests	-1,045	105

Consolidated statement of financial position

of HELLA GmbH & Co. KGaA as at 31 May

€ thousand	**Notes**	**31 May 2020**	31 May 2019**
Cash and cash equivalents	23	1,202,794	876,763
Financial assets	24	445,631	557,131
Trade receivables	25	596,356	1,065,804
Other receivables and non-financial assets	26	206,774	207,838
Inventories	27	881,524	810,277
Current tax assets		70,075	37,326
Contract assets	28	18,284	13,764
Assets held for sale	29	0	27,838
Current assets		**3,421,438**	**3,596,742**
Intangible assets	30	252,186	383,494
Property, plant and equipment	31	1,593,425	1,941,659
Financial assets	24	51,867	43,105
Investments accounted for using the equity method	32	176,744	273,347
Deferred tax assets	33	81,511	95,241
Contract assets	28	55,046	22,180
Other non-current assets	34	60,554	53,861
Non-current assets		**2,271,334**	**2,812,887**
Assets		**5,692,771**	**6,409,629**
Financial liabilities	38	503,673	582,060
Trade payables	35	601,793	796,644
Current tax liabilities		40,684	44,389
Other liabilities	36	372,679	422,754
Provisions	37	129,063	131,862
Contract obligations	28	111,858	132,141
Current liabilities		**1,759,750**	**2,109,851**
Financial liabilities	38	1,284,562	786,102
Deferred tax liabilities	33	14,775	37,874
Other liabilities	36	95,913	100,601
Provisions	37	431,100	406,710
Non-current liabilities		**1,826,350**	**1,331,287**
Subscribed capital	39	222,222	222,222
Reserves and unappropriated surplus	39	1,883,270	2,743,660
Equity before non-controlling interests	**39**	**2,105,492**	**2,965,882**
Non-controlling interests	39	1,180	2,609
Equity		**2,106,672**	**2,968,491**
Equity and liabilities		**5,692,771**	**6,409,629**

The prior-year figures were adjusted in line with the term of the contract assets. Please refer to chapter 28 for further information.

Consolidated cash flow statement

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

	€ thousand	2019/2020	2018/2019
	Earnings before income taxes (EBT)	**-382,033**	**766,213**
+	Depreciation and amortisation	918,580	383,237
+	Change in provisions	4,715	1,310
+/-	Other non-cash income/expenses	9,834	-312,673
+/-	Profits / losses from the sale of property, plant and equipment and intangible assets	765	-5,102
+	Net financial result	39,026	41,329
+/-	Increase/decrease in trade receivables and other assets not attributable to investing or financing activities	405,287	-78,148
-	Increase in inventories	-99,219	-20,209
-/+	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	-219,884	74,828
+	Tax refunds received	3,491	19,619
-	Taxes paid	-91,492	-154,207
+	Dividends received	46,735	42,759
=	**Net cash flow from operating activities**	**635,804**	**758,956**
+	Cash receipts from the sale of property, plant and equipment	27,177	21,643
+	Cash receipts from the sale of intangible assets	14,940	4,902
-	Payments for the purchase of property, plant and equipment	-406,991	-439,294
-	Payments for the purchase of intangible assets	-66,009	-137,797
+	Cash receipts from the sale of subsidiaries, less cash and cash equivalents	7,294	348,056
+	Repayment from loans in connection with the sale of subsidiaries	0	44,331
+	Repayments from loans granted to investments	3,126	6,021
-	Payments for loans granted to investments	-33	-3,423
-	Payments for capital contributions to associated companies, joint ventures and unconsolidated companies	-9,041	-5,377
+	Cash proceeds from the sale of associate investments	41,031	0
-	Payments for the acquisition of subsidiaries, less cash and cash equivalents received	-548	0
+/-	Net payments for the purchase and sale of securities	99,959	-211,693
=	**Net cash flow from investing activities**	**-289,096**	**-372,633**
+	Payments received from the issuance of a bond	498,515	0
-	Repayment of a bond	-500,000	0
-	Payments for the repayment of financial liabilities	-61,882	-53,020
+	Cash receipts from changes in financial liabilities	449,992	1,560
+	Interest received	10,411	12,971
-	Interest paid	-37,876	-41,485
-	Dividends paid	-372,453	-117,500
=	**Net cash flow from financing activities**	**-13,293**	**-197,475**
=	**Net change in cash and cash equivalents**	**333,415**	**188,848**
+	Cash and cash equivalents as at 1 June	876,763	688,187
-	Effect of exchange rate changes on cash and cash equivalents	-7,384	-272
=	**Cash and cash equivalents as at 31 May**	**1,202,794**	**876,763**

Please refer to chapter 40 for further information.

Consolidated statement of changes in equity

of HELLA GmbH & Co. KGaA

€ thousand	Subscribed capital	Capital reserve	Reserve for currency translation differences	Reserve for financial instruments for cash flow hedging	Reserve for available-for-sale financial instruments
As at: 31 May 2018	**222,222**	**250,234**	**-37,925**	**-63,275**	**6,617**
Effects from the first-time application of IFRS 9 and IFRS 15	**0**	**0**	**0**	**0**	**-6,617**
As at: 1 June 2018 adjusted	**222,222**	**250,234**	**-37,925**	**-63,275**	**0**
Earnings for the period	0	0	0	0	0
Other earnings for the period	0	0	-16,272	-1,197	0
Comprehensive income for the period	**0**	**0**	**-16,272**	**-1,197**	**0**
Distributions to shareholders	0	0	0	0	0
Disposal of non-controlling interests	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**	**0**
As at: 31 May 2018	**222,222**	**250,234**	**-54,197**	**-64,471**	**0**
As at: 1 June 2019	**222,222**	**250,234**	**-54,197**	**-64,471**	**0**
Earnings for the period	0	0	0	0	0
Other earnings for the period	0	0	-36,099	-2,326	0
Comprehensive income for the period	**0**	**0**	**-36,899**	**-2,326**	**0**
Distributions to shareholders	0	0	0	0	0
Disposal of non-controlling interests	0	0	-2,405	0	0
Transactions with shareholders	**0**	**0**	**-2,405**	**0**	**0**
As at: 31 May 2020	**222,222**	**250,234**	**-92,701**	**-66,797**	**0**

See also Chapter 39 for notes on equity.

Reserve for debt capital instruments	Remeasurements of defined benefit plans	Other retained earnings/profit carried forward	**Reserves and unappropriated surplus**	**Equity before non-controlling interests**	Non-controlling interests	**Equity**
0	**-66,330**	**2,162,834**	**2,252,155**	**2,474,377**	**3,888**	**2,478,265**
317	**0**	**36,569**	**30,270**	**30,270**	**0**	**30,270**
317	**-66,330**	**2,199,403**	**2,282,425**	**2,504,647**	**3,888**	**2,508,535**
0	0	629,995	629,995	629,995	415	630,410
3,557	-38,182	0	-52,093	-52,093	-310	-52,403
3,557	**-38,182**	**629,995**	**577,902**	**577,902**	**105**	**578,006**
0	0	-116,667	-116,667	-116,667	-834	-117,500
0	0	0	0	0	-550	-550
0	**0**	**-116,667**	**-116,667**	**-116,667**	**-1,384**	**-118,050**
3,874	**-104,511**	**2,712,732**	**2,743,660**	**2,965,882**	**2,609**	**2,968,491**
3,874	**-104,511**	**2,712,732**	**2,743,660**	**2,965,882**	**2,609**	**2,968,491**
0	0	-431,012	-431,012	-431,012	-654	-431,666
-5,110	-11,284	0	-54,819	-54,819	-391	-55,210
-5,110	**-11,284**	**-431,012**	**-485,831**	**-485,831**	**-1,045**	**-486,876**
0	0	-372,222	-372,222	-372,222	-231	-372,453
0	0	68	-2,337	-2,337	-153	-2,490
0	**0**	**-372,154**	**-374,559**	**-374,559**	**-384**	**-374,943**
-1,236	**-115,796**	**1,909,565**	**1,883,270**	**2,105,492**	**1,180**	**2,106,672**

See also Chapter 39 for notes on equity.

01 Basic information

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

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

The consolidated financial statements of HELLA GmbH & Co. KGaA for the fiscal year 2019/2020 (1 June 2019 to 31 May 2020) were prepared in accordance with all IFRS and IAS standards subject to mandatory application for the period as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), as adopted by the EU. The consolidated financial statements are accompanied by a Group management report and the additional disclosures required by Section 315e of the German Commercial Code (Handelsgesetzbuch – HGB). The comparative values of the prior year have been determined according to the same principles. The consolidated financial statements are prepared in euros (€). Amounts are stated in thousands of euros (€ thousand).

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

The Management Board released the consolidated financial statements for submission to the Supervisory Board on 30 July 2020. 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 11 August 2020.

02 Scope of consolidation

In addition to HELLA GmbH & Co. KGaA, all significant domestic and foreign subsidiaries that are directly or indirectly controlled by HELLA are consolidated. The decrease in the number of subsidiaries was largely attributable to the sale of Hella-Phil. Inc. and Hella (Xiamen) Automotive Electronics Co. Ltd. More information is available in Notes 14, 39 and 40. Associates and joint ventures are included in the consolidated financial statements using the equity method of accounting. The number of associates and joint ventures has changed due to divestments and closures.

Number	**31 May 2020**	31 May 2019
Fully consolidated companies	85	87
Companies accounted for using the equity method	47	54

All of the shares in Pyramics GmbH were acquired for a purchase price of € 1,201 thousand on 23 September 2019, so that control is now obtained. Effective on 31 December 2019, the enterprise was integrated into HELLA Aglaia Mobile Vision GmbH.

The company, with its registered office in Berlin, Germany, provided technologies for monocamera systems for person counting. The HELLA Group thus added more deep learning applications to its technology portfolio. The start-up Pyramics developed a sensor for a monocamera system that can be used to determine the age, gender and behaviour of people in stores or at events. Artificial intelligence allows images to be analysed accurately and anonymously.

The most important subsidiaries are set out below:

			Share of equity (%)	
Company	Country	City	**31 May 2020**	31 May 2019
HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100	100
HELLA Fahrzeugkomponenten GmbH	Germany	Bremen	100	100
HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100	100
HELLA Romania s.r.l.	Romania	Ghiroda-Timișoara	100	100
HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kočovce	100	100
HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100	100
HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100	100
HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100	100
HELLA Electronics Corporation	USA	Plymouth, MI	100	100
Jiaxing HELLA Lighting Co., Ltd.	China	Jiaxing	100	100

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

The fair values of the acquired identifiable assets primarily consisted of intangible assets from development results amounting to € 2,217 thousand. Cash amounting to € 6 thousand, receivables worth € 18 thousand and other assets worth € 45 thousand were also acquired. Financial liabilities amounting to € 24 thousand were also acquired (at the time of the business combination).

Trade receivables did not include any impairments resulting from unrecoverable receivables. The acquired subsidiary contributed € 4 thousand to consolidated sales and impacted earnings for the period with € -222 thousand. If the business had been acquired at the beginning of the fiscal year, the Group would have reported sales of € 48 thousand and a loss of € 220 thousand for Pyramics as of 31 May 2020.

03 Principles of consolidation

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

BUSINESS COMBINATIONS

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

NON-CONTROLLING INTERESTS

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

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

SUBSIDIARIES

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

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

INTRA-GROUP TRANSACTIONS

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

04 Currency translation

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

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

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

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

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

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

TRANSACTIONS AND OUTSTANDING BALANCES

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

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

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

	Average		Reporting date	
	2019/2020	2018/2019	**31 May 2020**	31 May 2019
€ 1 = US-Dollars	1.1058	1.1440	1.1136	1.1151
€ 1 = Czech koruna	25.9036	25.7525	26.9210	25.8160
€ 1 = Japanese yen	119.6121	127.2595	119.2900	121.2700
€ 1 = Mexican peso	22.3738	22.1562	24.5580	21.8922
€ 1 = Chinese renminbi	7.7571	7.7653	7.8804	7.7045
€ 1 = South Korean won	1318.581	1,291.1452	1363.7600	1,328.3100
€ 1 = Romanian leu	4.7740	4.6921	4.8493	4.7430
€ 1 = Indian rupee	79.5342	80.5358	83.4635	77.7410

05 New accounting standards

THE GROUP HAS APPLIED THE FOLLOWING AMENDMENTS WHICH WERE ENDORSED BY THE EU AS EUROPEAN LAW FOR THE FIRST TIME IN FISCAL YEAR 2019/2020:

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 "Employee Benefits" specify how a company accounts for plan amendments, curtailments or settlements. The net defined benefit liability (asset) must be remeasured in cases of plan amendment, curtailment or settlement based on current actuarial assumptions so that the past service cost and net interest for the period after a plan amendment, curtailment or settlement are also determined on the basis of the updated actuarial assumptions. The net interest for the period after a plan amendment, curtailment or settlement must be measured based on the net defined benefit liability (asset). There was no impact on the consolidated financial statements.

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

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

IFRIC 23: Uncertainty over Income Tax Treatments

On 7 June 2017, the IFRS Interpretations Committee published interpretation IFRIC 23, "Uncertainty over Income Tax Treatments", which clarifies the accounting for uncertainties in income taxes with regard to current and deferred tax assets and liabilities. Such uncertainties in income taxes arise if the application of the tax law on a specific translation is uncertain and is therefore dependent on its interpretation by the relevant tax authority as well as a binding, judicial interpretation, which is not known to the entity at the time the consolidated financial statements are prepared. An entity takes these uncertainties into account in the taxable profit (tax loss) only if it is probable that the relevant tax amounts will be realised. The companies of the HELLA Group located in Germany and other countries are subject to continuous monitoring by the tax authorities through the submission of tax returns and subsequent tax audits. Changes in legislation and jurisdiction as well as uncertainty regarding the acceptance of income taxes by the tax authorities may result in tax assets or liabilities recognised in the balance sheet which deviate from the estimate made in the financial statements. In the event of uncertainty regarding income taxes on taxable profits/tax losses, tax valuation basis, unused loss carryforwards or tax credits as well as tax rates, HELLA decides on a case-by-case basis whether the uncertain tax treatment in question is to be considered separately or together with one or more other uncertain tax treatments. If it is deemed improbable that a tax authority will accept an uncertain tax treatment, HELLA reflects the effects of the uncertainty by means of the most likely amount as income tax provision. When assessing uncertainties in income taxes, HELLA assumes that the relevant tax authority will examine all amounts which it is authorised to audit and that it disposes of all relevant information for auditing.

The operations of the HELLA Group and its international focus result in uncertainties in income taxes for intra-Group and cross-border transactions. HELLA counters this issue and the associated tax risks with a transparent transfer pricing policy, taking into account country-specific regulations and laws and internationally recognised standards. A global, intra-Group transfer pricing network coordinates the implementation and ongoing development of existing guidelines, regulations and processes.

HELLA acknowledges uncertainties regarding the impairment of deferred taxes by only recognising deferred tax assets from deductible temporary differences and tax loss carryforwards to the extent that these exceed taxable temporary differences and there is sufficient probability that the tax forecast will address uncertainties regarding the realisation of future taxable income.

Improvements to IFRS 2015–2017

Amendments have been made to three standards as part of the annual improvement project. Adjustments to the wording of individual IFRSs serve the purpose of clarifying the existing guidance. This also affects the standards IFRS 3 "Business Combinations", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. This type of transaction is a successive acquisition of shares. IFRS 11 "Joint Agreements" is affected in that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. This transaction is comparable to an investment in an associate that becomes an equity stake in a joint venture and vice versa. The amendment to IAS 12 "Income Taxes" clarifies that the income tax consequences of dividend payments from financial instruments that are classified as equity must be recognised where the past transactions and events that generated distributable profits were recognised. The amendments to IAS 23 "Borrowing Costs" clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. There was no impact on the consolidated financial statements.

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

Changes to the Conceptual Framework

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

Amendments to IAS 1 and IAS 8:

Definition of Material

The amendments to IAS 1 and IAS 8 "Definition of Material (Amendments to IAS 1 and IAS 8)" clarify the definition of 'material' and align the definition used in the IFRS conceptual framework and the IFRS standards themselves. To avoid duplication of the definition of 'material' in IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the definition will only be contained in IAS 1 in future. The changes are not associated with a change in the substance of the concept of materiality. These amendments and subsequent amendments to other standards and publications are subject to mandatory application for fiscal years starting on or after 1 January 2020. The amendments are not expected to have material impacts on future consolidated financial statements of the HELLA Group.

Amendments to IFRS 3:

Definition of a Business

The amendments to IFRS 3 "Definition of a Business (Amendments to IFRS 3)" pertain to modifications of the definition, application guidance and examples of IFRS 3 "Business Combinations" and clarify the definition of a business with the goal of making it easier to identify whether a transaction should be recognised as a business combination or as an acquisition of assets. To be considered a business, an acquisition of activities and assets would have to include inputs and a substantive process that together significantly contribute to the ability to create outputs. The modifications include explanatory examples to help identify whether a substantive process was acquired. An optional concentration test was added as well. The test provides a simplified way to assess whether the acquisition constitutes a business. If substantially all of the fair value of the acquired gross assets is concentrated in an asset or a group of similar assets, the assumption is made that a business was not acquired. The amendments are required to be applied to acquisition transactions with an acquisition date on or after 1 January 2020. The amendments are not expected to have material impacts on future consolidated financial statements of the HELLA Group.

IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7

"Financial Instruments: Disclosures":

Interest rate benchmark reform

The IASB announcement on the interest rate benchmark reform of 26 September 2019 provides for amendments to the standards IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" as well as IFRS 7 "Financial Instruments: Disclosures". These amendments relate in particular to certain simplifications with regard to hedge accounting regulations in reporting periods prior to the replacement of an existing reference interest rate by an alternative rate and are mandatory for all hedging positions affected by the interest rate benchmark reform. Moreover, further disclosures are required on the extent to which the companies' hedging positions are affected by the amendments. The amendments are effective for reporting periods commencing on or after 1 January 2020. Material impact on the HELLA consolidated financial statements is not expected.

THE FOLLOWING NEW OR AMENDED IFRS HAVE NOT YET BEEN ENDORSED BY THE EU AS EUROPEAN LAW AND WILL NOT BE APPLICABLE UNTIL A LATER DATE:

The HELLA Group plans to apply the newly issued standards and amendments from the date of mandatory application subject to endorsement for application in the EU.

IAS 1: Presentation of Financial Statements

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 "Presentation of Financial Statements" to clarify that liabilities are classified as either current or non-current, depending on the rights that exist for the entity on the balance sheet date. Accordingly, the classification no longer refers to unconditional rights. Rather, liabilities are classified as non-current if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least 12 months after the balance sheet date. These amendments must be applied to fiscal years commencing on or after 1 January 2023, retrospectively.

IFRS 17: Insurance Contracts

On 18 May 2017, the IASB published IFRS 17 "Insurance Contracts". IFRS 17 sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The new standard supersedes the current IFRS 4 "Insurance Contracts". Under IFRS 4, reporting entities currently have the option to apply a large number of financial reporting practices that are heavily influenced by national accounting laws and regulations. The new standard will therefore result in a standard and credible presentation of the accounting of insurance contracts. The new standard must be applied to fiscal years commencing on or after 1 January 2023. The application of these amendments is not expected to have any impact on the consolidated financial statements.

06 Basis of preparation and accounting

REVENUE RECOGNITION

In accordance with IFRS 15, the HELLA Group recognises as revenue from contracts with customers the amount of consideration that it receives in exchange for transferring promised goods or services to a customer. The revenue is recognised when the customer, either at a point in time or over a period of time, obtains control of that good or service. In the case of the sale of goods, this generally applies when the goods have been delivered.

Five steps are applied to determine whether and in what amount revenue should be recognised. When applying the five steps to contracts with customers, the existing distinct performance obligations are identified. The transaction price for the customer contract is determined pursuant to IFRS 15. Variable amounts such as discounts, customer bonuses or other concessions are recognised during the year as sales deductions. Revenue is recognised in accordance with the allocated pro rata transaction price when and as the agreed performance obligation is satisfied or control is passed to the customer.

There is no significant financing component, as the average payment term agreed in the market is 60 days. A receivable is reported upon delivery of the goods, since at that point in time, claims for consideration are unconditional.

Income from the provision of services is recognised in accordance with the terms of the contract in question, provided the service has been rendered and expenses have arisen.

FUNCTIONAL COSTS

Cross-functional costs contained in the consolidated income statement are reported in accordance with internal reporting requirements. Operating expenses are always initially allocated to the functional division in which they are primarily incurred. If the functional division performs services for which the economic benefit arises in another functional area, such expenses are allocated on a pro rata basis to the functional division for which the services were performed.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share of earnings after tax attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share also take account of the shares that may have to be issued if options or conversion rights are exercised. No such rights existed during the reporting period.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost less cumulative depreciation and impairments. Historical cost comprises the expenses directly attributable to the acquisition.

Subsequent cost, e.g. as a result of expansion or replacement investments, is only recognised as part of the historical cost of the asset or – if applicable – as a separate asset if it is probable that the Group will derive future economic benefits from them and the costs of the asset can be reliably measured. Expenses for repairs and maintenance that do not represent a material reinvestment are recognised as an expense in the income statement in the fiscal year in which they arise.

Tools manufactured or acquired by the Group for production purposes are capitalised at cost in accordance with IAS 16 and recorded separately in the statement of assets as operating equipment. Each item of property, plant and equipment with historical cost that represents a significant portion of the total value of the item is recognised and depreciated separately.

Land is not depreciated. All other assets are depreciated on a straight-line basis. In this case, their historical cost or fair value is written down to their residual carrying amount over their expected average useful life as follows:

Buildings	30 years
Machinery	8 years
Production equipment	3–5 years
Operating and office equipment	5 years

The residual carrying amounts and expected useful lives are reviewed and, if necessary, adjusted on each balance sheet date.

If the carrying amount of any item of property, plant and equipment exceeds its estimated recoverable amount, it is immediately written down to this amount.

GOVERNMENT GRANTS

Government grants are recognised if it is reasonably certain that the related conditions will be satisfied and the grants will actually be received. Grants for the purchase or production of non-current assets (asset-related grants) are deducted from the historical cost of the assets in question and reduce future depreciation. Grants that are not awarded for non-current assets (performance-tied grants) are accounted for in the income statement in the same functional division as the related expense items. They are recognised in the income statement on a pro rata basis over the periods in which the expenses to be covered by the grants are incurred. Government grants awarded for future expenses are reported as deferred income.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the amount by which the cost of a business combination exceeds the fair value of the Group's shares in the net assets of the entity acquired and the sum of all non-controlling interests at the time of acquisition. The goodwill arising from business combinations is recognised as an intangible asset. The goodwill resulting from the acquisition of an associate or joint venture is included in the carrying amount of the investment accounted for using the equity method and is therefore not tested for impairment separately but as part of the total carrying amount. The goodwill reported is tested for impairment on an annual basis. Write-ups are not reversed. Gains and losses from the sale of an entity include the carrying amount of the goodwill allocated to such entity. The goodwill is allocated to cash-generating units for the purpose of impairment testing. It is allocated to those cash-generating units or groups of cash-generating units (CGUs) that are expected to benefit from the business combination giving rise to the goodwill.

Capitalised development expenses

Costs related to development projects that are subject to IAS 38 are recognised as intangible assets if it is likely, given their economic and technical viability, that the project will be successful and the costs can be reliably determined. Otherwise, the research and development expenses are recognised in the income statement. Capitalised development expenses are amortised on a straight-line basis over their expected useful life starting with the date on which the product goes into commercial production. Depreciation and amortisation is calculated over an average estimated useful life of three to five years. The depreciation/amortisation charged on capitalised development expenses is recognised in the cost of sales and is applied in the Automotive segment.

Acquired intangible assets

Acquired intangible assets are recorded at historical cost. Intangible assets with a definite useful life are amortised on a straight-line basis over their useful life of three to eight years.

IMPAIRMENT OF NON-MONETARY ASSETS

Assets with an indefinite useful life – primarily goodwill within the Group – are not depreciated or amortised but tested for impairment on an annual basis. Assets that are subject to depreciation or amortisation are tested for impairment when corresponding events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment is recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is either the fair value of the asset less the cost to sell or the value in use, whichever is higher. For the purposes of impairment testing, assets are aggregated at the lowest identifiable level for which cash flows can be generated for independent units (CGUs). The recoverable amount of a CGU is determined on the basis of the expected future discounted cash flows from planned use (value in use). These are based on Management Board forecasts covering a period of three years. With the exception of goodwill, non-monetary assets for which an impairment has been recognised in prior periods are reviewed at each balance sheet date to test whether the impairment must be reversed. Impairments that are primarily triggered on the basis of internal information sources or causes are reported under cost of sales. Impairments resulting from external events, in particular for regulatory reasons or in relation to the sales market, are reported as non-current assets under impairment losses.

CONTRACT ASSETS AND CONTRACT OBLIGATIONS

A contract asset is recognised wherever the HELLA Group has recognised revenue from performing a contract, the customer has not yet paid the related consideration and other criteria, other than the passage of time, must be met before the Group can issue an invoice and thus recognise a receivable. The contract asset is derecognised as soon as the HELLA Group receives a payment from the customer under the contract.

A contract liability is recognised wherever the customer has made a payment or a receivable from the customer becomes due before the HELLA Group has performed a contractual obligation and thus recognised revenue. Contract liabilities must be netted against contract assets within a customer contract. Quantitative disclosures of performance obligations are reported if they are part of a contract with an expected original term of more than one year. The HELLA Group has elected not to make additional disclosures on performance obligations with an expected original term of one year or less.

INVENTORIES

Inventories are recognised at the lower of historical cost or net realisable value. Historical cost is determined using the moving average method. The historical cost of finished and unfinished goods includes the costs of product development, raw materials and supplies, direct personnel expenses, other direct costs, and the overheads attributable to production (based on normal plant capacity). The net realisable value is the estimated sales revenue achievable in the normal course of business less the necessary variable distribution expenses and the expected cost until completion.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances as well as checks. Bills received are reported as cash equivalents if their maturity on receipt is less than three months and they can be directly converted into sight deposits almost without generating any loss. If maturity on receipt is more than three months or the bill cannot be converted directly into sight deposits, the bills are reported in the securities category within financial assets. Other subordinated bills in qualitative terms do not result in derecognition of the corresponding receivable.

EQUITY

Subscribed capital

The limited partner shares issued by the Company are classified as equity. The various issues of capital from profit participation certificates are recognised as liabilities.

Capital reserve

Cash deposits attributable to the issuance of new shares which exceed the nominal value of the shares issued are recognised under the capital reserve. Costs directly attributable to the issuance of new shares are recognised in equity net after tax as a deduction from the capital reserves.

Reserve for currency translation differences

The reserve for currency translation differences comprises all foreign currency translation differences stemming from the translation of the financial statements of foreign business divisions.

Reserve for financial instruments for cash flow hedging

The reserve for financial instruments for cash flow hedging comprises the effective portion of cumulative net changes in the fair value of the hedging tools used to hedge cash flows until such point as the hedged cash flows are recognised in profit or loss.

Reserve for FVOCI financial instruments

The reserve for FVOCI financial instruments contains the cumulative net changes in the fair value of FVOCI financial assets until the derecognition of these assets.

Remeasurements of defined benefit plans

Remeasurements of net debt stemming from defined benefit plans comprise actuarial gains and losses attributable to changes in the actuarial assumptions upon which the calculation of defined benefit pension liabilities is based. It also includes the difference between the standardised and actual income generated by the plan assets as well as its impact on any asset ceiling in place.

Other retained earnings/profit carried forward

The item "Other retained earnings/profit carried forward" includes other retained earnings of the parent company and the past earnings of consolidated companies also included in the consolidated financial statements. This item also includes the statutory reserve of the parent company. The statutory reserve is subject to the distribution restrictions specified in the German Stock Corporation Act (Aktiengesetz – AktG). Offsetting of differences in assets and liabilities arising from the capital consolidation of subsidiaries consolidated before 1 June 2006, and the adjustments recognised directly in equity for the first-time adoption of IFRS are also included in this item.

TRADE PAYABLES

Trade payables are initially measured at their fair value. They are subsequently measured at amortised cost using the effective interest method.

CURRENT AND DEFERRED TAXES

Current tax expense is calculated in accordance with the tax legislation applicable in the countries in which the subsidiaries and associates operate. In accordance with IAS 12, deferred taxes are recognised for any temporary differences between the tax basis of the assets/liabilities and their carrying amount in the IFRS financial statements ("temporary concept"). Deferred taxes are also recognised for tax loss carryforwards. Deferred taxes are measured on the basis of the tax rates (and tax legislation) that apply on the balance sheet date or have essentially been legislated and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent to which it is likely that a taxable profit will be available to offset the temporary differences in assets or the unused losses.

Deferred tax assets and deferred tax liabilities are netted only if offsetting is legally permissible. In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

EMPLOYEE BENEFITS

Pension liabilities

Pension provisions are calculated using actuarial methods on the basis of the projected unit credit method in accordance with IAS 19. As a rule, the pension liabilities are measured using the latest mortality tables as of 31 May of the respective reporting year; in Germany, the calculations are based on the 2018 G Heubeck actuarial tables.

In the case of funded pension plans, the pension liabilities calculated using the projected unit credit method are reduced by the fair value of the fund assets. If the fund assets exceed the liabilities, recognition of the assets is limited to the present value of future refunds from the plan or the reduction in future contributions.

Remeasurements arise from increases or decreases either in the present value of the defined benefit liabilities of the plan (actuarial gains) or in the fair value of the plan assets. This may be caused by changes in the calculation parameters, differences between the estimated and actual risk exposure of the pension liabilities and returns on the fund assets, excluding amounts reported within net interest income and expenses.

Actuarial gains and losses are recognised directly in equity (other comprehensive income for the period) in the period in which they arise, such as remeasurement resulting from the application of an asset ceiling and income from the plan assets (excluding interest on net debt).

The service cost for pensions and similar liabilities is recognised as an expense in the operating result. The interest expense derived by multiplying the net provisions with the discount rate is likewise recognised within the corresponding items of net operating profit/loss.

Severance commitments

Benefits arising from the termination of employment are paid if an employee is laid off by a Group company before normal retirement age. The Group pays severance commitments if it is under an obligation to terminate the employment of current employees in accordance with a detailed formal plan that cannot be revoked or if it is under an obligation to pay compensation in the event of employment being terminated voluntarily by the employee. Payments that are due for settlement in more than twelve months after the balance sheet date are discounted to calculate their present value.

Profit-sharing and other bonuses

Liabilities and provisions are recognised for bonus payments and profit-sharing and the expected expenses reported on the basis of a measurement process. Provisions are set aside in the consolidated financial statements in cases in which there is contractual commitment or constructive obligation based on past business practice.

Share-based payment

Obligations from share-based payments agreed for the first time in fiscal year 2019/2020 are recognised as cash settled plan in accordance with IFRS 2. These cash settled plans are measured at fair value during their term. The fair value is determined using a recognised measurement procedure. The payment cost is distributed over the vesting period. Please refer to Chapter 42 for information on share-based payment.

Partial retirement

The obligations from partial retirement according to the block model mostly have maturities of between two and six years. The size of top-ups is determined in line with pay-scale provisions. They are accumulated on a pro rata basis from the beginning of the commitment onwards. Payments that are due for settlement in more than twelve months after the balance sheet date are discounted to calculate their present value. Benefits are mostly invested in the form of fixed-income investments in order to take account of hedging in accordance with statutory provisions.

PROVISIONS

Provisions are recognised if the Group has a present legal or constructive obligation resulting from a past event, and it is likely that the settlement of the obligation will result in an outflow of resources and the amount of the provision can be reliably estimated.

If there are a large number of similar liabilities (as is the case for statutory warranties), the likelihood of an outflow of resources is determined on the basis of this group of liabilities. Provisions are also recognised if there is a low probability of an outflow of resources related to a single liability within this group.

Provisions are measured at the present value of the expected expenses, using a pre-tax rate that reflects current market expectations regarding the interest effect and the risks specific to the liability. The increase in provisions resulting from the related interest expenses is recognised in the income statement within interest expense.

Should warranty obligations arise from contractual or statutory warranty obligations, HELLA creates provisions for these obligations. Specific warranty provisions are made for warranty claims that have arisen or been asserted individually. When carrying out the measurement, the parts concerned are identified based on the established total supplied products and a failure rate estimated for these products. Failure rates are appropriately estimated using historical failure rates and all other available data for each individual warranty case. Measurement is based on the estimated average costs (material and replacement costs).

The previous section "Employee Benefits" describes provisions for employees.

Provisions for supply and sales liabilities include liabilities under current third-party agreements from which future losses are expected.

The management uses historical figures from similar transactions to estimate the amount of the provisions, taking into account details of any events arising up until the consolidated financial statement is drawn up.

CONTINGENT LIABILITIES

Contingent liabilities are potential or existing liabilities towards third parties, for which an outflow of resources is unlikely or whose amount cannot be reliably determined. If no contingent liabilities were assumed under a business combination, these are not recognised in the statement of financial position. In the case of guarantees, the amount of the contingent liabilities stated in the notes corresponds to the liabilities existing on the balance sheet date.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and, at the same time, a financial liability or equity instrument of another entity. Financial instruments include financial assets and liabilities and contractual entitlements and obligations relating to the exchange or transfer of financial assets. A distinction is drawn between non-derivative and derivative financial instruments. Financial assets and liabilities are assigned to measurement categories in accordance with IFRS 9.

Financial assets

Financial assets are recognised in the statement of financial position if the Company is party to a contract concerning these assets. The purchase or sale of financial assets under normal market conditions is recognised or derecognised at the same value as at the settlement date.

Financial assets which are due for settlement in more than one year are classified as non-current. They are derecognised as soon as the contractual right to payments from the financial assets expires or the financial assets are transferred with all the significant risks and opportunities.

Financial instruments are assigned to the following measurement categories:

1. At amortised cost
2. At fair value through other comprehensive income (FVOCI)
3. At fair value through profit or loss (FVPL)

At amortised cost

A financial asset is carried at amortised cost if it meets the following two conditions and is not designated as at FVPL: First, it is held within a business model designed to hold assets to collect contractual cash flows. Second, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets carried at amortised cost are then measured using the effective interest method and amortised. Gains and losses are recognised in the income statement if the asset is derecognised, modified or impaired.

At fair value through other comprehensive income (FVOCI)

A debt instrument that meets the following two conditions must be measured at FVOCI unless the asset is classified as FVPL: The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For debt instruments measured at FVOCI, interest income, currency revaluations and reversals of write-downs are recognised in the income statement and calculated in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. After the derecognition, the cumulative change in fair value recognised in OCI is recycled to the income statement.

At fair value through profit or loss (FVPL)

Assets measured at fair value through profit or loss include financial assets held for trading, financial assets designated as at fair value through profit or loss at initial recognition or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing them within a short period of time. Derivatives are also measured at fair value through profit or loss (FVPL) unless they are designated as hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model. Even if debt instruments meet the above classification criteria for amortised cost or FVOCI, they can still be measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Financial assets at FVPL are measured at fair value in the statement of financial position, with net value changes recognised in profit or loss.

Within the HELLA Group, this applies to financial instruments traded by Group companies.

Impairment

The Group measures the future expected credit loss for its receivables measured at amortised cost and its debt instruments measured at FVOCI. The chosen impairment method depends on whether there is a significant increase in credit risk. For trade receivables, the Group uses the simplified approach of IFRS 9 to measure lifetime expected credit losses since initial recognition.

Financial liabilities

During the fiscal year under review, as in the prior year, there were no non-derivative financial liabilities measured at fair value in the income statement or categorised as such. The accounting policies for the derivative financial liabilities measured at fair value included under other liabilities are described separately in the section entitled "Derivative financial instruments".

All other non-derivative financial liabilities in the HELLA Group are allocated to the "at amortised cost" category. Non-derivative financial liabilities are initially measured at fair value less transaction costs. They are subsequently measured at their amortised cost using the effective interest method.

If an outflow of resources is expected after more than one year, these liabilities are classified as non-current. Liabilities are derecognised if the contractual commitments are settled, reversed or expire.

Derivative financial instruments

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

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 2019 /2020. For this reason, borrowing costs were recognised directly as expenditure within the period.

LEASES

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract contains the right to control the use of an identified asset, the Group assesses whether:

the contract contains the right to use an identified asset, which may be specified explicitly or implicitly and should be physically distinct or represent essentially all of the capacity of a physically distinct asset. The asset is not identified if the supplier has a substantive substitution right;

- the Group has the right to obtain essentially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right if it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use. The Group also has the right to direct the use of the asset in those rare cases where the relevant decisions about how and for what purpose the asset is used are predetermined;
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose the asset will be used.

At the inception or remeasurement of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group has elected to separate the non-lease components for leases of land and buildings for reasons of materiality. With regard to other asset classes, such as machinery and office furniture, the Group has elected not to separate non-lease components from lease components, and instead to account for each lease component and any associated non-lease components as a single lease component.

Leases in which the Group is the lessee

The Group recognises a right-of-use asset and a lease liability at lease inception. The right-of-use asset is initially measured at cost, where cost consists of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and any direct costs incurred, less any lease incentives received. The Group has not assumed any obligations to cover the costs of dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. This means no provision is required to be recognised under IAS 37.

To determine the lease term, management considers all relevant facts and circumstances to assess the economic incentives to exercise, or not to exercise, an option to terminate the lease. Options to extend the lease (or periods after options to terminate the lease) are only included in leases if there is a good reason to assume that the term will be extended (or not terminated).

The right-of-use asset is then depreciated on a straight-line basis from the commencement date to the end of the useful life of the right-of-use asset or the end of the lease term. The useful life of right-of-use assets is estimated based on the useful life of property, plant and equipment. Depreciation begins on the commencement date of the lease. The right-of-use asset is also periodically tested for impairment pursuant to IAS 36 and, if found to be impaired, its carrying amount is adjusted to reflect the impairment and certain remeasurements of the lease liability.

The lease liability is measured on initial recognition at the present value of the remaining lease payments at the commencement of the lease, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, using an incremental borrowing rate that reflects the economic substance of the contract and the specific market conditions. The Group generally uses as its discount rate the interest rate it pays to borrow capital.

The lease payments included in the measurement of the lease payment comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate and are initially measured using the index or rate at the commencement date;
- amounts expected to be payable under residual value guarantees; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional period if the Group is reasonably certain to be able to exercise an extension option, and payments of penalties for terminating the lease early unless the Group is reasonably certain that it will not terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate, in the amounts the Group expects to be payable under a residual value guarantee or in the Group's assessment of whether it will exercise a purchase, extension or termination option. If the lease liability is remeasured in any of these scenarios, a corresponding adjustment to the carrying amount of the right-of-use asset is made or taken to profit or loss if the carrying amount of the right-of-use asset is reduced to zero. The Group has not made any adjustments of this kind in the period under review.

The Group elected not to recognise any right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less or for leases of low-value assets (primarily IT equipment, machinery and office furniture). The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

The Group elected to report in its statement of financial position those assets that do not meet the definition of investment property in property, plant and equipment, and to report lease liabilities in current and non-current financial liabilities.

The Group made the following classification in the statement of cash flows:

a. cash payments for the principal portion of the lease liability within financing activities;
b. cash payments for the interest portion of the lease liability within financing activities, applying the requirements in IAS 7 for interest paid;
c. short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

Leases in which the Group is the lessor

If the Group is a lessor, it classifies each lease as either an operating lease or a finance lease at the inception of the lease. When classifying each lease, the Group makes a general determination as to whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. In this assessment, the Group considers certain indicators such as whether the lease term is the major part of the economic life of the asset.

The Group recognises lease payments received for operating leases as income within "other income" on a straight-line basis over the lease term.

DIVIDEND DISTRIBUTIONS

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

07 Discretionary decisions and management estimates

The preparation of the consolidated financial statements in accordance with IFRS requires estimates and assumptions to be made. In addition, the application of company-wide accounting policies requires management to make judgments.

All estimates and assessments are reviewed on a continual basis and are based on past experience and other factors including expectations concerning future events that appear reasonable given the circumstances.

DISCRETIONARY DECISIONS AND CRITICAL ACCOUNTING ESTIMATES

The Group makes forward-looking assessments and assumptions. It is in the nature of things that the resulting estimates only very rarely correspond exactly to the actual, subsequent circumstances. The estimates and assumptions that engender a significant risk in the form of a material 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 policies described herein, the Group tests goodwill for impairment on an annual basis. The recoverable amount from cash-generating units (CGUs) is calculated on the basis of the value in use. These calculations must be based on certain assumptions (see also Chapter 30).

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group tests intangible assets (especially capitalised development expenses) and property, plant and equipment for impairment as soon as any indication of impairment arises in a specific case (triggering event). An impairment loss is recognised by comparing the carrying amount with the estimated recoverable value. In the case of self-created intangible assets, assessment of the point at which the capitalisation requirements have been met in accordance with IAS 38 is a matter of discretion. The most important estimates concern the definition of the useful lives of the individual intangible assets and property, plant and equipment, and the recoverable value of the non-current assets, particularly the cash flow forecasts and discount rates used in this context (see also Chapters 22, 30 and 31). The underlying forecasts are based on experience as well as expectations regarding future market developments, particularly assumed sales volumes.

Product-specific operating equipment (tooling) that is manufactured for the HELLA Group's own production purposes and not for a customer is capitalised at its manufacturing costs. There is room for discretion in the determination of useful life.

PROVISIONS

Provisions are to be recognised in accordance with IAS 37 if a legal or constructive obligation has arisen for HELLA from a past event, it is probable that an outflow of economic resources will be required to settle this obligation and the amount of the obligation can be estimated reliably. Room for discretion exists with respect to estimating the probability of the outflow of resources as well as the amount of the obligation.

Warranty provisions are recognised based on past empirical values, taking into account conditions on the balance sheet date based on the costs directly attributable to the processing of individual warranty cases. Estimation of the anticipated expenses and reimbursements for the individual cases and calculation of the expenses for the generalised warranty risks are discretionary.

The amount of pension liabilities was calculated using actuarial methods and an estimation of the relevant influencing variables. In addition to the assumptions about life expectancy, assumptions regarding the parameters to be applied for the assumed rate of interest, wage trend, pension trend and fluctuation were made for the actuarial calculations.

INCOME TAXES

The Group is required to pay income tax in a number of countries. Significant assumptions therefore need to be made to determine the global income tax provisions. There are many transactions and calculations for which the final tax amount cannot be conclusively determined in the normal course of business. The Group measures the amount of the provisions for the expected external tax audits based on estimates of whether and to what extent income taxes will be payable. If the final tax amount for these transactions differs from the amount initially assumed, this is recognised in the actual and deferred taxes in the period in which the tax amount is conclusively determined (see Chapter 16).

Deferred taxes are recognised, among other things, for loss carryforwards that can be used for taxation purposes. They are recognised on a discretionary basis based on estimated future taxable earnings.

FAIR VALUE OF DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments not traded on an active market (for example, derivatives traded over the counter) is determined using appropriate measurement methods selected from a large number of methods. The assumptions used for this are predominantly based on the prevailing market conditions on the balance sheet date. The Group uses present value methods to determine the fair value of the financial assets that are not traded on an active market.

IMPAIRMENTS FOR FINANCIAL ASSETS

The Group satisfies the requirements of IFRS 9 regarding the determination of the impairment model. The impairment model applies to financial assets measured at their amortised cost or at their fair value with changes in fair value recognised in other comprehensive income (FVOCI), to contract assets pursuant to IFRS 15 and to lease obligations. Impairment is recognised using the expected loss model that takes account of past events, current conditions and forecasts of future economic conditions.

08 Prior-year figures

HELLA exited wholesale distribution in fiscal year 2018/2019 and, as of 31 December 2019, was no longer active in the thermal management business.

To ensure the ability to draw consistent comparisons, prior-year sales according to regions will be adjusted by the wholesale distribution sales and proportionately by those of the thermal management business.

The table below shows the portfolio revision for sales according to regions:

Adjusted sales by region (based on the headquarters of Hella's customers):

€ thousand	2018/2019 as reported	2018/2019 Adjustment	2018/2019 adjusted
Germany	2,348,921	-63,675	2,285,246
Europe not including Germany	2,131,733	-155,949	1,975,784
North, Central and South America	1,380,713	0	1,380,713
Asia / Pacific / RoW	1,128,615	0	1,128,615
Consolidated sales	**6,989,981**	**-219,624**	**6,770,357**

The exit was concluded as part of a strategic realignment of the aftermarket business. Wholesale distribution has not been a part of the aftermarket segment since fiscal year 2018/2019. In order to ensure a transparent and comparable presentation over time, the prior-year figures for the aftermarket segment were adjusted proportionately by the thermal management business.

In accordance with the new structure the reporting for the Aftermarket segment was adjusted and is as follows for fiscal year 2018/2019:

€ thousand	2018/2019 as reported	Adjustments	2018/2019 adjusted
Sales with external customers	662,383	-61,203	601,180
Intersegment sales	2,388	0	2,388
Segment sales	**664,771**	**-61,203**	**603,568**
Cost of sales	-419,358	50,187	-369,172
Gross profit	**245,413**	**-11,017**	**234,396**
Research and development expenses	-16,434	0	-16,434
Distribution expenses	-156,301	6,610	-149,691
Administrative expenses	-22,240	0	-22,240
Other income and expenses	12,109	0	12,109
Earnings from investments accounted for using the equity method	7,241	-3,036	4,205
Other income from investments	322	0	322
Earnings before interest and taxes (EBIT)	**70,110**	**-7,443**	**62,668**
Additions to property, plant and equipment and intangible assets	14,505	0	14,505

The portfolio adjustment in the aftermarket segment has led to a new presentation of sales and the result for fiscal year 2018/2019.

Based on the adjusted segment information of the previous year, the restatement of sales is as follows:

€ thousand	2018/2019 as reported	Adjustments	2018/2019 adjusted
Total sales of the reporting segments	**6,830,146**	**-61,203**	**6,768,942**
Sales in other divisions	122,084	0	122,084
Portfolio sales	158,421	61,203	219,624
Elimination of intersegment sales	-120,669	0	-120,669
Consolidated sales	**6,989,981**	**0**	**6,989,981**

The segment results are restated after the adjustments of the segment information to the consolidated net profit as follows:

€ thousand	2018/2019 as reported	Adjustments	2018/2019 adjusted
EBIT of the reporting segments	**582,859**	**-7,443**	**575,416**
EBIT of other divisions	-3,675	0	-3,675
EBIT portfolio	5,662	7.443	13,105
EBIT adjustments	222,697	0	222,697
Consolidated EBIT	**807,543**	**0**	**807,543**
Net financial result	-41,329	0	-41,329
Consolidated EBT	**766,213**	**0**	**766,213**

09 Sales

Sales in fiscal year 2019/2020 amounted to € 5,829,416 thousand (prior year: € 6,989,981 thousand). Sales are attributable entirely to the sale of goods and performance of services.

They can be classified as follows:

€ thousand	**2019/2020**	2018/2019
Sales from the sale of goods	5,517,583	6,666,342
Sales from the rendering of services	311,833	323,639
Total sales	**5,829,416**	**6,989,981**

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

€ thousand	**2019/2020**	2018/2019
Germany	1,870,174	2,348,921
Europe not including Germany	1,681,163	2,131,733
North, Central and South America	1,253,096	1,380,713
Asia / Pacific / RoW	1,024,983	1,128,615
Consolidated sales	**5,829,416**	**6,989,981**

10 Cost of sales

In the fiscal year, € 4,490,912 thousand (prior year: € 5,175,810 thousand) was recognised as expense under cost of sales.

Apart from directly attributable material and production costs, the cost of sales also comprises currency gains and losses (largely from the purchase of materials) and gains and losses from the disposal of fixed assets. Currency gains in the reporting period amounted to € 51,168 thousand (prior year: € 135,863 thousand), with currency losses at € 50,583 thousand (prior year: € 133,640 thousand). Gains from the disposal of fixed assets amounted to € 479 thousand (prior year: € 1,118 thousand) and € 4,612 thousand (prior year: € 8,056 thousand) respectively. See Chapter 22 for the impairments with regard to property, plant and equipment and intangible assets that exist in connection with the production process.

11 Research and development expenses

The research and development expenses serve to generate future sales and mainly consist of personnel expenses and material expenses. The reported expenses in the fiscal year were € 622,696 thousand (prior year: € 610,730 thousand).

12 Distribution expenses

The distribution expenses include all downstream production costs that can, however, be attributable directly to the provision of goods or services to customers. This covers storage, supplying customers locally, and outbound freight. The classification as distribution expenses is carried out at Group level as well as within individual companies. The reported expenses in the fiscal year were € 353,382 thousand (prior year: € 475,351 thousand).

13 Administrative expenses

The administrative expenses recognised cover all central functions that are not directly related to production, development or distribution. These essentially consist of the financial, human resources, IT and similar departments. The reported expenses in the fiscal year were € 219,764 thousand (prior year: € 256,550 thousand).

14 Other income and expenses

The other income and expenses, totalling € 34,537 thousand (prior year: € 285,949 thousand), were made up of income amounting to € 52,391 thousand (prior year: € 311,644 thousand) and expenses amounting to € 17,855 thousand (prior year: € 25,695 thousand).

Other income

€ thousand	**2019/2020**	2018/2019
Government grants	12,304	9,087
Income from the reversal of provisions	11,733	10,491
Income from the disposal of financial assets	8,324	255,461
Income from the reversal of value adjustments on trade receivables	4,015	3,551
Insurance settlements	3,451	1,354
Income from the disposal of real estate and buildings	3,368	12,040
Other	9,196	19,660
Other income, total	**52,391**	**311,644**

Other expenses

€ thousand	**2019/2020**	2018/2019
Value adjustments on trade receivables	8,429	4,311
Losses on disposal of financial assets	3,288	3,927
Impairment loss	0	3,835
Restructuring expenses	1,114	3,506
Advisory expenses	697	9,068
Other	4,327	1,048
Other expenses, total	**17,855**	**25,695**

15 Net financial result

Currency gains of € 5,132 thousand (prior year: € 8,350 thousand) are mainly reported in other financial income and, in the same way, corresponding currency losses of € 21,351 thousand (prior year: € 23,395 thousand) incurred in financial transactions are reported in other financial expenses.

€ thousand	**2019/2020**	2018/2019
Interest income	12,057	12,911
Income from securities and other loans	1,004	1,908
Other financial income	5,132	8,350
Financial income	**18,193**	**23,169**
Interest expenses	-35,868	-41,103
Other financial expenses	-21,351	-23,395
Financial expenses	**-57,219**	**-64,498**
Net financial result	**-39,026**	**-41,329**

16 Income taxes

€ thousand	**2019/2020**	2018/2019
Current income tax expense	-52,588	-106,176
Deferred tax assets/liabilities	2,955	-29,627
Total income taxes	**-49,633**	**-135,803**

Of actual income taxes, € -3,930 thousand is attributable to prior years (prior year: € 9,995 thousand).

Deferred taxes are calculated based on the tax rates applicable or announced, depending on the legal situation, in the individual countries at the expected time of realisation. The prevailing corporate income tax rate of 15% plus municipal trade tax and the solidarity surcharge results in an average tax rate of 31% for German companies. The tax rates outside Germany range from 10% to 34%.

The development of the actual taxes on income derived from the expected tax expense is shown below. A tax rate of 31% (prior year: 31%) is taken as a basis.

€ thousand	**2019/2020**	2018/2019
Earnings before tax	-382,033	766,213
Expected tax assets/liabilities	**118,430**	**-237,526**
Utilisation of previously unrecognised loss carryforwards	786	295
Reversal of previously unrecognised temporary differences	0	2,767
Unrecognised deferred tax assets	-160,743	-10,944
Subsequent recognition of deferred tax assets	7,209	2,233
Deferred tax assets from outside basis differences	2,740	8,488
Tax effect of changes in tax rates and laws	-1,801	-2,063
Tax-free income effects	8,683	88,528
Investments accounted for using the equity method	4,784	15,492
Tax effect of non-deductible operating expenses	-17,194	-18,008
Tax effect for prior years	-3,396	-9,995
Non-deductible foreign withholding tax	-13,783	-4,630
Tax rate deviations	5,440	30,115
Other	-786	-556
Reported income tax expense	**-49,633**	**-135,803**

The line item “unrecognised deferred tax assets” relates to factors including deferred tax assets deemed non-recoverable as a result of impairments in accordance with IAS 36 (see Chapter 22); these amount to € 89,709 thousand in property, plant and equipment and € 16,963 thousand in other intangible assets. It also relates to unrealisable tax income as a result of impairments, amounting to € 11,733 thousand in goodwill and € 14,947 thousand in investments accounted for using the equity method.

The sale of the wholesale distribution business resulted in tax-free income amounting to € 79 million for the prior year.

17 Personnel

The average number of employees in the companies included in the consolidated financial statements totals 39,376 (prior year: 41,859) for fiscal year 2019/2020.

Number	**2019/2020**	2018/2019
Direct employees	11,044	12,246
Indirect employees	26,503	27,432
Permanent employees	**37,547**	**39,678**
Temporary employees	1,829	2,181
Total employees	**39,376**	**41,859**

The average number of permanent employees in the HELLA Group in fiscal year 2019/2020 was 37,547 (prior year: 39,678). 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 347 during the fiscal year (prior year: 430).

"Temporary employees" comprises employees from a fully consolidated company who are primarily active for other Group companies, but who also provide services for third parties in some cases.

Permanent employees in the HELLA Group by region:

Number	2019/2020	2018/2019
Germany	9,685	9,949
Europe not including Germany	14,213	15,529
North, Central and South America	7,640	7,746
Asia / Pacific / RoW	6,010	6,454
Permanent employees worldwide	**37,547**	**39,678**

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

€ thousand	2019/2020	2018/2019
Wages and salaries	1,212,023	1,307,708
Social security and retirement benefit expenses	348,124	358,972
Total	**1,560,147**	**1,666,680**

In the current fiscal year, HELLA received state subsidies for personnel expenses amounting to € 18,917 thousand as a consequence of the market weakness caused by Covid-19.

18 Earnings per share

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

Basic earnings per share amounted to € -3.88 and, as in the prior year, are equivalent to diluted earnings per share.

Number of shares	31 May 2020	31 May 2019
Weighted average number of shares in circulation during the period		
Basic ordinary shares	111,111,112	111,111,112
Diluted ordinary shares	111,111,112	111,111,112
€ thousand	**2019/2020**	**2018/2019**
Share of profit attributable to owners of the parent company	-431,012	629,995
€	**2019/2020**	**2018/2019**
Basic earnings per share	**-3.88**	**5.67**
Diluted earnings per share	**-3.88**	**5.67**

19 Appropriation of earnings

The Management Board will propose to the Annual General Meeting of HELLA GmbH & Co. KGaA that no dividend be distributed from the net profit reported in the separate financial statements prepared for the parent company under commercial law for fiscal year 2019/2020.

In the prior year, a dividend amounting to a total of € 3.35 per no-par value share was proposed. In addition to the regular dividend of € 1.05 per no-par value share, this was made up of another component and therefore a special dividend amounting to € 2.30 per no-par value share. This special dividend largely came about as a result of the successful sale of the wholesale distribution business. The proposed dividend represented a distribution amount of € 372,222 thousand.

20 Adjustment of special effects in earnings before interest and taxes

The HELLA Group is managed by the Management Board through financial key performance indicators. The key performance indicators of adjusted sales growth and adjusted EBIT margin take on prominent importance compared to the other financial key performance indicators in the management of the HELLA Group. A major guideline in assessing the suitability of management indicators is that they have to provide a transparent picture of operational performance. In this process, effects of a non-recurring or exceptional nature in type or size, referred to as special effects, can lead to distortions with regard to the EBIT margin, for example, and thus adversely affect the ability to assess the Company's performance.

Special effects are non-recurring or exceptional effects in their type and size, which are clearly differentiated from the usual operational business. They are tracked uniformly and consistently in the Group and the method used to calculate adjusted earnings figures must not vary over the course of time in order to facilitate periodic comparison.

For this reason, the adjusted EBIT margin has been defined as one of the most important key performance indicators for the steering of the Group's activities. The adjusted EBIT margin as a key performance indicator is not defined in the International Financial Reporting Standards. Rather, it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the Company's perspective, it presents the results of operations – adjusted for special circumstances or portfolio changes – in a more transparent form and facilitates a comparison over time.

Costs of € 43,071 thousand (prior year: € 7,428 thousand) for restructuring measures have been adjusted out of earnings before interest and taxes in the reporting period. Additionally, the impairments resulting from the market uncertainties created by the coronavirus situation (see Chapter 22), amounting to € 532,620 thousand, are not reported in the adjusted result.

In addition to the standard adjustments, the contributions from the wholesale distribution division in the previous year (operational implementation and costs, plus disposal proceeds) have also been adjusted by the contributions of the thermo management activities as a portfolio adjustment (€ 243,230 thousand).

The adjusted result represents a profit/loss statement free of special effects for the operational business. The business activities included in this are not influenced by intermediate sales of shares or other non-recurring effects and thereby allow for a suitable comparison of the two reporting periods.

The corresponding reconciliation statement for the fiscal years 2019/2020 and 2018/2019 is as follows:

€ thousand	2019/2020 as reported	Adjustment	2019/2020 adjusted
Sales	5,829,416	0	5,829,416
Cost of sales	-4,490,912	34,216	-4,456,696
Gross profit	**1,338,505**	**34,216**	**1,372,721**
Research and development expenses	-622,696	2,446	-620,250
Distribution expenses	-353,382	612	-352,770
Administrative expenses	-219,764	4,684	-215,080
Impairment loss	-532,620	532,620	0
Other income and expenses	34,537	1,114	35,650
Earnings from investments accounted for using the equity method	14,347	0	14,347
Other income from investments	-1,933	0	-1,933
Earnings before interest and taxes (EBIT)	**-343,007**	**575,691**	**232,684**

€ thousand	2018/2019 as reported	Adjustment	2018/2019 adjusted
Sales	6,989,981	-219,624	6,770,357
Cost of sales	-5,175,810	154,741	-5,021,069
Gross profit	**1,814,171**	**-64,883**	**1,749,288**
Research and development expenses	-610,730	184	-610,546
Distribution expenses	-475,351	68,152	-407,199
Administrative expenses	-256,550	7,629	-248,921
Other income and expenses	285,949	-243,848	42,101
Earnings from investments accounted for using the equity method	50,967	-3,036	47,931
Other income from investments	-913	0	-913
Earnings before interest and taxes (EBIT)	**807,543**	**-235,802**	**571,741**

21 Segment reporting

External segment reporting is based on internal reporting (so-called management approach). Segment reporting is based solely on financial information used by the Company's decision makers for the internal management of the Company and to make decisions regarding the allocation of resources and measurement of profitability.

THE HELLA GROUP'S BUSINESS ACTIVITIES ARE DIVIDED INTO THREE SEGMENTS: AUTOMOTIVE, AFTERMARKET AND SPECIAL APPLICATIONS:

The Automotive segment provides numerous lighting and electronics components to automobile manufacturers and other tier-1 suppliers worldwide. The product portfolio of the Lighting business division includes headlamps, signal lights, interior lights and lighting electronics. The Electronics business division focuses on the product areas of body electronics, energy management, driver assistance systems and components (such as sensors and engine compartment actuators). The Automotive segment develops, produces and sells vehicle-specific solutions, and develops and brings to market technological innovations. As part of the Management Board changes, the Lighting and Electronics business divisions are being handled as independent business segments from fiscal year 2019/2020 onwards and are being merged with the Automotive segment in the segment reporting due to the similar level of margins expected over the long term in these segments, the comparability of their products, services, customer groups and sales organisations, and the way in which technology is linked to production in these cases.

The Aftermarket business segment produces and sells automotive parts and accessories, primarily in the areas of lighting, electrics and electronics, as well as workshop solutions in the areas of diagnostics and calibration. Furthermore, wholesalers and workshops receive support for their business via a state-of-the-art and fast information and order system as well as via comprehensive services, such as hotlines, training, technical information, sales support and efficient logistics. Strategic focal points of the segment include the stronger alignment of the aftermarket business with the Company's original equipment expertise and the closer dovetailing of original equipment expertise and workshop equipment expertise.

The Special Applications business segment comprises original equipment for special-purpose vehicles such as buses, caravans, agricultural and construction machinery, municipal vehicles and trailers. Technological competence is closely linked to the Automotive business, which means that the range of applications in LED and electronic products can be expanded appropriately and synergies leveraged at the same time.

All other Group segments are subordinate in terms of their economic significance and are therefore not segmented further. Their functions relate mainly to Group financing.

The segments together generated sales of € 612,063 thousand (prior year: € 792,159 thousand) with a single customer in the reporting year and therefore accounted for more than 10% of consolidated sales.

Sales as well as adjusted earnings before interest and taxes (EBIT) are the key performance indicators used to manage the business segments; assets and liabilities are not reported. The internal reporting applies the same accounting and measurement principles as the consolidated financial statements.

The segment information for fiscal years 2019/2020 and 2018/2019 is as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2019/2020**	2018/2019	**2019/2020**	2018/2019*	**2019/2020**	2018/2019
Sales with external customers	4,894,430	5,722,811	556,956	601,180	334,824	390,946
Intersegment sales	49,251	43,083	3,519	2,388	7,785	8,535
Segment sales	**4,943,681**	**5,765,894**	**560,475**	**603,568**	**342,609**	**399,480**
Cost of sales	-3,908,390	-4,399,377	-345,882	-369,172	-215,417	-248,775
Gross profit	**1,035,291**	**1,366,517**	**214,593**	**234,396**	**127,193**	**150,705**
Research and development expenses	-584,349	-578,914	-17,321	-16,434	-19,267	-15,470
Distribution expenses	-158,386	-195,587	-135,999	-149,691	-57,328	-61,038
Administrative expenses	-179,910	-199,161	-20,881	-22,240	-26,924	-30,373
Other income and expenses	39,443	16,526	10,234	12,109	3,796	16,793
Earnings from investments accounted for using the equity method	13,943	43,725	404	4,205	0	0
Other income from investments	-1,663	-976	329	322	0	0
Earnings before interest and taxes (EBIT)	**164,370**	**452,131**	**51,357**	**62,668**	**27,468**	**60,618**
Additions to property, plant and equipment and intangible assets	419,915	500,619	14,289	14,505	18,889	29,173

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

Sales with external third parties in the fiscal years 2019/2020 and 2018/2019 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2019/2020**	2018/2019	**2019/2020**	2018/2019*	**2019/2020**	2018/2019
Sales from the sale of goods	4,667,496	5,500,536	518,987	562,294	331,100	387,154
Sales from the rendering of services	226,934	222,276	37,969	38,886	3,724	3,792
Sales with external customers	**4,894,430**	**5,722,811**	**556,956**	**601,180**	**334,824**	**390,946**

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

Sales by region with external third parties in the fiscal years 2019/2020 and 2018/2019 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2019/2020**	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019
Germany	1,587,488	2,004,664	139,526	112,949	99,822	111,963
Europe not including Germany	1,270,167	1,497,922	278,948	322,488	132,193	155,620
North, Central and South America	1,159,947	1,268,499	59,766	74,663	33,392	37,551
Asia / Pacific / RoW	876,829	951,726	78,717	91,079	69,417	85,812
Sales with external customers	**4,894,430**	**5,722,811**	**556,956**	**601,180**	**334,824**	**390,946**

Sales reconciliation:

€ thousand	**2019/2020**	2018/2019*
Total sales of the reporting segments	**5,846,765**	**6,768,942**
Sales in other divisions	83,625	122,084
Portfolio sales	0	219,624
Elimination of intersegment sales	-100,974	-120,669
Consolidated sales	**5,829,416**	**6,989,981**

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

Reconciliation of the segment results with consolidated net profit:

€ thousand	**2019/2020**	2018/2019*
EBIT of the reporting segments	**243,196**	**575,416**
EBIT of other divisions	-10,512	-3,675
EBIT portfolio	0	13,105
EBIT adjustments	-575,691	222,697
Consolidated EBIT	**-343,007**	**807,543**
Net financial result	-39,026	-41,329
Consolidated EBT	**-382,033**	**766,213**

* The prior-year figures for the Aftermarket segment were adjusted. Please refer to Chapter 08 for further information.

EBIT of other divisions includes expenses for strategic investments in potential new technologies and business fields, depreciation and amortisation of assets not used for operations and expenses for central functions. Reporting of the EBIT adjustments includes the impairments pursuant to Chapter 22 in addition to further adjustments for special effects pursuant to Chapter 20.

Non-current assets by region:

€ thousand	**2019/2020**	2018/2019
Germany	772,417	972,338
Europe not including Germany	622,500	691,550
North, Central and South America	234,019	462,566
Asia / Pacific / RoW	407,082	478,593
Consolidated non-current assets	**2,036,018**	**2,605,047**

22 Impairments/Covid-19 impact

At the start of the 2020 calendar year, the Covid-19 pandemic was exerting an increasingly significant effect on general economic conditions. The pandemic itself and the measures put in place to curtail it across the globe had a negative impact on trade, affected supply chains and reduced consumer demand. As part of the annual planning process, it was anticipated that global production of cars would not develop as had been forecast in the previous year's plans. This provided an external triggering event for a test of the achievable asset amounts. As a result of this, HELLA tested its goodwill, property, plant and equipment, intangible assets, and investment book values of joint ventures measured at equity. It worked on the basis of the business plan approved by the management team in mid-May 2020, which incorporated empirical insights and expectations concerning future industry development, particularly in relation to estimated sales quantities and the financial conditions that each business unit could expect to face. For the principles of impairment testing of non-monetary assets, reference is made to Chapter 06. Where the Automotive reporting segment is concerned, HELLA anticipates that the global automotive economy will not recover over the short term. While it does expect to see the Chinese automotive market recuperating more quickly, it believes that recovery in Europe in particular, and the Americas to a certain degree, will be somewhat muted.

The test that was triggered by an external event drew on cash flows from individual cash-generating units and other general data that was considered to be significant for the evaluation, such as the discount rates applied, the parameters relating to these and the long-term growth rate. For the CGUs, a capital cost of between 6.95% and 26.28% was used; the range that applies in each case is caused by regional characteristics. The test of asset impairment, carried out by comparing the carrying amounts that applied in each case with the corresponding achievable amounts, identified the need for impairment amounting to € 532,620 thousand in total. Impairment is reported in the income statement within impairment of non-current assets; in the normal course of business, these expenses are mainly disclosed in the cost of sales over the next fiscal years. If impairments are allocated to the relevant functional divisions, cost of sales would have amounted to € 4,936,468 thousand.

Of the total amount of impairments, € 465,721 thousand was attributable to the Automotive segment, € 27,597 thousand to the Special Applications segment and € 39,302 thousand to the Aftermarket segment. The recognised impairments were primarily incurred in relation to goodwill amounting to € 37,848 thousand in the Aftermarket segment, to other intangible assets amounting to € 71,454 thousand in the Automotive segment, to investments accounted for using the equity method amounting to € 46,762 thousand in the Automotive segment and € 1,455 thousand in the Aftermarket segment, and to property, plant and equipment amounting to € 347,504 thousand in the Automotive segment and € 25,881 thousand in the Special Applications segment.

The impairments relating to other intangible assets and property, plant and equipment in the Automotive segment are attributable to units in Mexico (Tlalnepantla), Slovakia (Banovce) and Germany (Lippstadt), and have a total value of € 418,958 thousand. The achievable amount for these units is € 125,082 thousand. The most significant impairment was recognised for the Lighting business division in Mexico, whose recoverable amount of € 112,983 thousand (for Germany € 3,052 thousand and for Slovakia € 9,047 thousand) fell below the carrying amount, triggering impairment losses of € 269,960 thousand (for Germany € 61,285 thousand and for Slovakia € 87,714 thousand). A discount rate of between 8.36% and 8.82% was used for measurement. The long-term growth rate of the unit was set as 1%.

The impairments relating to other intangible assets and property, plant and equipment in the Special Applications segment are attributable to units in Spain and India, and have a total value of € 27,597 thousand. The achievable amount for these units is € 3,663 thousand.

After recognition of the impairments, the carrying amounts correspond to the achievable amounts for the units, which in turn correspond to the value in use in each case.

If applicable, a 0.5 percentage point higher discount rate would result in additional impairment of the impaired units, amounting to € 12,104 thousand.

The impairments for the goodwill in the Aftermarket segment were reported as € 37,848 thousand for the CGU Hella Gutmann Holding GmbH. For more information on the recognised goodwill, reference is made to Chapter 30.

The impairment of the investments accounted for using the equity method primarily relates to Mando Hella Electronics, whose registered office is in Korea, where it amounts to € 37,879 thousand, plus the Behr-Hella Thermocontrol group of companies,with global operations, where it amounts to €8,343 thousand.

23 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, cheques and bills received.

24 Financial assets

€ thousand	31 May 2020 Non-current	31 May 2020 Current	31 May 2019 Non-current	31 May 2019 Current
Securities	23,070	431,081	20,249	535,890
Other investments	27,261	0	18,277	0
Loans	1,481	4,101	4,546	2,836
Other financial assets	55	10,448	33	18,406
Total	**51,867**	**445,631**	**43,105**	**557,131**

25 Trade receivables

Trade receivables of € 596,356 thousand include receivables due from associated companies, joint ventures, non-consolidated affiliated companies and companies in which an interest is held, and amount to € 27,742 thousand (prior year: € 36,747 thousand).

€ thousand	31 May 2020	31 May 2019
Trade receivables involving associates Joint ventures and investments	27,256	36,255
Trade receivables with affiliated companies not included in the consolidated financial statements	486	492
Total	**27,742**	**36,747**

26 Other receivables and non-financial assets

The increase in other current assets arose from entitlements to payments from public authorities, government agencies or other institutions with sovereign functions.

These entitlements are based on regulations and measures essentially relating to various short-time work schemes around the world and also to other government subsidies.

€ thousand	31 May 2020	31 May 2019
Other current assets	24,544	10,043
Receivables from finance leases	18,223	16,277
Insurance receivables	23,537	37,564
Positive market value of currency hedges	8,542	13,518
Subtotal other financial assets	**74,846**	**77,403**
Advance payments for services	9,478	4,069
Advance payments for insurances	10,646	6,066
Advance payments for licences	6,299	4,297
Other advance payments	25,918	35,309
Receivables for partial retirement	577	427
Advance payments to employees	3,607	2,213
Other tax receivables	75,403	78,055
Total	**206,774**	**207,838**

27 Inventories

Inventories are broken down as follows:

€ thousand	31 May 2020	31 May 2019
Raw materials and supplies	343,716	302,819
Unfinished goods	338,276	319,884
Finished goods	93,200	73,472
Merchandise	101,065	108,992
Other	5,267	5,110
Total inventories	**881,524**	**810,277**

The carrying amounts of the inventories recognised at fair value less cost of sales amounted to € 243,577 thousand (prior year: € 198,562 thousand).

Impairments of € 32,313 thousand (prior year: € 19,424 thousand) were recognised in the income statement under the cost of sales in the reporting year. At the same time, impairments amounting to € 22,274 thousand (prior year: € 19,044 thousand) were reversed in the past fiscal year, as the impaired inventories were sold at higher values. Write-ups on inventory assets are recognised in the cost of sales, in line with impairments. This results in cumulative adjustments to inventory in the amount of € 56,526 thousand for the reporting period (prior year: € 46,487 thousand).

The historical cost of inventories amounting to € 3,097,215 thousand (prior year: € 3,761,481 thousand) was recognised as expenses in the reporting period.

28 Contract assets and contract obligations

The contract assets as at 31 May 2020 were the result of business transactions where the HELLA Group had already provided services, but where there was not yet an absolute pecuniary claim with regard to the customer. The prior-year figures were adjusted in line with the term of the contract assets.

The contract obligations as at 31 May 2020 were the result of customer payments received in connection with development services and customer tools for which the power of disposition had not yet been transferred to the customer, plus other payments received from contracts with customers.

Contract assets and contract obligations

€ thousand	**31 May 2020**	31 May 2019
short-term contract assets	18,284	13,764
long-term contract assets	55,046	22,180
Contract assets	73,330	35,944
Contract obligations	111,858	132,141
Revenue received as part of contract obligations at the start of the fiscal year		
and recognised during the reporting period	61,533	13,105
from performance obligations fulfilled in previous fiscal years	2,602	9,569

Compared with the financial statements for the prior year, more new payment entitlements arising from services rendered were recorded during the reporting period than payments were made by customers in relation to carried-forward contract assets. The services rendered essentially resulted from the increase in completed development services leading up to the start of production.

The remaining contractual obligations as at 31 May 2020 mainly involved service obligations yet to be fulfilled from development contracts. Their realisation is recognised at the point in time when the power of disposition over the finished development service is transferred to the customer. From this, expected sales in the amount of € 99,889 thousand will mainly be realised over the next three years (prior year: € 117,206 thousand). As permitted under IFRS 15, no information will be provided on the remaining service obligations as at 31 May 2020 which have an expected original term of one year or less.

29 Non-current assets held for sale

In the context of the realignment of the Aftermarket business, begun in 2018, the HELLA Group made an agreement in December 2018 to fully transfer the existing thermal management business to joint venture partner MAHLE under the umbrella of Behr HELLA Service GmbH. The joint venture specialised in marketing and selling products for cooling and air conditioning, and was assigned to the Aftermarket segment.

The sale was completed at the end of the 2019 calendar year.

30 Intangible assets

€ thousand	Capitalised development expenses	Goodwill	Acquired intangible assets	Total
Acquisition or manufacturing costs				
As at: 1 June 2018	**506,832**	**85,789**	**210,915**	**803,537**
Change in the scope of consolidation	0	-11,683	-4,052	-15,734
Currency translation	1,104	-399	-281	424
Additions	116,186	0	21,611	137,797
Disposals	-16,647	0	-7,632	-24,279
Reclassifications	830	0	-830	0
As at: 31 May 2019	**608,306**	**73,707**	**219,732**	**901,744**
Accumulated depreciation and amortisation				
As at: 1 June 2018	**290,001**	**31,215**	**170,839**	**492,055**
Change in the scope of consolidation	0	-529	-2,917	-3,446
Currency translation	-448	-318	-254	-1,019
Additions	31,811	0	16,027	47,837
Disposals	-12,418	0	-7,229	-19,647
Recorded impairments	1,296	0	1,174	2,470
As at: 31 May 2019	**310,242**	**30,369**	**177,640**	**518,251**
Carrying amounts 31 May 2019	**298,064**	**43,338**	**42,092**	**383,494**

€ thousand	Capitalised development expenses	Goodwill	Acquired intangible assets	Total
Acquisition or manufacturing costs				
As at: 1 June 2019	**608,306**	**73,707**	**219,732**	**901,744**
Change in the scope of consolidation	2,119	-2,349	-474	-704
Currency translation	-2,309	-714	-1,011	-4,034
Additions	54,375	0	11,976	66,351
Disposals	-28,671	0	-591	-29,262
Reclassifications	-18	0	18	0
As at: 31 May 2020	**633,801**	**70,644**	**229,650**	**934,095**
Accumulated depreciation and amortisation				
As at: 1 June 2019	**310,242**	**30,369**	**177,640**	**518,251**
Change in the scope of consolidation	0	-2,349	-420	-2,769
Currency translation	-1,240	-587	-809	-2,637
Additions	45,141	0	15,325	60,465
Disposals	-13,716	0	-576	-14,292
Recorded impairments	82,834	37,848	2,209	122,891
As at: 31 May 2020	**423,260**	**65,281**	**193,368**	**681,909**
Carrying amounts 31 May 2020	**210,541**	**5,363**	**36,282**	**252,186**

All capitalised development expenses resulted from internal developments; the impairments over and above those listed in Chapter 22 were recognised due to reduced earnings expectations and are included in the cost of sales in the Automotive segment. The discount rate used in the context of the impairment loss was 8.36% (prior year: 6.85%).

GOODWILL

Goodwill is allocated to the business segments as follows:

€ thousand	31 May 2020	31 May 2019
Automotive	4,040	4,086
Aftermarket	1,313	39,251
Special Applications	0	0
Total	**5,352**	**43,338**

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 division of this legal entity or a sub-group.

If it is determined that the recoverable amount of a CGU is lower than its carrying amount, an impairment loss is recognised. The recoverable amount is determined on the basis of the expected future discounted cash flows from planned use (value in use). These are based on plans approved by the Management Board covering a period of at least three years. These plans are based on experience, as well as expectations regarding future industry developments.

The discount rates applied within the scope of the measurement are calculated on the basis of market data. As in the prior year, consistent growth rates were used to extrapolate cash flows after the detailed planning phase. The growth rates are based on analyses conducted by a specialist service provider, and do not exceed the non-current growth rates for the sector or the region in which the CGUs are active.

To take into account the increasing differentiation between segments, a specific peer group was used to determine the discount rates. The weighted capital cost of segments is thus based on the capital structure of the relevant group of listed companies to which the segment in question is comparable in terms of its risk/reward structure. For the CGU of the Automotive segment, a capital cost of between 8.36% and 15.27% was used and a figure ranging between 6.95% and 26.28% for the Aftermarket segment; the ranges were caused by regional characteristics.

	Discount rates		Growth rates	
	31 May 2020	31 May 2019	**31 May 2020**	31 May 2019
Automotive	8.36% to 15.27%	6.85 % to 11.82 %	1.00%	1 % to 2 %
Aftermarket	6.95% to 26.28%	6.12 % to 23.07 %	1.00%	0% to 2%

The risk-free interest rate applied is -0.22% (prior year: 0.70%) and the market risk premium (including country risk) ranges between 7.50% and 15.71% (prior year: between 6.50% and 11.50%). The inflation spreads applied ranged between -0.57% and 9.76% (prior year: between -0.54% and 12.09%).

HELLA reports goodwill amounting to € 5,352 thousand (prior year: € 43,338 thousand). The material change compared with the prior year can be attributed to the devaluation of the CGU Hella Gutmann Holding GmbH, amounting to € 37,848 thousand. The significant valuation parameters for this CGU are a discount rate of 6.95% (prior year: 6.12%) and a growth rate of 1.0% (prior year: 1.0%), which resulted in a recoverable amount of € 61.9 million for this CGU.

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 rates 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 tables below show the results of the sensitivity analysis, which can also be extended to non-current assets other than goodwill.

The following impairments (–) would arise:

Automotive segment	**31 May 2020**		31 May 2019	
	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
– 1 percentage point	0	0	0	0
+ 1 percentage point	0	0	0	0

Aftermarket segment	**31 May 2020**		31 May 2019	
	Change in € thousand	Change in € thousand	Change in € thousand	Change in € thousand
Change in percentage points	WACC	Long-term growth rate	WACC	Long-term growth rate
– 1 percentage point	0	-6,118	0	0
+ 1 percentage point	-7,669	0	0	0

31 Property, plant and equipment

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equip-ment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: 1 June 2018	**801,377**	**2,282,967**	**1,758,246**	**507,984**	**362,303**	**5,712,877**
Effects from the first-time application of IFRS 15 and IFRS 16	129,131	-136,351	-632,112	11,894	-42,044	-669,482
As at: 1 June 2018 adjusted	**930,508**	**2,146,616**	**1,126,134**	**519,878**	**320,259**	**5,043,395**
Changes in the scope of consolidation	-50,003	-7,605	0	-33,130	-200	-90,937
Currency translation	1,160	723	-1,403	3,209	2,462	6,150
Additions	61,336	96,363	25,325	55,642	267,286	505,952
Disposals	-18,460	-95,835	-69,691	-32,897	-831	-217,713
Reclassifications	25,382	49,110	173,029	21,210	-268,731	0
As at: 31 May 2019	**949,924**	**2,189,371**	**1,253,393**	**533,913**	**320,245**	**5,246,846**
Accumulated depreciation and amortisation						
As at: 1 June 2018	**373,869**	**1,567,936**	**1,414,222**	**361,814**	**760**	**3,718,602**
Effects from the first-time application of IFRS 15 and IFRS 16	0	-86,975	-406,948	0	0	-493,923
As at: 1 June 2018 adjusted	**373,869**	**1,480,961**	**1,007,275**	**361,814**	**760**	**3,224,679**
Changes in the scope of consolidation	-16,020	-5,337	0	-27,824	0	-49,180
Currency translation	-609	24	-996	1,265	0	-316
Additions	48,026	160,537	72,834	51,283	0	332,680
Disposals	-12,185	-93,000	-66,026	-31,714	0	-202,925
Recorded impairments	0	0	0	0	250	250
Reclassifications	-21	-76,602	76,283	340	0	0
As at: 31 May 2019	**393,060**	**1,466,583**	**1,089,370**	**355,165**	**1,009**	**3,305,188**
Carrying amounts 31 May 2019	**556,864**	**722,789**	**164,022**	**178,748**	**319,236**	**1,941,659**

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: 1 June 2019	**949,924**	**2,189,371**	**1,253,393**	**533,913**	**320,245**	**5,246,846**
Changes in the scope of consolidation	-908	-9,363	-2,794	-1,358	-1,047	-15,470
Currency translation	-9,001	-20,374	-6,483	-3,549	-4,592	-43,999
Additions	59,228	85,250	46,176	55,319	219,723	465,695
Disposals	-41,879	-53,267	-28,093	-13,681	-8,823	-145,742
Reclassifications	10,780	105,891	42,998	14,388	-174,057	0
As at: 31 May 2020	**968,143**	**2,297,508**	**1,305,198**	**585,031**	**351,449**	**5,507,330**
Accumulated depreciation and amortisation						
As at: 1 June 2019	**393,060**	**1,466,583**	**1,089,370**	**355,165**	**1,009**	**3,305,188**
Changes in the scope of consolidation	-749	-7,810	-2,408	-1,135	0	-12,102
Currency translation	-3,421	-12,437	-4,711	-2,496	-1	-23,066
Additions	53,705	178,596	72,825	55,451	0	360,578
Disposals	-14,291	-44,886	-18,220	-12,929	-1,012	-91,338
Recorded impairments	105,547	149,202	23,093	37,240	59,564	374,646
Reclassifications	24	-1,981	1,943	14	0	0
As at: 31 May 2020	**533,875**	**1,727,268**	**1,161,892**	**431,310**	**59,561**	**3,913,905**
Carrying amounts 31 May 2020	**434,269**	**570,240**	**143,306**	**153,721**	**291,889**	**1,593,425**

In the reporting period 2019/2020, no restrictions on the powers of disposition over property, plant and equipment existed in the form of land charges and assignments.

The additions to property, plant and equipment include € 49,734 thousand from leases. Please refer to Note 47, “Information on leases”, for additional information on future lease payments.

Impairments were recognised in the cost of sales in the prior year. The impairment loss on assets under construction totalling € 250 thousand was allocated to the Automotive segment.

During the current period, impairments of € 373,385 thousand were recognised due to the Covid-19 pandemic. See Note 22 for more information.

32 Investments accounted for using the equity method

The following is a list of the Group's main investments accounted for using the equity method. The summarised financial information represents the IFRS financial statements of the two joint ventures BHTC and MHE as well as the associated company HBPO that were the basis for the at-equity measurement in the Group.

BHTC

Behr-Hella Thermocontrol Group (BHTC) consists of nine companies that are controlled and reported together by Behr-Hella Thermocontrol GmbH in Germany. BHTC develops, produces and distributes air-conditioning control devices for the automotive industry. It also focuses on the assembling of printed circuit boards and mounting of operating units, blower controllers and electronic control units for electric heater boosters.

€ thousand	31 May 2020	31 May 2019
Share of equity (%)	**50**	**50**
Cash and cash equivalents	59,949	55,480
Other current assets	139,956	164,083
Non-current assets	295,300	305,570
Total assets	**495,205**	**525,133**
Current financial liabilities	141,970	124,887
Other current liabilities	101,058	134,717
Non-current financial liabilities	65,941	70,213
Other non-current liabilities	56,387	59,083
Total liabilities	**365,356**	**388,900**
Net assets (100%)	**129,849**	**136,233**
Pro rata share of the net assets	**64,924**	**68,116**
Eliminations and impairments	-5,594	934
Carrying amount	**59,331**	**69,050**
Sales	509,274	517,879
Depreciation and amortisation	-56,341	-55,896
Interest income	125	177
Interest expenses	-5,852	-2,806
Taxes on income	-514	-3,305
Earnings before interest and income taxes (EBIT)	**5,495**	**16,147**
Earnings for the period	-746	10,212
Other earnings for the period	-2,007	-1,421
Effects from the first-time application of IFRS 15	0	2,809
Comprehensive income for the period (100%)	**-2,754**	**11,599**
Share of comprehensive income for the period	-1,377	5,800
Dividends received	**0**	**15,000**

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.

€ thousand	31 May 2020	31 May 2019
Share of equity (%)	**33**	**33**
Cash and cash equivalents	26,259	60,653
Other current assets	219,034	276,349
Non-current assets	255,541	218,938
Total assets	**500,834**	**555,940**
Current financial liabilities	10,189	8,625
Other current liabilities	351,403	356,023
Non-current financial liabilities	55,366	36,167
Other non-current liabilities	14,265	7,100
Total liabilities	**431,223**	**407,915**
Net assets (100%)	**69,611**	**148,025**
Pro rata share of the net assets	**23,201**	**49,337**
Eliminations and impairments	-456	-155
Carrying amount	**22,746**	**49,181**
Sales	1,803,544	2,009,454
Depreciation and amortisation	-45,952	-36,216
Interest income	202	307
Interest expenses	-777	-838
Taxes on income	-8,462	-16,776
Earnings before interest and income taxes (EBIT)	**38,106**	**73,829**
Earnings for the period	18,028	49,269
Other earnings for the period	-3,476	259
Effects from the first-time application of IFRS 15	0	311
Comprehensive income for the period (100%)	**14,552**	**49,839**
Share of comprehensive income for the period	4,850	16,611
Dividends received	**30,997**	**9,999**

MHE

Mando Hella Electronics (MHE) consists of three companies that are controlled and reported together by the Mando Hella Electronics Corp. in South Korea. MHE develops, produces and sells sensors and radar systems.

€ thousand	31 May 2020	31 May 2019
Share of equity (%)	**50**	**50**
Cash and cash equivalents	10,190	9,518
Other current assets	166,618	172,570
Non-current assets	151,559	158,288
Total assets	**328,367**	**340,376**
Current financial liabilities	92,636	72,584
Other current liabilities	64,121	69,510
Non-current financial liabilities	54,913	77,060
Other non-current liabilities	8,811	9,048
Total liabilities	**220,481**	**228,202**
Net assets (100%)	**107,886**	**112,175**
Pro rata share of the net assets	**53,943**	**56,087**
Eliminations and impairments	-37,879	0
Carrying amount	**16,064**	**56,087**
Sales	476,494	464,187
Depreciation and amortisation	-25,989	-22,286
Interest income	200	263
Interest expenses	-6,483	-6,825
Taxes on income	-1,190	-2,393
Earnings before interest and income taxes (EBIT)	**15,559**	**26,392**
Earnings for the period	6,348	15,876
Other earnings for the period	-3,051	-5,677
Effects from the first-time application of IFRS 15	0	0
Comprehensive income for the period (100%)	**3,297**	**10,200**
Share of comprehensive income for the period	1,648	5,100
Dividends received	**3,793**	**4,647**

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 2020**	31 May 2019
100% basis		
Sales	546,618	763,613
Earnings before interest and income taxes (EBIT)	19,566	67,158
Group's total share of:		
Sales	245,019	341,089
Earnings before interest and income taxes (EBIT)	10,107	32,864
Earnings for the period	1,993	22,067
Other earnings for the period	-2,143	-2,955
Comprehensive income for the period recognised in the Group	**-150**	**19,112**
Carrying amount of the remaining companies accounted for using the equity method	**78,604**	**126,866**

Of the earnings during the period in the amount of € 1,993 thousand, € 831 thousand (prior year: € 7,686 thousand) was allocated to associated companies and € 1,162 thousand (prior year: € 14,381 thousand) was allocated to joint venture companies. The carrying amount of the companies accounted for using the equity method in the amount of € 78,604 thousand was allocated in the amount of € 27,912 thousand (prior year: € 28,628 thousand) to associated companies and in the amount of € 50,692 thousand to joint ventures (prior year: € 98,238 thousand).

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

€ thousand	**31 May 2020**	31 May 2019
100% basis		
Sales	3,335,930	3,755,132
Earnings before interest and income taxes (EBIT)	78,726	183,526
Group's total share of:		
Sales	1,333,073	1,501,873
Earnings before interest and income taxes (EBIT)	33,210	78,741
Earnings for the period	-33,870	50,967
Other earnings for the period	-5,819	-6,418
Comprehensive income for the period recognised in the Group	**-39,689**	**44,549**

Impairments (for details, see Chapter 22) of € 48,217 thousand (prior year: € 2,439 thousand) were recognised in comprehensive income for the period recognised in the Group, along with operating income amounting to € 14,347 thousand. The share of losses not recognised for the aforementioned companies accounted for using the equity method is € 0 thousand (prior year: € 0 thousand).

The recognised net assets of all joint ventures and all associates is broken down as follows:

€ thousand	31 May 2020	31 May 2019
Carrying amount of BHTC	59,331	69,050
Carrying amount of HBPO	22,746	49,181
Carrying amount of MHE	16,064	56,087
Carrying amounts of material companies accounted for using the equity method	**98,140**	**174,319**
Proportional net assets of other companies accounted for using the equity method	100,691	139,567
Goodwill, eliminations and impairment	-22,087	-40,538
Carrying amounts of the remaining companies accounted for using the equity method	**78,604**	**99,028**
Investments accounted for using the equity method	**176,744**	**273,347**

€ thousand	31 May 2020	31 May 2019
Pro rata share of the net assets as at 1 June	**273,347**	**292,008**
Effects from the first-time application of IFRS 15 and IFRS 16	0	675
Earnings for the period	-33,870	50,967
Other earnings for the period	-5,819	-6,418
Dividends	-40,053	-40,842
Capital increase	0	4,795
Disposals	-16,861	-27,838
Pro rata share of net assets as at 31 May	**176,744**	**273,347**

33 Deferred tax assets/liabilities

The deferred tax assets of € 81,511 thousand (prior year: € 95,241 thousand) and deferred tax liabilities of € 14,775 thousand (prior year: € 37,874 thousand) mainly relate to differences from the tax balance sheet values. The current portion of the deferred tax assets and deferred tax liabilities amount to € 111,835 thousand and € 101,622 thousand, respectively (prior year: € 104,155 thousand and € 81,785 thousand, respectively).

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

€ thousand	Deferred tax assets	Deferred tax liabilities	Net deferred taxes as at 31 May 2019	Recognised in profit or loss
Intangible assets	11,283	64,487	-53,205	-9,127
Property, plant and equipment	55,523	93,670	-38,147	57,822
Financial assets	5,327	84	5,243	5,934
Other non-current assets	436	13,427	-12,991	224
Receivables	-4,617	467	-5,084	5,173
Inventories	15,799	15,166	633	-7,556
Other current assets	7,208	23,289	-16,081	-1,298
Non-current financial liabilities	8,435	0	8,435	-8,468
Provisions for pensions and similar obligations	63,977	7,242	56,735	-5,359
Other non-current provisions	14,566	0	14,566	4,090
Other non-current liabilities	31,440	895	30,544	-19,725
Liabilities	689	-1,884	2,573	2,478
Other liabilities and accruals	65,953	44,988	20,965	4,186
Other current liabilities	18,260	-241	18,501	-13,985
Subtotal	**294,278**	**261,591**	**32,687**	**14,390**
Loss carryforwards	24,680	0	24,680	-11,434
Netting	-223,716	-223,716	0	0
Total	**95,241**	**37,874**	**57,366**	**2,956**

There is sufficient probability that the loss carryforwards for which deferred tax assets are recognised will be realised. The amount of the loss carryforwards for which no deferred tax assets are recognised was € 225,178 thousand as at 31 May 2020 (prior year: € 217,786 thousand). Future offsetting against taxable profits is not sufficiently likely. Of this amount, € 29,203 thousand (prior year: € 23,255 thousand) will mature in the next five years, and € 195,975 thousand (prior year: € 194,531 thousand) thereafter. Tax assets arising from temporary differences for which no deferred tax assets were recognised amounted to € 135,871 thousand on 31 May 2020 (prior year: € 9,631 thousand).

On 31 May 2020, a temporary difference amounting to a liability of € 283 thousand (prior year: € 11,361 thousand) was recorded in connection with shares in subsidiaries and

Recognised in other comprehensive income	Change in the scope of consolidation	**Net deferred taxes as at 31 May 2020**	Deferred tax assets	Deferred tax liabilities
-104	-636	-63,071	12,491	75,562
-1,127		18,547	91,761	73,214
-153		11,024	11,088	65
-20	-274	-13,060	405	13,465
-56		32	333	301
11		-6,911	16,467	23,378
-52		-17,431	6,326	23,757
4,081		4,049	4,049	0
4,946		56,322	64,701	8,379
0		18,656	18,656	0
-9		10,810	20,429	9,619
-26		5,026	5,805	779
0		25,151	74,590	49,439
-169		4,347	8,314	3,967
7,323	**-909**	**53,490**	**335,414**	**281,924**
0		13,246	13,246	0
0		0	-267,149	-267,149
7,323	**-909**	**66,736**	**81,511**	**14,775**

€ 0 thousand (prior year: € 8,120 thousand) in connection with associated companies and joint ventures. No deferred tax liabilities were recognised for this difference under IAS 12.39, however, because the subsidiaries' dividend policy is determined by the Group's Management Board. The Group can thus control the reversal of these temporary differences. The Management Board does not expect the temporary difference to be reversed in the foreseeable future.

The amounts of the income tax recognised directly in other earnings during the reporting period amounted to € 4,515 thousand for financial instruments used for cash flow hedging (prior year: € -461 thousand), € -402 thousand for financial instruments held at fair value through profit or loss (prior year: € 386 thousand) and € 5,087 thousand for the remeasurement of defined benefit plans (prior year: € 16,027 thousand).

34 Other non-current assets

€ thousand	31 May 2020	31 May 2019
Receivables from finance leases	43,299	42,064
Other non-current assets	1,601	1,714
Subtotal of other financial assets	**44,899**	**43,778**
Advance payments	13,662	6,547
Plan assets	1,992	3,537
Total	**60,554**	**53,861**

See Note 47 for more detailed explanations about receivables from leases.

35 Trade payables

In the past fiscal year, there were liabilities to associated companies, joint ventures, non-consolidated affiliated companies and companies in which participating interests are held in the amount of € 10,385 thousand (prior year: € 23,160 thousand).

€ thousand	31 May 2020	31 May 2019
Materials and services	475,740	655,964
Capital expenditures	115,668	117,520
Related parties	10,385	23,160
with associates, joint ventures and investments	8,887	21,366
with affiliated companies not included in the consolidated financial statements	1,499	1,793
Total trade payables	**601,793**	**796,644**

36 Other liabilities

	31 May 2020		31 May 2019	
€ thousand	Non-current	Current	Non-current	Current
Derivatives	74,458	16,274	75,902	14,917
Other financial liabilities	21,441	146,983	24,680	166,071
Subtotal other financial liabilities	**95,899**	**163,258**	**100,582**	**180,988**
Other taxes	14	32,148	19	40,654
Accrued personnel liabilities	0	177,273	0	201,112
Total	**95,913**	**372,679**	**100,601**	**422,754**

Other financial liabilities include mainly liabilities from outstanding invoices or credit notes of € 139,585 thousand (prior year: € 158,540 thousand).

37 Provisions

The main components of provisions are presented below:

	31 May 2020		31 May 2019	
€ thousand	Non-current	Current	Non-current	Current
Provisions for post-employment benefits	366,669	450	340,304	404
Other provisions	64,431	128,612	66,406	131,459
Total	**431,100**	**129,063**	**406,710**	**131,862**

PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The HELLA Group provides pension benefits to the vast majority of its employees in Germany. Employees in many of the international HELLA companies also receive occupational pension benefits. There are both defined benefit and defined contribution pension plans.

The benefits provided by the German companies mainly consist of pension payments, the amount of which is based on length of service and which are paid in the form of old age, disability and survivors' pensions. In addition, one company has a pension scheme whereby members receive a fixed sum depending on the income band in which they are classified. All employees can also participate in a contribution-based scheme through deferred compensation. Management is offered a contribution-based scheme through deferred compensation, which is financed through reinsurance policies. Pension plans dating from 2009 onwards are fully congruently reinsured and are recognised as contribution-based schemes. Older pension plans, dating from before 2009, are recognised as defined benefit plans.

The companies continue to remain liable for fulfilment of the pension liabilities assigned to the pension fund, acting as guarantor in the event of non-performance, meaning that the pension liabilities and trust assets will be included on a net basis in the consolidated balance sheet.

In England and the Netherlands, no new entitlements will be acquired in the formerly defined benefit pension systems. The earned benefits will be financed through insurance. A contribution-based plan has been introduced for the active plan members in the Dutch company to set up future pension entitlements.

Besides these systems, whose benefits are mostly paid on an annuity basis, employees of the companies in Mexico, Korea and India receive benefits in the form of a single capital payment. The amount of the obligation from the respective defined benefit plan is determined on the basis of the salary and number of years of service. In Mexico, the guaranteed pension benefits are supplemented by a contribution-based Flex Plan into which the employer can pay variable contributions. Employees in Slovenia and France receive a one-off lump capital sum on retirement based on their salary. In Italy and Turkey, capital is paid out at the end of the working relationship, irrespective of the reason for the relationship ending.

Granting of defined benefit plans entails the customary long life, inflation, interest rate and market (investment) risks; these risks are regularly monitored and assessed.

In the USA, Australia, and Mexico, as well as in many European and Asian companies, employees receive company pension benefits in the form of what are referred to as defined contribution plans. Furthermore, in the USA there are liabilities for the medical care of active employees, although the costs of these benefits are not borne for former employees after retirement.

The funding status and the reconciliation to the balance sheet amounts are presented below:

€ thousand	**31 May 2020**	31 May 2019
Defined Benefit Obligation (DBO) at end of fiscal year	497,120	474,370
Fair value of plan assets at the end of the fiscal year	-129,975	-134,403
Recognised amount	**367,145**	**339,967**

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

€ thousand	**31 May 2020**	31 May 2019
Assets from covered pension plans	-605	-728
Pension provisions	344,046	321,193
Other provisions for post-employment benefits	23,704	19,502
Sum of the individual amounts	**367,145**	**339,967**

Asset cover for the pension provisions was as follows:

€ thousand	31 May 2020		31 May 2019	
	Present value	Plan assets	Present value	Plan assets
Without asset cover	349,838	0	324,817	0
At least partial asset cover	147,282	129,975	149,553	134,403
Total	**497,120**	**129,975**	**474,370**	**134,403**

Change in the present value of pension liabilities:

€ thousand	31 May 2020	31 May 2019
DBO at the beginning of the fiscal year	**474,370**	**383,524**
Current service cost	12,903	9,854
Past service cost	-1,564	-53
Interest expense	6,701	8,258
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	-2,499	5,217
Actuarial gains (-)/losses (+) due to changes in financial assumptions	23,836	50,992
Actuarial gains (-)/losses (+) due to changes in experience-based assumptions	-2,493	28,007
Pension payments	-12,932	-12,081
Change of the scope of consolidation	-246	-526
Transfers	-33	1,072
Currency effects	-923	288
Reclassification of retirement benefits	0	-182
DBO at end of fiscal year	**497,120**	**474,370**

Development of plan assets:

€ thousand	31 May 2020	31 May 2019
Fair value of plan assets at the beginning of the fiscal year	**134,403**	**108,822**
Interest income from plan assets	1,827	2,608
Actuarial gains (+)/losses (-) from plan assets	1,225	30,804
Employer contributions	1,631	1,451
Pension payments from plan assets	-8,633	-8,758
Administrative costs	-71	-87
Changes of the scope of consolidation	-246	-382
Currency effects	-161	-55
Fair value of plan assets at the end of the fiscal year	**129,975**	**134,403**

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

€ thousand	31 May 2020	31 May 2019
Current service cost	12,903	9,854
Past service cost	-1,564	-53
Administrative costs	71	87
Net interest expense	4,874	5,650
Expense for defined benefit plans recognised in the consolidated earnings for the period	**16,284**	**15,538**
Actuarial gains (-)/losses (+) from scope of obligations	18,844	84,216
Actuarial gains (-)/losses (+) from the plan assets	-1,225	-30,804
Income (-)/ expense (+) from revaluation recognised in other comprehensive income	**17,619**	**53,412**
Expense for defined benefit plans recognised in comprehensive income	**33,903**	**68,950**

Development of the balance sheet amounts

€ thousand	31 May 2020	31 May 2019
Balance sheet amount at the beginning of the fiscal year	**339,967**	**274,702**
Service costs	11,410	9,888
Net interest expense	4,874	5,650
Expense from remeasurement recognised in other comprehensive income	17,619	53,412
Pension payments	-4,299	-3,323
Employer contributions	-1,631	-1,451
Change of the scope of consolidation	0	-144
Transfers	-33	1072
Currency effects	-762	343
Reclassification of retirement benefits	0	-182
Balance sheet amount at the end of the fiscal year	**367,145**	**339,967**

Actuarial gains/losses recognised in equity:

€ thousand	31 May 2020	31 May 2019
Actuarial gains (+)/losses (-) at at the beginning of the fiscal year	**-146,987**	**-92,678**
Actuarial gains (+)/losses (-) during the fiscal year	-17,619	-53,412
Change of the scope of consolidation	0	-903
Currency effects	161	6
Actuarial gains (+)/losses (-) at the end of the fiscal year	**-164,445**	**-146,987**

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

	Germany		International	
	31 May 2020	31 May 2019	**31 May 2020**	31 May 2019
DBO (in € thousand)	460,825	439,418	36,294	34,952
Discount rate (in %)	1.00	1.26	2.41	3.09
Wage and salary trend (in %)	3.00	3.00	4.17	4.18
Pension trend (in %)	1.75	1.75	2.20	2.40

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

	Germany		International	
Weighted average in %	**2019/2020**	2018/2019	**2019/2020**	2018/2019
Discount rate	1.26	1.93	3.09	3.26
Wage and salary trend	3.00	3.00	4.18	3.92
Pension trend	1.75	1.75	2.40	2.03

The discount rate was determined in 2020 on the basis of the yields on the capital markets in the various relevant regions.

The following table shows how the present value of the defined pension liabilities would have changed at the balance sheet date if individual key assumptions had varied. The change was determined by a corresponding remeasurement of the portfolio.

€ thousand		**31 May 2020**	31 May 2019
Discount rate	+ 0.5 percentage points	-8.4 %	-8.3 %
	-0.5 percentage points	9.7 %	9.5 %
Pension dynamics	+ 0.5 percentage points	5.9 %	5.6 %
	-0.5 percentage points	-5.3 %	-5.1 %
Salary dynamics	+ 0.5 percentage points	0.2 %	0.2 %
	-0.5 percentage points	-0.2 %	-0.2 %
Death rate	+ 10 percentage points	-3.2 %	-3.1 %
	-10 percentage points	3.6 %	3.6 %

The average duration of the defined pension liabilities, weighted on the basis of the present values, is 19 years (prior year: 18 years).

Breakdown of plan assets:

€ thousand	**31 May 2020**	31 May 2019
Shares	7.49 %	8.53 %
Bonds	23.16 %	25.77 %
thereof: no price quotation in an active market	0.00 %	0.00 %
Real estate	0.00 %	0.00 %
thereof: no price quotation in an active market	0.00 %	0.00 %
Investment funds	0.00 %	0.06 %
Insurance	67.76 %	63.85 %
thereof: no price quotation in an active market	67.76 %	63.85 %
Cash and cash equivalents	1.61 %	1.79 %
Total investment types	**100.00 %**	**100.00 %**

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

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

Current income from the plan assets amounted to € 3,997 thousand in the fiscal year just ended (prior year: € 33,016 thousand).

The probable contributions for defined benefit pension plans for 2020/2021 are € 1,952 thousand (prior year: € 1,671 thousand).

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

€ thousand	
2020/2021	13,587
2021/2022	24,028
2022/2023	15,374
2023/2024	14,902
2024/2025	15,972
Total of the years 2025/2026 to 2029/2030	93,299

Group liabilities arising from defined contribution pension plans were recognised in profit and loss in the operating result. The expenses amounted to € 96,863 thousand in the past fiscal year (prior year: € 93,600 thousand). These expenses also include contributions to public pension insurance funds outside HELLA GmbH & Co. KGaA, which total € 90,120 thousand (prior year: € 89,187 thousand) for the fiscal year.

OTHER PROVISIONS

€ thousand	31 May 2019	Changes in the scope of consolidation	Additions	Reversals	Compounding	Other	Utilisation	**31 May 2020**
Severance commitments	4,280	0	25,230	-162	0	-1	-2,385	26,962
Partial retirement programme	10,762	0	11,326	-1	26	-1,422	-10,297	10,393
Profit-sharing and other bonuses	51,306	-138	17,513	-8,076	820	-536	-26,346	34,542
Warranty obligations	82,248	-299	21,182	-4,439	234	-489	-32,275	66,163
Onerous contracts	37,609	0	34,445	-18,991	630	-696	-8,522	44,475
Other provisions	11,660	-53	2,844	-479	0	-21	-3,442	10,509
Total	**197,865**	**-490**	**112,539**	**-32,148**	**1,710**	**-3,165**	**-83,268**	**193,044**

HELLA is exposed to product liability claims in which the Company may be accused of violating its duties of care, breaches of warranty obligations or material defects. In addition, claims may be asserted from breaches of contract due to recalls or government proceedings. HELLA has taken out insurance policies for such risks, the scope of which is deemed appropriate from a commercial point of view.

Provisions for warranty obligations comprise burdens for concrete isolated cases in the Automotive segment, in particular, for which the current portion amounts to € 47,319 thousand (prior year: € 58,176 thousand).

Insurance refunds expected in connection with warranty claims are recognised under other receivables and non-financial assets, and amounted to € 23,537 thousand in the reporting period (prior year: € 37,564 thousand).

Provisions for supply and sales liabilities include liabilities under current third-party agreements from which future losses are expected.

The allocations to settlement provisions relate to restructuring measures in Germany that were agreed from September 2019 onwards.

€ thousand	**31 May 2020**	31 May 2019
Present value of obligation	24,507	23,453
Fair value of plan assets	-14,113	-12,691
Provision for partial retirement programme	**10,393**	**10,762**

The provision for partial retirement programmes corresponds to the present value of the obligation on the balance sheet date less the fair value of plan assets on the balance sheet date. A discount rate of 0.43% was applied (prior year: 0.19%). The deducted plan assets are pledged securities. The change in the fair value of the plan asset is recognised under "Other" in the provisions table.

38 Financial liabilities

Current financial liabilities maturing within a year amounted to € 503,673 thousand (prior year: € 582,060 thousand). This includes a syndicated credit facility of € 450,000 thousand that was drawn upon. This syndicated credit facility was taken out in 2015 and its term is due to end in June 2022. The bond with a nominal volume of € 500,000 thousand, which was included in the previous year and matured on 24 January 2020, was repaid on time. Liabilities from leases are also included; these amounted to € 31,379 thousand (prior year: € 28,485 thousand).

Non-current financial liabilities came to € 1,284,562 thousand (prior year: € 786,102 thousand) and included two bonds. The first of these has a value of € 299,256 thousand (prior year: € 299,073 thousand) and a nominal volume of € 300,000 thousand, with an interest rate of 1.0%. The term of this bond ends on 17 May 2024. The second bond was issued on 3 September 2019 and has a seven-year term, lasting until 26 January 2027. It has a value of € 498,515 thousand with a nominal volume of € 500,000 thousand and an interest rate of 0.5%. Financial liabilities also include € 100,595 thousand (prior year: € 98,953 thousand) attributable to notes certificates denominated in yen issued in fiscal years 2002 and 2003 with a 30-year maturity, and € 88,443 thousand (prior year: € 87,208 thousand) attributable to a loan granted in yen with a 30-year maturity, both of which are fully currency-hedged to a value totalling € 175,177 thousand (prior year: € 175,177 thousand). Capital from profit participation certificates of € 5,000 thousand (prior year: € 5,000 thousand), and finance lease liabilities amounting to € 112,368 thousand (prior year: € 113,792 thousand) are also recognised.

As a further precautionary measure, a new syndicated credit facility amounting to € 500,000 thousand was taken out in May 2020. This has a term lasting until June 2022 and may be extended by a year by mutual agreement. This credit facility has not yet been drawn upon.

€ thousand	31 May 2020	31 May 2019
Cash and cash equivalents	1,202,794	876,763
Financial assets (current)	445,631	557,131
Current financial liabilities	-503,673	-582,060
Non-current financial liabilities	-1,284,562	-786,102
Net financial debt	**-139,810**	**65,732**

39 Equity

On the liabilities side, nominal capital is recognised at its nominal value under the "Subscribed capital" item. The nominal capital amounts to € 222,222 thousand. The no-par value shares are issued to the bearer. All issued shares are fully paid up. Each share confers a right to vote and a right to dividends if distributions are agreed.

In addition to "Other retained earnings/profit carried forward" and the capital reserve, "reserves and unappropriated surplus" include the differences stemming from the currency translation of the annual financial statements of foreign subsidiaries not recognised in the income statement and the impact arising from the measurement of derivative financial instruments acquired for hedging purposes also not recognised in the income statement, as well as the reserve for the financial instruments from the available-for-sale category (IAS 39) and/or the reserve for debt capital instruments (IFRS 9). Also included are the results from the remeasurement of defined benefit plans, recognised directly in equity. A detailed overview of the composition and changes in the results recognised directly in equity is presented in the consolidated statement of changes in equity.

Actuarial losses before taxes of € 17,619 thousand (prior year: losses before taxes of € 54,214 thousand) were recognised during the reporting period. The change in value of the defined benefit liabilities or of the assigned plan assets is attributable to calculation parameters and in particular the discount rate used here, which was 1.00% at the end of May 2020 (May 2019: 1.26%).

Shares in the Philippine company Hella-Phil., Inc. were sold in fiscal year 2019/2020. The disposal of the non-controlling interests in this regard, amounting to € 153 thousand, is reported in the consolidated statement of changes in equity.

After the Annual General Meeting on 27 September 2019, dividends totaling € 372,222 thousand (€ 3.35 per no-par value share) were distributed to owners of the parent company. Dividends in the amount of € 231 thousand were paid to non-controlling interests during the period.

The Group aims to maintain a strong equity base. The Group strives to strike a balance between a higher return on equity, which would be possible through greater external financing, and the advantages and security offered by a solid equity position. The Group is aiming for a ratio of less than 1.0 for net financial debt to reported earnings before interest, taxes, depreciation and amortisation (EBITDA) in the long term. The ratio was -0.2 on 31 May 2020.

40 Notes to the cash flow statement

As was the case in the prior year, the cash funds comprise exclusively cash and cash equivalents.

The other non-cash expenses reported in the cash flow statement for the fiscal year principally contain the expenses amounting to € 48,217 thousand for impairments recognised on investments, which were balanced out by opposing cash flows from the operating income of these companies. In the previous year, income amounting to € 250,735 thousand from the sale of the wholesale business and € 50,967 thousand attributable to profits from investments was reported.

During the current fiscal year, HELLA sold its stake in the joint venture HSL Electronics Corporation since this equity investment no longer conformed to the Group's investment strategy. The sales price was € 22,006 thousand. A dividend of € 4,231 thousand was collected in the prior year. Together with the payment received from the sale of Behr Hella Service GmbH and another minor sale, an amount of € 41,031 thousand in cash receipts was recorded from the sale of investments from associated companies.

In the Special Applications segment, the shares in Hella-Phil, the Philippine subsidiary, were sold during this reporting period. The sales price amounted to € 1,868 thousand and has already been collected. After deduction of the transferred cash amounting to € 569 thousand, a net inflow totalling € 1,299 thousand is reported. The net assets sold had a carrying amount of € 1,386 thousand; the Group earned a profit of € 482 thousand. The main categories of assets and liabilities of the subsidiary were inventories amounting to € 559 thousand plus property, plant and equipment amounting to € 528 thousand. The liabilities being disposed of consist of trade payables amounting to € 258 thousand.

As part of the sale of the relay business in the Automotive segment, individual items of property, plant and equipment and intangible assets were also sold, along with shares in the Chinese subsidiary HELLA (Xiamen) Electronic Device Co., Ltd. The sales price amounted to € 6,946 thousand and has already been collected. After deduction of the transferred cash amounting to € 950 thousand, a net inflow totalling € 5,996 thousand is reported. The net assets sold had a carrying amount of € 6,638 thousand; the Group earned a profit of € 308 thousand. The main categories of assets and liabilities of the subsidiary were trade receivables amounting to € 3,394 thousand, inventories amounting to € 3,580 thousand plus property, plant and equipment amounting to € 2,840 thousand. The liabilities being disposed of consist of trade payables amounting to € 2,740 thousand plus other accruals and provisions amounting to € 1,147 thousand.

In fiscal year 2018/2019, the HELLA Group obtained cash receipts amounting to € 413,636 thousand from the sale of subsidiaries. After deduction of the transferred cash amounting to € 65,580 thousand, a net inflow totalling € 348,056 thousand is reported. Together with repayment of the financing of the former corporate operations in the amount of € 44,331 thousand, a receipt of payment amounting to a total of approximately € 392,387 thousand is reported. The main categories of assets and liabilities, with the exception of cash and cash equivalents, of the subsidiaries FTZ Autodele & Værktøj A/S, INTER-TEAM Sp. z o.o., Hellanor AS and Nordic Forum Holding A/S, over which the HELLA Group relinquished control during the past fiscal year, are listed as follows: the transferred assets are split into inventories totalling € 125,487 thousand, receivables consisting of goods and services totaling € 71,758 thousand, other non-current assets totalling € 55,334 thousand, and other current assets totaling € 16,719 thousand. The transferred liabilities consisted of other current liabilities amounting to € 59,791 thousand, liabilities consisting of goods and services amounting to € 47,260 thousand and other non-current liabilities amounting to € 21,343 thousand.

The following table shows the (net) changes of the short-term financial assets and short-term and non-current financial liabilities, and thus represents the non-cash changes of the line items, in addition to the cash flow statement.

€ thousand		Financial liabilities (current)	Financial liabilities (non-current)
	31 May 2018	**41,990**	**1,165,910**
Cash changes	(Net) changes	-92,603	-342
Non-cash changes	Effects from the first-time application of IFRS 9 and IFRS 16	29,691	114,045
	Changes in the scope of consolidation	-8,403	-18,813
	Effect of exchange rate fluctuations	-497	16,932
	Change in fair value	4	9,896
	Interest expenses	41,103	0
	Changes in classification	508,917	-508,917
	Other changes	61,859	7,390
	31 May 2019	**582,060**	**786,102**
Cash changes	(Net) changes	-149,000	497,750
Non-cash changes	Changes in the scope of consolidation	-515	0
	Effect of exchange rate fluctuations	-2,659	-4,368
	Change in fair value	0	1,967
	Interest expenses	34,356	0
	Changes in classification	35,559	-35,319
	Other changes	3,872	38,431
	31 May 2020	**503,673**	**1,284,562**

41 Adjustment of special effects in cash flow

Adjusted free cash flow from operating activities was used as a performance indicator for internal HELLA Group management. Adjusted free cash flow from operating activities is a key performance indicator that is not defined in the International Financial Reporting Standards. Rather, it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the Company's perspective, it presents the cash flows from the operating activities – adjusted for special effects – in a more transparent form and facilitates a comparison over time.

Cash flow from operating activities after capital expenditure and cash inflows from the sale or liquidation of investments is used for this purpose and adjusted for non-recurring cash flows.

In this reporting period, free cash flow from operating activities is adjusted for payments made for restructuring measures amounting to € 12,931 thousand (prior year: € 9,968 thousand).

The shares in HSL Electronics Corporation, a joint venture, were sold in the current fiscal year. Free cash flow from operating activities is adjusted for the tax payments made in connection with the sale, amounting to € 2,295 thousand, and the dividend attributable to the period, amounting to € 3,895 thousand.

In fiscal year 2018/2019, the wholesale distribution division was sold. To ensure the ability to draw consistent comparisons with other periods, free cash flow from operating activities is adjusted for payments made in connection with the sale amounting to € 3,407 thousand (prior year: € -20,086 thousand, including the net cash flow from the relevant operating and investing activities of the units sold), just as it is in the consolidated income statement.

The performance of the adjusted free cash flow (from operating activities) for the fiscal years 2019/2020 and 2018/2019 is shown in the following tables:

	€ thousand	2019/2020 as reported	Adjustment	2019/2020 adjusted
	Earnings before income taxes (EBT)	**-382,033**	**575,691**	**193,658**
+	Depreciation and amortisation	918,580	-484,403	434,176
+/-	Change in provisions	4,715	-19,057	-14,343
+/-	Other non-cash income/expenses	9,834	-48,217	-38,382
-	Profits from the sale of property, plant and equipment and intangible assets	765	0	765
+	Net financial result	39,026	0	39,026
-	Increase in trade receivables and other assets not attributable to investing or financing activities	405,287	0	405,287
-	Increase in inventories	-99,219	-573	-99,792
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	-219,884	-6,996	-226,881
+	Tax refunds received	3,491	0	3,491
-	Taxes paid	-91,492	2,188	-89,304
+	Dividends received	46,735	3,895	50,630
=	**Net cash flow from operating activities**	**635,804**	**22,528**	**658,332**
+	Cash receipts from the sale of property, plant and equipment	27,177	0	27,177
+	Cash receipts from the sale of intangible assets	14,940	0	14,940
-	Payments for the purchase of property, plant and equipment	-406,991	0	-406,991
-	Payments for the purchase of intangible assets	-66,009	0	-66,009
+	Repayment from loans in connection with the sale of subsidiaries	0	0	0
=	**Free cash flow from operating activities**	**204,921**	**22,528**	**227,449**

	€ thousand	2018/2019 as reported	Adjustment	2018/2019 adjusted
	Earnings before income taxes (EBT)	**766,213**	**-235,482**	**530,732**
+	Depreciation and amortisation	383,237	-7,382	375,855
+/-	Change in provisions	1,310	2,752	4,062
-	Other non-cash income	-312,673	254,237	-58,436
-	Profits from the sale of property, plant and equipment and intangible assets	-5,102	-58	-5,160
+	Net financial result	41,329	-320	41,009
-	Increase in trade receivables and other assets not attributable to investing or financing activities	-78,148	-5,828	-83,976
-	Increase in inventories	-20,209	14,859	-5,351
+	Increase in trade payables and other liabilities not attributable to investing or financing activities	74,828	4,224	79,052
+	Tax refunds received	19,619	568	20,187
-	Taxes paid	-154,207	8,000	-146,207
+	Dividends received	42,759	0	42,759
=	**Net cash flow from operating activities**	**758,956**	**35,571**	**794,527**
+	Cash receipts from the sale of property, plant and equipment	21,643	-41	21,601
+	Cash receipts from the sale of intangible assets	4,902	-1,569	3,333
-	Payments for the purchase of property, plant and equipment	-439,294	253	-439,042
-	Payments for the purchase of intangible assets	-137,797	0	-137,797
+	Repayment from loans in connection with the sale of subsidiaries	44,331	-44,331	0
=	**Free cash flow from operating activities**	**252,740**	**-10,118**	**242,622**

42 Information on related party relationships

HELLA GmbH & Co. KGaA and its subsidiaries maintain business relationships with many companies and individuals in the course of their normal operations. In addition to the business relationships with fully consolidated companies, relationships exist with joint ventures, associates and companies in which an interest is held; these are classified as related parties under IAS 24.

There are supply and service relationships between companies within the scope of consolidation and related parties, particularly with associates, joint ventures and non-consolidated affiliates. The outstanding items from the purchase and sale of goods and services between companies in the scope of consolidation and associates, joint ventures and non-consolidated affiliates are presented under the respective items. For further information on goods and services, see Chapters 25 and 35.

Members of the management in key positions at HELLA GmbH & Co. KGaA are the Management Board as well as members of the Shareholder Committee and the Supervisory Board. These individuals, immediate members of their families, and the companies they jointly or individually control are considered to be related parties under IAS 24.

The following transactions were made with related parties:

€ thousand	**2019/2020**	2018/2019
Income from the sale of goods and services	**204,045**	**164,595**
with associates	159,853	116,038
with joint ventures	43,227	48,245
with affiliated companies not included in the consolidated financial statements	294	312
Management in key positions:	255	206
Companies controlled by management in key positions	417	594
Expenses from the purchase of goods and services	**120,686**	**192,126**
with associates	2,838	1,071
with joint ventures	80,382	161,375
with investments	2,853	1,394
with affiliated companies not included in the consolidated financial statements	34,614	28,285
Management in key positions:	0	5
Companies controlled by management in key positions	499	902

The business relationships with related parties operate under normal market conditions. They do not fundamentally differ from supply and service relationships with third parties. The HELLA Group concluded no significant transactions with related party individuals. Income generated with members of the management in key positions or with companies they control mainly concerns the shipments of goods, while the expenses are related to shipments of goods, rental expenses and other services.

For assuming personal liability in its role as General Partner, HELLA Geschäftsführungsgesellschaft mbH receives a fee of € 1 thousand (prior year: € 1 thousand). Moreover, the Company is entitled to reimbursement by HELLA GmbH & Co. KGaA for all of the expenses arising in connection with the management of the Company's business activities, including the remuneration of the management bodies.

Remuneration for management in key positions:

€ thousand	**2019/2020**	2018/2019
Current benefits	4,853	13,922
Post-employment benefits	2,576	1,881
Other non-current benefits	-4,936	777
Share-based payment	0	0
Termination benefits	1,990	0
Total	**4,483**	**16,580**

Total remuneration paid to the management bodies:

€ thousand	**2019/2020**	2018/2019
Total remuneration paid to the active institution members	**9,616**	**14,481**
Management Board	7,717	13,182
Supervisory Board	795	399
Shareholder Committee	1,104	900
Total remuneration paid to the former institution members and their surviving dependants	**3,986**	**708**
Management Board	3,986	708
Supervisory Board	0	0
Shareholder Committee	0	0

Provisions for the pension liabilities towards former members of the Management Board and their surviving dependants came to € 16,047 thousand (prior year: € 15,584 thousand). This was transferred to Allianz Pensionsfonds AG in the amount of € 3,904 thousand (prior year: € 3,894 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 662 thousand (prior year: € 510 thousand). The defined benefit obligation from the defined contributions capital account system towards earlier members of the Management Board and their surviving dependants is € 7,047 thousand (prior year: € 5,438 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 6,174 thousand as at the balance sheet date (prior year: € 4,980 thousand). The defined benefit obligation for liabilities from the defined contributions capital account system for the active Managing Directors was € 15,222 thousand (prior year: € 12,625 thousand) on 31 May 2020.

The provision for the share-based payment is € 0 thousand. The share-based payment is paid out in cash following a five-year term on the basis of the share price development and the Group-specific performance targets (RoIC and EBT). The expenses were determined using a suitable option pricing model.

Pension payments to former members of the Management Board and their surviving dependants came to € 729 thousand (prior year: € 708 thousand).

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

See the remuneration report, which is part of the group management report, for details on the remuneration systems for Managing Directors of HELLA Geschäftsführungsgesellschaft mbH and the members of the Supervisory Board and the Shareholder Committee of HELLA GmbH & Co. KGaA.

43 Declaration of Conformity with the Corporate Governance Code

On 28 May 2015, the General Partners as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") approved a joint Declaration of Conformity in accordance with Section 161 Aktiengesetz (AktG – German Stock Corporation Act) which states that the recommendations of the German Corporate Governance Code have been and will be complied with as well as which recommendations have not been or are not being applied. This version from 28 May 2019 and the update from 8 July 2019 have been made permanently accessible on the Company's website at **WWW.HELLA.COM/DECLARATIONOFCONFORMITY**.

44 Disclosures on financial instruments

The carrying amounts and fair values of classes of financial instruments and the carrying amounts in accordance with IFRS 9 measurement categories as at 31 May 2020 and 31 May 2019 are set out below.

€ thousand	Measurement category under IFRS 9	Carrying amount 31 May 2020	Fair value 31 May 2020	Carrying amount 31 May 2019	Fair value 31 May 2019	Valuation hierarchy
Cash and cash equivalents	Amortised cost	1,202,794	1,202,794	876,763	876,763	
Trade receivables	Amortised cost	596,356	596,356	1,065,804	1,065,804	
Financial assets						
Equity instruments	FVPL	125,184	125,184	166,178	166,178	Level 1
Debt capital instruments	FVOCI	305,897	305,897	369,711	369,711	Level 1
Loans	Amortised cost	4,101	4,101	2,836	2,836	
Other bank balances	Amortised cost	10,448	10,448	18,406	18,406	
Other financial assets						
Derivatives designated as hedging instruments	n.a.	4,761	4,761	12,562	12,562	Level 2
Derivatives not designated as hedging instruments	FVPL	3,781	3,781	957	957	Level 2
Other receivables associated with financing activities	Amortised cost	66,304	66,304	63,884	63,884	
Current financial assets		**2,319,626**	**2,319,626**	**2,577,101**	**2,577,101**	
Financial assets						
Equity instruments	FVPL	27,261	27,261	18,277	18,277	Level 3
Debt capital instruments	FVPL	23,070	23,070	20,249	20,249	Level 2
Loans	Amortised cost	1,481	1,481	4,546	4,546	Level 2
Other receivables associated with financing activities	Amortised cost	55	55	33	33	Level 2
Other financial assets						
Trade receivables	Amortised cost	44,899	44,899	43,778	43,778	Level 2
Non-current financial assets		**96,766**	**96,766**	**86,883**	**86,883**	
Financial assets		**2,416,393**	**2,416,393**	**2,663,984**	**2,663,984**	
Financial liabilities						
Financial liabilities to banks and bond	Amortised cost	472,294	472,294	553,575	553,575	
Trade payables	Amortised cost	601,793	601,793	796,644	796,644	
Other financial liabilities						
Derivatives designated as hedging instruments	n.a.	15,982	15,982	13,748	13,748	Level 2
Derivatives not designated as hedging instruments	FVPL	292	292	1,169	1,169	Level 2
Other financial liabilities	Amortised cost	146,983	146,983	166,071	166,071	
Current financial liabilities		**1,237,345**	**1,237,345**	**1,531,207**	**1,531,207**	
Financial liabilities						
Financial liabilities to banks	Amortised cost	273,882	333,007	274,731	325,394	Level 2
Bonds	Amortised cost	898,312	865,231	397,579	429,089	Level 1
Other financial liabilities						
Derivatives designated as hedging instruments	n.a.	74,458	74,458	75,902	75,902	Level 2
Derivatives not designated as hedging instruments	FVPL	0	0	0	0	Level 2
Other financial liabilities	Amortised cost	21,441	21,441	24,680	24,680	
Non-current financial liabilities		**1,268,093**	**1,294,137**	**772,892**	**855,065**	
Financial liabilities		**2,505,437**	**2,531,482**	**2,403,099**	**2,386,272**	

€ thousand	Carrying amount 31 May 2020	Fair value 31 May 2020	Carrying amount 31 May 2019	Fair value 31 May 2019
Of which aggregated under IFRS 9 measurement categories:				
Financial assets				
FVPL	179,296	179,296	205,661	205,661
Amortised cost	1,926,439	1,926,439	2,076,050	2,076,050
FVOCI	305,897	305,897	369,711	369,711
Financial liabilities				
Amortised cost	2,414,705	2,440,750	2,213,280	2,295,453
FVPL	292	292	1,169	1,169

Notes on the abbreviations used:
FVPL: Fair Value through Profit or Loss.

FVOCI: Fair Value through Other Comprehensive Income, with reclassification to profit or loss.

The valuation technique used for financial assets and financial liabilities measured at fair value depends on the available inputs. If quoted prices can be accessed for identical assets in active markets, those prices are used to measure fair value (Level 1). If this is not possible, fair value is measured using the fair values of comparable market transactions as well as financial methods based on observable market data (Level 2). Fair values not based on observable market data are measured using generally recognised financial modelling methods or observable achievable prices from recent qualified funding rounds while taking account of the entity's life and development cycle (Level 3).

The Group reports possible transfers between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred. As in the prior year, no transfers were made between different levels of the fair value hierarchy during the current 2019/2020 reporting period. The carrying amounts of current financial instruments at the balance sheet date correspond to the market value owing to their short residual term and the fact that they are recognised at market value.

Non-current financial instruments on the assets side are mainly determined by the other investments, securities as cover assets for pension provisions and loans. The fair values of these equity components measured at acquisition costs could not be determined as no stock exchange or market prices were available. The long-term equity instruments are interests in other entities and non-consolidated affiliates, are recognised as FVPL and measured at cost, which is € 27,261 thousand (prior year: € 18,277 thousand), because the fair values cannot be reliably determined.

PLEDGED COLLATERAL

As at 31 May 2020, interest-bearing investments of € 15,500 thousand (prior year: € 15,500 thousand) were pledged to a trustee as statutory insolvency protection for partial retirement fund assets. They are netted against the obligations from partial retirement. Occasionally, collateral is pledged from the business assets to a limited extent as security for bank credit. These may, for example, be categorised as receivables.

The following table shows the net result from financial instruments for each IFRS 9 measurement category for fiscal year 2019/2020:

€ thousand	Interests	Dividends	Fair value measurement	Currency gains / losses	2019/2020
Financial assets FVPL	550	1,004	-5,369	817	-2,997
Financial liabilities FVPL	0	0	1,650	0	1,650
Financial assets FVOCI – write-off	982	0	1,993	-361	2,613
Financial assets amortised cost	8,413	0	0	605	9,018
Financial liabilities amortised cost	-33,756	0	0	-16,959	-50,715
Total	**-23,811**	**1,004**	**-1,726**	**-15,898**	**-40,431**

The following table shows the net result from financial instruments for each IFRS 9 measurement category for fiscal year 2018/2019:

€ thousand	Interests	Dividends	Fair value measurement	Currency gains / losses	2018/2019
Financial assets FVPL	421	1,908	-3,139	1,402	591
Financial liabilities FVPL	0	0	8,142	0	8,142
Financial assets FVOCI – write-off	1,063	0	-1,104	-122	-163
Financial assets amortised cost	10,711	0	0	15,276	25,987
Financial liabilities amortised cost	-40,386	0	0	3,704	-36,682
Total	**-28,192**	**1,908**	**3,899**	**20,260**	**-2,125**

NET PROFIT/LOSS PER MEASUREMENT CATEGORY

When determining the net result from financial instruments, value adjustments/value recoveries, income and expense resulting from the application of the effective interest method, income and expenses from currency translation, gains or losses on disposals, and other changes in the fair value of financial instruments recognised in the income statement are taken into account.

FINANCIAL RISK MANAGEMENT

The HELLA Group is exposed to various financial risks in the course of its operations. In particular, these include liquidity, currency and interest rate risk. Risk management is carried out by the central financial management department in accordance with the guidelines adopted by the corporate bodies. Detailed information is provided in the management report.

On the procurement side, commodity price risks and risks relating to the general security of supply exist, among others. Moreover, credit risks arise from trade receivables, and also from receivables relating to financial transactions, such as the investment of cash or cash equivalents or the acquisition of securities. Liquidity risk can arise from a significant decline in the operating business performance as well as from the risk categories mentioned above.

Management of liquidity risks

HELLA works with mainly centralised liquidity structures in order to pool liquidity across the Group. The centralised liquidity is calculated on a regular basis and planned using a bottom-up process. HELLA actively manages the loan portfolio on the basis of the liquidity planning.

The following tables show the maximum settlements. The presentation shows the worst-case scenario for HELLA, i.e. the earliest possible contractual payment date. This takes into account creditor cancellation rights. Foreign currency positions are always converted at the spot rate applicable on the balance sheet date. Interest payments for positions with variable interest rates are always measured at the reference interest rate applicable on the balance sheet date. In addition to non-derivative financial instruments, derivative financial instruments (e.g. foreign currency forwards and interest rate swaps) are taken into account. For derivatives where gross payments are settled between the parties involved, only the settlements are presented in line with the worst-case scenario. These settlements are offset by cash receipts, 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 2020

€ thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	1,407,905	550,936	841,919	2,800,760
Derivative financial instruments	786,676	141,316	285,096	1,213,088
Loan commitments/financial guarantees	65	0	0	65
Total	**2,194,646**	**692,252**	**1,127,015**	**4,013,913**
Cash receipts from gross derivatives	774,089	110,881	236,773	1,121,743

Maximum future settlements as at 31 May 2019

€ thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	1,567,868	612,355	541,671	2,721,894
Derivative financial instruments	1,086,747	133,942	298,975	1,519,664
Loan commitments/financial guarantees	75	0	0	75
Total	**2,654,690**	**746,297**	**840,646**	**4,241,633**
Cash receipts from gross derivatives	1,077,500	105,938	239,807	1,423,245

The Group's liquidity supply is also sufficiently assured through cash and bank balances on hand, marketable short-term securities on hand and the available unused bank lines of credit.

The table below sets out the main liquidity instruments:

€ thousand	**31 May 2020**	31 May 2019
Cash and cash equivalents	1,202,794	876,763
Marketable securities	431,081	535,890
available, unused cash line of credit	622,402	602,025
Total	**2,256,277**	**2,014,678**

The total of the cash lines of credit available to the HELLA Group amounts to roughly € 1,078,705 thousand (prior year: € 602,025 thousand). This figure is made up of syndicated credit sized at € 450,000 thousand (maturing in 2022, utilisation as at 31 May 2020: 100%), a new syndicated credit facility taken out in May 2020 and amounting to € 500,000 thousand, maturing in June 2022 (utilisation as at 31 May 2020: 0%), and short-term money market lines with a volume of € 128,705 thousand (utilisation as at 31 May 2020: 5%). In some cases, standard creditor cancellation rights apply to the latter (as part of financial covenants). These covenants are reviewed on an ongoing basis as part of corporate planning and are currently rated as non-critical. Owing to the broad and international base of its core banks, the funding risk is considered very low.

Management of currency risks

Currency risks (in the context of transaction risks) arise from receivables, liabilities, liquid funds, securities and executory contracts in a currency other than the functional currency. The HELLA Group's currency risk is calculated as a net exposure by aggregating planned foreign currency cash flows.

The net exposure is constantly monitored and managed by regularly adjusting the hedge ratio to conform to the HELLA hedging strategy, which is regularly reviewed. Currency derivatives, primarily foreign currency forwards, are used to offset exchange rate-related fluctuations impacting these payments and positions.

This offsetting reflects the HELLA Group's expectation that the fair value measurements of the hedged item and hedging instrument normally move in opposite directions. For example, forward agreements are entered into to sell future cash flows from sales denominated in a foreign currency. A change in the exchange rate may have a positive impact on the cash flows from the foreign-currency sales but a negative effect on the currency forward, or vice versa.

Hedges are taken out for planned foreign currency transactions in their entirety and not just for components of the transactions.

As at 31 May 2020, significant net exposures of the HELLA Group for fiscal year 2020/2021 were identified in USD (91 million long, prior year: 380 million long), MXN (671 million short, prior year: 2,651 million short), CNY (823 million long, prior year: 296 million long) and CZK (899 million short, 281 million short); information is provided in the respective currency.

Currency derivatives are only used to hedge the currency risks arising from underlying transactions. Speculative transactions are not permitted.

Hedge ineffectiveness may occur as a result of credit value/debit value adjustments that are not offset by changes in the values of the hedged cash flows or as a result of differences in the underlying conditions for the hedged item and the hedging instrument.

In principle, the fair value of currency derivatives is recognised. In the case of cash flow hedge accounting within the meaning of IFRS 9, the unrealised gains and losses from the hedging transaction are initially recognised in the statement of changes in equity, with no impact on the income statement The gains and losses are only realised when the hedged underlying transaction is also recognised in the income statement. Fair value hedges are generally not taken out.

HELLA mainly designated currency derivatives to hedge foreign currency cash flows from funding in JPY maturing in 2032 or 2033 under cash flow hedge accounting. Other currency derivatives used to hedge currency risks from operating cash flow, with a maturity of less than one year in almost all cases, were also designated as cash flow hedge accounting.

Hedge accounting was not applied to other currency derivatives used to hedge underlying financial transactions. Measurement changes are recognised in the income statement.

In fiscal year 2019/2020, changes in the market value of the above-mentioned derivatives used for cash flow hedge accounting amounting to € -3,727 thousand (prior year: € 12,501 thousand) were recognised in equity. All in all, market values of currency derivatives used for hedging purposes amounting to € -84,116 thousand (prior year: € -75,396 thousand) were recognised in equity at the balance sheet date. Equity gains of € -3,021 thousand were recognised in the income statement in fiscal year 2019/2020 (prior year: € 11,763 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 € 3,516 thousand (prior year: € 856 thousand).

The relatively high sensitivity of the net profit/loss for the year is largely attributable to market fluctuations of non-derivative financial instruments and planned cash flows that are not hedged within the meaning of IFRS 9.

The sensitivity analysis is performed on the basis of the hedging ratios as at the balance sheet date. They are reviewed regularly in the course of the fiscal year and may be above or below the level at the balance sheet date.

The following sensitivity analyses show the effects a 10% change in the exchange rate of each foreign currency would have on equity or on net profit/loss for the year (before taxes). The analysis is based on the respective risk position on the reporting date and only takes into account the largest gross exposure in the HELLA Group:

€ thousand		**31 May 2020**		31 May 2019	
Exchange rate	Foreign currency	depreciates by 10%	appreciates by 10%	depreciates by 10%	appreciates by 10%
Change in equity owing to fluctuations in the market value of currency derivatives used for hedging purposes (cash flow hedge accounting)	CNY	11,731	-14,338	16,345	-19,977
	CZK	-7,163	8,755	-5,777	7,061
	JPY	-7,687	12,213	-5,804	2,661
	MXN	-9,770	11,941	-4,537	5,546
	RON	-10,237	12,512	-16,857	20,603
	USD	21,657	-26,469	6,889	-8,420
Change in net profit/loss for the year owing to unhedged currency exposures in the case of non-derivative financial instruments and fluctuations in the market value of derivative financial instruments	CNY	-9,416	11,509	-3,490	4,265
	CZK	3,035	-3,710	989	-1,209
	JPY	2,706	-3,308	1,845	-2,256
	MXN	2,481	-3,032	11,007	-13,453
	RON	4,458	-5,448	1,904	-2,327
	USD	-7,462	9,120	-30,944	37,820

The following table shows the nominal values and measurements of the hedging instruments, aggregated for all currencies, as well as their balance sheet category and the change in ineffectiveness.

€ thousand	**Nominal amount of the hedging instrument**	**Carrying amount of the hedging instrument**		**Line items in the statement of financial position that include the hedging instrument**
Cash flow hedges		Assets	Liabilities	
Exchange rate risk as at 31.05.2020	836,845	5,102	-95,125	Derivative financial assets/liabilities
Exchange rate risk as at 31.05.2019	945,301	12,633	-94,143	Derivative financial assets/liabilities

The following tables contain quantitative disclosures on the hedging instruments used in each category, broken down by the most important currencies:

	Nominal amount in € thousands		
	<1 year	1-5 years	>5 years
Exchange rate risk as at 31.05.2020	576,349	85,319	175,177
Exchange rate risk as at 31.05.2019	867,820	77,481	175,177

Exchange rate risk	Average prices over the entire term of the hedging instruments as at 31.05.2020	Average prices over the entire term of the hedging instruments as at 31.05.2019
EUR/USD	1.13	1.20
EUR/CZK	26.19	26.02
EUR/JPY	120.26	127.87
EUR/RON	5.00	4.89
EUR/CNY	8.00	8.05
USD/MXN	20.69	20.47

The following table contains disclosures for designated hedged items in each risk category. HELLA only uses cash flow hedges for currency risks.

Since the hedged items consist of planned cash flows that have not (yet) been recognised in the financial statements, only the carrying amount of the hedging instrument portfolio is reported.

€ thousand		Cash flow hedge reserve	
Cash flow hedges	Change in value for calculation of hedge ineffectiveness	Ongoing hedging activities	Hedging activities that no longer qualify for hedge accounting.
Exchange rate risk for forecast transactions			
as at 31.05.2020	-	-84,116	-
as at 31.05.2019	-	-75,396	-

Gains and losses from cash flow hedges are as follows:

Cash flow hedges in € thousand	Hedging instrument gains/losses recognised in OCI in hedge accounting	Hedge ineffectiveness recognised in profit or loss	Individual items in the consolidated statement of comprehensive income (including hedge ineffectiveness)	Amount reclassified from the CFH reserve to the income statement	Individual income statement items affected by the reclassification
Exchange rate risk as at 31.05.2020	-84,116	-	Other operating earnings	-3,021	Other operating earnings
Exchange rate risk as at 31.05.2019	-75,396	-	other operating earnings	11,763	other operating earnings

The following table reconciles the equity items relating to currency risks in other comprehensive income (OCI):

Development of equity items from currency risks

	2019/2020		2018/2019	
€ thousand	**Reserve for financial instruments for cash flow hedging**	**Hedging costs**	**Cash flow hedge reserve**	**Hedging costs**
As at 01 June	**-83,482**	**-5,685**	**-79,755**	**-8,674**
Profits or losses from effective hedging relationships	-64,625	60,898	29,108	-41,609
Reclassifications due to being recognised in profit or loss	72,887	-75,908	-32,836	44,599
As at 31 May	**-75,220**	**-20,695**	**-83,482**	**-5,685**

Management of interest rate risks

Interest rate risks arise when fluctuations in interest rates lead to changes in the value of financial assets and liabilities on the statement of financial position of HELLA. These may affect the amount of the interest income and expenses in the fiscal year as well as the market value of the derivatives concluded and other financial assets measured at fair value. As at 31 May 2020, interest rate-sensitive net financial debt stood at € 762,686 thousand (prior year: € 899,728 thousand).

These risks are managed by the HELLA Group through natural hedging, i.e. the elimination of interest rate risks by assuming offsetting items and through the targeted use of derivatives. The derivative financial instruments used are usually interest rate swaps. Interest rate derivatives are generally used to mitigate cash flow risks.

As with currency derivatives, interest rate derivatives are settled mainly by HELLA GmbH & Co. KGaA. The use of interest rate derivatives is also always associated with underlying transactions. Interest rate derivatives used to hedge interest rate risks from non-derivative financial instruments are designated as cash flow hedge accounting. Speculative transactions are not permitted.

The following sensitivity analyses show how a one percentage point movement in the respective market interest rate would change equity and net profit/loss for the year (in each case before taxes). The analysis is based on the respective risk position on the balance sheet date. The calculation method used is the net present value method.

€ thousand	**31 May 2020**		31 May 2019	
Market interest rate	rises by 1 percentage point	falls by 1 percentage point	rises by 1 percentage point	falls by 1 percentage point
Change in equity owing to fluctuations in the market value of fixed-income securities recognised directly in equity at fair value	-14,956	19,812	-3,589	16,562
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	7,627	-7,627	8,997	-8,997

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 2020, there were no commodity derivatives (market value in the prior year: € 0 thousand).

Commodity (net) exposure for 2020/2021 is expected to amount to € 19,381 thousand (prior year: € 19,540 thousand).

The following sensitivity analysis shows what effects fluctuations of 10% in the market prices of underlying commodities would have had on net profit/loss for the year (before taxes).

€ thousand	**31 May 2020**		31 May 2019	
Commodity price	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Change in net profit/loss for the year owing to fluctuations in the market value of hedged items and commodity derivatives used	-1,938	1,938	-1,954	1,954

MANAGEMENT OF OTHER PRICE RISKS

Other price risks arise for HELLA through investments in current or non-current, non-interest-bearing securities, largely equities and funds that are classified as “hold and sell” or “held for trading” and therefore measured at fair value through profit or loss.

Debt capital instruments, derivatives and equity instruments are classified and reported differently under IFRS 9. The cash flow characteristics test (SPPI) is also essential for classifying financial instruments.

We therefore present two key criteria for determining whether a debt capital instrument passes the SPPI test. The instrument passes the SPPI test wherever

- the assets were acquired for the purpose of holding them and collecting the related cash flows, and
- the cash flows consist solely of payments of principal and interest.

DEBT CAPITAL INSTRUMENTS

The business model for the debt capital instruments is “held for trading” and has to be subjected to the SPPI test. Debt capital instruments that fail the SSPI test are recognised and measured at FVPL.

If the contractual cash flows are solely payments of principal and interest (SPPI test passed), the debt capital instruments are measured at FVOCI with recycling to profit or loss. HELLA therefore no longer measures debt capital instruments at amortised cost.

EQUITY INSTRUMENTS

IFRS 9 requires all equity instruments to be accounted for at fair value through profit or loss. Fair value changes are taken to the income statement. There is an exception to this rule: it is possible to irrevocably elect to measure an equity instrument at fair value on initial recognition and present value changes in other comprehensive income as long as the instrument is not held for trading. If this option is exercised, the OCI is not reclassified to profit or loss upon recognition (FVOCI without recycling). HELLA will not use this option but will account for all equity instruments at fair value through profit or loss. These items are shown in the following table. Investments measured at acquisition cost because the fair value cannot be reliably determined are not exposed to balance sheet risk and are therefore not included in the presentation.

€ thousand	**31 May 2020**	31 May 2019
Price risk positions of the non-derivative assets	23,501	36,639

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 balance sheet date.

€ thousand	**31 May 2020**		31 May 2019	
Securities price	rises by 10%	falls by 10%	rises by 10%	falls by 10%
Change in equity owing to changes in prices of unimpaired securities and investments in public funds	2,350	-2,350	3,664	-3,664
Change in net profit/loss for the year owing to changes in prices of impaired securities	0	0	0	0

MANAGEMENT OF DEFAULT RISKS

Default risks arise for the HELLA Group from its operations and from financial investments and financial derivatives with positive fair values. Default risks from trade receivables, contract assets or other financial assets pose the risk that the receivables will be collected significantly late or not at all if a customer or another counterparty fails to satisfy its contractual commitments.

The Company considers the probability of default when initially recognising an asset as well as whether the credit risk has constantly increased significantly in every reporting period. To determine whether the credit risk has increased significantly, the Company compares the default risk of the asset on the balance sheet date to the default risk at the time of initial recognition. The Group makes this assessment based on quantitative and qualitative information that is reasonable and appropriate, including past experience and/or forward-looking information that can be obtained without excessive effort or expense. The default risk largely depends on the characteristics of the customers and their industry and is thus monitored by central and regional financial officers. The credit ratings and payment practices of contracting partners are regularly analysed.

Regardless of the outcome of the above assessment, the Group presumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and appropriate information that proves otherwise.

A financial asset is in default or credit impaired if any of the following criteria have been met:

- Bankruptcy or similar event indicating significant financial difficulty and a probable default on the part of the counterparty
- Probable debt waiver
- Other reasons for credit managers to assume that it is more likely that the receivables are not collectible

In addition, all past-due trade receivables are tested for impairment during the year.

Financial assets are written off if there is no reasonable expectation of settlement. The residual value of these written-off financial assets can still be recovered, possibly with the involvement of legal counsel, if the customer enters bankruptcy. No residual value was recovered from written-off receivables in the fiscal year under review (prior year: € 7 thousand). Any amounts collected are recognised in profit or loss.

The maximum default risk for the financial assets corresponds to their carrying amount. Netting off is not carried out due to the full or partial lack of offsetting criteria under IAS 32. Collateral is accepted in individual cases as described below, which means that the actual default risk is smaller.

The HELLA Group's derivative transactions are typically concluded by HELLA GmbH & CO. KGaA and internally passed on to HELLA subsidiaries. HELLA GmbH & Co. KGaA buys and sells all derivatives involving external counterparties on the basis of the German Master Agreement for Financial Derivatives Transactions (DRV). DRV versions used in the past generally did not meet the requirements for offsetting since the offsetting of outstanding amounts would only have been legally enforceable following future events, such as a contracting partner's bankruptcy. However, most current versions of the DRV now contain offsetting options, which makes it likely that they will be instituted in existing contract versions in future. If local regulations prohibit internal forwarding of derivatives, a HELLA subsidiary can conduct transactions directly with a bank under an individual contract, which will generally be based on the Master Agreement of the International Swaps and Derivatives Association (ISDA) with compensation possibilities. The following table shows the offsetting potential for derivatives taken out by HELLA GmbH & Co. KGaA that are subject to the aforementioned agreements.

	31 May 2020				
€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	8,513	0	8,513	4,265	4,248
Liabilities – derivatives	-95,358	0	-95,358	4,265	-91,093

	31 May 2019				
€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	13,504	0	13,504	8,253	5,251
Liabilities – derivatives	-90,814	0	-90,814	8,253	-82,561

The Group has the following types of financial assets that are subject to the expected credit loss model:
- Trade receivables
- Debt capital instruments at FVOCI
- Other financial assets at amortised cost

TRADE RECEIVABLES

The Group's credit risk is mainly a factor of the individual characteristics of individual customers. However, management also considers the factors that affect the credit risk of the broader customer base, including the default risk associated with the industry and country where the customer is located. HELLA has established a process in which it individually assesses the creditworthiness of every new customer before offering the Group's customary payment and delivery terms. In conducting the review, the Group considers external ratings (if available), financial statements, credit reports, industry information and, in some cases, bank references.

Operational risk is mainly managed by continuously monitoring receivables. Specific default risks are addressed upon identification by recognising corresponding impairments.

In individual cases, HELLA Group companies also demand collateral to secure receivables. This includes warranties, performance guarantees and advance securities. HELLA has drawn up internal rules for accepting collateral. The only acceptable collateral providers are banks and insurance firms with good credit ratings. Many shipments to customers are also subject to retention of title clauses. The HELLA Group holds no collateral as at 31 May 2020.

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 past-due or impaired financial assets, is considered very high. This assessment is primarily based on ratings issued by large rating agencies and the fact that the HELLA Group maintains long-standing business relationships with most of its customers. The historical default rate of these trade receivables is extremely low.

The current general economic conditions created by the coronavirus pandemic do not change this estimation. As at 31 May 2020, there were no significant defaults on receivables attributable to the coronavirus pandemic. At present, no significant defaults on receivables are expected to affect major customers in the automotive sector or the majority of customers in the Aftermarket and Special Applications segments. For this reason, no specific effects of the coronavirus pandemic have been factored into the approach to calculating credit losses, described below.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

An impairment analysis is conducted every balance sheet date using a provision matrix to measure expected credit losses. Provision rates are based on the number of days that trade receivables have been outstanding for groups of different customer segments with similar loss patterns (i.e. by region and customer type). The calculation reflects the probability-weighted result, the fair value of the money, and reasonable and appropriate information available on the balance sheet date regarding past events, current conditions and forecasts of future economic conditions. The maximum credit risk on the balance sheet date is the carrying amount (cf. Note 24).

Using this as a basis, the value adjustment for trade receivables as at 31 May 2020 and 31 May 2019 (applying IFRS 9) was calculated as follows:

	31 May 2020			31 May 2019		
€ thousand	Gross carrying amount	Impairment	Net carrying amount	Gross carrying amount	Impairment	Net carrying amount
Trade receivables	604,195	7,839	596,356	1,070,745	4,941	1,065,804
Total	**604,195**	**7,839**	596,356	1,070,745	4,941	1,065,804

Value adjustments for trade receivables carried at amortised cost as at 31 May 2020 are presented below and reconciled with the value adjustments for opening losses. The estimation techniques or main assumptions used to estimate the value adjustment for these financial assets did not change in the reporting period under review.

€ thousand	**31 May 2020**	31 May 2019
As at 1 June	**4,941**	**9,903**
Additions	8,429	4,311
Utilisation	-1,448	-2,948
Reduction	-4,015	-3,551
Other	-61	-95
Change in the scope of consolidation	-7	-2,679
As at: 31 May	**7,839**	**4,941**

Apart from business growth, there were no material changes in the gross amounts of the trade receivables that affected the estimation of the value adjustment.

DEBT INVESTMENTS

The Group solely invests in listed debt instruments that carry very little credit risk. All of the Group's debt instruments at OCI are listed bonds that have received investment-grade (very good and good) ratings from rating agencies and are thus considered to be low-risk investments.

The Group recognises lifetime ECLs if the credit risk has significantly increased since initial recognition. However, if the credit risk of the financial instrument has not significantly increased since initial recognition, the Group measures the loss allowance for this financial instrument using the 6-month CDS or the 12-month CDS. The expected credit losses (ECLs) for securities consider the exposure at default (EaD), the probability of default in the next 12 months (12m PD) and the loss given default (LGD) and are calculated as follows: ECL = EaD x 12m PD x LGD. The expected loss for individual cases is based on the spreads of the corresponding credit default swaps (CDSs).

In fiscal year 2019/2020, the Group recognised a value adjustment of € 565 thousand (2018/2019: € 705 thousand) for expected credit losses for its debt instruments measured at OCI.

The maximum exposure at the end of the reporting period is the carrying amount of these investments (€ 305,897 thousand).

The estimation techniques or main assumptions used to estimate the value adjustment for these financial assets did not change in the reporting period under review.

The loss allowance for debt instruments at FVOCI changed as follows during fiscal year 2019/2020.

	2019/2020				
€ thousand	12-month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	POCI – financial assets	**Total**
As at: 1 June 2019	**-705**	**0**	**0**	**0**	**-705**
Transfer to lifetime ECL without credit impairment	0	0	0	0	0
Transfer to lifetime ECL with credit impairment	0	0	0	0	0
New financial assets/additions to the value adjustment	-183	0	0	0	-183
Value adjustments/utilisation of value adjustments	0	0	0	0	0
Value recovery/dissolution of existing value adjustments	323	0	0	0	323
Other effects	0	0	0	0	0
As at: 31 May 2020	**-565**	**0**	**0**	**0**	**-565**

€ thousand	2018/2019 12-month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	POCI – financial assets	Total
As at: 1 June 2018, in accordance with IFRS 9	**-669**	**0**	**0**	**0**	**-669**
Transfer to lifetime ECL without credit impairment	0	0	0	0	0
Transfer to lifetime ECL with credit impairment	0	0	0	0	0
New financial assets/additions to the value adjustment	-249	0	0	0	-249
Value adjustments/utilisation of value adjustments	0	0	0	0	0
Value recovery/dissolution of existing value adjustments	213	0	0	0	213
Other effects	0	0	0	0	0
As at: 31 May 2019, in accordance with IFRS 9	**-705**	**0**	**0**	**0**	**-705**

Explanation of abbreviation:
POCI: Purchased or originated credit-impaired financial assets.

The Group's credit risk exposure to debt capital instruments at FVOCI can be summarised as follows:

€ thousand	**2019/2020** 12-month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	POCI	**Total**
Gross carrying amounts	**305,897**	0	0	0	**305,897**
Wertberichtigungen OCI	-565	0	0	0	-565

€ thousand	2018/2019 12-month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	POCI	**Total**
Gross carrying amounts	**369,711**	0	0	0	**369,711**
Wertberichtigungen OCI	-705	0	0	0	-705

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company is also exposed to credit risk in connection with financial assets measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (€ 179,296 thousand).

OTHER FINANCIAL ASSETS AT AMORTISED COST

The value adjustments for other receivables as at 31 May 2020 are shown below in the reconciliation.

Capital risk management

The HELLA Group manages its capital with the aim of ensuring that all Group companies can continue to operate as going concerns. By optimising the debt-equity ratio as needed, capital costs are kept as low as possible. These measures help to maximise shareholder income.

The capital structure consists of the current and non-current liabilities in the statement of financial position less the cash representing net borrowings and the balance sheet equity. The Risk Management Committee assesses and reviews the Group's capital structure on a regular basis. Risk-adjusted capital costs are taken into account in this assessment.

The overall capital risk management strategy pursued in the current fiscal year has not changed from the prior year.

€ thousand	31 May 2020	31 May 2019
As at 1 June	**868**	**1,370**
Additions	185	676
Utilisation	-156	-1,178
Reduction	-450	0
As at: 31 May	**447**	**868**

45 Contractual commitments

There were contractual commitments to purchase or use property, plant and equipment amounting to € 106,468 thousand as at the balance sheet date (prior year: € 85,529 thousand). Contractual commitments for the acquisition of intangible assets in fiscal year 2019/2020 were € 3,820 thousand (prior year: € 470 thousand).

46 Contingent liabilities

As at 31 May 2020, as in the previous year, no contingent liabilities existed within the HELLA Group.

47 Information on leases

THE HELLA GROUP AS LESSEE

The HELLA Group regularly operates as a lessee.

The Group has leases for various buildings, motor vehicles and pieces of office equipment. Leases are usually fixed for a particular period – generally 4 years for motor vehicles and between 5 and 15 years for buildings – but may include extension options. Some leases for buildings and office equipment include extension and termination options for the Group as a whole. These terms are utilised to maximise operational flexibility. Most extension and termination options can only be exercised by the Group, not by the lessor.

Leases are negotiated individually and cover a wide range of different terms and contract conditions. The HELLA Group is not subject to any obligations or restrictions from leases.

Usufructuary rights to assets:

€ thousand	Land and buildings	Machinery	Operating and office equipment	Total
As at: 1 June 2018	**0**	**0**	**0**	**0**
Changes as a result of the first-time application of IFRS 16	129,131	2,712	11,894	143,736
Additions	44,312	1,211	5,930	51,452
Depreciation/amortisation	-20,629	-1,214	-5,133	-26,976
Change of the scope of consolidation	-26,923	0	-388	-27,312
Currency translation	227	-173	55	109
As at: 31 May 2019	**126,117**	**2,536**	**12,358**	**141,010**
As at: 1 June 2019	**126,117**	**2,536**	**12,358**	**141,010**
Additions	38,230	2,080	9,423	49,733
Depreciation/amortisation	-24,486	-1,471	-6,495	-32,451
Disposals	-13,160	-32	-141	-13,332
Recorded impairments	-30,362	0	0	-30,362
Currency translation	-1,234	-85	-211	-1,530
As at: 31 May 2020	**95,106**	**3,028**	**14,934**	**113,068**

The right-of-use assets are measured at amortised cost and so do not require additional notes on remeasurement.

Lease liabilities:

€ thousand	31 May 2020	31 May 2019
Up to 1 year	31,379	28,485
Between 1 and 5 years	77,817	68,411
More than 5 years	34,550	45,381
Total	**143,747**	**142,278**

Amounts recognised in profit or loss:

€ thousand	2019/2020	2018/2019
Interest expenses for lease liabilities	-3,231	-2,668
Variable lease payments that are not included in the valuation of the lease liability	-1,419	-1,741
Expenses from current leases	-11,748	-11,397
Expenses from leases in which the underlying assets are low in value	-1,414	-546

Interest expenses for lease liabilities are reported within financing costs in the income statement and other comprehensive income.

Payments of € 31,325 thousand are recognised in the cash flow statement.

The portfolio of short-term leases is identical to the portfolio "up to one year". There are no additional lease liabilities.

There are no leases with residual value guarantees or pending leases that the Group has committed to.

The HELLA Group has not entered into any sale-and-lease back transactions.

THE HELLA GROUP AS LESSOR

In the Aftermarket segment, HELLA concludes finance lease agreements with workshops for its portfolio of diagnostic testing equipment and workshop equipment. These agreements generally have five-year terms. All lease agreements are concluded in euros and relate exclusively to business within the EU.

To reduce the risk associated with the transactions, HELLA conducts a credit check for each potential customer and, if needed, obtains bank guarantees for the full term of the lease. There are no variable lease payments that depend on an index or rate. Financial income from net capital expenditure in leasing for the period amounts to € 3,479 thousand.

Distribution of minimum lease payments (not discounted):

€ thousand	31 May 2020	31 May 2019
Up to 1 year	21,580	19,698
Between 1 and 5 years	48,200	47,652
More than 5 years	0	0
Future financing costs under finance leases	-8,259	-9,009
Total	**61,522**	**58,342**

Distribution of the present values of minimum lease payments:

€ thousand	31 May 2020	31 May 2019
Up to 1 year	18,223	16,277
Between 1 and 5 years	43,299	42,064
More than 5 years	0	0
Total	**61,522**	**58,342**

As at 31 May 2020, impairments for unrecoverable receivables from leases amounted to € 495 thousand (prior year: € 305 thousand).

48 Events after the balance sheet date

At the beginning of fiscal year 2020/2021, HELLA agreed to establish a joint venture with the company MINTH. The purpose of this is to promote the development, production and marketing of radomes and illuminated logos, areas in which both companies already conduct activities. Both partners have equal shares in the joint venture, whose production facility is located in the Chinese city of Jiaxing. The joint venture is due to commence operation in autumn 2020, subject to approval by all the relevant antitrust authorities.

At the beginning of fiscal year 2020/2021, HELLA also announced its intention to enhance the Company's competitive standing through a new strategy programme. This was developed against the backdrop of lowered market expectations, resulting in growing pressure from competitors and costs. The Company is also working on the basis of Covid-19 pandemic's progress and believes that market growth rates will remain moderate over the medium to long term as a result of this.

As a proactive way of adapting to the changing market environment, HELLA has approved a comprehensive package of measures that include significant investment in research and development plus software, digitalisation and automation. The programme will also entail structural changes within the global HELLA network. The measures will focus primarily on the German locations and will affect the areas of management and development in particular. Through the changes made as a result of this, HELLA intends to improve the Company's cost position as compared with its global competitors and provide a sound basis for continued profitable growth over the long term.

49 Audit fees

The total fee for the services of the auditor Pricewaterhouse-Coopers GmbH invoiced for fiscal year 2019/2020 amounts to € 927 thousand and includes the fees and expenses for the audit. An additional € 143 thousand for tax advisory services, € 5 thousand for other assurance services and € 11 thousand for other services were recognised as expenses.

The auditing services pertain to the audit of the annual and consolidated financial statements of the parent company. In addition to assistance with the transfer pricing documentation, the tax advisory services primarily include sales tax consulting. The other confirmation services pertain to certifications of financial information of partial units and the examination of the bonus share compensation.

Lippstadt, 30 July 2020

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach
(Chairman)

Dr. Frank Huber

Björn Twiehaus

Bernard Schäferbarthold

Scope of consolidation
Fiscal year 2019/2020

Affiliated companies included in the consolidated financial statements:

				Investment	
No.	Company	Country	City	in %	in
1	HELLA GmbH & Co. KGaA	Germany	Lippstadt	100.0	
2	HELLA Innenleuchten-Systeme GmbH*	Germany	Wembach	100.0	1
3	HELLA Innenleuchten-Systeme Bratislava, s.r.o.	Slovakia	Bratislava	100.0	2
4	HELLA Fahrzeugkomponenten GmbH*	Germany	Bremen	100.0	1
5	HFK Liegenschaftsgesellschaft mbH	Germany	Bremen	100.0	4
6	HELLA Electronics Engineering GmbH*	Germany	Regensburg	100.0	1
7	HELLA Aglaia Mobile Vision GmbH*	Germany	Berlin	100.0	1
8	HELLA Distribution GmbH*	Germany	Erwitte	100.0	1
9	RP Finanz GmbH*	Germany	Lippstadt	100.0	1
10	HELLA Finance International B.V.	The Netherlands	Nieuwegein	100.0	1
11	Docter Optics SE*	Germany	Neustadt an der Orla	100.0	1
12	Docter Optics Inc.	USA	Gilbert, AZ	100.0	11
13	Docter Optics Components GmbH	Germany	Neustadt an der Orla	100.0	11
14	Docter Optics s.r.o.	Czech Republic	Skalice u Ceské Lípy	100.0	11
15	HORTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Neustadt/Orla KG	Germany	Düsseldorf	94.0	11
16	Docter Optics Asia Ltd.	South Korea	Seoul	100.0	11
17	HELLA Saturnus Slovenija d.o.o.	Slovenia	Ljubljana	100.0	1
18	HELLA Werkzeug Technologiezentrum GmbH*	Germany	Lippstadt	100.0	1
19	HELLA Corporate Center GmbH*	Germany	Lippstadt	100.0	1
20	HELLA Gutmann Holding GmbH*	Germany	Ihringen	100.0	1
21	HELLA Gutmann Solutions GmbH*	Germany	Ihringen	100.0	20
22	HELLA Gutmann Anlagenvermietung GmbH*	Germany	Breisach	100.0	20
23	HELLA Gutmann Solutions A/S	Denmark	Viborg	100.0	20
24	HELLA Gutmann Solutions AS	Norway	Porsgrunn	100.0	23
25	Hella Gutmann Mobility GmbH	Germany	Berlin	100.0	20
26	HELLA OOO	Russia	Moscow	100.0	1
27	avitea GmbH work and more	Germany	Lippstadt	100.0	1
28	avitea Industrieservice GmbH	Germany	Lippstadt	100.0	27
29	HELLA Geschäftsführungsgesellschaft mbH*	Germany	Lippstadt	100.0	1
30	UAB HELLA Lithuania	Lithuania	Vilnius	100.0	1
31	hvs Verpflegungssysteme GmbH	Germany	Lippstadt	100.0	1
32	HELLA Holding International GmbH*	Germany	Lippstadt	100.0	1
33	HELLA Shanghai Electronics Co., Ltd.	China	Shanghai	100.0	32
34	HELLA Changchun Tooling Co., Ltd.	China	Changchun	100.0	32
35	HELLA Corporate Center (China) Co., Ltd.	China	Shanghai	100.0	32
36	Changchun HELLA Automotive Lighting Ltd.	China	Changchun	100.0	32
37	Beifang HELLA Automotive Lighting Ltd.	China	Beijing	100.0	32
38	HELLA Asia Pacific Pty Ltd	Australia	Mentone	100.0	32

No.	Company	Country	City	Investment in %	in
39	HELLA Australia Pty Ltd	Australia	Mentone	100.0	38
40	HELLA-New Zealand Limited	New Zealand	Auckland	100.0	38
41	HELLA Asia Pacific Holdings Pty Ltd	Australia	Mentone	100.0	38
42	HELLA Korea Inc.	South Korea	Seoul	100.0	41
43	HELLA India Automotive Private Limited	India	Gurgaon	100.0	41
44	HELLA UK Holdings Limited	Great Britain	Banbury	100.0	32
45	HELLA Limited	Great Britain	Banbury	100.0	44
46	HELLA Corporate Center USA, Inc.	USA	Plymouth, MI	100.0	32
47	HELLA Electronics Corporation	USA	Plymouth, MI	100.0	46
48	HELLA Automotive Sales, Inc.	USA	Peachtree City GA	100.0	46
49	HELLA España Holdings S. L.	Spain	Madrid	100.0	32
50	Manufacturas y Accesorios Electricos S.A.	Spain	Madrid	100.0	49
51	HELLA S.A.	Spain	Madrid	100.0	49
52	HELLA Handel Austria GmbH	Austria	Vienna	100.0	32
53	HELLA Fahrzeugteile Austria GmbH	Austria	Großpetersdorf	100.0	52
54	HELLA S.A.S.	France	Le Blanc Mesnil-Cedex	100.0	32
55	HELLA Engineering France S.A.S.	France	Toulouse	100.0	54
56	HELLA Benelux B.V.	The Netherlands	Nieuwegein	100.0	32
57	HELLA S.p.A.	Italy	Caleppio di Settala	100.0	32
58	HELLA Lighting Finland Oy	Finland	Salo	100.0	32
59	HELLA Autotechnik Nova s.r.o.	Czech Republic	Mohelnice	100.0	32
60	HELLA CZ, s.r.o.	Czech Republic	Zruc nad Sazavou	100.0	32
61	HELLA Hungária Kft.	Hungary	Budapest	100.0	32
62	HELLA Polska Sp. z o.o.	Poland	Warsaw	100.0	32
63	Intermobil Otomotiv Mümessillik Ve Ticaret A.S.	Turkey	Istanbul	56.0	32
64	HELLA Centro Corporativo Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	32
65	HELLA Automotive Mexico S.A. de C.V.	Mexico	Tlalnepantla	100.0	64
66	Grupo Administracion Tecnica S.A. de C.V.	Mexico	Tlalnepantla	100.0	64
67	Petosa S.A. de C.V.	Mexico	Tlalnepantla	100.0	64
68	HELLAmex S.A. de C.V.	Mexico	Naucalpan	100.0	64
69	HELLA A/S	Denmark	Aabenraa	100.0	32
70	Hella India Lighting Ltd.	India	New Delhi	82.7	32
71	HELLA Asia Singapore Pte. Ltd.	Singapore	Singapore	100.0	32
72	HELLA Trading (Shanghai) Co., Ltd.	China	Shanghai	100.0	71
73	HELLA Slovakia Holding s.r.o.	Slovakia	Kocovce	100.0	32
74	HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Bánovce nad Bebravou	100.0	73
75	HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Kocovce	100.0	73
76	HELLA Romania s.r.l.	Romania	Ghiroda-Timisoara	100.0	32
77	HELLA do Brazil Automotive Ltda.	Brazil	São Paulo	100.0	32

No.	Company	Country	City	Investment in %	in
78	HELLA Automotive South Africa (Pty) Ltd	South Africa	Uitenhage	100.0	32
79	HELLA Middle East FZE	United Arab Emirates	Dubai	100.0	32
80	HELLA Middle East LLC	United Arab Emirates	Dubai	49.0	79
81	Hella-Bekto Industries d.o.o.	Bosnia and Herzegovina	Gorazde	70.0	32
82	HELLA China Holding Co., Ltd.	China	Shanghai	100.0	32
83	HELLA (Xiamen) Electronic Device Co., Ltd.	China	Xiamen	100.0	82
84	Jiaxing HELLA Lighting Co., Ltd.	China	Jiaxing	100.0	82
85	HELLA Vietnam Company Limited	Vietnam	Ho Chi Minh City	100.0	32

* As in the previous year, the company exercises the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB).

Associates and joint ventures

No.	Company	Country	City	Investment in %	in
86	Behr-Hella Thermocontrol GmbH	Germany	Lippstadt	50.0	1
87	Behr-Hella Thermocontrol (Shanghai) Co., Ltd.	China	Shanghai	100.0	86
88	Behr-Hella Thermocontrol Inc.	USA	Wixom, MI	100.0	86
89	Behr-Hella Thermocontrol India Private Limited	India	Pune	100.0	86
90	Behr-Hella Thermocontrol Japan K.K.	Japan	Tokyo	100.0	86
91	Behr-Hella Thermocontrol EOOD	Bulgaria	Sofia	100.0	86
92	BHTC Mexico S.A. de C.V.	Mexico	Queretaro	100.0	86
93	BHTC Servicios S.A. de C.V.	Mexico	San Miguel de Allende	100.0	92
94	BHTC Finland OY	Finland	Tampere	100.0	86
95	Beijing SamLip Automotive Lighting Ltd.	China	Beijing	24.5	41
96	Mando Hella Electronics Corp.	South Korea	Incheon	50.0	32
97	Mando-Hella Electronics (Suzhou) Co., Ltd.	China	Suzhou	100.0	96
98	Mando-Hella Electronics Automotive India Private Limited	India	Sriperumbudur	100.0	96
99	HBPO Beteiligungsgesellschaft mbH	Germany	Lippstadt	33.3	1
100	HBPO GmbH	Germany	Lippstadt	100.0	99
101	HBPO Germany GmbH	Germany	Meerane	100.0	100
102	HBPO Slovakia s.r.o.	Slovakia	Lozorno	100.0	100
103	HBPO Automotive Spain S.L.	Spain	Arazuri	100.0	100
104	HBPO Mexico S.A. de C.V.	Mexico	Cuautlancingo	100.0	100
105	HBPO Czech s.r.o.	Czech Republic	Mnichovo Hradiste	100.0	100
106	HBPO North America Inc.	USA	Troy, MI	100.0	100
107	HBPO UK Limited	Great Britain	Banbury	100.0	100
108	HBPO Canada Inc.	Canada	Windsor	100.0	100
109	HBPO Rastatt GmbH	Germany	Rastatt	100.0	100
110	HBPO Ingolstadt GmbH	Germany	Ingolstadt	100.0	100
111	HBPO Manufacturing Hungary Kft.	Hungary	Kecskemét	100.0	100
112	SHB Automotive Module Company Ltd.	South Korea	Gyeongbuk	50.0	100
113	HBPO Automotive Hungaria Kft.	Hungary	Györ	100.0	100

No.	Company	Country	City	Investment in %	in
114	HBPO Regensburg GmbH	Germany	Regensburg	100.0	100
115	HBPO Pyeongtaek Ltd.	South Korea	Pyeongtaek	100.0	100
116	HBPO Beijing Ltd.	China	Beijing	100.0	100
117	HBPO Asia Ltd.	South Korea	Seoul	100.0	100
118	HICOM HBPO SDN BHD	Malaysia	Shah Alam	40.0	100
119	HBPO Management Sevices MX S.A.	Mexico	Cuautlancingo	100.0	100
120	HBPO Services MX S.A.	Mexico	Cuautlancingo	100.0	100
121	HBPO Vaihingen/Enz GmbH	Germany	Vaihingen/Enz	100.0	100
122	HBPO Saarland GmbH	Germany	Kleinblittersdorf	100.0	100
123	HBPO Nanjing Ltd.	China	Nanjing	100.0	100
124	HBPO Székesfehérvár Kft.	Hungary	Székesfehérvár	100.0	100
125	Changchun Hella Faway Automotive Lighting Co., Ltd.	China	Changchun	49.0	33
126	Chengdu Hella Faway Automotive Lighting Co., Ltd.	China	Chengdu	100.0	125
127	InnoSenT GmbH	Germany	Donnersdorf	50.0	1
128	Hella Pagid GmbH	Germany	Essen	50.0	1
129	Beijing Hella BHAP Automotive Lighting Co., Ltd.	China	Beijing	50.0	82
130	Hella BHAP (Sanhe) Automotive Lighting Co., Ltd.	China	Sanhe	100.0	129
131	Hella BHAP (Tianjin) Automotive Lighting Co., Ltd.	China	Tianjin	100.0	129
132	Hella BHAP Electronics (Jiangsu) Co., Ltd.	China	Zhenjiang	50.0	32

The companies listed below were not consolidated as they are of minor significance for the Group's net assets, financial position, and results of operations. For this reason, the other disclosures under Section 313 (2) (4) HGB could also be omitted. The Group's shares in these companies were recognised at fair value.

Companies not included in the consolidated financial statements:

No.	Company	Country	City	Investment in %	in
133	Electra Hella's S.A.	Greece	Athens	73.0	32
134	HELLA Japan Inc.	Japan	Tokyo	100.0	32
135	CMD Industries Pty Ltd.	Australia	Mentone	100.0	41
136	Tec-Tool S.A. de C.V.	Mexico	El Salto, Jalisco	100.0	64
137	Hella-Stanley Holding Pty Ltd.	Australia	Mentone	50.0	1
138	H+S Invest GmbH & Co. KG i.L.	Germany	Pirmasens	50.0	1
139	FWB Kunststofftechnik GmbH	Germany	Pirmasens	24.9	1
140	H+S Verwaltungs GmbH i.L.	Germany	Pirmasens	50.0	1
141	INTEDIS GmbH & Co. KG	Germany	Würzburg	50.0	1
142	INTEDIS Verwaltungs- GmbH	Germany	Würzburg	50.0	1
143	The Drivery GmbH	Germany	Berlin	100.0	7
144	HELLA Fast Forward Shanghai Co., Ltd.	China	Shanghai	100.0	33
145	HELLA Ventures, LLC	USA	Delaware	100.0	46

Since no significant influence is exercised over the following companies, they were treated as investments.

Investments

No.	Company	Country	City	Investment in %	in
146	PARTSLIFE GmbH	Germany	Neu-Isenburg	9.7	1
147	TecAlliance GmbH	Germany	Ismaning	7.0	1
148	EMC Test NRW GmbH electromagnetic compatibility	Germany	Dortmund	11.6	1
149	KFE Kompetenzzentrum Fahrzeug Elektronik GmbH	Germany	Lippstadt	12.0	1
150	Brighter AI Technologies GmbH	Germany	Berlin	10.8	1
151	YPTOKEY GmbH	Germany	Berlin	5.0	1
152	Breezometer Ltd.	Israel	Haifa	3.2	145

INDEPENDENT AUDITOR'S REPORT

TO HELLA GMBH & CO. KGAA, LIPPSTADT

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of HELLA GmbH & Co. KGaA, Lippstadt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at May 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from June 1, 2019 to May 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of HELLA GmbH & Co. KGaA, which is combined with the Company's management report, for the financial year from January 1 to May 31, 2020. We have not audited the content of those parts of the group management report listed in the "Other information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at May 31, 2020, and of its financial performance for the financial year from June 1, 2019 to May 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from June 1, 2019 to May 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill and impairments to property, plant and equipment and intangible assets with finite useful lives
2. Accounting for warranty obligations

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1 Recoverability of goodwill and impairments to property, plant and equipment and intangible assets with finite useful lives

1. In the consolidated financial statements of the Company, goodwill amounting to EUR 5.4 million and intangible assets with finite useful lives amounting to EUR 246.7 million are reported under the "intangible assets" balance sheet item, and property, plant and equipment amounting to EUR 1,593.4 million is reported under the "property, plant and equipment" line item (together accounting for 32.4% of total assets). Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment tests are only carried out on property, plant and equipment and intangible assets with finite useful lives if there are indications that these assets may be impaired. The management has classified the developments of the COVID-19 pandemic, its impact on the Group and forecasts for future market development as indications that assets may be impaired. Therefore, extensive impairment tests were performed. The impairment tests are carried out at the level of the cash-generating units or groups of cash-generating units – in the case of impairment tests on goodwill, including the respective allocated goodwill. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount for the purposes of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective cash-generating unit or group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the Group's three-year financial plan prepared by the management and adopted by the supervisory board forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit or group of cash-generating units. As the result of the impairment tests, an impairment loss of EUR 37.8 million was recognized in respect of goodwill and an impairment loss of EUR 456.5 million was recognized in respect of property, plant and equipment and intangible assets with finite useful lives.

   The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective cash-generating units or groups of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore generally subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit we evaluated the methodology employed by the Company for the purposes of conducting the impairment tests, among other things, with the assistance of internal specialists from the "Valuation" area. After matching the future cash inflows used for the calculation against the three-year business plan of the Group, prepared by the management and adopted by the Supervisory Board, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied or the growth

rate used can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied and the growth rate used, and verified the calculation procedure. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes to the consolidated financial statements relating to cash-generating units or groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill as well as for the calculated impairment losses.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on impairment testing and the balance sheet items "Intangible assets" and "Property, plant and equipment" are contained in numbers 03,22, 30 and 31 of the notes to the consolidated financial statements.

2 Accounting for warranty obligations

1. In the Company's consolidated financial statements provisions for warranties amounting to EUR 66.2 million are reported under the "Provisions" balance sheet item. These relate to warranty obligations arising from product sales and are determined for specific individual measures and in accordance with the previous or estimated future losses. Provisions with an expected remaining term of more than one year are discounted using the market rate of interest corresponding to the remaining term. When warranty provisions are recognized and measured, assumptions are made as to the nature and extent of future warranty claims and their respective probabilities of occurrence as well as the nature and expenses associated with the individual measures to be carried out. These assumptions are based on estimates by the executive directors. In connection with recognized warranty obligations, contractual insurance claims of EUR 37.6 million were recognized and are reported under the "Other receivables and non-financial assets" balance sheet item. These are recognized if the grounds for and amounts of the claims can be estimated with reliable assurance.

We consider this matter to be of particular significance in the context of our audit since the recognition and measurement of this item is to a large extent based on estimates and assumptions made by the Company's executive directors.

2. To audit the recognition of the warranty obligations, we first examined the processes established by the Company for recognizing and processing warranty claims. Based on that examination, we assessed the recognition requirements based on discussions with responsible employees of the company and the underlying documents. With the knowledge that estimated values increase the risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct and significant effect on net profit or loss, we assessed the appropriateness of the carrying amounts among other things using the descriptions of the transactions, contractual documents and measurement bases presented to us and by comparing these against past figures. We reperformed the entire calculations (including discounting) for the provisions using the applicable measurement inputs and assessed the estimated timetable for utilizing the provisions. In addition, we analyzed and assessed the recognition and measurement of contractual insurance claims.

We were able to satisfy ourselves that the estimates and assumptions of the executive directors on the basis of which a warranty obligation provision and the associated contractual insurance claims were recognized and measured were sufficiently documented and substantiated.

3. The Company's disclosures relating to warranty claims are contained in the notes to the balance sheet items "Provisions" and "Other receivables and non-financial assets" in sections 26 and 37 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the section "Corporate Governance of HELLA GmbH & Co. KGaA" of the Group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.
The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on September 27, 2019. We were engaged by the supervisory board on January 13, 2020. We have been the group auditor of HELLA GmbH & Co. KGaA, Lippstadt, without interruption since the financial year 2018/2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Thomas Ull.

Hannover, 31 July 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Schröder	**Dr. Thomas Ull**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

on the consolidated financial statements, annual financial statements, Group management report and management report of HELLA GmbH & Co. KGaA dated 31 May 2020

To the best of our knowledge, the consolidated financial statements and annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the company in accordance with applicable accounting principles, and the Group management report and management report include a fair review of the development and performance of the business and the position of both the Group and the Company, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Lippstadt, 30 July 2020

Dr. Rolf Breidenbach
(President and CEO of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Frank Huber
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Bernard Schäferbarthold
(Managing Director of
Hella Geschäftsführungsgesellschaft mbH)

Björn Twiehaus
(Managing director of Hella Geschäfts-
führungsgesellschaft mbH)

BODIES OF HELLA GMBH & CO. KGAA

Supervisory Board

Klaus Kühn
Since 26 September 2014
Chairman of the Supervisory Board (since 27 September 2019),
Independent business consultant,
formerly CFO of Bayer AG

Heinrich-Georg Bölter
Since 23 July 2004
Deputy Chairman of the Supervisory Board (since 27 September 2019),
member of commercial staff, works council member

Prof. Dr. Michael Hoffmann-Becking
From 13 November 2003 to 27 September 2019
Chairman of the Supervisory Board (until 27 September 2019),
Attorney-at-law

Alfons Eilers
From 29 September 2006 to 27 September 2019,
Deputy Chairman of the Supervisory Board (until 27 September 2019), formerly IG Metall trade union secretary

Michaela Bittner
Since 14 October 2009,
Senior executive

Manuel Rodriguez Cameselle
From 26 September 2014 to 27 September 2019,
Member of technical staff, works council member

Manuel Frenzel
From 26 September 2014 to 27 September 2019,
Entrepreneur, shareholder

Elisabeth Fries
From 13 November 2003 to 27 September 2019,
Pensioner, shareholder

Paul Hellmann
Since 27 September 2019
Member of technical staff, works council member

Dr. Dietrich Hueck
Since 27 September 2019
Independent business consultant, shareholder

Dr. Tobias Hueck
Since 27 September 2019
Attorney-at-law, shareholder

Stephanie Hueck
Since 26 September 2014,
Entrepreneur, shareholder

Susanna Hülsbömer
Since 14 October 2009,
Member of commercial staff, works council member

Manfred Menningen
Since 14 October 2009,
Trade union secretary on the Executive Board of the German Metalworkers' Union (IG Metall)

Claudia Owen
Since 29 September 2016,
Member of the executive board of Dr. Arnold-Hueck-Stiftung, shareholder

Dr. Thomas B. Paul
Since 27 September 2019
Attorney-at-law

Britta Peter
Since 27 September 2019
First authorised signatory and treasurer of IG Metall

Christoph Rudiger
Since 1 October 2018
Member of commercial staff, works council member

Franz-Josef Schütte
Since 27 September 2019
Member of technical staff, works council member

Charlotte Sötje
Since 27 September 2019
Independent mediator, shareholder

Marco Schweizer
From 26 September 2014 to 27 September 2019,
Member of technical staff, works council member

Dr. Konstanze Thämer
From 26 September 2014 to 27 September 2019,
Medical doctor, shareholder

Christoph Thomas
Since 26 September 2014,
Architect, shareholder

Shareholder Committee

Carl-Peter Forster
Since 27 September 2019
Chairman of the Shareholder Committee (since 27 September 2019),
Independent business consultant and investor formerly CEO of Adam Opel AG

Dr. Jürgen Behrend
Since 28 September 2017,
Deputy Chairman of the Shareholder Committee (since 27 September 2019),
formerly personally liable Managing General Partner of Hella KGaA Hueck & Co, shareholder

Manfred Wennemer
From 14 May 2013 until 27 September 2019
formerly Chairman of the Shareholder Committee (until 27 September 2019), formerly CEO of Continental AG

Roland Hammerstein
Since 13 November 2003
former Deputy Chairman of the
Shareholder Committee (until 27 September 2019),
attorney-at-law, shareholder

Horst Binnig
Since 27 September 2019,
former CEO of Rheinmetall
Automotive AG and former member of the executive board of Rheinmetall AG

Samuel Christ
Since 27 September 2019,
independent communications consultant and creative director, shareholder

Dr.-Ing. Gerd Kleinert
From 19 November 2010 to 27 September 2019
Formerly member of the executive board of Rheinmetall AG and formerly CEO of Kolbenschmidt Pierburg AG

Klaus Kühn
Since 19 November 2010
independent business consultant,
formerly CFO of Bayer AG

Dr. Matthias Röpke
Since 27 September 2013
Engineer, shareholder

Konstantin Thomas
Since 27 September 2013
Entrepreneur, shareholder

Management Board

HELLA GESCHÄFTSFÜHRUNGSGESELLSCHAFT MBH
General Partner

Dr. Rolf Breidenbach
Since 1 February 2004
President and CEO,
Automotive Electronics, Purchasing, Quality,
Legal and Compliance, Human Resources, Aftermarket

Dr. Werner Benade
From 1 April 2017 to 31 March 2020
Aftermarket & Special Applications

Dr. Frank Huber
Since 1 April 2018
Automotive Lighting

Bernard Schäferbarthold
Since 1 November 2016
Finance, Controlling, Information Technology and
Process Management, Special Applications

Dr. Nicole Schneider
From 1 October 2018 to 28 February 2020
Human Resources

Björn Twiehaus
Since 1 April 2020
Automotive Electronics (deputy)

GLOSSARY

Adjusted EBIT
Earnings before interest and income taxes, adjusted for extraordinary expenses, income or payments and unplanned impairments

Adjusted EBIT margin
Ratio of adjusted EBIT to portfolio-adjusted consolidated sales

Adjusted EBITDA
Earnings before interest, income taxes, depreciation, and amortisation, adjusted for extraordinary expenses, income or payments

Adjusted EBITDA margin
Ratio of adjusted EBITDA to portfolio-adjusted consolidated sales

Adjusted free cash flow
Net cash flow from operating activities after capital expenditure, excluding company acquisitions, adjusted for extraordinary expenses, income or payments

AFLAC (American Family Life Assurance Company)
American insurance company specialised in health and life insurance

AfS (available-for-sale)
Available-for-sale financial assets

Asia / Pacific / RoW
The Asia / Pacific / Rest of World region comprises the countries of Asia as well as Australia and New Zealand. "Rest of world" (RoW) is the term used to cover all other countries outside of those regions mentioned specifically

Associates
Associates are companies over which the Group exercises significant influence but no control

At equity
Inclusion in the consolidated financial statements using the equity method with proportional equity

Cash-generating unit (CGU)
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or other groups of assets

CCBS (Cross Currency Basis Spread)
Unit to measure how well a currency is performing; results in additional hedging costs that have an impact on both currencies

CDS (Credit Default Swap)
Credit default swap is a credit derivative in which the risk of defaults from credits, bonds or borrowers are negotiated (credit default insurance)

Compliance
Adherence to statutory and internal Company regulations

Currency and portfolio-adjusted consolidated sales
Consolidated sales without considering effects from exchange rates and portfolio changes

DBO (defined benefit obligation)
Value of obligations arising from the Company pension scheme

EaD (Exposure at Default)
Exposure at default quantifies the amount of the credit claim that exists at the time of a borrower's default

EBIT (earnings before interest and taxes)
Earnings before interest payments and income taxes

EBIT margin
Earnings before interest payments and income taxes in relation to the consolidated sales reported

EBITDA (earnings before interest, taxes, depreciation and amortisation)
Earnings before interest, income taxes, depreciation and amortisation

EBITDA margin
Earnings before interest payments, income taxes, depreciation and amortisation in relation to the consolidated sales reported

EBT (earnings before taxes)
Earnings before income taxes

ECL (Expected Credit Losses)
Evaluation of expected credit losses from financial instruments

Europe not including Germany
This region comprises all countries in Europe including Turkey and Russia but excluding Germany

FLAC (financial liabilities at amortised cost)
Financial liabilities measured at amortised cost

Free cash flow
Net cash flow from operating activities after capital expenditure, excluding Company acquisitions

FVOCI (Fair Value through other Comprehensive Income)
Financial instrument that is evaluated under fair value with reclassification to other earnings

FVPL (Fair Value through Profit or Loss)
Financial instrument that is evaluated under fair value with reclassification to profit or loss

HfT (held for trading)
Financial assets held for trading and financial liabilities held for trading

IFRS (international financial reporting standards)
International accounting rules for company financial statements to guarantee international comparability of annual and consolidated financial statements

IT
IT stands for information technology and refers to all types of computer expertise including software and hardware expertise

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

KGaA (Kommanditgesellschaft auf Aktien)
The KGaA combines the elements of a stock corporation with those of a limited partnership

LaR (loans and receivables)
Loans and receivables

LGD (Loss Given Default)
Loss given default is the expected percentual loss in the event of insolvency

n.a. (not applicable)
Not applicable

NCAP (Euro NCAP)
Abbreviation for European New Car Assessment Programme; independent association to evaluate vehicle safety

Net capital expenditure
Payments for the acquisition of property, plant and equipment and intangible assets less cash proceeds from the sale of property, plant and equipment and intangible assets as well as payments received for series production

Net financial debt
Net financial debt is the balance of cash and cash equivalents and current financial assets and current and non-current financial liabilities

North, Central and South America
The North, Central, and South America region comprises all the countries on the continents of North and South America

PD (Probability of Default)
Probability of default is the likelihood of default and thus describes the possible loss of a credit institution or a business relationship

POCI (Purchased or Originated Credit Impaired financial assets)
Financial assets already having an impaired credit rating at the time of purchase or origination

Rating
In terms of financial accounting, the rating is a method for classifying creditworthiness. This rating is issued by independent rating agencies on the basis of a company analysis

Return on equity
Return on equity is a ratio calculated by dividing net income by shareholders' equity

RoIC (return on invested capital)
The ratio of operating income before financing costs and after taxes (return) to invested capital

R&D
Research and development

Segment sales
Sales with third-party entities and other business segments

Segment sales of the business division
Sales with third-party entities, 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, agricultural and construction vehicles and machinery, as well as municipalities

SPPI (Solely Payments of Principal and Interest)
Contractual cash flows representing only principal and interest payments on the outstanding principal amount

Tier-1 supplier
First-level supplier

LEGAL NOTICE

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This report is available in German and English.
Both versions are available for download at
www.hella.de/geschaeftsbericht (German)
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Equality is a fundamental principle for HELLA. Female and male employees are collectively referred to as employees exclusively in the interests of better readability. The term includes all genders.

Credits
Images: p. 06 – 07: Bernhard Huber (4); p. 12 – 13: HELLA (6), BMW AG (1), David Kunac/FINAL FRAME (1); p. 14 – 15: Getty-images; p. 22 – 29: Philippe Roy/Kore Studios/Fotogloria (4), Gettyimages, HELLA (2); p. 30 – 35: Bernhard Huber (4)

Graphics and illustrations: C3 Visual Lab

KEY PERFORMANCE INDICATORS

	2019/2020	2018/2019	2017/2018
Currency- and portfolio-adjusted sales (in € million)	5,800	6,770	6,421
Currency and portfolio-adjusted sales growth	-14.3%	5.2%	9.0%
Adjusted EBIT margin	4.0%	8.4%	8.5%

In € million	**2019/2020**	2018/2019	2017/2018
Sales	5,829	6,770	6,421
Change compared to prior year	-14%	5%	-2%
Adjusted earnings before interest and taxes (adjusted EBIT)	233	572	545
Change compared to prior year	-59%	5%	2%
Earnings before interest and taxes (EBIT)	-343	808	574
Change compared to prior year	-142%	41 %	13 %
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	667	948	984
Change compared to prior year	-30%	-4%	4%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	576	1,191	1,018
Change compared to prior year	-52%	17 %	11 %
Earnings for the period	-432	630	390
Change compared to prior year	-168%	62 %	14 %
Earnings per share (in €)	-3.88	5.67	3.50
Change compared to prior year	-168%	62 %	14 %
Adjusted free cash flow from operating activities	227	243	223
Free cash flow from operating activities	205	253	218
Research and development (R&D) expenses	620	611	568
Change compared to prior year	2%	7 %	8 %
Net capital expenditure	431	551	432
Change compared to prior year	-22%	28 %	-17 %

	2019/2020	2018/2019	2017/2018
EBIT margin	-5.9%	11.6 %	8.1 %
Adjusted EBITDA margin	11.4%	14.0%	15.3 %
EBITDA margin	9.9%	17.0 %	14.4 %
R&D expenses in relation to sales	10.6%	9.0%	8.8 %
Net capital expenditure in relation to sales	7.4%	7.9 %	6.1 %

	31 May 2020	31 May 2019	31 May 2018
Net financial debt / net financial liquidity (in € million)	-140	66	-187
Equity ratio	37.0%	46.3 %	41.9 %
Return on equity	-20.5%	25.4 %	17.5 %
Employees	36,311	38,845	40,263

Development of the HELLA share (in €)	**2019/2020**	2018/2019	2017/2018
Starting price	39.26	53.80	45.14
Closing price	35.10	39.26	53.80
Highest price	50.55	57.35	58.75
Lowest price	20.82	33.90	42.36

HELLA successfully completed its exit from the wholesale distribution business in fiscal year 2018/2019. On 31 December 2019, the shares in the joint venture Behr Hella Service – under which HELLA had combined the thermal management activities for the aftermarket business – were transferred to the former joint venture partner MAHLE. To ensure comparability between fiscal year 2019/2020 and the prior year of 2018/2019, the operating variables for both periods have been adjusted in accordance with these portfolio changes. In particular, the prior year's sales have been corrected by the proportional sales of the wholesale distribution segment for presentation. As a consequence, the relevant relative values have also changed. For further information please refer to the consolidated financial statements.

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