Financial statement 28 February 2022

3rd quarter
Fiscal year 2021/2022

Contents

Key performance indicators

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
	2021/2022	2020/2021	Change	**2021/2022**	2020/2021	Change
Currency and portfolio-adjusted sales (in € million)	4,602	4,646	-0.9%	1,583	1,545	+2.4%
Adjusted EBIT margin	5.1%	8.0%	-2.9 pp	5.1%	6.7%	-1.7pp

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
In € million	**2021/2022**	2020/2021	Change	**2021/2022**	2020/2021	Change
Sales	4,653	4,646	+0.2%	1,616	1,545	+4.6%
Adjusted earnings before interest and taxes (adjusted EBIT)	238	373	-36.2%	82	104	-21.0%
Earnings before interest and taxes (EBIT)	225	312	-28.0%	76	219	-65.3%
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	541	655	-17.3%	188	203	-7.5%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	529	594	-10.9%	181	317	-42.9%
Earnings for the period	154	236	-35.0%	50	170	-70.6%
Earnings per share (in €)	1.37	2.12	-35.5%	0.44	1.52	-71.1%
Adjusted free cash flow from operating activities	-228	97	--	-25	113	--
Free cash flow from operating activities	-269	69	--	-43	102	--
Capital expenditures	401	371	+8.0%	114	110	+3.8%
Research and development (R&D) expenses	507	445	+13.9%	169	149	+14.0%

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
	2021/2022	2020/2021	Change	**2021/2022**	2020/2021	Change
EBIT margin	4.8%	6.7%	-1.9pp	4.7%	14.1%	-9.5pp
Adjusted EBITDA margin	11.6%	14.1%	-2.5pp	11.6%	13.1%	-1.5pp
EBITDA margin	11.4%	12.8%	-1.4pp	11.2%	20.5%	-9.3pp
Capital expenditure in relation to sales	8.6%	8.0%	+0.6pp	7.1%	7.2%	-0.1pp
R&D expenses in relation to sales	10.9%	9.6%	+1.3pp	10.5%	9.6%	+0.9pp

	28 February 2022	**31 May 2021**	Change
Net financial debt / net financial liquidity (in € million)	-352	103	--
Equity ratio	42.2%	40.6%	+1.6 pp
Return on equity (last 12 months)	10.6%	14.6%	-4.1pp
Employees	36,092	36,500	-1.1%

To ensure improved comparability of the results of operations between the current fiscal year 2021/2022 and the prior year, the presentation of operating variables of both periods has been adjusted or restated. Further information can be found in the selected financial information and in the further notes.

- **Resource bottlenecks strain the industry environment:** Global light vehicle production posts a significant decline of 10.1% in the first nine months
- **Currency and portfolio-adjusted consolidated sales** dip slightly by 0.9% to € 4,602 million, reported sales are largely on par with the prior year's level
- **Adjusted EBIT falls to € 238 million;** adjusted EBIT margin drops to 5.1%
- **Adjusted free cash flow from operating activities** is at € -228 million
- **Sales in the Automotive segment** drop by 1.6% to € 3,980 million
- **Aftermarket segment sees sales increase** by 17.0% to € 431 million
- **Special Applications post sales growth** of 10.1% to reach € 284 million
- **In the third quarter of the fiscal year,** currency and portfolio-adjusted sales increase by 2.4%; adjusted EBIT decreases to € 82 million; adjusted EBIT margin falls to 5.1%
- **The company outlook adjusted on 29 November 2021 is confirmed**; significant risks and uncertainties can be attributed to the war in Ukraine, resource bottlenecks as well as the Covid-19 pandemic particularly in China

Industry development

- According to IHS data, global light vehicle production drops by 10.1% over the nine-month period (as at: March 2022); in particular, bottlenecks in electronic components continue to strongly hamper industry development
- Across all regions, industry development is negative; in particular, the European market is disproportionately affected (-20.6%)
- In the third quarter, global production volumes fall to a lesser extent (-2.3%); the decline is thus not as severe as originally expected

In the first nine months of the HELLA fiscal year 2021/2022 (1 June 2021 to 28 February 2022), industry development was decidedly negative. According to data of the IHS market research institute (as at: 15 March 2022), global production of passenger cars and light commercial vehicles declined by 10.1% to 56.6 million units over the given period (prior year: 63.0 million units). The market decline stems, in particular, from resource bottlenecks in certain electronic components such as semiconductors and microchips. Although these have been an issue since the beginning of the calendar year 2021, they grew more intense, particularly in the second half of the year. As a result, light vehicle production fell significantly, above all in the second quarter (-18.7%). In the third quarter, the market situation showed signs of slight improvement, in a relative sense: During this period, production volumes fell to a lesser extent only (-2.3%); in December 2021 IHS had forecast a decline in global light vehicle production of 8.2% for this period.

In the nine-month period, the European automotive market in particular was affected to a greater degree than the other regions. Accordingly, light vehicle production posted a decline of 20.6% to 11.1 million units (prior year: 13.9 million units); in the German individual market, the trend was more pronounced with a 24.4% drop to 2.3 million units (prior year: 3.0 million units) (other European countries: -19.5%). In North, Central and South America, the production figures decreased by 13.8% to 11.4 million units (prior year: 13.2 million units), of which the US market accounted for a decline of 13.4% to 6.5 million units (prior year: 7.5 million units). Light vehicle production decreased by 4.6% to 34.1 million units (prior year: 35.8 million units) in Asia/Pacific/Rest of the world, and in the Chinese automotive market, the number of newly produced light vehicles fell by 5.9% to 18.6 million units (prior year: 19.8 million units).

In the third quarter, the market in Europe decreased by 9.4% (of which Germany: -3.0%), as did the market in North, Central and South America by 6.9% (of which USA: -7.5%). In contrast, Asia/Pacific/Rest of the world saw light vehicle production increase by 1.9% (of which China: 6.1%).

Production of passenger cars and light commercial vehicles during the first nine months of fiscal year 2021/2022 and 2020/2021

in thousands	**Fiscal year 2021/2022**	+/-	Fiscal year 2020/2021
Europe	11,077	-20.6%	13,944
of which Germany	*2,286*	*-24.4%*	*3,026*
North, Central and South America	11,411	-13.8%	13,242
of which USA	*6,498*	*-13.4%*	*7,506*
Asia / Pacific / RoW	34,146	-4.6%	35,781
of which China	*18,612*	*-5.9%*	*19,787*
Worldwide	**56,633**	**-10.1%**	**62,968**

Source: IHS Light Vehicle Production Forecast, March 2022

Business development of the HELLA Group

Results of operations

- In the first nine months of fiscal year 2021/2022, currency and portfolio-adjusted consolidated sales dips by 0.9% to € 4,602 million and as reported are slightly above the prior year's level (+0.2%)
- The Automotive segment in particular is affected by the declining industry environment, but is developing significantly better than the market; Aftermarket and Special Applications post very positive business development
- Adjusted earnings before interest and taxes fall to € 238 million; adjusted EBIT margin slips to 5.1%
- Lower profitability is largely attributable to reduced production volumes, higher R&D expenses, process inefficiencies and higher costs for materials and logistics
- Adjusted free cash flow from operating activities is at € -228 million due to lower earnings and higher inventories
- In the third quarter of the fiscal year, currency and portfolio-adjusted sales increase by 2.4%; adjusted EBIT decrease to € 82 million; adjusted EBIT margin falls to 5.1%

At the beginning of the prior fiscal year 2020/2021, HELLA introduced a long-term programme for the sustained improvement of competitiveness. To a large extent, the expenses required for the overall measures – in the amount of € 240 million – were already incurred in the previous fiscal year 2020/2021 (€ 172 million). To ensure comparability in this context, the following operating variables are presented in an adjusted form. The reported values and additional information are provided in the selected financial information and further notes.

In the first nine months of fiscal year 2021/2022, the currency and portfolio-adjusted sales for the HELLA Group fell by 0.9% to € 4,602 million (prior year: € 4,646 million). Taking into account exchange rate effects (€ 52 million; 1.1 percentage points), reported consolidated sales of € 4,653 million slightly exceed the level of the prior year (prior year: € 4,646 million). In the reporting period, there were not any portfolio effects that required adjustment.

The first nine months saw the business development burdened primarily by the negative industry environment with a significant decline in global light vehicle production. This was primarily caused by massive bottlenecks in the global supply and logistics chains which occur in certain electronic components such as semiconductors and microchips and which have deteriorated significantly in the second half of the previous calendar year. This had a particular effect on

Reported sales of the HELLA Group
for the first nine months (in € million) and currency and portfolio-adjusted change compared to prior year (in %)

Consolidated income statement

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
In € million	**2021/2022**	+/-	2020/2021	**2021/2022**	+/-	2020/2021
Sales	**4,653**	**+0.2%**	**4,646**	**1,616**	**+4.6%**	**1,545**
Cost of sales	-3,528		-3,479	-1,236		-1,160
Gross profit	**1,125**	**-3.6%**	**1,167**	**381**	**-1.3%**	**386**
Ratio of gross profit to sales	24.2%		25.1%	23.5%		25.0%
Research and development expenses	-507		-445	-169		-149
Distribution expenses	-245		-237	-82		-81
Administrative expenses	-170		-167	-59		-56
Other income and expenses	14		34	5		0
Earnings from investments accounted for using the equity method	20		21	7		3
Other income from investments	0		0	0		0
Adjusted earnings before interest and taxes (adjusted EBIT)	**238**	**-36.2%**	**373**	**82**	**-21.0%**	**104**
Ratio of adjusted EBIT to sales	5.1%		8.0%	5.1%		6.7%

To ensure comparability of the results of operations between the fiscal year 2020/2021 and the prior year, the presentation of operating variables has been adjusted or restated. The reported figures are shown under "Selected financial information"; for additional information, please also refer to the further notes of this financial report.

the Automotive segment, although in terms of sales, this segment posted significantly better development than did the automotive market in the reporting period. This is attributable, among other things, to strong business in China. At the same time, the supply bottlenecks are leading to higher burdens on the cost side: firstly, due to inefficiencies in the production process and secondly due to rising costs for materials and logistics. The impact of rising energy prices could primarily be seen in the reduced earnings, especially in the third quarter. The Aftermarket and Special Applications segments, however, developed very positively in the reporting period.

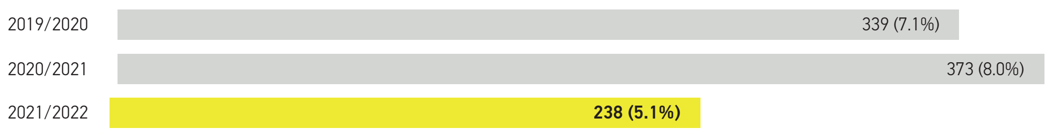
In the third quarter of the fiscal year, global light vehicle production posted only a minor decline. As a result, the HELLA Group's currency and portfolio-adjusted sales improved by 2.4% to € 1,583 million (prior year: € 1,545 million) and, as reported, by 4.6% to € 1,616 million (prior year: € 1,545 million) in this period.

In the overall European market, sales fell in the nine-month period by 6.2% to € 2,639 million (prior year: € 2,813 million). In this, the German individual market accounted for a decline in sales of 10.1%, while the other European countries posted a better development with a more measured decline in sales of 2.0%. In North, Central and South America, sales dropped by 8.3% to € 915 million (prior year: € 998 million). In contrast, Asia/Pacific/Rest of the world posted significant growth of 31.6%, reaching € 1,100 million (prior year: € 836 million) as a result of new high-volume production launches and high customer demand. In the third quarter, sales fell in the overall European market by 4.0% (Germany: -5.8%, other European countries: -2.3%) and in North, Central and South America by 4.6%, whereas in Asia/Pacific/Rest of the world sales rose by 42.1%.

In the nine-month period, the adjusted earnings before interest and taxes (adjusted EBIT) fell to € 238 million (prior year: € 373 million); the adjusted EBIT margin thus drops to 5.1% (prior year: 8.0%). The lower profitability was primarily due to a lower gross profit margin related to the component shortages in electronic components as well as higher research and development expenses. In the third quarter, adjusted EBIT decreased to € 82 million (prior year: € 104 million); the adjusted EBIT margin amounted to 5.1% (prior year: 6.7%), as rising costs for energy and raw materials in particular had a negative impact on earnings during this period.

In the nine-month period, the earnings before interest and taxes were adjusted in the amount of € 13 million (prior year: € 61 million). Taking into account these effects, the earnings reported before

Adjusted earnings before interest and taxes
(adjusted EBIT; in € millions and as a % of sales) for the first nine months



interest and taxes (EBIT) decreased to € 225 million (prior year: € 312 million); the reported EBIT margin is at 4.8% (prior year: 6.7%). On the one hand, large portions of the expenses required for the programme for the sustained improvement of competitiveness were recorded in the first quarter of the prior year. On the other hand, additional income of € 121 million – after transaction costs and before taxes – was realised in the third quarter of the prior year as a result of the sale of the business activities with front camera software and testing & validation. In the third quarter, EBIT thus fell to € 76 million (prior year: € 219 million), bringing the reported EBIT margin down to 4.7% (prior year: 14.1%).

In the first nine months of the current fiscal year, gross profit dropped to € 1,125 million (prior year: € 1,167 million), with the gross profit margin at 24.2% (prior year: 25.1%). This deterioration can primarily be attributed to global bottlenecks in electronic components such as semiconductors and microchips. This led to a reduced capacity utilisation as a result of the significant decline in global light vehicle production. In addition, the component shortages also gave rise to inefficiencies in the production process and higher costs for logistics and materials. Furthermore, additional burdens due to higher costs for energy and raw materials had a negative impact on gross profit in the third quarter. Thus, this figure fell to € 381 million (prior year: € 386 million), and the EBIT margin dropped to 23.5% (prior year: 25.0%).

Research and development expenses increased to € 507 million in the reporting period (prior year: € 445 million). Accordingly, the R&D ratio rose to 10.9% (prior year: 9.6%). Firstly, the increase in R&D expenses can be attributed to the volume of acquired customer projects, which significantly exceeded that of the prior year. Secondly, in the prior year, the R&D activities underwent extensive cost control and were gradually extended to pre-development, fundamental research and other fields in the reporting period. In the third quarter, research and development expenses rose to € 169 million (prior year: € 149 million), thus resulting in an R&D ratio of 10.5% (prior year: 9.6%).

Expenses for distribution and administration and the balance of other income and expenses increased to € 401 million (prior year: € 370 million). Accordingly, the ratio of these items rose to 8.6% (prior year: 8.0%). In the prior year, the primary contributing factor to the balance for other income and expenses came from a reversal of impairment in the value of a joint venture (€ 19 million). In addition, in the prior year, considerable measures were implemented to cut costs and temporary regulations on reduced working hours were extended. In the third quarter, expenses for distribution and administration as well as the balance of other income and expenses amounted to € 136 million (prior year: € 136 million), in the course of the improved sales development, the ratio thus sank to 8.4% (prior year: 8.8%).

The contribution of the associates and joint ventures to the group-wide adjusted EBIT amounted to € 20 million (prior year: € 21 million), which corresponds to a relative share of 8.6% (prior year: 5.7%). The higher ratio is primarily due to the reversal of impairment for a Chinese joint venture, which was carried out in the first half of the year due to an improved business outlook (€ 6.5 million). In the third quarter, the contribution to earnings amounted to € 7 million (prior year: € 3 million), with the share in the adjusted EBIT for the HELLA Group coming to 8.3% (prior year: 2.9%).

The net financial result for the reporting period stands at € -15 million (prior year: € -10 million) and at € -7 million for the third quarter (prior year: € -4 million). Tax expenses amount to € 57 million (prior year: € 66 million), and to € 18 million in the third quarter (prior year: € 45 million).

After the close of the first nine months of fiscal year 2021/2022, the earnings for the period are thus € 154 million (prior year: € 236 million), with the third quarter accounting for € 50 million of this figure (prior year: € 170 million). The high figure from the prior year includes additional income from the completed sale of the front camera software business. The earnings per share amount to € 1.37 in the reporting period (prior year: € 2.12) and € 0.44 in the third quarter (prior year: € 1.52).

Financial status

In the first nine months of fiscal year 2021/2022, net cash flow from operating activities decreased by € 308 million in comparison to the same period of the prior year to € 132 million (prior year: € 440 million). On the one hand, the reduced earnings are due to the significant build-up of inventories in the course of supply shortages of electronic components such as semiconductors and microchips (change in inventories: € -182 million). In the third quarter, net cash flow from operating activities fell by € 142 million to € 71 million (prior year: € 212 million), with a significant influence from an increase in working capital.

Reported cash investing activities excluding payments or cash receipts for the acquisition or sale of company shares or capital increases/repayments and securities amounted to € 401 million (prior year: € 371 million) in the nine-month period and € 114 million (prior year: € 110 million) in the third quarter. These mainly included capital expenditures towards the long-term expansion of the worldwide development, administration and production network. HELLA also invested considerable sums in product-specific capital equipment and in booked series launch preparation projects. In relation to sales, investments rose to 8.6% (prior year: 8.0%) in the first nine months and fell to 7.1% (prior year: 7.2%) in the third quarter.

As part of the active management of the liquidity available to the Group, there was € 98 million in outflows from securities in the reporting period (prior year: inflow of € 10 million) and € 114 million in outflows from securities in the third quarter (prior year: € 15 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 fell to € -228 million in the first nine months of fiscal year 2021/2022 (prior year: € 97 million). This is largely due to the reduced earnings as well as the build-up of inventories in connection with the global resource bottlenecks. In the third quarter, adjusted free cash flow from operating activities stood at € -25 million (prior year: € 113 million).

In the reporting period, the free cash flow from operating activities was adjusted for payments in connection with restructuring measures amounting to € 41 million. In the prior year, the free cash flow from operating activities was adjusted for payments for restructuring measures, portfolio adjustments for a dividend attributable to the period as part of the sale of the Behr Hella Service joint venture and for cash inflows for the sale of the front camera business (overall: € 28 million).

Correspondingly, the reported free cash flow from operating activities decreased to € -269 million in the nine-month period (prior year: € 69 million) after taking account of these special effects and fell in the third quarter to € -43 million (prior year: € 102 million).

The liquidity portfolio consisting of cash and cash equivalents decreased in comparison to the end of the prior fiscal year 2020/2021 by € 509 million to € 470 million (31 May 2021: € 979 million). Including current financial assets, essentially comprising securities of € 545 million (31 May 2021: € 442 million), the available funds fell to € 1,015 million (31 May 2021: € 1,422 million).

In August 2021, HELLA signed an additional agreement to extend the term of a syndicated credit facility amounting to € 450 million by one year. The term of the credit facility will now run until June 2023. The facility was originally agreed in June 2015 with a consortium of international banks and a five-year term (including the possibility for two one-year extensions). In December 2021, the agreement was reached with the consortium of banks to waive the existing change of control clause. In return, banks have the right to cancel their pledged line in the event of loss of investment grade rating. In addition, another syndicated credit line of € 500 million expiring in

Adjusted free cash flow from operating activities
for the first six months (in € million)

June 2022 was established as a precaution in May 2020 in view of the economically challenging environment. This was terminated prematurely and by mutual agreement with the banks in January 2022 (at closing).

On this basis, the Management Board is of the opinion that HELLA is able to satisfy its payment obligations.

Financial position

Compared to the balance sheet date in the prior fiscal year 2020/2021, total assets increased by € 154 million to € 6,212 million (31 May 2021: € 6,058 million). The equity ratio stood at 42.2% and was thus above the level on the balance sheet date of 31 May 2021 (40.6%). The equity ratio relative to total assets adjusted for liquidity comes to 50.4% (31 May 2021: 53.1%).

Current and non-current financial liabilities increased by € 48 million to € 1,367 million (31 May 2021: € 1,319 million). Net financial debt as the balance of cash and current financial assets as well as current and non-current financial liabilities increased by a total of € 455 million to € 352 million (31 May 2021 net financial liquidity: € 103 million).

On 1 February 2022, the rating agency Moody's announced that it was downgrading HELLA's rating to Baa3 with a negative outlook. Nonetheless, on the whole, this confirms the Company's investment grade rating, thus securing the long-term, independent financing of HELLA. Moody's had previously announced that it would review the HELLA rating for a possible downgrade after it was announced that the automotive supplier Faurecia would be acquiring HELLA.

Further events in the third quarter

Factual group: FORVIA

- Faurecia successfully completes its acquisition of HELLA after receiving all necessary regulatory approvals. This was announced by both companies on 31 January 2022. As a factual group, with a total of around 150,000 employees, they are the world's seventh largest automotive supplier and a global market leader in high-growth technology fields. On the basis of Faurecia's stake – currently just over 80 percent – in HELLA, both companies will continue to operate as independent, listed entities with their own supervisory bodies and management teams and will operate together under the new, overarching umbrella brand FORVIA.

Changes in the HELLA Management Board

- At its meeting on 25 February 2022, the HELLA Shareholder Committee resolved on the appointment of Michel Favre and Yves Andres as new members to the Management Board of HELLA GmbH & Co. KGaA. Michel Favre, currently Executive Vice President, Group Chief Financial Officer at Faurecia, will take over for Dr. Rolf Breidenbach as HELLA Chief Executive Officer on 1 July 2022. As already announced on 4 February 2022, Dr. Breidenbach will amicably terminate his management board contract as of 30 June 2022, whilst still continuing to provide advisory services to the factual group of Faurecia and HELLA. Yves Andres, currently Executive Vice President, Clean Mobility at Faurecia, will join the HELLA Management Board on 15 April 2022. After a transition period, he will take over the Business Group Lighting from Dr. Frank Huber, who will leave the Company by mutual agreement by 30 June 2022.

New appointments to the Shareholder Committee

- Following Faurecia's takeover of HELLA and the representatives of the family pool thus stepping down, the Company's Shareholder Committee reconstituted itself at its meeting on 4 February. Following this constituting meeting, the Shareholder Committee is currently composed as follows: Carl-Peter Forster (Chairman), Horst Binnig and Klaus Kühn as external members; Nolwenn Delaunay (EVP, Group General Counsel & Board Secretary, Faurecia), Michel Favre (EVP, Group Chief Financial Officer, Faurecia), Patrick Koller (CEO Faurecia), Christophe Schmitt (EVP, Group Operations, Faurecia) and Jean-Pierre Sounillac (EVP, Group Human Resources, Faurecia) as representatives of the majority shareholder Faurecia.

Cooperation in the Aftermarket

- HELLA and Faurecia will collaborate in the Aftermarket. Faurecia products can then also be purchased through the HELLA Aftermarket organisation. With the activities thus combined, the customers will benefit not only from a comprehensive range of services, but above all from a significantly expanded product range. Whereas HELLA is known in particular for its high-level expertise with original equipment in the fields of lighting and electronics, Faurecia is characterised, inter alia, by a high level of expertise in the field of exhaust systems. One out of four cars worldwide has an exhaust system from Faurecia. The joint Aftermarket activities will initially be launched in this area; in the future, the offering will be gradually expanded.

Thermal management in electric vehicles

- With its Coolant Control Hub, HELLA has introduced an innovative subsystem which is revolutionising the thermal management of electric vehicles. It is based on a modular principle and connects three circuits in the vehicle with one another: the battery circuit, the interior circuit as well as the power electronics and electric motor circuit. On the one hand, this reduces the number of components required in the overall system by up to 50 percent, whilst also reducing logistics costs and overall costs for the vehicle's installation. On the other hand, the centralisation leads to the distribution of thermal energy in the vehicle being optimised and thus to an improved range of the e-vehicle. HELLA's coolant control hub is expected to first go into serial production in 2024 on the basis of an initial customer nomination.

Digital FlatLight

- Minimising assembly space, enhancing efficiency and increasing both the freedom in design as well as the degree of individualisation – what is important in headlamps development also applies to rear lighting. For quite some time, it has fulfilled not only key security functions, but above all has also offered a wide range of possibilities for creating individual light signatures. In order to have the capacity to display more complex animations, graphics and – at some point – also fonts for communication between the vehicle and the environment, it is above all necessary to further increase the segmentation of the rear lights. To this end, HELLA has presented the rear light technology Digital FlatLight: By integrating a SmartGlass display, a large number of customisable signatures can be implemented and the range of functions significantly expanded.

Business development of the segments

Automotive

- Sales in the Automotive segment fall by 1.6% to € 3,980 million as a result of the significant decline in light vehicle production, but is significantly higher than the general industry development
- Earnings before interest and taxes decrease to € 148 million; EBIT margin drops to 3.7%
- Lower profitability results primarily from reduced production volumes, increased R&D capital expenditure and other additional costs
- Segment sales increased by 5.2% in the third quarter; however, the EBIT margin falls to 4.0% due to further rising cost burdens

In the first nine months of fiscal year 2021/2022, sales in the Automotive segment decreased by 1.6% to € 3,980 million (prior year: € 4,043 million). In this context, business development was negatively impacted by significant resource bottlenecks in electronic components such as semiconductors and microchips, which continued to intensify, especially in the first half of the fiscal year, also as a result of pandemic-related production stoppages at some chip suppliers in Asia and resulted in a decline in global light vehicle production. However, the Automotive segment nevertheless posted significantly stronger development than the global automotive market, which is attributable in particular to high-volume serial launches in China and a relatively high overall demand for lighting and electronics products. In the third quarter, sales in the Automotive segment improved by 5.2% to € 1,402 million (prior year: € 1,333 million), also because the decline in global automotive production in this period was lower than in the previous quarters.

In the nine-month period, the earnings before interest and taxes (EBIT) of the Automotive segment fell to € 148 million (prior year: € 295 million); the EBIT margin decreased to 3.7% (prior year: 7.3%). On the one hand, this is due to the lower gross profit margin. This decline is largely the result of lower production volumes, increasing cost burdens due to higher material and logistics costs as well as production inefficiencies. On the other hand, increased expenses for research and development in connection with acquired customer projects had a negative impact on the profitability of the Automotive segment. In the third quarter, cost burdens continued to increase, in part due to higher prices for energy and raw materials. The EBIT of the segment thus decreased to € 56 million (prior year: € 77 million), with the EBIT margin falling to 4.0% (prior year: 5.7%).

Income statement for the Automotive segment

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
In € million	**2021/2022**	+/-	2020/2021	**2021/2022**	+/-	2020/2021
Sales with third-party entities	3,928		4,000	1,376		1,318
Intersegment sales	52		43	26		15
Segment sales	**3,980**	**-1.6%**	**4,043**	**1,402**	**+5.2%**	**1,333**
Cost of sales	-3,155		-3,143	-1,117		-1,039
Gross profit	**825**	**-8.4%**	**900**	**285**	**-3.0%**	**293**
Ratio of gross profit to sales	20.7%		22.3%	20.3%		22.0%
Research and development expenses	-479		-418	-160		-139
Distribution expenses	-95		-102	-32		-35
Administrative expenses	-133		-134	-47		-45
Other income and expenses	10		29	3		0
Earnings from investments accounted for using the equity method	20		20	7		2
Other income from investments	0		0	0		0
Earnings before interest and taxes (EBIT)	**148**	**-49.8%**	**295**	**56**	**-26.3%**	**77**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	3.7%		7.3%	4.0%		5.7%

Aftermarket

- Sales in the Aftermarket segment increase by 17.0% to € 431 million
- Above all, the independent spare parts business is developing well; workshop business has also posted an increase in sales
- Earnings before interest and taxes are at € 49 million and the EBIT margin is 11.3%; earnings are impacted by product mix effects as well as material and logistics costs
- In the third quarter, segment sales increase by 16.7%; EBIT margin slips to 10.4%

In the Aftermarket segment, sales in the reporting period rose by 17.0% to € 431 million (prior year: € 369 million). This growth was mainly driven by a successful aftermarket business, which recorded a positive business development in various national markets worldwide. The business with sophisticated workshop equipment also contributed to sales growth, owing largely to high demand for the recently launched mega macs X diagnostic device. In the third quarter, segment sales rose by 16.7% to € 148 million (prior year: € 127 million).

Earnings before interest and taxes were at € 49 million (prior year: € 48 million); the EBIT margin thus amounted to 11.3% (prior year: 13.0%). The deterioration of the margin is largely the result of a lower gross profit margin, which has decreased due to product mix effects, higher purchase prices and increased logistics costs. The impact of these effects was particularly evident in the third quarter. In this period, EBIT fell to € 15 million (prior year: € 19 million); the EBIT margin drops to 10.4% (prior year: 15.2%).

Income statement for the Aftermarket segment

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
In € million	**2021/2022**	+/-	2020/2021	**2021/2022**	+/-	2020/2021
Sales with third-party entities	418		367	137		127
Intersegment sales	13		2	11		1
Segment sales	**431**	**+17.0%**	**369**	**148**	**+16.7%**	**127**
Cost of sales	-249		-203	-88		-69
Gross profit	**182**	**+9.5%**	**166**	**60**	**+3.6%**	**58**
Ratio of gross profit to sales	42.1%		45.0%	40.4%		45.5%
Research and development expenses	-15		-14	-5		-5
Distribution expenses	-107		-95	-36		-32
Administrative expenses	-14		-17	-5		-6
Other income and expenses	3		6	1		2
Earnings from investments accounted for using the equity method	0		2	0		1
Other income from investments	0		0	0		0
Earnings before interest and taxes (EBIT)	**49**	**+1.4%**	**48**	**15**	**-20.4%**	**19**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	11.3%		13.0%	10.4%		15.2%

Special Applications

- Sales in the Special Applications segment increase by 10.1% to € 284 million
- Above all, successful sales development is driven by strong business for agricultural and construction machinery
- EBIT increases to € 44 million; EBIT margin improves to 15.4%
- Higher earnings can be attributed, above all, to volume and mix effects as well as ongoing cost management
- In the third quarter, sales improve by 4.4%, with the EBIT margin up to 12.2%

Sales in the Special Applications segment rose significantly in the reporting period by 10.1% to € 284 million (prior year: € 258 million). This growth was achieved largely as a result of the continued positive business for the manufacturers of agricultural and construction machinery, also due to good general economic conditions within these market segments. In the third quarter, business with other customer groups also recovered – e.g. the example for buses and trucks, which had been particularly affected by the pandemic-related market slump. On the whole, in the third quarter, segment sales increased by 4.4% to € 95 million (prior year: € 91 million).

In the course of the improved business development, the segment's earnings before interest and taxes also rose to € 44 million (prior year: € 28 million). The EBIT margin improves to 15.4% (prior year: 10.8%). This is due, on the one hand, to a higher gross profit margin which has improved due to volume and mix effects and which has managed to overcompensate – among other things – for higher costs. On the other hand, the distribution and administrative cost ratios also decreased as part of continuous cost management. In the third quarter, EBIT rose to € 12 million (prior year: € 9 million), with the EBIT margin thus improving to 12.2% (prior year: 10.1%).

Income statement for the Special Applications segment

	1st to 3rd quarter 1 June to 28 February			3rd quarter 1 December to 28 February		
In € million	**2021/2022**	+/-	2020/2021	**2021/2022**	+/-	2020/2021
Sales with third-party entities	280		253	94		89
Intersegment sales	4		5	1		2
Segment sales	**284**	**+10.1%**	**258**	**95**	**+4.4%**	**91**
Cost of sales	-170		-162	-60		-58
Gross profit	**113**	**+17.7%**	**96**	**34**	**+5.1%**	**33**
Ratio of gross profit to sales	39.9%		37.4%	36.2%		36.0%
Research and development expenses	-12		-12	-4		-4
Distribution expenses	-43		-40	-14		-14
Administrative expenses	-16		-19	-5		-6
Other income and expenses	1		3	0		1
Earnings from investments accounted for using the equity method	0		0	0		0
Other income from investments	0		0	0		0
Earnings before interest and taxes (EBIT)	**44**	**+56.8%**	**28**	**12**	**+26.7%**	**9**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	15.4%		10.8%	12.2%		10.1%

Opportunity and risk report

In the first nine months of fiscal year 2021/2022, the general economic and market environment is still characterised by very high risks and uncertainties. Above all, the Russian attack on Ukraine, which began towards the end of the third quarter, gives rise to a significantly increased short-term risk position for the Company. HELLA does not have production or development sites of its own in Russia or Ukraine. However, the acts of war are likely to result in further reduced production volumes beyond the current fiscal year, in particular due to interruptions in the supply chains associated with production stoppages at various automobile manufacturers. This may affect the European market in particular. As a result of the war in Ukraine, further rising costs for energy and for certain raw materials are also to be expected.

At the same time, there are still bottlenecks in certain electronic components such as semiconductors and microchips. On the one hand, these factors lead to a decline in production volumes; on the other hand, they result in considerable additional costs for materials and logistics as well as inefficiencies in the production process. Since the Company’s projections indicate that the current shortages of components may continue into 2023, there could be increased risks to the Company's further business development in the medium term. Furthermore, due to heightened activity among cybercriminals, the risks of a corresponding attack on HELLA’s IT systems remain high, despite comprehensive security measures.

In addition, there are risks associated with the further development of the Covid-19 pandemic. In the Chinese market in particular, the restrictive measures being implemented to curb the Omicron variant could, on the one hand, result in production shutdowns which impacts both HELLA’s plants and its customers’ production facilities. On the other hand, the containment measures could also potentially entail additional burdens on the global supply and logistics chains – e.g. due to bottlenecks at important ports.

In the Company’s projections, Faurecia's takeover of HELLA, which took place on 31 January 2022, involves both opportunities and risks. On the one hand, this gives rise to a large, globally operating automotive supplier, thus creating significant potential for further profitable growth. This can be achieved through joint purchasing activities, the distribution of original equipment products from Faurecia via HELLA’s Aftermarket activities and other projects that draw on each party's individual strengths. On the other hand, the takeover also entails certain strategic and operational risks, which were explained in the annual report 2020/2021. Therefore, for further details of the significant opportunities and risks, please refer to these explanations.

Forecast report

- Global light vehicle production expected to decline by 7.6%; war in Ukraine dampens market recovery in the fourth quarter
- The company outlook adjusted on 29 November 2021 is being confirmed; significant risks and uncertainties can be attributed to the war in Ukraine, resource bottlenecks as well as the Covid-19 pandemic particularly in China

Industry outlook

For the period of the HELLA fiscal year 2021/2022 (1 June 2021 to 31 May 2022), the market research institute IHS assumes, on the basis of its forecast published on 15 March 2022, that the global production of passenger cars and light commercial vehicles will decline by 7.6% to 76.9 million units (prior year: 83.1 million units). This is mainly due to supply bottlenecks in certain electronic components, in particular semiconductors and microchips, which have given rise to a significant decline in global light vehicle production, especially in the first half of the current fiscal year.

However, the slight market recovery, which started in the third quarter, will be brought essentially to a halt in the current fourth quarter by the war in Ukraine and the associated production shutdowns at automobile manufacturers in Europe. According to current IHS estimates, global light vehicle production is only expected to grow slightly (+0.3%) in the fourth quarter; before the start of the war in Ukraine, IHS had expected an increase of 5.7% in its February forecast. This corresponds to a downward revision of 1.0 million vehicles in the forecast within one month, especially for the European market.

The declining market environment is impacting all regions worldwide. For example, production volumes in the European market are expected to decline by 18.2% to 15.1 million units (prior year: 18.5 million units); the German individual market in this region will be disproportionately affected, with a decline of 21.6% to 3.1 million units (prior year: 4.0 million units). In the North, Central and South America region as a whole, the light vehicle production figures is currently expected to decrease by 8.7% to 15.8 million units (prior year: 17.3 million units), and in the US market seen separately, this figure is anticipated to fall by 8.5% to 9.0 million units (prior year: 9.8 million units). For the Asia/Pacific/Rest of the world region, a decline of 3.0% to 45.9 million units (prior year: 47.3 million units) is forecast, with light vehicle production in China currently being projected to drop by 4.4% to 24.8 million units (prior year: 26.0 million units).

Expected production of passenger cars and light commercial vehicles during fiscal year 2021/2022 and 2020/2021

in thousands	2021/2022	+/-	2020/2021
Europe	15,115	-18.2%	18,485
of which Germany	*3,127*	*-21.6%*	*3,988*
North, Central and South America	15,828	-8.7%	17,333
of which USA	*9,004*	*-8.5%*	*9,837*
Asia / Pacific / RoW	45,914	-3.0%	47,317
of which China	*24,819*	*-4.4%*	*25,962*
Worldwide	**76,856**	**-7.6%**	**83,135**

Source: IHS Light Vehicle Production Forecast, March 2022

Company outlook

The Company's outlook for fiscal year 2021/2022 (1 June 2021 to 31 May 2022) continues to be in line with the forecast, which HELLA already lowered further on 29 November 2021 due to the previous course of business, the expected lack of market recovery in the second half of the fiscal year and increasing cost burdens. In light of such, for the current fiscal year, HELLA is continuing to project currency and portfolio-adjusted sales of between around € 5.9 and 6.2 billion (adjusted on 29 November from previously: around € 6.0 to 6.5 billion) and an EBIT margin adjusted for structural measures and portfolio effects of around 3.5 to 5.0% (adjusted on 29 November from previously: around 5.0 to 7.0%).

However, the general industry environment continues to be beset by high risks and uncertainties. In particular, these are connected with the war in Ukraine and its economic consequences. In addition, there are still significant bottlenecks in the global supply and logistics chains as well as other risks associated with the future development of the Covid-19 pandemic, especially in China.

The current company outlook is therefore based in on the assumption that there will be no further significant market slumps as a result of the war in Ukraine in the fourth quarter of the current fiscal year – e.g. due to production shutdowns, interruptions within the global supply and logistics chains or deteriorations in the macroeconomic environment. It is also based on the assumption that neither the Covid-19 pandemic nor supply bottlenecks will give rise to significant interruptions to production in the fourth quarter.

Selected financial information

Consolidated income statement of HELLA GmbH & Co. KGaA

	1st to 3rd quarter 1 June to 28 February		3rd quarter 1 December to 28 February	
€ thousand	**2021/2022**	2020/2021	**2021/2022**	2020/2021
Sales	**4,653,409**	**4,645,574**	**1,616,272**	**1,545,216**
Cost of sales	-3,541,909	-3,488,050	-1,239,825	-1,161,422
Gross profit	**1,111,500**	**1,157,523**	**376,447**	**383,794**
Research and development expenses	-503,638	-588,529	-169,919	-150,137
Distribution expenses	-246,262	-237,272	-81,536	-80,992
Administrative expenses	-177,592	-196,208	-60,235	-58,792
Other income	43,632	168,274	13,499	132,085
Other expenses	-21,023	-7,863	-9,202	-5,578
Earnings from investments accounted for using the equity method	17,888	16,013	6,727	-2,169
Other income from investments	352	294	0	292
Earnings before interest and taxes (EBIT)	**224,857**	**312,232**	**75,781**	**218,502**
Financial income	9,398	16,419	2,233	-1,534
Financial expenses	-24,161	-26,470	-9,642	-2,546
Net financial result	**-14,763**	**-10,051**	**-7,408**	**-4,080**
Earnings before income taxes (EBT)	**210,095**	**302,182**	**68,373**	**214,422**
Income taxes	-56,516	-65,876	-18,392	-44,638
Earnings for the period	**153,579**	**236,306**	**49,981**	**169,784**
of which attributable:				
to the owners of the parent company	151,677	235,051	48,997	169,417
to non-controlling interests	1,902	1,255	983	367
Basic earnings per share in €	**1.37**	**2.12**	**0.44**	**1.52**
Diluted earnings per share in €	**1.37**	**2.12**	**0.44**	**1.52**

Segment reporting

The segment information for the first nine months (1 June to 28 February) of the fiscal years 2021/2022 and 2020/2021 is as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2021/2022**	2020/2021	**2021/2022**	2020/2021	**2021/2022**	2020/2021
Sales with third-party entities	3,927,805	4,000,302	418,361	366,832	279,684	252,759
Intersegment sales	51,952	42,713	12,682	1,732	4,063	5,050
Segment sales	**3,979,757**	**4,043,015**	**431,044**	**368,565**	**283,747**	**257,809**
Cost of sales	-3,154,911	-3,142,800	-249,491	-202,809	-170,429	-161,501
Gross profit	**824,845**	**900,215**	**181,553**	**165,755**	**113,317**	**96,307**
Research and development expenses	-479,106	-418,100	-14,827	-13,524	-11,771	-12,427
Distribution expenses	-95,092	-101,951	-106,590	-94,716	-42,875	-39,798
Administrative expenses	-133,210	-133,741	-14,468	-17,019	-16,110	-19,047
Other income	15,504	34,460	3,572	5,947	1,516	6,801
Other expenses	-5,239	-5,477	-875	-239	-256	-3,886
Earnings from investments accounted for using the equity method	20,375	19,585	48	1,576	0	0
Other income from investments	0	0	352	294	0	0
Earnings before interest and taxes (EBIT)	**148,078**	**294,991**	**48,765**	**48,075**	**43,821**	**27,950**
Additions to intangible assets and property, plant and equipment	328,418	294,902	16,518	9,897	8,201	4,204

Sales with third-party entities in the fiscal years 2021/2022 and 2020/2021 are as follows:

	Automotive		Aftermarket		Special Applications	
	1st to 3rd quarter 1 June to 28 February		1st to 3rd quarter 1 June to 28 February		1st to 3rd quarter 1 June to 28 February	
€ thousand	**2021/2022**	2020/2021	**2021/2022**	2020/2021	**2021/2022**	2020/2021
Sales from the sale of goods	3,756,657	3,862,916	384,833	334,080	274,114	249,467
Sales from the rendering of services	171,148	137,386	33,529	32,752	5,570	3,291
Sales with third-party entities	**3,927,805**	**4,000,302**	**418,361**	**366,832**	**279,684**	**252,759**

Sales reconciliation:

	1st to 3rd quarter 1 June to 28 February	
€ thousand	**2021/2022**	2020/2021
Total sales of the reporting segments	**4,694,547**	**4,669,388**
Sales in other divisions	69,712	56,002
Elimination of intersegment sales	-110,851	-79,817
Consolidated sales	**4,653,409**	**4,645,574**

Reconciliation of the segment results with consolidated net profit:

	1st to 3rd quarter 1 June to 28 February	
€ thousand	**2021/2022**	2020/2021
EBIT of the reporting segments	**240,664**	**371,016**
EBIT of other divisions	-2,703	2,136
EBIT adjustments*	-13,103	-60,920
Consolidated EBIT	**224,857**	**312,232**
Net financial result	-14,763	-10,051
Consolidated EBT	**210,095**	**302,182**

** For further information on the adjustments, please refer to chapter 05.*

Consolidated statement of financial position of HELLA GmbH & Co. KGaA

€ thousand	28 February 2022	31 May 2021	28 February 2021
Cash and cash equivalents	470,060	979,495	887,833
Financial assets	544,616	442,404	446,060
Trade receivables	1,124,871	958,507	1,015,994
Other receivables and non-financial assets	207,264	196,279	173,179
Inventories	1,111,439	900,416	942,424
Current tax assets	22,264	36,148	33,852
Contract assets	34,317	39,307	29,769
Assets held for sale	0	0	41,611
Current assets	**3,514,831**	**3,552,555**	**3,570,721**
Intangible assets	363,842	311,157	260,735
Property, plant and equipment	1,791,455	1,711,474	1,553,992
Financial assets	89,667	63,862	68,864
Investments accounted for using the equity method	219,638	199,170	179,817
Deferred tax assets	102,183	92,670	111,557
Contract assets	50,344	32,848	34,716
Other non-current assets	80,425	94,453	110,155
Non-current assets	**2,697,553**	**2,505,634**	**2,319,837**
Assets	**6,212,384**	**6,058,190**	**5,890,558**
Financial liabilities	79,068	77,934	77,762
Trade payables	950,261	939,836	752,818
Current tax liabilities	64,771	27,879	84,153
Other liabilities	414,003	433,439	448,441
Provisions	154,204	197,514	181,959
Contract obligations	94,652	94,899	110,544
Current liabilities	**1,756,958**	**1,771,501**	**1,655,677**
Financial liabilities	1,287,701	1,240,584	1,246,174
Deferred tax liabilities	14,186	9,429	13,393
Other liabilities	88,444	119,337	109,650
Provisions	443,740	456,762	558,444
Non-current liabilities	**1,834,072**	**1,826,112**	**1,927,662**
Subscribed capital	222,222	222,222	222,222
Reserves and unappropriated surplus	2,396,461	2,236,574	2,083,338
Equity before non-controlling interests	**2,618,683**	**2,458,797**	**2,305,561**
Non-controlling interests	2,670	1,781	1,659
Equity	**2,621,353**	**2,460,578**	**2,307,219**
Equity and liabilities	**6,212,384**	**6,058,190**	**5,890,558**

Consolidated cash flow statement of HELLA GmbH & Co. KGaA;

for the period from 1 June to 28 February

€ thousand	2021/2022	2020/2021
Earnings before income taxes (EBT)	**210,095**	**302,182**
Depreciation and amortisation	304,502	281,582
Change in provisions	-30,755	162,430
Other non-cash income and cash flows not attributable to operating activities	-34,364	-146,246
Losses/profits from the sale of intangible assets and property, plant and equipment	4,051	694
Net financial result	14,763	10,051
Change in trade receivables and other assets not attributable to investing or financing activities	-164,815	-431,250
Change in inventories	-182,301	-77,504
Change in trade payables and other liabilities not attributable to investing or financing activities	10,112	352,498
Net tax payments	-9,513	-15,479
Dividends received	9,864	636
Net cash flow from operating activities	**131,638**	**439,593**
Cash receipts from the sale of intangible assets and property, plant and equipment	17,974	14,452
Payments for the purchase of intangible assets and property, plant and equipment	-418,508	-385,335
Change in financing receivables and liabilities from investments	-6,433	-5,344
Payments for capital increases in investments	0	-24,163
Acquisition of investments and companies	-26,705	-8,150
Cash receipts from the loss of control of subsidiaries or other business units	13,415	133,316
Net payments for the purchase and sale of securities	-98,366	9,846
Interest received	5,703	5,807
Net cash flow from investing activities	**-512,921**	**-259,571**
Net payments from the repayment of financial liabilities	-18,567	-475,087
Interest paid	-17,255	-18,011
Dividends paid	-106,667	-140
Net cash flow from financing activities	**-142,488**	**-493,237**
Net change in cash and cash equivalents	**-523,771**	**-313,215**
Cash and cash equivalents as at 1 June	979,495	1,202,794
Effect of exchange rate changes on cash and cash equivalents	14,336	-1,746
Cash and cash equivalents as at 28 February	**470,060**	**887,833**

Further notes

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, joint venture companies produce complete vehicle modules and air-conditioning systems. The Group’s production and manufacturing sites are located across the globe; its most significant markets are in Europe, the USA and Asia, particularly 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 information in the financial report as at 28 February 2022 is stated in thousands of euros (€ thousand). The financial report is 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. Please note that where sums and percentages in the report have been rounded, differences may arise as a result of commercial rounding.

02 Currency translation

Currency translation differences arising from the translation of earnings and balance sheet items of all Group companies which have a functional currency deviating from the euro are reported within the currency translation differences reserves.

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

	Average 1st to 3rd quarter		Reporting date		
	2021/2022	2020/2021	**28 February 2022**	31 May 2021	28 February 2021
€ 1 = US dollar	**1.1600**	1.1820	**1.1199**	1.2201	1.2121
€ 1 = Czech koruna	**25.2293**	26.4649	**24.9970**	25.4540	26.1950
€ 1 = Japanese yen	**130.2841**	124.5156	**129.3100**	133.7900	128.8300
€ 1 = Mexican peso	**23.6067**	25.0019	**22.9011**	24.3131	25.2879
€ 1 = Chinese renminbi	**7.4401**	7.9603	**7.0670**	7.7722	7.8385
€ 1 = South Korean won	**1,358.5992**	1,356.7228	**1,347.6200**	1,352.0400	1,367.1000
€ 1 = Romanian leu	**4.9397**	4.8597	**4.9484**	4.9195	4.8750
€ 1 = Indian rupee	**86.3336**	87.4668	**84.5540**	88.5414	89.5766

03 Notable events

At the beginning of fiscal year 2020/2021, HELLA 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. In terms of its projections for the period following resolution of the Covid-19 pandemic and the significant global resource bottlenecks within global supply and logistics chains, arising in particular for electronic components such as microchips and semiconductors, the Company still only anticipates moderate market growth rates in the medium to long term. The programme for the sustained improvement of competitiveness will entail structural changes within the global HELLA network. In the reporting period, structural expenses relating hereto in the amount of € 11,885 thousand (prior year: € 168,952 thousand) were accounted for within the Group, without reference to segment, of which € 8,357 thousand (prior year: € 168,952 thousand) in restructuring expenses were considered personnel expenses.

The Covid-19 pandemic that broke out at the beginning of the 2020 calendar year is continuing to impact the general economic conditions. The pandemic itself and the resulting countermeasures put in place across the globe are having a negative impact on trade, affecting supply chains and reducing consumer demand. The further development of the Covid-19 pandemic increases the prevailing risks, specifically pertaining to any plant closures that may become necessary and bottlenecks along the entire supply chain. This applies in particular to risks relating to electronic components. HELLA continues to assume a permanent impairment of the recoverable amounts for the assets, as was most recently the case in the annual report for the period ending in May 2021. An assessment of the recoverable amounts takes into account material findings specifically on individual markets.

Since the end of 2021, the Chinese real estate developer Evergrande has been experiencing a prolonged liquidity crisis. The HELLA Group also carries out business in China. In this context, impairments were recognised on receivables from the joint venture Hella Evergrande Electronics due to anticipated payment defaults of € 9,072 thousand as well as the investment in the amount of € 2,449 thousand with the existing joint venture Hella Evergrande Electronics.

In the current reporting period, income was generated from the disposal of venture capital activities in the amount of € 6,213 thousand as well as other income in the amount of € 7,629 thousand from the remeasurement of investments in venture capital activities.

HELLA signed an exclusive licence and development agreement with Gapwaves, a technology company listed on the Nasdaq First North Growth Market Stockholm, and acquired 10 percent of the company's shares on 18 June 2021 for a purchase price of just over € 18,084 thousand. Gapwaves is one of the world's leading providers of waveguide-based antennas. HELLA will deploy this technology in the next generation of 77 GHz-based corner radar sensors, thus further increasing the performance of HELLA's own sensors.

In the prior year's reporting period, HELLA entered into agreements under which the business with front camera software and the associated activities in the field of testing and validation were transferred to the Car.Software organisation, a wholly owned subsidiary of Volkswagen AG. Following approval by the responsible antitrust authorities and the fulfilment of other contractual conditions, the business was transferred to the Car.Software organisation effective as of 1 February 2021. This transaction resulted in HELLA achieving income of € 120,902 thousand after transaction costs and before taxes. The decision to sell the business with front camera software was made on the basis of stringent portfolio management.

The assets classified as held for sale as at 28 February 2021 contain the proportionate carrying amount of the Mando HELLA subgroup totalling € 41,611 thousand. In February 2021, a contract for transferring company shares between HELLA and the Mando Corporation was signed. The transaction closed at a price of € 60,808 thousand in March 2021.

04 Notes to the cash flow statement

As at 31 May 2021, the cash funds comprise exclusively cash and cash equivalents.

In the current reporting period, payments of € 18,084 thousand were made to acquire 10 percent of the corporate shares in the tech company Gapwaves, additional payments of € 8,621 thousand were made to acquire business shares as part of venture capital activities. Furthermore, disposals of shares as part of venture capital activities resulted in revenues of € 13,415 thousand. In addition, CO2 certificates were acquired in the amount of € 100,000 thousand.

After the Annual General Meeting on 30 September 2021, dividends totalling € 106,667 thousand (€ 0.96 per no-par value share) were distributed to owners of the parent company.

In the reporting period, depreciation in the amount of € 304,502 thousand (prior year: € 281,582 thousand) was recorded, including € 248,916 thousand (prior year: € 224,889 thousand) for property, plant and equipment and amortisation of € 55,586 thousand (prior year: € 56,692 thousand) for intangible assets.

In the same period of the prior year, company shares in FWB Kunststofftechnik GmbH, based in Pirmasens, were acquired for a purchase price of € 8,150 thousand.
In addition, there were cash receipts of € 128,361 thousand from the sale of the front camera software business, as well as cash receipts of € 4,955 thousand for a dividend attributable to the period in the form of a subsequent purchase price adjustment (see Chapter 06).

In addition, the loan facility of € 450 million drawn on in April 2020 was repaid in full in the prior year's reporting period and reported in payments in connection with the repayment of financial liabilities.

05 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 operative operating result margin (adjusted EBIT margin) take on prominent importance compared to the other financial key performance indicators in the management of the HELLA Group. A major guideline in assessing the suitability of management indicators is that they have to provide a transparent picture of operational performance. In this process, 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 essentially comprise income and expenses in connection with changes in the legal structure of the Group, site closures or restructuring measures. For this reason, the adjusted EBIT margin has been defined as one of the most important key performance indicators for management of the Group. The adjusted EBIT margin as a key performance indicator is not defined in the International Financial Reporting Standards. Rather, it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the Company's perspective, it presents the results of operations – adjusted for special effects – in a more transparent form and facilitates a comparison over time.

Costs of € 15,197 thousand (prior year: € 181,822 thousand) for structural measures have been adjusted out of reported earnings before interest and taxes in the reporting period. This includes, in particular, performance-related or unexpected expenses for the strategy programme initiated in August 2020 (see Chapter 03). This amount also includes the reversal of provisions in the amount of € 10,332 thousand, as expenses required for severance payments were lower than originally assumed. Moreover, expenses in the amount of € 11,748 thousand are adjusted out due to expected bad debts of a Chinese customer and the devaluation of the shares in the joint venture Hella Evergrande Electronics. Adjustments with the opposite effect were performed for income relating to the sale of shares in the context of venture capital activities in the amount of € 6,213 thousand and from the remeasurement of investments in the amount of € 7,629 thousand (also venture capital).

In the prior year's reporting period, an adjustment was also made to income for the sale of the business with front camera software in the amount of € 120,902 thousand.

The corresponding reconciliation statement for the first nine months of fiscal year 2021/2022 is as follows:

€ thousand	2021/2022 as reported	Adjustment	2021/2022 adjusted
Sales	4,653,409	0	4,653,409
Cost of sales	-3,541,909	13,544	-3,528,365
Gross profit	**1,111,500**	**13,544**	**1,125,043**
Research and development expenses	-503,638	-3,579	-507,217
Distribution expenses	-246,262	1,628	-244,634
Administrative expenses	-177,592	7,556	-170,035
Other income	43,632	-25,396	18,236
Other expenses	-21,023	16,815	-4,209
Earnings from investments accounted for using the equity method	17,888	2,536	20,424
Other income from investments	352	0	352
Earnings before interest and taxes (EBIT)	**224,857**	**13,103**	**237,961**

The corresponding reconciliation statement for the first nine months of fiscal year 2020/2021 is as follows:

€ thousand	**2020/2021 as reported**	Adjustment	**2020/2021 adjusted**
Sales	4,645,574	0	4,645,574
Cost of sales	-3,488,050	9,449	-3,478,601
Gross profit	**1,157,523**	**9,449**	**1,166,972**
Research and development expenses	-588,529	143,400	-445,129
Distribution expenses	-237,272	571	-236,701
Administrative expenses	-196,208	28,720	-167,488
Other income	168,274	-128,868	39,406
Other expenses	-7,863	2,500	-5,363
Earnings from investments accounted for using the equity method	16,013	5,148	21,161
Other income from investments	294	0	294
Earnings before interest and taxes (EBIT)	**312,232**	**60,920**	**373,152**

06 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 better 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 the reporting period, the free cash flow from operating activities was adjusted for payments and receipts of payments totalling € 40,750 thousand (prior year: € 27,866 thousand). These are outlined in detail below.

In this reporting period, free cash flow from operating activities was adjusted for payments made for restructuring measures amounting to € 40,750 thousand (prior year: € 28,861 thousand). In the prior year, an adjustment was also performed on an increase in plan assets (present values of the statutory insolvency protection for partial retirement obligations) in the amount of € 14,725 thousand related to the restructuring measures.

Shares in the joint venture Behr Hella Service were sold in fiscal year 2019/2020. The free cash flow from operating activities was increased in the last fiscal year 2020/2021 by a dividend attributable to the period in the amount of € 4,955 thousand, which was collected in the form of a subsequent purchase price adjustment.

In the past fiscal year, HELLA sold its business with front camera software and associated activities in the field of testing and validation from HELLA Aglaia Mobile Vision GmbH to Volkswagen car.SW Org Wolfsburg AG. To ensure the ability to draw consistent comparisons with other periods, the free cash flow from operating activities was adjusted for prior year cash inflows of € 20,675 thousand.

The performance of the adjusted free cash flow from operating activities for the first nine months of fiscal years 2021/2022 and 2020/2021 is shown in the following tables:

€ thousand	2021/2022 as reported	Adjustment	2021/2022 adjusted
Earnings before income taxes (EBT)	**210,095**	**13,103**	**223,198**
Depreciation and amortisation	304,502	-984	303,518
Change in provisions	-30,755	28,913	-1,842
Other non-cash income and cash flows not attributable to operating activities	-34,364	3,078	-31,286
Losses/profits from the sale of intangible assets and property, plant and equipment	4,051	0	4,051
Net financial result	14,763	0	14,763
Change in trade receivables and other assets not attributable to investing or financing activities	-164,815	0	-164,815
Change in inventories	-182,301	0	-182,301
Change in trade payables and other liabilities not attributable to investing or financing activities	10,112	-3,006	7,105
Net tax payments	-9,513	0	-9,513
Dividends received	9,864	0	9,864
Net cash flow from operating activities	**131,638**	**41,104**	**172,741**
Cash receipts from the sale of intangible assets and property, plant and equipment	17,974	-354	17,621
Payments for the purchase of intangible assets and property, plant and equipment	-418,508	0	-418,508
Free cash flow from operating activities	**-268,896**	**40,750**	**-228,146**

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
Earnings before income taxes (EBT)	**302,182**	**60,920**	**363,101**
Depreciation and amortisation	281,582	0	281,582
Change in provisions	162,430	-145,072	17,358
Other non-cash income and cash flows not attributable to operating activities	-146,246	123,213	-23,033
Losses/profits from the sale of intangible assets and property, plant and equipment	694	0	694
Net financial result	10,051	0	10,051
Change in trade receivables and other assets not attributable to investing or financing activities	-431,250	14,725	-416,524
Change in inventories	-77,504	0	-77,504
Change in trade payables and other liabilities not attributable to investing or financing activities	352,498	-28,881	323,618
Net tax payments	-15,479		-15,479
Dividends received	636	4,955	5,591
Net cash flow from operating activities	**439,593**	**29,860**	**469,453**
Cash receipts from the sale of intangible assets and property, plant and equipment	14,452	-1,993	12,459
Payments for the purchase of intangible assets and property, plant and equipment	-385,335	0	-385,335
Free cash flow from operating activities	**68,711**	**27,866**	**96,577**

07 Events after the balance sheet date

There were no reportable events after the balance sheet date.

Lippstadt, 23 March 2022

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach
(President and CEO of
Hella Geschäftsführungsgesellschaft mbH)

Dr. Lea Corzilius
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Dr. Frank Huber
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