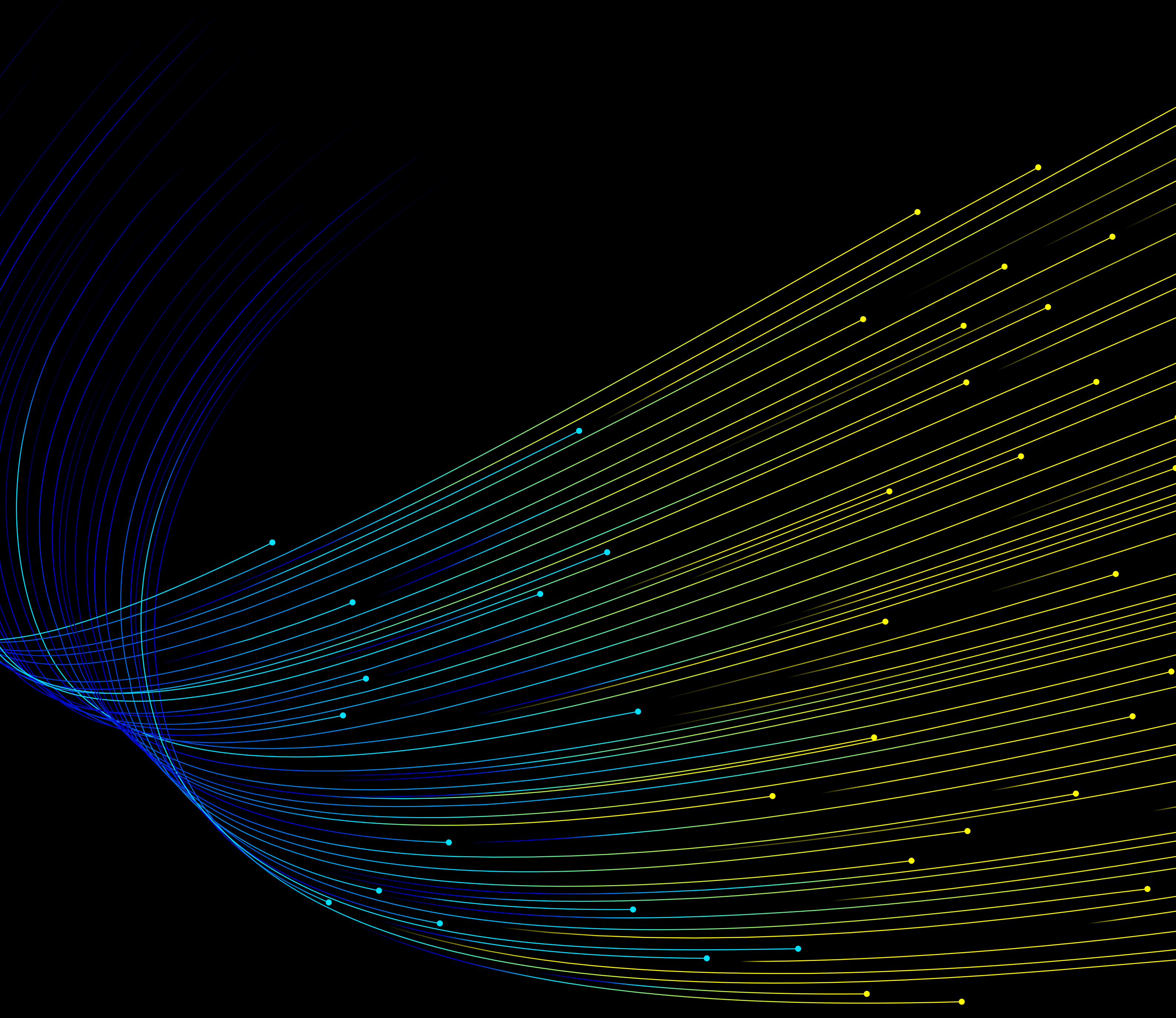
Annual Report 2020/2021



Key performance indicators

Key performance indicators in € million or %	2020 / 2021	2019 / 2020	Change (%)
Currency and portfolio-adjusted sales	**6,505**	5,739	+13.3%
Reported sales	**6,380**	5,829	+9.4%
Adjusted earnings before interest and taxes (adjusted EBIT)	**510**	227	+125.0%
Adjusted EBIT margin	**8.0%**	4.0%	+4.0 pp
Earnings before interest and taxes (EBIT)	**454**	-343	+232.2%
EBIT margin	**7.1%**	-5.9%	+13.0 pp
Earnings for the period	**360**	-432	+183.4%
Earnings per share (in €)	**3.22**	-3.88	183.1%
Adjusted free cash flow from operating activities	**217**	222	-2.1%
Free cash flow from operating activities	**74**	205	-64.0%
Research and development expenses	**603**	620	-2.7%
R&D ratio	**9.5%**	10.8%	-1.4%
Capital expenditures	**630**	431	+46.2%
Capital expenditure ratio	**9.9%**	7.5%	+2.4 pp
Net financial liquidity/net financial debt	**103**	-140	+173.9%
Equity ratio	**40.6%**	37.0%	+3.6%
Proposed dividend (in €)	**0.96**	--	--
Permanent employees (as at 31 May)	**36,500**	36,311	+0.5%

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HELLA at a glance

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, the Special Applications segment of HELLA develops, manufactures and sells lighting and electronics solutions for special vehicles.

Currency and portfolio-adjusted consolidated sales

€ 6.5 billion

Reported sales

€ 6.4 billion

Adjusted EBIT margin

8.0%

Research and development ratio

9.5%

Employees worldwide in the permanent workforce

36,500

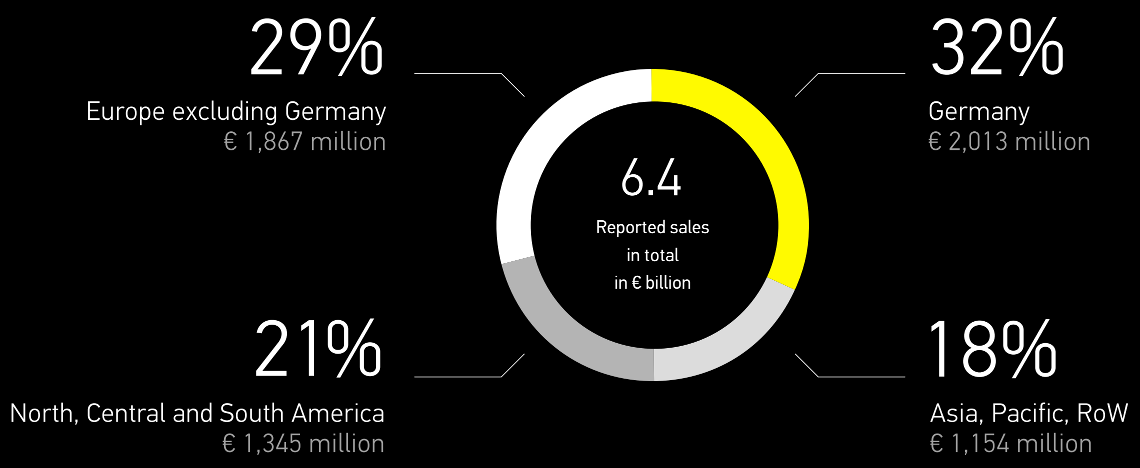
Business segments

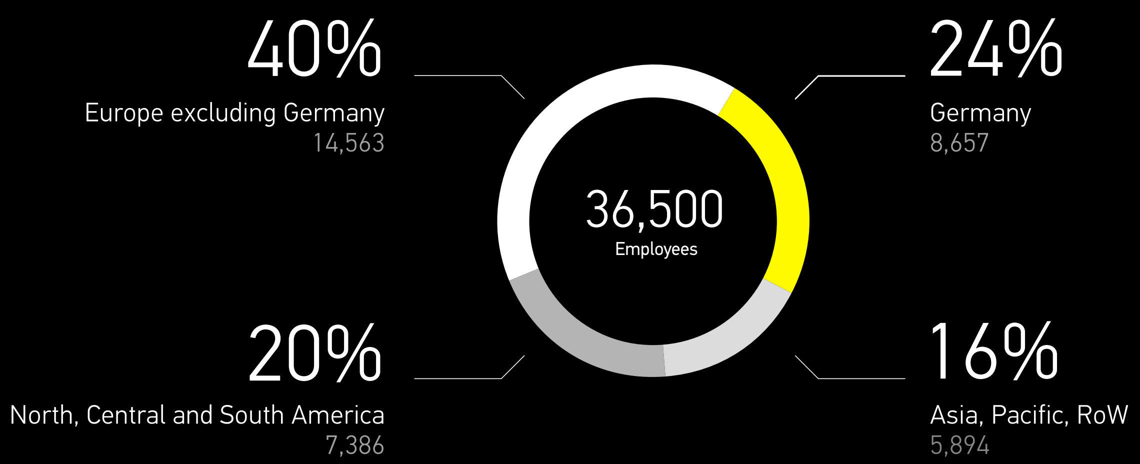
Automotive
The segment is split into the Lighting and Electronics business divisions: in the Lighting Division HELLA develops and produces headlamps, rear combination lamps and also solutions for car body and interior lighting. The electronics portfolio makes a major contribution to ensuring that driving is safer, more efficient and more comfortable. The range comprises innovative product solutions for driver assistance, energy management, body electronics and power steering, sensors and actuators, and also lighting electronics.

Aftermarket
With a selection of around 38,000 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 workshops in Europe. These activities are supplemented with a comprehensive range of products focussing on high-quality equipment for diagnostics, exhaust gas testing, lighting adjustment, calibration, system testing and the appropriate 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 products for the marine sector. In doing so 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.

Regional positioning





Foreword

**Dear Shareholders,
Ladies and Gentlemen**

Once again we have experienced a fiscal year marked by countless challenges and strenuous effort. Nevertheless, HELLA has held its ground well even in such a demanding situation and has, overall, brought the year to a successful conclusion. To be specific, our success relates to three counts in particular.

Firstly, we have been able to keep coronavirus in check. Very early on, following the outbreak of the virus more than a year and a half ago, we immediately took action to introduce a large number of different measures. We also implemented these protective measures vigorously during the past fiscal year with a view to effectively preventing chains of infection within the Company and providing the best possible protection for the health of our staff worldwide. That was and still is our top priority. All HELLA members of staff have contributed to this programme by adhering strictly to the necessary precautions or alternatively by changing to mobile forms of work. And for their great flexibility and also for their tireless commitment, I wish to express my warmest thanks.

Secondly, we were able to alleviate the economic repercussions of the pandemic across the board. After adjustment for currency and portfolio effects, our sales rose by 13 percent to € 6.5 billion compared to the prior year. This means that once again we have grown significantly faster than the global automotive market. Thanks to this successful business development and our consistent cost management, our adjusted earnings before interest and taxes have more than doubled to reach € 510 million. The adjusted EBIT margin has increased to 8.0 percent. With each of these figures, we find ourselves in the upper reaches of the forecast ranges raised in December 2020. Based on these results, we will propose a dividend payment of € 0.96 per share at the Annual General Meeting on 30 September 2021. Hence we are maintaining our established dividend policy even in these challenging times.

Thirdly, in the past fiscal year we set our Group on a vital strategic course, most importantly by means of our comprehensive programme to ensure long-term growth in our competitiveness. First of all, this provides for necessary structural adjustments. We have made great progress in implementing these measures – both throughout the global HELLA network and also at our German locations. One consequence is that we will need to cut approximately 900 jobs in Development and Administration at our Lippstadt company headquarters by the end of 2023. For the majority of those jobs, we have already been able to draw up socially acceptable agreements. Taking such steps is not easy. But they are necessary to secure the long-term viability of the company moving forward. The second point here is that we are continuing to invest massively in research and development. In the past year, around 10 percent of our sales from the previous year has once again gone towards the development of future-oriented automotive technology, e-mobility and autonomous driving, software and digital lighting. And especially because of such a scenario, in the reporting period we were able once again to acquire a great deal of new business for the future.

Our results send a very clear message: they show that HELLA is in a good position. In order to maintain the Company's success over the long term, we will tackle the challenges that lie before us with the utmost determination.

The corona pandemic has not yet been overcome. It will continue to demand a great deal from us. The same applies to the considerable resources bottlenecks in the global delivery and logistics chains. Even in the course of the fiscal year just completed, we were confronted not only with increasing shortages in the semiconductor market but also with scarcities in other components. Such bottlenecks will continue to be an issue for us. We will continue each and every day to struggle to obtain sufficient quantities of the intermediate products needed for our production so that we can meet our obligations towards our customers. At the same time, the components crisis will impact greatly on general market developments and also on material prices. Across the globe, millions of vehicles will not be able to roll off the production lines because the appropriate parts are not available. For all these reasons systematic cost management will continue to be a central management tool in the new fiscal year.

In addition, changes within our industry continue to gain momentum. The future of mobility is electric and emission-free. Vehicle architecture will change radically; software will continue to gain significance in our industry. HELLA is well equipped for this change. In many forward-looking areas, we are leaders. We take up the latest key topics and are helping to lead the way in designing the mobility of tomorrow. We are ramping up our efforts even further by continuing to make significant investments in research and development, automation, digitalisation and software. At the same time we intend to continue our strategic development within established parameters. One example is our plan for the future to strengthen our position even further in the Chinese automotive market, the largest market in the world, and to target the market in high voltage electronics even more strongly.

Our lighting and electronics portfolios mean that today our designs are already contributing to making mobility more emission-free, more sustainable and safer. More than 90 percent of our automotive sales do not depend on combustion engines. But as we go forward, we will tackle the issue of climate change even more resolutely. We as a company are very much aware of our responsibility in this area and set ourselves clear targets at the start of the year. By 2025, all 38 HELLA production sites are to operate as carbon-neutral plants. In addition, we want to ensure a consistently climate-neutral supply chain by 2050 at the latest and provide customers worldwide with carbon-neutral products.

If we tackle all these challenges with the same drive and determination as in the past, we will maintain our success and create added value for our stakeholders. I draw this confidence not least from our unique corporate culture, which can look back on a history stretching over 120 years. The fact that we can further build on this is primarily thanks to our 36,000 colleagues around the world who work for the Company, showing unprecedented commitment on a daily basis as they actively shape the future of HELLA. And just as important is also, of course, the trust and confidence shown by our customers, business partners and also by our shareholders. On behalf of the HELLA Management Board, I would like to thank you all for this support and to assure you that in future we will continue to do everything in our power to justify this confidence.

Lippstadt, August 2021

Dr. Rolf Breidenbach
President and CEO

The Management Board

HELLA GmbH & Co. KGaA

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

Dr. Lea Corzilius
Human Resources (deputy)

Dr. Frank Huber
Automotive Lighting

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

Björn Twiehaus
Automotive Electronics

HELLA on the capital market

Capital markets showing marked recovery

In fiscal year 2020/2021 the capital markets have shown a marked recovery following the pandemic-related slumps of the prior year. Especially shares in German automotive stock, the DAXsector Automobile (hereinafter: Prime Automotive) recorded significant growth of 92.4%. Shares on the MDAX Index (hereinafter: MDAX) only rose by 30.7%, as they were less impacted by the pandemic given the more diverse portfolio.

The passing of extensive economic stimulus measures and the economic recovery, including an upturn in the Chinese automotive market, boosted the market in the first fiscal quarter. Prime Automotive closed this period up around 16%, while the MDAX finished a good 8% higher.

In the second quarter of the fiscal year, Prime Automotive in particular profited from promising news around vaccine development. The outcome of the US presidential election also provided a boost to the market. As a result, Prime Automotive rose by almost 21% and the MDAX by 7%.

With the announcement of government economic stimulus measures in the wake of the change of power in the US and the launch of vaccination campaigns for coronavirus, there was a further upturn on the capital markets in the third quarter. Prime Automotive was further bolstered by positive news from German car manufacturers, gaining 13% in the third quarter, while the MDAX rose by around 7%.

In the fourth fiscal quarter further economic stimulus programmes, good economic news and the positive interest rate decision by the US Federal Reserve spurred growth. As a result of good quarterly figures of a number of car manufacturers and their e-mobility strategies, Prime Automotive grew significantly by 22%, while the MDAX finished the quarter up around 6%.

HELLA shares up by 61%

With growth of 61%, HELLA shares made a significant recovery in fiscal year 2020/2021. Share performance lagged behind Prime Automotive, because HELLA shares were proportionately less affected by the impacts of the Corona pandemic in the prior year compared to that index.

With growth of 17%, HELLA shares performed somewhat better than Prime Automotive in the first fiscal quarter. The major factor behind this was positive news in the macroeconomic environment.

In the second quarter, HELLA shares continued their recovery with another increase of around 17%. This was due not least to positive assessments by analysts in connection with the Company's long-term strategic direction.

Despite a positive adjustment of the company outlook and good half-year results, HELLA shares rose only moderately – by 2% – in the third quarter. This was due to the increasing risks posed by bottlenecks in global supply and logistics chains. As a result, uncertainties about developments in the remainder of the fiscal year especially had a negative impact on HELLA shares. Performance was bolstered in particular by positive news from top car manufacturers. Share prices of suppliers profited only to a limited extent from this.

In the fourth quarter, HELLA shares showed clear positive effects, rising by 15%. The main drivers behind this increase were primarily media reports about a possible sale of the shares owned by pool shareholders.

Liquidity of HELLA shares

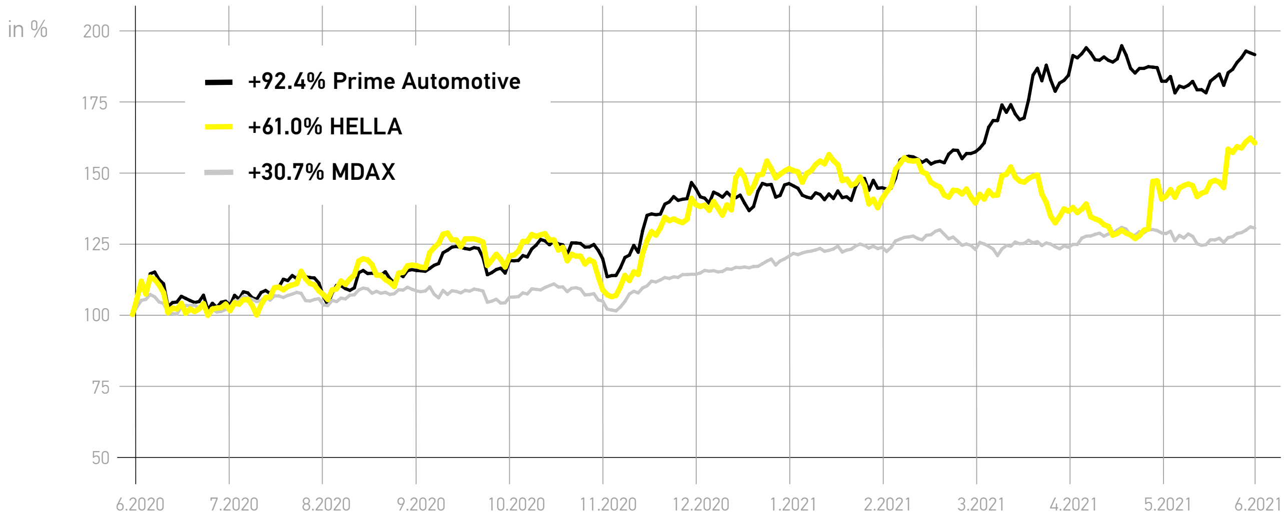
The average daily XETRA trading volume in the reporting period was around 140,000 shares (prior year: 204,000), the equivalent of roughly € 6.4 million (prior year: approx. € 7.8 million). Alongside the lower average price for the share, the reduction in the share's liquidity is also attributable to a lower level of liquidity throughout the capital market following the very high volumes in the first half of 2020. Market capitalisation stands at € 6.28 billion at the end of the fiscal year (prior year: € 3.90 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 0.5% EURO bond (WKN A2YN2Z) for € 500 million, also with a seven-year term, running until 26 January 2027. In July 2021 ratings agency Moody's confirmed HELLA's company rating at level Baa1 and at the same time raised the outlook from negative to stable due to HELLA's strong financial position and the anticipated improvement in profitability and cash flow.

Performance of the HELLA share

indexed on 1 June 2020 in comparison to MDAX and Prime Automotive



Data on HELLA shares

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

HELLA share KPIs	**€**	**2020/2021**	**2019/2020**
Closing price	€	56.50	35.10
Highest price	€	57.10	50.55
Lowest price	€	35.00	20.82
Number of shares issued (31 May)	Number of shares	111,111,112	111,111,112
Market capitalisation (31 May)	€ billion	6.28	3.90
Daily trading volume (average, XETRA trading)	€ million / no. of shares	6.40 / 139,833	7.83 / 203,928
Earnings per share	€	3.22	-3.88
Dividend per share	€	0.96*	--

** Subject to approval by the annual general meeting on 30 September 2021*

Current rating
13 July 2021

Rating agency	**Rating**	**Outlook**
Moody's	Baa1 / P-2	Stable

(1)

(2)

(3)

Highlights

New lighting concept: FlatLight (1)

With its new FlatLight concept, HELLA takes rear lamp technology to a new level, fundamentally revolutionising the design of future light signatures. The technology allows the direction indicator light, stop light and tail light to be incorporated into just one optical element. This achievement is possible thanks to an innovative light guide concept based on exceptionally small micro-optics. These are optical lenses which are no bigger than a grain of salt. And FlatLight technology has another advantage: it requires around 80% less energy, making it significantly more efficient than conventional systems.

Help in times of corona (2)

For more than 18 months now, the coronavirus pandemic has gripped the world. During all this challenging time, HELLA has been providing swift and unbureaucratic help: this support includes offering extensive testing and immunisation and additional measures for the protection of its employees worldwide. Of all countries it is especially India that has been worst affected by the pandemic. Here, too, HELLA has been ready with help. Within a very short space of time, the Pre-Development team of the Electronics Division together with colleagues and medics on location developed a simple and cost-effective ventilator, the most important aid when treating patients suffering from severe disease progression. It is now being successfully used in the Krishna Institute of Medical Sciences in Karad.

Joint venture for radomes and illuminated logos (3)

HELLA and MINTH found a new joint venture. Its main aim is to drive the development, production and marketing of radomes – permeable protective structures for radar systems – and of illuminated logos. The joint venture primarily focuses on the Asian and North American automotive markets.

Global Software House

With its newly formed Global Software House, HELLA is continuing to expand its global software expertise. The new entity is to have global responsibility for coordinating all software activities across the Company while at the same time developing new, digitalised business models. Global Software House, which will initially employ up to 400 members of staff worldwide, is a part of HELLA Aglaia, the Berlin subsidiary and software specialist.

Customer awards

HELLA has received awards from countless customers throughout the past year recognising the Company's outstanding innovation, quality and excellent performance. For example, HELLA has once again been named Supplier of the Year by US car manufacturer General Motors – for the third time in a row, and this year in no less than two categories. HELLA was also honoured with an award from leading agricultural machinery producer CLAAS in the category of innovation.

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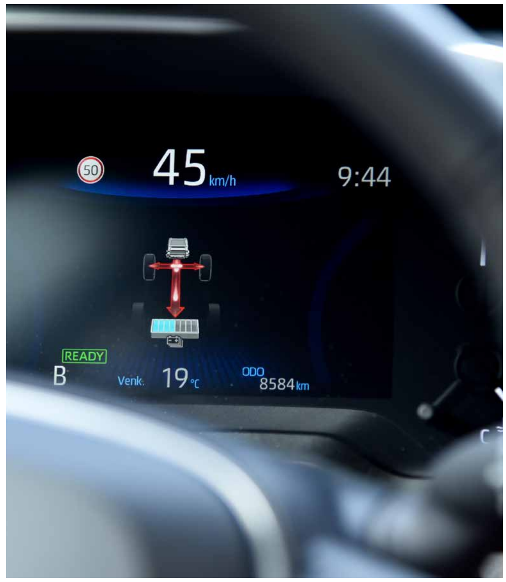

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(4)

Successful presentation at leading trade fair in China (4)

HELLA's presentation at this year's Auto Shanghai 2021 highlighted the Company's early recognition and adoption of the right topics for the Chinese market. This trade fair is one of the largest and most important specialist exhibitions of the automotive industry throughout the entire world. This year HELLA exhibited from a stand covering an area of 200 square metres, which showcased essential technological highlights for pivotal market trends such as electrification and autonomous driving, digitalisation and connectivity and also individualisation. And, furthermore, HELLA, succeeded in acquiring vital future business.

A signal for climate protection: carbon-neutral production by 2025 (5)

HELLA is sending a very clear signal in its support for climate protection: by 2025, all 38 HELLA production sites worldwide are to operate as carbon-neutral plants. This target is to be achieved especially by means of further energy savings and by using green electricity. In addition, HELLA wants to ensure a consistently climate-neutral supply chain by 2050 at the latest and to provide customers worldwide with carbon-neutral products.

E-mobility: HELLA continues to extend market position (6)

The future of mobility is electric. HELLA is in the front line when it comes to designing this future. And the Company is continuing to extend its already existing portfolio of high-performance battery and power electronics. An example is the scheduled launch of serial production for the Company's first low-voltage battery management system in 2024; HELLA has already obtained its first major order for the PowerPack 48 Volt. The subsystem solution integrates power electronics and battery management into a single product.

HELLA goes digital

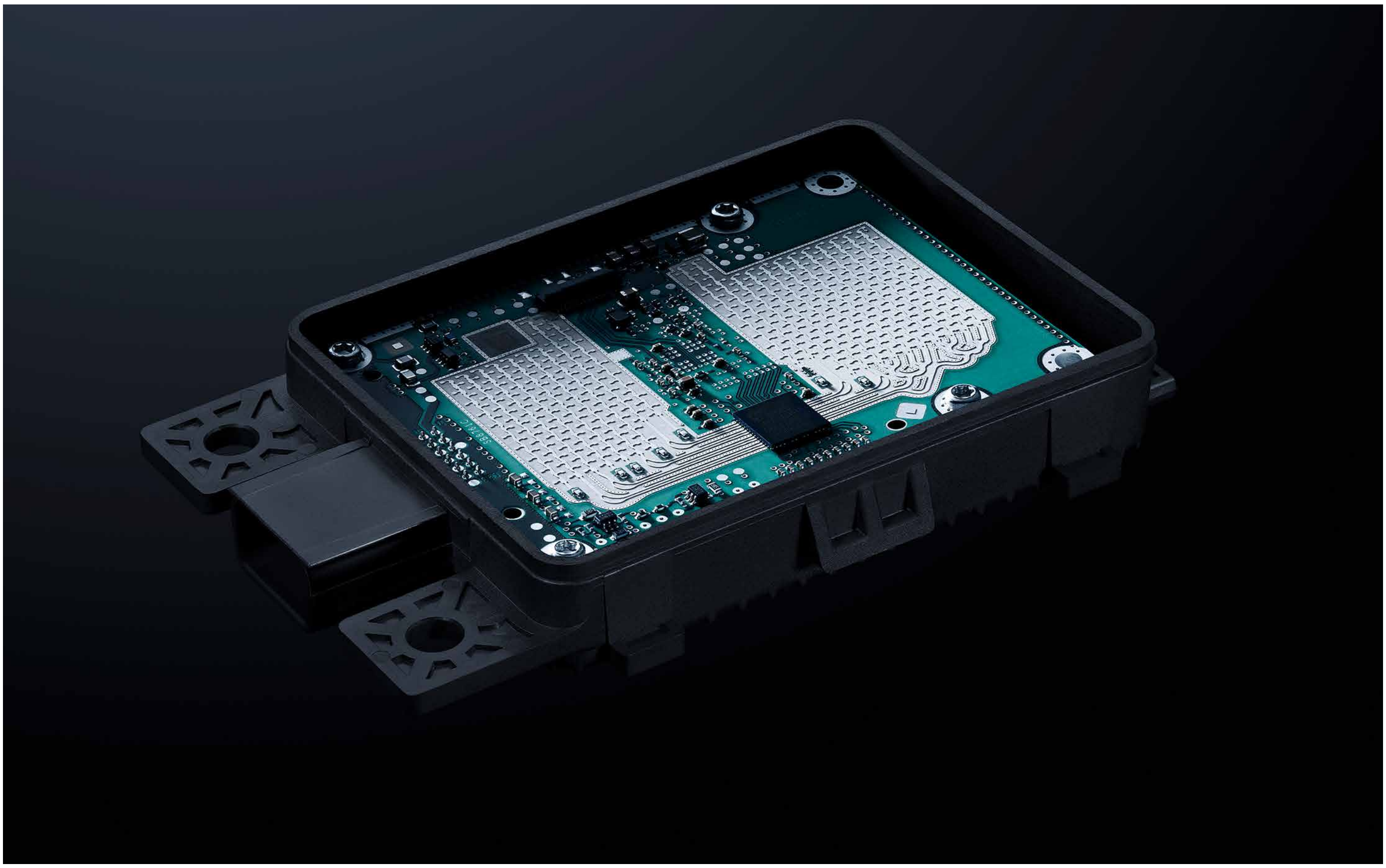
The move towards digitalisation at HELLA continues to gain momentum. And not least because of the corona pandemic, when additional digital communication and work tools were rolled out in the Company in a very short time frame. The annual international management meeting also took place for the first time as a purely digital event, encompassing virtual location visits, innumerable interviews and learning and networking sessions. Moreover, progress has been made on numerous other digitalisation initiatives; these range, for example, from the implementation of HoloLens for virtual remote maintenance of production facilities right up to the developing of a cutting-edge customer platform for digital product presentations.

Key components or autonomous driving (7)

HELLA is continuing to extend its leading market position for the indispensable key components required for autonomous driving. Serial production of the latest product generations has already been launched. In the Electronics plant in Hamm/Germany, 77 GHz sensors for the passenger car segment are now being produced. At the plant in Amexhe/Mexico, production of steering electronics has begun. In addition, HELLA has acquired a considerable amount of future business for both products.

Expansion of the global network

Demand for lighting and electronic products from HELLA continues to grow. Therefore the Company is continuously extending its global network. One instance of this is the doubling in surface area of the Electronics plant in the Lithuanian region of Kaunas to cover a total of 22,000 square metres, with the number of employees there increasing to 430. In the Romanian city of Craiova, HELLA has opened a new development centre for software and electronics. The company in Craiova currently employs about 350 members of staff, and in the coming years it is planned to increase this number by another 250 employees. At the Slovakian locations, too, there are plans to set up a research and development centre for rear lamps in Banovce, while in Trenčín a purchasing centre of excellence is planned to serve the Central and Eastern European region.



(7)

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

Fiscal year 2020/2021

- **Global vehicle production increases by 10.0% in the fiscal year 2020/2021;** the market volume remains below pre-crisis levels
- **Automotive industry recovers faster than expected;** however, bottlenecks in the global supply and logistics chains strain the industry environment
- **Consolidated currency and portfolio-adjusted sales increase** by 13.3% to € 6,505 million; reported by 9.4% to € 6,380 million
- **Adjusted EBIT interest and taxes** rise to € 510 million; adjusted EBIT margin is at 8.0%
- **Adjusted free cash flow from operating activities** is at € 217 million
- **Sales in the Automotive segment** grow by 11.6% to € 5,545 million
- **Aftermarket segment sees sales increase** by 7.3% to € 504 million
- **Special Applications achieve sales growth** in the amount of 12.9% to reach € 359 million
- **Financial results are in the upper range** of the forecast ranges t hat were raised in December 2020
- **Company management proposes payment of dividends** in the amount of € 0.96 per share
- **Company outlook for the fiscal year 2021/2022 expects** currency and portfolio-adjusted sales in the range from around € 6.6 billion to € 6.9 billion and an adjusted EBIT margin of approximately 8%

General information on the HELLA Group

€6.5
billion
currency and portfolio-adjusted sales of the HELLA Group in the fiscal year 2020/2021 (reported: € 6.4 billion)

The group management report was prepared in accordance with § 315(3) of the German Commercial Code (HGB) in conjunction with § 298(2) HGB with the management report of HELLA GmbH & Co. KGaA. The combined management report contains the presentation of the net assets, financial position and results of operations of HELLA GmbH & Co. KGaA and the HELLA Group as well as other information required in accordance with the German Commercial Code.

Business model

HELLA is a global listed and family-controlled automotive supplier that generated currency and portfolio-adjusted sales of € 6.5 billion in the fiscal year 2020/2021 (reported: € 6.4 billion). At the end of the fiscal year (31 May 2021), the Company had 36,500 permanent employees worldwide. HELLA's business activities are divided into three segments: Automotive, Aftermarket and Special Applications:

Automotive

With a share of group-wide sales of more than 80%, the Automotive segment is the largest 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 Automotive segment is divided into two business divisions – Lighting and Electronics. The product portfolio of the lighting division includes the business with headlamps, rear combination lamps, car body and interior lighting as well as with radar covers (radomes), illuminated logos and panels. HELLA supplies both the premium and volume segments. Thanks to the long-standing cooperation with almost all well-known original equipment manufacturers, HELLA has built up a strong market position, especially in the field of sophisticated lighting technologies. Product solutions from HELLA's electronics division help to make mobility safer, more efficient and more comfortable. The business division comprises the product areas of energy management, driver assistance systems, body electronics and access systems, sensors and actuators, steering electronics and lighting electronics. At the beginning of the fiscal year 2020/2021, HELLA also founded a Global Software House, which is tasked with globally coordinating the company-wide software activities and developing new software-based business models.

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 currently exceeding 38,000 products, HELLA offers an extensive range of vehicle-specific parts, universal parts and accessories in this segment. Furthermore, HELLA is a service partner for wholesalers and workshops. The activities

HELLA at a glance

Sales in fiscal year 2020/2021: € 6.5 billion adjusted* (reported: € 6.4 billion) • Employees: 36,500 (31 May 2021)

Automotive **Reporting segment**	**Aftermarket** **Business segment**	**Special Applications** **Business segment**
Sales: € 5.5 billion • Employees: 30,052	Sales: € 0.5 billion • Employees: 1,646	Sales: € 0.4 billion • Employees: 2,384

**Currency and portfolio-adjusted*

are rounded off by the offer of high-quality workshop equipment, which is provided by the subsidiary Hella Gutmann Solutions. The product and service portfolio for vehicle workshops, car dealerships, and vehicle testing organisations focuses primarily on vehicle diagnostics, exhaust gas testing, lighting adjustment, calibration, system testing and the corresponding measuring instruments. In addition to this primarily hardware-driven core business, the diagnostic expertise of Hella Gutmann Solutions will also be transferred to new data-based services and business models. This includes, among other things, digital solutions for real-time recording of the vehicle condition, which can be used by mobility service providers or fleet operators.

Special Applications

In the Special Applications segment, HELLA develops, manufactures, and distributes lighting technologies and electronic products for a range of different special vehicles such as construction and agricultural machinery, buses, caravans and marine vessels, as well as for various small-volume manufacturers such as those producing electric vehicles.

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. In this way, the Company is represented in all major core markets of the automotive industry, which are grouped into four regions: Germany; Europe (excluding Germany); North, Central and South America as well as Asia / Pacific / Rest of the 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 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 distribution of sales by region. Accordingly, in the fiscal year 2020/2021, around 32% of sales was generated 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 the world.

Corporate structure

Legal corporate structure

The parent company of the HELLA Group and also the largest operating company of the company is HELLA GmbH & Co. KGaA, with its registered office in Lippstadt, Germany. As the parent company, it is involved – either directly or indirectly – in 152 companies, of which 86 were fully consolidated in the 2020/2021 consolidated financial statements. Since 2003, the Company has been a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA) under German law. This legal form encapsulates the key guiding principle of entrepreneurial self-responsibility, as it combines the flexibility of a partnership with the capital market access of a stock corporation.

The shares of HELLA GmbH & Co. KGaA have been traded in the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange since November 2014 and have been listed on the MDAX share index since September 2015. The nominal capital of HELLA GmbH & Co. KGaA amounts to € 222,222,224 and is divided into 111,111,112 no-par shares. 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 (the 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.

Collaborations and partnerships

Since the end of the 1990s, HELLA has made a concerted effort to enter into collaborations 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.

At equity

Inclusion →
in the consolidated financial statements using the equity method with proportional equity

In the fiscal year 2020/2021, six joint ventures in total were included in the consolidated financial statements using the at-equity method of accounting. They generated total sales of € 3.5 billion and earnings before interest and taxes (EBIT) for HELLA in the amount of € 35 million. This corresponds to a share of HELLA's group-wide adjusted EBIT of 6.8%.

In the fiscal year 2020/2021, HELLA founded two new joint ventures in China:

- **HELLA Evergrande Electronics (Shenzhen) Co., Ltd.**
  The joint venture, founded by HELLA and Evergrande, will develop and produce high-voltage battery management systems specifically for the Chinese automotive market. As part of the collaboration, Evergrande will contribute, in particular, its comprehensive expertise in the field of battery production and application know-how. HELLA is primarily contributing its long-standing experience in the field of battery electronics and system integration. As at the reporting date, the joint venture had around 90 employees; by the end of 2023, this number is expected to reach around 200 employees.

- **HELLA MINTH Jiaxing Automotive Parts Co. Ltd.**
  The new joint venture between HELLA and MINTH aims to develop, produce and market radomes and illuminated logos. Radomes are transparent covers for radar systems that can be manufactured in special versions according to customer requirements and are embedded, for example, in the radiator grille or in a customer logo. The joint venture primarily focuses on the Asian and North American automobile markets. Both partners have equal shares in the joint venture with production facilities in Jiaxing. As at the reporting date of the past fiscal year, around 130 people are employed in the joint venture. A second production facility is slated for commissioning in autumn 2021. In the course of this capacity expansion, the number of people employed in the joint venture will increase to around 200 by the end of 2021.

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 the Company 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.

The focus in the fiscal year 2020/2021 was, firstly, on partnerships with various battery manufacturers, which were further developed or newly undertaken in the reporting period. As part of such, HELLA, along with its partner companies, offers battery packs for the global market, for example, consisting of battery cells and the associated battery management system from HELLA. On the other hand, HELLA has intensified its cooperation with various start-up companies, including the US company Ridecell and the British start-up Wejo, in order to tap into new data-based business models in the automotive and workshop business. These collaborations also entail strategic minority holdings.

Portfolio changes

As part of its corporate strategy, HELLA is stringent in its portfolio management. In this context, the criteria of technology leadership, market leadership and the long-term achievement of relevant financial performance indicators are decisive. 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 the fiscal year 2020/2021:

- **Exit from business with front camera software**
  With effect from 1 February 2021, HELLA transferred the front camera software business, including the associated Testing and Validation division, located at the Berlin subsidiary HELLA Aglaia to the Car.Software Organisation (now: CARIAD) of Volkswagen, since HELLA would have needed to make exceptionally high capital expenditures, while accepting a large degree of entrepreneurial risk in order to achieve the internal objectives in this area. Regardless of the divestiture, HELLA will continue to invest heavily in key technologies for automated driving – particularly in the areas of radar sensors and steering electronics. At the same time, the remaining activities at HELLA Aglaia in the areas of energy management, lighting control and people sensing will be continued and the subsidiary further strengthened by its responsibility for the Global Software House which HELLA founded in the previous year.

- **Mando HELLA Electronics**
  With effect from 2 March 2021, HELLA sold its 50-percent holding in the South Korean joint venture Mando HELLA Electronics (MHE) to the joint venture partner Mando. The joint venture, with its registered office in Incheon, South Korea, was founded in 2008. The joint venture's portfolio included components such as brake

controls, steering controls, sensors and driver assistance systems. Its customers include, in particular, South Korean automobile manufacturers and system suppliers. In the future, HELLA is aiming to intensify its direct business with South Korean customers and serve them more from its own global HELLA network.

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 high-priority business fields. Third is maintaining a stable, resilient and low-risk business model. Fourth is continuously improving operational excellence.

To strengthen the Company's position in a sustainable manner in the face of the challenging market conditions and further increasing pricing pressure, the Management Board adopted a long-term programme aimed at sustainably increasing competitiveness at the beginning of the past fiscal year 2020/2021. Firstly, this envisages further increased capital expenditures in automotive market trends, automation, digitalisation and software know-how. Secondly, the number of development and administrative positions at the Company's headquarters in Lippstadt is to be reduced by around 900, primarily in the development division. In addition to socially acceptable job cuts, which were already made in the past fiscal year via natural fluctuation, expiring limited-term contracts, or selected severance talks/resignations, the management board and works council of the Company initially agreed on a partial retirement programme in September 2020. At the end of the fiscal year, an agreement was also reached on a severance programme. The resulting job reduction will essentially begin in the current fiscal year 2021/2022, with a focus on the fiscal years 2022/2023 and 2023/2024. In addition, the plan is to maintain the existing measures for ongoing improvement at both the German and, depending on the market, international HELLA sites within the framework of the program.

If all structural measures are successfully implemented in Germany, the Company projects an annual EBIT contribution of around € 140 million. The majority of this will, in all likelihood, take effect as of the fiscal year 2022/2023. Expenses for the overall measures are expected to amount to around € 240 million and were largely recognised in the fiscal year 2020/2021. Most of the funds released will be used to further strengthen the Company's innovative strength and competitiveness in the long term.

1. Technological leadership

By consistently positioning itself in line with central market trends of the automotive industry, HELLA is taking care to safeguard and expand its technological leadership: HELLA is prioritising – in particular – autonomous driving, efficiency and electrification, connectivity/digitalisation and individualisation. In order to exploit the resulting opportunities for growth, sophisticated strategic approaches are implemented in the individual segments.

The Automotive segment in particular makes concerted effort to act on growth opportunities which arise from changes in the industry. In the Lighting business division, for example, HELLA offers a full range of lighting technology products and systems for vehicles. Through targeted partnerships, the Company also gains access to more complex system solutions. In the Electronics business division, HELLA focuses on selected product fields such as specific components – based on its core competencies as well as regional or global focuses.

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 technologically leading solutions for diagnostics, calibration, lighting adjustment and exhaust gas analysis.

In the Special Applications segment, to a large extent technological concepts, innovations and competencies from the Automotive segment are transferred and applied to the respective needs of manufacturers of special vehicles. For example, this includes smart, high-performance and robust 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 the high-priority business fields in which the Company operates. This is to be achieved by specific segment, product group and region. Economies of scale that can be achieved as a result of holding a leading market position thus 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 primarily 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 select vehicle electronics.

The goal of market leadership is supported by the established network strategy, which sees HELLA enter into collaborations 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 – to the greatest extent possible – independent of specific economic fluctuations and market cycles.

The objective of the resilient business model is pursued firstly by positioning the Company internationally and diversifying the customer portfolio. Secondly, the Aftermarket and Special Applications segments are intended to contribute to stable business development. In this way, compared to the automotive business, the aftermarket business is fundamentally subject to a countercyclical logic: If demand for new vehicles decreases, the need for repair and spare parts tends to increase. Business activities in the Special Applications segment are also sometimes subject to different demand cycles than the automotive business due to the fundamentally different nature of the segment as well as the very heterogeneous 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. The initiatives include, among other things, optimisation and focusing of global production and development capacities, process standardisation as well as systematic investment in and further training of staff.

Sustainability strategy

Sustainable management and responsible action are firmly anchored in HELLA's corporate values and form an important basis for the successful further development of the Company. In its corporate decisions, HELLA takes economic, ecological, and social factors into account and assumes responsibility for employees, the environment and society. On the one hand, HELLA is constantly intensifying its own commitment to sustainability. On the other hand, HELLA also supports its own customers in achieving their sustainability goals with product solutions that contribute to safe and clean mobility. The HELLA sustainability strategy sets forth a firm framework for such and describes the Company's intended contributions to sustainable mobility, a responsible supply chain and combating climate change.

By 2025, all 38 HELLA production sites worldwide must be carbon-neutral. This is to be achieved in particular by improving energy efficiency and switching to green electricity. The plan is to meet the electricity demand in production solely from renewable energy sources by 2025. By 2030, electricity consumption in relation to sales is also to be reduced by at least 10% compared to the fiscal year 2019/2020. At the same time, remaining and unavoidable emissions are to be offset by investments in high-quality certified climate protection projects. In addition, HELLA wants to ensure a climate-neutral supply chain by 2050 at the latest and consistently supply customers with carbon-neutral products.

Furthermore, the HELLA sustainability strategy envisages the further expansion of activities to maintain environmental and social standards both internally and throughout the supply chain. This includes, inter alia, the expansion of requirements for compliance with human rights and the further development of health and safety standards. →

For more information on sustainability at HELLA, see the non-financial report of this annual report. →

Financial strategy

With the aim of ensuring financial stability, a sound 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 sound equity position. The Company is aiming for a ratio of less than 1.0 for net financial debt to adjusted operating earnings before 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. →

→ **For more information** on the financial instruments employed, see the explanations 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. In particular, the focus is on companies that serve the strategic goal of complementing established product and technology fields or developing new products and technologies in a short time. In this way, the Company's own technology and market leadership – e.g. in the Electronics and Special Applications divisions – is to be expanded in a targeted manner through possible acquisitions. A further focus is on strengthening the Company's competitive position in certain markets such as China.

Management systems

Management of the HELLA Group

The HELLA Group's organisation is managed via a multidimensional matrix. This includes

- the three segments – Automotive, Aftermarket and Special Applications – with business divisions and strategic business units,
- the regions of North, Central and South America, Asia / Pacific (including the rest of the 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 worldwide HELLA network, the Company's headquarter in Lippstadt in particular plays a leading role as a central location for management and governance. In the future, this function as a leading location for essential corporate functions as well as a major development location shall be brought into further focus.

At the same time, the regional market weightings have changed in recent years; the requirements for global corporate management have also increased significantly. For this reason, HELLA is continuously developing its global administrative network and, in the process, is also strengthening the responsibility of its other international administrative locations. For such, among other things, certain globally required administrative tasks are bundled and standardised at four competence centres in Romania, India, China and Mexico, which assume global or regional responsibility for the administrative activities assigned to them. In the future, certain development and application tasks are also to be further transferred to international locations in order to realise a more market-oriented distribution of resources.

Group management is carried out by the Management Board of Hella Geschäftsführungsgesellschaft mbH. In the fiscal year 2020/2021, the Shareholder Committee of HELLA GmbH & Co. KGaA appointed Dr. Lea Corzilius to the Management Board as Deputy Managing Director of the Human Resources corporate function with effect from 1 October 2020. Following the resolution of the Shareholder Committee, the Deputy Managing Director for the Electronics business division, Björn Twiehaus, also took over management of the business division with effect from 1 June 2021.

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

For more information → on the corporate bodies, see the declaration on corporate management.

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 prepared.

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 currency and portfolio-adjusted sales growth and adjusted EBIT margin take on great importance in the management of the Group. Accordingly, they are the Company's most important performance indicators.

These ratios are not stipulated in the international accounting 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. Extraordinary effects may arise, among other things, from portfolio changes, restructuring measures and unexpected non-cash impairments.

In order to more accurately present the Company's business development performance in this context 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 in addition to the reported values.

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. Revenue in accordance with IFRS differs from sales in accordance with the German Commercial Code (HGB), in particular with regard to recognition of project revenue. Conceptually, the EBIT in accordance with IFRS corresponds essentially to the operating result in accordance with the German Commercial Code (earnings before taxes 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).

HELLA GmbH & Co. KGaA

Corporate structure	The Management Board of HELLA GmbH & Co. KGaA Dr. Rolf Breidenbach (President and CEO)			
	Reporting segment Automotive		Business segment Aftermarket	Business segment Special Applications
Finance, Controlling, Information Technology and Process Management Bernard Schäferbarthold **Human Resources** Dr. Rolf Breidenbach Dr. Lea Corzilius (deputy) **Purchasing, Quality, Legal and Compliance** Dr. Rolf Breidenbach	**Business segment Lighting** Dr. Frank Huber **Executive Board:** Marcel Bartling Jens Grösch Dr. Christof Hartmann Didier Keskas Dr. Michael Kleinkes Peter Neuhoff Ludger Rembeck Michael Sohn Dr. Tobias Sprute Barnabas Szabo Wolfgang Vlasaty	**Business segment Electronics** Björn Twiehaus **Executive Board:** Heiko Berk Jörg Brandscheid Dr. Naveen Gautam Jens Grösch Michael Jaeger Gerold Lucas Andreas Lütkes Karsten Müller Bernd Münsterweg Lennart Pletziger Guido Schütte Jörg Weisgerber Joachim Ziethen	Dr. Rolf Breidenbach **Executive Manager:** Stefan van Dalen	Bernard Schäferbarthold **Executive Manager:** Christoph Söhnchen

International HELLA companies

General Partner

Hella Geschäftsführungsgesellschaft mbH

Managing Directors of Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach (CEO), Dr. Lea Corzilius, Dr. Frank Huber, Bernard Schäferbarthold, Björn Twiehaus

Chairman of the Supervisory Board

Klaus Kühn

Shareholder Committee

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

As at: 28 July 2021

21%

of all HELLA employees worldwide
work in research and development

Most significant 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:

Significant 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

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. In this way, research and development expenses contribute to bolstering and expanding HELLA's leading technological position along automotive market trends amidst accelerating change within the industry. Accordingly, in the medium to long term, HELLA aims to invest annually around 10% of consolidated sales in research and development.

In the fiscal year 2020/2021, HELLA invested a total of € 603 million (adjusted) for research and development (prior year: € 620 million). This equates to a ratio of expenses to portfolio-adjusted consolidated sales of 9.5% (prior year: 10.8%). The ratio of capitalised development expenses to development expenses in accordance with the consolidated income statement came to 20.3% (prior year: 8.7%).

The reason for the lower R&D ratio compared to the prior year was the continuous cost management of the HELLA Group. As a result of the significantly reduced production volumes, the research and development activities were primarily geared toward serial developments and production launches. In the course of the beginning market recovery, further development activities were initially resumed on a gradual basis in the second half of the fiscal year.

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. In addition, HELLA filed 224 new patents in the past fiscal year (prior year: 279 applications). This decline is also attributable in particular to short-time work arrangements and cost control measures, in particular at the beginning of the fiscal year 2020/2021.

The number of employees in research and development fell to 7,554 compared to the year before (prior year: 7,789 employees). This is mainly due to the sale of the business activities in the Front Camera Software division, which was completed in February 2021. About 21% of all employees in the permanent workforce are thus involved in research and development.

As at the reporting date, HELLA maintains a comprehensive, international network of almost 40 research and development facilities (excluding the R&D sites of joint ventures). The global development network of HELLA also includes a venture capital arm in Silicon Valley, an independently operating marketplace for mobility innovation in Berlin ("The Drivery") and a separate innovation centre in Shanghai, which oversees, among other things, new innovations for the Chinese market, collaborations with local start-up companies and other venture capital activities. In addition, HELLA maintains two research laboratories for automotive lighting technology and electronics, as part of which in particular long-term topics of future of automobiles are investigated.

In the worldwide research and development network, the headquarters in Lippstadt is of particular importance. For example, the site assumes responsibility for overall management tasks and systematically organises central product and process innovations in the global HELLA network. The location is simultaneously a leading development centre and acts as an essential customer interface to technology-leading automotive manufacturers in Europe and especially in Germany.

However, in order to increase customer proximity in the regional automotive markets, to react flexibly to local market requirements and to ensure the long-term competitiveness of the Company through an efficient distribution of development resources, HELLA is making significant structural further developments in the global R&D network, among other things in the course of the programme adopted in July 2020 to enhance the long-term competitiveness. This also includes the continuous strengthening of regional or local development centres, the transfer of certain development and application activities to other international development locations and the associated partial relocation of corresponding personnel resources.

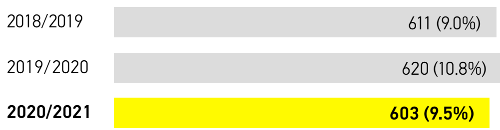
Automotive

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.

Research and development expenditures

€ million and as a % of portfolio-adjusted sales



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.

In the field of headlamp technologies, a major focus is on the development of digital LED headlamp technologies. For such, the mechanics of a headlamp are increasingly being replaced by higher electronic and software components. This enables cost advantages with comparable light distribution and technology, as well as faster and easier individualisation via the software-based adaptation of the dynamic light distribution and the pivot ranges. At the same time, greater design freedom can be achieved by tighter gaps and a smaller installation space of the headlamp modules. Software-controlled LED headlamp technologies can also have a higher energy efficiency, be lighter-weight and – last but not least – also support the range of electric vehicles.

In the fiscal year 2020/2021, HELLA continued its development activities on various digital headlamp technologies. After one-, two- and three-line matrix technologies have already been successfully launched on the market, tri-matrix systems are currently approaching completion of the proof of concept, which independently meets the global legal requirements. In addition, HELLA started series production of the SSL100 headlamp technology in Mexico and China in the prior fiscal year and is currently focusing on further industrialisation at production sites in Germany and Slovakia. With this headlamp technology, an identically designed light module is adapted exclusively under the control of software and can replace up to 12 different headlamp variants as a “world headlamp”. Additional activities in the field of SSL100 technology include the development of subsequent generations and the expansion of the customer base, including in the North American automotive market.

The focus of high-resolution headlamp technologies at HELLA is the Digital Light SSL | HD. For this lighting technology, in which around 16,000 pixels per light source can be controlled intelligently and individually, HELLA has further prepared the market launch with the start of serial production in summer 2022. Firstly, the production line has been successfully commissioned; secondly, the planned performance values of the serial module were confirmed and exceeded in cooperation with the light source supplier in the fiscal year 2020/2021. Since the past fiscal year, the necessary individual steps in application development can be carried out for the first time in a closed tool chain with a considerable increase in efficiency. In addition, HELLA has started developing the second product generation of the SSL | HD headlamp module. This firstly provides for a significant focus on cost reduction in the product and manufacturing process and, secondly, a significant expansion of safety, comfort and differentiation functions with relevance for the end customer. For the second product generation, HELLA received its first customer order in the fiscal year 2020/2021, with the start of serial production expected in 2024. In addition to the global roll-out of the technology, the nomination also marks the first market launch of the high-resolution SSL | HD headlamp technology in the Chinese automotive market.

The most important topic in the area of rear combination lamps was the development of the new FlatLight concept, which HELLA significantly advanced in the fiscal year 2020/2021. The technology is based on a light guide concept with optics a few micrometres in size. Firstly, it makes a new design possible for light signatures – e.g. the implementation of flashing, braking and tail lamps from the same optical elements; on the other hand, the energy requirement can be reduced by around 80% compared to a conventional LED tail lamp. The initial embodiments of this technology are currently being put into serial production; the market launch is planned within the next two to three years. For the future, it should also be possible to combine the FlatLight rear lamps with displays. In the area of rear lamp technologies, HELLA furthermore brought a one-piece rear lamp into serial production, which extends as a 1.72-metre

SSL

← **Solid state lighting**

light strip over the entire rear of the vehicle. This makes it the longest rear lamp HELLA has ever produced. At the same time, it also has – to date – the narrowest light output height at 60 millimetres. The rear lamp is additionally interspersed with fine "infinity lines", which are 0.33 millimetres wide and add an element of spatial depth in the rear combination lamp.

Lighting technologies for car body lighting have also become increasingly relevant. A significant reason for such is the increasing electrification of mobility, as – in particular due to the elimination of classic engine cooling in electric vehicles – the front vehicle signature can better house a characteristic brand face. In this context, for example, HELLA has developed dynamic grille lighting for an electric vehicle from a European volume manufacturer that won the "Red Dot Award" design competition and will be launched in the fourth quarter of the calendar year 2021. Here, 130 LEDs couple into a thick-walled light guide for edge light and create a crystal effect.

As part of the strategic partnership with Plastic Omnium, the integration of light into the grille area has also been continued, and the spectrum of collaboration has been extended to include initial development activities in the area of increased integration levels at the rear of the vehicle. In addition, HELLA is working together with automobile manufacturers in pre-development to use digital projectors that can be used to generate specific dynamic lighting scenarios – e.g. when opening or closing the vehicle or its trunk.

As a further technology for car body lighting, HELLA develops radar-transparent covers (radome, abbreviation for "radar dome") in the radiator grille in the light area, which protect front radar sensors from climatic influences and soiling and usually take the form of the emblem of the automobile manufacturer. In this context, at the beginning of the fiscal year 2020/2021, HELLA acquired various extensive projects from internationally active automobile manufacturers and began serial production. In addition, HELLA develops large-scale panels that are used in the front area of electric vehicles, where radomes can also be integrated. Original equipment manufacturers use these panels for, inter alia, brand differentiation – e.g. by being multicolour, providing heating or integrating sensors. An initial highly integrated panel is slated to enter serial production at the end of 2021. In the past fiscal year, HELLA also established a joint venture with MINTH to develop and produce radomes and illuminated logos with a focus on the Asian and North American markets. Development has focused on the increasing demand for heated or illuminated functions. For the first time in spring 2022, variants of an illuminated logo with software-controlled animation software as well as a heated radome are expected to be launched.

With regard to vehicle interior lighting, HELLA has continued to develop solutions for ambient lighting. In this case, current projects are primarily concerned with the combination of direct lighting, such as contour lighting and indirect lighting – i.e. the flat illumination of high-value surfaces and materials. In addition, a special development focus was on the illumination of specific elements in the interior, such as the roof liner or the glass roof with dynamic LED strips. In the past fiscal year, HELLA has also developed further new, smart concepts based on the integration of displays, communication lighting and temporary control surfaces with light and warning scenarios that can provide the driver with additional support. They can be integrated into the instrument panel or vehicle doors. HELLA will commence serial production of such an interior concept for a German premium manufacturer in the coming calendar year 2022. As part of various pre-development projects, HELLA develops innovative and comprehensive lighting concepts for the vehicle interior. In this context, a major focus is on an innovation driver that enables background lighting of large surfaces, whilst also integrating sensor and electronic components of varying complexity. New production technologies for high-quality surfaces are also used for this purpose. Serial production is expected to be ready by the end of the calendar year 2021.

At the same time, as part of the development partnership with French technology firm Faurecia, HELLA is working on comprehensive lighting designs in all interior areas of the vehicle – e.g. for door panels, instrument panels or centre consoles. Among other things, both partners are currently developing a surface light guide that can provide back lighting to large-scale decorative elements and surfaces – both statically and dynamically – with an extremely low depth of installation.

In addition to the activities in the field of pre-development, the Research Institute for Automotive Lighting and Mechatronics (L-LAB) at HELLA also deals with forward-looking issues in automotive lighting technology in cooperation with various universities and institutes. For example, a research project on adaptive adverse weather lighting was completed in the fiscal year 2020/2021. This dealt with the optimisation of light distribution in fog situations, which should increase the perception capacity and thus increase road safety. Current research projects are targeting questions such as how a high-resolution headlamp system, which is networked with the envi-

Research and development

	2020/2021	2019/2020	+/-
R&D employees (as at 31 May of each year)	7,554	7,789	-3.0%
R&D expenses in € million			
Automotive	567	585	-3.2%
Aftermarket	19	17	+7.2%
Special Applications	17	18	-5.6%
Total	**603**	**620**	**-2.7%**
in % of portfolio-adjusted sales	9.5%	10.8%	

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

ronment, can be energy-efficient and have the most demanding requirements for safety and end-customer benefit, whilst taking into account external data. In addition, work is being performed to determine how optical sensors can be used to detect climatic influences in order to optimally use sensor systems for automated driving functions even in adverse weather conditions. In addition, investigations are also exploring the optimisation of computer-generated white light holograms with optical function to replace conventional optical systems such as reflectors or lenses.

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, as well as connectivity and digitalisation. 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 in the Radar Sensors and Steering Electronics divisions. These can implement both basic driver assistance functions and more sophisticated functionalities of automated driving; however, in its developments, HELLA is particularly focusing on solutions with scalability for the automation levels level 1 to 3.

In the past fiscal year 2020/2021, for example, HELLA commenced serial production of radar sensors on a 77-GHz basis for an international automobile manufacturer after the technology was initially launched in the Truck division in the spring of last year. In addition, HELLA is already developing the next generation of 77-GHz radars, which will go into serial production for another German premium manufacturer in 2024. Particularly characteristic of this generation is the use of cutting-edge antenna and chip technologies. The detection ranges can thus be further increased, the field of view expanded and the measurement capability in the near range further improved. In this way, objects, such as vehicles or people, can be detected and tracked even more precisely, which ultimately leads to better founded decision rules – e.g. when undertaking a lane change or when parking. This also makes it possible to determine the position and height of even smaller objects such as curbs and road boundary posts much more accurately.

As a second key component, HELLA also launched serial production of initial steering electronics with fail-operational design at the end of 2020. Like previous product generations, these optimise fuel efficiency by supporting the steering as needed. As systems structured with redundant capacity, they also represent an essential prerequisite for the implementation of highly automated driving functionalities. On the basis of such, further activities in the area will focus on the application of the existing product platform for the Chinese market as well as on the development of the next product generation with further optimisations of weight, installation space and cost. In addition, as part of pre-development projects, HELLA is working on new product solutions for steer-by-wire functionalities, including on the basis of a test vehicle. The main market drivers for this are not only the requirements from the field of automated driving, but also the reduction of the variety of steering systems as well as new interior concepts and the space requirements for such.

With respect to the market trend of e-mobility, HELLA is pursuing the strategic goal of providing comprehensive support to automotive manufacturers on the road to electrification. Firstly, HELLA has made targeted capital expenditures in product solutions for 48-volt mild-hybridisation and has developed, inter alia, the third generation of 48-volt voltage converters with less installation space and improved thermal management. This is expected to go into initial serial production for a German car manufacturer in 2023/2024. In addition, HELLA has expanded its existing product portfolio for mild hybrids. On the one hand, the Company has developed a battery management system for 48-volt applications as well as a comparable 12-volt battery management system for the first time and will begin supplying German car manufacturers from 2024. On the other hand, HELLA has also received an initial serial order for the PowerPack 48 Volt. The system solution with market launch in 2024/2025 brings together power electronics and battery management in a single product.

Secondly, HELLA's current research and development activities focus in particular on the development of new product solutions that address the high-voltage market. In addition to the already established high-voltage battery management system, whose second product generation HELLA placed in serial production in the fiscal year 2020/2021, this includes the development of high voltage converters with a possible market launch in 2024/2025. In addition, HELLA is working on different high-voltage onboard chargers. The initial variants of a transformer-based onboard chargers could be launched in 2024. In an overarching research project that was concluded in the fiscal year 2020/2021, HELLA also investigated the possibility of a charging converter that no longer has the previously required high-frequency transformers and has thus been optimised, among other things, in terms of weight and installation space. HELLA is now continuing this approach as a “high-density onboard charger” as part of its own development activities. In the past fiscal year, HELLA also started initial development activities for the integration of power electronics and battery management in the high-voltage division.

With regard to technologies for digitalisation & connectivity, HELLA has developed a solution that replaces the car key with a smartphone and allows completely hands-free vehicle access. The ultra-wideband (UWB) technology used here also prevents “relay attacks” and fully meets the security requirements of vehicle insurers. Access permissions can be managed easily and securely, which is very convenient for car sharing offers, for example. The solution developed by HELLA is compatible with both iOS and Android operating systems. This UWB-based access system from HELLA will be available on the market within the next two years. HELLA launched a comparable Bluetooth-based application specifically for the Chinese automotive market in the fiscal year 2020/2021. Further additional functions are also being implemented on the basis of the UWB technology. Secondly, HELLA is currently developing “zonal modules”. For such, the functionalities of individual control units are combined in comprehensive modules for different vehicle areas. HELLA's initial zonal modules are expected to go into serial production in 2025/2026 and could potentially impact applications in the front or rear of vehicles. Thirdly, HELLA founded a Global Software House at the beginning of the past fiscal year. This will initially harmonise the company-wide activities in the field of software development and define uniform, cross-divisional process standards and methods in accordance with current customer requirements. In a second step, it is also expected to develop software-based business models. As part of such, applications in the field of light control are conceivable.

Aftermarket

Research and development expenses are being incurred in the Aftermarket segment, particularly in the area of complex workshop equipment. HELLA is mapping the entire innovation, development and production process through the subsidiary HELLA Gutmann Solutions. In the past fiscal year, the key areas of focus revolved around the further development of the diagnostics and calibration portfolio, the expansion of the existing service spectrum and the expansion of the digital workshop offering.

In particular, Hella Gutmann added the newly developed “mega macs X” diagnostic device to its existing mega macs product portfolio in the past fiscal year. At its core, it is built on a flexible, software-based product configuration, with which workshops can make decisions based on demand regarding which range of functions are required for their current needs and call them up as necessary. The mega macs X has been available on the market since June 2021. Associated with this is the introduction of the new workshop customer portal “macs 365” for the management of licences, software and devices. For example, the customer can purchase and activate licence updates directly over the air via the portal.

Further development activities to expand the existing product range have included the market launch of the CSC-Tool Digital, which has existed as a serial product since May 2021. Calibration targets are provided digitally and projected onto the screen of the CSC-Tool in the workshop via the associated short-throw projector. In addition, a particle measuring device which is suitable for workshops is under development that has an interface to the HG4 exhaust gas measuring system already on the market and will meet the legal requirement for particle counting for vehicles with diesel engines, which is expected to come into force at the beginning of 2023.

In addition, Hella Gutmann pushed ahead with the expansion of the macsDS data service offering in the past fiscal year. Based on the diagnostic expertise of Hella Gutmann, this software solution can be used, for example, to record the condition of vehicles in real time and to identify the need for maintenance and repair at an early stage. In the fiscal year 2020/2021, Hella Gutmann integrated various data services into workshop and partner systems and opened up new customer groups from the divisions of networked mobility, insurance and data providers. This also includes cooperation with the US start-up company Ridecell, with which HELLA undertook a partnership in the past fiscal year. The macsDS vehicle diagnostics services are integrated into Ridecell's fleet management platform. The cooperation will initially focus on technical integration; initial joint pilot projects started in May 2021.

Special Applications

The Special Applications business segment transfers core competencies from the Automotive segment to applications for special vehicles and small series manufacturers on the one hand and develops new product solutions specifically for these target groups and markets, on the other hand. The research and development activities in the segment are primarily based on the continued, cross-customer introduction of LED lighting technologies. This is driven by the heightened functionality, performance and energy efficiency of LED lighting systems as well as by the increasing importance of differentiating light signatures. The electronics expertise has also been further expanded in the Special Applications segment.

The development activities of HELLA with regard to the introduction of new LED technologies are sub-divided on the one hand into the replacement of conventional halogen lamps with cost- and performance-optimised LED solutions. In this context, HELLA completed, for example, the serial development of the R80 headlamp module in the fiscal year 2020/2021 and launched serial production at the beginning of the calendar year 2021. The module, which primarily addresses manufacturers of agricultural and construction machinery as well as buses, trailers and caravans, simplifies the conversion from halogen to LED with a cost-efficient and simultaneously robust design capable of achieving energy savings of around 60%. On the other hand, HELLA is developing a large number of new product innovations based on LED technologies specifically for the segment's various customer groups. In the past fiscal year, for example, the Company launched a full-LED rear light for 24-volt trucks and trailers, which specifically meets new design requirements of target customers. In addition to a robust, compact and modular design, the main features are the patented LED light curtain with an area of 144 cm² for the rear lamp and the rear reflector behind it, as well as the dynamic flashing light.

Additionally, HELLA further expanded its electronics expertise and the portfolio in the Special Applications segment in the fiscal year 2020/2021. In addition to products in the field of sensors, the development focus increasingly turned to actuators and body electronics, components for energy management such as smart battery sensors. In addition, the spectrum in the area of position sensors will be expanded by developments of a universal rotation sensor and a new version of a hanging plastic accelerator pedal, which HELLA took up in the past fiscal year. Both products are based on the CIPOS® technology developed by HELLA, which makes it possible to record positions in an especially robust and reliable fashion. Both components are expected to go into series production towards the end of the calendar year 2022.

Human Resources

As at the reporting date of the fiscal year 2020/2021 (31 May 2021), HELLA employed 36,500 people in its global core workforce. This corresponds to a slight increase in the number of employees compared to the previous reporting date (31 May 2020: 36,311 employees). A staff increase in the global production area was offset in particular by a reduction in jobs at German sites. This was firstly due to the sale – completed on 1 February 2021 – of the business activities with front camera software as well as testing & validation, which were previously located at the Berlin subsidiary HELLA Aglaia. Secondly, further personnel and cross-functional capacity adjustments were made throughout Germany as part of the ongoing improvement in the past fiscal year.

CSC-Tool

← Camera and
sensor calibration device

With regard to the number of employees by region, the workforce in Germany was reduced by 8.7% to 8,657 employees as at the reporting date (prior year: 9,479 employees). In contrast, staff has been built up in the other regions. In Europe excluding Germany, the number of employees in the permanent workforce rose by 4.9% to 14,563 (prior year: 13,877), in North, Central and South America by 3.5% to 7,386 (prior year: 7,137) and in Asia / Pacific / Rest of the world by 1.3% to 5,894 (prior year: 5,818).

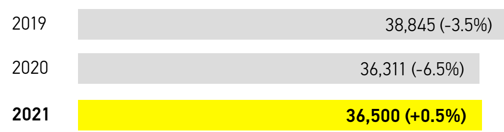
Further information on employee matters can be found in the non-financial report section.

HELLA GmbH & Co. KGaA

At HELLA GmbH & Co. KGaA, the number of employees fell to 5,364 due to ongoing capacity adjustments and improvement programmes (prior year: 5,738 employees). Since the Development division is the one primarily affected by the job reductions planned in the course of the programme for the sustainable increase of competitiveness, these will predominantly relate to HELLA GmbH & Co. KGaA. The reason for this is that the business divisions with the associated development functions are anchored in this organisational structure. The job reduction resulting from the programme will essentially begin in the current fiscal year 2021/2022 and will primarily take place in the fiscal years 2022/2023 and 2023/2024.

Permanent staff in the HELLA Group

(as at 31 May of each year)



Permanent employees in the HELLA Group by region

	31 May 2021	+/-	Share
Germany	8,657	-8.7%	24%
Europe excluding Germany	14,563	+4.9%	40%
North, Central and South America	7,386	+3.5%	20%
Asia / Pacific / RoW	5,894	+1.3%	16%
Permanent employees worldwide	**36,500**	**+0.5%**	**100%**

Economic report

Economic development

- Global economy collapses in the wake of the coronavirus pandemic; according to IMF estimates, global gross domestic product in the calendar year 2020 has fallen by 3.2%
- However, the global recession is not as intense as anticipated (IMF projection June 2020: -4.9%)
- The consequences of the pandemic weigh particularly hard on the European economy; the market economy recovers somewhat faster in the USA; the Chinese economy resumes trend of significant growth

In the fiscal year 2020/2021 (1 June 2020 to 31 May 2021), the global economy was still largely in the clutches of the Covid-19 pandemic. According to data published by the International Monetary Fund (IMF) in July 2021, the global gross domestic product fell by 3.2% in the calendar year 2020. However, the fact that the decline in the global economy was weaker than expected at the beginning of the fiscal year (IMF forecast June 2020: -4.9%) is primarily due to an improved economic trend in the second half of the calendar year. This was driven, among other things, by the economic recovery in China. The other major economies also performed better than expected once pandemic-related lockdowns were lifted. In addition, the IMF raised the forecast for the calendar year 2021 in its April report, which it also confirmed in its most recent July report. Therefore, the current assumption at the International Monetary Fund is that the coronavirus pandemic could result in less economic damage than the economic and financial crisis of 2008/2009. →

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

Regionally, the gross domestic product of the eurozone fell by 4.1% in the Q3 2020 period compared to the prior year and fell by 4.7% in the Q4 2020 period.

In the first quarter of the calendar year 2021, the gross domestic product in the eurozone fell by 1.3% in view of the ongoing spread of the coronavirus pandemic. In Germany, according to the Federal Statistical Office (Destatis), German gross domestic product underwent a price-adjusted and calendar-adjusted slump of 4.0% in Q3 2020 and 3.7% in Q4 2020. Also at the beginning of calendar year 2021, the coronavirus pandemic and the reinstated lockdown brought about a further decline in economic performance. The gross domestic product thus fell by 3.1% in Q1 2021, adjusted for price and calendar effects, compared to the same period of the prior year.

In the US, signs of economic recovery began to appear from the second half of May. According to the Bureau of Economic Analysis, the annualised gross domestic product increased by 33.4% in Q3 2020 as a result of catch-up effects. Afterwards, the pace of the US economic recovery slackened somewhat. Annualised gross domestic product increased by 4.3% in Q4 2020 and by 6.4% in Q1 2021.

The better-than-expected development of the global economy was largely attributable to the relatively strong economic situation in China. According to IMF data, this was the only major national economy that managed to grow in the past calendar year (+2.3%). Although its growth in 2020 was significantly lower than in prior years (2019: 6.0%), the Chinese economy made an early recovery last year and continued to gain momentum in the third (+4.9%) and fourth quarters of 2020 (+6.5%). In the first three months of the calendar year 2021, China achieved the strongest growth since data started being collected in 1992, with a rise of 18.3%, according to data from the Beijing Municipal Bureau of Statistics. However, there is also not much of a comparison base, after the prior-year quarter bore the effects of the coronavirus outbreak and the accompanying countermeasures.

Industry development

- According to IHS data, global production of passenger cars and light commercial vehicles increase by 10.0% to 83.1 million vehicles in the fiscal year 2020/2021
- The market is thus recovering faster than anticipated (IHS forecast July 2020: +2.3%); however, vehicle production remains below pre-crisis levels
- Covid-19 pandemic and resource bottlenecks in global supply and logistics chains, particularly affecting semiconductors, hamper the industry environment
- Significant growth in China, North, Central and South America as well as Europe excluding Germany; production in the German market posts only moderate growth

In the fiscal year 2020/2021 (1 June 2020 to 31 May 2021), global vehicle production partially recovered from the significant effects of the coronavirus pandemic in the prior year. According to the data published by market research institution IHS in July 2021, the number of new passenger cars and light commercial vehicles increased by 10.0% to 83.1 million units (prior year: 75.5 million units). On the one hand, the global market volume in the fiscal year 2020/2021 is still more than 8 million vehicles below of the pre-pandemic level. On the other hand, the recovery in the global automotive economy has come much faster than originally expected. In July of last year, IHS was still reckoning with more moderate growth of 2.3%. However, in the second half of the fiscal year, the market recovery slowed due to resource bottlenecks within the global supply and logistics chains, especially for semiconductors, as well as due to a temporary worsening of trends in combating the coronavirus.

With regard to regional industry development, vehicle production increased in all markets, but only moderately in the selective German market. In this context, the number of new passenger cars and light commercial vehicles manufactured in Europe excluding Germany over the reporting period increased by 8.9% to 14.5 million units (prior year: 13.3 million units), whereas in the German market this figure came in much weaker at 2.2%. A total of 4.0 million vehicles were produced there (prior year: 3.9 million units).

In the North, Central and South America region, the vehicle production figures increased by 9.3% to 17.3 million units (prior year: 15.9 million units), and in the US market seen separately, this region posted a comparatively faster rate of growth of 13.9% to reach 9.9 million units (prior year: 8.7 million units). In Asia/Pacific/Rest of World, the production figures grew by 11.4% to 47.3 million vehicles (prior year: 42.4 million units). Above all, the Chinese automotive market showed significant growth here: Vehicle production increased by 18.5% to 26.0 million units (prior year: 21.9 million units).

Business development of the HELLA Group

- Consolidated currency and portfolio-adjusted sales in the fiscal year 2020/2021 climbed by 13.3% to € 6,505 million; by 11.2% after portfolio adjustments; as reported by 9.4%

Production of passenger cars and light commercial vehicles during the fiscal year 2020/2021

in thousands	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	+/-
Europe excluding Germany	2,976	4,415	3,530	3,574	**14,496**	+8.9%
Germany	887	1,261	878	962	**3,987**	+2.2%
North, Central and South America	4,316	4,839	4,082	4,105	**17,342**	+9.3%
of which USA	*2,522*	*2,663*	*2,321*	*2,346*	**9,852**	*+13.9%*
Asia / Pacific / RoW	10,482	13,509	11,757	11,502	**47,250**	+11.4%
of which China	*6,145*	*7,434*	*6,210*	*6,174*	**25,962**	*+18.5%*
Worldwide	**18,660**	**24,024**	**20,247**	**20,143**	**83,075**	**+10.0%**
Change compared to prior year-period	-9.9%	+3.3%	+4.6%	+65.2%	**+10.0%**	

Source: IHS Light Vehicle Production Forecast, July 2021 (Changes compared to prior year in percent)

- Faster market recovery supports business development; setbacks in the second half of the year due to resource bottlenecks within the global supply and logistics chains
- Adjusted earnings before interest and taxes (adjusted EBIT) rise to € 510 million; adjusted EBIT margin rises to 8.0%
- Profitability improves due to higher business volumes and continuous cost management
- Earnings before interest and taxes rise to € 454 million, taking into account additional income after portfolio changes and structural measures; reported EBIT margin rises to 7.1%
- Adjusted free cash flow from operating activities is at € 217 million

Results of operations

To ensure comparability of the results of operations between the past fiscal year 2020/2021 and the prior year, the operating variables of both periods have been adjusted for the following effects:

- In July 2020, HELLA introduced a long-term programme for the sustained improvement of competitiveness. Firstly, this envisages further increased capital expenditures in automotive market trends, automation, digitalisation and software know-how. Secondly, the number of development and administrative positions at the Company's headquarters in Lippstadt is to be reduced by around 900, which will primarily impact the development area. During the course of such, it is also envisaged that development resources will be transferred in part to international locations. In addition to socially acceptable job cuts, which were already made in the past fiscal year via natural fluctuation, expiring limited-term contracts, or selected severance talks/resignations, the Management Board and works council of the Company initially agreed on a partial retirement programme in September 2020. At the end of the fiscal year, an agreement was also reached on a severance programme. The resulting job reduction will essentially begin in the current fiscal year 2021/2022, with a focus on fiscal years 2022/2023 and 2023/2024. In addition, the plan is to maintain the existing measures for ongoing improvement at both the German and, depending on the market, international HELLA sites within the framework of the program. Expenses for the overall measures are expected to amount to around € 240 million and were largely accrued in the fiscal year 2020/2021 (€ 172 million).
- Effective as of 1 February 2021, HELLA successfully closed the sale of the front camera software business – including the associated activities in the field of testing and validation – to Car.Software Organisation (now: CARIAD), part of the Volkswagen Group. This disposal resulted in HELLA achieving income of € 121 million after transaction costs and before taxes. The business activities that were sold had previously taken place at the Berlin-based subsidiary HELLA Aglaia.
- As part of its active portfolio management, HELLA sold its 50% share in Mando HELLA Electronics (MHE), a South Korean joint venture, to Mando. In this way, HELLA is aiming to intensify its direct business with South Korean customers and serve them more effectively from within its own network on a global basis. The transaction closed at a price of around € 61 million at the beginning of the fourth fiscal quarter of 2020/2021.
- Effective as of 31 December 2019, HELLA also transferred the 50% share in the Behr Hella Service joint venture to its partner MAHLE. Up to this point in time, the sales generated and expenses incurred in the thermal management business had been part of the Aftermarket segment and of the Group. Consequently, the operating variables for the fiscal year 2019/2020 have been adjusted for the relevant period – 1 June to 31 December 2019 – to take account of the sales and expenses of Behr Hella Service.

This adjusted consolidated income statement is shown in the table below. The reported comparative figures and further explanations are presented in the income statement of the consolidated financial statements and in the notes thereto. No adjustment has been made for the sale of the relay business in China effective as of 31 December 2019 due to the low value of these business activities. Up to the date of the sale, this area had generated sales of € 19 million in the fiscal year 2019/2020.

In the fiscal year 2020/2021, the currency and portfolio-adjusted sales for the HELLA Group increased by 13.3% to € 6,505 million (prior year: € 5,739 million). Within this context, currency exchange rate effects had a negative impact on consolidated sales (1.9 percentage points; € 126 million); in addition, adjustments were made in respect of the sales generated by Behr Hella Service in the prior year (1.7 percentage points; € 90 million). After taking account of these currency exchange rate and portfolio effects, reported consolidated sales rose by 9.4% to € 6,380 million (prior year: € 5,829 million).

HELLA's business performance was adversely affected by the negative industry environment as a result of the coronavirus pandemic, especially at the beginning of the reporting period. That said, performance did already exceed expectations in this period. In the fourth quarter of the fiscal year, there was significant sales growth after the outbreak of the coronavirus pandemic in the prior year brought about considerable business losses. In contrast, resource bottlenecks in global supply and logistics chains, affecting semiconductors in particular, in the second half of the fiscal year had a negative impact on the HELLA Group's sales development.

In view of the international business development, HELLA's sales improved significantly in all regional markets, but especially in the markets of Europe excluding Germany and Asia/Pacific/Rest of world. Sales in Europe excluding Germany, increased by 14.1% to € 1,867 million (prior year: € 1,636 million) and in Germany by 8.8% to € 2,013 million (prior year: € 1,850 million). In the North, Central and South America region, sales increased by 8.1% to € 1,345 million (prior year: € 1,244 million), while in Asia/Pacific/Rest of World, they rose by 14.3% to € 1,154 million (prior year: € 1,010 million).

In the fiscal year 2020/2021, adjusted earnings before interest and taxes (adjusted EBIT) of the HELLA Group rose to € 510 million (prior year: € 227 million). This equates to an adjusted EBIT margin of 8.0% (prior year: 4.0%). The improved profitability was largely driven by continuous cost management, which had a comparatively more positive impact on earnings before interest and taxes in relation to the higher business volumes. In addition, the gross profit margin also improved significantly overall in the reporting period.

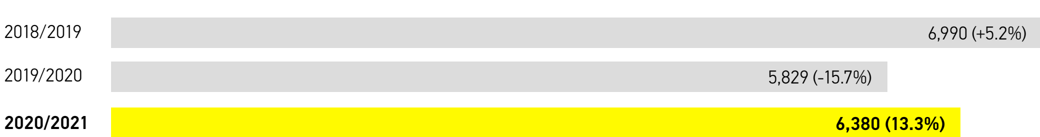
The reported earnings before interest and taxes (EBIT) of the HELLA Group in the fiscal year 2020/2021 amounted to € 454 million (prior year: € -343 million). Accordingly, the EBIT margin increased to 7.1% (prior year: -5.9%). The reported earnings before interest and taxes include, inter alia, expenses for structural measures in the amount of € 172 million, which were recognised, among other things, for the programme for the sustainable increase of competitiveness in Germany, as well as other expenses for the settlement of potential claims for damages. In contrast, additional income from the sale of the front camera software business as well as testing and validation (€ 121 million after transaction costs and before taxes) and from the book profit after the sale of the shares in the joint venture MHE (€ 10 million) had a positive impact on the reported earnings before interest and taxes for the fiscal year 2020/2021. The negative result for the prior year was mainly due to non-cash impairments of € 533 million, which had to be taken into account in the fourth quarter of the prior year.

Gross profit in the concluded fiscal year rose to € 1,563 million (prior year: € 1,356 million) and the gross profit margin to 24.5% (prior year: 23.6%). This improvement was mainly driven by higher overall utilisation of capacity in connection with increased production volumes, after gross profit fell significantly in the prior year due, in particular, to the consequences of the coronavirus pandemic. A reduced personnel cost ratio also contributed to a higher gross profit margin. In contrast, higher freight and material costs overall – also in connection with bottlenecks in electronic components – had a hampering effect on the gross profit.

Expenses associated with research and development fell to € 603 million (prior year: € 620 million), resulting in the ratio of research and development expenses to sales dropping to 9.5% (prior year: 10.8%). This is primarily attributable to cost reduction measures. In view of the continued significant reduction in production volumes, research and development activities were primarily focused on production ramp-ups and serial developments, especially in the first half of the fiscal year. In the context of ongoing market volatility, cost management remained a guiding principle in the second half of the fiscal year and further R&D activities were only gradually resumed.

Reported sales of the HELLA Group in € million

(currency and portfolio-adjusted growth in comparison to prior year in %)



Consolidated income statement*

in € million	2020/2021	+/-	2019/2020
Sales	**6,380**	**+11.2%**	**5,739**
Cost of sales	-4,817		-4,383
Gross profit	**1,563**	**+15.2%**	**1,356**
Ratio of gross profit to sales	24.5%		23.6%
Research and development expenses	-603		-620
Distribution expenses	-315		-342
Administrative expenses	-208		-215
Other income and expenses	40		36
Earnings from investments accounted for using the equity method	35		14
Other income from investments	-1		-2
Adjusted earnings before interest and taxes (adjusted EBIT)	**510**	**+125.0%**	**227**
Ratio of adjusted EBIT to sales	8.0%		4.0%

** In order to ensure better comparability of the results of operations between the fiscal year 2020/2021 and the prior year, the presentation of operating figures has been adjusted or restated. The reported figures can be found in the consolidated financial statements of HELLA GmbH & Co. KGaA, for more detailed information please refer to the notes contained in these consolidated financial statements.*

The expenses for distribution and administration as well as the balance of other income and expenses fell to € 483 million in the reporting period (prior year: € 522 million), equating to a ratio of 7.6% (prior year: 9.1%) relative to sales. Firstly, this is due to continuous cost management. Secondly, the reversal of impairment for a joint venture (€ 19 million) in the second quarter also significantly improved the balance of other income and expenses.

In the fiscal year 2020/2021, contributions to earnings by the joint ventures also showed improvement, following weaker performance from the joint ventures in the prior year owing to the general market weakness and, in particular, the general complications of the Covid-19 pandemic. The EBIT contribution of the joint ventures increased to € 35 million (prior year: € 14 million), corresponding to a share of group-wide adjusted EBIT of 6.8% (prior year: 6.3%).

The net financial result for the fiscal year 2020/2021 is € -6 million (prior year: € -39 million). In large part, this improvement is attributable to higher earnings from financial assets and more favourable refinancing terms. Expenses relating to income taxes amount to € 88 million in the reporting period (prior year: € 50 million).

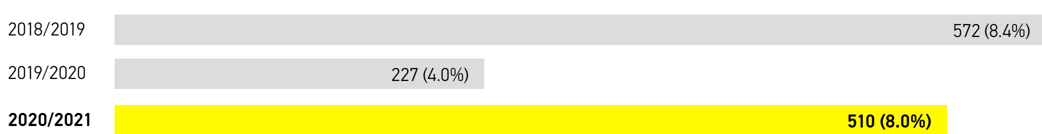
The earnings for the period improved to € 360 million (prior year: € -432 million) as a result of the significantly higher earnings before interest and taxes compared to the prior year, which also had to take into account non-cash impairments. Earnings per share thus amounts to € 3.22 (prior year: € -3.88).

HELLA GmbH & Co. KGaA

In the fiscal year 2020/2021, the total sales of HELLA GmbH & Co. KGaA increased by € 144 million to € 2,171 million (prior year: € 2,027 million). The increase in sales is mainly due to improved market and business development. Reported sales under IFRS amount to € 2,048 million (prior year: €1,916 million). The adjusted EBIT under IFRS rose to € 84 million (prior year: € 51 million). Accordingly, the adjusted

Adjusted earnings before interest and taxes

(adjusted EBIT; in € million and as a % of portfolio-adjusted sales)



Fiscal year 2020/2021: Quarterly business development

	1st quarter	2nd quarter	3rd quarter	4th quarter
Currency and portfolio-adjusted sales growth	-10.6%	4.7%	4.4%	79.6%
Reported sales (in € million)	1,344	1,756	1,545	1,734
Adjusted earnings before interest and taxes (in € million)	56	213	104	137
Adjusted EBIT margin	4.2%	12.1%	6.7%	7.9%
Reported earnings before interest and taxes (in € million)	-115	209	219	141
Reported EBIT margin	-8.6%	11.9%	14.1%	8.2%

EBIT margin stands at 4.1%.

Approximately 39% of sales were generated by affiliated companies (prior year: 38%). 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 68% of sales resulted from export activities (prior year: 64%).

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 decreased by € 15 million to € 95 million (prior year: € 110 million). The prior year contained € 11 million in income generated from the sale of Behr Hella Service GmbH, Schwäbisch Hall.

The material expenses ratio (material expenses in relation to overall performance) rose to 47.8% (prior year: 47.2%). This increase is the result of changes to the product mix.

Compared to the prior year, personnel expenses fell by € 31 million to € 453 million (prior year: € 484 million). This was primarily the result of the Covid-19 pandemic and the associated reduction in working hours. In the reporting year, the personnel expenses ratio (personnel expenses in relation to overall performance) fell to 20.7% (prior year: 23.8%). This development is attributable to the increase in overall performance compared to the decrease in personnel expenses.

Miscellaneous operating expenses increased by €113 million to € 742 million (prior year: € 629 million). This is mainly due to the increase in the cost of the programme for increasing long-term competitiveness (€ +92 million). A negative impact was had, in particular, by expenses for licensing reconciliation (€ -15 million), expenses for construction work (€ -11 million) and losses from the disposal of financial assets, which resulted from the sale of the shares held in Behr Hella Service GmbH, Schwäbisch Hall, in the prior year (€ -10 million).

On balance, earnings from investments as well as profit and loss transfers stands at € 113 million, which is considerably lower than the figure for the prior year (€ 150 million). The decrease was mainly due to the decrease in income from investments (€ -42 million) and a decrease in profit and loss transfer by HELLA Holding International GmbH, Lippstadt, (€ -104 million) due to depreciations of financial assets. The deterioration in the results of operations at other Group companies led to a reduction in dividend payouts. In contrast, the sale of the business activities with front camera software and the associated testing and validation division from Hella Aglaia Mobile Vision GmbH, Berlin, to Car.Software Organisation (now: CARIAD) of the Volkswagen Group had a positive impact on the profit transfer (€ +121 million).

In light of this, the net income for the year decreased significantly by € 115 million to a net loss for the year of € 37 million (prior year: net income of € 78 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 present, HELLA essentially employs four instruments for financing in the non-current segment:

- **Capital market bonds**
  At the balance sheet date, HELLA had two

Regional market coverage by customer – HELLA Group

	2020/2021		2019/2020	
	Absolute (in € million)	Relative	Absolute (in € million)	Relative
Germany	2,013	32%	1,850	32%
Europe excluding Germany	1,867	29%	1,636	29%
North, Central and South America	1,345	21%	1,244	22%
Asia / Pacific / RoW	1,154	18%	1,010	18%
Portfolio-adjusted consolidated sales	**6,380**	**100%**	**5,739**	**100%**

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 2021 was € 169 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 tranche of USD 75 million ran until January 2021 and was extended at the same amount until 2026, and the second tranche of USD 125 million will run until 2023.

- **Syndicated credit facilities**
  In June 2015, a five-year syndicated credit facility of € 450 million was agreed with a syndicate of international banks. On two occasions, this credit line was extended for one year each. In April 2020, HELLA drew down the credit line as a precaution in light of the Covid-19 pandemic, and in the past fiscal year 2020/2021, the amount in question was repaid in full. 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 improved during fiscal year 2020/2021 to € 704 million (prior year: € 636 million). This is due to an increase in earnings before taxes (EBT) during the market recovery, after the pandemic-related business losses in the prior year. In contrast, working capital was affected in particular by resource bottlenecks within the global supply and logistics chains, which brought on inefficiencies in the production process.

Reported cash-effective investing activities excluding payments or cash receipts for the purchase or sale of company shares or capital increases or repayments and securities rose to € 630 million in the fiscal year 2020/2021 with the resumption of investing activities (prior year: € 431 million). In the prior year, investments were significantly dialled back as a result of the coronavirus pandemic. In the fiscal year 2020/2021, 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 SOP preparation projects. Relative to sales, investments rose to 9.9% (prior year: 7.5%).

As part of the active management of the liquid funds available to the Group, € 21 million were gained from securities in the reporting period (prior year: € 100 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 during fiscal year 2020/2021 at € 217 million came in slightly lower than the prior-year level (prior year: € 222 million). Free cash flow was mainly driven by higher earnings, while resource bottlenecks in the supply and logistics chains and higher investments hampered the development of free cash flow from operating activities.

The free cash flow from operating activities was ad-

Regional market coverage by customer

	Automotive		Aftermarket		Special Applications	
	2020/2021	2019/2020	**2020/2021**	2019/2020	**2020/2021**	2019/2020
Germany	32%	32%	24%	26%	32%	32%
Europe excluding Germany	27%	26%	52%	50%	34%	35%
North, Central and South America	23%	24%	11%	11%	12%	11%
Asia / Pacific / RoW	18%	18%	14%	14%	22%	22%

justed during the reporting period for payments for structural measures and for a dividend attributable to the period in connection with the sale of the Behr Hella Service joint venture, which was received in the form of a subsequently adjusted purchase price. Likewise, tax payments, transaction costs and other payments for personnel liabilities incurred in connection with the sale of the front camera business from Hella Aglaia Mobile Vision GmbH to Car.Software Organisation (today: CARIAD) of Volkswagen, as well as tax payments in connection with the sale of the shares in the joint venture Mando HELLA Electronics. The total value of these adjustments amounted to € 143 million (prior year: € 17 million for payments for structural measures and portfolio adjustments in connection with the disposals of the Behr Hella Service and HSL Electronics Corporation joint ventures).

After taking account of these special effects, the reported free cash flow from operating activities fell in the reporting fiscal year to € 74 million (prior year: € 205 million).

Total cash outflows from financing activities came to approximately € 483 million (prior year: € 24 million). Net new borrowing stood at € 456 million (prior year: € 388 million net amount borrowed).

A total of approximately € 190 million was received from the sales of the front camera software along with related activities in the field of testing and validation from Hella Aglaia Mobile Vision GmbH and the shares in the joint venture Mando HELLA Electronics.

Compared to the end of the prior year, liquidity from cash and cash equivalents decreased by € 223 million to € 979 million (31 May 2020: € 1,203 million). Including current financial assets, essentially comprising securities of € 442 million (31 May 2020: € 446 million), the available funds decreased to € 1,422 million (31 May 2020: € 1,648 million). 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 2019/2020, total assets increased by € 365 million to € 6,058 million (31 May 2020: € 5,693 million). The equity ratio stood at 40.6% and was thus above the level on the balance sheet date of 31 May 2020 (37.0%). The equity ratio relative to total assets adjusted for liquidity comes to 53.1% (31 May 2020: 52.1%).

Current and non-current financial liabilities decreased by € 470 million to € 1,319 million (31 May 2020: € 1,788 million). Net financial liquidity as the balance of cash and current financial assets as well as current and non-current financial liabilities increased by a total of € 243 million to € 103 million (31 May 2020: net financial debt of € 140 million).

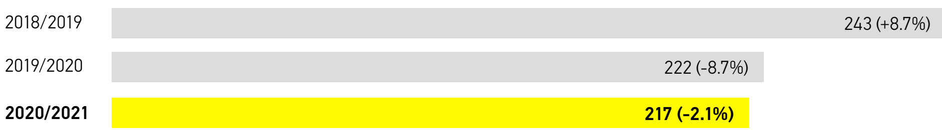
At the end of the reporting period date, the corporate rating awarded by Moody's was Baa1 with a negative outlook due to the high levels of uncertainty within the industry. On 13 July 2021, Moody's confirmed the rating and raised the outlook from negative to stable due to the good financial position and the forecast improvement in profitability and cash flow.

HELLA GmbH & Co. KGaA

In the fiscal year 2020/2021, the total assets of HELLA GmbH & Co. KGaA decreased by € 256 million to € 3,501 million (prior year: € 3,757 million). This is primarily attributable to the repayment of the syndicated loan of € 450 million, which was drawn down as a precaution against the background of the coronavirus pandemic in the prior fiscal year.

Property, plant and equipment dipped slightly to € 329 million (prior year: € 331 million). In addition, financial assets decreased by € 94 million to € 1,244 million (prior year: € 1,338 million). In the prior fiscal year, the remaining shares in a company

Adjusted free cash flow from operating activities
(in € million and percentage change on prior year as a %)



previously held as an investment were acquired at a cost of € 8 million. Due to the permanent impairment, it was necessary to depreciate the shares in affiliated companies and the investment companies in the amount of € 27 million. In addition, the decrease was mainly due to reduced loans to affiliated and associated companies (€ -97 million). By contrast, the securities of the fixed assets increased by € 23 million compared to the prior year. This fiscal year, a new promissory note with a repayment structure of € 47 million was concluded and, as planned, the securities from the most recent fiscal year amounting to € 16 million were repaid.

In the reporting year trade receivables rose to € 173 million (prior year: € 107 million). The increase is mainly due to improved market and business development.

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. The syndicated loan of € 450 million drawn as a precautionary measure in the prior year was repaid in the past fiscal year. The liquidity resulting from the total financing as at 31 May 2021 is sufficient even to bridge more serious slumps.

Compared to the prior year, equity fell by € 36 million to € 1,275 million (prior year: € 1,311 million). This is primarily attributable to the net loss for the year of € 37 million. The equity capital rose to 36.4% (prior year: 34.9%). For details of the composition of the subscribed capital, please refer to the annual financial statements of HELLA GmbH & Co. KGaA.

The annual financial statements of HELLA GmbH & Co. KGaA are available on the Company homepage at **www.hella.com/cfs** and are also announced in the electronic federal gazette.

Further key events in the fiscal year

- **Climate-neutral production by 2025**
  HELLA will continue to accelerate its own efforts to combat climate change and adopt a clear stance in favour of climate protection. By 2025, all 38 HELLA production sites worldwide must have carbon-neutral manufacturing. The CO_2-neutral position is to be achieved in particular by further energy savings and the purchase of green electricity. In addition, any remaining unavoidable emissions are to be offset by investments in high-quality certified climate protection projects. In addition, HELLA wants to ensure a consistently climate-neutral supply chain by 2050 at the latest and supply customers with carbon-neutral products.

- **Capital Markets Day 2021**
  Even in a challenging market environment, HELLA is sticking to its medium-term targets. The Company reinforced this message at this year's Capital Markets Day 2021, held virtually with around 70 analysts and investors in attendance. Specifically, the Company believes that it will achieve annual sales growth of 5 to 10% and a profitability level (adjusted EBIT) of at least 8% over the coming years. Accordingly, HELLA will continue to make significant investments in areas of future relevance, such as electromobility, autonomous driving, digital light and software. At the same time, it intends to keep strengthening its competitiveness through digitalisation, automation and structural changes.

- **Electronics plant in Lithuania**
  HELLA continues to expand its electronics plant in Lithuania. The plant located in Kaunas Free Economic Zone started production of various electronic components in August 2018. In light of the ongoing rise in demand, the site is to be continually extended. To this end, over the next four to five years, HELLA is investing an amount in the middling double-digit millions of euros in the long-term expansion of production capacities; in this context, the plans are for headcount to rise to as many as 430 employees. The first stage will initially involve increasing the plant's building footprint to a total of 22,000 square metres.

- **Global Software House**
  With a new Global Software House, which was founded at the beginning of the fiscal year 2020/2021, HELLA is expanding its software

competencies. The global software house is allocated to the specialist software subsidiary HELLA Aglaia. In this initial step, HELLA wants to trim the complexities involved in the software development process. For instance, the new organisational unit is intended to harmonise development activities in the field of software throughout the Group and to define uniform cross-divisional process standards and methods. In a second step, the plans include advancing the Group's entry into new software-based business models by offering software as a standalone product – on a pay-per-use basis to name one example.

- **New development centre in Romania**
  At the Craiova location in Romania, HELLA is opening a new testing and development centre. With this step, HELLA is also further expanding its software and electronics activities. Currently, the Company has around 350 employees in Craiova whose primary focus is the development of control units and software. These competences are to be enhanced and supplemented by others. In addition, HELLA plans to create around 250 more jobs in Craiova over the next few years in order to strengthen competitiveness.

- **Future market electromobility**
  HELLA is expanding its market position in the electromobility area. Firstly, HELLA is introducing further key technologies into its product portfolio. HELLA is bringing both the Company's first 48-volt battery management system and the PowerPack 48 Volt subsystem solution into serial production for the first time. This integrates power electronics and battery management in a single product. Starting in 2024, both technologies will be manufactured at the electronics plant in Shanghai. Secondly, HELLA has also received numerous other orders from well-known German car manufacturers for the 48-volt DC/DC voltage converter. In this way, the Company is building on its position in this division.

- **77-GHz radar technology**
  The first serial production of 77 GHz radar technology in the passenger car division is now operational at the HELLA electronics plant in Hamm (Germany). The customer is an international automotive manufacturer. Due to numerous successfully acquired large orders both for passenger cars, including with a German premium customer, as well as for trucks, further start-ups will soon be forthcoming. In addition, HELLA is already developing the second generation of 77-GHz radars, which will go into serial production for another German premium manufacturer in 2024. At the heart of HELLA's 77-GHz radar sensors is the radar system chip, which is based on RF CMOS technology. Serial production of the technology first began in the truck division in spring of last year.

- **Steering electronics**
  HELLA further expanded the market position in the steering electronics division. This allowed the Company to secure further large orders and successfully launch serial production of the latest product generation of steering electronics. The new modules, which are designed as fail operational systems and thus represent an essential key component for automated driving, will be manufactured at the HELLA electronics plant in Amexhe, Mexico. The first customer will be a North American automotive supplier of steering and drive components; further customer projects for fail operational designs are currently under development with serial production starting in the coming calendar year .

- **Smart Car Access goes into serial production**
  Within the next two years, the HELLA Smart Car Access will launch its first-ever serial production based on ultra-wideband (UWB) technology. The first customer to be supplied is an international automotive manufacturer. This digital, smartphone-based car key offers maximal convenience for the end user, whilst also meeting the most rigorous security standards. With the HELLA Smart Car Access, the end user can open and close their car – completely hands-free – and start the engine without having to pick up a classic remote key fob or smartphone. At the same time, it is possible to digitally manage and share access authorisations. To activate additional comfort or customisation functions (e.g. for welcome or interior lighting), personalisable information can also be stored in the smartphone.

- **New lighting technologies**
  HELLA is equipping three saloon models of international car manufacturers with new lighting technologies. For the BMW Group, meanwhile, HELLA has begun producing adaptive matrix LED headlamps. With the premium market in mind, it has also integrated a laser light source for the glare-free high beam function in the new BMW 5 Series. For the new fully electric Polestar 2, it has created a highly integrated, continuous full-LED rear lamp consisting of almost

300 LEDs. This is what gives the fastback saloon its characteristic appearance. HELLA has fitted the interior of the new Mercedes-Benz S-Class with integrated ambient lighting. As a standard option, it is available with 64 colours and ten colour schemes.

- **Car Body Lighting**
  HELLA has acquired a number of important orders from premium and high-volume manufacturers in the field of car body lighting, thus further strengthening its own market position. For example, HELLA has received an important order from a German premium manufacturer to integrate a "design character line" into the grille of an electric vehicle. The vehicle came onto the market in early 2021. Dynamic grille lighting has been developed for another electric car from a European high-volume manufacturer, which will also be launched early next year. Here, 130 LEDs couple into a thick-walled light guide for edge light and create a crystal effect. In addition, the lighting developers from HELLA are currently working on a panel over one metre wide to be used in the front area of a European e-vehicle brand. This requires premium surface quality and is also "radar-permeable" in order to be compatible with adaptive cruise control (ACC).

- **New joint ventures in China**
  In the past fiscal year, HELLA had two new joint ventures commence operations in China. HELLA MINTH Jiaxing Automotive Parts Co. Ltd., the joint venture established with the MINTH Group, is intended to promote the development, manufacture and marketing of radomes and illuminated logos. Radomes are transparent covers for radar systems that can be manufactured in special versions according to customer requirements and are embedded, for example, in the radiator grille or in a customer logo. The joint venture primarily focuses on the Asian and North American automobile markets. The joint venture HELLA Evergrande Electronics (Shenzhen) Co., which HELLA founded with the Chinese company Evergrande, started operations in July 2020. It is intended to further accelerate the development and production of high-voltage battery management systems, especially for the Chinese automotive market.

Business development of the segments

Automotive

- Sales in the Automotive segment increase by 11.6% to € 5,545 million after the automotive market collapsed in the prior year as a result of the coronavirus pandemic
- Earnings before interest and taxes improve to € 393 million; EBIT margin stands at 7.1%
- Profitability is supported by higher gross profit margin as a result of increased production volumes and continuous cost management
- In the second half of the fiscal year, bottlenecks in the global supply and logistics chains weigh on sales and earnings

Sales in the Automotive segment during the fiscal year 2020/2021 rose by 11.6% to € 5,545 million (prior year: € 4,968 million). Most notably at the beginning of the past fiscal year, the performance of the Automotive segment was still suffering amidst the clearly negative market environment brought on by the coronavirus pandemic. In the second and third quarters of the current fiscal year, however, the Automotive segment benefited from a nascent market recovery, which intensified significantly given the very low comparison base in the fourth quarter. In the second half of fiscal year 2020/2021 in particular, headwinds came from the significant resource bottlenecks within the global supply and logistics chains – in particular for electronic components. This gave rise to significantly lower production volumes and additional costs in some cases that still persist as of the beginning of the current fiscal year 2021/2022.

The Automotive segment's earnings before interest and taxes (EBIT) increased to € 393 million in the reporting period (prior year: € 160 million). Consequently, the operating result margin (EBIT margin) for the segment increased to 7.1% (prior year: 3.2%). Firstly, the segment was able to benefit from the overall higher production volumes with an improved gross profit margin. In contrast, inefficiencies in the production process and higher freight and material costs – in connection with supply bottlenecks for electronic components – had a hampering impact on the gross profit. Secondly, cost reductions in research and development as well as sales and administration expenses had a comparatively more positive impact on the segment's profitability. Given the high level of market volatility, cost management was continued to a large extent throughout the fiscal year.

Income statement for the Automotive segment

in € million	2020/2021	+/-	2019/2020
Sales with third-party entities	5,489		4,919
Intersegment sales	56		49
Segment sales	**5,545**	**+11.6%**	**4,968**
Cost of sales	-4,353		-3,932
Gross profit	**1,192**	**+15.1%**	**1,036**
Ratio of gross profit to sales	21.5%		20.9%
Research and development expenses	-567		-585
Distribution expenses	-136		-159
Administrative expenses	-151		-184
Other income and expenses	22		40
Earnings from investments accounted for using the equity method	33		14
Other income from investments	-1		-2
Earnings before interest and taxes (EBIT)	**393**	**+146.0%**	**160**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	7.1%		3.2%

Aftermarket

- Sales in the Aftermarket segment grow by 7.3% to € 504 million
- Growth is mainly being driven by strong business performance in the national markets of Germany, Turkey and Poland
- Earnings before interest and taxes increase to € 68 million, corresponding to an improved EBIT margin of 13.4%
- Profitability is improving due to product mix effects and cost reductions

In the Aftermarket segment, sales in the fiscal year 2020/2021 rose by 7.3% to € 504 million (prior year: € 470 million). This growth was driven in particular by the independent aftermarket business, which benefited from a rejuvenation in the second half of the fiscal year. This is primarily attributable to a solid sales performance in the German, Polish and Turkish national markets; towards the end of the fiscal year, other individual markets were also able to recover from the pandemic-related losses of the prior year. In contrast, the business with sophisticated workshop equipment declined on the whole as a consequence of the workshops' cautious investment decisions.

In the reporting period, the segment's earnings before interest and taxes also improved, rising year-on-year to € 68 million (prior year: € 46 million). Accordingly, the EBIT margin rose to 13.4% (prior year: 9.7%). One reason for this was the higher gross profit margin, which rose due to product mix effects resulting from a rise in the share of business with software licences in the area of workshops, and due to improved efficiency in the logistics chain. Another reason for such was that EBIT is supported by strict cost management, especially with regard to expenses for sales and administration.

Income statement for the Aftermarket segment

in € million	**2020/2021**	+/-	2019/2020
Sales with third-party entities	502		467
Intersegment sales	3		4
Segment sales	**504**	**+7.3%**	**470**
Cost of sales	-278		-272
Gross profit	**227**	**+14.3%**	**198**
Ratio of gross profit to sales	44.9%		42.1%
Research and development expenses	-19		-17
Distribution expenses	-126		-125
Administrative expenses	-21		-21
Other income and expenses	5		10
Earnings from investments accounted for using the equity method	2		0
Other income from investments	0		0
Earnings before interest and taxes (EBIT)	**68**	**+48.5%**	**46**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	13.4%		9.7%

Special Applications

- Sales in the Special Applications segment rise to € 359 million, mainly due to a positive performance in business with agricultural machinery manufacturers
- Earnings before interest and taxes increase to € 46 million, the EBIT margin rises to 12.8%
- Lower gross profit margin offset by continuous cost management

In the past fiscal year 2020/2021, the Special Applications segment saw an increase in sales of 12.9% to € 359 million (prior year: € 318 million). After a pandemic-induced slump became apparent in nearly all customer segments of the market at the beginning of the fiscal year, business activities for agricultural machinery manufacturers in particular trended quite strongly over the course of the year. In addition to high overall demand, the segment also benefited from new series launches and the switch to LED lighting technologies. In addition, the activities, especially for small-volume and truck manufacturers, also recorded a positive sales performance. This development also managed to overcompensate for the pandemic-related market weakness of other customer groups, especially in the bus and coach division.

The Special Applications segment also exhibited improved profitability in the prior fiscal year. Earnings before interest and taxes (EBIT) in the segment rose to € 46 million (prior year: € 32 million), equating to an EBIT margin of 12.8% (prior year: 10.1%). Overall, the gross profit margin was below the level of the year, which is mainly attributable to product mix effects. However, this was offset by cost-saving measures, which were achieved in particular in the area of distribution expenses. The cost ratios for research and development and administration were also below the prior-year level.

Income statement for the Special Applications segment

in € million	2020/2021	+/-	2019/2020
Sales with third-party entities	352		310
Intersegment sales	7		8
Segment sales	**359**	**+12.9%**	**318**
Cost of sales	-220		-192
Gross profit	**138**	**+9.6%**	**126**
Ratio of gross profit to sales	38.6%		39.7%
Research and development expenses	-17		-18
Distribution expenses	-54		-56
Administrative expenses	-24		-23
Other income and expenses	2		3
Earnings from investments accounted for using the equity method	0		0
Other income from investments	0		0
Earnings before interest and taxes (EBIT)	**46**	**+42.0%**	**32**
Earnings before interest and taxes in relation to segment sales (EBIT margin)	12.8%		10.1%

Overall statement and target achievement

- Forecast for the fiscal year 2020/2021 year was raised in December 2020 due to the unexpectedly solid industry and business performance
- Business results are at the upper end of the updated forecast ranges
- Company management proposes paying a dividend of € 0.96 per share for the fiscal year 2020/2021

In the fiscal year 2020/2021, HELLA's sales and earnings performed significantly better than expected from the outset. The main reason for this is the faster market recovery which provided a tailwind to all business segments. As a result of the improved business performance, HELLA also recorded significantly higher profitability than initially expected, as cost management largely continued in the context of the volatility throughout the industry environment, even with the nascent market recovery.

As a result, in December 2020, HELLA raised the company's outlook for the full fiscal year 2020/2021 in view of the business performance to date and market expectations at the time. The Company thus expected currency and portfolio-adjusted sales to be in the region of € 6.1 to 6.6 billion as well as an adjusted EBIT margin in the region of 6.0% to 8.0%. At the beginning of the fiscal year, HELLA still expected targets of € 5.6 to 6.1 billion (currency and portfolio-adjusted sales) or 4.0 to 6.0 % (adjusted EBIT margin).

The results for the fiscal year 2020/2021 are at the upper end of the improved forecast range. HELLA achieved currency and portfolio-adjusted sales of € 6,505 million. With an adjusted EBIT of € 510 million, this corresponds to an adjusted EBIT margin of 8.0% in relation to portfolio-adjusted sales (€ 6,380 million).

In view of these results, the Company management of HELLA GmbH & Co. KGaA will propose to the Annual General Meeting on 30 September 2021 that a dividend of € 0.96 per share be paid for the fiscal year 2020/2021. The distribution would thus amount to a total of € 107 million.

HELLA GmbH & Co. KGaA

The reported sales of HELLA GmbH & Co. KGaA in accordance with IFRS amounted to € 2,048 million (prior year: € 1,916 million) and thus exceed the forecast range of around € 1.7 to 1.9 billion. This is due to the improved market and business performance. The adjusted EBIT under IFRS rose to € 84 million (prior year: € 51 million). According thereto, the adjusted EBIT margin is 4.1%, thus slightly exceeding the projected range of 2.0 to 4.0%.

Internal control in 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 early identifying influencing factors on accounting and reporting 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 preparing 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 principle of dual control. Furthermore, the analyses carried out as part of risk management help to identify risks which influence financial reporting and to enable measures to be taken to mitigate these risks. The effectiveness of this internal control system is assessed by the responsible Group companies and departments using an IT-based system and audited in spot checks performed by the Internal Audit department. The Management and Supervisory Boards are regularly informed of the results.

Opportunity and risk report

As an international automotive supplier, HELLA is confronted with a number of various 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 leverage opportunities via appropriate measures 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 business units.

Firstly, 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 these in a sustainable manner, HELLA has been proactive in shaping its product portfolio systematically in line with these trends. Secondly, opportunities arise for HELLA due to the Company's global positioning. 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.

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. It 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.

Recording, evaluating and reporting risks

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

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

In order to identify new developments early on that may have a critical impact on the Company, new substantial risks and changes that have occurred in previously identified 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 evaluating and documenting risk

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 existence of the company as a going concern” (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.

In the fiscal year 2020/2021, the methodology for evaluating risks was further developed, particularly with regards to the prolonged coronavirus pandemic. Moreover, the dimensions of the pandemic's impact have already been mapped out in the risk portfolio of the HELLA Group, with the risk evaluation chosen by the Company, however, concentrating primarily on a long-term assessment horizon. This has now been adjusted accordingly, in order to account for the heightened short-term insecurity. To this end, consideration is given to the risk dimensions of customer demand, supply of materials and a possible direct interruption of operations in the HELLA production facilities – e.g. due to infections within the workforce. In addition to the assessment perspective, the methodological approach for the calculated recording of strategic risks has also been adjusted in comparison with the method used to report risk in the prior year.

Business risks in the HELLA Group – overall situation

In comparison to the prior year, the Company’s calculated overall risk has increased. This can be attributed to the adjustment of the assessment method in connection with the coronavirus pandemic, whereby conceivable short-term risk effects are now accounted for to a greater extent. In addition, the risks within – above all – the global supply and logistics chains have further intensified since the start of the calendar year 2021. In particular, this concerns the situation surrounding the supply of semiconductors.

Despite the higher level of calculated overall risk, HELLA is not currently 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 thus not result in overindebtedness or insolvency.

At present, the established level of overall risk contains all of the known and identified risks. Therefore, it cannot be ruled out that other as-yet unknown – and thus not recorded – risks could have a potential negative impact on the economic or financial situation of HELLA.

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.*
**** Since the fiscal year 2020/2021, certain strategic risks have in part been reported on a qualitative basis. This includes, among other things, risks arising from changes in the industry environment as well as risks due to changes of control. Therefore, this risk category is subject to limited comparability.*

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

Business risks of the HELLA Group

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

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

The overview above depicts the Company's identified overall risk portfolio and presents the scope of risk by category. The following description of individual risks of the combined management report only depicts the risks which the Company has assessed as material as at the balance sheet date.

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. Since the methodology for risk identification in this category has been further developed since the fiscal year 2020/2021 and certain strategic risks are now identified and assessed qualitatively (including risks arising from changes in the industry environment and risks due to change of control), the calculated scope of risk in this category has decreased compared to the previous year and is also subject to limited comparability.

Risks from the business model

As an automotive supplier, HELLA operates in a cyclical market environment and relies on a limited number of customers. This is accompanied by risks arising either from a decline in demand on the overall market or from an impaired business situation among individual customers. In the second half of the fiscal year 2020/2021, supply bottlenecks in particular with regard to certain electronic components – especially in the semiconductor market – led to reduced market volumes and customers' temporarily shutting down production, which also adversely affected HELLA's business development. In order to optimally reduce the risks arising from the business model and the limited number of customers, HELLA is pursuing the goal of a balanced, resilient corporate strategy. For instance, HELLA has a broad and diversified portfolio in the automotive segment, with customers in all of the major core markets, so that individual fluctuations on the market or in demand can be partially offset. 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 changes in the industry environment

The automobile industry is currently undergoing a profound transformation. Even though this transformation process, which is primarily being driven by the development of electromobility, automated driving as well as software and digitalisation, creates great opportunities for HELLA, it also entails strategic risks. This includes, among other things, the increasing innovation dynamics, technological complexity and the consistently rising intensity of competition. In turn, this intensifies the requirements for strategy and control processes to predict changes in the industry environment and to adapt early on. Therefore, an incorrectly aligned product and technology portfolio can negatively affect the development of sales and earnings of the Company and lead to business goals not being met. In order to reduce these risks, HELLA maintains a regular and systematic strategy process as well as a logical approach to 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.

Risks arising from the Company's international positioning

The international positioning of the Company is an essential component of HELLA's corporate strategy. For this reason, HELLA is now present in all major core markets of the automotive industry. In this way, the Company is able to realise growth opportunities in regional automotive markets. At the same time, the Company's global positioning contributes to a balanced and risk-reduced business strategy, as local or regional volatilities on market or customer level can be balanced out with positive business development in other core regions. Nevertheless, the international positioning also exposes HELLA to various risks. These can result from macroeconomic or regional market fluctuations, trade restrictions or impairments in global supply and logistics chains and can subsequently have a negative impact on the Company's sales and earnings performance. In order to reduce these risks, whilst also leveraging growth opportunities, HELLA is pursuing various region-specific business strategies, which are anchored, inter alia, in the annual strategy process and are continuously implemented and further developed throughout the year. HELLA is thus able to anticipate changes in the regional industry environment at an early stage and, in addition to offering standardised solutions worldwide, also to offer regional or customer-specific solutions in a targeted fashion.

Risks due to change of control

HELLA is a globally positioned, listed and family-controlled automotive supplier. As at the balance sheet date of the fiscal year 2020/2021 (31 May 2021), 60.00% of the Company's voting rights were bound by a pool agreement between family members. In the event of a third party acquiring control, for example as a result of a package acquisition with a takeover offer, different strategic opportunities and risks could arise depending on the acquirer of control. For example, potential opportunities may result from the bundling of resources and competencies of the acquirer of control and HELLA, as well as from improved access to customer groups, markets and technologies. At the same time, there are risks that may also have a direct impact on HELLA's net assets, financial position and results of operations. This includes, for example, liquidity risks and risks arising from the termination of business activities of a joint venture of other contracts containing provisions for termination in the event of circumstances involving a change of control. In addition, a change of control could also entail general changes in the Company's future strategic orientation, the business network and the investment plans. It can also not be ruled out that a change in control could mean a greater degree of unintended fluctuation of employees in key positions. →

← **For liquidity risks** that could arise in the event of a change of control, reference is made to the Risks arising from disruption to liquidity below.

Financial risks

The operations of the HELLA Group pose a series of financial risks. On the whole, the share of this category's calculated risk did not increase significantly compared to the prior year. Risks arising from complexity in the transfer pricing strategy and the tax framework as well as exchange rate risks have been incorporated once again.

Risks arising from disruption to liquidity

HELLA pursues a strategy of sound financial policy. Despite this, risks can arise from a potential disruption to the Company's liquidity situation. This can be attributed to the occurrence of a significant risk – e.g. costs resulting from possible product recalls, significant interruptions of production activities or the default of one or more customers. For this reason, the Group's liquidity situation is adequately secured by long-term credit, particularly euro-denominated bonds and yen-denominated 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. As at the balance sheet date, the rating from Moody's was Baa1, as in the prior year. In July 2021, Moody's confirmed this rating and raised the Company's outlook from "negative" to "stable" on the basis of the good financial status and the improved business expectations. As various financial instruments used by the Company to ensure its liquidity situation are subject to a change of control clause, a change of control – e.g. as a result of a takeover offer – may have a significant impact on the Company's financial position and net asset situation, as bondholders may require early repayment or lenders may terminate agreements and call in all amounts disbursed.

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.

Risks due to complexity in the transfer pricing strategy and tax framework

The business activities of HELLA as an internationally positioned company are subject to numerous financial and tax framework conditions. Both country-specific and international laws and regulations in commercial and tax law are constantly changing and becoming increasingly complex. The tax transfer pricing rules for deliveries and services within the Group, the general accounting and tax requirements and thus also the internal transaction processing are becoming increasingly demanding. Accounting errors, process inefficiencies or conflicting interpretations of tax regulations can thus lead to financial risks for HELLA. In order to reduce these risks and avoid errors in accounting or tax issues, the respective financial departments have internal networks of specialists in a constant state of further development and receive, as necessary, support from external consultants. Furthermore, regular coordination processes are carried out across departments in order to minimise risks due to shortcomings in the observation and correct application of existing internal and external regulations. In the vastly complex area of transfer pricing, HELLA also has a comprehensive and transparent tax transfer pricing policy and a global network of internal contact persons.

Exchange rate risks

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

Compliance risks

At HELLA, top priority is given to the observance of laws and internal rules in order to avert any compliance breaches. Due to the increasing complexity of regulatory framework conditions, however, risks arising from unlawful behaviour on the part of individual employees cannot be completely excluded, despite comprehensive precautionary measures. At HELLA, these compliance risks are divided into two categories: risks arising from non-compliant products in the context of product safety, and miscellaneous compliance risks. In the latter of the two subcategories, the risk of non-compliance with data protection requirements has been included as a significant individual risk. Overall, the overall risk of this category has remained constant.

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 harm 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. To the company's knowledge, there are currently no ongoing official antitrust investigations concerning HELLA. 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, as underscored by a number of initiatives including an appropriate number of patent registrations as well as extensive research and development activities. Various risks exist in this context. On the one hand, if new technologies are insufficiently protected with patents, this could lead to competitors imitating new technologies from HELLA. This would then weaken the Company's market position because it would eliminate its unique selling point, thus strengthening competitors who could copy the technology at reduced R&D expense. 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. On the other hand, using new technologies also entails the risk of infringing upon patents of other companies. If such were to occur, it could have a financial impact as a result of claims for damages or loss of business income, as well as reputational damage. To minimise this risk, new ideas are thoroughly investigated to ensure they are not protected by the rights of any third parties.

Risks due to non-compliance with data protection requirements

Since HELLA processes personal data of employees, customers and suppliers as part of its business activities, compliance with data protection regulations must also be ensured. In particular, non-compliance with the EU General Data Protection Regulation can lead to legal consequences, including fines, as well as reputational damage. In order to minimise risks associated with the non-compliant handling of personal data, HELLA has established a data privacy office responsible for the central governance for data protection throughout the Group. The office is the first point of contact for all data protection-relevant questions in the HELLA Group and is responsible for devising and setting up the HELLA data protection system, developing suitable procedures for this task and preparing and coordinating further suitable data protection measures.

Operational risks

As products and their procurement and production processes are becoming increasingly complex and demanding, operational risks arise, for example, in the areas of logistics, purchasing, 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. Compared to the prior year, the share of the risk resulting from the production process and procurement increased significantly. This can be attributed to possible direct business interruptions in the HELLA production facilities – e.g. due to supply bottlenecks in certain electronic components – in particular in the case of semiconductors. To provide a more precise description of such, the three risks described separately in the prior year – i.e. interruptions in the supplier chain, rising material prices and resource shortfalls – are now combined as procurement risks due to supply bottlenecks. Risks arising from faulty software that HELLA obtains from third-party providers have also been newly included.

Quality risks

Important features of HELLA's quality management system are ensuring compliance with market and client-driven standards as well as the durability and reliability of the produced parts with a high degree of user benefits, whilst complying with all legal requirements for product integrity throughout the world. Nevertheless, HELLA does have various quality risks: For instance, there is an increase in technological complexities in hardware and software, the speed of innovation in the market as well as customer-specific requirements for products and functionalities. This also entails new manufacturing processes and methods. At the same time, the requirements are ramping up due to extended warranty claims of customers of up to seven years and up to 15 years for systematic errors, as well as the need to coordinate with legal requirements geared towards historical technologies. Adequate attention must also be given to ensure that commercial products are marketed in accordance with the constantly growing and differentiated requirements of international markets and supply chains. The responsibility assumed by HELLA in relevant joint ventures with regard to ensuring product quality is also increasing. In order to reduce quality risks to the greatest extent possible, HELLA is continually working to improve product and process maturity and is also introducing additional safeguards on product integrity. These are proving to be effective and constitute evidence that the Company manufactures 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. This is ensured through Group-wide processes, review structures and auditing as well as extended international measures in the quality management system and related management tasks – as arranged – in development and production.

Procurement risks relating to supply bottlenecks

As an automotive supplier, HELLA is also dependent on its own supplier base. This gives rise to various risks for HELLA within the global supply and logistics chains. Since the second half of the fiscal year 2020/2021, the risks relating to the supply situation for electronic components in particular have further intensified and, in the Company's estimation, will continue to do so in the current fiscal year 2021/2022. Since these electronic components are an integral part of a large number of the Company's various products, there firstly exists the risk of no longer being able to purchase said components in quantities sufficient to service existing customer orders in the intended scope. This also includes the risk of possible obligations to compensate damages should HELLA not be able to further service ongoing serial projects. Secondly, supply bottlenecks in the supply and logistics chains can result in additional financial burdens – e.g. due to higher freight, material and quality costs as well as inefficiencies in the production process. The current risks in global supply chains are essentially the result of a general market shortage of certain electronic components, which have been additionally exacerbated by external factors and which the Company only has limited capacity to control. In the Company's estimation, these risks can also lead to changes in future customer-supplier relations. Firstly, car manufacturers can request long-term protection from their suppliers through maintenance of larger inventories; secondly, the risks can result in changes to the existing contractual relationships. HELLA strives to minimise procurement risks. To this end, the Company takes a forward-looking approach to procurement management. This includes, firstly, a multi-supplier strategy, insofar as this makes economic sense and can be implemented in the context of the available supplier base. Secondly, HELLA is continuously devising methods to promptly recognise possible changes in the market and supplier environment. To this end, HELLA started implementing new software solutions in the prior fiscal year that enable it to automatically identify risks related to supply chain interruptions and to react quickly and efficiently to potential incidents, such as natural events or insolvency on the part of suppliers. In addition, HELLA is striving to achieve greater regionalisation in procurement (e.g. in China), as well as 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. HELLA is hence in a global competition for specialists. Therefore, risks for HELLA may arise from insufficient coverage of the required specialist and management personnel, which may result in business and production processes being impaired and in transactions not being performed. 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, HELLA also makes reference to the non-financial report. →

Risks due to faulty software from third-party providers

To a large extent, modern vehicles already consist of software components. Therefore, software is also used for many HELLA products, which the Company usually integrates as embedded software and obtains in particular for industrialised software applications from third-party providers. Therefore, HELLA is generally exposed to a risk resulting from the purchase of faulty software. This may lead to warranty return payments and higher quality costs for HELLA and have an impact on the Company's reputation overall. In order to reduce these risks, HELLA is actively involved in the further standardisation of software architectures – e.g. as part of the AUTOSAR

AUTOSAR →
AUTomotive Open System ARchitecture

development partnership. In addition, HELLA also maintains its own security measures, including the detailed analysis of its own software suppliers as well as extensive functional and integration tests of the software applications to be purchased. In addition, at the beginning of the fiscal year 2020/2021, HELLA founded a Global Software House that, as part of its Group-wide responsibility for software, for example, also centrally coordinates supplier and quality management in the field of software.

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. Since the methodology for evaluating and calculating risk has been adjusted compared to the prior year and now also takes into account a shorter-term horizon, the risk scope of this category has increased significantly compared to the prior year. The primary cause can be attributed to the continuing coronavirus pandemic and the associated risk of interim production interruptions.

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. As a result, HELLA is exposed to significant uncertainties and risks which result from both the macroeconomic and the industry-specific environment and which the Company has very limited ability to control – if any at all. In particular, the coronavirus pandemic has had a significant impact on global market volumes and the HELLA business and has significantly increased the risk of production potentially being shut down. This can be caused, among other things, by infections within the workforce and interruptions in the global supply and logistics chains. Further external risk factors result, for example, from new regulatory requirements and the intensification of global trade conflicts, notably between the USA and China. This could lead to downturns in global economic activity as well as to heightened regionalisation of the economy with potentially different product or technology requirements. In order to meet these external risks, which are not easily influenced, HELLA makes use of a forward-looking planning and control process, an international positioning and a risk-diversified business model. In this segment, the Aftermarket and Special Applications segments serve as a counterbalance to the automotive business, while the international positioning can help to compensate for selective weaknesses on the market side.

Forecast report →

Forecast report

Economic outlook

- Significant economic recovery expected: according to IMF projections, global GDP to grow by 6.0 % in 2021, by 4.9% in 2022
- Optimistic economic outlook in light of state support measures and advancing vaccination campaigns
- Growth of the global GDP driven by broad regional base: GDP on the rise throughout all industrial nations, China showing above-average growth
- According to the IMF, risks exist due to the further development of the Covid-19 pandemic, primarily due to virus mutations, the fiscal framework conditions and prices for raw materials

For the calendar year 2021, global economic growth of 6.0% is expected, according to data released by the International Monetary Fund (IMF) in July this year. After the global recession in the past fiscal year 2020 did not hit as hard as expected, the IMF's most recent forecast confirmed the growth outlook, which had already been revised upwards in April (outlook as of January 2021: 5.5%). The IMF's optimism is particularly based on government stimulus programmes in major industrialised nations and the vaccination campaigns that are making headway in many countries. The International Monetary Fund further raised its growth forecast for 2022. For the calendar year, the IMF is now expecting an increase in global gross domestic product of 4.9% (outlook as of January 2021: 4.2%).

The global economy's growth is underpinned by a broad regional base. In the short term, however, the US and especially China are providing significant economic stimulus; China in particular is expected to post significantly above-average growth in the current calendar year. The International Monetary Fund currently expects the gross domestic product in the eurozone to increase by 4.6% in 2021 and 4.3% in 2022; the projected growth for the German economy is 3.6% in 2021 or 4.1% in 2022. The GDP projections for the USA currently anticipate growth of 7.0% in 2021 and 4.9% in 2022. According to current IMF forecasts, China will grow by 8.1% in 2021; in the IMF's calculation, this would be the second highest growth rate in the world. However, in 2022, the IMF expects that the strength of the Chinese economy will normalise somewhat. Over this period, China's GDP is currently expected to grow by 5.7%.

Despite the as-yet relatively optimistic economic outlook, the International Monetary Fund continues to highlight the significant risks and uncertainties associated with the Covid-19 pandemic. In the IMF's view, the global economy could feasibly recover more quickly if further vaccination steps are taken. That said, there exists a risk of a prolonged crisis if, for example, virus variants that are resistant to the available vaccines prevail. The IMF sees other factors on which the recovery of the global economy depends, firstly, in the effectiveness of the measures with which national governments are trying to contain the pandemic-related economic damage and, secondly, in the further development of the fiscal framework and raw material prices.

Industry outlook

- IHS expects global automotive production to grow by 3.7% in the fiscal year 2021/2022; market volume would thus remain below pre-crisis levels

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

in thousands	2021/2022	+/-
Europe excluding Germany	14,701	+1.4%
Germany	4,329	+8.6%
North, Central and South America	19,073	+10.0%
of which USA	*10,849*	*+10.1%*
Asia / Pacific / RoW	48,052	+1.7%
of which China	*25,301*	*-2.5%*
Worldwide	**86,154**	**+3.7%**

Source: IHS Light Vehicle Production Forecast, July 2021 (Changes compared to prior year in percent)

- Growth projected in the European and US automotive market; industry development in China on the ebb
- Industry development remains burdened by ongoing bottlenecks in the supply and logistics chains

In the current fiscal year 2021/2022 (1 June 2021 to 31 May 2022), based on data published in July 2021 by the market research institute IHS, the production of passenger cars and light commercial vehicles is expected to increase by 3.7% to 86.2 million units (prior year: 83.1 million units). The market volume would thus remain below pre-crisis levels. In addition, high levels of uncertainty remain due to bottlenecks within the global supply and logistics chains, especially for semiconductors, as well as the further development of the Covid-19 pandemic and the influence of virus mutations.

In the current fiscal year, the market in Europe excluding Germany will grow by 1.4% to 14.7 million new passenger cars and light commercial vehicles (prior year: 14.5 million units). In the selective German market, production figures are expected to increase by 8.6% to 4.3 million units (prior year: 4.0 million units). Vehicle production in North, Central and South America increases by 10.0% to 19.1 million units (prior year: 17.3 million units). The US single market is expected to post growth of 10.1% to reach 10.8 million units (prior year: 9.9 million units). In the Asia/Pacific/Rest of World region, only moderate growth in the automotive sector is expected. An increase of 1.7% to 48.1 million units is expected (prior year: 47.3 million units). The lower growth is primarily attributable to weaker industry performance in the Chinese market, where the number of newly produced vehicles fell by 2.5% to 25.3 million units (prior year: 26.0 million units).

Company outlook

- Currency and portfolio-adjusted consolidated sales expected to be in the range of around € 6.6 billion to € 6.9 billion; the target for the adjusted EBIT margin is approximately 8%
- Despite anticipations of a market recovery, HELLA's business development continues to entail much uncertainty
- The primary negative effects are coming from the ongoing bottlenecks within the global supply and logistics chains, especially for semiconductors

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.

HELLA currently expects global automotive production to recover only slightly in the current fiscal year 2021/2022 compared to the prior year. The market volume thus remain well below pre-crisis levels. In addition, according to the Company, the new fiscal year continues to entail high degrees of uncertainties. Firstly, this stems from a lack of certainty regarding the further course of the pandemic – in particular as to the possible influence that virus mutations could have on the infection trend. Secondly, the significant resource bottlenecks within the global supply and logistics chains will continue to affect HELLA's business performance in the fiscal year 2021/2022. This could result in lower volumes of business as well as rising costs caused by higher expenses for materials and logistics as well as inefficiencies in the production process.

In the context of such projections for the macroeconomic and industry-specific market environments, HELLA therefore expects to generate currency and portfolio-adjusted consolidated sales in the range of around € 6.6 to 6.9 billion in the current fiscal year 2021/2022. The EBIT margin adjusted for structural measures and portfolio effects is projected at approximately 8%.

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. The results of operations of the parent company will be heavily influenced by earnings from profit and loss transfer agreements and investments pertaining to domestic and foreign subsidiaries and partnerships. 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 the current fiscal year 2021/2022, HELLA GmbH & Co. KGaA is expecting reported sales according to IFRS to be within the range of around € 2.0 billion to € 2.2 billion on the operational side of the business. As regards adjusted EBIT according to IFRS, a value in the range of 2.5% to 3.5% is forecast for the fiscal year 2021/2022.

Declaration on HELLA GmbH & Co. KGaA corporate governance

The General Partner with its management board headed by the CEO Dr. Rolf Breidenbach, the Shareholder Committee and the Supervisory Board 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 Shareholder Committee and the Supervisory Board 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 corporate management in accordance with Section 315d of the German Commercial Code (Handelsgesetzbuch – HGB). Furthermore, the report contains the information and explanations required under Sections 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 four bodies. These are

1. the **General Partner**, Hella Geschäftsführungsgesellschaft mbH which has its registered office in Lippstadt. The members of the management board with the CEO Dr. Rolf Breidenbach perform the management of HELLA GmbH & Co KGaA; the shares of Hella Geschäftsführungsgesellschaft mbH are held by HELLA GmbH & Co KGaA;

2. the **Shareholder Committee** established in accordance with the Articles of Association, which currently consists of eight shareholder representatives elected by the Annual General Meeting and which as the central representative body of the shareholders is responsible for advising and supervising the Management Board

on a continuous basis. It may play an active role in management issues, for example by determining which business transactions require its consent;

3 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, along with the Shareholders' Committee, carries out monitoring and advisory tasks; and

4 the **Annual General Meeting**, where the shareholders exercise their voting rights and carry out their supervision rights.

While using 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 1 June 2021, 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 members of the Management Board of Hella Geschäftsführungsgesellschaft mbH with its President (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. Shareholder Committee

The legal form of the KGaA makes it possible to create optional corporate bodies. The Company took advantage of this opportunity and established a Shareholder Committee in accordance with the Articles of Association; the members are elected at the annual general meeting.

Responsibilities of the Shareholder Committee

The core duties and responsibilities of the Shareholder Committee include the following:

- supervising the consultation of the General Partner in the management of the business as the central representative body of the shareholders;
- deciding on establishment of rules of procedure for the General Partner;
- determining which of the General Partner's transactions require the prior approval of the Shareholder Committee;
- exercising management powers and power of representation for the legal relationship between the Company and the General Partner as well as representing the Company in legal disputes with the General Partner;
- exercising all rights arising from the Company's shares in Hella Geschäftsführungsgesellschaft mbH – in particular the appointment and r emoval of the Managing Directors and the regulation of their employment relationships;
- executing shareholders' resolutions;
- reviewing the annual financial statements and the consolidated financial statements, the management report, the group management report as well as the proposal for the appropriation of distributable profits (in accordance with the rules of procedure of the Shareholder Committee);

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

Annual General Meeting:
Exercises supervision rights, elects shareholder representatives to the Supervisory Board and Shareholder Committee

- submitting resolution proposals in respect of each agenda item on which the Annual General Meeting is to decide.

The Shareholder Committee reports annually on its activities to the Annual General Meeting, which adopts a resolution approving its activities.

Functioning of the Shareholder Committee

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 past fiscal year, the Shareholder Committee held twelve ordinary meetings as conference calls, three of which were with the Management Board. It also held six extraordinary conference call meetings with the Management Board. In addition, the Shareholder Committee met with the Management Board for four strategy workshops, held by conference call. All members of the Shareholder Committee attended each of the aforementioned meetings with the exception of Samuel Christ, who was unable to attend two of the meetings.

Committees of the Shareholder Committee

The Shareholder Committee has established a committee: the Personnel Committee.

Personnel Committee

The Personnel Committee of the Shareholder Committee consists of the 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 has the following duties:

- 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 for such;
- passing resolutions regarding the conclusion, amendment and termination of the agreements with the General Partner and the employment agreements of the Managing Directors of Hella Geschäftsführungsgesellschaft mbH.

In the past fiscal year, the Personnel Committee held five meetings, which were all held as conference calls due to Covid-19. All of the members attended all of the meetings.

3. Supervisory Board

Competencies of the Supervisory Board

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 core duties of the Supervisory Board include the following:

- reviewing and approving the annual financial statements and the consolidated financial statements, including the management report and the Group management report;
- reviewing the non-financial (Group) declaration (CSR report);
- examining the proposal for the appropriation of distributable profits;
- submitting resolution proposals in respect of each agenda item on which the Annual General Meeting is to decide.

Furthermore, 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 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 approval of its activities.

Functioning of the Supervisory Board

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. →

Further information → on the functioning of the Supervisory Board, including its meetings and participation therein, can be found in the Supervisory Board report.

Committees of the Supervisory Board

The Supervisory Board has established two committees: the Nomination Committee and the Audit Committee.

Nomination Committee

The Nomination Committee consists of the Chairman of the Supervisory Board and another Supervisory Board member representing the limited liability shareholders as elected by the Supervisory Board. Currently, the members of the Nomination Committee are Klaus Kühn (Chairman) and Claudia Owen. The Nomination Committee prepares the proposals of the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members.

Audit Committee

The Audit Committee consists of four Supervisory Board members elected by the Supervisory Board, of which two are limited liability 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 looks after the following tasks and competencies:

- preparing 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 which 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;
- discussing the quarterly reports and the half-year financial reports with the Management Board, prior to publication;
- monitoring the accounting processes, the audit of the financial statements, 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;
- proposing recommendations or proposals to ensure the integrity of the accounting process;
- preparing the proposal of the Supervisory Board to the Annual General Meeting for the election of the auditor, including a recommendation, which must be substantiated in cases of inviting tenders for the audit mandate and must include at least two candidates;
- specifying arrangements with the auditor, in particular the audit assignment and audit fee;
- defining the auditing priorities along with the auditor;
- assessing the quality of the audit;
- monitoring the independence of the auditor;
- deciding on additional services provided by the auditor, in particular approving the award of non-audit services to be undertaken by the auditor that are not prohibited – in this case, the Audit Committee 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 auditor participates in the meetings of the Audit Committee. Also outside the context of the meetings, there is also a regular dialogue between the auditor and the chairman of the Audit Committee and the auditor.

4. Cooperation of the General Partner, Shareholder Committee and Supervisory Board

The General Partner, the Shareholder Committee and the Supervisory Board work together on the basis of mutual trust in the best interests of the Company. In its management of the Company, the General Partner is monitored above all by the Shareholder Committee, which is also obliged to draw up reports. The Shareholder Committee advises the General Partner as part of company management and on significant transactions. Certain measures laid down by the Shareholder Committee in rules of procedure for the General Partner require its approval. The Supervisory Board is also responsible for supervising the performance of transactions. For this purpose, the General Partner submits reports on a periodic basis and the Supervisory Board exercises information and inspection rights.

5. Objectives for the composition, diversity concept and long-term succession planning for the Management Board of the General Partner

A) Contents

Taking into account the specifics of HELLA as a business, 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 constantly analyse the performance of the Management Board in order to identify any 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.

6. Competence profiles, objectives regarding the composition and diversity concepts for the Shareholder Committee and the Supervisory Board

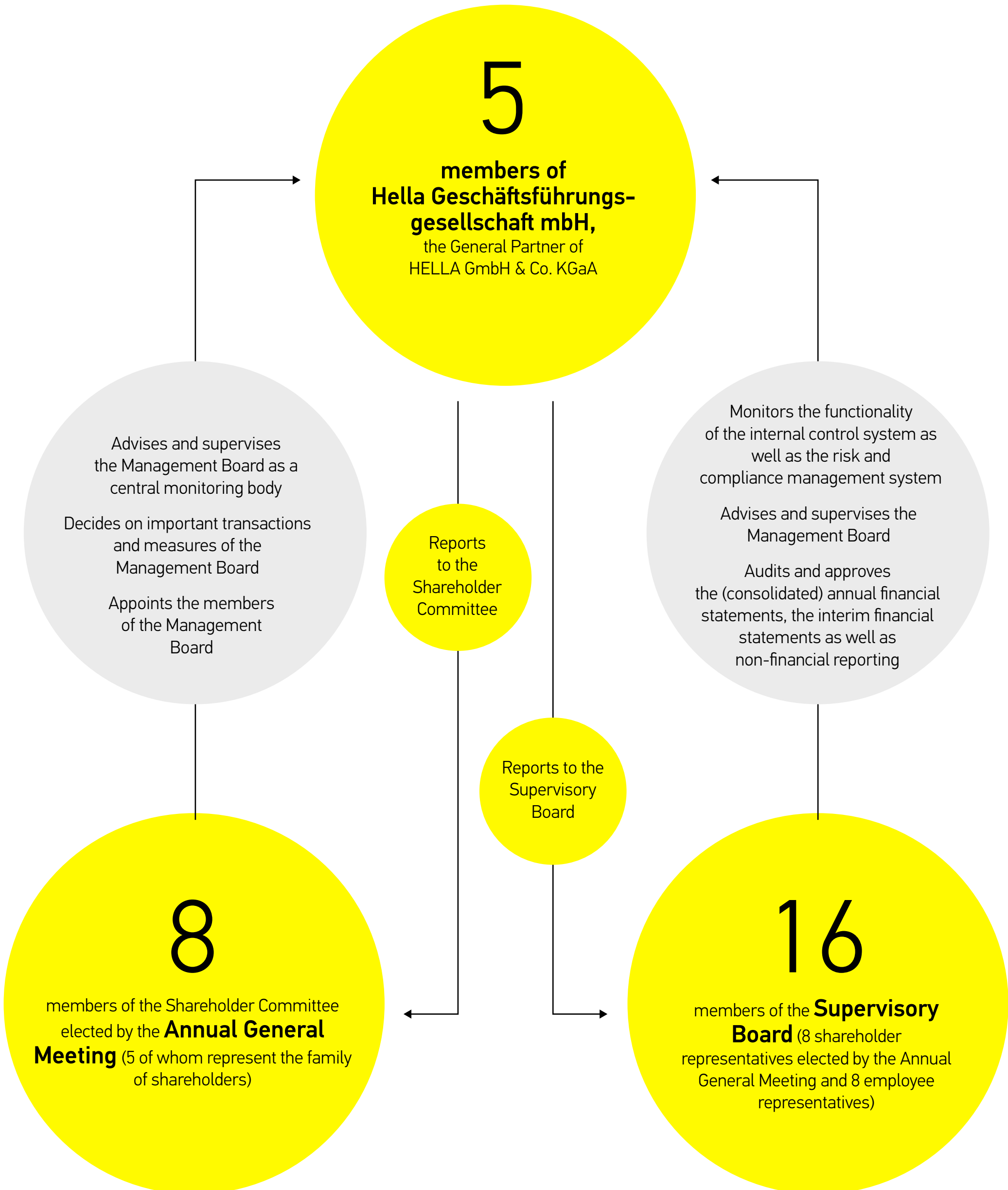
A) Contents

Taking into account the specifics of HELLA's business, the Shareholder Committee and the Supervisory Board 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 Shareholder Committee and the Supervisory Board, which were determined in each case against the background of the body's tasks and the associated requirements for the skills and knowledge of the body members, provide for both committees that the following competencies should be embodied in at least one committee member:

1. management experience in international markets,
2. industry knowledge of the automotive industry or other manufacturing lines of business,
3. expert-level knowledge in the domains of accounting or auditing and

Cooperation between the bodies



As at: 28 July 2021

4 experience in legal domains with relevance for HELLA such as compliance.

In their respective composition, the Shareholder Committee and the Supervisory Board shall also take into account the international activities of the HELLA Group. For this reason, it is intended that each of the two bodies has 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 Shareholder Committee and the Supervisory Board take into account potential conflicts of interest of the members when determining their respective composition.

The Shareholder Committee and the Supervisory Board 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 election as member of the Shareholder Committee shall be possible for the last time in the year in which the member turns 70 years old. 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.

In their respective composition, all in all, the Shareholder Committee and the Supervisory Board 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% women and 30% men.

B) Status of implementation and attained results
In their current composition, the Shareholder Committee and the Supervisory Board correspond to the respective competence profiles and meet all of the aforementioned targets regarding the composition of the respective body – including those relating to diversity.

7. Independence of the members of the Shareholder Committee and the Supervisory Board
The Shareholder Committee and the Supervisory Board 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.

8. Self-assessment of the members of the Shareholder Committee and the Supervisory Board

In accordance with Recommendation D.13 of the DCGK, the Shareholder Committee and the Supervisory Board 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.

In October and November 2020, respectively, both the Shareholder Committee and the Supervisory Board conducted a self-assessment (efficiency review). At the committees' subsequent meetings, there was a presentation and detailed discussion of the results of the self-assessment as well as the suggestions made in this context for improving the activities of the respective institution.

II. Information under Sections 289a, 315a HGB

The following information pursuant to Sections 289a, 315a HGB reflect the conditions as of the balance sheet date. As provided for Section 176(1)(1) of the German Stock Corporation Act (Aktiengesetz – AktG), the information is explained in greater detail in the individual sections.

1. Composition of the subscribed capital

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.

2. Shareholders' rights

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. As a result of the ongoing restrictions on the holding of large events due to the Covid-19 pandemic and the unpredictable development of the situation, the Annual General Meeting for the fiscal year 2020/2021 will again be held this year in a virtual format without the shareholders' being physically present.

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.

3. 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 2021. Currently, a total of more than 60 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.

4. 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 2021. 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 supervision rights.

5. 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 Shareholder Committee and the Supervisory Board 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 the following cases:

- 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;
- 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;
- 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 of the amount of 10%; 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 do not require further resolution of the Annual General Meeting for the following purposes:

- to be retracted;
- to be sold via the stock exchange or via a public offer to all shareholders in proportion to their amount of holding;
- to be sold excluding the shareholders' subscription rights, provided that this is done against cash payment and at a price that is not significantly lower than the stock exchange price;
- to be offered and transferred, under exclusion of subscription rights, in return for payment in kind, in particular as part of the acquisition of companies, parts of companies, or shares in companies or other assets;

- to be used, under exclusion of subscription rights, to service acquisition rights or acquisition obligations on shares of HELLA GmbH & Co. KGaA from convertible or warrant bonds or similar instruments; or

- to be offered or transferred, under exclusion of subscription rights, as part of employee participation programmes.

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.

6. 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 issued by HELLA GmbH & Co. KGaA (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 investment grade rating is lost on account of this within 120 days of the change of control.

- In addition, HELLA GmbH & Co. KGaA has been granted a syndicated credit line 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 line of € 500 million, which is valid until June 2022, which was established by HELLA GmbH & Co. KGaA in May 2020. Under the change-of-control clause, the creditors may terminate the facilities and call in all paid amounts if a person or a group of persons acting jointly gains control of HELLA GmbH & Co. KGaA.

- HELLA GmbH & Co. KGaA guarantees the repayment of a credit line of the local subsidiary in Mexico in the total amount of USD 200 million, which consists of a tranche of USD 125 million with a term until January 2023 and another tranche of USD 75 million with a term until January 2026. The agreements made allow the lender to terminate the credit line within 30 days after a person or group of persons acting jointly has gained control over HELLA GmbH & Co. KGaA as guarantor and to call in all outstanding amounts immediately.

- In all the aforementioned cases, the gain of control is defined in particular as the acquisition of more than 50% of the voting shares of HELLA GmbH & Co. KGaA

- Together with Plastic Omnium Auto Exteriors S.A., HELLA GmbH & Co. KGaA operates a joint venture in the area of design, development, assembly and logistics of complete front-end modules. In the event of a change in control at one of the counterparties, the joint venture agreement provides for the right of the other counterparty to exercise a call option in respect of its shares in the joint venture. A change of control occurs when a counterparty becomes directly or indirectly affiliated with a direct competitor. A direct competitor is defined as a person or company that offers to its customers products or services which at least partially overlaps with those of the counterparty not affected by the change of control.

- Together with what is now MAHLE Behr GmbH & Co.KG, HELLA GmbH & Co. KGaA maintains a joint venture in the field of climate control and thermal management for the automotive industry, which includes, in terms of products, operating and control units for vehicle air conditioning as well as climate sensors and fan controllers. The corresponding cooperation agreement provides for the right of extraordinary termination in the event of material changes in the ownership and shareholding relationships of one party, provided that this makes it unreasonable for the other party to uphold its cooperation in the joint venture.

- Together with TMD Friction Group S.A. (Lux), TMD Friction Holding SAS U and TMD Friction Services GmbH, HELLA GmbH & Co. KGaA operates a joint venture for the sale of brake pads and brake-related products, in particular wearing and hydraulic parts as well as fluids and accessories. Under the joint venture agreement, the companies of the TMD Group have the right of termination for good cause if a direct competitor of the TMD Group directly or indirectly acquires a controlling stake in HELLA. A controlling stake exists if a person directly or indirectly (separately or jointly) (i) holds the majority of the voting rights in HELLA, (ii) has the right to appoint or remove the majority of the management of HELLA, and/or (iii) has sole control over the majority of the voting rights in HELLA on the basis of an agreement with third parties.

Moreover, agreements exist with the 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 until 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.

The Company has not entered into any compensation agreements with any employees in the event of any takeover bid or a change of control.

III. 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. This includes the responsible treatment of employees, business partners and other stakeholders, 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.

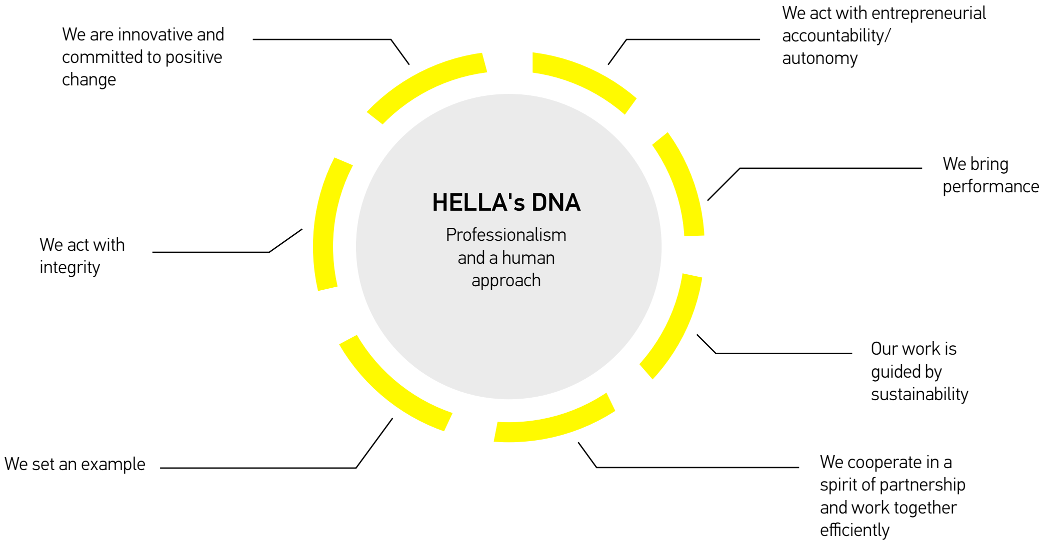
For HELLA's corporate culture, too, customer satisfaction is the point of departure. It can be achieved only if every employee internalises customer satisfaction individually as their own target and takes personal responsibility for achieving it. Consequently, the Company's guiding strategic principle 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 organi-

HELLA Values



sation and compliance management system that are anchored in the fundamental HELLA compliance guideline.

The Compliance Office coordinates the Group-wide compliance organisation, further develops the HELLA compliance system and is responsible for the areas of antitrust law and corruption prevention as well as – in cooperation with the Group audit and security divisions – for the HELLA whistleblower system "tellUS!" and handling reports of possible misconduct at HELLA. The Compliance Office reports biannually to the Management Board and the Audit Committee of the Supervisory Board and as needed on an ad hoc basis. The head of the Compliance Office is technically and disciplinarily subordinate to the Chief Compliance Officer, who in turn reports for technical matters to the CEO. Local compliance officers such as the Compliance Officers in China and Mexico report to the Compliance Office. For the other compliance topics defined in the Compliance Directive (occupational safety and environmental protection (EHS), occupational and social standards, fraud prevention, data protection, export control/customs, information security, anti-money laundering, capital market law, product safety, accounting, taxes, plant security), there are specialist functions in the HELLA Group as "central compliance departments", which perform these tasks in a proper and independent fashion with the support of the Compliance Office. The compliance organisation is supplemented by a central 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, objectives, culture and communication, the HELLA compliance system – on the basis of IDW auditing standard 980 – includes, above all, the pillars of the compliance programme, which must be developed and further developed for each of the aforementioned compliance issues: risk analysis, information/ instruction (prevention), monitoring and detection as well as response.

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, regular meetings are held – on a semi-annual basis in the past fiscal year – 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

Further details on the corporate philosophy and the principles of corporate governance can be found online under **www.hella.com/corporateresponsibility**.

HELLA Code of Conduct. These measures are key preventative components of continuous compliance management.

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

- **Group-wide training on the "Corruption Prevention" and "Gifts & Invitations" guidelines:** After releasing these two Group Guidelines to all HELLA employees worldwide in the fiscal year 2019/2020 and launching group-wide training courses for selected target groups (in particular sales & marketing, purchasing, programme management), these courses which had begun as "in-person training courses" were extensively continued and completed in the past fiscal year via video conferencing – with more than 100 training sessions and over 3,500 participants (a total of more than 230 training courses and over 4,600 participants).

- **Group-wide roll-out of the new eLearning module "Code of Conduct and Compliance":** The "Code of Conduct and Compliance Principles" eLearning module, which was completely revised in terms of content and coordinated with the revised HELLA Code of Conduct in 2018, was introduced throughout the Group (in eight languages) in the past fiscal year. Every new HELLA employee (with access to a workstation with a computer monitor) will be invited to the eLearning module as part of the onboarding process, and the level of involvement will be sustained.

- **New "Anti-Corruption" eLearning module:** In addition, a web-based training course (eLearning) called "Corruption Prevention / Anti-Corruption" was created in eight languages for the first time in the past fiscal year, which is based on the "Corruption Prevention" and "Gifts & Invitations" Group directives. The eLearning module uses examples from everyday work to clearly convey the principles and requirements in particular in the areas of bribery / corruptibility, gifts & invitations and business partner checks. The implementation of this new eLearning module, which – like the "Code of Conduct and Compliance" module – is aimed at all HELLA employees that have a workstation with a computer monitor worldwide and is available in eight languages, began in May of the past fiscal year.

- **"tellUS!" whistleblower portal:** In addition, focus was once again placed – in cooperation with the Internal Audit, Corporate Security and other specialist departments – on 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. In the past fiscal year, the reporting portal "tellUS!" was also expressly made available to external third parties (suppliers/service providers, customers, etc.) by means of a corresponding notice on the HELLA intranet page with a link to the portal.

IV. 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 side nor the employee representative side has objected to the overall fulfilment of the quota requirement.

V. Application of the German Corporate Governance Code

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 the Federal Gazette ("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 most recently published the declaration below in accordance with Section 161 AktG on 1 June 2021 on the Company's website:

Declaration of 1 June 2021 regarding the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act

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 28 May 2020, 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 16 December 2019, 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 Board

In contrast to a stock corporation whose affairs are managed by a board of directors, the management of a KGaA is the responsibility of the General Partners (partners with unlimited liability). They are not appointed or removed 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. Lea Corzilius, 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 materially different 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 28 May 2020

In the period since the publication of the last declaration of conformity on 28 May 2020, the following recommendations of the German Corporate Governance Code in the applicable version were not complied with. The deviations listed under points (d) and (e) were already announced and explained in an update declaration dated 8 July 2020.

- **a** Deviating from Recommendation C.4 DCGK, 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 has 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 D.4 sentence 2 DCGK, 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 Recommendation D.4 sentence 2 DCGK 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.

- **c** Deviating from Recommendation G.4 DCGK, the Shareholder Committee has not considered the ratio of the remuneration of the Management Board to 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.

- **d** Deviating from Recommendation G.7 sentence 1 DCGK, the performance criteria for the variable remuneration components of the Management Board members for the fiscal year 2020/2021 were only determined after the beginning of the fiscal year. Waiting and observing the economic developments throughout June 2020, as it was not possible to make any meaningful predictions regarding Company development before the start of the current fiscal year 2020/2021 on 1 June 2020.

- **e** Deviating from Recommendation G.8 DCGK, the Shareholder Committee adjusted the measurement of the variable remuneration components of the Management Board members for the fiscal year 2019/2020 only after the completion of said year. The resulting deviation from Recommendation G. 8 DCGK was necessary to prevent a complete devaluation of these remuneration components due to the severe economic upheaval caused by the Covid-19 pandemic. Scenarios should be avoided where a remuneration system – whose target values were based on the preceding, extremely successful fiscal years – loses any incentivising effect for the Management Board. In times of crisis, it is particularly important to ensure that the Management Board is highly motivated and committed.

2. Forward-looking part

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 set forth in clause 1 letters (a) through (c) in the future for the reasons outlined above.

VI. 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 has been reached within a calendar year. The transactions notified to the Company in the past fiscal year were duly published and are available on the website at **www.hella.com/directorsdealings**.

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 (GAS 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

1. Objectives and comprehensive overview

The remuneration system for the Management Board provides incentives for successful implementation of the corporate strategy and sustainable and long-term development of the Company. When determining the remuneration, the Shareholder Committee follows the principle of granting compensation which is in-line with market standards and competitive as well as individually appropriate to the requirements and performance profile of the individual Managing Directors, which is proportionate to the size of the Company and to its business and earnings situation and which avoids excessive risks being taken.

To this end, the remuneration system – with its two performance-related components – is bound to important operating indicators that reflect the Company's success and are included in the financial performance indicators for the corporate management. The relevant targets are reviewed annually by the Shareholder Committee and set at a demanding level, in accordance with the corporate strategy and planning. The chief concern is for the Company's growth to outstrip that of the market as a whole. In addition, the performance-related remuneration reflects the performance of the share price and the total shareholder return of HELLA GmbH & Co. KGaA. This ensures that the remuneration is linked to the long-term economic development of the Company and that the interests of the Management Board align with those of the shareholders. In addition, within the performance-related remuneration, each year the Shareholder Committee sets special ("prioritised") targets, which are in part addressed individually to the individual Managing Directors and which also include aspects of corporate social responsibility (Environmental, Social & Governance, ESG). The ESG targets set for the fiscal year 2021/2022 include the reduction of the accident rate, the turnover rate in the workforce and the specific energy intensity.

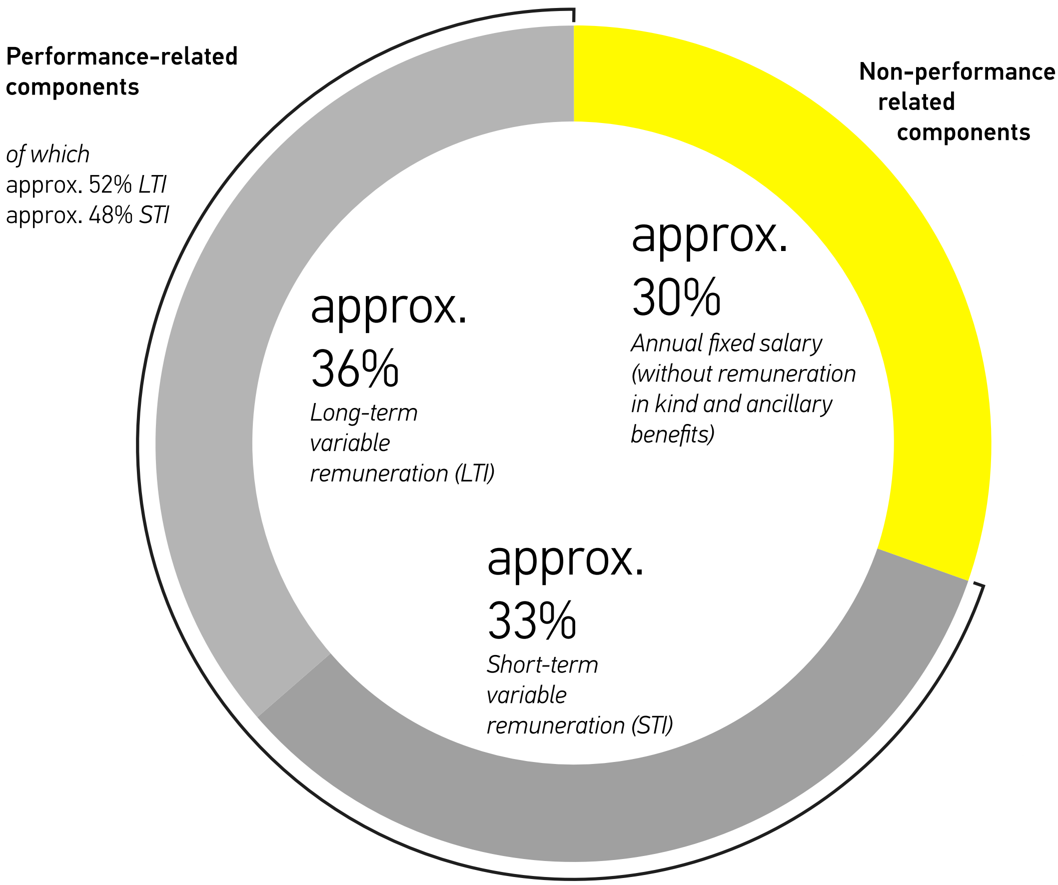
The individual remuneration of the Managing Directors consists of three components:

- non-performance-related fixed remuneration (plus non-performance-related benefits in kind, other ancillary benefits and pension commitments),
- an annual performance-related component (short-term incentive, "STI") and
- a long-term incentive ("LTI").

The performance-related remuneration components are subject – individually and jointly – to a maximum limit ("Cap"). In addition, the Shareholder Committee may adjust the performance-related remuneration at its discretion until the date of payment, in particular to account for extraordinary developments. In addition, there are scenarios where repayment can be demanded ("clawback").

If the targets set by the Shareholder Committee are 100% achieved, the STI will be 1.1 times the annual fixed salary and the allocated LTI base amount will be 1.2 times the annual fixed salary ("target remuneration"). If the target remuneration is achieved, both performance-related remuneration components each outweigh the fixed remuneration, which reflects the incentive-driven approach of the remuneration system. In this case, the share of the long-term component predominates within the performance-related remuneration, which expresses the particular importance of sustainable corporate development.

Weighting of the individual remuneration components



As an overview, the remuneration system can be summarised overall as follows:

	Component[1]	Objective
Non-performance-related components	**Annual fixed salary** (approx. 30% of total remuneration) • Paid in 12 monthly instalments: - President and CEO: € 1,545 thousand p.a. - Other members: € 440 thousand p.a. to € 640 thousand p.a. • Reviewed annually for appropriateness.	• Ensures an appropriate basis income in order to prevent the taking of inappropriate risks.
	Remuneration in kind and other ancillary benefits • Mainly the possibility of using the company car for private purposes and inclusion in the Group's D&O insurance.	• Assumption of expenses promoting management activities as customary on the market.
Performance-related components	**Short-term variable remuneration (STI)** (approx. 33% of total remuneration) • One-year bonus as a multiple (1.1 times with 100% target achievement) of the annual fixed salary depending on the degree to which certain targets are reached: - Operating KPIs (50% of STI): EBT (70%) and OFCF (30%) - special (prioritised) targets (50% of STI) consisting of collective/team targets and individual targets, set anew each year. • Target remuneration at 100% target achievement: - President and CEO: € 1,700 thousand - Other members: € 484 thousand to € 704 thousand • Cap: - President and CEO: € 4,249 thousand - Other members: € 1,210 thousand to € 1,760 thousand	• Incentive to achieve the corporate targets for the current fiscal year while simultaneously promoting implementation of strategic priorities.
	Long-term variable remuneration (LTI) (approx. 36% of total remuneration) • Bonus with five-year calculation period, calculated in the initial allocation as a multiple of the annual fixed salary (1.2 times fixed amount with 100% target achievement): - LTI base amount depending on the RoIC achieved in the initial year. - Development of value of the LTI base amount tracks the development of EBT margin, RoIC and total shareholder return since the allocation year (both positive and negative). - Payment in cash after the end of the calculation period. • Target remuneration relating to the LTI base amount (100% target achievement with regard to RoIC): - President and CEO: € 1,854 thousand - Other members: € 528 thousand to € 768 thousand • Cap relating to the LTI base amount: - President and CEO: € 5,562 thousand - Other members: € 1,584 thousand to € 2,304 thousand	• Development of the value of the LTI base amount over five years rewards long-term and sustainable value creation and penalises negative developments (bonus/penalty system). • Creation of a balance of interests between the Management Board and shareholders specifically by alignment with the total shareholder return (TSR).
End-of-service payments	**Settlement upon dismissal prior to the end of the term of the service agreement** • If the Managing Director has not provided a compelling reason for termination, the total of annual fixed salary and STI for the remaining contractual period, but for no more than two years, will be paid as settlement; LTI base amounts already allocated will be reduced pro rata temporis and paid at the end of the calculation period.	• Settlement cap serves to avoid inappropriately high settlements.
	Post-contractual non-competition clause • Duration between 12 and 24 months, agreed on an individual basis. • Non-competition compensation of 50% of the annual fixed salary fixed netted against settlement and pension payments and earnings from any other activities. • Waiver by Company possible; non-compete compensation will then no longer apply.	• Protection of the Company's interests by preventing employment immediately afterwards at major competitors.
	Change of control • Management Board member can resign from their post and terminate their service agreement with effect from the ninth month after the change of control. • In such a case, the same settlement provisions will apply as in the event of premature dismissal by the Company.	• Serves to maintain the independence of Management Board members during takeovers.

	Component[1]	Objective
Further provisions on remuneration	**Pension commitments and comparable long-term obligations** • Defined contribution capital account system to which a percentage (40% or 50% in the case of the CEO) of the annual fixed salary is allocated each year as financing contribution: - President and CEO: € 773 thousand - Other members: € 176 thousand to € 256 thousand • Optional payment of contributions by the Managing Director (deferred compensation).	• Provision of contributions to build up adequate company pension arrangements.
	Caps and maximum remuneration • Cap on payment of LTI and STI (seen together) at six-fold amount of the fixed salary: - President and CEO: € 9,270 thousand - Other members: € 2,640 thousand to € 3,840 thousand • Maximum remuneration that comprises all remuneration components: - For the President and CEO: € 9,500 thousand - Other members: € 5,000 thousand	• Serves to provide non-discretionary means of avoiding inappropriately high payments.
	Adjustment and reclaim possibilities (clawback) • Discretionary possibility for the Shareholder Committee to correct all variable remuneration components. • Possibility to reclaim or retain variable remuneration in the event of grossly negligent or intentional breach of duty of care.	• Ensures appropriateness of the variable remuneration and penalises serious compliance breaches (malus).

[1] All values relate to the fiscal year 2020/2021 and working for the Company for the whole year, i.e. they do not take account of
- joining or leaving the Company over the course of the year,
- any voluntary remuneration waivers relating to fixed salary and LTI, and
- the individual corrections.

2. Procedure for determining and reviewing the remuneration system

The legal form of HELLA GmbH & Co. KGaA gives rise to a particularity: it is not the Supervisory Board that is responsible for the remuneration of the Management Board; instead, this is the duty of the Shareholder Committee. According to the Articles of Association, it is incumbent upon the Shareholder Committee to regulate the legal relations between the Company and the General Partner – insofar as said relations are not explicitly governed by the Articles of Association or the law – by means of agreements. It is also responsible for regulating the employment relationships of the Managing Directors of the currently sole General Partner, Hella Geschäftsführungsgesellschaft mbH. This gives the Shareholder Committee full responsibility for determining the remuneration system of the Management Board.

The Shareholder Committee is supported by its Personnel Committee, which currently has three members. The Personnel Committee prepares the resolutions of the Shareholder Committee on the appointment and removal of Managing Directors as well as on the remuneration system and on the Managing Directors' individual total remuneration. Both in the Personnel Committee and in plenary with the Shareholder Committee, the rules generally applicable to handling conflicts of interest apply. These include the rule laid down in the rules of procedure, which obliges each of the committee members to disclose conflicts of interest to the Shareholder Committee. In addition, remuneration topics are regularly discussed and decided in the Personnel Committee and in plenary with the Shareholder Committee without the participation of the Management Board. The committees call in external expertise to the extent that they deem necessary, whereby, in the event that a remuneration expert is brought in, due attention is paid to his/her independence from the Management Board and the Company. To assess whether the total remuneration is in line with customary market practice, the Shareholder Committee looks to studies performed on the remuneration of management boards at MDAX companies as a basis for comparison ("peer group").

In accordance with the requirements of ARUG II under stock corporation law, the Shareholder Committee will submit the remuneration system described in this report and already applied in the fiscal year 2020/2021 to the Annual General Meeting in September 2021 for approval.

In the fiscal year 2020/2021, the Shareholder Committee responded to the ongoing economic impact of the Covid-19 pandemic. The changes resulting from the pandemic are described separately in Section I. 3. E).

3. Remuneration components

A) Annual fixed salary, remuneration in kind as well as other ancillary benefits

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

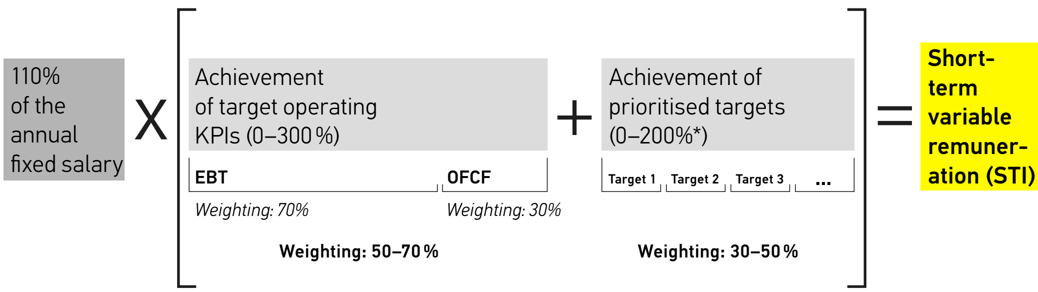
The annual fixed salary is paid in 12 equal monthly instalments. The amount of the fixed salary reflects the role of the Managing Director within the Management Board as well as the experience, area of responsibility and market conditions. The Shareholder Committee reviews the suitability of the fixed salary on an annual basis.

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 fixed salary.

B) Short-term variable remuneration ("STI")

Short-term variable compensation (STI) is calculated depending on the degree to which certain objectives are achieved, which are divided into the categories of "operating key performance indicators" and "special (prioritised) objectives". The target remuneration of the STI is 1.1 times the annual fixed salary. This is determined by the fixed salary at the beginning of the respective fiscal year. Said remuneration is paid out on one occasion in the fiscal year. In the case of new hires or resignations during the year, the STI is granted pro rata temporis.

Composition of short-term variable remuneration (STI)



**from fiscal year 2021/2022: 0–300 %*

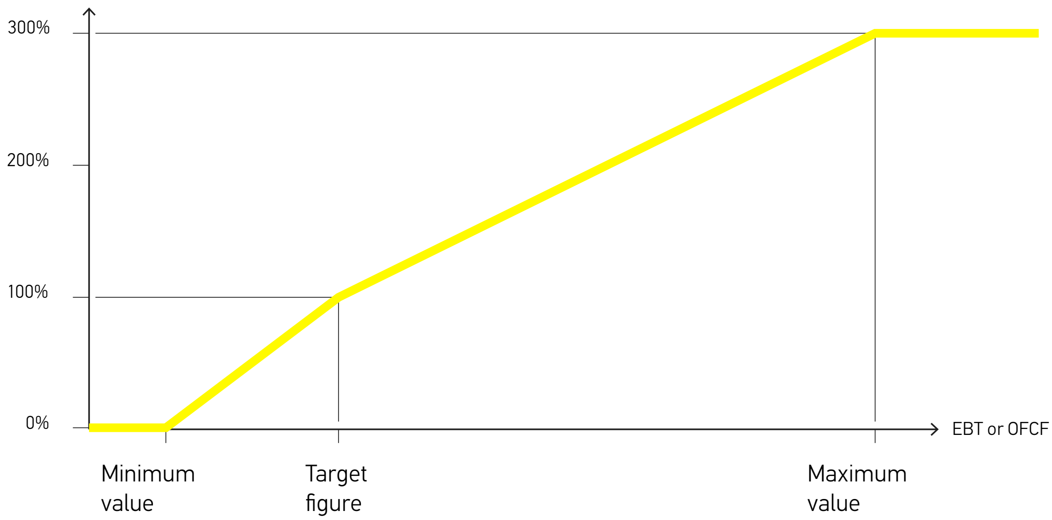
Operating key performance indicators

The operating KPIs incorporate (i) the HELLA Group's operating earnings before taxes (EBT) and effects on earnings from the restructuring for the fiscal year in question adjusted for special 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) prior to effects of the restructuring on earnings with a weighting of 30%. The OFCF is calculated after investments and divestments (procurement and disposal of property, plant and equipment and intangible assets) and does not include company acquisitions.

The degree of achieving the operating KPIs to be ascertained by the Shareholder Committee can be between 0 and 300%. For this purpose, prior to the start of each fiscal year, the Shareholder Committee for EBT and OFCF sets ambitious minimum, target and maximum values, which it regularly reviews on the basis of the corporate planning and on performance of HELLA GmbH & Co. KGaA. At its reasonable discretion, the Shareholder Committee is entitled to change or redefine the operating KPIs applied (EBT and OFCF) with effect for following fiscal years.

The respective target achievement level is derived from the minimum, target and maximum values which have been established. Intermediate values are determined by linear interpolation and the degree of target achievement thus determined is rounded to full percentage points, in accordance with standard commercial practice. The following figure provides a schematic representation of the resulting target achievement curve:

Target achievement curve EBT and OFCF



Special ("prioritised") objectives

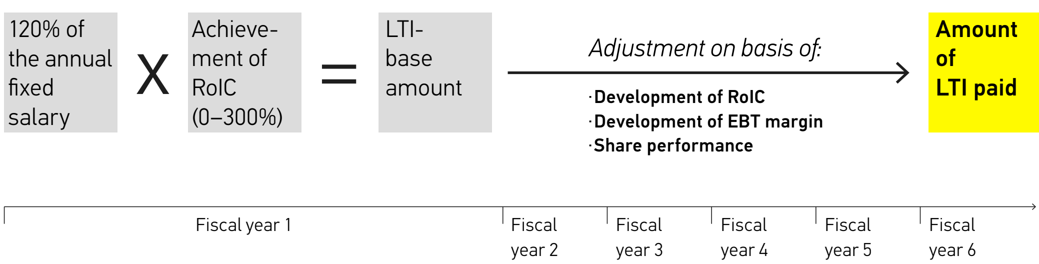
In addition, the Shareholder Committee can also define special ("prioritised") targets for the Management Board which, on the basis of a target agreement with the management, also encompass qualitative parameters and are composed of collective/team targets – which apply to the Management Board in equal measure – and individual targets. These prioritised targets may be incorporated – as the Shareholder Committee sees fit – into the STI calculation with a total weighting of between 30 and 50%, in which case, the weighting of the EBT and OFCF is reduced accordingly. For the fiscal year 2020/2021, the Shareholder Committee has set the weighting of the prioritised targets at 50% and for the fiscal year 2021/2022 at 30%.

In the context of an overall assessment performed by the Shareholder Committee on the degree of achievement of the prioritised targets, the determined value can currently be between 0 and 200% and between 0 and 300% as of the fiscal year 2021/2022.

C) Long-term variable remuneration (long-term incentive, "LTI")

The long-term variable remuneration (long-term incentive, LTI) is also paid in cash. It is measured by the performance of the return on invested capital (RoIC) and the EBT margin as well as by the performance of the HELLA share (total shareholder return). The long-term variable remuneration is based on a calculation period of five fiscal years in total, thus ensuring a long-term, sustainable incentivising effect.

Composition of long-term variable remuneration (LTI)



Return on invested capital (RoIC)

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 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.

EBT margin

The EBT margin is calculated from the HELLA Group's earnings before taxes (EBT) divided by the HELLA Group's sales.

Total shareholder return

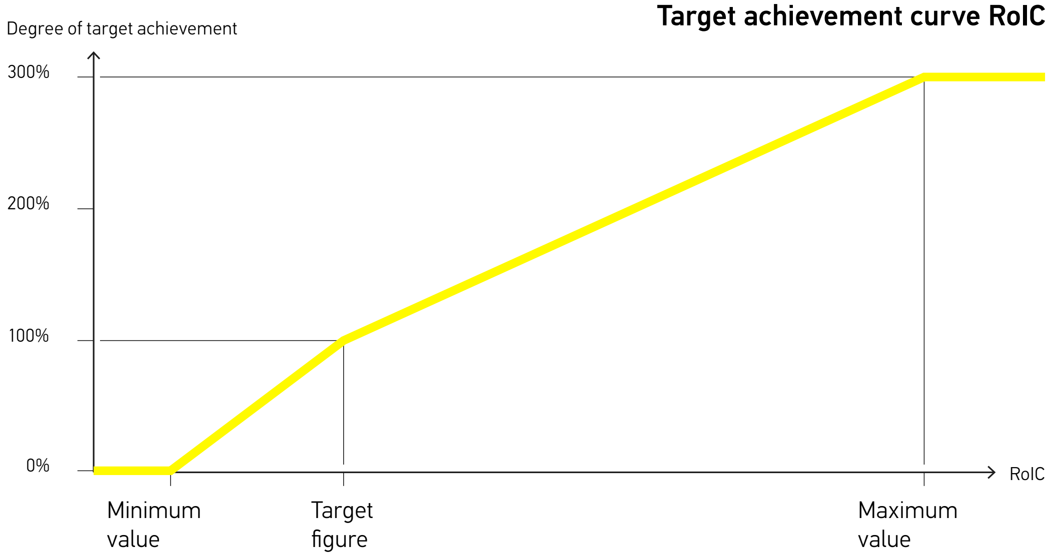
Total shareholder return is defined as the performance of the HELLA share plus dividends paid. To this end, the volume-weighted average price of the last 20 trading days of the fiscal year in which the calculation period of an LTI instalment begins is compared with those of the last 20 trading days of 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) are, on the other hand, deducted.

Calculation methods

The payment amount for an LTI instalment 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. For the RoIC, the Shareholder Committee defines minimum (= 0% target achievement), target (= 100% target achievement) and maximum values (= 300% target achievement). The minimum value defines the floor for calculating an LTI base amount. This results in the following schematic target achievement curve for the RoIC:

Target achievement curve RoIC

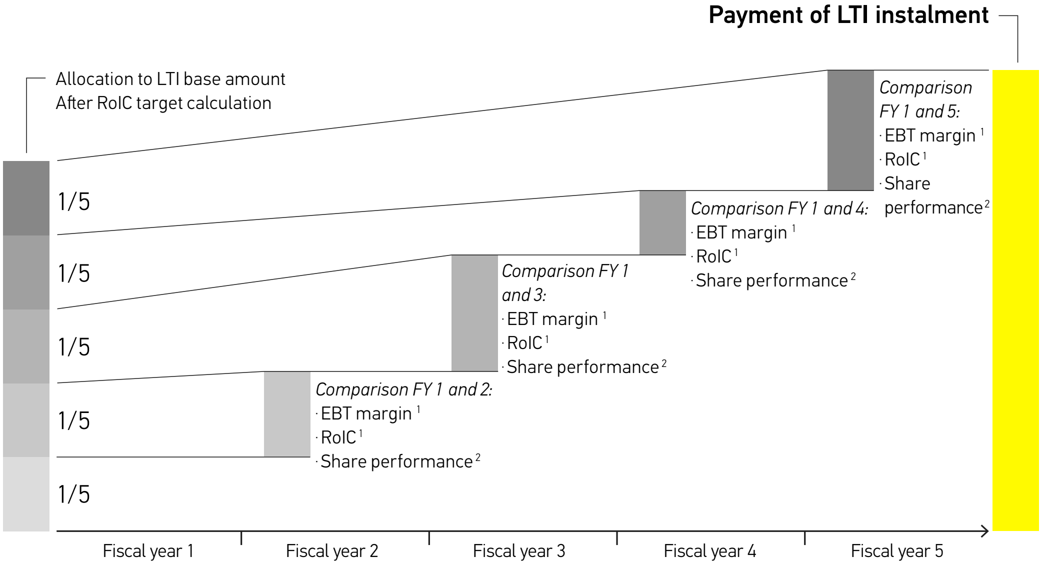


If the target value is reached, the LTI base amount is equal to 1.2 times the annual fixed salary; if the maximum value is reached, the LTI base amount is equal to 3.6 times the annual fixed salary. If a Managing Director joins or leaves the Management Board during the year, the LTI base amount for the relevant fiscal year will be granted pro rata temporis.

Payment of an LTI instalment is made to the Managing Directors once the calculation period comprising a total of five fiscal years has come to an end. For example, the LTI instalment allocated for the fiscal year 2020/2021 will be paid out at the end of the fiscal year 2024/2025. The payment amount derived from the LTI base amount is determined equally on the basis of economic success over the entire five-year term of the respective LTI instalment. In mathematical terms, this takes place as follows: First, 1/5 of the LTI base amount is defined. This amount is notionally assigned to the first fiscal year of the calculation period. The remaining 4/5 of the LTI base amount will change in accordance with the performance of (i) the RoIC, (ii) the EBT margin of the HELLA Group and (iii) the share performance in the 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, 1/5 of the LTI base amount will be increased (reduced) and frozen to the benefit of the Managing Director (see schematic below).

Schematic presentation of the LTI calculation for instalments as of the fiscal year 2020/2021 onwards

(five-year calculation period and alignment to share performance)



[1] *per percentage point increase/decrease in EBT margin/RoIC: +/- 7.5%*

[2] *per percentage point increase/decrease in share performance: +/- 1.0%*

An increase in the EBT margin and/or the RoIC by one percentage point will 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. Total shareholder return has a direct proportional effect – i.e. a positive (negative) total shareholder return 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.

Reductions upon termination of service agreement

If a member of the Management Board leaves the Company, the LTI base amounts already allocated expire in full upon departure for periods after the date of termination of the service agreement if (i) the relevant agreement is terminated for an important reason for which the Management Board member is responsible within the meaning of Section 626 of the German Civil Code (Bürgerliches Gesetzbuch – BGB), or (ii) the member of the Management Board terminates the service agreement or requests an early termination agreement or refuses to conclude a new service agreement offered by the Company on equal or improved terms without an important reason for which the Company is responsible within the meaning of Section 626 BGB being given. In addition, the LTI payment amount will be reduced proportionately if at the time of departure more than 12 months of the calculation period are missing for a certain LTI instalment. In this case, the LTI payment amount is reduced by 1/60 for each additional missing month of the relevant calculation period beyond the 12 months.

Rules governing LTIs until the fiscal year 2019/2020

Up to and including the fiscal year 2019/2020 (with the exception of Björn Twiehaus, for whom the rules described above were already applied in the fiscal year 2019/2020), the LTI was determined without taking into account the total shareholder return and over a four-year calculation period. If the RoIC target was reached, the LTI base amount was 80% of the annual fixed salary; once the maximum RoIC value was reached, the LTI base amount was 240% of the annual fixed salary. Moreover, the regulations were largely in line with the current ones concerning the LTIs. The old LTI rules continue to govern LTI instalments which were granted while said rules were in effect, but are not yet due for payment.

The remuneration resulting from these LTI instalments is accounted for under Section I. 11. in the table below.

D) Pension commitments and comparable long-term obligations

In addition to the fixed remuneration and the variable remuneration components, the Company provides the Managing Directors with pension benefits. With respect to the Managing Directors of Hella Geschäftsführungsgesellschaft mbH, the Company uses a defined contribution pension plan to which it allocates a certain amount each year for the respective Managing Director. This amounts to 50% of the annual fixed salary for the Chairman of the Management Board and 40% of the annual fixed salary for the board members, whereby the fixed salary applicable on 1 June of the year is decisive. The financing year begins on 1 June of each year and ends on 31 May of the following year. If the service agreement begins or ends in the course of the financing year, the Managing Director receives a financing contribution on a pro rata temporis basis. 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 capital account system may be invested externally in one or more investment funds. The return here is based on the performance of the investment assets in question. A minimum interest rate, which is currently 4.5% per annum, is granted in all cases. 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 a Managing Director's request and subject to the Company's approval. At present, such an extension has only been granted in the case of Dr. Rolf Breidenbach .

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 on the part of the Managing Director and largely follows the rules applicable to the asset-linked pension plan funded by the Company. The minimum interest rate in this model is currently 2.25% per annum.

E) Individual corrections

In light of the ongoing economic impact of the Covid-19 pandemic, for all LTI instalments running in the fiscal year 2020/2021, the Managing Directors of Hella Geschäftsführungsgesellschaft mbH opted to forfeit 20% of the LTI partial amounts for payment to be calculated in said year. This voluntary decision will result in lower LTI amounts for payment in the coming years when the respective LTI instalments come to an end. This is accounted for in the values shown below under Sections I. 9. and I. 11.

The Shareholder Committee also adjusted the LTI (with the exception of the partial amount for payment of the 2017/2018 LTI instalment to be allocated for the fiscal year 2020/2021) in order to eliminate the special items from (i) the sale of the 50% stake in the South Korean joint venture Mando HELLA Electronics (MHE) and (ii) the impairment tests in the fiscal year 2019/2020. This adjustment has also already been accounted for in the values shown below under Sections I. 9. and I. 11.

4. Remuneration thresholds (“Cap”) and maximum remuneration

The Company has defined a remuneration cap under which the annual STI and LTI payments, seen together, are subject to a maximum equalling six times the applicable annual fixed salary. The fixed salary at the time of payment is decisive. This cap supplements the maximum limits that result from the maximum values for the target achievement levels for STI and LTI individually.

In addition, the Shareholder Committee has defined a maximum amount of remuneration, which includes all remuneration elements (in particular also ancillary and other benefits as well as pension commitments) of a single fiscal year. It amounts to € 9,500 thousand for the Chairman of the Management Board and € 5,000 thousand for the other members of the Management Board. For the variable remuneration components, such as the contractual cap, the maximum remuneration follows from a payment-related approach. In the fiscal year 2020/2021, the total remuneration calculated in this way – including ancillary and other benefits and pension commitments – was below the maximum remuneration for all Management Board members.

5. 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 non-financial objectives, such as the HELLA environmental policy) 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 the fiscal year 2020/2021 or subsequent fiscal years (“clawback”). These contractually agreed reclaim possibilities supplements any legal claims which may exist. No use was made of this in the fiscal year 2020/2021.

6. Term of contract and termination benefits for Managing Directors

The employment relationship ends automatically at the end of the month in which the statutory retirement age is reached, but no earlier than the end of the month in which the Managing Director reaches the age of 65. Furthermore, the employment relationship automatically ends three months after the end of the month in which the permanent disability of the Managing Director is determined.

A) Loss of earning capacity or death

In the event of illness-related disability, the fixed salary or the difference over sickness benefits will be paid for up to 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.

B) Settlement

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. This remuneration is to be offset against 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”). See Section I. 3. C) above under “Reductions upon termination of service agreement”.

C) Change of control

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 the service agreement 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. In this case, there is no termination of the long-term variable remuneration as described above in Section I. 3. C) under “Reductions upon termination of the service agreement”. 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. A change of control within the meaning of the service agreement for managing directors is given if a third party or several jointly acting third parties who do not belong to the family shareholders of HELLA GmbH & Co. KGaA

- acquire more than 50% of the Company's voting share capital,

- bring the Company under its control by entering into a controlling agreement or
- appoint and dismiss, in any other way, the majority of the members of the Company's executive bodies and/or their personally liable partners without the consent of family shareholders.

D) Post-contractual non-competition clause

Furthermore, the Managing Director is subject to a post-contractual non-compete clause, the term of which varies between 12 and 24 months, to be agreed on an individual basis. During the period of the prohibition of competition, the Managing Director receives non-compete compensation in the amount of 50% of the last annual fixed salary, with any compensation for early termination of the contract and other income from work to be credited during the non-competition period. The compensation is paid monthly. The total amount of the non-compete compensation is credited to a pension commitment owed by the Company (see Section I. 3. D) above). Prior to the end of the service agreement, in individual cases, the Company may waive the post-contractual non-compete clause. As a result, the compensation is only payable for a period of six months from the date of said clause being waived. If the service agreement ends on reaching the statutory retirement age or by a termination declared by the Company for good cause, the Company will immediately be released from the obligation to pay compensation if it has waived the stipulation of complying with the non-compete clause before or at the same time as the end of the employment contract.

In the fiscal year 2020/2021, in accordance with said rules, compensation payments amounting to € 75 thousand were made to Dr. Werner Benade for the months from June to September 2020.

7. Recognition of remuneration for work on supervisory boards or similar bodies

The assumption of Supervisory Board and similar mandates in the professional sector requires the prior approval of the Shareholder Committee. If members of the Management Board hold positions on the management or executive board, or on Supervisory Board mandates or similar mandates within the Group as well as in offices in associations or similar organisations, any remuneration granted as part of such will be counted against the annual fixed salary. In the case of other mandates, in particular those outside the Group, the Shareholder Committee determines a deduction on a case-by-case basis. In particular, it takes into account the extent to which the Company has to dispense with the individual labour of the Managing Director as a result of the mandate being assumed.

8. Transaction bonus

In addition, the members of the family shareholder pool have promised the Management Board members a one-off transaction bonus – to be borne by the family shareholders and not by HELLA GmbH & Co. KGaA – in the event that an investor is obliged either individually or together with other investors or family shareholders to submit a takeover or mandatory bid to all Company shareholders before 31 December 2021. This bonus is not part of the remuneration system for Management Board. The amount of said bonus is determined the family shareholders at their reasonable discretion. In particular, the additional workload of the members of the Management Board incurred as a result of the transaction as well as the protection of the Company's interests and the value realisation associated with the transaction for all the Company's shareholders are taken into account.

9. Total remuneration for the fiscal year 2020/2021

The total remuneration paid to the Managing Directors of Hella Geschäftsführungsgesellschaft mbH came to € 23,764 thousand in the fiscal year 2020/2021 (prior year: € 7,717 thousand). The values shown already take into account the part of the fixed remuneration that the Management Board voluntarily waived in the months of June to August of the fiscal year 2020/2021 in solidarity with the workforce due to the Covid-19 lockdown, as well as the individual corrections described above under Section I. 3. E).

Remuneration in kind and other ancillary benefits came to a total of € 116 thousand in the fiscal year 2020/2021 (prior year: € 130 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 € 17,986 thousand (prior year: € 15,222 thousand) on 31 May 2021 – under HGB: € 17,587 thousand (prior year: € 14,681 thousand). The financing contributions structured in the form of investment fund units and pledged to the active beneficiaries were valued at € 15,511 thousand as of the balance sheet date (prior year: € 12,677 thousand).

The recognised expenses for the LTI base amount allocated for the fiscal year 2020/2021 amount to € 809 thousand for Dr. Rolf Breidenbach (prior year: € 0), for Dr. Lea Corzilius € 106 thousand (prior year: € 0), for Dr. Frank Huber € 314 thousand (prior year: € 0), for Ulric Bernard Schäferbarthold € 335 thousand (prior year: € 0) and for Björn Twiehaus € 230 thousand (for the LTI 2019/20: € 22 thousand, prior year: € 0 thousand). As a result of the amended LTI regulations for the fiscal year 2020/2021, expenses are to be reported for the first time as share-based compensation in accordance with DRS 17.

Pension liabilities towards former members of the Management Board and their surviving dependants came to € 15,266 thousand (prior year: € 16,047 thousand) – under HGB: € 13,203 thousand (prior year: € 12,978 thousand). In addition, there are liabilities that have been transferred to Allianz Pensionsfonds AG in the amount of € 3,658 thousand (prior year: € 3,904 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 477 thousand (prior year: € 662 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 dependants is € 7,031 thousand (prior year: € 7,047 thousand) – under HGB: € 9,049 thousand (prior year: € 6,658 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 9,005 thousand as of the balance sheet date (prior year: € 6,174 thousand). Payments under pension liabilities towards former members of the Management Board and their surviving dependants came to € 741 thousand (prior year: € 729 thousand). The total remuneration paid to former members of the Management Board came to € 2,709 thousand in the fiscal year 2020/2021 (prior year: € 3,986 thousand), comprised mainly of LTI instalments payable for the previous years, settlement payments and payments under pension liabilities.

10. 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.

11. Individual remuneration of the members of the Management Board for the fiscal year 2020/2021

The following table shows the individual compensation of the members of the Management Board for the fiscal year 2020/2021 and the prior-year period in accordance with the German Commercial Code (HGB), taking into account the individual corrections described above under Section I. 3. E). It contains – in combination with the table below on individual service costs in accordance with IFRS – all information within the meaning of Sample table 2 to Section 4.2.5, para. 3 (second indent) of the German Corporate Governance Code (DCGK) in the version of 7 February 2017 on the remuneration received or yet to be received. Due to the system change with the LTI, which will be calculated on a share price basis from the fiscal year 2020/2021 (already from 2019/2020 for Björn Twiehaus), there will be an addition of two LTI instalments in the total remuneration, in accordance with HGB. In addition to the payment amount of the LTI instalment due after the end of the fiscal year 2020/2021 (instalment 2017/2018-2020/2021), the fair value of the base amount granted for the fiscal year 2020/2021 (instalment 2020/2021-2024/2025) is also added up in the last column. This information on the total remuneration required under the HGB therefore has limited practical value. The total remuneration does not conflict with the maximum payment-related remuneration, which amounts to € 9,500 thousand for Dr. Rolf Breidenbach and to € 5,000 thousand for the other members.

€ thousand		Fixed salary[1]	One-year variable remuneration (STI)[2]	Payable amount of multi-ple-year variable remuneration (LTI)[2, 3]	**Cash remuneration**	Sonstiges[4]	Multiple-year variable remuneration (LTI) – fair value of the base amount[5]	**Total remuneration in accordance with HGB[6]**
Dr. Rolf Breidenbach	2020/2021	1,468	3,764	512	**5,744**	59	4,814	**10,617**
	2019/2020	1,467	1,600	470	**3,537**	59	0	**3,596**
Dr. Lea Corzilius (since 01.10 2020)	2020/2021	293	699	0	**992**	10	1,071	**2,073**
	2019/2020	0	0	0	**0**	0	0	**0**
Dr. Frank Huber	2020/2021	570	1,462	49	**2,081**	31	1,781	**3,893**
	2019/2020	429	520	0	**949**	31	0	**980**
Ulric Bernard Schäferbarthold	2020/2021	608	1,539	425	**2,572**	11	1,900	**4,483**
	2019/2020	519	720	274	**1,513**	14	0	**1,527**
Björn Twiehaus (since 01.04.2020)	2020/2021	418	1,058	0	**1,476**	5	1,217	**2,698**
	2019/2020	59	70	0	**129**	5	28	**162**

[1] Payment in the respective fiscal year incl. remuneration waiver of 20% of the fixed salary in the months of June through August 2020
[2] Payment in the respective following year.
[3] Constitutes the amount paid of the LTI instalment expiring in the respective fiscal year to the extent that it was allocated for periods prior to the fiscal year 2020/2021, and takes account of the voluntary salary waiver.
[4] Other remuneration includes in particular non-cash benefits arising from the use of company cars.
[5] Constitutes the fair value as of the time of granting of the LTI base amount for the respective fiscal year, to the extent that the underlying LTI instalment was allocated for periods as of the fiscal year 2020/2021 onwards (in the case of Björn Twiehaus: as of the fiscal year 2019/2020 onwards). Payment of the LTI instalment is made in each case at the end of the five-year calculation period.
[6] On account of the shift to a share price-based LTI, includes for the fiscal year 2020/2021 both the amount payable for the LTI instalment 2017/2018–2020/2021 and the fair value of the base amount of the LTI instalment 2020/2021–2024/2025.

The pension entitlements accrued by the Management Board members in fiscal year 2020/2021 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	646	1,000	**1,646**	5,591	7,001	**12,592**
Dr. Frank Huber	473	100	**573**	1,243	127	**1,370**
Ulric Bernard Schäferbarthold	355	570	**925**	1,470	1,897	**3,367**
Björn Twiehaus (as of 01.04.2020)	312	0	**312**	360	0	**360**
Dr. Lea Corzilius (since 01.10.2020)	0	0	**0**	296	0	**296**

In the prior year, the following individual service costs and benefit obligations arose 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. Frank Huber	329	0	**329**	781	0	**781**
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 2020/2021 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	773	1,000	**1,773**	5,507	7,001	**12,508**
Dr. Frank Huber	240	100	**340**	1,136	116	**1,252**
Ulric Bernard Schäferbarthold	256	570	**826**	1,412	1,822	**3,234**
Björn Twiehaus (as of 01.04.2020)	176	0	**176**	334	0	**334**
Dr. Lea Corzilius (since 01.10.2020)	117	0	**117**	260	0	**260**

In the prior year, the following individual service costs and benefit obligations arose 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. Frank Huber	175	0	**175**	653	0	**653**
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. According to the currently valid resolution of the Annual General Meeting of 27 September 2019, the remuneration system for the members of the Supervisory Board provides for the following components. From the Company's point of view, this is a purely fixed remuneration which best corresponds to the duties set before the Supervisory Board, which is to advise and monitor the Management Board in a manner which is neutral and free from financial incentives. In the Company's estimation, this is the best way to promote the Company's business strategy and long-term performance.

The following remuneration, as broken down, is granted to the members of the Supervisory Board:

- All members of the Supervisory Board receive annual remuneration of € 50 thousand.
- The Chairman of the Supervisory Board receives annual remuneration of € 100 thousand and each Deputy Chairman € 75 thousand.
- Each member of the Audit Committee receives additional annual remuneration of € 25 thousand. The Chairman of the Audit Committee receives additional annual remuneration of € 50 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 € 1,000 thousand in the fiscal year 2020/2021 (prior year: € 795 thousand). Of this, fixed remuneration accounted for € 875 thousand (prior year: € 705 thousand) and committee remuneration for € 125 thousand (prior year: € 90 thousand).

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

The following table sets out the individual remuneration paid to the members of the Supervisory Board for the fiscal years 2020/2021 and 2019/2020:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2020/2021**	2019/2020	**2020/2021**	2019/2020	**2020/2021**	2019/2020
Prof. Dr. Michael Hoffmann-Becking (Chairman up to 27.09.2019)	0.00	13,005.46	0.00	3,251.37	0.00	16,256.83
Klaus Kühn (Chairman as of 27.09.2019)	100,000.00	74,043.72	50,000.00	36,010.93	150,000.00	110,054.64
Alfons Eilers (Deputy Chairman up to 27.09.2019)	0.00	9,754.10			0.00	9,754.10
Heinrich-Georg Bölter (Deputy Chairman as of 27.09.2019)	75,000.00	57,144.81	0.00	3,251.37	75,000.00	60,396.17
Michaela Bittner	50,000.00	40,245.90			50,000.00	40,245.90
Manuel Frenzel	0.00	6,502.73			0.00	6,502.73
Elisabeth Fries	0.00	6,502.73			0.00	6,502.73
Paul Hellmann	50,000.00	33,797.81	25,000.00	14,754.10	75,000.00	48,551.91
Dr. Dietrich Hueck	50,000.00	33,797.81			50,000.00	33,797.81
Stephanie Hueck	50,000.00	40,245.90			50,000.00	40,245.90
Dr. Tobias Hueck	50,000.00	33,797.81			50,000.00	33,797.81
Susanna Hülsbömer	50,000.00	40,245.90			50,000.00	40,245.90
Manfred Menningen	50,000.00	40,245.90	25,000.00	18,005.46	75,000.00	58,251.37
Claudia Owen	50,000.00	40,245.90			50,000.00	40,245.90
Dr. Thomas B. Paul	50,000.00	33,797.81	25,000.00	14,754.10	75,000.00	48,551.91
Britta Peter	50,000.00	33,797.81			50,000.00	33,797.81
Manuel Rodriguez Cameselle	0.00	6,502.73			0.00	6,502.73
Christoph Rudiger	50,000.00	40,245.90			50,000.00	40,245.90
Franz-Josef Schütte	50,000.00	33,797.81			50,000.00	33,797.81
Marco Schweizer	0.00	6,502.73			0.00	6,502.73
Charlotte Sötje	50,000.00	33,797.81			50,000.00	33,797.81
Dr. Konstanze Thämer	0.00	6,502.73			0.00	6,502.73
Christoph Thomas	50,000.00	40,245.90			50,000.00	40,245.90

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. According to the currently valid resolution of the Annual General Meeting of 27 September 2019, the remuneration system for the members of the Shareholder Committee provides for the following components. As with the Supervisory Board, this is purely a fixed remuneration. The Shareholder Committee should also advise and monitor the Management Board in a neutral manner and without being influenced by financial incentives because in the Company's estimation this is the best way to promote its business strategy and long-term performance.

The Chairman of the Shareholder Committee receives an annual remuneration of € 360 thousand. All other members receive an annual remuneration of € 120 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 € 1,200 thousand plus value added tax in the fiscal year 2020/2021 (prior year: € 1,104 thousand plus value added tax). Of this, fixed remuneration accounted for € 1,200 thousand (prior year: € 1,104 thousand) and remuneration for committee work for € 0 thousand (prior year: € 0 thousand).

The following table sets out the individual remuneration paid to the members of the Shareholder Committee for fiscal years 2020/2021 and 2019/2020:

	Fixed remuneration		Remuneration for committee work		Total remuneration	
in €	**2020/2021**	2019/2020	**2020/2021**	2019/2020	**2020/2021**	2019/2020
Carl-Peter Forster (Chairman as of 27.09.2019)	360,000.00	243,770.49	0.00	0.00	360,000.00	243,770.49
Manfred Wennemer, (Chairman up to 27.09.2019)	0.00	97,540.98	0.00	0.00	0.00	97,540.98
Dr. Jürgen Behrend, (Deputy Chairman as of 27.09.2019)	120,000.00	113,497.27	0.00	0.00	120,000.00	113,497.27
Horst Binnig (as of 27.09.2019)	120,000.00	81,256.83			120,000.00	81,256.83
Samuel Christ (as of 27.09.2019)	120,000.00	81,256.83			120,000.00	81,256.83
Roland Hammerstein (Deputy Chairman up to 27.09.2019)	120,000.00	113,497.27	0.00	0.00	120,000.00	113,497.27
Dr. Gerd Kleinert (up to 27.09.2019)	0.00	32,513.66			0.00	32,513.66
Klaus Kühn	120,000.00	113,497.27	0.00	0.00	120,000.00	113,497.27
Dr. Matthias Röpke	120,000.00	113,497.27			120,000.00	113,497.27
Konstantin Thomas	120,000.00	113,497.27	0.00	0.00	120,000.00	113,497.27

Non-financial report of HELLA GmbH & Co. KGaA

Other information on the business model is provided in the group management report.

With its innovative strength and inventive spirit, HELLA has become a globally successful automotive supplier. Given that the Company's business activities have an impact on human beings and the environment, HELLA is committed to responsible and sustainable business. In order to achieve transparency on key sustainability issues, HELLA provides information on current sustainability activities in this separate combined non-financial report (hereinafter, "non-financial report"). In compliance with the German Commercial Code (Sections 315c in conjunction with Sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch – HGB)), the report contains 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 content of this report is based solely on what is deemed to be material as well as the content specifications outlined in the HGB. In this reporting period, HELLA again did not apply a framework when drawing up this non-financial report, as priority was given to expanding the sustainability management and material topics are not comprehensively covered in frameworks. HELLA reviews this decision on a regular basis. The reporting period spans from 1 June 2020 to 31 May 2021.

Business model

HELLA is a global company, listed on the stock exchange, with over 125 locations in some 35 countries. With currency and portfolio-adjusted sales of € 6.5 billion in the fiscal year 2020/2021 and 36,500 employees (as at 31 May 2021), HELLA is one of the leading automotive suppliers worldwide. HELLA specialises in innovative lighting systems and vehicle electronics and has been an important partner to the automotive industry and aftermarket for more than a century. Furthermore, in its Special Applications segment, HELLA develops, manufactures and sells lighting and electronic products for specialist vehicles.

Materiality analysis & stakeholder involvement

In the year 2020, HELLA identified material sustainability issues by implementing a materiality analysis pursuant to the German Commercial Code. As part of such, representatives of the respective departments also covered the various stakeholder interests – primarily those of customers, investors and employees. As part of this analysis, the following eight material non-financial issues were identified:

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

Within said issues, the emphasis lies, above all, on the sustainability-related matters, to which the Company can make a significant contribution. During the reporting period, the HELLA Management Board as well as the HELLA Sustainability Council, an interdepartmental sustainability body, revisited the materiality analysis and reached the conclusion that it remains valid.

Opportunity and risk assessment

As part of risk and opportunity management, HELLA identifies both current and potential risks and opportunities arising from its operations. New aspects have been included within the scope of HELLA Enterprise Risk Management (ERM). The opportunities and risks that arise in each case, including non-financial risks relating to the environment, social matters and corporate governance, are identified, assessed and managed by the relevant experts in these fields.

HELLA is obliged to report material risks arising from its own business activities, the business relationships in the supply chain and with customers as well as from products if these are very likely to have or will have serious negative effects on the material non-financial issues (Section 289c(3), nos. 3 and 4 HGB). For this purpose, the responsible departments have carried out a risk assessment in accordance with the German Commercial Code. No reportable risks were identified. Also, in relation to the Covid-19 pandemic, which was acute in fiscal year 2020/2021, no serious effects on the non-financial aspects with serious consequences could be identified. →

Reference framework & audit report

Unless stated otherwise, the information concerns the HELLA Group (hereinafter, "HELLA") as well as the parent company HELLA GmbH & Co KGaA. This does not include joint ventures and the subsidiaries Docter Optics and Hella Gutmann Solutions. They independently manage material issues and are thus not included herein.

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

Sustainability management

At HELLA, sustainability is viewed as a duty of the entire group. The scope of sustainability-related activities is determined by the HELLA Management Board, which is responsible for determining fields of action and objectives. Organisationally, the overarching activities are incumbent upon the Management Board member for finance, controlling, information technology and process management as well as special applications. Individual, non-financial matters fall under the remit of the President and CEO or that of the Management Board member responsible for human resources activities. Sustainability is thus anchored in the highest body of corporate management. The measures for achieving the objectives are developed and monitored by the respective specialist divisions. They implement these via group-wide guidelines.

In order to ensure the company-wide exchange on sustainability topics and to evaluate relevant aspects and requirements, HELLA has created an interdepartmental global steering committee with the Sustainability Council. In this, the specialists exchange ideas regularly and set company-wide impetuses. Communication and dialogue with key stakeholders are managed centrally from sales, corporate communications and environmental management. There are also corresponding representatives in the council to advocate these functions.

As an extension of this basic framework, the aspiration for sustainable action is anchored both in the corporate culture and increasingly in 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.

Product innovations

HELLA is a supplier of innovative lighting systems and high-performance electronics for automotive, utility and special vehicle manufacturers worldwide. On the basis of intensive work in research and development as well as an innovative product portfolio, HELLA strives to be a technological leader in the addressed product markets. In addition, the Company has an effective retail organisation and supplies workshops with spare parts and service products. Product innovations from HELLA also contribute to environmental protection and help to give mobility greater efficiency, safety and comfort. The broad product portfolio addresses global mobility trends such as electrification, digitalisation and autonomous driving. These industry trends are characterising the current change in the automotive industry as well as the development of new products at HELLA and generating economic value added.

Research and development have always been high priorities for the Company. The design of new products is controlled by the development divisions and the customer-oriented product centres in the HELLA business segments. As part of the annual strategy process, HELLA is actively involved in industry trends such as the electrification of vehicle fleets, legal framework conditions and customer suggestions and prioritises product development projects. The Management Board at HELLA is intensively engaged in planning these technology roadmaps and is informed about the implementation progress in regular meetings.

→ **The Company** will present further information in the detailed opportunity and risk report within the combined management report.

→ **The audit report** follows this report

The global network of HELLA research and development centres implements the product ideas taking into account numerous guidelines. Examples of such include quality, safety and environmental standards from the first product idea to serial production. These include, among other things, the HELLA environmental standard and customer-specific requirements that avoid environmentally harmful pollutants and promote resource efficiency – e.g. via lightweight design and production that minimises waste. The development process is supported by the respective HELLA specialist departments.

HELLA strives to continuously expand its technological excellence and innovation leadership. This long-term, strategic corporate goal is ensured, inter alia, by committed employees and research and development expenses. As of 31 May 2021, around 7,500 employees were employed in research and development, which corresponds to 21% of the global workforce. In reporting year 2020/2021, HELLA invested a total of € 603 million in research and development, equating to 9.5% of sales. In the previous fiscal year, the Covid-19 pandemic did not have any significant impact on these strategic cornerstones.

In regards to sustainable innovations, the following products and activities can be highlighted as examples for the reporting period:

HELLA supports the trend towards e-mobility with innovative product solutions for all levels of electrification. The Company's sales for hybrid and electric vehicles are continually increasing. The energy management products from HELLA, for example, monitor and control the electronic consumers in the vehicle and thus enable fuel- and emission-saving start/stop and sailing functions in micro and hybrid vehicles. Product solutions for vehicles with electrified powertrains include high-voltage current sensors, intelligent battery sensors and voltage converters(DC / DC converters), as well as battery management systems for lithium-ion batteries for electric vehicles. In the fiscal year 2020/2021, HELLA was able to consolidate its strong market position in these product segments and bring new product generations onto the market. A further developmental focus was on battery management systems for hybrid vehicles in the 12- and 48-volt range.

Further information on product innovations can be found as a component of the group management report in the research and development report. →

Automotive lighting technology from HELLA helps to ensure the illumination of the street space. As a result, road users can not only see traffic more clearly, but are also more visible themselves. The brightness and energy efficiency of HELLA's lighting solutions are also playing an increasingly important role. For example, energy-efficient LED product solutions in the premium segment are also enjoying increasing popularity in the medium and compact class segments. A simplified life cycle assessment of a HELLA premium headlamp from 2021 confirms that product-specific CO_2 emissions primarily occur today in the use phase of vehicles with internal combustion engines. Potentials for reducing this CO_2 footprint include lightweight design and the use of energy-efficient LED technologies. At the same time, LED lighting systems enable an attractive design of the vehicle lighting systems and numerous safety-relevant functions such as glare-free high beams. In addition, today's LED headlamps are designed for the service life of vehicles and usually do not require resource-intensive spare parts. In the reporting period, HELLA developed the FlatLight concept, a rear lamp technology that requires only one watt of energy for the LED rear lamp with optics smaller than a grain of sand. This corresponds to only about 20% of the energy required for a conventional LED rear lamp. In this way, fuel consumption and CO_2 emissions in vehicle operation can be reduced.

In the reporting period, HELLA also pushed forward the further development and sales of product innovations for driver assistance systems that increase safety and comfort. On the basis of 24 GHz and 77 GHz radar technology from HELLA, blind spot assist, lane tracking assistants and automated parking systems – to name a few examples – can be implemented. →

Energy management and emissions

Conserving natural resources and thus the livelihoods of future generations is part of HELLA's corporate responsibility. In this context, the Company aims to continuously reduce its own emissions and further boost energy efficiency. For this reason,

Fiscal year	2018/2019	2019/2020	**2020/2021[1]**
Number of employees in research and development	~7,700	~7,700	**~7,500**
as a % of the workforce	20%	21%	**21%**

[1] *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 (including Docter Optics and HELLA Gutmann Solutions) without joint ventures*

HELLA looks to actively contribute to compliance with the Paris Climate Agreement and set ambitious climate protection targets in the reporting period.

As a manufacturing company, HELLA is aware of the impact of its production activities on the environment and climate. HELLA therefore acts in accordance with a comprehensive environmental management system that is certified at almost all production sites in accordance with the internationally recognised ISO 14001 standard. This system entails, inter alia, a continuous reduction of the environmental impact of business activities throughout the value chain, whereby statutory framework conditions and customer requirements are taken into account.

HELLA centrally controls the environmental aspects of energy and emissions management via the Environmental Management and Real Estate Management specialist divisions. Global environmental standards for the Group are laid down in sets of rules such as environmental policy, processes and guidelines, which are implemented by the individuals responsible for the environment, occupational health and safety at the respective locations. The effectiveness and implementation of the requirements are regularly confirmed via internal and external audits. HELLA uses the results of these reviews to develop its own activities in a targeted manner. Both the HELLA Management Board and the Sustainability Council are closely involved in climate protection activities and kept up to date about progress via regular status reports.

HELLA pursues the objective of certifying all production sites in accordance with the ISO14001 standard. The two as-yet uncertified locations are small and new locations and have recently commenced economic activity. It is envisaged that they will soon be included in the group certificate.

In the reporting period, HELLA set group-wide targets for climate protection.

- By 2025, HELLA will operate with CO_2-neutral production (Scopes 1 & 2 under the Greenhouse Gas Protocol). Remaining CO_2 emissions which cannot be avoided are to be offset by certified climate protection projects.
- By no later than 2025, HELLA will exclusively source electricity from renewable sources worldwide.
- By 2030, the Company will reduce the specific energy intensity (kWh in relation to € 1,000 of sales) in production by at least 10% (basis: fiscal year 2019/2020).
- By no later than 2050, HELLA aims to achieve a climate-neutral supply chain.

Climate protection will be a catalyst of lasting change in development and production at HELLA as well as the business relationships with customers and suppliers. For this reason, HELLA is developing approaches and measures – also in dialogue with relevant stakeholders – to create even greater transparency with regard to CO_2 emissions and to further reduce emissions. A key lever in this context is the increase in energy efficiency in production, since the bulk of HELLA's CO_2 emissions are attributable to electricity consumption in production. Therefore, the Company is relying specifically on energy-efficient production processes and technologies. In the reporting period, the Company expanded its previous range of activities and launched its “Think.Act.Save.” energy efficiency programme worldwide. As part of the programme, employees at production sites identify further potential for energy savings and plan roadmaps for implementation. Initial measures were successfully able to reduce the energy intensity at pilot sites. Examples of such measures include the optimised control of energy-intensive injection moulding machines or the systematic elimination of leaks in the compressed air supply.

Initial projects enabled the Company to reduce its own CO_2 emissions (Scopes 1 & 2) in the reporting period. This was also not least due to coronavirus-related production losses in 2020, which significantly reduced energy consumption and thus also greenhouse gas emissions.

In the reporting period, HELLA managed to achieve this goal in addition to meeting the already established goal of cutting the energy intensity by two percent annually at the ISO 14001-certified produc-

Fiscal year	2018/2019	2019/2020	**2020/2021**
% of production locations certified under ISO 14001	90% (38 of 42)	94% (34 of 36)	**94%[2] (33 of 35)**
Employees (as a %) at production locations which are covered by a certified environmental management system	Not recorded	Not recorded	**99%**

[2] Including locations where only the primary production site is certified

tion sites. In the coming years, this target will be reflected in the longer-term target horizon of 2030. At the same time, the Company has also concentrated its climate protection activities on obtaining electricity from renewable sources. In the reporting period, the Company already switched over to electricity from renewable sources at its sites in Slovakia and Mexico, which enabled savings of 42,756 tonnes of CO_2 emissions compared to the conventional energy mix. Furthermore, photovoltaic systems were installed on HELLA plant rooftops in India to generate solar power in cooperation with energy providers, and another system is being prepared in Lithuania.

The Company achieved a “B” rating in the current CDP rating (formerly, “Carbon Disclosure Project”) in 2021 due to its activities to reduce emissions and expand the reported data.

In addition to its own activities to cut CO_2 emissions generated in production, HELLA also aims to reduce greenhouse gases in the supply chain. By no later than 2050, HELLA wants to offer CO_2-neutral products and have a climate-neutral supply chain. In the interim, specific milestones for the gradual reduction of CO_2 emissions are being developed.

HELLA CO_2 emissions

Fiscal year	2019/2020[3]	2020/2021[4]	Target 2025
Scope 1 in TCO_2	54,731	49,651	0
Scope 2 in TCO_2	202,938	172,834	0

Use of electricity in HELLA production

Fiscal year	2019/2020	2020/2021	Target 2025
kWh (absolute)	498,533,921	568,505,768	no target
% share of green energy	Not recorded	~25%	100%

Specific energy consumption in HELLA production

Fiscal year	2019/2020	2020/2021	Target 2030
Specific energy consumption (kWh / € 1,000 in sales)	96.7	90.8	<86.4

[3] *The calculation of the Scope 1 emissions is based – in accordance with the requirements of the 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*

[4] *Consumption data from 1 June 2020 to 30 April 2021 available; consumption for May 2021 was projected on the basis of the previous month. The calculation of the Scope 1 emissions is based – in accordance with the requirements of the 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 the GHG Protocol Global Emission Factors (2011) applied. The Scope 2 emissions are calculated on the basis of the reported electricity use on the basis of the* ***market-based method*** *of the GHG Protocol using the AIB emission factors (2019) for Europe, the Climate Transparency Report G20 (2019) for China, India, Mexico and Brazil, the IEA (2019) for New Zealand, and the eGRID US Environmental Protection Agency (EPA, 2018) for the USA. The Scope 2 emissions from district heating are calculated on the basis of reported consumption data following the location-based method of the GHG Protocol, with the emission factors of the Defra (2019) applied. According to the* ***location-based method,*** *the Scope 2 CO_2 emissions amount to 216,513 tonnes*

Product safety

HELLA aspires to develop, produce and sell products which are safe for people and the environment. By adhering to strict legal requirements, its own guidelines and demanding customer requirements, HELLA ensures a high standard of quality and product safety. This commitment has been formulated in the HELLA Code of Conduct.

In order to meet the company's own quality standards, the Quality central function coordinates the "SQ – Strategic Quality" concept at HELLA, in conjunction with the company-wide expert network. The responsibility for quality and product safety lies with the CEO of the Management Board. The measures aim to develop and produce reliable and functional products. The HELLA quality policy establishes the framework for this. There are guidelines and processes that control the requirements worldwide. In addition to customer-specific requirements, the resulting measures are based on the ISO 9001 standard and the IATF 16949 standard of the International Automotive Task Force (IATF). During the reporting period, all HELLA production sites had certified quality management systems in accordance with these globally recognised standards.

Fiscal year	**2020/2021**
% of HELLA production locations with a quality management system certified under ISO 9001 or IATF 16949	100% (35 of 35)
Production employees (as a %) at production locations which are covered by a certified quality management system	100%

The goal of product safety is to ensure safe products for people and the environment. The guidelines which have been established company-wide are intended to avoid product recalls as well as resulting liability claims that entail loss of sales or reputation. In this context, the Company is exposed to the risk of product warranty claims, which is described in detail in the risk and opportunity report.

When a new product is created, key milestones are defined by HELLA product safety specifications right from the development phase. In order to successfully pass these internal safety controls, mandatory methods must be used worldwide. The approvals are based on standardised documents that record the achievement of the milestones. These group-wide requirements are implemented by a network of production safety managers. The independent central Product Safety division manages the procedure. It manages the standards for product safety throughout the entire product life cycle based on detailed specifications for development, production and monitoring of product performance in the market. The methods used are based on the current version of the ISO 26262 standard for safety-relevant electrical and electronic systems in motor vehicles.

To follow up on indications relating to the safety of HELLA products – provided by, for example, employees, customers or authorities – HELLA strictly follows defined escalation channels. Similarly, violations of product safety are consistently escalated to the Product Safety Committee and the higher-level Product Safety and Conformity Committee. The HELLA Management Board nominates the representatives who are relevant to this case and is kept informed in regular meetings.

Internal 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.

In the reporting period, HELLA firmly established the processes for product integrity at an international level and further developed the issue of cybersecurity. By way of this continuous improvement, HELLA strives to both assure current requirements and continue to guarantee product safety in the context of increasingly complex product design.

Occupational safety and health protection

Of particular importance to HELLA are the employees' lives and health. Therefore, in order to maintain the well-being of employees and work performance in the long term, it is important for the Company to create a working environment which is safe and ergonomic,

The HELLA Environment, Health and Safety (EHS) central function manages the Group's activities and is in dialogue with the Management Board. Depending on the size of the HELLA location, at least one EHS contact person is also responsible for occupational safety on site, and this individual reports directly to the local plant management and functionally to the central function. Global and local EHS managers work closely together as a network to continuously increase occupational safety at HELLA. This collaboration includes, inter alia, dialogue via workshops and telephone conferences, in which solutions are discussed together and experiences and best practices are shared. Across all locations, accident potentials or – as in the Covid-19 pandemic – infection risks are detected at an early stage, solution approaches are discussed and implemented worldwide. In addition to the local EHS managers, employees are involved in decisions – like the selection of personal protective equipment – through their official representatives such as works councils.

Clear processes, guidelines and work instructions help to organise workplaces and processes which are safe and ergonomic. Training is regularly conducted at office and production workplaces to make employees aware of these requirements and potential risks. During the reporting period, HELLA revised its occupational safety and health policy and rolled it out worldwide.[5]

A large number of group-wide and local initiatives promote safe and health-conscious behaviour amongst employees in both professional and private routines. The measures offered range from training courses to lectures and exhibitions – e.g. on healthy nutrition – to health campaigns such as flu vaccinations and fitness programmes. They are intended to raise employees' awareness and positively influence their behaviour.

In the context of the Covid-19 pandemic, the activities in the reporting period concentrated primarily on measures to protect employees, their relatives and business partners from infection. Under the oversight of a group-wide crisis team and local crisis teams on site, HELLA has taken extensive company-wide and location-specific protective measures. The field of occupational safety and health is significantly represented and involved in these crisis committees. The framework for such is provided by a guideline that is continuously adapted to new academic findings – e.g. from the World Health Organization (WHO) or the Robert Koch Institute. In this way, the legal requirements, which can occasionally differ, and proactive scientific recommendations are quickly implemented in everyday operations.

In order to minimise the risk of infection and maintain operational capacity in production, development and management, HELLA set up numerous measures during the reporting period. In this way, personal contact was avoided and reduced to the greatest extent possible. Employees were encouraged to perform their duties as remotely as possible. Only in exceptional cases were external visitors and service providers welcomed on-site. Meetings – e.g. with customers and suppliers – were primarily held online. At each location, EHS managers conducted an assessment of all workplaces and checked them for risks. The maximum number of persons permitted per room is determined on the basis of occupancy plans and ventilation concepts. Where possible, distancing between employees was increased to at least 1.5 metres. In situations where this distance cannot be maintained, a requirement to wear masks was introduced. In the shared areas at HELLA locations, such as in the buildings or on the outdoor areas, it became mandatory to wear mouth-nose protection. Hygiene rules were communicated worldwide. Before entering the premises, employees completed a voluntary self-survey on a daily basis to check their state of health. The protective measures also had an impact on HELLA's other health services in the fiscal year 2020/2021: For example, some of the Company's fitness offerings, such as local fitness classes or information days, could not be maintained due to regulatory requirements and hazard assessments. Intermittently, online offers were introduced as an alternative.

In addition to the measures for containing the global infection, further occupational health and safety measures were implemented. The Company's objective in such is to avoid work-related injuries at HELLA and to continuously improve occupational safety, controlled at each individual site. This aspiration is quantified by the frequency of reportable accidents (accident rate) and the severity of such (lost time rate, downtimes). The occupational safety experts lay down specific improvement goals per fiscal year and location, which are based on the previous perfor-

HELLA accident statistics

Fiscal year	2018/2019	2019/2020 (Q1-Q3)	2020/2021
Accident rate (accidents per 1 million work hours)	5.2	4.7	4.0[6] (Target: 4.5)
Downtime (work hours missed per 1 million work hours)	Not recorded	496	517[6] (Target: 471)

[5] *HELLA_Health-and-Safety_Policy.pdf*

mance at the given site. For the reporting period, the HELLA Management Board set group targets of an accident rate of 4.5 accidents and a downtime of 471 hours per 1 million working hours. While the target value for the accident rate was able to be significantly outperformed, the objective for downtime was not achieved due to a few isolated accidents with prolonged downtime.

In the fiscal year 2020/2021, there were no fatal accidents at HELLA.

HELLA makes regular use of internal and external audits to review the effectiveness of occupational health and safety management systems. The testing concentrates not only on the functionality of the systems, but also on the consistent application of the high standards worldwide. In this context, HELLA has formulated a new target for the fiscal year 2020/2021:

All currently operational production sites with more than 200 employees must be certified according to the new internationally recognised ISO 45001 standard for occupational health and safety by the end of the fiscal year 2024/2025. In the fiscal year 2020/2021, 18 of 29 production sites with more than 200 employees were certified (62% of the sites) and thus 68% of the employees at production sites with more than 200 employees were covered by a certified occupational health and safety management system.

In the coming years, HELLA will continue to consistently pursue the strategic goal of effective occupational safety and health protection. For this purpose, the measures will be further developed on an ongoing basis. A central component of such will continue to be prevention via the elimination of unsafe and risky behaviours as well as sources of risk.

HELLA production locations with certified health and safety management system

*as at 31 May 2021

Fiscal year	2019/2020	2020/2021	Target 2025
% of ISO 45001 and OHSAS certified HELLA production locations >200 employees	38% (10 of 26)	62%[7] (18 of 29)	100% (Target: 29 of 29)
Employees (as a %) at production locations with >200 employees which are covered by a certified health and safety management system	Not recorded	68%	100%

[6] *Excluding the locations HELLA Electronics Engineering GmbH and HELLA Lighting Finland Oy which were closed during the year*
[7] *Including locations where only the primary production site is certified*

Employer attractiveness

HELLA's innovation and corporate culture is largely shaped by its employees. Committed and efficient employees are thus the key to the Company's economic success.

A key pre-condition for such is an attractive working environment where employees can contribute constructively, develop their potential and feel appreciated. This is ensured by HELLA HR management, as overseen by the HR departments at central, regional and local level. The HELLA Code of Conduct and 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) reflect the core of HELLA's corporate culture. This promotes diversity, appreciation, performance and entrepreneurial foresight.

The HR department coordinates the strategic HR management at HELLA, which is implemented by HR managers in the respective regions and locations. At Group level, the Management Board member is responsible for human resources. In addition, significant developments are regularly reported to the Executive Boards of the divisions. The company-wide guidelines, processes and company agreements provide guidance for human resources work at all locations worldwide. They are supplemented, as necessary, by national requirements. Audits are conducted regularly to monitor how these activities are being implemented and to assess their effectiveness.

In order to understand and take into account the needs of the people who work for HELLA, the Company regularly seeks dialogue with employees across all hierarchical levels – e.g. via employee surveys, workshops and information events such as site-wide company meetings or sector-specific town hall meetings. The next group-wide employee survey is scheduled for the fiscal year 2021/2022. Employee representatives such as the European Group Works Council are involved in relevant decision-making processes.

HELLA is committed to maintaining appropriate and fair labour and social standards. The HELLA Code of Conduct provides guidelines for everyday interactions. This company-wide code describes, inter alia, human rights principles in labour and social principles, with binding effect worldwide. These include the prohibition of child labour and forced labour or slavery, the right to freedom of association and the right to employee representation, as well as regulations on working hours and compensation. In human resources decisions, gender, origin, age or religious attitude do not play a role. At HELLA, the qualification for the requirements specific to the position is decisive. These principles are implemented worldwide by the HR managers based on the applicable national legal frameworks.

Additional labour and social standards, together with the Code of Conduct, serve as guidelines for HR policy. In the reporting period, HELLA carried out a compliance risk assessment in human resources in the countries of Germany, Romania, China and Mexico, which were selected on the basis of risk. In a constructive dialogue with the HR departments on site, the Company has checked and confirmed compliance with and the procedural implementation of HELLA's labour and social standards in the respective companies under the local legal framework.

As a responsible employer, HELLA wants to create attractive conditions for all employees. This also includes remuneration which is market-based and fair. 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.

HELLA promotes a work-life balance and thus contributes to the satisfaction as well as to the preservation of the health and working capacity of the employees. For this purpose, the Company relies on a family-friendly HR policy that also makes flexible working time models possible. In this regard, the Company offers a large number of voluntary measures, which may differ depending on the location. Examples of such include the possibility of remote work, sports and health services and care services for families such as the arrangement of childcare and care services for relatives or holiday programmes for employees' children. In the reporting period, HELLA introduced, for example, an employee programme in China, which includes offers on stress management, advice on family relationships and relaxation units. HELLA has expanded remote working worldwide and has concluded agreements to this end. In the Covid-19 pandemic, HELLA was able to reduce direct contact and thus protect employees and business partners, while also supporting employees with childcare duties or those needing to look after family members. A new company agreement also regulates remote work in Germany as a permanent component of HR policy.

As of 31 May 2021, 36,500 people were employed at HELLA. In order to boost its competitiveness, HELLA initiated a long-term programme during the reporting period. In addition to investments in future automotive topics such as electromobility, automated driving software, digitalisation and automation, this also provides for structural personnel adjustments. Associated personnel reduction measures are implemented in a socially acceptable manner and employee representatives are closely involved in the design of said measures. Expenses for the overall measures are expected to amount to around € 240 million and were largely recognised (€ 172 million) in the fiscal year 2020/2021. →

Further information can be found in the explanations contained in the notes to the consolidated financial statements. For this purpose, particular reference is made to notes 20 and 22 of the consolidated notes.

Female employees account for 37% of the entire workforce. In 2017, HELLA set a target of 9.5% of women in the first management level and 6.0% in the second management level under the Management Board by the end of the fiscal year 2021/2022. To support the achievement of this goal, HELLA is particularly committed to the promotion of women. This is fostered by, inter alia, specific mentoring programmes and networking events for women in the Company. In addition, HELLA aims to improve gender equality and increase the proportion of women in management positions.

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, the turnover rate worldwide – also due to the coronavirus pandemic – was 10.5% on average, whereby there may be significant regional fluctuations.

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

Region	Male	Female	Total
Germany	6,562	2,095	**8,657**
Europe excluding Germany	8,285	6,278	**14,563**
Asia, Pacific, ROW	3,980	1,914	**5,894**
North, Central and South America	4,072	3,314	**7,386**
Total	**22,899**	**13,601**	**36,500**

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

Region	to 29 years	30–39	40–49	over 50	Total
Germany	533	2,008	2,242	3,874	**8,657**
Europe excluding Germany	3,147	5,055	3,741	2,620	**14,563**
Asia, Pacific, ROW	1,330	3,178	1,091	295	**5,894**
North, Central and South America	2,602	2,394	1,558	832	**7,386**
Total	**7,612**	**12,635**	**8,632**	**7,621**	**36,500**

In order to be perceived as an attractive employer for skilled workers on the labour market, for purposes of global positioning, HELLA conducts various personnel marketing activities. In the prior and current fiscal year, the Company is primarily intensifying its recruiting efforts in Eastern Europe. For example, virtual campus recruiting was set up in Slovenia, the employee recruitment programme was expanded in the Czech Republic, and recruiting via social media was strengthened in Romania.

Employee development

HELLA employs 36,500 people worldwide. With their knowledge, skills and commitment, they comprise an essential pillar for the Company's long-term success. For this reason, HELLA takes a targeted approach to promoting its employees' personal and professional development. Thus, employees are trained and promoted in accordance with their duties within the Company and their personal development needs. HELLA relies on lifelong learning in order to continuously expand its internal pool of knowledge and talent as well as to constantly adapt it to the structural change in the automotive industry and ongoing digitalisation.

The central Human Resources department manages the topics of employee promotion and development at HELLA using internationally established processes and tools. With the cloud-based IT solution for human resources “MyTalentCompass”, HELLA manages the entire personnel cycle from recruitment to personal development to succession planning. This platform is also used to manage and track the processes and measures for employee promotion and training. The HELLA approach to staff development includes a variety of measures for all employee groups. The measures and programmes are implemented by the HR departments and division heads on site and, if necessary, adapted to specific local needs. The Management Board is consulted regarding measures in certain areas and is kept informed of their implementation. The effectiveness of the measures and processes is regularly checked by audits.

Employee development at HELLA is based on a distinct feedback culture. As part of an annual assessment process, employees receive feedback on their professional performance and individual development potential. For this purpose, HELLA relies on the personal exchange between supervisors and employees. In the context of a dialogue, the employee's performance is examined, and professional perspec-

Fiscal year	2019/2020	2020/2021[8]	Target 2020/2021
voluntary turnover rate	12.2%	10.5%	12.2%

[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 (including Docter Optics and HELLA Gutmann Solutions) without joint ventures*

tives and development measures are discussed. Employees can also bring up their own needs. In this performance assessment, uniform standards apply worldwide. In the current reporting period, at least one performance review was conducted at HELLA for almost all employees at a certain level of seniority.

At HELLA, global talent management also aims to promote internal career paths and build a talent pool. As part of the yearly talent review process, the development potential of around 14,000 employees worldwide is identified. As part of this, managers assess the potential and performance of their staff. In this context, aspects including international mobility, the qualification for special talent programmes or promotions such as a potential transfer to another area are assessed and corresponding development measures are defined. Fair assessment and comparability of assessment scales are ensured by means of talent conferences at various management levels, extending right up to the Management Board. In light of the coronavirus pandemic, HELLA carried out the talent programmes only to a limited extent in the reporting period. Nevertheless, selective measures were implemented; for example, the Company recently introduced a mentoring programme in Mexico. The plans are to resume comprehensive activities in the coming fiscal year.

In order to promote lifelong learning and to provide employees with the skills required for their current and future roles, HELLA offers a wide range of training courses. These qualification measures augment the employees' expertise and ensure that the employees remain up to date. Personal seminars and workshops as well as increasingly virtual formats such as webinars and e-learning offers comprise the diverse training landscape at HELLA. Tests taken at the end of the training courses ensure that employees have understood the course contents and have succeeded in implementing their new skills in their everyday work. Training sessions specific to an employee's skills and role are assigned throughout the Group via the "MyTalentCompass" platform. The platform is also used to track the implementation of the training sessions.

In the fiscal year 2020/2021, each HELLA employee completed 11.7 hours of training on average. The significant decrease compared to the prior fiscal year (13.4 training hours; only white collar employees) is primarily attributable to the reduced level of employment as a result of the coronavirus pandemic. Despite the limited working hours of numerous employees, HELLA consistently conducted essential training sessions even in the pandemic – e.g. on the HELLA Code of Conduct or with relevance to product and occupational safety topics.

As an innovative company, HELLA is always looking for new opportunities to provide employees with further skills in accordance with their goals and needs. In the reporting period, for example, new career paths for project managers were introduced globally and across divisions. These include requirement profiles for a career as a specialist or project manager without direct responsibility for employees as well as a special training academy.

A special focus in the fiscal year 2020/21 was also on shifting numerous training courses from the classroom to the digital world, adapting formats accordingly and training instructors for such. In addition to subject-specific and division-specific training courses, HELLA also offered a tailor-made training programme for virtual leadership for employees with personnel responsibility.

Compliance

Wherever HELLA operates, the employees and the Company are committed to acting impeccably and conducting business in accordance with the law. As an international, globally positioned company, HELLA acts in accordance with responsible, orderly corporate governance, which is based, among other things, on a visible corporate and compliance culture as well as HELLA's corporate values. HELLA expects its employees in all countries, regardless of the hierarchy level, to comply with laws and internal regulations and to exhibit integrity and exemplary behaviour. This aspiration and its realisation in day-to-day business are the basis for HELLA's long-term economic success. Upholding the virtues of compliance, adherence to rules and integrity also means acting responsibly in relation to employees, customers, suppliers and other business partners as well as society and the environment.

The company-wide compliance system, which is based on the IDW PS 980 audit standard, aims to ensure that compliance requirements are consistently recorded and observed worldwide by analysing risks and implementing preventive, detective and reactive measures. This is carried out by the compliance organisation, which is coordinated by the Compliance Office. The Compliance Office designs the framework of the compliance system on the basis of the compliance guideline. In addition to general compliance topics, including the Code of Conduct, the Compliance Office is responsible for the areas of corruption prevention and antitrust law, while the other

Employee group	Average training hours per employee in FY 2019/2020	Average training hours per employee in FY 2020/2021
White collar	13.4	11.5
Blue collar	Not recorded	11.8
Total	**Not recorded**	**11.7**

compliance topics are assigned to the respective specialist divisions that carry out their tasks independently. The Corporate Compliance Office also reports regularly to the Management Board and to the Audit Committee of the Company's Supervisory Board. Through central and additional local contact persons, the compliance organisation provides direct and expert consultation on compliance-related issues and in the implementation of compliance requirements (guidelines/processes) on site. →

A fundamental guide to the corporate and compliance culture at HELLA is provided by the Company's Code of Conduct. This describes clear and binding principles for complying with rules and behaving with integrity at HELLA. Topics include, for example, labour and social standards, principles relating to the protection of data, information and the environment as well as fair business behaviour, including fair competition, combating corruption and handling conflicts of interest. In order to further raise awareness amongst new and existing employees, HELLA regularly trains them on the Code of Conduct and compliance principles. In the reporting period, HELLA rolled out a newly launched, web-based training course on the Code of Conduct and compliance principles in eight languages across the Group. As at the reporting date of 31 May 2021, around 19,000 employees had already received the invitation to the training course. More than 16,000 of these individuals have successfully completed this new e-learning module – i.e. corresponding to a completion rate of 86%.

Anti-corruption and antitrust law are relevant components of the compliance system at HELLA, which are controlled group-wide by the Compliance Office. HELLA is committed to fair competition and does not tolerate violations of anti-corruption and antitrust laws. In the area of corruption prevention, the reporting period saw the continuation of the global training courses on the two guidelines “Corruption Prevention” and “Gifts & Invitations”, which were adopted and communicated throughout the Group in the prior reporting period. The guidelines prohibit, for example, employees from accepting, soliciting, offering or making unfair payments or inappropriate gifts and invitations. The Compliance Office provided the content in greater detail to selected employee groups on a risk-based basis – via “in-person training sessions” by means of video conferences in the reporting period. More than 100 training sessions were held for over 3,500 employees, equating to a total of more than 230 training sessions for more than 4,600 employees over the last two reporting periods. Another focus was the creation of a web-based training course (e-learning format) on the topic of anti-corruption in eight languages, which clearly conveys the principles and guidelines in the areas of active and passive corruption, gifts and invitations and business partner checks via examples from everyday work. This new e-learning module, which – like the e-learning module “Code of Conduct and Compliance Basics” – is aimed at all HELLA employees with a monitor-based workstation worldwide, started being implemented in May of the past fiscal year. As at 31 May 2021, approximately 15,000 employees had already received the invitation to the new e-learning module, of which more than 4,000 employees have already successfully completed the training (the processing period is still running for the remaining employees).

When working with business partners, HELLA relies on a trusting partnership and compliance with rules. The HELLA Code of Conduct for suppliers and service Providers formulates this demand and is binding for the establishment and maintenance of business relationships with the Company. It stipulates that business partners must comply with applicable laws, including anti-corruption, as well as social and environmental standards. Further information on sustainable supply chain management is provided in the chapter entitled “Social standards in the supply chain”.

Employees are encouraged to report violations of laws and rules of conduct. The web-based “tellUS!” whistleblower system is available for this purpose – in addition to the possibility of reporting directly to superiors, the managing directors, other members of management or the contact persons for compliance. Evidence of misconduct can be submitted in the local language and, if desired, anonymously. HELLA

→ **Further information** on the compliance organisation and the compliance system are contained in the statement on corporate governance.

protects whistleblowers from disadvantages which could potentially result from a truthful report. This reporting channel has also been available to HELLA business partners and third parties via the HELLA website since spring 2021. The Company follows up on all reports consistently and has a zero-tolerance policy for all confirmed misconduct. Such misconduct can have consequences under labour law, including termination of the employment or business relationship, as well as criminal prosecution and claims for damages.

During the reporting period, HELLA did not become aware of any serious violations in the Company or in its own supply chain regarding corruption or antitrust law, nor were issues identified in relation to human rights and environmental protection.

Social standards in the supply chain

At HELLA, responsibility for people and the environment is not a concept merely for internal consideration; instead, it is a priority that extends throughout the entire value chain. Against this background, HELLA strives, inter alia, to work with suppliers who adhere to social and environmental standards and who respect human rights.

The HELLA supplier network extends worldwide and ensures the Company access to global procurement markets. The Company relies on long-term, trusting and strategic partnerships with suppliers. The network is managed by the central purchasing department and the respective purchasing managers of the HELLA business units. The Management Board is consulted regarding escalation models and is kept informed of sustainability activities in the supply chain.

The aim is to ensure reliable procurement of goods and services at competitive prices. Among the suppliers, HELLA pays attention to quality as well as compliance with minimum social standards and environmental protection standards. These requirements are primarily laid down in the HELLA Code of Conduct for suppliers and service providers, which is mandatory for suppliers and their supply chain and comprises an integral portion of the general terms of delivery. The requirements include, for example, human rights requirements such as the prohibition of child and forced labour, discrimination and slavery, as well as other labour, social, compliance and environmental standards. They are based on the international conventions of the UN Global Compact and the International Labour Organization (ILO).

If there are indications of possible violations of the Code of Conduct or legal regulations, HELLA will look into them systematically. Since spring 2021, suppliers and other external stakeholders have also had the possibility to submit reports via “TellUS!”, the online whistleblower portal. During the reporting period, no serious violations of social or environmental standards were identified in the supply chain.

In connection with sustainability requirements placed on the supply chain, the operating principle at HELLA is to first enable its suppliers before opting to withdraw from a business relationship. HELLA is therefore working together with its key suppliers to make sustainability performance more transparent and to continuously improve it. In the event of persistent and serious violations, the Company reserves the right to terminate business relationships.

HELLA is endeavouring to increase transparency in the supply chain and to take prophylactic measures to ensure sustainability requirements. The management systems of the main suppliers are to be certified according to the environmental standard ISO 14001 and, in the future, also the occupational safety standard ISO 45001 (Group view).

Starting in this reporting period, HELLA has also included ISO 45001 certificates in the supplier evaluation. For this purpose, Purchasing conducted an initial determination of status. If there is no valid certificate at Group level, this will be reflected in the assessment.

In addition, HELLA regularly assesses the main suppliers as part of quality audits by means of self-reports and on-site inspections. During these audits, auditors also pay attention to possible violations of social standards – e.g. in the field of occupational safety or environmental requirements – and record them in the assessments. In addition, HELLA Purchasing carries out risk-based assessments of the Code of Conduct for suppliers and service providers. The selection is based on the Country Sustainability Rankings of the sustainability investment specialist RobecoSAM. Despite the restrictions and travel restrictions during the Covid-19 pandemic, HELLA maintained random sustainability audits during the reporting period. These took place at selected suppliers in China and Mexico. In the course of the assessments, only minor violations were found, such as the lack of ear protection as occupational safety equipment or missing work descriptions for the storage and handling of chemicals. With coordinated action plans, Purchasing continues to improve the suppliers concerned on schedule.

Fiscal year	2020/2021	Target 2021/2022
% of key suppliers certified under ISO 14001 (Group view)	70%	71%
% of key suppliers certified under ISO 45001 (incl. still valid OHSAS 18001) (Group view) [9]	13%	15%

Another focus of the activities is the responsible procurement of raw materials, which also includes the purchase of products with potential conflict minerals such as gold, tin, tantalum and tungsten. HELLA requires strategic suppliers affected by this to carry out conflict minerals reporting in accordance with the template of the Responsible Minerals Initiative and make the summary available to its own customers on request.

In the future, HELLA plans to expand its own activities to maintain due diligence in the supply chain and to further develop processes that take social and environmental aspects into account.

[9] *cover approx. 80% of the purchasing volume with relevance for production at HELLA*

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

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 2020 to 31 May 2021 (hereinafter the "Non-financial Report").

Responsibilities of the Managing Directors

The managing 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 managing 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 managing directors are responsible for such internal controls 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 information in 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 01 June 2020 to 31 May 2021 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:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and 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 2020 to 31 May 2021 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, 30 July 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke ppa. Meike Beenken
Wirtschaftsprüferin
(German public auditor)

Report of the Supervisory Board →

Report by the Supervisory Board

Ladies and Gentlemen,

In the fiscal year 2020/2021, 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 sales situation of the Company against the background of general economic developments, the financial situation of the Company and its subsidiaries as well as earnings trends were presented to the Supervisory Board. In the context of the monthly reporting, sales and earnings 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 a detailed commentary regarding any deviations in the course of business from the budgeted values. In addition, the Management Board regularly reported on the effects of the Covid-19 pandemic for the HELLA Group and on the state of implementation of the programme to increase competitiveness adopted in July 2020. With the beginning of the calendar year 2021, the increasing scarcity on the procurement markets for electronic components and raw materials also came to the fore in the reporting. 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 the fiscal year 2020/2021, the Supervisory Board held three ordinary meetings, two of which took the form of a conference call, plus one extraordinary meeting in the form of a conference call. The ordinary meetings were held on 12 August 2020, 5 November 2020 and 4 February 2021. The extraordinary meeting was held on 8 July 2020. Due to time constraints, the fourth ordinary meeting of the Supervisory Board for the fiscal year 2020/2021 was not held until 1 June 2021, and thus in the fiscal year 2021/2022. The Supervisory Board meetings had an average attendance rate of 98%, while the meetings of the Audit Committee had an attendance rate of 100%. All members of the Supervisory Board attended each of the aforementioned meetings with the exception of Claudia Owen, who was unable to attend one of the meetings.

At the extraordinary meeting on 8 July 2020, it was decided to update the statement of 28 May 2020 on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). Updating this statement during the year was required because, due to the Covid-19 pandemic, the Shareholder Committee was only able to make certain determinations relating to the remuneration of the Management Board later than the time period recommended in the German Corporate Governance Code. The update was subsequently made publicly available on the Company's website at www.hella.de/entsprechenserklaerung.

At the meeting on 12 August 2020, in which representatives of the auditor participated, 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 the fiscal year 2019/2020 were presented and discussed in depth. Based on the initial review by the Audit Committee, the Supervisory Board approved both sets of 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 25 September 2020. The Supervisory Board also approved the legal advisory activities of the law firm Hengeler Mueller for the Group. Dr. Thomas B. Paul, a member of the Supervisory Board who belongs to this law firm, did not participate in the vote. Furthermore, the Management Board described the current situation in the Company and the status of the measures in dealing with the Covid-19 pandemic. In addition, the Supervisory Board was informed of the key contents of the long-term programme to increase the competitiveness of the HELLA Group, which the Management Board of the Company adopted in July 2020.

The Management Board presented a report to the Supervisory Board at the meeting held on 5 November 2020, starting with an update on the status of the digitalisation activities in the HELLA Group. In addition, it outlined the current performance of the business segments and of the Group and, in this context, discussed the current impacts of the Covid-19 pandemic and the status of the programme to increase competitiveness. Furthermore, the results of the efficiency review conducted by the Supervisory Board in autumn 2020 were discussed and measures for further improvement determined.

The main topic of the meeting on 4 February 2021 was the Company's current economic situation, including a status report on the Covid-19 pandemic and the programme for improving competitiveness. The Management Board also presented the status of the activities of the HELLA Global Software House. Furthermore, the Supervisory Board looked into the upcoming audit of the non-financial statement for fiscal year 2020/21 and authorised the Audit Committee to commission PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with the audit (limited assurance) of the non-financial statement for the fiscal year 2020/21.

In a written resolution procedure in accordance with Section 15(1), sentence 1 of the Articles of Association, the Supervisory Board decided in the first half of May 2021 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.

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 combined management report, 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. The members of the Audit Committee are Klaus Kühn (Chairman), Paul Hellmann, Manfred Menningen and Dr. Thomas B. Paul.

The Audit Committee convened four times in the fiscal year 2020/2021: on 10 August 2020, 23 September 2020, 13 January 2021 and 13 April 2021. Representatives of the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, also took part in the meetings.

At the meeting on 10 August 2020, the Committee examined the initial review of the annual financial statements and the consolidated financial statements as at 31 May 2020, as well as the management reports, the proposal for the appropriation of profits and the non-financial report for the fiscal year 2019/2020. Furthermore, the Committee received an overview of the proposed resolutions for the Annual General Meeting, which were due to be addressed during the Supervisory Board meeting on 12 August 2020. 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.

At the meeting on 23 September 2020, the Audit Committee examined the three-month financial disclosure for the fiscal year 2020/2021. Furthermore, the Audit Committee was presented with a concept for ensuring the conformity of the annual financial statements and the consolidated financial statements for the fiscal year 2020/21 with the new requirements for a uniform electronic reporting format in the EU, the "European Single Electronic Format" (ESEF).

At the meeting on 13 January 2021, the Management Board presented the half-year financial report for the fiscal year 2020/2021. In talks with the auditor, the Audit Committee defined the auditing priorities for the fiscal year 2020/2021. The agreement with the auditor for the audit of the annual financial statements for the fiscal year 2020/2021 was discussed and the decision was made to engage PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft accordingly. Furthermore, there was discussion on the current status of the preparations for drawing up the annual financial statements and the consolidated financial statements for the fiscal year 2020/21 in accordance with ESEF requirements. Further topics of discussion at the meeting were the six-month reports by Auditing, Risk Management and Compliance Management.

The nine-month financial disclosure for the fiscal year 2020/2021 was discussed at the meeting on 13 April 2021. The status of the preparatory activities for the ESEF financial statements for the fiscal year 2020/2021 was again presented as an additional key issue. Furthermore, the Audit Committee dealt with the requirements for monitoring the quality of the auditor's work and determined the further action in this regard.

Outside the regular meetings, in the written procedure pursuant to section 15(1) of the Articles of Association, in March 2021 the Audit Committee awarded the contract for auditing (limited assurance) the non-financial report for the fiscal year 2020/2021 to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The Nomination Committee, consisting of Klaus Kühn and Claudia Owen, which is responsible for preparing the Supervisory Board's proposals to the Annual General Meeting for the election of shareholder representatives to the Supervisory Board, did not meet in the fiscal year 2020/2021.

Auditing of the annual financial statements and consolidated financial statements and the separate non-financial report of the Company and Group

On 25 September 2020, the Annual General Meeting appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) as auditor both for the annual financial statements and for the consolidated financial statements for the fiscal year 2020/2021. The annual financial statements and the management report of HELLA GmbH & Co. KGaA for the fiscal year 2020/2021 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 adopted in the European Union, and in accordance with the additional commercial law provisions as they apply under Section 315a HGB. The two sets of 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 the fiscal year 2020/2021. 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 16 August 2021. 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 the non-financial reporting was 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 the fiscal year 2020/2021. 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 18 August 2021, 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.

Composition of the Supervisory Board

No changes to the composition of the Supervisory Board were made in the fiscal year 2020/2021.

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 HELLA employees worldwide for their commitment and successful achievements in the fiscal year 2020/2021, which was a year characterised by special challenges in connection with the global Covid-19 pandemic and the industry-wide shortage of electronic components and raw materials.

Lippstadt, 18 August 2021

On behalf of the Supervisory Board

Klaus Kühn

Consolidated financial statements of HELLA GmbH & Co. KGaA

Fiscal year 2020/2021

Consolidated income statement

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

€ thousand	Notes	2020/2021	2019/2020
Sales	09	**6,379,734**	**5,829,416**
Cost of sales	10	-4,846,776	-4,490,912
Gross profit		**1,532,958**	**1,338,505**
Research and development expenses	11	-670,372	-622,696
Distribution expenses	12	-319,190	-353,382
Administrative expenses	13	-225,238	-219,764
Impairment of non-current assets	20	-30,268	-532,620
Other income	14	183,688	52,391
Other expenses	14	-46,658	-17,855
Earnings from investments accounted for using the equity method	31	29,730	14,347
Other income from investments		-1,032	-1,933
Earnings before interest and taxes (EBIT)		**453,618**	**-343,007**
Financial income	15	45,206	18,193
Financial expenses	15	-51,247	-57,219
Net financial result	15	**-6,041**	**-39,026**
Earnings before income taxes (EBT)		**447,577**	**-382,033**
Income taxes	16	**-87,622**	-49,633
Earnings for the period		**359,954**	**-431,666**
of which attributable:			
to the owners of the parent company		358,276	-431,012
to non-controlling interests		1,678	-654
Basic earnings per share in €	18	**3.22**	**-3.88**
Diluted earnings per share in €	18	**3.22**	**-3.88**

Consolidated statement of comprehensive income

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

€ thousand	2020/2021	2019/2020
Earnings for the period	**359,954**	**-431,666**
Currency translation differences	-20,215	-36,486
Changes recognised in equity	-17,731	-34,078
Profits (-) / losses (+) reclassified to profit or loss	-2,483	-2,409
Financial instruments for cash flow hedging	10,514	-2,326
Changes recognised in equity	6,790	-10,158
Profits (-) / losses (+) reclassified to profit or loss	3,724	7,832
Change in fair value of debt capital instruments held	2,288	-5,110
Changes recognised in equity	3,460	-3,167
Profits (-) / losses (+) reclassified to profit or loss	-1,172	-1,943
Share of other comprehensive income attributable to associates and joint ventures	1,737	-5,175
Items that were or can be transferred to profit or loss	**-7,412**	**-43,922**
Remeasurements of defined benefit plans	1,731	-11,288
Share of other comprehensive income attributable to associates and joint ventures	-42	-644
Items never transferred to profit or loss	**1,731**	**-11,288**
Other earnings for the period	**-5,682**	**-55,210**
Comprehensive income for the period	**354,273**	**-486,876**
of which attributable:		
to the owners of the parent company	353,305	-485,831
to non-controlling interests	968	-1,045

Consolidated statement of financial position

of HELLA GmbH & Co. KGaA as at 31 May

€ thousand	**Notes**	**31 May 2021**	31 May 2020
Cash and cash equivalents	23	979,495	1,202,794
Financial assets	24	442,404	445,631
Trade receivables	25	958,507	596,356
Other receivables and non-financial assets	26	196,279	206,774
Inventories	27	900,416	881,524
Current tax assets		36,148	70,075
Contract assets	28	39,307	18,284
Current assets		**3,552,555**	**3,421,438**
Intangible assets	29	311,157	252,186
Property, plant and equipment	30	1,711,474	1,593,425
Financial assets	24	63,862	51,867
Investments accounted for using the equity method	31	199,170	176,744
Deferred tax assets	32	92,670	81,511
Contract assets	28	32,848	55,046
Other non-current assets	33	94,453	60,554
Non-current assets		**2,505,634**	**2,271,334**
Assets		**6,058,190**	**5,692,771**
Financial liabilities	37	77,934	503,673
Trade payables	34	939,836	601,793
Current tax liabilities		27,879	40,684
Other liabilities	35	433,439	372,679
Provisions	36	197,514	129,063
Contract obligations	28	94,899	111,858
Current liabilities		**1,771,501**	**1,759,750**
Financial liabilities	37	1,240,584	1,284,562
Deferred tax liabilities	32	9,429	14,775
Other liabilities	35	119,337	95,913
Provisions	36	456,762	431,100
Non-current liabilities		**1,826,112**	**1,826,350**
Subscribed capital	38	222,222	222,222
Reserves and unappropriated surplus	38	2,236,574	1,883,270
Equity before non-controlling interests	38	**2,458,797**	**2,105,492**
Non-controlling interests	38	1,781	1,180
Equity		**2,460,578**	**2,106,672**
Equity and liabilities		**6,058,190**	**5,692,771**

Consolidated cash flow statement

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

€ thousand	**2020/2021**	2019/2020
Earnings before income taxes (EBT)	**447,577**	**-382,033**
Depreciation and amortisation	440,485	918,580
Change in provisions	99,035	4,715
Other non-cash income / expenses and cash flows not attributable to operating activities	-185,366	9,834
Profits / losses from the sale of property, plant and equipment and intangible assets	1,523	765
Net financial result	6,041	39,026
Change in trade receivables and other assets not attributable to investing or financing activities	-372,034	405,287
Change in inventories	-30,639	-99,219
Change in trade payables and other liabilities not attributable to investing or financing activities	383,936	-219,884
Tax refunds received	24,753	3,491
Taxes paid	-112,132	-91,492
Dividends received	650	46,735
Net cash flow from operating activities	**703,828**	**635,804**
Cash receipts from the sale of property, plant and equipment	8,603	27,177
Cash receipts from the sale of intangible assets	11,921	14,940
Payments for the purchase of property, plant and equipment	-498,524	-406,991
Payments for the purchase of intangible assets	-152,095	-66,009
Cash receipts from the loss of control of subsidiaries or other business units, minus transferred cash	128,586	7,294
Repayments from loans granted to investments	2,050	3,126
Payments for loans granted to investments	-7,800	-33
Payments for capital contributions to associated companies, joint ventures and unconsolidated companies	-24,772	-9,041
Cash receipts from the sale of associate investments and joint ventures	66,216	41,031
Payments for the acquisition of subsidiaries, less cash and cash equivalents received	0	-548
Payments made for acquiring non-consolidated subsidiaries	-8,150	0
Net payments for the purchase and sale of securities	21,236	99,959
Interest received	8,158	10,411
Net cash flow from investing activities	**-444,571**	**-278,685**
Payments received from the issuance of a bond	0	498,515
Repayment of a bond	0	-500,000
Payments for the repayment of financial liabilities	-485,432	-61,882
Cash receipts from changes in financial liabilities	29,206	449,992
Interest paid	-26,173	-37,876
Dividends paid	-367	-372,453
Net cash flow from financing activities	**-482,765**	**-23,704**
Net change in cash and cash equivalents	**-223,508**	**333,415**
Cash and cash equivalents as at 1 June	1,202,794	876,763
Effect of exchange rate changes on cash and cash equivalents	209	-7,384
Cash and cash equivalents as at 31 May	**979,495**	**1,202,794**

In the reporting period, the presentation of interest received was adjusted (see also Chapter 08).

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
As at: 01 June 2019	**222,222**	**250,234**	**-54,197**	**-64,471**
Earnings for the period	-	-	-	-
Other earnings for the period	-	-	-36,099	-2,326
Comprehensive income for the period	**0**	**0**	**-36,099**	**-2,326**
Distributions to shareholders	0	0	0	0
Disposal of non-controlling interests	0	0	-2,405	0
Transactions with shareholders	**0**	**0**	**-2,405**	**0**
As at: 31 May 2020	**222,222**	**250,234**	**-92,701**	**-66,797**
As at: 01 June 2020	**222,222**	**250,234**	**-92,701**	**-66,797**
Earnings for the period	-	-	-	-
Other earnings for the period	-	-	-19,501	10,514
Comprehensive income for the period	**0**	**0**	**-19,501**	**10,514**
Distributions to shareholders	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**
As at: 31 May 2021	**222,222**	**250,234**	**-112,202**	**-56,283**

See also Chapter 38 for notes on equity.

Reserve for debt capital instruments	Remeasurements of defined benefit plans	Other retained earnings/profit carried forward	**Reserves and unappropriated surplus**	**Equity before non-controlling interests**	Non-controlling interests	**Equity**
3,874	**-104,511**	**2,712,732**	**2,743,660**	**2,965,882**	**2,609**	**2,968,491**
-	-	-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**
-1,236	**-115,796**	**1,909,565**	**1,883,270**	**2,105,492**	**1,180**	**2,106,672**
-	-	358,276	358,276	358,276	1,678	359,954
2,288	1,727	0	-4,972	-4,972	-710	-5,682
2,288	**1,727**	**358,276**	**353,305**	**353,305**	**968**	**354,273**
0	0	0	0	0	-367	-367
0	**0**	**0**	**0**	**0**	**-367**	**-367**
1,052	**-114,069**	**2,267,842**	**2,236,574**	**2,458,797**	**1,781**	**2,460,578**

See also Chapter 38 for notes on equity.

01 Basic information

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

The Company is a listed stock corporation, which was founded and is based in Lippstadt, Germany. The address of the Company's registered office is Rixbecker Str. 75, 59552 Lippstadt. HELLA GmbH & Co. KGaA is registered in 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 2020/2021 (1 June 2020 to 31 May 2021) 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 (IFRS IC) 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 balance sheet 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 notes. 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 28 July 2021. 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 18 August 2021.

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.

Associates and joint ventures are included in the consolidated financial statements using the equity method of accounting. Due to sales and start-ups, the number of associates and joint ventures remained constant.

Number	**31 May 2021**	31 May 2020
Fully consolidated companies	86	85
Companies accounted for using the equity method	46	47

Four entities were founded in the current fiscal year 2020/2021. The company HELLA eMobionics Ltd in India is to develop product solutions, inter alia, for electric rickshaws, in order to bring even more targeted value to the growth market of two-and three-wheeled vehicles, which are characteristic of Indian road traffic.

Three further companies were founded in China. HELLA and the MINTH Group have agreed to establish a joint venture.

HELLA MINTH Jiaxing Automotive Parts Co. Ltd. is intended to promote the development, manufacture and marketing of radomes and illuminated logos.

Furthermore, HELLA and the Chinese company Evergrande New Energy Automobile signed an agree-

The most important subsidiaries are set out below:

Company	Country	City	Share of equity (%) 31 May 2021	31 May 2020
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.

ment to form another business entity. The plans are for the company emerging from this agreement, HELLA Evergrande Electronics (Shenzhen) Co., Ltd. to assume business operations in the Automotive segment. Subsequently, a subsidiary with its registered office in Yangzhou was founded with the name HELLA Evergrande Electronics (Yangzhou) Co., Ltd.

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	
	2020/2021	2019/2020	**2020/2021**	2019/2020
€ 1 = US dollar	1.1864	1.1058	1.2201	1.1136
€ 1 = Czech koruna	26.3212	25.9036	25.4540	26.9210
€ 1 = Japanese yen	126.0953	119.6121	133.7900	119.2900
€ 1 = Mexican peso	24.8291	22.3738	24.3131	24.5580
€ 1 = Chinese renminbi	7.9154	7.7571	7.7722	7.8804
€ 1 = South Korean won	1354.6129	1318.5810	1352.0400	1363.7600
€ 1 = Romanian leu	4.8727	4.7740	4.9195	4.8493
€ 1 = Indian rupee	87.6385	79.5342	88.5414	83.4635

05 New accounting standards

The following amendments, which were endorsed by the EU as European law as at the balance sheet date, were applied for the first time in the fiscal year 2020/2021:

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. The application did not have any impact on the HELLA consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Material

The amendments to IAS 1 and IAS 8 “Definition of Materiality (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. There was no impact on the consolidated financial statements.

Amendments to IFRS 3 “Business combinations”: 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. This change had no impact on HELLA's consolidated financial statements.

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. There was no material impact on HELLA's consolidated financial statements.

The following new or amended IFRS have already been endorsed by the EU as European law as at the balance sheet date and will become effective at a later date:

IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” as well as IFRS 16 “Leases”: Reform of the reference interest rates (Phase 2)

On 27 August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 upon IASB's finalising the second phase of its IBOR reform project. They supplement the requirements from the project’s first phase and generally start with the reference interest rate being replaced by another reference interest rate. In the event of changes in contractual cash flows, it may not be necessary to adjust or derecognise the carrying amount of financial instruments on the basis of the adjustments, but the effective interest rate may be adjusted under certain conditions to reflect the change in the alternative reference interest rate. No profit or loss is then directly recorded. Similarly, when accounting for hedges, under certain circumstances, it is not necessary to terminate a hedging relationship designated for hedge accounting purposes due to adjustments brought about by the IBOR reform. In addition, it is mandatory for companies to disclose information on new risks arising from the reform, as well as the handling of the transition to alternative reference rates. There are also necessary adjustments to IFRS 16 and IFRS 4. These amendments must be applied to financial statements for fiscal years commencing on or after 1 January 2021, retrospectively. No material impact on the consolidated financial statements is expected.

The following new or amended IFRS had not yet been endorsed by the EU as at the balance sheet date 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.

Improvements to IFRS 2018-2020

Amendments have been made to four standards as part of the annual improvement project. Adjustments to the wording of individual IFRS serve the purpose of clarifying the existing guidance. The standards affected are IFRS 9 “Financial Instruments”, IFRS 16 “Leases”, IFRS 1 “First-Time Adoption of International Financial Reporting Standards” and IAS 41 “Agriculture”. These amendments must be applied to fiscal years commencing on or after 1 January 2022, retrospectively. No impact on the consolidated financial statements is expected.

IAS 1 “Presentation of Financial Statements“: Classification of liabilities as short-term or long-term

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.

In addition, the IASB published further amendments to IAS 1 on 12 February 2021. According to this, it is only necessary in future to present the “material” accounting methods in the notes and thus to emphasise company-specific instead of standardised execution. To be considered “material”, the accounting policy must be related to material transactions or other events, and there must be an occasion for presentation. For example, the reason may be that the method has been changed, it is a voting right, the method is complex or highly discretionary or it has been developed in accordance with IAS 8.10-11. These amendments must also be applied to fiscal years commencing on or after 1 January 2023. The initial application of these amendments is not expected to have any material impact on the consolidated financial statements.

IAS 8 "Accounting Policies, Changes in Accounting Estimantes and Errors": Definition of accounting estimates

On 12 February 2021, the IASB published an amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” that clarifies how companies can better distinguish changes in accounting policies from changes in estimates. For this purpose, the definition states that an accounting estimate is always related to an uncertain valuation of a financial value in the financial statements. In addition to input parameters, a company also uses valuation methods to establish an estimate. Valuation methods can entail valuation methods or techniques. These amendments must be applied to fiscal years commencing on or after 1 January 2023. HELLA does not anticipate a material impact on the consolidated financial statements.

IAS 16 “Property, plant and equipment”: Proceeds before intended use

In October 2019, the IASB made amendments to IAS 16 “Property, plant and equipment”. Accordingly, it will no longer be permissible to deduct proceeds from the sale of goods that are already being produced while property, plant and equipment is brought to the site and into the operational state intended by management from the acquisition or production costs of said property, plant and equipment. An example of such is samples produced in test runs. Instead, these proceeds are recognised in profit or loss.

The envisaged initial application must be applied to fiscal years commencing on or after 1 January 2022. No material impact on the HELLA consolidated financial statements is expected.

IAS 37: “Provisions, Contingent Liabilities and Contingent Assets”: Costs of Fulfilling a Contract

On 14 May 2020, the IASB published the amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” that clarify which costs are to be regarded as settlement costs.

According to IAS 37, a contract in which the unavoidable costs of fulfilling the contractual obligations are higher than the expected economic benefits is an onerous contract for which a corresponding provision must be recorded. With the amendment, the IASB clarifies that the cost of fulfilment includes costs directly related to the contract. These include, on the one hand, the additional costs incurred for the fulfilment of the contract ("incremental costs") and, on the other hand, an allocation of other costs that are directly attributable to the fulfilment of the contract – such as depreciation of property, plant and equipment used in the fulfilment of the contract.
The initial application is planned for fiscal years commencing on or after 1 January 2022,. No material impact on the HELLA consolidated financial statements is expected.

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. In June 2020, the IASB published a number of amendments and clarifications in eight areas of IFRS 17 with the aim of facilitating the application, implementation and transition, which are not intended to change the fundamental principles of the standard. 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 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. No reversals of impairment are performed. 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.

Cash flow hedge reserve

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 at 31 May of the respective reporting year; in Germany, the calculations are based on Heubeck's 2018 G actuarial tables.

In the case of funded pension plans, the pension provisions calculated using the projected unit credit method are reduced by the fair value of the fund assets. If the fund assets exceed the provisions, 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 and losses) 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, as are remeasurements 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 the operating result.

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 a 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 and was shown under personnel expenses. Please refer to Chapter 41 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 statements are 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 measured at amortised cost if it meets the following two conditions and is not classified as FVPL: First, it is held within a business model whose goal is to hold assets in order to obtain 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 impairment 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 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 current fiscal year, as in the prior year, there were no non-derivative financial liabilities measured at fair value in the income statement or categorised as such. The accounting policies for the derivative financial liabilities measured at fair value included under other liabilities are described separately in the section entitled "Derivative financial instruments".

All other non-derivative financial liabilities 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 an extension option 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:

- initial 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
- exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- lease payments in an optional extension 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 reporting period.

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 judgements.

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 29).

Recognition and estimated impairments of non-current assets

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. Important estimates also relate to the determination of the useful life for intangible assets and property, plant and equipment.

The Group performs impairment tests on intangible assets (especially capitalised development expenses) and property, plant and equipment and net capital expenditures in associates and joint ventures as soon as any indication of impairment arises in a specific case (triggering event). An impairment loss is recognised by comparing the carrying amount with the estimated recoverable value. The cash flow forecasts and the discount factors used constitute particularly important estimated values when reviewing the value of non-current assets (see Chapter 22, 29 and 30). The underlying forecasts are based on experience as well as expectations regarding future market developments, particularly assumed sales volumes.

If an impairment loss has been recognised, checks must be performed in subsequent periods to determine whether the triggering events for such have been eliminated. For this purpose, both internal and external sources must be taken into account. An impairment loss recognised in previous periods must be reversed if there has been a change in the estimates of the recoverable amount (through use or sale). In addition to the assessment of the cash flow forecasts from the continuing use, there is discretionary scope in the assessment of whether the indications that led to the impairment loss have been removed. If the indications are directly related to changes in the company environment, then experience and expectations are also used in assessing whether said indications have been or will be eliminated. The assessment of market-related or economic changes as well as the effects of legal framework conditions are subject to assumptions and estimates and are thus discretionary.

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 scope 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. Scope 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.

Valuation of restructuring provisions

For restructuring measures, corresponding provisions must be established if the general and specific requirements for recognition are met. The valuation of the employee-related restructuring provisions is highly dependent on the assessments and assumptions – in particular with regard to the design of voluntary components, severance payments, social plans and site assignment costs.

Income taxes

Due to the international nature of its business activities, HELLA is subject to a large number of national tax laws and regulations. Changes in tax laws, as well as the adoption of case law and its interpretation by local tax authorities, may have an impact on the amount of both actual and deferred taxes. This results in corresponding uncertainties in the accounting that must be addressed via appropriate discretionary decisions.

The assessment of this uncertainty is carried out with the most probable value of the possible realisation of the uncertainty. Whether groups of uncertainties are presented individually or in consolidated fashion is made dependent on the individual case under consideration.

Uncertainties arise, firstly, in the actual taxes, which are taken into account by an appropriate estimate of potential tax arrears. Secondly, they arise from the value of deferred tax assets, which is countered by means of operational planning. If the final tax amount for these transactions differs from the amount initially assumed, this is recognised in the reported taxes in the period in which the tax amount is conclusively determined (see Chapter 16).

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 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

As of 31 December 2019, HELLA ceased to be active in the thermal management business. The sales generated and expenses incurred up to this point in time were part of the Aftermarket segment and of the Group. Consolidated sales in the fiscal year 2019/2020 thus contain components of the thermal management business. These components ceased to be included following disposal of the business.

In order to ensure consistent comparability with the current reporting period, Group sales in the same period of the previous year are restated for the share of sales from the thermal management business in the following table.

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

€ thousand	2019/2020 as reported	restatements	2019/2020 restated
Germany	1,870,174	-20,431	1,849,744
Europe excluding Germany	1,681,163	-45,131	1,636,032
North, Central and South America	1,253,096	-9,165	1,243,931
Asia / Pacific / RoW	1,024,983	-15,454	1,009,529
Consolidated sales	**5,829,416**	**-90,180**	**5,739,236**

As a result of this decision, the thermal management business also ceased to be part of the Aftermarket segment in its entirety as of that date. Consequently, no related expense or income items have been included in the fiscal year 2020/2021. To ensure the ability to draw consistent comparisons, the sales and expenses for the prior year have been adjusted in the Aftermarket segment figures and integrated into the Group reconciliation for sales and EBIT. This has not had any impact on the Group figures.

In accordance with the new structure, the reporting for the Aftermarket segment was adjusted and is as follows for fiscal year 2019/2020:

€ thousand	2019/2020 as reported	Thermal management business	2019/2020 adjusted
Sales with third-party entities	556,956	-90,180	466,776
Intersegment sales	3,519	0	3,519
Segment sales	**560,475**	**-90,180**	**470,294**
Cost of sales	-345,882	73,707	-272,176
Gross profit	**214,593**	**-16,474**	**198,119**
Research and development expenses	-17,321	0	-17,321
Distribution expenses	-135,999	10,641	-125,359
Administrative expenses	-20,881	0	-20,881
Other income	17,867	0	17,867
Other expenses	-7,633	0	-7,633
Earnings from investments accounted for using the equity method	404	0	404
Other income from investments	329	0	329
Earnings before interest and taxes (EBIT)	**51,357**	**-5,833**	**45,524**
Additions to property, plant and equipment and intangible assets	14,289	0	14,289

MAESA, a HELLA company in Spain, was integrated into the Automotive segment as of the beginning of the current reporting period. Prior to that point, the production company (whose products include rear combination lamps and fog lamps for European original equipment manufacturers for both current and post series) had been part of the Special Applications segment. MAESA has been a fully owned subsidiary of HELLA since 1967. In the fiscal year 2019/2020, the production business employed an average of 280 individuals and generated sales of € 31 million. Its reclassification under a different segment is part of a strategic realignment.

In order to ensure a transparent and comparable presentation over time, the prior-year figures for the Special Applications and Automotive segments have been adjusted accordingly. This has not had any impact on the Group figures.

In accordance with the new structure, the reporting for the Automotive segment was adjusted and is as follows for fiscal year 2019/2020:

€ thousand	2019/2020 as reported	MAESA integration	2019/2020 adjusted
Sales with third-party entities	4,894,430	24,766	4,919,196
Intersegment sales	49,251	0	49,251
Segment sales	**4,943,681**	**24,766**	**4,968,447**
Cost of sales	-3,908,390	-23,725	-3,932,115
Gross profit	**1,035,291**	**1,041**	**1,036,333**
Research and development expenses	-584,349	-974	-585,323
Distribution expenses	-158,386	-873	-159,259
Administrative expenses	-179,910	-4,344	-184,253
Other income	52,050	362	52,412
Other expenses	-12,607	0	-12,607
Earnings from investments accounted for using the equity method	13,943	0	13,943
Other income from investments	-1,663	0	-1,663
Earnings before interest and taxes (EBIT)	**164,370**	**-4,788**	**159,583**
Additions to property, plant and equipment and intangible assets	419,915	1,852	421,767

In accordance with the new structure, the reporting for the Special Applications segment was adjusted and is as follows for fiscal year 2019/2020:

€ thousand	2019/2020 as reported	MAESA exclusion	2019/2020 adjusted
Sales with third-party entities	334,824	-24,766	310,059
Intersegment sales	7,785	0	7,785
Segment sales	**342,609**	**-24,766**	**317,843**
Cost of sales	-215,417	23,725	-191,692
Gross profit	**127,193**	**-1,041**	**126,151**
Research and development expenses	-19,267	974	-18,293
Distribution expenses	-57,328	873	-56,455
Administrative expenses	-26,924	4,344	-22,580
Other income	8,259	-362	7,897
Other expenses	-4,463	0	-4,463
Earnings from investments accounted for using the equity method	0	0	0
Other income from investments	0	0	0
Earnings before interest and taxes (EBIT)	**27,468**	**4,788**	**32,256**
Additions to property, plant and equipment and intangible assets	18,889	-1,852	17,038

The departure of the thermal management business from the Aftermarket segment has led to a new presentation of the reconciliation of sales and earnings for the fiscal year 2019/2020.

Based on the adjusted segment information of the previous year, the restatement of sales is as follows:

€ thousand	2019/2020 as reported	Adjustments	2019/2020 adjusted
Total sales of the reporting segments	**5,846,765**	**-90,180**	**5,756,585**
Sales in other divisions	83,625	0	83,625
Sales in thermal management business	0	90,180	90,180
Elimination of intersegment sales	-100,974	0	-100,974
Consolidated sales	**5,829,416**	**0**	**5,829,416**

The segment results are restated after the adjustments of the segment information to the consolidated net profit as follows:

€ thousand	2019/2020 as reported	Adjustments	2019/2020 adjusted
EBIT of the reporting segments	**243,196**	**-5,833**	**237,363**
EBIT of other divisions	-10,512	0	-10,512
EBIT of thermal management business	0	5,833	5,833
EBIT adjustments	-575,691	0	-575,691
Consolidated EBIT	**-343,007**	**0**	**-343,007**
Net financial result	-39,026	0	-39,026
Consolidated EBT	**-382,033**	**0**	**-382,033**

Adjustment of prior-year cash flow statement

The presentation of interest received has been adjusted for the reporting period. Previously, this component had been disclosed within net cash flow from financing activities. Interest received now being disclosed within investing activities creates a connection to securities and their cash flows which, from the Company's perspective, constitutes a more appropriate allocation, thus providing more relevant and more reliable information on the Company's cash flows.

The change in cash and cash equivalents remains completely unaffected by this adjustment, however. This does not result in any changes to other reporting elements. The quantitative effects on the reporting for the previous period are presented in the following table.

€ thousand	2019/2020 as reported	Adjustments	2019/2020 adjusted
Earnings before income taxes (EBT)	**-382,033**	**0**	**-382,033**
Depreciation and amortisation	918,580	0	918,580
Change in provisions	4,715	0	4,715
Other non-cash income / expenses and cash flows not attributable to operating activities	9,834	0	9,834
Profits / losses from the sale of property, plant and equipment and intangible assets	765	0	765
Net financial result	39,026	0	39,026
Change in trade receivables and other assets not attributable to investing or financing activities	405,287	0	405,287
Change in inventories	-99,219	0	-99,219
Change in trade payables and other liabilities not attributable to investing or financing activities	-219,884	0	-219,884
Tax refunds received	3,491	0	3,491
Taxes paid	-91,492	0	-91,492
Dividends received	46,735	0	46,735
Net cash flow from operating activities	**635,804**	**0**	**635,804**
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
Cash receipts from the loss of control of subsidiaries or other business units, less transferred cash	7,294	0	7,294
Repayments from loans granted to investments	3,126	0	3,126
Payments for loans granted to investments	-33	0	-33
Payments for capital contributions to associated companies, joint ventures and unconsolidated companies	-9,041	0	-9,041
Cash proceeds from the sale of investments in associates and joint ventures	41,031	0	41,031
Payments for the acquisition of subsidiaries less cash and cash equivalents received	-548	0	-548
Net payments for the purchase and sale of securities	99,959	0	99,959
Interest received	0	10,411	10,411
Net cash flow from investing activities	**-289,096**	**10,411**	**-278,685**
Payments received from the issuance of a bond	498,515	0	498,515
Repayment of a bond	-500,000	0	-500,000
Payments for the repayment of financial liabilities	-61,882	0	-61,882
Cash receipts from changes in financial liabilities	449,992	0	449,992
Interest received	10,411	-10,411	0
Interest paid	-37,876	0	-37,876
Dividends paid	-372,453	0	-372,453
Net cash flow from financing activities	**-13,293**	**-10,411**	**-23,704**
Net change in cash and cash equivalents	**333,415**	**0**	**333,415**
Cash and cash equivalents as at 1 June	876,763	0	876,763
Effect of exchange rate changes on cash and cash equivalents	-7,384	0	-7,384
Cash and cash equivalents as at 31 May	**1,202,794**	**0**	**1,202,794**

09 Sales

Sales in fiscal year 2020/2021 amounted to € 6,379,734 thousand (prior year: € 5,829,416 thousand). Sales are attributable entirely to the sale of goods and performance of services.

They can be classified as follows:

€ thousand	2020/2021	2019/2020
Sales from the sale of goods	6,057,537	5,517,583
Sales from the rendering of services	322,197	311,833
Total sales	**6,379,734**	**5,829,416**

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

€ thousand	2020/2021	2019/2020
Germany	2,013,181	1,870,174
Europe excluding Germany	1,867,164	1,681,163
North, Central and South America	1,345,025	1,253,096
Asia / Pacific / RoW	1,154,364	1,024,983
Consolidated sales	**6,379,734**	**5,829,416**

10 Cost of sales

In the fiscal year, € 4,846,776 thousand (prior year: € 4,490,912 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 € 38,552 thousand (prior year: € 51,168 thousand), with currency losses at € 46,636 thousand (prior year: € 50,583 thousand). Gains from the disposal of fixed assets amounted to € 2,271 thousand (prior year: € 479 thousand) and € 4,088 thousand (prior year: € 4,612 thousand) respectively.

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 € 670,372 thousand (prior year: € 622,696 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 € 319,190 thousand (prior year: € 353,382 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 € 225,238 thousand (prior year: € 219,764 thousand).

14 Other income and expenses

The other income and expenses, totalling € 137,030 thousand (prior year: € 34,537 thousand), were made up of income amounting to € 183,688 thousand (prior year: € 52,391 thousand) and expenses amounting to € 46,658 thousand (prior year: € 17,855 thousand). This includes income amounting to € 126,277 thousand from the sale of the business with front camera software as well as the associated transaction costs of € 5,420 thousand. Income from the disposal of assets is attributable to the sale of the joint venture company Mando HELLA Electronics in the amount of € 12,203 thousand as well as a subsequent purchase price adjustment regarding the sale of shares in the joint venture company Behr Hella Service in the amount of € 4,955 thousand.

The other expenses included are an impairment for financial assets in the reporting period regarding the investment in FWB Kunststofftechnik GmbH in the amount of € 18,341 thousand; the prior year's amount included a loss on disposal of the investment in Behr-Hella Service GmbH in the amount of € 3,288 thousand.

The remaining other expenses is comprised of expenses for settling potential claims for damages in the amount of € 17,642 thousand. Please refer to Chapter 22 for further information about other income and expenses.

Other income

€ thousand	2020/2021	2019/2020
Income from the sale of the front camera software business	126,277	0
Reversal of impairment for assets classified as held for sale	18,897	0
Income from the sale of investments	17,158	8,324
Government grants	9,789	12,304
Income from the reversal of value adjustments on trade receivables	4,674	4,015
Income from the reversal of provisions	1,230	11,733
Insurance refunds	903	3,451
Income from the disposal of real estate and buildings	0	3,368
Other	4,762	9,196
Other income, total	**183,688**	**52,391**

Other expenses

€ thousand	2020/2021	2019/2020
Value adjustment expenses relating to investments or loss on disposal from the investment	18,530	3,288
Advisory expenses	5,635	697
Value adjustments on trade receivables	2,681	8,429
Restructuring expenses	0	1,114
Other	19,813	4,327
Other expenses, total	**46,658**	**17,855**

From the current reporting period, other income and other expenses are reported separately as a component of the consolidated income statement to ensure they are presented transparently. The amalgamation of both rows in accordance with the prior year's presentation is shown in the following table.

Aggregation of other income and expenses

€ thousand	2020/2021	2019/2020
Other income, total	183,688	52,391
Other expenses, total	-46,658	-17,855
Other income and expenses, total	**137,030**	**34,537**

15 Net financial result

Currency gains of € 36,168 thousand (prior year: € 5,132 thousand) are mainly reported in other financial income and, in the same way, corresponding currency losses of € 25,682 thousand (prior year: € 21,351 thousand) incurred in financial transactions are reported in other financial income.

€ thousand	2020/2021	2019/2020
Interest income	7,963	12,057
Income from securities and other loans	1,075	1,004
Other financial income	36,168	5,132
Financial income	**45,206**	**18,193**
Interest expenses	-25,565	-35,868
Other financial expenses	-25,682	-21,351
Financial expenses	**-51,247**	**-57,219**
Net financial result	**-6,041**	**-39,026**

16 Income taxes

€ thousand	**2020/2021**	2019/2020
Effective income tax expense/income	-109,237	-52,588
Deferred income tax expense/income	21,615	2,955
Total income taxes	**-87,622**	**-49,633**

Of actual income taxes, € -7,032 thousand is attributable to prior years (prior year: € -3,930 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 the trade tax and the solidarity surcharge results in an average tax rate of 31% for German companies. The tax rates outside Germany range from 11% 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	**2020/2021**	2019/2020
Earnings before tax	447,577	-382,033
Expected income tax expense/income	**-138,749**	**118,430**
Utilisation of previously unrecognised loss carryforwards	8,387	786
Reversal of previously unrecognised temporary differences	0	0
Unrecognised deferred tax assets	-1,559	-160,743
Subsequent recognition of deferred tax assets	18,817	7,209
Deferred tax assets from outside basis differences	-2,528	2,740
Tax effect of changes in tax rates and laws	786	-1,801
Tax effect from tax-free income	11,832	8,683
Tax effect from investments accounted for using the equity method	6,530	4,784
Tax effect of non-deductible operating expenses	-8,692	-17,194
Tax effect for prior years	-4,030	-3,396
Non-deductible foreign withholding tax	-5,385	-13,783
Deviation in tax rates	27,632	5,440
Other	-663	-786
Reported income tax expense/income	**-87,622**	**-49,633**

In the prior year, 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; 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.

17 Personnel

The average number of employees in the companies included in the consolidated financial statements totals 37,780 (prior year: 39,376) for fiscal year 2020/2021.

Number	2020/2021	2019/2020
Direct employees	10,044	11,044
Indirect employees	25,948	26,503
Permanent employees	**35,992**	**37,547**
Temporary employees	1,788	1,829
Total employees	**37,780**	**39,376**

The average number of permanent employees in the HELLA Group in fiscal year 2020/2021 was 35,992 (prior year: 37,547). 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 355 during the fiscal year (prior year: 347).

"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.

211 employees in the Car.Software organisation (today: CARIAD) were transferred to the Volkswagen Group as part of the sale of the business with front camera software. Furthermore to increase competitiveness and improve cost structures, HELLA has commenced relocating administrative and development activities, in particular from Germany to locations abroad.

Permanent employees in the HELLA Group by region:

Number	2020/2021	2019/2020
Germany	9,124	9,685
Europe excluding Germany	14,117	14,213
North, Central and South America	7,046	7,640
Asia / Pacific / RoW	5,706	6,010
Permanent employees worldwide	**35,992**	**37,547**

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

€ thousand	2020/2021	2019/2020
Wages and salaries	1,320,467	1,212,023
Social security and retirement benefit expenses	329,502	348,124
Total	**1,649,969**	**1,560,147**

The costs of restructuring measures are included in personnel expenses which amounted to € 112,152 thousand (prior year: € 40,845 thousand).

In the current fiscal year, HELLA also received state subsidies for personnel expenses amounting to € 18,873 thousand (prior year € 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 € 3.22 and, as in the prior year, are equivalent to diluted earnings per share.

of units	31 May 2021	31 May 2020
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	**2020/2021**	**2019/2020**
Share of profit attributable to owners of the parent company	358,276	-431,012
€	**2020/2021**	**2019/2020**
Basic earnings per share	**3.22**	**-3.88**
Diluted earnings per share	**3.22**	**-3.88**

19 Appropriation of earnings

The Management Board will propose to the Annual General Meeting of HELLA GmbH & Co. KGaA that a dividend amounting to € 0.96 per no-par value share be distributed from the net profit reported in the separate financial statements prepared for the parent company under commercial law for the fiscal year 2020/2021.

In the prior year, it was proposed that no dividend be distributed. The Annual General Meeting agreed to this proposal.

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 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 in a more transparent form and facilitates a comparison over time.

Costs of € 172,205 thousand (prior year: € 43,071 thousand) for structural measures have been adjusted out of earnings before interest and taxes in the reporting period. This amount includes, inter alia, the portions relating to the strategy programme launched in August 2020 which amount to €160,666 thousand (see Chapter 22). Likewise, expenses have also been adjusted for settling potential claims for damages in the amount of € 17,642 thousand. Income from the sale of the business with front camera software has also been adjusted after deduction of the associated costs in the amount of € 120,857 as well as income from the sale of the joint venture company Mando HELLA Electronics in the amount of € 12,203 thousand.

The corresponding reconciliation statement for the fiscal years 2020/2021 and 2019/2020 is as follows:

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
Sales	6,379,734	0	6,379,734
Cost of sales	-4,846,776	30,036	-4,816,741
Gross profit	**1,532,958**	**30,036**	**1,562,994**
Research and development expenses	-670,372	67,097	-603,275
Distribution expenses	-319,190	3,989	-315,201
Administrative expenses	-225,238	17,326	-207,913
Impairment of non-current assets	-30,268	30,268	0
Other income	183,688	-138,480	45,209
Other expenses	-46,658	41,403	-5,256
Earnings from investments accounted for using the equity method	29,730	5,148	34,878
Other income from investments	-1,032	0	-1,032
Earnings before interest and taxes (EBIT)	**453,618**	**56,787**	**510,405**

Contributions from the thermal management activities in the prior-year period (€ 90,180 thousand sales and costs in the amount of € 84,347 thousand) are likewise presented in the consolidated income statement for the prior-year period following the performance of corresponding adjustments. Furthermore, the impairments resulting from the market uncertainties created by the Covid-19 situation for the prior-year period amounting to € 532,620 thousand, have not been adjusted in the adjusted result.

€ thousand	**2019/2020 as reported**	Adjustment	**2019/2020 adjusted**
Sales	5,829,416	-90,180	5,739,236
Cost of sales	-4,490,912	107,922	-4,382,989
Gross profit	**1,338,505**	**17,742**	**1,356,247**
Research and development expenses	-622,696	2,446	-620,250
Distribution expenses	-353,382	11,252	-342,130
Administrative expenses	-219,764	4,684	-215,080
Impairment of non-current assets	-532,620	532,620	0
Other income	52,391	0	52,391
Other expenses	-17,855	1,114	-16,741
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**	**569,858**	**226,851**

21 Segment reporting

External segment reporting is based on internal reporting ("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 have been 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 EBIT 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 € 589,387 thousand (prior year: € 612,063 thousand) with a single customer in the reporting year and therefore accounted for more than 9% of consolidated sales.

In this fiscal year, an impairment loss in the amount of €1,659 thousand was also attributable to the Automotive segment.

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 the fiscal years 2020/2021 and 2019/2020 is as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2020/2021**	2019/2020*	**2020/2021**	2019/2020*	**2020/2021**	2019/2020*
Sales with third-party entities	5,489,241	4,919,196	501,727	466,776	352,223	310,059
Intersegment sales	55,844	49,251	2,757	3,519	6,550	7,785
Segment sales	**5,545,084**	**4,968,447**	**504,484**	**470,294**	**358,773**	**317,843**
Cost of sales	-4,352,713	-3,932,115	-277,975	-272,176	-220,463	-191,692
Gross profit	**1,192,371**	**1,036,333**	**226,509**	**198,119**	**138,309**	**126,151**
Research and development expenses	-566,654	-585,323	-18,570	-17,321	-17,268	-18,293
Distribution expenses	-135,574	-159,259	-126,088	-125,359	-53,504	-56,455
Administrative expenses	-151,295	-184,253	-20,939	-20,881	-23,862	-22,580
Other income	34,913	52,412	8,269	17,867	8,934	7,897
Other expenses	-12,990	-12,607	-3,545	-7,633	-6,802	-4,463
Earnings from investments accounted for using the equity method	33,205	13,943	1,673	404	0	0
Other income from investments	-1,326	-1,663	294	329	0	0
Earnings before interest and taxes (EBIT)	**392,650**	**159,583**	**67,605**	**45,524**	**45,808**	**32,256**
Additions to property, plant and equipment and intangible assets	571,414	421,767	16,167	14,289	14,066	17,038

** The prior-year figures for the segments have been adjusted. Please refer to Chapter 08 for further information.*

Sales with third-party entities in the fiscal years 2020/2021 and 2019/2020 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2020/2021**	2019/2020*	**2020/2021**	2019/2020*	**2020/2021**	2019/2020*
Sales from the sale of goods	5,251,548	4,692,262	458,614	428,806	347,376	306,334
Sales from the rendering of services	237,693	226,934	43,113	37,969	4,847	3,724
Sales with third-party entities	**5,489,241**	**4,919,196**	**501,727**	**466,776**	**352,223**	**310,059**

** The prior-year figures for the segments have been adjusted. Please refer to Chapter 08 for further information.*

Sales by region with third party entities in the fiscal years 2020/2021 and 2019/2020 are as follows:

	Automotive		Aftermarket		Special Applications	
€ thousand	**2020/2021**	2019/2020*	**2020/2021**	2019/2020*	**2020/2021**	2019/2020*
Germany	1,744,187	1,587,488	118,653	119,095	113,844	99,822
Europe excluding Germany	1,489,662	1,294,933	259,428	233,817	118,062	107,427
North, Central and South America	1,247,115	1,159,947	55,611	50,601	42,299	33,392
Asia / Pacific / RoW	1,008,276	876,829	68,035	63,263	78,018	69,417
Sales with third-party entities	**5,489,241**	**4,919,196**	**501,727**	**466,776**	**352,223**	**310,059**

** The prior-year figures for the segments have been adjusted. Please refer to Chapter 08 for further information.*

Sales reconciliation:

€ thousand	**2020/2021**	2019/2020*
Total sales of the reporting segments	**6,408,341**	**5,756,585**
Sales in other divisions	81,759	83,625
Sales in thermal management business	0	90,180
Elimination of intersegment sales	-110,366	-100,974
Consolidated sales	**6,379,734**	**5,829,416**

** The prior-year figures for the segments have been adjusted. Please refer to Chapter 08 for further information.*

Reconciliation of the segment results with consolidated net profit:

€ thousand	2020/2021	2019/2020*
EBIT of the reporting segments	**506,063**	**237,363**
EBIT of other divisions	4,343	-10,512
EBIT of thermal management business	0	5,833
EBIT adjustments	-56,787	-575,691
Consolidated EBIT	**453,618**	**-343,007**
Net financial result	-6,041	-39,026
Consolidated EBT	**447,577**	**-382,033**

** The prior-year figures for the segments have been adjusted. Please refer to Chapter 08 for further information.*

EBIT of other areas 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	2020/2021	2019/2020
Germany	767,462	772,417
Europe excluding Germany	759,192	622,500
North, Central and South America	250,514	234,019
Asia / Pacific / RoW	473,428	407,082
Consolidated non-current assets	**2,250,597**	**2,036,018**

22 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. The Company is also working on the basis of the Covid-19 pandemic's progress and believes that market growth rates will remain moderate over the medium to long term as a result of such. As a proactive way of adapting to the changing market environment, HELLA has approved a comprehensive and detailed package of measures, which have been communicated both internally and externally. The programme will entail significant structural changes within the global HELLA network. The measures – whose implementation already commenced in the first quarter – focus primarily on the German locations and affect the areas of development and management in particular. The expenses for the comprehensive structural and future security concept in the amount of €160,666 thousand were primarily shown within the research and development expenses as well as the administrative expenses of the Group without reference to any specific segment.

In addition to socially acceptable job cuts, which have been made in this fiscal year via natural fluctuation, expiring limited-term contracts, or selected severance talks/resignations, the Management Board and works council of the Company initially agreed on a partial retirement programme at the Lippstadt office in September 2020. A detailed formal restructuring plan was also submitted on the balance sheet date, the key components of which were communicated to the affected employees and to the bodies and its implementation was commenced.

The evaluation was carried out subject to the conditions of a company agreement that was concluded for the Lippstadt office. Various parameters, such as the number of employees that will be cut back, relevant years of service and average severance components were evaluated and assessed, taking similar recent contracts into consideration. €106,567 thousand in restructuring expenses was included as personnel expenses for the structural project.

Impairment tests were necessary for assets at individual offices due to the structural measures and further volume reductions. The business within FWB Kunststofftechnik GmbH was reviewed; shares in this company were acquired in this fiscal year. The investment was not consolidated as a subsidiary due to lack of materiality. Its fair value was derived from continued corporate planning and an impairment for financial assets was recognised for earnings in the amount of €18,341 thousand of expenses.

The property, plant and equipment assets and the intangible assets of the company HELLA Innenleuchten-Systeme GmbH located in Wembach, which is in the Automotive segment and primarily develops and produces interior lights, were also assessed and subsequently €30,268 thousand was written down (of which €23,819 thousand relates to property, plant and equipment and €6,449 thousand to intangible assets, primarily capitalised development expenses) as the recoverable amount from the unit based on the value in use (€4,000 thousand) does not cover the carrying amount of the unit.

In Mexico, expenses totalling €8,616 thousand, in particular for inventions made by the employees at that office, resulted from the closure of an office as a consequence of the strategy programme.

In February 2021, a contract for transferring company shares between HELLA and the Mando Corporation was signed. The transaction closed at a price of € 61,261 thousand at the beginning of the fourth fiscal quarter. Income from the sale of the joint venture company Mando HELLA Electronics amounted to € 12,203 thousand (during the year, there was already a reversal of impairment was recognised in the amount of €18,897 thousand which was recorded in other income after reclassification of the assets planned for disposal on the grounds of greater than expected fair value).

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 trajectory of the Covid-19 pandemic increases the prevailing risks regarding 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 already the case in the annual report for the period ending in May 2020.

23 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, cheques and bills received.

24 Financial assets

	31 May 2021		31 May 2020	
€ thousand	Non-current	Current	Non-current	Current
Securities	26,404	437,096	23,070	431,081
Other investments	36,862	0	27,261	0
Loans	548	4,305	1,481	4,101
Other financial assets	47	1,003	55	10,448
Total	**63,862**	**442,404**	**51,867**	**445,631**

25 Trade receivables

Trade receivables of € 958,507 thousand (prior year € 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 € 29,901 thousand (prior year: € 27,742 thousand).

€ thousand	**31 May 2021**	31 May 2020
Trade receivables involving associates Joint ventures and investments	29,388	27,256
Trade receivables with affiliated companies not included in the consolidated financial statements	513	486
Total	**29,901**	**27,742**

26 Other receivables and non-financial assets

The reduction in other current assets arose from payments made from public authorities, government agencies or other institutions with sovereign functions. These payments are based on regulations and measures primarily relating to various short-time work schemes around the world and also to other government subsidies.

€ thousand	**31 May 2021**	31 May 2020
Other current assets	7,792	24,544
Receivables from finance leases	17,970	18,223
Insurance receivables	6,468	23,537
Positive market value of currency hedges	15,521	8,542
Subtotal other financial assets	**47,750**	**74,846**
Advance payments for services	3,682	9,478
Advance payments for insurances	11,138	10,646
Advance payments for licences	14,441	6,299
Other advance payments	22,244	25,918
Receivables for partial retirement	564	577
Advance payments to employees	1,564	3,607
Other tax receivables	94,894	75,403
Total	**196,279**	**206,774**

27 Inventories

Inventories are broken down as follows:

€ thousand	**31 May 2021**	31 May 2020
Raw materials and supplies	340,357	343,716
Unfinished goods	348,921	338,276
Finished goods	103,016	93,200
Merchandise	101,664	101,065
Other	6,457	5,267
Total inventories	**900,416**	**881,524**

The carrying amounts of the inventories recognised at fair value less cost of sales amounted to € 270,755 thousand (prior year: € 243,577 thousand).

Impairments of € 39,778 thousand (prior year: € 32,313 thousand) were recognised in the income statement under the cost of sales in the reporting year. At the same time, impairments amounting to € 31,521 thousand (prior year: € 22,274 thousand) were reversed in the past fiscal year, as the impaired inventories were sold at higher values. Reversal of impairments 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 € 64,782 thousand for the reporting period (prior year: € 56,526 thousand).

The historical cost of inventories amounting to € 3,466,441 thousand (prior year: € 3,097,215 thousand) was recognised as expenses in the reporting period.

28 Contract assets and contract obligations

The contract assets as at 31 May 2021 were the result of business transactions where the HELLA Group had already provided services, but where there was not yet an absolute pecuniary claim with regard to the customer. The contract obligations as at 31 May 2021 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 2021	31 May 2020
short-term contract assets	39,307	18,284
long-term contract assets	32,848	55,046
Contract assets	72,155	73,330
Contract obligations	94,899	111,858
Revenue received as part of contract obligations at the start of the fiscal year		
and recognised during the reporting period	68,256	61,533
from performance obligations fulfilled in previous fiscal years	4,072	2,602

Compared with the financial statements for the prior year, less 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 2021 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 € 83,015 thousand will be mainly realised over the next three years (prior year: € 99,889 thousand). As permitted under IFRS 15, no information will be provided on the remaining service obligations as at 31 May 2021 which have an expected original term of one year or less.

29 Intangible assets

€ 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**

€ thousand	Capitalised development expenses	Goodwill	Acquired intangible Assets	Total
Acquisition or manufacturing costs				
As at: 1 June 2020	**633,801**	**70,644**	**229,650**	**934,095**
Currency translation	-4,519	-381	120	-4,780
Additions	140,854	0	11,252	152,106
Disposals	-34,806	0	-10,885	-45,691
Reclassifications	-1,555	0	1,555	0
As at: 31 May 2021	**733,775**	**70,263**	**231,691**	**1,035,729**
Accumulated depreciation and amortisation				
As at: 1 June 2020	**423,260**	**65,281**	**193,368**	**681,909**
Currency translation	267	-205	18	80
Additions	38,683	0	15,616	54,300
Disposals	-25,909	0	-10,137	-36,046
Recorded impairments	24,311	0	19	24,330
As at: 31 May 2021	**460,613**	**65,076**	**198,884**	**724,572**
Carrying amounts 31 May 2021	**273,162**	**5,187**	**32,807**	**311,157**

All capitalised development expenses resulted from internal developments; the relevant impairments were created due to reduced earnings expectations and are included in the cost of sales in the Automotive segment. The discount rate used in the context of the impairment loss was between 9.07% and 10.79% (prior year: 8.36%).

Goodwill

Goodwill is allocated to the business segments as follows:

€ thousand	31 May 2021	31 May 2020
Automotive	3,999	4,040
Aftermarket	1,178	1,313
Total	**5,177**	**5,352**

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 flow, and are, therefore, 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 Group division.

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 long-term 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 9.07% and 15.64% was used and a figure ranging between 7.98% and 26.50% was used for the Aftermarket segment; the ranges were caused by regional characteristics.

	Discount rates		Growth rates	
	31 May 2021	31 May 2020	**31 May 2021**	31 May 2020
Automotive	9.07% to 15.64%	8.36% to 15.27%	1% to 2%	1.00%
Aftermarket	7.98% to 26.50%	6.95% to 26.28%	1.00%	1.00%

The risk-free interest rate applied is 0.31% (prior year: -0.22%) and the market risk premium (including country risk) ranges between 7.50% and 12.85% (prior year: between 7.50% and 15.71%). The inflation spreads applied ranged between 0.00% and 12.26% (prior year: between -0.57% and 9.76%).

HELLA reports goodwill amounting to € 5,177 thousand (prior year: € 5,352 thousand).

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 change the outcome of the impairment test in the Automotive segment.

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 2021		31 May 2020	
	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	-	-2,645	0	0
+ 1 percentage point	-4,241	-	0	0

Aftermarket segment	31 May 2021		31 May 2020	
	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
+ 1 percentage point	-	-	-7,669	0

30 Property, plant and equipment

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: 1 June 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**

€ thousand	Land and buildings	Machinery	Production equipment	Operating and office equipment	Assets under construction	Total
Acquisition or manufacturing costs						
As at: 1 June 2020						
Currency translation	-8,126	-21,815	3,416	-10,535	-3,941	-41,002
Additions	35,554	109,384	43,754	40,998	313,010	542,700
Disposals	-32,559	-88,564	-97,318	-43,524	-7,582	-269,547
Reclassifications	25,068	152,460	62,152	14,884	-254,564	0
As at: 31 May 2021	**988,081**	**2,448,973**	**1,317,201**	**586,853**	**398,372**	**5,739,481**
Accumulated depreciation and amortisation						
As at: 1 June 2020	**533,875**	**1,727,268**	**1,161,892**	**431,310**	**59,561**	**3,913,905**
Currency translation	-472	-10,906	2,853	-5,166	-7	-13,700
Additions	41,223	166,232	76,252	51,706	0	335,414
Disposals	-30,395	-80,087	-87,237	-36,335	0	-234,054
Recorded impairments	4,153	12,798	2,899	1,868	4,724	26,441
Reclassifications	2	-37	-44	79	0	0
As at: 31 May 2021	**548,385**	**1,815,268**	**1,156,615**	**443,462**	**64,277**	**4,028,007**
Carrying amounts 31 May 2021	**439,696**	**633,707**	**160,586**	**143,390**	**334,096**	**1,711,474**

In the reporting period 2020/2021, 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 € 31,563 thousand from leases. Please refer to Note 46, "Information on leases", for additional information on future lease payments.

As part of the test of asset impairment which compared the carrying amounts that applied in each case with the corresponding achievable amounts, the need for impairment for property, plant and equipment and intangible assets was recorded as € 50,771 thousand in total for the reporting year. These generally represent the cost of sales, however €30,268 thousand which was recorded as a consequence of the comprehensive structural and

future security concept mainly in relation to the HELLA Innenleuchten-Systeme GmbH, was reported in the impairment loss for non-current assets line of the consolidated income statement on the basis of their character. In the prior year, impairments in the amount of €484,403 thousand for property, plant and equipment and intangible assets (of which €373,385 thousand relates to property, plant and equipment and €111,018 relates to intangible assets) were reported as impairment losses for non-current assets due to their unusual character that was brought about externally. Please refer to chapter 22 for further information regarding this.

31 Investments accounted for using the equity method

The following is a list of the Group's main investments accounted for using the equity method. The summarised financial information represents the IFRS financial statements of the joint venture company BHTC as well as the associated company HBPO that were the basis for the at-equity measurement in the Group. The shares in the joint venture company MHE were sold in the current fiscal year. In February 2021, a contract for transferring company shares between HELLA and the Mando Corporation was signed. The transaction closed at a price of € 61,261 thousand at the beginning of the fourth fiscal quarter.

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 assembling printed circuit boards and mounting operating units, blower controllers and electronic control units for electric heater boosters.

€ thousand	31 May 2021	31 May 2020
Share of equity (%)	**50**	**50**
Cash and cash equivalents	37,065	59,949
Other current assets	146,342	139,956
Non-current assets	264,933	295,300
Total assets	**448,341**	**495,205**
Current financial liabilities	97,686	141,970
Other current liabilities	121,568	101,058
Non-current financial liabilities	60,920	65,941
Other non-current liabilities	50,467	56,387
Total liabilities	**330,640**	**365,356**
Net assets (100%)	**117,700**	**129,849**
Pro rata share of the net assets	**58,850**	**64,924**
Eliminations and impairments	-2,877	-5,594
Carrying amount	**55,973**	**59,331**
Sales	538,909	509,274
Depreciation and amortisation	-59,729	-56,341
Interest income	199	125
Interest expenses	-4,697	-5,852
Taxes on income	-11,873	-514
Earnings before interest and income taxes (EBIT)	**4,198**	**5,495**
Earnings for the period	-12,173	-746
Other earnings for the period	12	-2,007
Effects from the first-time application of IFRS 15	0	0
Comprehensive income for the period (100%)	**-12,161**	**-2,754**
Share of comprehensive income for the period	-6,080	-1,377
Dividends received	**0**	**0**

HBPO

Hella Behr Plastic Omnium (HBPO), consists of 25 companies that are controlled and reported together by HBPO Beteiligungsgesellschaft mbH in Germany and has global operations in the fields of development, production planning, quality management, assembly and distribution of front-end modules.

€ thousand	31 May 2021	31 May 2020
Share of equity (%)	**33**	**33**
Cash and cash equivalents	40,400	26,259
Other current assets	272,780	219,034
Non-current assets	241,650	255,541
Total assets	**554,831**	**500,834**
Current financial liabilities	10,218	10,189
Other current liabilities	380,656	351,403
Non-current financial liabilities	51,549	55,366
Other non-current liabilities	3,641	14,265
Total liabilities	**446,064**	**431,223**
Net assets (100%)	**108,767**	**69,611**
Pro rata share of the net assets	**36,252**	**23,201**
Eliminations and impairments	-155	-456
Carrying amount	**36,097**	**22,746**
Sales	2,220,666	1,803,544
Depreciation and amortisation	-46,548	-45,952
Interest income	50	202
Interest expenses	-1,508	-777
Taxes on income	-15,195	-8,462
Earnings before interest and income taxes (EBIT)	**65,607**	**38,106**
Earnings for the period	38,572	18,028
Other earnings for the period	195	-3,476
Effects from the first-time application of IFRS 15	0	0
Comprehensive income for the period (100%)	**38,767**	**14,552**
Share of comprehensive income for the period	12,921	4,850
Dividends received	**0**	**30,997**

The Group also has shares in further joint ventures and associated companies, which are also accounted for using the equity method; their summarised financial information is presented below:

€ thousand	31 May 2021	31 May 2020
100% basis		
Sales	776,887	1,023,112
Earnings before interest and income taxes (EBIT)	31,753	35,125
Group's total share of:		
Sales	358,813	483,266
Earnings before interest and income taxes (EBIT)	15,273	17,887
Earnings for the period	9,769	-15,360
Other earnings for the period	1,487	-3,668
Comprehensive income for the period recognised in the Group	**11,257**	**-19,028**
Carrying amount of the remaining companies accounted for using the equity method	**107,100**	**94,668**

Of the earnings during the period of € 9,769 thousand (prior year: € -15,360 thousand), € 3,429 thousand (prior year: € 831 thousand) was allocated to associated companies and € 6,340 thousand (prior year: € -16,190 thousand) was allocated to joint venture companies. The carrying amount of the other companies accounted for using the equity method in the amount of € 107,100 thousand was allocated in the amount of € 38,912 thousand (prior year: € 27,912 thousand) to associated companies and in the amount of € 68,188 thousand to joint ventures (prior year: € 66,756 thousand).

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

€ thousand	31 May 2021	31 May 2020
100% basis		
Sales	3,536,462	3,335,930
Earnings before interest and income taxes (EBIT)	101,558	78,726

Group's total share of:

Sales	1,361,087	1,333,073
Earnings before interest and income taxes (EBIT)	39,022	33,210
Earnings for the period	29,730	-33,870
Other earnings for the period	1,695	-5,819
Comprehensive income for the period recognised in the Group	**31,424**	**-39,689**

Operative income of € 29,730 thousand (prior year € 14,347 thousand) was recognised in the comprehensive income for the period recognised in the Group. The prior-year earnings impairments, which were carried out as a result of the impairment standards caused by the Covid-19 pandemic, were reported in the impairment loss for non-current assets line in the amount of €48,217 thousand. The share of losses not recognised for the aforementioned companies accounted for using the equity method is € 0 thousand (prior year: € 0 thousand).

Two joint venture companies were established in this fiscal year, HELLA Evergrande Electronics (Shenzhen) Co., Ltd. and HELLA MINTH Jiaxing Automotive Parts Co., Ltd. The capital contributions to these companies were €13,138 thousand in total, which increased the proportional net assets accordingly.

During the fiscal year the joint venture company MHE was initially reclassified as assets held for sale and later disposed of. The corresponding proportional net assets were reported as a disposal of investments accounted for using the equity method.

The recognised net assets of all joint ventures and all associates is broken down as follows:

€ thousand	**31 May 2021**	31 May 2020
Carrying amount of BHTC	55,973	59,331
Carrying amount of HBPO	36,097	22,746
Carrying amounts of material companies accounted for using the equity method	**92,070**	**82,076**
Proportional net assets of other companies accounted for using the equity method	137,311	154,634
Goodwill, eliminations and impairment	-30,211	-59,966
Carrying amount of the remaining companies accounted for using the equity method	**107,100**	**94,668**
Investments accounted for using the equity method	**199,170**	**176,744**

€ thousand	**31 May 2021**	31 May 2020
Pro rata share of the net assets as at 1 June	**176,744**	**273,347**
Earnings for the period	29,730	-33,870
Other earnings for the period	1,695	-5,819
Dividends	-632	-40,053
Capital increases/contributions	13,183	0
Disposals	-21,549	-16,861
Pro rata share of net assets as at 31 May	**199,170**	**176,744**

32 Deferred tax assets/ liabilities

The deferred tax assets of € 92,670 thousand (prior year: € 81,511 thousand) and deferred tax liabilities of € 9,429 thousand (prior year: € 14,775 thousand) mainly relate to differences from the tax balance sheet values. Before offsetting and impairment, the current portion of the deferred tax assets and liabilities amounts to € 116,278 thousand or € 98,356 thousand, respectively (prior year: € 111,835 thousand or € 101,622 thousand).

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 2020
Intangible assets	12,491	75,562	-63,071
Property, plant and equipment	91,761	73,214	18,547
Financial assets	11,088	65	11,024
Other non-current assets	405	13,465	-13,060
Receivables	333	301	32
Inventories	16,467	23,378	-6,911
Other current assets	6,326	23,757	-17,431
Non-current financial liabilities	4,049	0	4,049
Provisions for pensions and similar obligations	64,701	8,379	56,322
Other non-current provisions	18,656	0	18,656
Other non-current liabilities	20,429	9,619	10,810
Liabilities	5,805	779	5,026
Other liabilities and accruals	74,590	49,439	25,151
Other current liabilities	8,314	3,967	4,347
Subtotal	**335,414**	**281,924**	**53,490**
Tax loss carryforwards	13,246	0	13,246
Netting	-267,149	-267,149	0
Total	**81,511**	**14,775**	**66,736**

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 € 181,766 thousand as at 31 May 2021 (prior year: € 225,178 thousand). Future offsetting against taxable profits is not sufficiently likely. Of this amount, € 16,607 thousand (prior year: € 29,203 thousand) will mature in the next five years, and € 165,159 thousand (prior year: € 195,975 thousand) thereafter. Tax assets arising from temporary differences for which no deferred tax assets were recognised amounted to € 128,154 thousand on 31 May 2021 (prior year: € 135,871 thousand).

On 31 May 2021, a temporary difference amounting to a liability of € 1,975 thousand (prior year: € 283 thousand) was recorded in connection with shares in subsidiaries and € 7,282 thousand (prior year: € 0 thousand) in connection with associated companies

Recognised in profit or loss	Recognised in other comprehensive income	**Net deferred taxes as at 31 May 2021**	Deferred tax assets	Deferred tax liabilities
-2,585	482	-65,174	11,825	76,999
11,067	-796	28,818	95,454	66,636
5,076	-10	16,090	16,630	541
608	330	-12,121	517	12,638
-1,226	0	-1,194	1,026	2,220
6,518	166	-227	14,040	14,267
1,187	-53	-16,297	6,597	22,894
-5,884	0	-1,835	1	1,836
-4,396	-203	51,723	61,187	9,464
-253	51	18,453	18,597	144
1,009	-282	11,538	18,655	7,118
-2,012	-76	2,938	6,570	3,632
-1,188	-4,694	19,269	73,233	53,964
9,111	-25	13,434	14,811	1,377
17,033	**-5,110**	**65,414**	**339,144**	**273,730**
4,581	0	17,827	17,827	0
0	0	0	-264,301	-264,301
21,615	**-5,110**	**83,240**	**92,670**	**9,429**

and joint ventures. No deferred tax liabilities were recognised for these differences 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 differences to be reversed in the foreseeable future.

The amounts of the income tax recognised directly in other earnings during the reporting period amounted to € -4,500 thousand for financial instruments used for cash flow hedging (prior year: € 4,515 thousand), € -197 thousand for financial instruments held at fair value through profit or loss (prior year: € -402 thousand) and € 137 thousand for the remeasurement of defined benefit plans (prior year: € 5,087 thousand).

33 Other non-current assets

€ thousand	31 May 2021	31 May 2020
Receivables from finance leases	38,312	43,299
Other non-current assets	3,039	1,601
Subtotal of other financial assets	**41,351**	**44,899**
Advance payments	28,795	13,662
Plan assets	24,307	1,992
Total	**94,453**	**60,554**

See Note 46 for more detailed explanations about receivables from leases.

34 Trade payables

In the past fiscal year, there were liabilities to associated companies, joint ventures, non-consolidated affiliated companies and companies in which participating interests are held in the amount of € 12,814 thousand (prior year: € 10,385 thousand).

€ thousand	31 May 2021	31 May 2020
Materials and services	798,106	475,740
Capital expenditures	128,915	115,668
Related parties	12,814	10,385
with associates, joint ventures and investments	11,045	8,887
with affiliated companies not included in the consolidated financial statements	1,769	1,499
Total trade payables	**939,836**	**601,793**

35 Other liabilities

€ thousand	31 May 2021 Non-current	31 May 2021 Current	31 May 2020 Non-current	31 May 2020 Current
Derivatives	95,885	7,614	74,458	16,274
Other financial liabilities	23,439	185,009	21,441	146,983
Subtotal other financial liabilities	**119,324**	**192,624**	**95,899**	**163,258**
Other taxes	13	43,121	14	32,148
Accrued personnel liabilities	0	197,695	0	177,273
Total	**119,337**	**433,439**	**95,913**	**372,679**

Other financial liabilities include mainly liabilities from outstanding invoices or credit notes in the amount of € 189,180 thousand (prior year € 139,585 thousand).

36 Provisions

The main components of provisions are presented below:

€ thousand	31 May 2021 Non-current	31 May 2021 Current	31 May 2020 Non-current	31 May 2020 Current
Provisions for post-employment benefits	376,551	384	366,669	450
Other provisions	80,211	197,129	64,431	128,612
Total	**456,762**	**197,514**	**431,100**	**129,063**

Provisions for post-employment benefits
The HELLA Group provides occupational 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 salary conversion. Management is offered a contribution-based scheme through salary conversion, 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 2021**	31 May 2020
Defined Benefit Obligation (DBO) at end of fiscal year	502,916	497,120
Fair value of plan assets at the end of the fiscal year	-128,043	-129,975
Recognised amount	**374,873**	**367,145**

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

€ thousand	**31 May 2021**	31 May 2020
Assets from covered pension plans	-767	-605
Pension provisions	346,898	344,046
Other provisions for post-employment benefits	28,742	23,704
Sum of the individual amounts	**374,873**	**367,145**

Asset cover for the pension provisions was as follows:

€ thousand	31 May 2021		31 May 2020	
	Present value	Plan assets	Present value	Plan assets
Without asset cover	362,378	0	349,838	0
At least partial asset cover	140,538	128,043	147,282	129,975
Total	**502,916**	**128,043**	**497,120**	**129,975**

Change in the present value of pension liabilities:

€ thousand	31 May 2021	31 May 2020
DBO at the beginning of the fiscal year	**497,120**	**474,370**
Current service cost	13,012	12,903
Past service cost	0	-1,564
Interest expense	4,943	6,701
Actuarial gains (-)/losses (+) due to changes in demographic assumptions	-225	-2,499
Actuarial gains (-)/losses (+) due to changes in financial assumptions	1,393	23,836
Actuarial gains (-)/losses (+) due to changes in experience-based assumptions	-1,067	-2,493
Pension payments	-12,712	-12,932
Change of the scope of consolidation	0	-246
Transfers	33	-33
Currency effects	419	-923
DBO at end of fiscal year	**502,916**	**497,120**

Development of plan assets:

€ thousand	**31 May 2021**	31 May 2020
Fair value of plan assets at the beginning of the fiscal year	**129,975**	**134,403**
Interest income from plan assets	1,209	1,827
Actuarial gains (+)/losses (-) from plan assets	3,877	1,225
Employer contributions	1,333	1,631
Pension payments from plan assets	-8,454	-8,633
Administrative costs	-55	-71
Changes of the scope of consolidation	0	-246
Currency effects	158	-161
Fair value of plan assets at the end of the fiscal year	**128,043**	**129,975**

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

€ thousand	**31 May 2021**	31 May 2020
Current service cost	13,012	12,903
Past service cost	0	-1,564
Administrative costs	55	71
Net interest expense	3,734	4,874
Expense for defined benefit plans recognised in the consolidated earnings for the period	**16,801**	**16,284**
Actuarial gains (-)/losses (+) from scope of obligations	101	18,844
Actuarial gains (-)/losses (+) from the plan assets	-3,877	-1,225
Income (-)/ expense (+) from revaluation recognised in other comprehensive income	**-3,776**	**17,619**
Expense for defined benefit plans recognised in comprehensive income	**13,025**	**33,903**

Development of the balance sheet amounts

€ thousand	31 May 2021	31 May 2020
Balance sheet amount at the beginning of the fiscal year	**367,145**	**339,967**
Service costs	13,067	11,410
Net interest expense	3,734	4,874
Expense from remeasurement recognised in other comprehensive income	-3,776	17,619
Pension payments	-4,258	-4,299
Employer contributions	-1,333	-1,631
Change of the scope of consolidation	0	0
Transfers	33	-33
Currency effects	261	-762
Balance sheet amount at the end of the fiscal year	**374,873**	**367,145**

Actuarial gains/losses recognised in equity:

€ thousand	31 May 2021	31 May 2020
Actuarial gains (+) / losses (-) at the beginning of the fiscal year	**-164,445**	**-146,987**
Actuarial gains (+)/losses (-) during the fiscal year	3,776	-17,619
Change of the scope of consolidation	0	0
Currency effects	-176	161
Actuarial gains (+)/losses (-) at the end of the fiscal year	**-160,845**	**-164,445**

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

	Germany		International	
	31 May 2021	31 May 2020	**31 May 2021**	31 May 2020
DBO (in € thousand)	466,889	460,825	36,027	36,294
Discount rate (in %)	0.98	1.00	2.71	2.41
Wage and salary trend (in %)	3.00	3.00	3.79	4.17
Pension trend (in %)	1.75	1.75	2.80	2.20

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 %	**2020/2021**	2019/2020	**2020/2021**	2019/2020
Discount rate	0.88	1.26	2.41	3.09
Wage and salary trend	3.00	3.00	4.17	4.18
Pension trend	1.75	1.75	2.20	2.40

The discount rate was determined in 2021 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 2021**	31 May 2020
Discount rate	+ 0.5 percentage points	-8.1%	-8.4%
	-0.5 percentage points	9.3%	9.7%
Pension dynamics	+ 0.5 percentage points	5.7%	5.9%
	-0.5 percentage points	-5.2%	-5.3%
Salary dynamics	+ 0.5 percentage points	0.2%	0.2%
	-0.5 percentage points	-0.2%	-0.2%
Death rate	+ 10 percentage points	-3.1%	-3.2%
	-10 percentage points	3.6%	3.6%

The average duration of the defined pension liabilities, weighted on the basis of the present values, is 18 years (prior year: 19 years).

Breakdown of plan assets:

€ thousand	**31 May 2021**	31 May 2020
Shares	7.30%	7.49%
Bonds	22.19%	23.16%
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%	0.00%
Insurance	68.89%	67.76%
thereof: no price quotation in an active market	68.89%	67.76%
Cash and cash equivalents	1.62%	1.61%
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 € 5,086 thousand in the fiscal year just ended (prior year: € 3,997 thousand).

The probable contributions for defined benefit pension plans for the year 2021/2022 are € 1,552 thousand (prior year: € 1,952 thousand).

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

€ thousand	
2021/2022	14,348
2022/2023	15,356
2023/2024	14,824
2024/2025	28,988
2025/2026	16,442
Total of the years 2026/2027 to 2028/2029	96,505

Group liabilities arising from defined contribution pension plans were recognised in profit and loss in the operating result. The expenses amounted to € 94,225 thousand in the past fiscal year (prior year: € 96,863 thousand). These expenses also include contributions to public pension insurance funds outside HELLA GmbH & Co. KGaA, which total € 83,909 thousand (prior year: € 90,120 thousand) for the fiscal year.

Other provisions

€ thousand	31 May 2020	Additions	Reversals	Compounding	Other	Utilisation	**31 May 2021**
Severance commitments	26,962	58,224	-694	0	-156	-23,374	60,962
Partial retirement programme	10,393	52,111	0	70	-9,349	-7,833	45,393
Profit-sharing and other bonuses	34,542	24,213	-2,871	973	1,721	-7,734	50,845
Warranty obligations	66,163	34,321	-12,907	296	-314	-33,950	53,609
Onerous contracts	44,475	17,546	-6,866	1,222	-187	-17,247	38,944
Other provisions	10,509	21,295	-313	25	-74	-3,856	27,587
Total	**193,044**	**207,710**	**-23,651**	**2,587**	**-8,357**	**-93,993**	**277,340**

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 € 33,387 thousand (prior year: € 47,319 thousand).

Insurance refunds expected in connection with warranty claims are recognised under other receivables and non-financial assets, and amounted to € 6,468 thousand in the reporting period (prior year: € 23,537 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 which were agreed in the current fiscal year in the course of the consumption of the settlement provisions in conjunction with the restructuring measures in Germany, which were agreed from September 2019 onwards.

The outstanding obligations to the settlement provisions are expected as outflows in the majority of the next 24 months, the outflows to the settlement provisions in the next 36 months.

The profit-sharing provisions and other bonuses relate to the remuneration components of the Management Board and other employees of HELLA.

Expected charges against third parties for specific compensation claims from recent transactions were recognised in the remaining provisions.

€ thousand	**31 May 2021**	31 May 2020
Present value of obligation	68,855	24,507
Fair value of plan assets	-23,462	-14,113
Provision for partial retirement programme	**45,393**	**10,393**

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 -0.01% was applied (prior year: 0.43%). The deducted plan assets are pledged securities. The change in the fair value of the plan assets is recognised under “Other” in the provisions table; in doing so, the change resulted in an important additional transfer.

37 Financial liabilities

Current financial liabilities maturing within a year amount to € 77,934 thousand (prior year: € 503,673 thousand). Finance leasing contributes € 29,580 thousand to this figure (prior year: € 31,379 thousand). The syndicated credit drawn on in the prior year in the amount of € 450,000 thousand was paid in full in the current fiscal year.

Non-current financial liabilities come to € 1,240,584 thousand (prior year: € 1,284,562 thousand) and include two bonds. The first of these has a value of € 299,441 thousand (prior year: € 299,256 thousand), with a nominal volume of € 300,000 thousand and 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 € 498,686 thousand (prior year: € 498,461 thousand) with a nominal volume of € 500,000 thousand and an interest rate of 0.5%. Financial liabilities also include € 89,693 thousand (prior year: € 100,595 thousand) attributable to notes certificates denominated in yen issued in fiscal years 2002 and 2003 with a 30-year maturity, and € 79,584 thousand (prior year: € 88,443 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 € 103,943 thousand (prior year: € 112,368 thousand) are also recognised.

As a further precautionary measure, a new syndicated credit facility amounting to € 500,000 thousand was taken out in the previous year. This has a term lasting until June 2022 and may be extended for one year by mutual agreement. This credit facility has not yet been drawn upon.

€ thousand	31 May 2021	31 May 2020
Cash and cash equivalents	979,495	1,202,794
Financial assets (current)	442,404	445,631
Current financial liabilities	-77,934	-503,673
Non-current financial liabilities	-1,240,584	-1,284,562
Net financial debt	**103,381**	**-139,810**

38 Equity

On the liabilities side, nominal capital is recognised at its nominal value under the "Subscribed capital" item. The nominal capital amounts to € 222,222 thousand. The no-par value shares are issued to the bearer. All issued shares are fully paid up. Each share confers a right to vote and a right to dividends if distributions are agreed.

In addition to "Other retained earnings/profit carried forward" and the capital reserve, "reserves and unappropriated surplus" include the differences stemming from the currency translation of the annual financial statements of foreign subsidiaries not recognised in the income statement and the impact arising from the measurement of derivative financial instruments acquired for hedging purposes also not recognised in the income statement, as well as the reserve for the financial instruments from the available-for-sale category (IAS 39) and/or the reserve for debt capital instruments (IFRS 9). Also included are the results from the remeasurement of defined benefit plans, recognised directly in equity. A detailed overview of the composition and changes in the results recognised directly in equity is presented in the consolidated statement of changes in equity.

Actuarial losses before taxes of € 3,776 thousand (prior year: losses before taxes of € 17,619 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 0.98% at the end of May 2021 (May 2020: 1.00%).

At the Annual General Meeting on 25 September 2020, a resolution was passed to suspend the dividend payment.

Dividends in the amount of € 367 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 sound equity position. The Group is aiming for a ratio of less than 1.0 for net financial debt to reported earnings before interest, taxes, depreciation and amortisation (EBITDA) in the long term. The ratio was 0.1 on 31 May 2021.

39 Notes to the cash flow statement

As was the case in the prior year, the cash funds comprise exclusively cash and cash equivalents.

The other non-cash income reported in the cash flow statement for the fiscal year 2020/2021 principally contains income of € 128,586 thousand as part of the sale of the front camera software business to the Car. Software Organisation (today: CARIAD) of the Volkswagen Group as well as income from other investments. The payment received is attributable to investing activities.

During the fiscal year 2020/2021, HELLA sold its stake in the joint venture company HELLA Mando Electronics since this equity investment no longer conformed to the Group's investment strategy. The sales price was € 61,261 thousand. Shares in FWB Kunststofftechnik GmbH, a company with its registered office in Pirmasens, were purchased in September 2020 for a purchase price of € 8,150 thousand. FWB has been supplying HELLA with sophisticated plastic components for many years. FWB currently has a workforce of around 180 employees and generates annual sales of approximately € 20 million via its business activities in the areas of injection moulding tools, automation, plastic parts and assembly. HELLA already held a stake of 24.9% in FWB before this transaction. Through the acquisition, HELLA intends to safeguard its own supply chain in the long term and further develop FWB as a stand-alone company. Due to considerations of materiality, the company was not fully consolidated in the Group.

HELLA sold the shares in HSL Electronics Corporation, a joint venture company, in the fiscal year 2019/2020. The sales price was € 22,006 thousand. 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 and joint venture companies. The shares in the Philippine subsidiary, Hella-Phil. Inc. were also sold in the fiscal year 2019/2020. The sales price was € 1,868 thousand. A net inflow totalling € 1,299 thousand was reported after deducting transferred cash of € 569 thousand. 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 was € 6,946 thousand. A net inflow totalling € 5,996 thousand is reported after deducting transferred cash of € 950 thousand. 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 addition the loan facility of € 450,000 thousand drawn on in the prior year was repaid in full in the reporting period and reported in payments in connection with the repayment of financial liabilities. In the fiscal year 2019/2020, an additional matured bond in the amount of € 500,000 thousand was paid on time and a new bond was issued in the amount of € 500,000 thousand. In addition, dividends in the amount of € 372,453 thousand were paid.

The following table shows the (net) changes of the financial liabilities and thus represents the non-cash changes of the line items, in addition to the cash flow statement. The “Other changes” line primarily contains non-cash interest expenses and non-cash changes in the fair value.

€ thousand		Bonds	Loans	Lease liabilities	Other financial liabilities	Total financial liabilities
As at:	**31 May 2019**	**902,579**	**308,915**	**142,278**	**14,391**	**1,368,162**
Cash changes	(Net) changes	-20,918	408,380	-31,325	-7,388	348,749
Non-cash changes	New finance lease agreements	0	0	32,854	0	32,854
	Changes in the scope of consolidation	0	-515	0	0	-515
	Effect of exchange rate fluctuations	1,642	-6,853	-1,611	-206	-7,027
	Changes in classification	0	240	0	0	240
	Other changes	16,723	27,497	1,552	0	45,772
As at:	**31 May 2020**	**900,026**	**737,665**	**143,747**	**6,797**	**1,788,235**
Cash changes	(Net) changes	-5,792	-470,042	-34,675	28,110	-482,398
Non-cash changes	New finance lease agreements	0	0	25,451	0	25,451
	Effect of exchange rate fluctuations	-10,902	-8,972	-3,728	603	-22,999
	Changes in classification	0	0	0	0	0
	Other changes	6,119	1,906	2,727	-522	10,229
As at:	**31 May 2021**	**889,451**	**260,556**	**133,522**	**34,988**	**1,318,518**

40 Adjustment of special effects in cash flow

Adjusted free cash flow from operating activities was used as a performance indicator for internal HELLA Group management. Adjusted free cash flow from operating activities is a key performance indicator that is not defined in the International Financial Reporting Standards. Rather, it is reported by the HELLA Group as additional information in its financial reporting because it is also used for internal management and because, from the Company's perspective, it presents the cash flows from the operating activities – adjusted for special effects – in a more transparent form and facilitates a comparison over time.

Cash flow from operating activities after capital expenditure and cash inflows from the sale or liquidation of investments 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 amounting to € 143,302 thousand (prior year: € 16,695 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 € 43,502 thousand (prior year: € 16,338 thousand) and the associated increase in the plan assets (present values of the statutory insolvency protection for partial retirement obligations) amounting to € 31,712 thousand (prior year: € 0 thousand). Similarly, the figure was adjusted for payments of damages to settle legal claims amounting to € 12,500 thousand (prior year: € 0 thousand).

In the current 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 Car.Software Organisation (now: CARIAD), part of the Volkswagen Group. The payments received from the sale amounting to € 128,586 thousand are not disclosed in free cash flow from operating activities but as a component of net cash flow from investing activities. To ensure the ability to draw consistent comparisons with other periods, the free cash flow from operating activities is adjusted (in line with the consolidated income statement) for tax payments of € 37,466 thousand, transaction costs of € 5,420 thousand and further payments for personnel liabilities of € 746 thousand, which results in a total amount of € 43,631 thousand.

In addition, the shares in the joint venture Mando HELLA Electronics were sold in the current fiscal year. The payments received from the sale are not disclosed in free cash flow from operating activities but as a component of net cash flow from investing activities. To ensure the ability to draw consistent comparisons with other periods, the free cash flow from operating activities was adjusted for tax payments of € 7,002 thousand.

The shares in the Behr Hella Service joint venture were sold in the last fiscal year, which consequently means that in the current fiscal year there are no operating cash flows from the thermal management business contained in the cash flow statement. The prior year was correspondingly adjusted for portfolio effects to take account of operating components amounting to € -5,833 thousand. In the current fiscal year, the free cash flow from operating activities is adjusted to take account of the dividend of € 4,955 thousand attributable to the period, which was collected in the form of a subsequent purchase price adjustment.

The shares in HSL Electronics Corporation, a joint venture, were sold in the last fiscal year. The prior-year free cash flow from operating activities was adjusted for the tax payments made in connection with the sale, amounting to € 2,295 thousand, and for a dividend attributable to the period, amounting to € 3,895 thousand.

The performance of the adjusted free cash flow (from operating activities) for the fiscal years 2020/2021 and 2019/2020 is shown in the following tables:

€ thousand	2020/2021 as reported	Adjustment	2020/2021 adjusted
Earnings before income taxes (EBT)	**447,577**	**56,787**	**504,364**
Depreciation and amortisation	440,485	-34,268	406,217
Change in provisions	99,035	-87,586	11,449
Other non-cash income and cash flows not attributable to operating activities	-185,366	126,489	-58,876
Losses/profits from the sale of property, plant and equipment and intangible assets	1,523	0	1,523
Net financial result	6,041	0	6,041
Change in trade receivables and other assets not attributable to investing or financing activities	-372,034	31,712	-340,322
Change in inventories	-30,639	-116	-30,755
Change in trade payables and other liabilities not attributable to investing or financing activities	383,936	3,055	386,990
Tax refunds received	24,753	0	24,753
Taxes paid	-112,132	44,468	-67,664
Dividends received	650	4,955	5,605
Net cash flow from operating activities	**703,828**	**145,496**	**849,324**
Cash receipts from the sale of property, plant and equipment	8,603	-1,599	7,004
Cash receipts from the sale of intangible assets	11,921	-595	11,326
Payments for the purchase of property, plant and equipment	-498,524	0	-498,524
Payments for the purchase of intangible assets	-152,095	0	-152,095
Free cash flow from operating activities	**73,732**	**143,302**	**217,034**

€ thousand	2019/2020 as reported	Adjustment	2019/2020 adjusted
Earnings before income taxes (EBT)	**-382,033**	**569,858**	**187,825**
Depreciation and amortisation	918,580	-484,403	434,176
Change in provisions	4,715	-19,057	-14,343
Other non-cash income and cash flows not attributable to operating activities	9,834	-48,217	-38,382
Losses/profits from the sale of property, plant and equipment and intangible assets	765	0	765
Net financial result	39,026	0	39,026
Change in trade receivables and other assets not attributable to investing or financing activities	405,287	0	405,287
Change in inventories	-99,219	-573	-99,792
Change 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**	**16,695**	**652,499**
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
Free cash flow from operating activities	**204,921**	**16,695**	**221,616**

41 Information on related party relationships

HELLA GmbH & Co. KGaA and its subsidiaries maintain business relationships with many companies and individuals in the course of their normal operations. In addition to the business relationships with fully consolidated companies, relationships exist with joint ventures, associates and companies in which an interest is held; 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 or 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 34.

Members of the management in key positions at HELLA GmbH & Co. KGaA are the Management Board as well as members of the Shareholder Committee and the Supervisory Board.

These individuals, immediate members of their families, and the companies they jointly or individually control are considered to be related parties under IAS 24.

The following transactions were made with related parties:

€ thousand	2020/2021	2019/2020
Income from the sale of goods and services	**235,718**	**204,045**
with associates	195,156	159,853
with joint ventures	39,533	43,227
with affiliated companies not included in the consolidated financial statements	342	294
Management in key positions:	127	255
Companies controlled by management in key positions	560*	417
Expenses from the purchase of goods and services	**78,860**	**121,185**
with associates	117	2,838
with joint ventures	55,094	80,382
with investments	1,357	2,853
with affiliated companies not included in the consolidated financial statements	21,920	34,614
Management in key positions:	0	0
Companies controlled by management in key positions	372	499

**Advisory activities were carried out with the prior consent of the Supervisory Board pursuant to Section 114 of the German Stock Corporation Act (AktG).*

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	2020/2021	2019/2020
Current benefits	16,311	4,853
Post-employment benefits	2,764	2,576
Other non-current benefits	2,681	-4,936
Share-based payment	1,817	0
Termination benefits	0	1,990
Total	**23,573**	**4,483**

Total remuneration paid to the management bodies:

€ thousand	2020/2021	2019/2020
Total remuneration paid to the active institution members	**25,964**	**9,616**
Management Board	23,764	7,717
Supervisory Board	1,000	795
Shareholder Committee	1,200	1,104
Total remuneration paid to the former institution members and their surviving dependants	**2,709**	**3,986**
Management Board	2,709	3,986
Supervisory Board	0	0
Shareholder Committee	0	0

There are provisions for the pension liabilities towards former members of the Management Board and their surviving dependants coming to € 15,266 thousand (prior year: € 16,047 thousand). This was transferred to Allianz Pensionsfonds AG in the amount of € 3,658 thousand (prior year: € 3,904 thousand). The net obligation of the share transferred to Allianz Pensionsfonds AG comes to € 477 thousand (prior year: € 662 thousand). The defined benefit obligation from the defined contributions capital account system towards earlier members of the Management Board and their surviving dependants is € 7,031 thousand (prior year: € 7,047 thousand). The financing contributions structured in the form of investment fund units and pledged to the beneficiaries in this group were valued at € 9,005 thousand as at the balance sheet date (prior year: € 6,174 thousand). The defined benefit obligation for liabilities from the defined contributions capital account system for the active Managing Directors was € 17,986 thousand (prior year: € 15,222 thousand) on 31 May 2021.

The provision for the share-based payment amounts to € 1,817 thousand (prior year: € 0 thousand). The share-based payment (LTI) is paid out in cash following a five-year calculation period on the basis of the share price development and Group-specific performance targets (RoIC and EBT margin). An LTI base amount is allocated for the first fiscal year of the calculation period, the amount of which depends on the RoIC achieved. Over the four following years of the term of the period, the three aforementioned target figures are compared annually with the values of the first fiscal year. One fifth each of the part settlement amounts determined in this way are contributed to the amount paid out, along with the LTI base amount. If a Management Board member terminates their service agreement or if the service agreement ends for a material reason as defined in Section 626 of the German Civil Code (BGB) for which the Management Board member is responsible, any claims to share-based payment will lapse. Upon termination of the service agreement for other reasons, the LTI not yet paid out will be reduced pro rata temporis.

The expenses were determined using a suitable option pricing model (Monte Carlo simulation).

The total remuneration paid to the Management Board includes the share-based LTI with the fair value at the time of granting, amounting to € 10,784 thousand.

Pension payments to former members of the Management Board and their surviving dependants came to € 741 thousand (prior year: € 729 thousand).

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

See the remuneration report, which is part of the Group management report, for details on the remuneration systems for Managing Directors of HELLA Geschäftsführungsgesellschaft mbH and the members of the Supervisory Board and the Shareholder Committee of HELLA GmbH & Co. KGaA. →

42 Declaration of Conformity with the Corporate Governance Code

On 28 May 2015, the General Partners as well as the Shareholder Committee and the Supervisory Board of HELLA GmbH & Co. KGaA ("Company") approved a joint Declaration of Conformity in accordance with Section 161 Aktiengesetz (AktG – German Stock Corporation Act) which states that the recommendations of the German Corporate Governance Code have been and will be complied with as well as which recommendations have not been or are not being applied.

This version of 2 June 2021 → has been made permanently accessible on the Company's website at **www.hella.de/declarationofconformity**

43 Disclosures on financial instruments

The carrying amounts and fair values of classes of financial instruments and the carrying amounts in accordance with IFRS 9 measurement categories as at 31 May 2021 and 31 May 2020 are set out below.

€ thousand	Measurement category under IFRS 9	**Carrying amount 31 May 2021**	**Fair value 31 May 2021**	Carrying amount 31 May 2020	Fair value 31 May 2020	Fair value hierarchy
Cash and cash equivalents	Amortised cost	979,495	979,495	1,202,794	1,202,794	
Trade receivables	Amortised cost	958,507	958,507	596,356	596,356	
Financial assets						
Equity instruments	FVPL	156,459	156,459	125,184	125,184	Level 1
Debt capital instruments	FVOCI	280,637	280,637	305,897	305,897	Level 1
Loans	Amortised cost	4,305	4,305	4,101	4,101	
Other bank balances	Amortised cost	1,003	1,003	10,448	10,448	
Other financial assets						
Derivatives designated as hedging instruments	n.a.	15,414	15,414	4,761	4,761	Level 2
Derivatives not designated as hedging instruments	FVPL	107	107	3,781	3,781	Level 2
Other receivables associated with financing activities	Amortised cost	32,229	32,229	66,304	66,304	
Current financial assets		**2,428,156**	**2,428,156**	**2,319,626**	**2,319,626**	
Financial assets						
Equity instruments	FVPL	36,862	36,862	27,261	27,261	Level 3
Debt capital instruments	FVPL	26,404	26,404	23,070	23,070	Level 2
Loans	Amortised cost	548	548	1,481	1,481	Level 2
Other receivables associated with financing activities	Amortised cost	47	47	55	55	Level 2
Other financial assets						
Trade receivables	Amortised cost	41,351	41,351	44,899	44,899	Level 2
Non-current financial assets		**105,213**	**105,213**	**96,766**	**96,766**	
Financial assets		**2,533,369**	**2,533,369**	**2,416,393**	**2,416,393**	
Financial liabilities						
Financial liabilities to banks and bond	Amortised cost	48,354	48,354	472,294	472,294	
Trade payables	Amortised cost	939,836	939,836	601,793	601,793	
Other financial liabilities						
Derivatives designated as hedging instruments	n.a.	6,333	6,333	15,982	15,982	Level 2
Derivatives not designated as hedging instruments	FVPL	1,281	1,281	292	292	Level 2
Other financial liabilities	Amortised cost	185,009	185,009	146,983	146,983	
Current financial liabilities		**1,180,813**	**1,180,813**	**1,237,345**	**1,237,345**	
Financial liabilities						
Financial liabilities to banks	Amortised cost	248,821	295,204	273,882	333,007	Level 2
Bonds	Amortised cost	887,820	910,243	898,312	865,231	Level 1
Other financial liabilities						
Derivatives designated as hedging instruments	n.a.	87,668	87,668	74,458	74,458	Level 2
Derivatives not designated as hedging instruments	FVPL	8,216	8,216	0	0	Level 2
Other financial liabilities	Amortised cost	23,439	23,439	21,441	21,441	
Non-current financial liabilities		**1,255,965**	**1,324,771**	**1,268,093**	**1,294,137**	
Financial liabilities		**2,436,778**	**2,505,584**	**2,505,437**	**2,531,482**	

€ thousand	**Carrying amount 31 May 2021**	**Fair value 31 May 2021**	Carrying amount 31 May 2020	Fair value 31 May 2020
Of which aggregated under IFRS 9 measurement categories:				
Financial assets				
FVPL	219,832	219,832	179,296	179,296
Amortised cost	2,017,486	2,017,486	1,926,439	1,926,439
FVOCI	280,637	280,637	305,897	305,897
Financial liabilities				
Amortised cost	2,333,279	2,402,085	2,414,705	2,440,750
FVPL	9,498	9,498	292	292

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 2020/2021 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 shares of equity 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 € 36,862 thousand (prior year: € 27,261 thousand).

Pledged collateral

As at 31 May 2021, interest-bearing investments of € 47,000 thousand (prior year: € 15,500 thousand) were pledged to a trustee as statutory insolvency protection for partial retirement fund assets. These are netted at the settlement amount of the partial retirement obligation 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 2020/2021:

€ thousand	Interests	Dividends	Fair value measurement	Currency translation	2020/2021
Financial assets FVPL	698	1,075	15,188	-1,769	15,191
Financial liabilities FVPL	0	0	0	0	0
Financial assets FVOCI – write-off	730	0	1,340	-193	1,877
Financial assets amortised cost	6,485	0	0	-10,988	-4,504
Financial liabilities amortised cost	-25,515	0	0	17,209	-8,306
Total	**-17,602**	**1,075**	**16,527**	**4,259**	**4,259**

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 translation	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**

Net profit/loss per measurement category

When determining the net result from financial instruments, value adjustments and 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, there are commodity price risks and risks relating to the general security of supply, 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 2021

€ thousand	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Non-derivative financial liabilities	1,242,495	597,081	769,793	2,609,369
Derivative financial instruments	676,165	186,112	271,180	1,133,457
Loan commitments/financial guarantees	0	0	0	0
Total	**1,918,660**	**783,193**	**1,040,973**	**3,742,826**
Cash receipts from gross derivatives	675,881	156,592	205,734	1,038,207

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

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 2021**	31 May 2020
Cash and cash equivalents	979,495	1,202,794
Marketable securities	437,096	431,081
Available, unused cash line of credit	1,081,035	622,402
Total	**2,497,626**	**2,256,277**

The total of the cash lines of credit available to the HELLA Group amounts to roughly € 1,084,960 thousand (prior year: € 1,078,705 thousand). This figure is made up of syndicated credit sized at € 450,000 thousand (maturing in 2022, utilisation as at 31 May 2020: 0%), a syndicated credit facility amounting to € 500,000 thousand, maturing in June 2022 (utilisation as at 31 May 2021: 0%), and short-term money market lines with a volume of € 134,960 thousand (utilisation as at 31 May 2021: 3%). 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.

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 taken out in JPY and 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.

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:

Effects of a 10% fluctuation in the exchange rate on equity and net profit/loss for the year

€ thousand		**31 May 2021**			31 May 2020		
Exchange rate	Foreign currency	Net exposure	depreciates by 10%	appreciates by 10%	Net exposure	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		15,576	-19,038		11,731	-14,338
	CZK		-9,064	11,079		-7,163	8,755
	JPY		-3,025	3,754		-7,687	12,213
	MXN		-11,778	14,396		-9,770	11,941
	RON		-13,925	17,020		-10,237	12,512
	USD		17,624	-21,541		21,657	-26,469
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	137,564	-12,506	15,285	103,580	-9,416	11,509
	CZK	-87,334	7,939	-9,704	-33,388	3,035	-3,710
	JPY	-21,354	1,941	-2,373	-29,769	2,706	-3,308
	MXN	-68,652	6,241	-7,628	-27,290	2,481	-3,032
	RON	-95,753	8,705	-10,639	-49,034	4,458	-5,448
	USD	86,477	-7,862	9,609	82,080	-7,462	9,120

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.

Nominal values and measurements of hedging instruments

€ 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 31.05.2021	887,183	15,412	-108,055	Derivative financial assets/liabilities
Exchange rate risk as at 31.05.2020	836,845	5,102	-95,125	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:

Hedging instruments per risk category

	Nominal amount in € thousands		
	<1 year	1-5 years	>5 years
Exchange rate risk as at 31.05.2021	582,462	129,544	175,177
Exchange rate risk as at 31.05.2020	576,349	85,319	175,177

Average hedging rates

Exchange rate risk	Average prices over the entire term of the hedging instruments as at 31.05.2021	Average prices over the entire term of the hedging instruments as at 31.05.2020
EUR/USD	1.18	1.13
EUR/CZK	26.35	26.19
EUR/JPY	126.34	120.26
EUR/RON	5.03	5.00
EUR/CNY	8.14	8.00
USD/MXN	21.82	20.69

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.

Designated hedged items per risk category

€ 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 May 2021	-	-78,816	-
as at 31 May 2020	-	-84,116	-

Gains and losses from cash flow hedges are as follows:

Profits and losses from cash flow hedges

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 31.05.2021	-78,816	-	Other operating earnings	-6,685	Other operating earnings
Exchange rate risk as at 31.05.2020	-84,116	-	Other operating earnings	-3,021	Other operating earnings

The following table reconciles the equity items relating to currency risks in other comprehensive income (OCI):

Reconciliation of equity items from currency risks

	2020/2021			2019/2020		
€ thousand	**Reserve for financial instruments for cash flow hedging**	**Hedging costs**	**Total**	**Reserve for financial instruments for cash flow hedging**	**Hedging costs**	**Total**
As at 1 June	**-75,220**	**-20,695**	**-95,914**	**-83,482**	**-5,685**	**-89,167**
Profits or losses from effective hedging relationships	-30,929	52,869	21,939	-64,625	60,898	-3,727
Reclassifications due to being recognised in profit or loss	18,373	-25,058	-6,685	72,887	-75,908	-3,021
As at 31 May	**-87,776**	**7,116**	**-80,660**	**-75,220**	**-20,695**	**-95,914**

Currency derivatives not presented in accordance with hedge accounting showed changes in the market value of currency derivatives recognised in the income statement:

Currency derivatives without hedge accounting

	Fair values		
€ thousand	**31 May 2021**	31 May 2020	Change
Currency derivatives	-441	3,195	-3,636

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 2021, interest rate-sensitive net debt stood at € 1,005,570 thousand (prior year: € 762,686 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.

Effects of a 1% fluctuation in the market interest rate on equity and net profit/loss for the year

€ thousand	**31 May 2021**		31 May 2020	
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	-9,973	16,739	-14,956	19,812
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	10,056	-10,056	7,627	-7,627

Management of commodity price risks

The HELLA Group is exposed to various commodity price risks through the purchase of components. These risks are managed by the HELLA Group through natural hedging, i.e. the elimination of commodity price risks by means of offsetting effects from purchasing and sales, and through the targeted use of derivatives. The derivatives used are commodity swaps. As of 31 May 2021, there were no commodity derivatives (market value in the prior year: € 0 thousand).

Commodity (net) exposure for 2021/2022 is expected to amount to € 40,937 thousand (prior year: € 19,381 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):

Effects of a 10% fluctuation in the price on equity and net profit/loss for the year

€ thousand	**31 May 2021**		31 May 2020	
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	-4,094	4,094	-1,938	1,938

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 SPPI 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.

Presentation of equity instruments at fair value (PVPL)

€ thousand	**31 May 2021**	31 May 2020
Price risk positions of the non-derivative assets	55,357	23,501

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.

Effect of a 10% fluctuation in the price on equity and net profit/loss for the year

€ thousand	**31 May 2021**		31 May 2020	
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	5,536	-5,536	2,350	-2,350
Change in net profit/loss for the year owing to changes in prices of impaired securities	38	-38	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 the written-off receivables in the past fiscal year, as was the case in the prior year. 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.

Potential for offsetting derivatives

31 May 2020

€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	8,513	-	8,513	4,265	4,248
Liabilities – derivatives	-95,358	-	-95,358	4,265	-91,093

31 May 2021

€ thousand	Gross	IAS 32.42	Net prior to potential for offsetting	Potential for offsetting	Net
Assets – derivatives	15,521	-	15,521	4,963	10,558
Liabilities – derivatives	-108,373	-	-108,373	4,963	-103,410

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 2021.

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 generally do not change this estimation. As at 31 May 2021, there were no significant defaults on receivables attributable to the coronavirus pandemic. It was not possible to identify any increased credit risk for the major customers in the automotive sector or the majority of customers in the Aftermarket or Special Applications segments, which means that no significant defaults on receivables are currently expected. 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 of 31 May 2021 and 31 May 2020 (applying IFRS 9) was calculated as follows:

Detailed overview of value adjustment for trade receivables

	31 May 2021			31 May 2020		
€ thousand	Gross carrying amount	Value adjustment	Net carrying amount	Gross carrying amount	Value adjustment	Net carrying amount
Trade receivables	963,359	4,852	958,507	604,195	7,839	596,356
Total	**963,359**	**4,852**	958,507	604,195	7,839	596,356

Value adjustments for trade receivables carried at amortised cost as at 31 May 2021 are presented below and reconciled with the value adjustments for opening losses. The estimation techniques or material assumptions used to estimate the value adjustment for these financial assets did not change in the current reporting period.

Reconciliation of value adjustments for financial assets

€ thousand	**31 May 2020/2021**	31 May 2019/2020
As at 1 June	**7,839**	**4,941**
Additions	10,344	8,429
Utilisation	-1,548	-1,448
Reduction	-11,792	-4,015
Other	9	-61
Change in the scope of consolidation	0	-7
As at 31 May	**4,852**	**7,839**

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 2020/2021, the Group recognised a value adjustment of € 576 thousand (prior year: € 565 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 (€ 280,637 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 2020/2021:

Development of value adjustment for expected credit losses measured at FVOCI for the 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**

Development of value adjustment for expected credit losses measured at FVOCI for the fiscal year 2020/2021

	2020/2021				
€ thousand	12-month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	POCI – financial assets	**Total**
As at: 1 June 2020	**-565**	**0**	**0**	**0**	**-565**
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	-540	0	0	0	-540
Value adjustments/utilisation of value adjustments	0	0	0	0	0
Value recovery/dissolution of existing value adjustments	529	0	0	0	529
Other effects	0	0	0	0	0
As at: 31 May 2021	**-576**	**0**	**0**	**0**	**-576**

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:

Summary of credit risk exposure for debt capital instruments measured at FVOCI

	2020/2021				
€ thousand	12-month ECL	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	POCI	**Total**
Gross carrying amounts	**280,637**	0	0	0	**280,637**
Value adjustments OCI	-576	0	0	0	-576

	2019/2020				
€ thousand	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**
Value adjustments OCI	-565	0	0	0	-565

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 amounting to € 219,832 thousand (prior year: € 179,296 thousand).

Other financial assets at amortised cost

The value adjustments for other receivables as at 31 May 2021 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.

Reconciliation of value adjustments for other receivables

€ thousand	2020/2021	2019/2020
As at 1 June	**447**	**868**
Additions	6	185
Utilisation	0	-156
Reduction	-17	-450
As at 31 May	**436**	**447**

44 Contractual commitments

There were contractual commitments to purchase or use property, plant and equipment amounting to € 119,646 thousand as at the balance sheet date (prior year: € 106,468 thousand). Contractual commitments for the acquisition of intangible assets amounted to € 2,802 thousand at the end of May 2021 (prior year: € 3,820 thousand).

45 Contingent liabilities

As at 31 May 2021, there were no contingent liabilities within the HELLA Group, as in the previous year.

46 Information on leases

The HELLA Group as lessee

The HELLA Group regularly operates as a lessee.

The Group has leases for various buildings, motor vehicles and pieces of office equipment. Leases are usually fixed for a particular period – generally 4 years for motor vehicles and between 5 and 15 years for buildings – but may include extension options. Some leases for buildings and office equipment include extension and termination options for the Group as a whole. These terms are utilised to maximise operational flexibility. Most extension and termination options can only be exercised by the Group, not by the lessor.

Leases are negotiated individually and cover a wide range of different terms and contract conditions. The HELLA Group is not subject to any obligations or restrictions from leases.

Usufructuary rights to assets:

€ thousand	Land and buildings	Machinery	Operating and office equipment	Total
As at: 1 June 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**
As at: 1 June 2020	**95,106**	**3,028**	**14,934**	**113,068**
Additions	21,758	3,862	5,943	31,563
Depreciation/amortisation	-20,930	-2,009	-6,680	-29,619
Disposals	-1,365	-42	-4,081	-5,488
Recorded impairments	-832	0	0	-832
Currency translation	-3,405	-177	-1	-3,583
As at: 31 May 2021	**90,332**	**4,662**	**10,115**	**105,109**

The right-of-use assets are measured at amortised cost and so do not require additional notes on remeasurement.

Lease liabilities:

€ thousand	31 May 2021	31 May 2020
Up to 1 year	29,580	31,379
Between 1 and 5 years	77,913	77,817
More than 5 years	26,029	34,550
Total	**133,522**	**143,747**

Amounts recognised in profit or loss:

€ thousand	2020/2021	2019/2020
Interest expenses for lease liabilities	-3,021	-3,231
Variable lease payments that are not included in the valuation of the lease liability	-2,607	-1,419
Expenses from current leases	-8,913	-11,748
Expenses from leases in which the underlying assets are low in value	-838	-1,414

Interest expenses for lease liabilities are reported within financing costs in the income statement and other comprehensive income.

Payments of € 34,675 thousand (prior year: € 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.

In order to simplify how lessees account for lease agreements over the coronavirus pandemic, the International Accounting Standards Board (IASB) extended IFRS 16 to include an option. This option permits the lessee, in the event of changes to the lease relationship resulting from the coronavirus pandemic, to remeasure the agreement or to apply relief. HELLA opted not to exercise this option.

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 lease arrangements for the period amounts to € 3,367 thousand.

Distribution of minimum lease payments (not discounted):

€ thousand	31 May 2021	31 May 2020
Up to 1 year	20,860	21,580
Between 1 and 5 years	42,219	48,200
More than 5 years	0	0
Future financing costs under finance leases	-6,797	-8,259
Total	**56,282**	**61,522**

Distribution of the present values of minimum lease payments:

€ thousand	31 May 2021	31 May 2020
Up to 1 year	17,970	18,223
Between 1 and 5 years	38,312	43,299
More than 5 years	0	0
Total	**56,282**	**61,522**

As at 31 May 2021, impairments for unrecoverable receivables from leases amounted to € 458 thousand (prior year: € 495 thousand).

47 Events after the balance sheet date

HELLA signed an exclusive licence and development agreement with Gapwaves, a technology company listed on the Nasdaq First North Growth Market Stockholm, and purchased 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.

48 Audit fees

The total fees for the services of the auditor PricewaterhouseCoopers GmbH invoiced for fiscal year 2020/2021 amounts to € 1,119 thousand (prior year: € 927 thousand), of which € 148 thousand relates to prior years, and includes the fees and expenses for the audit of financial statements. In addition, € 82 thousand (prior year: € 143 thousand) was recognised as expenses for tax advisory services, € 146 thousand (prior year: € 5 thousand) for other assurance services, of which € 128 thousand related to prior years, and € 0 thousand (prior year: € 11 thousand) for other services.

The auditing services pertain to the audit of the annual and consolidated financial statements of the parent company. The other assurance services contain the audit of the bonus share compensation as well as certification services in connection with government grants. The tax advisory services almost exclusively pertain to the tax implications of intercompany settlements.

Lippstadt, 28 July 2021

The Managing General Partner of HELLA GmbH & Co. KGaA

Hella Geschäftsführungsgesellschaft mbH

Dr. Rolf Breidenbach
(Chairman)

Dr. Lea Corzilius

Dr. Frank Huber

Bernard Schäferbarthold

Björn Twiehaus

Scope of consolidation Fiscal year 2020/2021

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	100.0	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	TecMotive 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	Australia	100.0	38
40	HELLA-New Zealand Limited	New Zealand	New Zealand	100.0	38
41	HELLA Asia Pacific Holdings Pty Ltd	Australia	Australia	100.0	38
42	HELLA Korea Inc.	South Korea	South Korea	100.0	41
43	HELLA India Automotive Private Limited	India	India	100.0	41
44	HELLA Emobionics Pvt Ltd.	India	India	100.0	43
45	HELLA UK Holdings Limited	Great Britain	Great Britain	100.0	32
46	HELLA Limited	Great Britain	Great Britain	100.0	45
47	HELLA Corporate Center USA, Inc.	USA	USA	100.0	32
48	HELLA Electronics Corporation	USA	USA	100.0	47
49	HELLA Automotive Sales, Inc.	USA	USA	100.0	47
50	HELLA España Holdings S. L.	Spain	Spain	100.0	32
51	Manufacturas y Accesorios Electricos S.A.	Spain	Spain	100.0	50
52	HELLA S.A.	Spain	Spain	100.0	50
53	HELLA Handel Austria GmbH	Austria	Austria	100.0	32
54	HELLA Fahrzeugteile Austria GmbH	Austria	Austria	100.0	53
55	HELLA S.A.S.	France	France	100.0	32
56	HELLA Engineering France S.A.S.	France	France	100.0	55
57	HELLA Benelux B.V.	The Netherlands	The Netherlands	100.0	32
58	HELLA S.p.A.	Italy	Italy	100.0	32
59	HELLA Lighting Finland Oy	Finland	Finland	100.0	32
60	HELLA Autotechnik Nova s.r.o.	Czech Republic	Czech Republic	100.0	32
61	HELLA CZ, s.r.o.	Czech Republic	Czech Republic	100.0	32
62	HELLA Hungária Kft.	Hungary	Hungary	100.0	32
63	HELLA Polska Sp. z o.o.	Poland	Poland	100.0	32
64	Intermobil Otomotiv Mümessillik Ve Ticaret A.S.	Turkey	Turkey	56.0	32
65	HELLA Centro Corporativo Mexico S.A. de C.V.	Mexico	Mexico	100.0	32
66	HELLA Automotive Mexico S.A. de C.V.	Mexico	Mexico	100.0	65
67	Grupo Administracion Tecnica S.A. de C.V.	Mexico	Mexico	100.0	65
68	Petosa S.A. de C.V.	Mexico	Mexico	100.0	65
69	HELLAmex S.A. de C.V.	Mexico	Mexico	100.0	65
70	HELLA A/S	Denmark	Denmark	100.0	32
71	HELLA India Lighting Ltd.	India	India	82.7	32
72	HELLA Asia Singapore Pte. Ltd.	Singapore	Singapore	100.0	32
73	HELLA Trading (Shanghai) Co., Ltd.	China	China	100.0	72
74	HELLA Slovakia Holding s.r.o.	Slovakia	Slovakia	100.0	32
75	HELLA Slovakia Signal-Lighting s.r.o.	Slovakia	Slovakia	100.0	74
76	HELLA Slovakia Front-Lighting s.r.o.	Slovakia	Slovakia	100.0	74
77	HELLA Romania s.r.l.	Romania	Romania	100.0	32

No.	Company	Country	City	Investment in %	in
78	HELLA do Brazil Automotive Ltda.	HELLA do Brazil Automotive Ltda.	São Paulo	100.0	32
79	HELLA Automotive South Africa (Pty) Ltd	HELLA Automotive South Africa (Pty) Ltd	Uitenhage	100.0	32
80	HELLA Middle East FZE	HELLA Middle East FZE	Dubai	100.0	32
81	HELLA Middle East LLC	HELLA Middle East LLC	Dubai	49.0	80
82	Hella-Bekto Industries d.o.o.	Hella-Bekto Industries d.o.o.	Gorazde	70.0	32
83	HELLA China Holding Co., Ltd.	HELLA China Holding Co., Ltd.	Shanghai	100.0	32
84	HELLA (Xiamen) Electronic Device Co., Ltd.	HELLA (Xiamen) Electronic Device Co., Ltd.	Xiamen	100.0	83
85	Jiaxing HELLA Lighting Co., Ltd.	Jiaxing HELLA Lighting Co., Ltd.	Jiaxing	100.0	83
86	HELLA Vietnam Company Limited	HELLA Vietnam Company Limited	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
87	Behr-Hella Thermocontrol GmbH	Germany	Lippstadt	50.0	1
88	Behr-Hella Thermocontrol (Shanghai) Co., Ltd.	China	Shanghai	100.0	87
89	Behr-Hella Thermocontrol Inc.	USA	Wixom, MI	100.0	87
90	Behr-Hella Thermocontrol India Private Limited	India	Pune	100.0	87
91	Behr-Hella Thermocontrol Japan K.K.	Japan	Tokyo	100.0	87
92	Behr-Hella Thermocontrol EOOD	Bulgaria	Sofia	100.0	87
93	BHTC Mexico S.A. de C.V.	Mexico	Queretaro	100.0	87
94	BHTC Servicios S.A. de C.V.	Mexico	San Miguel de Allende	100.0	93
95	BHTC Finland OY	Finland	Tampere	100.0	87
96	Beijing SamLip Automotive Lighting Ltd.	China	Beijing	24.5	41
97	HBPO Beteiligungsgesellschaft mbH	Germany	Lippstadt	33.3	1
98	HBPO GmbH	Germany	Lippstadt	100.0	97
99	HBPO Germany GmbH	Germany	Meerane	100.0	98
100	HBPO Slovakia s.r.o.	Slovakia	Lozorno	100.0	98
101	HBPO Automotive Spain S.L.	Spain	Arazuri	100.0	98
102	HBPO Mexico S.A. de C.V.	Mexico	Cuautlancingo	100.0	98
103	HBPO Czech s.r.o.	Czech Republic	Mnichovo Hradiste	100.0	98
104	HBPO North America Inc.	USA	Troy, MI	100.0	98
105	HBPO UK Limited	Great Britain	Banbury	100.0	98
106	HBPO Canada Inc.	Canada	Windsor	100.0	98
107	HBPO Rastatt GmbH	Germany	Rastatt	100.0	98
108	HBPO Ingolstadt GmbH	Germany	Ingolstadt	100.0	98
109	HBPO Manufacturing Hungary Kft.	Hungary	Kecskemét	100.0	98
110	SHB Automotive Module Company Ltd.	South Korea	Gyeongbuk	50.0	98
111	HBPO Automotive Hungaria Kft.	Hungary	Györ	100.0	98

No.	Company	Country	City	Investment in %	in
112	HBPO Regensburg GmbH	Germany	Regensburg	100.0	98
113	HBPO Pyeongtaek Ltd.	South Korea	Pyeongtaek	100.0	98
114	HBPO Beijing Ltd.	China	Beijing	100.0	98
115	HICOM HBPO SDN BHD	Malaysia	Shah Alam	55.0	98
116	HBPO Management Sevices MX S.A.	Mexico	Cuautlancingo	100.0	98
117	HBPO Services MX S.A.	Mexico	Cuautlancingo	100.0	98
118	HBPO Vaihingen/Enz GmbH	Germany	Vaihingen/Enz	100.0	98
119	HBPO Saarland GmbH	Germany	Kleinblittersdorf	100.0	98
120	HBPO Nanjing Ltd.	China	Nanjing	100.0	98
121	HBPO Székesfehérvár Kft.	Hungary	Székesfehérvár	100.0	98
122	Changchun Hella Faway Automotive Lighting Co., Ltd.	China	Changchun	49.0	33
123	Chengdu Hella Faway Automotive Lighting Co., Ltd.	China	Chengdu	100.0	122
124	InnoSenT GmbH	Germany	Donnersdorf	50.0	1
125	Hella Pagid GmbH	Germany	Essen	50.0	1
126	Beijing Hella BHAP Automotive Lighting Co., Ltd.	China	Beijing	50.0	83
127	Hella BHAP (Sanhe) Automotive Lighting Co., Ltd.	China	Sanhe	100.0	126
128	Hella BHAP (Tianjin) Automotive Lighting Co., Ltd.	China	Tianjin	100.0	126
129	Hella BHAP Electronics (Jiangsu) Co., Ltd.	China	Zhenjiang	50.0	32
130	HELLA Evergrande Electronics (Shenzhen) Co.,Ltd.	China	Shenzhen	49.0	32
131	HELLA MINTH Jiaxing Automotive Parts Co., Ltd.	China	Jiaxing	50.0	32
132	HELLA Evergrande Electronics (Yangzhou) Co.,Ltd.	China	Yangzhou	100.0	130

The companies listed below were not consolidated as they are of minor significance for the Group's net assets, financial position, and results of operations. For this reason, the other disclosures under Section 313 (2) (4) HGB could also be omitted. The Group's shares in these companies were recognised at fair value.

Companies not included in the consolidated financial statements:

				Investment	
No.	Company	Country	City	in %	in
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	65
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	100.0	1
140	H+S Verwaltungs GmbH i.L.	Germany	Pirmasens	50.0	1
141	INTEDIS GmbH & Co. KG i.L.	Germany	Würzburg	50.0	1
142	INTEDIS Verwaltungs-GmbH i.L.	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	83
145	HELLA Ventures, LLC	USA	Delaware	100.0	47

Since no significant influence is exercised over the following companies, they were treated as investments.

Investments

				Investment	
No.	Company	Country	City	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

The following copy of the auditor’s report also includes a “Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB” (“Separate report on ESEF conformity“). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

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, 2021, 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 fiscal year from June 1, 2020 to May 31, 2021, 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 fiscal year from June 1, 2020 to May 31, 2021. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB 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 § 315e Abs. [paragraph] 1 HGB 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, 2021, and of its financial performance for the fiscal year from June 1, 2020 to May 31, 2021, 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 the above mentioned statement on corporate governance referred to above.

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 fiscal year from June 1, 2020 to May 31, 2021. 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 Restructuring provision in connection with the long-term restructuring program to improve competitiveness

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 informationn

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 € 5.2 million and intangible assets with finite useful lives amounting to € 306.0 million are reported under the "intangible assets" balance sheet item, and property, plant and equipment amounting to € 1,711.5 million is reported under the "property, plant and equipment" line item (together accounting for 33.4% 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 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 a result of the impairment tests, an impairment loss of € 50.8 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 managing 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 managing directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on impairment testing and the balance sheet items "Intangible assets" and "Property, plant and equipment" are contained in numbers 03, 29 and 30 of the notes to the consolidated financial statements.

2 Restructuring provision in connection with the long-term restructuring program to improve competitiveness

1 In July 2020, HELLA GmbH & Co. KGaA resolved to launch a long-term program aimed at permanently improving the company's competitiveness. In connection with this program, the HELLA Group is, among other things, looking to reorganize processes and reduce the number of staff in Germany. This will primarily impact the headquarters in Lippstadt, where 900 administrative and development positions are slated to be cut. In order for a restructuring provision to be recognized, the general recognition criteria for provisions pursuant to IAS 37.14 must be satisfied, which are further specified for restructuring measures within the meaning of IAS 37.10 by the regulations in IAS 37.70 et seq. If this pertains to employee benefits, the requirements of IAS 19 apply. In addition to the recognition of partial retirement agreements, a provision for severances of € 58.2 million was expensed in the consolidated financial statements in 2020/2021 due to the arrangement with the employee representative bodies on the severance program and individual contractual agreements, of which a significant portion relates to the Lippstadt site. In our view, this matter was of particular significance for our audit, as the recognition of restructuring provisions and thus the related provisions for employee benefits is to a large extent based on estimates and assumptions made by the managing directors.

2 As part of our audit, we assessed whether the individual recognition criteria were met and whether the measurement of the restructuring provision was appropriate. To that end, we obtained and evaluated relevant evidence from the managing directors of HELLA GmbH & Co. KGaA. We satisfied ourselves that the matter and the estimates and assumptions made by the managing directors in connection with the recognition and measurement of a restructuring provision were sufficiently documented and substantiated. The measurement occurred within ranges considered by us to be reasonable.

3 The Company's disclosures relating to restructuring provisions are contained in sections 20, 22 and 36 of the notes to the consolidated financial statements.

Other Information

The managing directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report, our auditor's report and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

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 Managing Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The managing 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 managing 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 managing 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 managing 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 managing 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 managing directors and the reasonableness of estimates made by the managing directors and related disclosures.

- Conclude on the appropriateness of the managing 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 managing directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the managing 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

Report on the assurance in accordance with § 317 Abs. 3a HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file HELLA_JA+LB_ESEF-2021-05-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from June 1, 2020 to May 31, 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with § 317 Abs. 3a HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the Managing Directors and the Supervisory Board for the ESEF documents

The managing directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the managing directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The managing directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on September 25, 2020. We were engaged by the supervisory board on January 14, 2021. We have been the group auditor of HELLA GmbH & Co. KGaA, Lippstadt, without interruption since the fiscal year 2018/2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr. Thomas Ull.

Responsibility statement

on the consolidated financial statements, annual financial statements, Group management report and management report of HELLA GmbH & Co. KGaA dated 31 May 2021

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, 28 July 2021

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

Dr. Lea Corzilius
(Managing Director 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 Geschäftsführungsgesellschaft mbH)

Bodies of HELLA GmbH & Co. KGaA

Supervisory Board

Klaus Kühn
Since 26 September 2014,
Chairman of the Supervisory Board,
Independent business consultant, formerly CFO of Bayer AG

Heinrich-Georg Bölter
Since 23 July 2004,
Deputy Chairman of the Supervisory Board,
member of commercial staff, works council member

Michaela Bittner
Since 14 October 2009,
Senior executive

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 at 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 01 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

Christoph Thomas
Since 26 September 2014,
Architect, shareholder

Shareholder Committee

Carl-Peter Forster
Since 27 September 2019,
Chairman of the Shareholder Committee,
Independent business consultant and investor,
formerly CEO of Adam Opel AG

Dr. Jürgen Behrend
Since 28 September 2017,
Deputy Chairman of the Shareholder Committee,
formerly personally liable Managing General
Partner of Hella KGaA Hueck & Co, 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

Roland Hammerstein
Since 13 November 2003,
Independent attorney-at-law, shareholder

Klaus Kühn
Since 19 November 2010,
independent business consultant,
formerly CFO of Bayer AG

Dr. Matthias Röpke
Since 27 September 2013,
Independent business consultant,
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,
Personnel, Purchasing, Quality, Legal and
Compliance, Aftermarket

Dr. Lea Corzilius
Since 1 October 2020,
Personnel (deputy)

Dr. Frank Huber
Since 1 April 2018,
Automotive Lighting

Bernard Schäferbarthold
Since 1 November 2016,
Finance, Controlling, Information Technology and
Process Management, Special Applications

Björn Twiehaus
Since 1 April 2020,
Automotive Electronics

Glossary

AFLAC (American Family Life Assurance Company)
US 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

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

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

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

IT
IT stands for information technology and refers to all types of computer expertise including software and hardware

Return on equity
Return on equity is a ratio calculated by dividing net income by shareholders' equity

Europe excluding Germany
This region comprises all countries in Europe including Turkey and Russia but excluding Germany

R&D
Research and development

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 measured at fair value with changes in value recognised in other comprehensive income

FVPL (Fair Value through Profit or Loss)
Financial instrument that is measured at fair value with changes in value recognised in profit or loss

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

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

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 financial debt
Net financial debt is the balance of cash and cash equivalents and current financial assets and current and non-current financial liabilities

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

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 on receivables and thus describes the possible loss of incurred by a credit institution or from 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

RoIC (return on invested capital)
The ratio of operating income before financing costs and after taxes (return) to invested capital

Segment sales
Sales with third-party 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

SPPI (Solely Payments of Principal and Interest)
Contractual cash flows representing only principal and interest payments on the outstanding principal amount

SOE, Special OE (Special Original Equipment)
Designation of “special original equipment” at HELLA. In this division, HELLA systematically taps customer target groups outside the automotive original equipment market, such as manufacturers of caravans, agricultural and construction vehicles and machinery, as well as municipalities

Tier-1 supplier
First-level supplier

Currency and portfolio-adjusted consolidated sales
Consolidated sales without considering effects due to exchange rates and portfolio changes

(CGU) Cash-generating unit
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

Legal notice

Publisher

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This report is available in German and English. Both versions are available for downloading at **www.hella.de/geschaeftsbericht** (German) and **www.hella.com/annualreport** (English).

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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

Photos: pgs. 8–13: Robert Fischer (6);
pgs. 14–17: HELLA (4), Studio Johannes Bauer (2);
Adobe Stock (1)

Graphs and illustrations:
C3 Visual Lab, loved GmbH

Comparison of key performance indicators over three years

	2020/2021	2019/2020	2018/2019
Currency and portfolio-adjusted sales (in € million)	6,505	5,739	6,770
Currency and portfolio-adjusted sales growth	13.3%	-15.7%	5.2%
Adjusted EBIT margin	8.0%	4.0%	8.4%

In € million	**2020/2021**	2019/2020	2018/2019
Sales	6,380	5,739	6,770
Change compared to prior year	11%	-15%	5%
Adjusted earnings before interest and taxes (adjusted EBIT)	510	227	572
Change compared to prior year	125%	-60%	5%
Earnings before interest and taxes (EBIT)	454	-343	808
Change compared to prior year	232%	-142%	41%
Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)	917	661	948
Change compared to prior year	39%	-30%	-4%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	894	576	1,191
Change compared to prior year	55%	-52%	17%
Earnings for the period	360	-432	630
Change compared to prior year	183%	-168%	62%
Earnings per share (in €)	3.22	-3.88	5.67
Change compared to prior year	183%	-168%	62%
Adjusted free cash flow from operating activities	217	222	243
Change compared to prior year	-2%	-9%	9%
Free cash flow from operating activities	74	205	253
Change compared to prior year	-64%	-19%	16%
Research and development (R&D) expenses	603	620	611
Change compared to prior year	-3%	2%	7%
Capital expenditures	630	431	551
Change compared to prior year	46%	-22%	28%

	2020/2021	2019/2020	2018/2019
EBIT margin	7.1%	-5.9%	11.6%
Adjusted EBITDA margin	14.4%	11.5%	14.0%
EBITDA margin	14.0%	9.9%	17.0%
R&D expenses in relation to sales	9.5%	10.8%	9.0%
Investments in relation to sales	9.9%	7.5%	7.9%

	31 May 2021	**31 May 2020**	31 May 2019
Net financial liquidity / net financial debt (in € million)	103	-140	66
Equity ratio	40.6%	37.0%	46.3%
Return on equity	13.7%	-20.5%	25.4%
Employees	36,500	36,311	38,845

Development of the HELLA share (in €)	**2020/2021**	**2019/2020**	2018/2019
Starting price	35.10	39.26	53.80
Closing price	56.50	35.10	39.26
Highest price	57.10	50.55	57.35
Lowest price	35.00	20.82	33.90
Proposed dividend per share	0.96	0.00	3.35*

** including a special dividend of € 2.30 per share for the fiscal year 2018/2019*

To ensure improved comparability of the results of operations between the fiscal year 2020/2021 and the prior year, the presentation of operating variables of both periods has been adjusted or restated. Further information can be found in the notes to this annual report.

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