

Rating Action: Moody's upgrades Hella to Baa2; outlook stable

Global Credit Research - 17 Feb 2012

Approximately EUR 475 million of rated debt affected

Frankfurt am Main, February 17, 2012 -- Moody's Investors Service has today upgraded Hella KGaA Hueck & Co. to Baa2 from Baa3. In addition, Moody's has upgraded the ratings on Hella's EUR 300 million notes due 2014 and JPY12 billion worth of senior notes due in 2032 to Baa2 from Baa3. Furthermore, Hella's short-term issuer rating has been upgraded to Prime-2 from Prime-3. The outlook on the ratings was changed to stable from positive.

RATINGS RATIONALE

"The upgrade to Baa2 reflects the improvement in Hella's profitability and credit metrics in recent years" says Rainer Neidnig, a Moody's Vice President and lead analyst for Hella. "Although current financial ratios may prove to reflect the peak of the industry cycle, we expect them to leave adequate headroom within the Baa2 rating category for a potential cyclical weakening" adds Mr Neidnig.

For the last twelve months ending November 2011, the group generated sales of EUR 4.6 billion and the EBIT-margin was 7.7% on a Moody's adjusted basis. Debt/EBITDA stood at 1.6x (net debt/EBITDA 1.1x) and Free Cash Flow was positive with EUR 103 million.

In Moody's view, the earnings recovery from the trough in the fiscal year 2008/09 (debt/EBITDA 4.3x; EBIT-margin 0.7%) was not only driven by the recovery of demand for new cars, primarily in Europe and North America, but also by cost-saving and efficiency improvement measures implemented by Hella in recent years. Against this backdrop we expect Hella to be able to maintain leverage ratios at 2.5x debt/EBITDA or lower on a sustainable basis and an EBIT-margin of close to 6% over the business cycle.

Hella's rating is supported by the group's market-leading positions in lighting technology, in the European independent aftermarket as well as in original equipment electronics. The rating also takes into consideration the size of Hella's Aftermarket division (accounting for 22% of the group's H1 2011/12 revenues), which is less cyclical than its original automotive equipment activities and which supports revenue and profitability stability during the economic cycle. Hella's rating benefits further from the group's track record in adjusting its cost structure and improving its operational efficiency. In addition, Moody's notes positively the group's efforts to diversify both its customer base and its geographical spread.

In general, the risks for Hella are associated with the inherent cyclicity of the automotive industry, potentially volatile costs for raw materials or purchased components and the intense competition in the entire automotive supply industry. This requires the ongoing optimization of efficiency, processes and costs as well as continued investments in research and development in order to offer innovative product solutions. Moreover, unforeseen operational issues caused by Hella's expansion abroad or new product launches may also lead to a weakening in the company's metrics.

Currently, we believe that the major risks are in the macroeconomic environment, e.g. potential repercussions of the sovereign debt crisis in Europe or a rapid cooling of economic growth in emerging markets such as China. The Baa2 rating reflects an anticipated decline of 6% in European light vehicle production in 2012 and growth in other regions which we expect to result in metrics in line with the current rating category.

In order to remain adequately positioned at Baa2, Hella needs to maintain: (i) debt/EBITDA below 2.5x,

(ii) an EBIT-margin of close to 6% and (iii) positive FCF generation through the cycle. Moreover, the Baa2 rating reflects the expectation that Hella will maintain a continued balanced financial policy.

Negative pressure on the rating would arise if (i) Hella's profitability came under pressure, resulting in an EBIT-margin falling again sustainably below 5% or material negative FCF; and (ii) its debt/EBITDA ratio were to exceed 2.5x or if RCF/net debt fell notably below 30%.

Moody's would consider upgrading Hella's ratings, if the company were to achieve on a sustainable basis an EBIT-margin close to 10% and a debt/EBITDA ratio well below 2.0x. Moreover, an upgrade would require material positive FCF generation and an RCF/net debt ratio above 40% on a sustainable basis.

The principal methodology used in this rating was Global Automotive Supplier Methodology published in January 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Headquartered in Lippstadt, Germany, Hella KGaA Hueck & Co. is one of the leading automotive lighting and electronics components suppliers, with a strong position in the European aftermarket. The company's Lighting and Electronics businesses generate around 40% and 30%, respectively, of revenues. Both businesses are organized under the Original Equipment division. The Lighting business manufactures head lamps, signal lamps, interior lamps and lighting electronics; while the Electronics business produces body electronics, energy management electronics, driver assistance electronics, sensors and actuators. Around 25%-30% of revenues are generated by the Aftermarket (distribution of parts and accessories to wholesalers or garages) and the Special Applications division (original equipment for non-automotive industries such as the agriculture, mining or marine sectors).

Hella is family owned and generated revenues of EUR 2.3 billion in the six-month period ending 30 November 2011. In this period 55% of revenues were generated with end customer located in Europe, 18% in the NAFTA region and 27% in Asia and other regions. The company employs approximately 25,000 people at more than 70 manufacturing facilities, production subsidiaries and joint ventures worldwide.

Upgrades:

..Issuer: Hella KGaA Hueck&Co

.... Issuer Rating, Upgraded to P-2, Baa2, Baa2 from P-3, Baa3, Baa3

.... Issuer Rating, Upgraded to P-2, Baa2, Baa2 from P-3, Baa3, Baa3

.... Issuer Rating, Upgraded to P-2, Baa2, Baa2 from P-3, Baa3, Baa3

....Senior Unsecured Regular Bond/Debenture, Upgraded to Baa2 from Baa3

....Senior Unsecured Regular Bond/Debenture, Upgraded to Baa2 from Baa3

Outlook Actions:

..Issuer: Hella KGaA Hueck&Co

....Outlook, Changed To Stable From Positive

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this

announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare the rating are the following : parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the two years preceding the credit rating action. Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's EU credit rating agencies" on the ratings disclosure page on our website www.moodys.com for further information.

Please see the ratings disclosure page on www.moodys.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moodys.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Rainer Neidnig
Vice President - Senior Analyst
Corporate Finance Group

Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main 60322
Germany
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Matthias Hellstern
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main 60322
Germany
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



© 2012 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR

ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.