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Kerstin Dodel: Ladies and gentlemen, welcome to Hella's analyst conference and conference call for the financial year 2015/2016. Also a warm welcome to the participants on the telephone lines. A short note on the procedure, first, Dr. Breidenbach, our CEO, and Mr. Pohlschmidt, our Finance Director, will go through the presentation for the financial year. Then we will have a Q&A session here in the room. And after we finish that, we will answer the questions on the telephone lines. So thank you very much for your interest. And I would like to hand over to Dr. Breidenbach.

Rolf Breidenbach: Yes, Ms. Dodel, thank you very much for this introduction. Also from my side, a very warm welcome. We all really appreciate from the other side your participation here in the room or on the line to discuss with us the financial figures of our last fiscal year 2015/2016.

Overall our assessment is that the last fiscal year went very well for Hella. This is especially true with regards to our growth performance. We again outperformed the market significantly. We could show a growth figure of around 8.9%, thereof 1.4% related to currency effects.

For us from the Board, the most important thing is that this growth performance came from all our segments. Automotive, of course, was again the growth engine, with a growth rate of more than 10%. But also our aftermarket division, with a growth rate of around 6%, significantly contributes to the gross performance of Hella in the last fiscal year. We are very satisfied that not only our spare part business has again shown a good growth performance, but also our wholesale activity.

Special applications, only a small growth rate of 2%. Here it's important to distinguish on the one hand between our traditional special applications business. This means the customers we deliver with lighting and electronic products outside automotive, and on the other hand our industry business, which we have sold in May this calendar year.

The industry business shrank over the last 12 months, where, contrary to that, our special applications business has grown significantly, so that we are quite confident that this growth rate of 2% will be the absolute minimum this segment will show in the future. Contrary to that, we expect a much, much, much higher growth rate.

When we look at the adjusted gross profit margin, again we were able to reach a level of around 27%, which allows us, of course, to finance our quite high D&D rate of around 9.8% as shown in the fiscal year 2015/2016.

The reason for this growth rate, and Mr. Pohlschmidt will explain that in more detail in some minutes, is on the one hand, of course, that we are not absolutely satisfied with the efficiency in our global D&D network. But on the other hand, we are very satisfied with our order book we have achieved in the last two financial years. And this means that based on all the new projects we were able to acquire, we had to bring more D&D people on board than we have expected.

And the third reason is that we decided to again significantly invest into predevelopment activities in two fields. On the one hand, driver assistance systems, which are necessary to support our customers in launching semiautonomous or autonomous driving cars. And on the other hand we invested into the area of energy management, where we see very attractive growth opportunities in the future in both areas, on the one hand on the e-vehicle side, but also on the vehicles with traditional combustion engines.

When we look at the adjusted EBIT margin, we were able to reach a similar level than in the fiscal -- in the last fiscal year. So we are now at 7.5%. When we look at the EBIT, of course we had the impact of our, let's say, supplier case in China. We already discussed also in some of these discussions in this group in the last quarters. But overall we were quite satisfied that we not totally could compensate these additional costs of EUR47 million, but a good proportion of it.

When we look at the cash flow, again we were able to improve the adjusted operative cash flow by EUR14 million. Of course, step by step we expect to increase the operative cash flow also in the years to come. But when we look at or when I look at our investment activities, on the one hand our CapEx spending, the D&D activities, we are very satisfied with the cash flow, with the adjusted cash flow we have achieved.

When we look at our growth performance, I already comment on that, the growth is generated by all the different segments. Automotive is the growth engine. And when we look at the different markets in the fiscal year 2015/2016, especially Europe was very strong, and also China, Asia. We were flat at North and South America.

But this has nothing to do with our strategy to also grow in this area. It's more a question of balancing the different launches and of production of the one or the other product. When you keep in mind that we have grown in the fiscal year 2014/2015 by 17% in NAFTA, you could see that, step by step, these different growth rates in the different regions over the years are balancing out.

And it's again our strategy, and we are very convinced that we will reach it that we grow in all these, for Hella, most important markets, Asia, especially China, North and South America and Europe, more or less in the same way so that all these markets will contribute significantly to the automotive sales.

Perhaps one short comment on China because this was -- there were so many questions in the last investor and analyst call. When we look at the market development, the Chinese market has grown in the last financial year of Hella by around 14%. We were able to grow by 15.7%, so a bit stronger. And this growth was realized, on the one hand, with the, let's say, traditional joint ventures of US or European auto manufacturers, with Chinese car manufacturers, on the one hand, but also with local Chinese OEMs.

This is overall with regards to the financial highlights. I would like now to hand over to Mr. Pohlschmidt, who will give you a bit more insight into our financial results.

Carl Pohlschmidt: Yes. Thank you very much. On the next few slides I would like to guide you through our cost and margin basis. And for those of you who are following us over the whole year, you will see that there isn't any surprise but that the figures are in line with what we have presented you in the quarterly calls and in the outlook we have given to you.

So first, taking a view on the adjusted gross profit, this has increased by around EUR160 million to EUR1.7 billion. And when we look on the margin, you will see that we were able to improve it by 40 basis points to 27%. And this is, in our view, really a good achievement, taking in consideration the challenges we had in transferring the high-tech production know-how to our Eastern European plants.

You might recall that we reported about some inefficiencies we had there, which caused additional cost of sales, especially in theses production plants. So we were able to overcompensate this by increasing productivity in other established plants. And also we had some tailwinds from a positive product mix in our aftermarket division.

So overall, we think it was very successful to increase this gross profit because it offers us also some flexibility on the investment side for the future. We will see it on the next page when we look to our R&D expenses.

So the R&D expenses were, in terms of ratio, increasing to 9.8% from our sales. And we have basically four reasons for this. First is strong investment into the premium high-definition headlamps, with the new functionalities, which caused, of course, additional development cost. And what we always explained about these devices, that we have more value-add in this, so this is also one of our growth drivers. But it is clear that it has also additional development costs, so higher development costs, which are coming prior to the sales which we have in the next years, when these products are ramping up. So this is one reason. Within our electronic division we have invested into strategic projects, especially for the trend product fields, energy management and driver assistance.

Dr. Breidenbach already talked about our further growth potential coming from our acquisitions of projects we have achieved in this year. We will see it also later, and last but not least, and this is the other side of the cost matter, we had some more inefficiencies than we have expected in the ramp-up of our new higher-development people, the engineers.

So you know that we are increasing our R&D network from year to year, so this means that we have to hire new people and that we have to train the people and bring them up to speed to our method and standards, and this causes always some inefficiency costs at the very beginning. They were a bit higher than we have expected originally.

So looking to the other cost base, sales, general and administrative expenses. They are pretty much in line with the ratios we have seen, also in the previous years and where we think that this cost ratio is sufficient and in line with our business model. When we look to the distribution expenses, they have a ratio in terms of sales of 7.8% in the last business year. This is the same ratio like in the prior year and also the administrative expenses with 3.4% were in line with what we had in the prior year. Yes, this is the most important factor there.

We had some improvements in the other income and expenses by EUR17 million. On an adjusted basis, this was mainly caused by lower impairments we had when we exclude the China case. So the adjusted SG&A expenses on this page are adjusted by EUR20 million in the expenses, caused by the supplier case.

When we take this out, we had an improvement of EUR17 million, as I said, due to lower impairments we had in the previous year and some other factors, like governmental support or the release of provisions.

Yes, looking on the EBIT margin on the bottom line on an adjusted basis, it has been increased to EUR476 million, which is an increase of 7% and pretty much in line of what we have guided at the very beginning of the business year.

Again, you will recall that we have made an adjustment to the guidance on the unadjusted basis in the first quarter last year, when this incident in China happened, and we always said that we are confident to achieve on this adjusted basis the results, like we have guided at the beginning. And this is now proven by the final results.

So 7.5% EBIT margin on an adjusted basis is slightly below the previous year, but more or less we have achieved this level. This shows very well that this additional effort we spend into R&D, that we can pay it out of the gains we achieve in the productivity and the active cost management, so that we were able, really able, to keep our profitability on the bottom line.

When we look on the cash flow side, Dr. Breidenbach already mentioned in the highlights that we have increased our adjusted operative free cash flow to EUR134 million. When we take here the adjustment out, so what we have adjusted are EUR34 million for the supplier case, EUR15 million for restructuring and EUR30 million for a reduction of our factoring program, so EUR79 million, then we have an operative cash flow of around EUR50 million. So net CapEx is the major driver of our spendings.

Looking to the working capital, we were able to lower our working capital consumption, mainly due to an active inventory management but also on the liability side we were able to finance more via our supplier base.

Yes, coming to the net leverage coming out of this, so you see that we increased our net debt by EUR106 million. So this is simply the calculation of our adjusted operative free cash flow of EUR134 million. Then we have to take out those adjustments of around EUR80 million. We paid out a dividend of EUR86 million, and we invested in addition around EUR60 million in the additional shares of our wholesale companies in Denmark and in Poland.

You might recall that we have done those transactions in the course of the first half and that we are owning now 100% of the shares in these companies, which we consider as important for the further growth path of our wholesale business. And o f course, it's an attractive business where we get now 100% of the return into our Group.

The net leverage on the basis net debt to EBITDA has increased slightly from 0.2 times to 0.3 times. So it is remaining on a very low basis compared with leverage potential we have in the Company and is again the result of our conservative financial profile, which we also want to keep in the future.

This was also seen by Moody's. They have issued a new opinion in July and there we were able to remain on the rating level of BAA2.

Looking on the growth and profitability of our segments, you see in our automotive segment that the major driver was lighting. Especially with the new high-tech products on the LED side, lighting has increased the sales by 12% and also electronics were able to grow by around 8%.

On the margin side, on an adjusted basis, we have kept the level of 8.1%, which we see as really a good margin level. Although there is always of course the ambition to improve, we think this 8% according to our business model, we were able to achieve a sufficient margin, also like in the previous year.

Looking onto the other segments, first, the aftermarket business, also aftermarket business has been grown by around 6%. There we had much lower sales in the year before due to shrinking demand in Germany in the context with consolidation of our bigger wholesale customers.

So there we were able to recover and also to improve the margin on this side. As I said at the very beginning, we had also good support from the positive product mix, so that we have increased our EBIT margin in this segment from 6.5% to 6.7%.

Looking on special applications, you see a picture which is pretty much affected by the industries business. Dr. Breidenbach already explained about this. We have sold this at the end of the business year. So in connection with this sale, we had some additional costs, which has put burden on the results but also on the top line, as the sales growth was negative in this segment.

Looking on the pure figures of our special OE, which remains now in this segment, it looks much better. So the growth of this product field is pretty much in line with what we have achieved on the Group level and also on the margin side. And this is something we expect will become really visible in the next years.

We have some follow-up costs at the beginning now for the sale and closedown of the industries business, but it should show in the next years that also the special OE business, although it is not so big in terms of our overall sales, can really offer attractive margins and also growth potential.

When we look to the quarterly development, you see on the top our sales growth, and there you can see that it was declining. So the growth rate was declining from quarter to quarter, but there we have to take in consideration that also the prior year base had an opposite development. In the last business year, the growth rate has been increased from quarter to quarter, and therefore we had a pretty much higher base also on the quarter development side. And we had increasing tailwind in the last year for the growth, from the FX side for the growth.

So the FX effect was increasing last year from nearly 0% to 5% of our growth. In this business year, it has taken the opposite way, so in the first quarter, we had a remaining FX effect of 4%. In the last quarter, it has changed into negative, so the impact was minus 1.3% on the growth rate in the fourth quarter. So this is explaining why it has been going down to 5%.

So looking on the Group adjusted EBIT margin from quarter to quarter, you see seasonal impact on this. But when we look over the whole business year, as I already said, it's more or less on the level. The adjusted EBIT margin is more or less on the same level like in the previous years. And this shows in the quarters apart from seasonal effects that we also have in our industry effects which are affected by our ramp up of new products but also by the invoicing of reimbursements to our customers, which are not following really a seasonal basis but coming like the ramp-ups are planned by our customers. And this can influence the results from quarter to quarter. And this is basically the explanation, apart from a few seasonal effects coming from the closedown of customer plants in summertime and also Christmas time why it is fluctuating a bit.

So these are our financials from the business year, and Dr. Breidenbach will give you now an outlook what we expect for the coming year.

Rolf Breidenbach: Yes, thank you. First of all, some remarks about the market development we expect. So we don't think that we get a lot of tailwind with regards to the development of the auto markets, but we also see no obstacle on the other hand that could stop our growth development in the months to come.

We see especially a good development in China. June/July in China were very strong and we expect that this development will go on at least until the end of this calendar year. Also, West Europe is and in our opinion will remain very strong.

We see a kind of flattening in the US, and Germany as a part of West Europe will also be a good supporter of the overall growth perspective of the West European market.

The other markets where growth should not be expected, like Russia or Brazil for example, are not important for our development. Overall, we see an average growth of around 3% in the auto market worldwide.

When we look at the expectations for the current fiscal year, with regard to sales growth, we see a mid-single digit percentage range, which we can achieve. The same is true for the adjusted EBIT growth, and this results in a more or less remaining adjusted EBIT margin.

Concerning the let's say more mid and long-term growth perspectives, we clearly see that let's say the growth dynamic of Hella will again increase in the next two fiscal years behind 2016/2017. This is related for the already mentioned very good order book we achieved in the last fiscal years, I have to say.

To give you an impression of the fiscal year, 2018/2019, we have around 80% of our expected electronic automotive sales already booked and more than 90% of our lighting sales. So that we are -- yes, as I said, quite sure and optimistic that the dynamic of our growth will increase in the years to come. Of course, having in mind that no let's say spectacular economic or political disruption will take place.

Yes, perhaps so much to the outlook, and now Mr. Pohlschmidt and myself would appreciate your questions. Please.

Q&A

Mike Raab: Hi. Mike Raab, Kepler Cheuvreux. Perhaps I'd like to basically delve into the Q&A using the last slide that you presented here. In terms of the sales growth that you would deduct from your -- sorry, that you would deduce from your order intake, one would actually expect to see positive operational gearing effect also giving an uplift to the midterm margin relative to where it is today.

Is that a notion you would subscribe to or would you perhaps argue that the continued need to defend your innovation leadership position is also going to result in a rise in the R&D to sales ratio that is more or less going to offset on the margin level these positive operational gearing effects? Thanks.

Rolf Breidenbach: No. We expect and clearly targeted not for this fiscal year but for the fiscal years to come an increase in the margin, especially due to the fact you mentioned. This additional growth will give us the opportunity to also increase our margin. This is our target, and it's in our opinion quite realistic.

Mike Raab: Thanks.

Christian Ludwig (Bankhaus Lampe): Basically, a little follow on what Michael just asked. In the past, I think you said that you were targeting an R&D ratio below 9%. Is that something that we should now expect to become visible then only in 2017/2018 and beyond, or should we already see a decline at least in the current fiscal year? How should we expect that? Question number one.

And then question number two, you mentioned these two fields that you're further looking into, which is energy management and driver assistances. Maybe you could give us a little bit more idea what exactly technology wise you're looking at there and when this potentially is going to turn into sales revenues?

Rolf Breidenbach: Thank you for the question. Coming to the R&D ratio, of course, Mr. Pohlschmidt and also myself comment on these inefficiencies in R&D. And this of course is something we really would like to eliminate, therefore we see this 9.8% really as a peak. But this does not mean that the R&D ratio will be reduced dramatically, because we think it's a really good investment to go for this energy management, these driver assistant system technologies and others. These are really good business opportunities which we would like to catch.

But coming back to your question concerning R&D, we see a slight decrease in the fiscal years to come. Of course, when we could show this stronger growth in the next fiscal year, this of course will also help to reduce this ratio.

Concerning our investments into driver assistance systems and energy management, allow me to perhaps mention one field. This is the development of camera software. We are already a supplier of camera software for front cameras in automotive. And here we see a lot of good opportunities to invest and to grow, because we see a standardization at the hardware side. The differentiation will come from the software side.

As I said, we are already a supplier in this field and therefore, we significantly invest into that and we see very good opportunities.

To mention another field, battery management systems will become more and more important for electrical vehicles. This, in our opinion, will be a core technology to be successful in this field. We are already a supplier of very complex battery management systems, and here we also see attractive growth opportunities, only to mention two of these deals.

Christian Ludwig: If I may follow-up. That means basically these are fields where you're already active in today and you just want to enhance your position. It's nothing new that you're not doing today.

Rolf Breidenbach: That's correct.

Christian Ludwig: Okay, thank you.

Rolf Breidenbach: Please.

Christoph Laskawi: Hi. Christoph Laskawi, Deutsche Bank. Thank you for taking my question. The first one would be on the R&D inefficiencies you mentioned. I think on the last call you pointed towards inefficiencies being resolved during H1 of this fiscal year. Are you still on track for that, or is it more or less being pushed out a bit?

Then the second question would be on the new business fields that you've just described, camera software. I think quite a lot of other companies are going into that field, as well. You have very good market positions, and as you get new product, you're currently operating, are you comfortable that you will see the same for that product and you're comfortable to take on the competition in that field, or do you think it will be more challenging in that regard?

And the last question would be on the targeted growth for this fiscal year. You just commented on the sales you have already booked as orders for the next fiscal year. Could you comment on specific range for this year as well? Thank you.

Rolf Breidenbach: First question, R&D rate on track, or the let's say the improvement with regard to the inefficiencies. We were on track, but based on our additional investments, we again had to hire people and therefore these additional inefficiencies came up.

Therefore, it's still a challenge and it will remain a challenge also for the months to come, and we can improve here. So we are not absolutely satisfied here with our performance.

You ask whether we think that we could be competitive in these both fields, camera software or battery management systems. We still are competitive because we are an established supplier in both fields. But let's say the technology dynamic in those fields on the one hand and the growth perspectives on the other hand are in our opinion so attractive that we think that we can also remain competitive in both fields on the basis of our current position.

The third question I forgot. Could you? This was this growth topic. So as we already said, for this fiscal year, so 2016, 2017, we are guiding this mid-one-digit range. Then we see a clear let's say acceleration of the growth dynamic.

I cannot tell you if let's say more specific what that means, but it's above what we are guiding for this fiscal year.

Christoph Laskawi: Okay, thank you.

Rolf Breidenbach: Please.

Jürgen Pieper: Jürgen Pieper, Metzler. So one question on growth, again. Is it right to say for the market as such you expect for the next two years similar growth as in 2016, so like 3%? And the acceleration to come only from Hella market share gains, Hella's strong order intake and not from the market, is it right to say?

Rolf Breidenbach: That's correct. That's correct. So as I said, no real tailwind. It's be it 2%, 3%, 4% from the market that could be, but let's say this over-proportional growth of course will come due to our new launches and the gaining of market share.

Jurgen Pieper: So if I make the mathematics, since you still claim to outperform growth by 500 basis points, that you say is single digits, it's around 5%. So if I say the market grows by let's say 2% to 3% and you are at 5%, this is either conservative or the missing factor is really the non-automotive business that is growing by less than 5%.

Rolf Breidenbach: Of course, we guide on the Company basis, and I will not add more than you have said. Okay.

Jurgen Pieper: And finally, one very general question. Compared to a year ago, would you say that the rate of change in the direction of the new technologies is autonomous driving, e-mobility, the picture has changed, or is it more the impression that the OEMs are talking much more about it thanks to Volkswagen, also Daimler and BMW, or are things really changing quicker now than we thought a year ago?

Rolf Breidenbach: We see now a real change in two fields. On the one hand, this is electrical vehicles. So when we talk to our customers, their plans are now much more specific. Do they exactly know where to go let's say in the year 2025? No. But there is a clear commitment to invest into this field. There are let's say clear roadmaps for the next years, so we see now much more commitment, much more investment on the one hand in this field of e-vehicles.

And the same is true for autonomous driving. Of course, we all know autonomous driving will not come from zero to 100, from one moment to the other. We already see now step-by-step that more and more systems, functions, are launched, will be launched in the years to come. We saw the first autonomous driving cars not of course in big cities but in specific let's say company areas, parking lots and others.

So autonomous driving is not a dream. It's concrete, and step by step it will be introduced. This is not only true for the US. It's true for Europe. You can also see here additional dynamic, which we really appreciate in Germany when you look at the increasing test possibilities and areas which are now released. So in both fields, e-vehicles and also autonomous driving, driver-assistance systems, we see much more dynamic and let's say less talking but more activities.

Lello Della Ragione: Hi. Lello Della Ragione from Intermonte. Coming back to the R&D side, you mentioned that you had to invest more compared to what we discussed actually one year ago, and part of that is due to new business that you are going to add in the future apart from inefficiencies.

And now giving the guidance for this year for flat margin more or less, are you taking into account -- you're implying that your R&D will grow for mid-single digit high inclines and inefficiency is already there except in this year, so we'll see in the worst case a flat margin or declining? Or you, as last year said, more or less 11% at the end of the year, which we are at with 50 basis points more on this side?

The other question that I want to make is on growth. When you're referring to growth this year, you're referring to sales. I want to know if you're implying some kind of effect at the ForEx level, given the current rates and more important, if you are seeing something or if you have already something planned at gross margin level and will cause the effect on the full year, the one that we closed.

And the last question is on the cash flow side. We saw a very different net CapEx figure. You justified it by different repayments by your customers. Is that something related to timing or is something changing in the way you actually sign contracts with your clients in terms of CapEx reimbursement there? Thank you.

Rolf Breidenbach: Starting with your last question concerning cash and customer reimbursements, on the one hand, of course there is a tendency that these direct payments step by step will be reduced by our customers, so we have to fight for these direct reimbursements. But this has nothing to do -- this is a very low rate which we have achieved in the last fiscal year.

This is only let's say a postponement, a period effect. So we expect a compensation with regard to this item in this fiscal year, so it's nothing to do with our business model, with the behavior of our customers. Of course, we have to fight for this direct investment. The low reimbursement in the last fiscal year is only a periodical phenomenon.

Concerning our gross margin, of course, it's not so easy to project our gross margin, but as always, allow me to answer. We try to run the Company at this 27%. This is our clear target and we are always very optimistic to achieve that.

Perhaps concerning the growth and the currency effect, Mr. Pohlschmidt, would you like to share a comment on that?

Carl Pohlschmidt: Yes, for the currency effect, it's difficult to forecast that and give a perspective to this. We have seen in the last quarter a negative effect on a year-on-year basis. This could remain. Of course, could also go into another direction, so we have seen the strength of the euro but nobody knows really whether the euro crisis might come back. These are really macroeconomic influences.

So we are hedging. We continue to hedge our currency so that the effect we see on the top line, where we see it's a pure effect from the recalculation of our reporting data from the foreign companies, this is not going to the bottom line of our gross profit or to the EBIT because we are hedging those FX effects. Therefore, we have to distinguish about what we see on the top line and what is the impact on the results.

Rolf Breidenbach: I think your first question was related to the R&D rate. Allow me to repeat again. This 9.8% in our opinion is a clear peak. It is our clear target to reduce the R&D rate also in the fiscal year 2016/2017, but here we are talking about gaining this let's say -- or compensating these inefficiency effects. So a slight decline we expect and we have targeted.

Let's say a significant reduction we expect in the next fiscal year, in combination with the over-proportional growth we expect then.

Mike Raab: Mike Raab again from Kepler Cheuvreux. When you mentioned earlier that you expect to see standardization of technology in the area of cameras, could you elaborate a little bit on where exactly do you see that standardization? Is that meant to indicate that you think it's rather going to go to one type of camera only, namely mono versus stereo?

Rolf Breidenbach: When I could answer now your question, I would not sit here let's say. But of course we see a clear tendency to stereo camera on the one hand. When I talk about standardization, perhaps I was not precise enough, therefore thank you for your question. I'm talking about hardware standardization.

We see this kind of standardization not only in the camera business but also in other fields, and the differentiation will come more and more from software. Therefore, we are not investing into camera hardware. We went out of this. We are investing only into camera software, and we are not a camera supplier, front camera supplier. We are a supplier of the whole software of front camera.

Mike Raab: Thanks.

Christian Ludwig: Also a follow-up question. When I look at your assumed growth profile, meaning lower growth this year and then a strong growth next year, does that mean that for CapEx we actually will see a different problem, meaning we'll have to invest more this year to basically cater for the growth in the coming years and then we'll see a decline in CapEx?

And on top of that potentially, as you don't have a lot of growth this year less, of prepayments from the customers and then more prepayments when you ramp up, is that the correct way to look at this?

Rolf Breidenbach: When you talk of course about the reimbursements of the customer, that's correct. When you talk about generally on CapEx, we expect also a huge CapEx spending also in the years to come. And because now we again -- this is of course a cycle, have to invest into our footprint. We will now again invest into, for example, three additional electronic plants, one in China, the one in Mexico I think and one in East Europe.

Therefore, with regard to our cash flow, of course, we -- it's our clear target to improve in this area. When we look at the special CapEx line, the CapEx burden will remain at a high level.

Christian Ludwig: Do you think it's going to go up in absolute terms?

Rolf Breidenbach: Yes.

Kerstin Dodel: Are there any further questions here in the room? No. Then we would like to answer the questions from the telephone line, so please, operator, can you collect and ask questions please?

Operator: Your first question is from the line of Paul Kratz. Your line is open.

Paul Kratz: Hi. It's Paul Kratz here from Berenberg. Just going back on the vision software, when I look at the competitive landscape there, we've had so far in the industry right now Mobileye, which has essentially taken the vast majority of the market. How do you see yourself positioned against them? Are you focused purely in stereo, or do you plan to also compete head to head with Mobileye?

Maybe if you could walk us through what your come-to-market strategy is and are you already in talks with OEMs to already start supplying some of that software or are we still right now in a very nascent phase? And maybe if you could also discuss what are the capabilities that your software would be able to do maybe in the context too of the NCAP ratings. So for instance pedestrian detection and all the other kind of items you would expect from a vision-based system. Thanks.

Rolf Breidenbach: With regards to the competitive landscape, of course we already are a competitor of Mobileye. Of course, we will not compare ourselves with Mobileye, because they are the clear dominant market player today. But as I said, we are the software supplier for example of one premium OEM camera, which was launched in the last calendar year. Therefore, we feel quite comfortable in this field.

We will not only invest into stereo, also mono and the -- let's say the field is very dynamic. And with regards to our talks in the field, of course we are talking to camera suppliers on the one hand, to chip suppliers on the other hand who would like to have our software for the standard chips. We are in talks with OEMs, so we are covering let's say the whole value chain of this business. But of course, as I said, focused with regard to Hella on the software.

Paul Kratz: Perfect. Thank you.

Operator: Your next question is from the line of Victoria Greer. Your line is open.

Victoria Greer: Good afternoon. Victoria from Morgan Stanley. A few questions, please. Firstly, in lighting, you've seen some very good growth trends there and certainly seeing many of your competitors in that business also doing very well. Could you talk a bit about LED penetration in the lighting market, how that's progressed and then also can you talk a bit about your market share now in each region on the lighting business?

Rolf Breidenbach: Sorry. I didn't get this question. Could you repeat that? It's a little bit difficult to understand you?

Victoria Greer: Hi there. Sorry. Hopefully that's better. So thank you for taking the question, Victoria from Morgan Stanley.

My first question is on the lighting business. You've had some very good growth there and seeing LED penetration certainly moving upwards. Can you talk about how you think LED penetration is progressing and also a bit about your lighting market share in each region please?

Rolf Breidenbach: Okay. Concerning LED penetration, it has come as we expected and comment in the discussions in this group over the last let's say months and years. LED is more and more penetrating the market.

LED is everywhere in all the regions now. It's in all of the different car lines and segments, A segment, B segment, wherever. And the functionality of the LED, especially headlamps but also tail lamps is increasing. Therefore, we see the growth potential coming out of LED is not at its end but it has started.

Of course, there are also other lighting technologies, but currently LED, in our opinion, is the most attractive one. When we talk about market share, of course, this is always very difficult for us to assess, but we see us as one of the dominant players in the field of LED headlamps.

Victoria Greer: Thank you. Then just on CapEx and on R&D for 2017, directionally I think it's been clear your intentions. But could you be a bit more specific on CapEx to sales ratio for 2017, and then for R&D, talking about a slight reduction? Is it reasonable to think about that as maybe 10 to 20 basis points as a percentage of sales, not maybe 50 or 100, for example?

Rolf Breidenbach: It would be difficult to become more specific. I think we -- concerning R&D, as I said, a reduction, a small reduction this fiscal year and then more significant reduction in the fiscal years to come.

Concerning CapEx, I already commented that the absolute value will increase percentage wise. Difficult to assess, but perhaps at the same level as today. Perhaps a little bit higher as a rough perspective.

Victoria Greer: Thank you. And then I know you had an interesting slide on your sales with the Chinese OEMs. Could you talk a bit about your mix of business in China with the Chinese OEMs? Do you think that is at the right level now or would you still like to increase the mix of business towards the Chinese OEMs?

Rolf Breidenbach: We now have let's say a 15% share with regards to these OEM groups is our target and we are quite optimistic to make that happen, to increase this share because we see a lot of market success in China with regards to this customer group. In our opinion, of course, it's important to select the right local Chinese suppliers.

Some are very successful, but others are not so successful. But also with regard to this mix of customers, we think we have taken the right choice. Therefore, to answer your question, due to the fact that we think that the success of these customer groups in China will increase and that these OEMs will become more and more important in China, it's our clear target to increase the share.

Victoria Greer: Thank you. And then just the last question, on the special applications business. Can you talk a bit about how much were the one-off costs that you saw in Q4 associated with that business and what are the effects of the sale there going into 2017?

Rolf Breidenbach: Sorry again, could you -- the line was so well with regard to the last question, now it's let's say become a little bit worse. Could you therefore again repeat your question?

Victoria Greer: Yes, of course. Apologies. I hope that's better. On the special applications business, could you give us a little bit more detail about how much were the one-off costs in Q4 associated with the sale? And then what impact should we think about into 2017 for that special application sale?

Rolf Breidenbach: So when we talk about the one-off costs, we are talking about this industry sector. The one-offs were around EUR8m. In addition, there was a loss of this segment of around EUR15 million and with regards to this fiscal year, we expect a very let's say limited impact.

So the last burden, the last costs with regards to the shutdown of course have to spend, but compared to the figures I told you, when I sum it up, it's around EUR23 million, EUR24 million. It's a very small amount we expect in this fiscal year.

Victoria Greer: That's great. Thank you very much.

Operator: There are no further questions at this time. Speaker, please continue.

Kerstin Dodel: So then, thank you very much for your interest and thanks to all the participants who were coming here. Yes. And next call will be at September 28. That will be our first quarter call for the fiscal year 2016/2017, so thank you very much.

Rolf Breidenbach^ Yes, also thank you very much of course from Mr. Pohlschmidt and myself for participating on the phone or here personally. Thank you.

Operator: Thank you. That does conclude the webcast for today. Thank you all for participating. You may now disconnect.

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