

Aftermarket & Special OE

Lighting, Electrics, Electronics, and Air Conditioning

Accessories and Special OE



Active in more than 100 countries: our sales support teams.



Hella – Quality for Aftermarket & Special OE

Strategy and Market Development: Hella has one of the world's largest commercial organizations for motor vehicle parts and accessories with sales companies and partners in more than 100 countries. In spite of a stiffer competitive environment, we had total sales of € 751.1 million in fiscal year 2003-2004.

Business Divisions Developed Differently

Annual sales for 2003-2004 showed new growth in the Aftermarket segment of our company. The individual business divisions developed differently due to the competitive situation, economic factors, and the effects of a weak dollar. The growth fields of Electrics, Electronics, and Air Conditioning contributed to our positive result.

Customer-Oriented Strategy

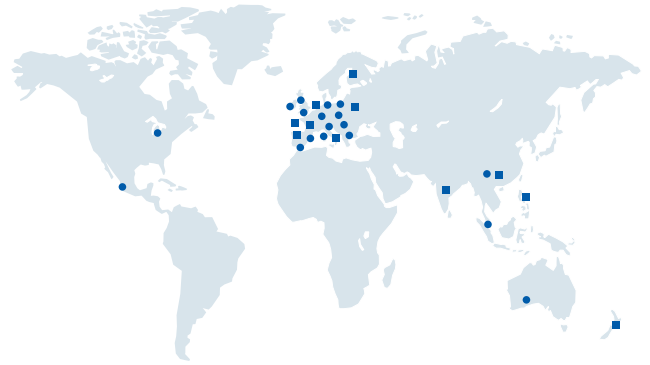
Our partners in the aftermarket and in garages want to serve their customers quickly, completely, and in line with the market. We do a great deal to support them in that, and are taking the initiative to ensure our mutual success: As a worldwide supplier to the automotive industry, we guarantee innovative products, technical quality, and a broad choice. We are there for customers, thanks to integrated solutions such as the Hella Service Partner (HSP) concept for garages. Our international

network of sales companies and production facilities ensures fast availability worldwide.

Meeting the Highest Requirements

Our concern is to offer the best quality, and that also benefits our business partners. Our innovative lighting technologies and attractive designs are attractive to customers, thereby supporting the aftermarket. We provide genuine added-value to wholesalers and garages with our wide product range and constantly improved service. We invest regularly in analyses of customer satisfaction and potential growth fields so that we can satisfy the requirements of our customers and the market.

Business Division Aftermarket & Special OE, Hella Group	2003-04	(+/-)	2002-03	2001-02	2000-01	1999-2000
Sales in million €	751.1	(+2.1 %)	735.9	708.5	678.9	654.1
Employees	5,515	(+8.9 %)	5,064	4,464	4,369	4,336
R & D expenditure in million €	13.8	(+25.5 %)	11.0	10.1	8.9	5.5



Multifaceted Support for the Aftermarket and Garages

To optimize our customers' business, we count on constant improvements to our delivery service, first-class sales support, and easy management of complaints. Hella customers can count on advice about storage or about approaching customers, as well as on highly-developed technical support.

Spare Parts Business with the Automotive Industry: OES Business Reorganized

Three key account teams with global responsibility for sales are available to our passenger car and truck customers. Our product management guarantees professional parts management. The delivery performance for OES spare parts is increasingly being accorded the same importance as the delivery performance for parts used in series production. Sales were €149.7 million in this segment during the past fiscal year. We continue to improve our implementation of customer requirements in our production facilities all over the world. There is no doubt that this market segment will become even more dynamic.

Effective Online Services

The importance of e-business along the Hella supply chain has increased nationally and internationally, on both the customer and the supplier sides. Over 1,000 wholesalers and 600 Hella Service Partner garages in Europe currently use the Hella Aftermarket Club as a portal to obtain electronic information. The capability of providing faster real-time information on product availability, order status, technical information, and product information supports our partners in their daily business, helping them save time and become more efficient. During the year under review, the percentage of orders that were processed electronically more than doubled in comparison with the previous year.

Worldwide Sales, Development, and Production Presence for the Aftermarket and Special OE

	■ Production Companies	● Sales Companies
Europe		Hella Bike Europe
Germany	Hella Distribution GmbH, Hella KGaA Hueck & Co., Nord Süd Speditionsgesellschaft mbH, hitzing & paetzhold Elektronische Motormanagement Systeme GmbH, Hella Trailer Systems GmbH, Nord Süd Güterverkehre GmbH	GmbH, Hella KGaA Hueck & Co.
World Headquarters, Regional Headquarters Europe		
Belgium		Hella N.V./S.A.
Denmark	Holger Christiansen A/S	Hella A/S, FTZ Autodele & Værktøj A/S, Bak & Uhrenfeldt A/S
Finland	Hella Lighting Finland Oy	
France		Hella S.A.
Greece		ELECTRA HELLA'S S.A.
Great Britain		Hella Limited
Ireland		Hella Ireland Limited
Italy		Hella S.p.A.
Netherlands		Hella B.V.
Norway		Hellanor A/S
Austria	Hella Fahrzeugteile Austria GmbH & Co. KG	Hella Handel Austria GmbH
Poland		Hella Polska Sp. z o.o.
Romania	Hella Lighting Romania S.R.L.	
Russia		Repräsentanz Hella KGaA Hueck & Co.
Switzerland		Wälchli + Bollier AG
Spain		Hella S.A.
Czech Republic	Nord Süd Czech s.r.o.	Hella CZ s.r.o.
Hungary		Hella Hungária Kft.
NAFTA		
Mexico		Hellamex S.A. de C.V.
USA		Hella Inc.
Regional Headquarters NAFTA		
Asia-Pacific		
Australia		Hella Australia Pty Ltd.
China	Changchun Changhai Auto Lighting Ltd., Beijing Hella Automotive Lighting Ltd., Hella Sate-Lite Bike Lighting (Shunde) Co., Ltd.	Hella Trading (Shanghai) Co., Ltd.
India	J.M.A. Industries Ltd.	
New Zealand	Hella-New Zealand Limited	Hella-New Zealand Limited
Philippines	Hella-Phil., Inc.	
Singapore		Hella Asia Singapore Pte Ltd
Regional Headquarters Asia-Pacific		

Technicians provide on-site advisory services to special OE customers.



Sales, Business Division Aftermarket & Special OE by Region (Hella Group, in million €)

	2003-04	(+/-)	Share	2002-03	2001-02
Germany	162.9	(-4.5 %)	21.7 %	170.6	150.6
Europe not including Germany/Middle East	462.1	(+ 4.5 %)	61.5 %	442.4	432.1
NAFTA	49.4	(-14.8 %)	6.6 %	58.0	66.5
South America/Central America/Africa	8.4	(+ 5.0 %)	1.1 %	8.0	9.9
Asia-Pacific	68.3	(+ 20.0 %)	9.1 %	56.9	49.4
Aftermarket Total	751.1	(+ 2.1 %)		735.9	708.5

Market Trends: Solid Result in Western Europe

In spite of a tense economic situation, the result for Aftermarket business in the German market stayed at the previous year's level, with Air Conditioning and Electrics/Electronics business experiencing strong growth. The Special OE business and special signaling systems also continued to develop very well.

Growth in Northern European markets was well above the level in the previous year. We further expanded our activities and structures in the Scandinavian market.

We generated solid growth averaging 5 percent in Southern Europe, thanks in particular to new orders in the French agricultural sector and introduction of our Air Conditioning product line in Italy.

We successfully reorganized our European logistics structure and optimized our product ranges as part of Hella's Optimax project.

Eastern European Market Growth Above Average

With sales up 21.9 percent in the countries of the Commonwealth of Independent States (CIS), we continued our success story there in fiscal year 2003-2004. We entered several new regions and are now serving direct customers, for example in Azerbaijan.

Hella Polska, as a local supplier, benefited from the eastward shift of production, for example by Volvo Bus. The anticipated customs and logistical problems from the expansion of the European Union never materialized.



Growing Markets in Africa, the Middle East, and South America

In spite of a continued weak dollar and political unrest, sales in these markets were over 10 percent above the level for fiscal year 2002-2003. Fortunately, the decline in the Middle East was less than expected. The South American market is also slowly returning to an upward trend.

We had a healthy increase of around 9 percent in Africa, and regions that were problematic in past years stabilized. The boom for the Special OE business in Turkey continued, making a major contribution to the good overall result. The prerequisite for this development was the expansion of our product ranges and a convincing market strategy.

Weak Dollar Affects the Asia-Pacific Region

Asian countries were particularly affected by the strength of the Euro during the past fiscal year. In spite of this difficulty, markets grew in the Philippines, Indonesia, Malaysia, Thailand, Singapore, and China, putting our company in a good starting position for the coming fiscal year. Uninfluenced by this effect, we achieved an outstanding result in Australia.

Expansion of Activities in the NAFTA Region

Growth was satisfactory in the United States, Canada, and Mexico, in spite of difficulties tied to exchange rates. New target groups were developed in the Canadian market in particular.

We introduced many new electronic spare parts and fuel pumps – primarily for European cars – during the year under review. In the future, we will increase the range across models, a development that will be based on strategic partnerships with local suppliers.

Our companies in the United States and Mexico have successfully implemented SAP and are now integrated into Hella's worldwide IT landscape. These measures and the new orientation of the Special OE business has left us well set up for the future.

The first Hella product assembly plant in Changchun, China, opened in 1996.



Lighting, Electrics, Electronics, and Air Conditioning: Hella supplies the aftermarket and garages all over the world with a constantly growing line of Lighting, Electrics, Electronics, and Air Conditioning products. The market for lighting in fiscal year 2003-2004 was marked by a stable level in the face of intensive competition. Growth figures for the Electrics, Electronics, and Air Conditioning segments were good.

Lighting: Hella Holds its Own in a Dynamic Environment

The aftermarket expects interesting innovations from us for spare parts business with tail lamps, main headlamps, and halogen and xenon headlamps – as well as quickly-available spare parts for volume models. They are highly relevant for the aftermarket, and easy availability gives our partners a competitive edge.

Our products currently serve 48 percent of the European vehicle fleet and around 90 percent of the major German makes of car. We kept the range of new developments and product revisions at a consistently high level during the year under review. Our new products for series production, such as headlamps with dynamic bend lighting for the Audi A6 and Opel Vectra, will also provide a new impetus to the aftermarket in the future.

Lighting Business More International

Most of our sales in the lighting business came from Western and Eastern Europe. Given the increasing competitive and margin pressure in the European market, we are relying on superior technological quality and exemplary aftermarket support. At the same time, we are continuing to expand our Asia-Pacific and NAFTA markets.

Electrics and Electronics: New Cooperation Strengthens Business

During fiscal year 2003-2004, our company created a joint venture with hitzing & paetzold GmbH to process and repair engine control units. The new company gained market acceptance even in its first year. With an eye to future business, we are jointly developing a concept to provide long-term availability of complex electronic control units for the OES business and the open market.



Successful with Innovative Product Ranges

The past fiscal year also saw the market introduction of exhaust gas-related products in the area of sensor technology. We also achieved good growth with satisfactory sales trends in the area of actuator technology. Overall, our Electronics product line gained significance in all subsequent aftermarket levels.

A Growing Trend Towards Remanufacturing

Our Danish subsidiary Holger Christiansen – with the main business segments covering starters, alternators and air conditioning compressors – further expanded its activities in the year under review. After the successful creation of a remanufacturing location in Slovenia, another plant was built in Ukraine. The new plant will start production in fall 2004, bringing the number of production locations to four.

Air Conditioning: Market Success with a Full Product Range, a Growing Business Division

There has been a rapid increase in the percentage of new cars equipped with air conditioning and hence the need for service and repair work. We are number one in the air conditioning business in Europe thanks to our spare parts for specific vehicles, service products, and tools.

Sales in the air conditioning business grew 31 percent during fiscal year 2003-2004. In addition to our involvement in Western Europe, we have also become active in the Eastern European markets of Poland and Hungary. Preparations are underway for the market launch of our air conditioning products in the Asia-Pacific region.

Over 200 New Products on the Market

Our market share in Western Europe increased considerably with over 200 new products in fiscal year 2003-2004. For example, condensers rose from 67 percent to 83 percent. Remanufactured compressors are increasingly popular with our customers. This trend will be reflected in the continuous expansion of our product line during the coming fiscal year.

Sales Support for our Customers

As part of our “4+2” Aftermarket strategy, since last year we have been offering our customers – in addition to very high quality products – more comprehensive sales support and expanded technical support in the area of spare parts for air conditioning.

A specialist advises a North American partner about the marketing of premium products.



Accessories and Special OE: Thanks to innovation and quality, accessories from Hella are convincing, and millions have been used to individualize vehicles. Due to unfavorable basic conditions and growing competition, the accessories business experienced a slight decline after several years of sales increases. Results for the Special OE business were very good.

Accessories: Constant Innovations for the Market

The lifeblood of the international accessories business is innovation, design, and technology. During the year under review we brought to market a new auxiliary headlamp generation for trucks with CELIS® position light, and updated our line of auxiliary headlamps for passenger cars. The line of upgrade main headlamps with xenon and CELIS® technology and Design combination rear lamps has been supplemented for various vehicle models. This means that we achieved a high-quality, innovative range of products to meet market demand during the period under review.

Awards confirm our competence in the area of accessories. We received the internationally-recognized iF Product Design Award 2004 for the new Jumbo 320 auxiliary headlamp and the new Hella daytime running lamp.

Rising International Market Share in Sub-segments

Innovations in products and processes are decisive factors for success, as are accurate knowledge of the market and target groups, as well as their needs. Our target markets outside Europe are in the NAFTA and Asia-Pacific regions. Given massive competitive pressure both in the Design combination rear lamp segment and in the area of upgrade headlamps, the trend for our business in Germany has been rather restrained.

We increased our sales outside Germany in spite of the challenging basic conditions. At the same time, our market share for auxiliary headlamps expanded both in Germany and abroad. We even experienced above-average growth in our market share for lamp and headlamp modules for special applications.



Focus on the Premium Segment

The accessories market is experiencing market shifts. Pressure on the low-cost segment is increasing, leading Hella to focus increasingly on the premium segment. To be able to continue offering the competitive advantage of high quality, we are developing our products in line with the most recent trends. With clear-glass design, the CELIS® position light, and LED functions, we will also demonstrate our technological and design skills in the future.

European Market Still Tough

To maintain our competitive edge of top quality in the future, we are consistently developing our products further according to the new trends for clear-glass design, the CELIS® position light, and LED functions. Our target markets outside Europe are in the NAFTA and Asia-Pacific regions.

Special OE: Outstanding Growth

In spite of increasingly intense international pressure, we achieved very good results with systems for our customers' special requirements. Almost all of our product segments experienced welcome, above-average growth. The reason for this success is the consistent further development of products and product families for specific target groups – using the newest technologies and design variants. This concept allowed us to be particularly successful in increasing our market share in the truck business.

To secure our success over the long term, we improved our service during the year under review and launched a comprehensive quality campaign with the objective of continuously optimizing products and processes.

Close to Customers all Over the World

One current emphasis of our work was the further development of our global location strategy. The new plant in Beijing has been meeting increased needs in the Asian region since the start of fiscal year 2003-2004. We would like to stay close to our customers and produce locally in the most important economic regions of the world in the near future.

Dedication to the Market

The Special OE business in the United States and Mexico – with its main segments of agricultural machines, buses, and commercial vehicle heavy-duty transporters – also developed well during the year under review. We had excellent local growth in Canada at 25.2 percent. A campaign to develop new market segments, for example products for forestry machines, was successfully implemented. During the current fiscal year we are further expanding our business in these regions with new product developments to meet market needs.

