

**Announcement: Moody's changes outlook on Hella's Ba1 ratings to positive from stable**

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Global Credit Research - 02 Nov 2010

**Approximately EUR 300 million of rated debt affected**

Frankfurt am Main, November 02, 2010 -- Moody's Investors Service affirmed the debt ratings of Hella KGaA Hueck & CO., Corporate Family and Probability of Default Rating at Ba1, and revised the rating outlook to positive.

The change in Hella's rating outlook to positive acknowledges the significant recovery in Hella's operating performance during fiscal year 2009/2010 compared to the previous year supported by increasing automotive productions volumes as well as the group's reshaped cost structure. This led to credit metrics beyond the expectation for the Ba1 rating category, evidenced by EBIT margin of 5%, Debt/EBITDA of 2.7x and RCF/Net Debt of 60.7%.

While Hella remains exposed to the cyclicity of automotive production, the positive outlook reflects Moody's increased confidence that Hella should be able to sustain reasonable credit metrics throughout the cycle. The agency derives this comfort from the group's improved cost structure and management's commitment to increase operating efficiency which should mitigate concerns in case the car industry would weaken again.

In addition, the positive outlook incorporates our view, that the group will preserve a balanced capital structure and the adequacy of its liquidity profile going forward.

Moody's would consider to upgrade Hella's ratings within the next 12 months should the company demonstrate the ability to sustain positive free cash flow generation and profitability improvement evidenced by sustainability of Debt/EBITDA markedly below 3x as well as EBIT/interest above 3x.

Hella's Ba1 rating continues to benefit from the group's leading market positions in lighting technology, in the European independent aftermarket as well as in original equipment electronics. The company's sizeable aftermarket segment (approx. 30% of revenues) supported revenue and profitability stability during the downturn as it is subject to less cyclicity and higher margins. Hella's rating benefits further from the group's track record in adjusting its cost structure and improving profitability at all divisions. In addition, Moody's notes positively the group's recent efforts to diversify both its customer base and its geographical spread by focusing on growth in emerging markets. Nonetheless, with about 70% of revenues coming from Europe, where the recovery in automotive production has lagged other regions in 2010, continued margin improvements could be challenging.

The rating remains constrained by the company's continuous need to adjust its cost base in order to counterbalance price reductions demanded by OE customers; its exposure to the volatility of raw material prices; as well as material R&D needs in order to maintain technological leadership.

**Downgrades:**

..Issuer: Hella KGaA Hueck & Co

....Senior Unsecured Regular Bond/Debenture, Downgraded to LGD4, 51% from LGD3, 47%

**Outlook Actions:**

..Issuer: Hella KGaA Hueck & Co

....Outlook, Changed To Positive From Stable

The last rating action on Hella was on November 13, 2009 when a Ba1 rating with a stable outlook was assigned to Hella's EUR 300m senior unsecured note.

The principal methodologies used in rating Hella KGaA Hueck & Co. were the Global Automotive Supplier Industry published in January 2009, and Loss Given Default for Speculative-Grade Non-Financial Companies in the U.S., Canada and EMEA published in June 2009. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

Headquartered in Lippstadt, Germany, Hella KGaA Hueck & Co. ("Hella") is one of the leading automotive suppliers in automotive lighting and electronics components, and holds a strong position in the aftermarket (approx. 30% of revenues). The Group is family owned and revenues in fiscal 2009/10 were EUR 3.5 billion (fiscal year ends on May 31). The company employs approximately 23,000 people at more than 70 manufacturing facilities, production subsidiaries and joint ventures worldwide.

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