



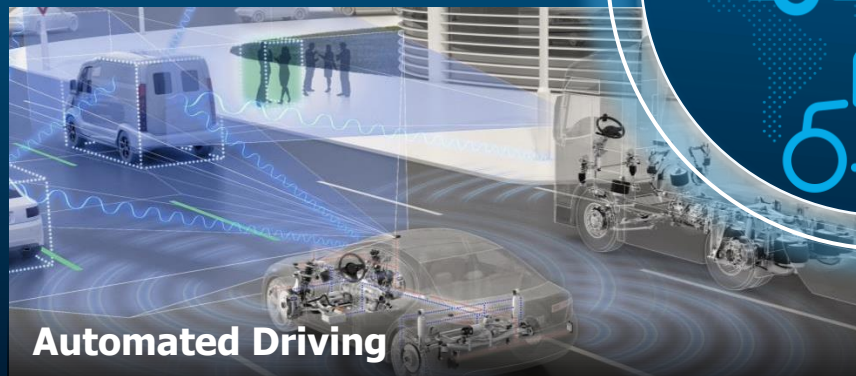
Investor and Analyst Call H1 2018

Dr. Konstantin Sauer, CFO
ZF Friedrichshafen AG

July 30, 2018 | Half-year figures as of June 30, 2018



ZF Shapes the Future in Four Technology Domains



Highlights of 2018

CES 2018 | Las Vegas



Dream Car



HMI 2018 | Hannover



Innovation Forklift



ZF Technology Day 2018 Friedrichshafen



Exclusive Insights prior to CV IAA 2018



Review of ZF Technology Day 2018

Electric Mobility



Electric Portal
Axle AVE 130

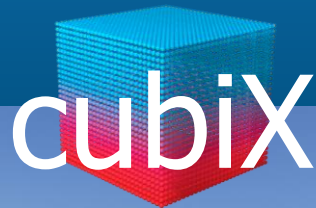


CeTrax mid



CeTrax lite

Vehicle Motion Control



Chassis Coordinator for a Safe
and Comfortable Ride

Review of ZF Technology Day 2018

Integrated Vehicle Safety



Faurecia cooperation with Cockpit 2025



Automated Driving



ZF Innovation Van on Last Mile Delivery



Automated Trailer Operation & Body Swap

Joint Venture: e.GO Moove GmbH



Financial Key Figures H1 2018

Dr. Konstantin Sauer | Chief Financial Officer



Financial Overview H1 2018



€18.7 billion
Sales



€499 million
Investments in
property, plant
and equipment



€1.1 billion
Research &
Development



26%
Equity Ratio



€1.1 billion
Adjusted EBIT

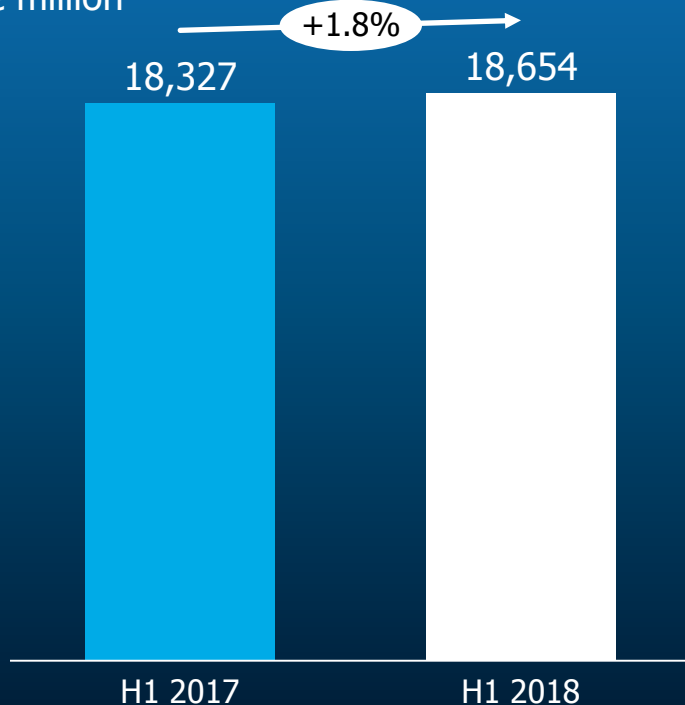


€446 million
Reduction of
Gross Debt

Organic Sales Growth at approximately 8%

Sales

in € million



Developments

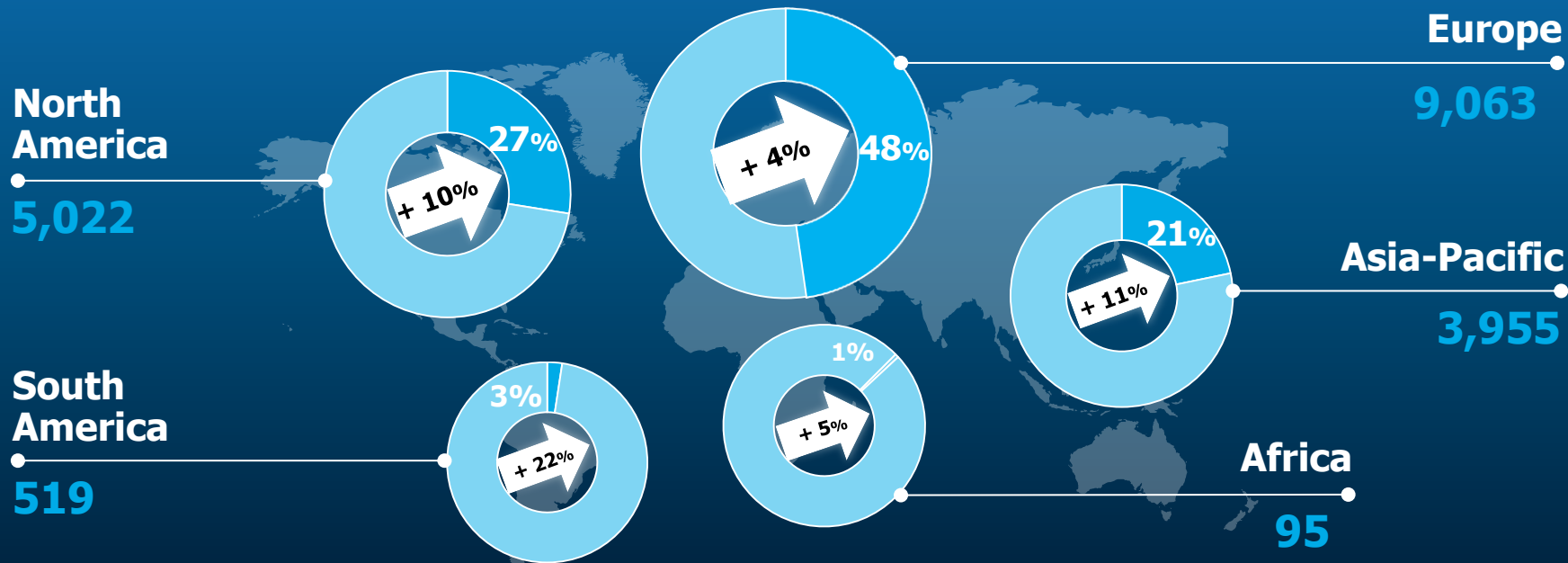
Sales growth at 1.8%

- Thereof organic: + 7.7%
- Thereof FX effects: - 4.5%
- Thereof M&A effects: - 1.1%
- Thereof IFRS-15 effects: - 0.3%

Sales by Regions

Sales

in € million and in % of sales

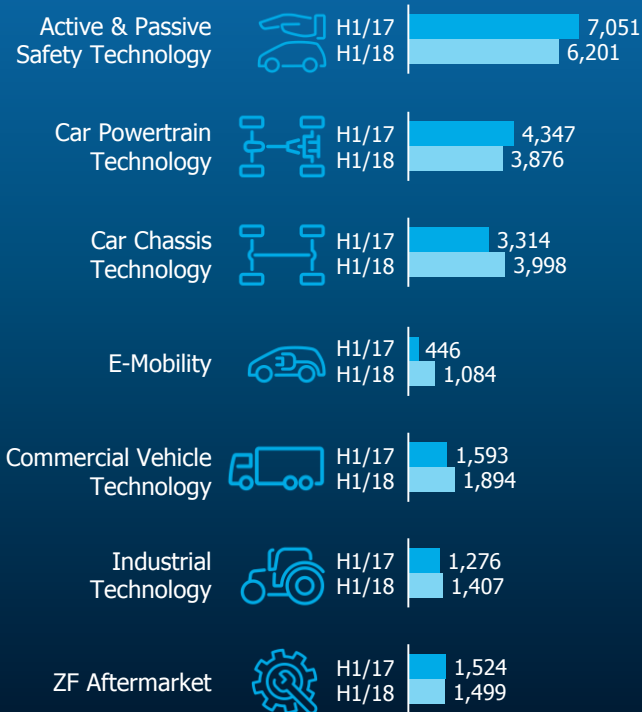


★ Organic growth in H1 2018 compared to previous year

Sales by Divisions

Sales

in € million

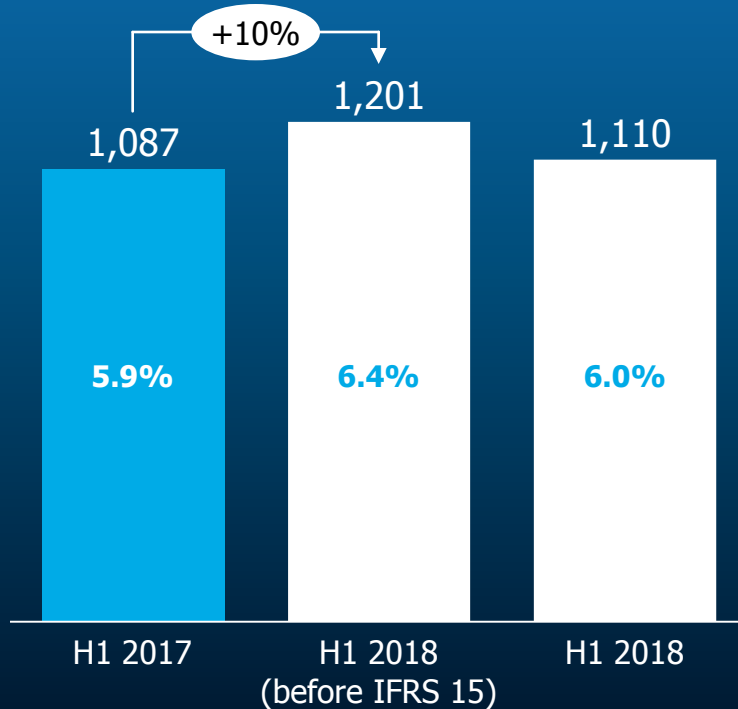


- Organic sales increase driven by growth of Occupant Safety Systems business unit
- Business with automatic transmissions and hybrids was the strongest growth driver
- Strong growth in Asia-Pacific, negatively affected by exchange rate in North America and Asia-Pacific
- High demand for hybrid modules, control systems and electric drive components
- Higher demand from European and Chinese customers, ongoing positive development in Russia and Brazil
- Increased sales in the Off-Highway Systems business unit and wind power sector
- Positive sales development strongly affected by exchange rates

R&D Budget and Investments in PP&E increased

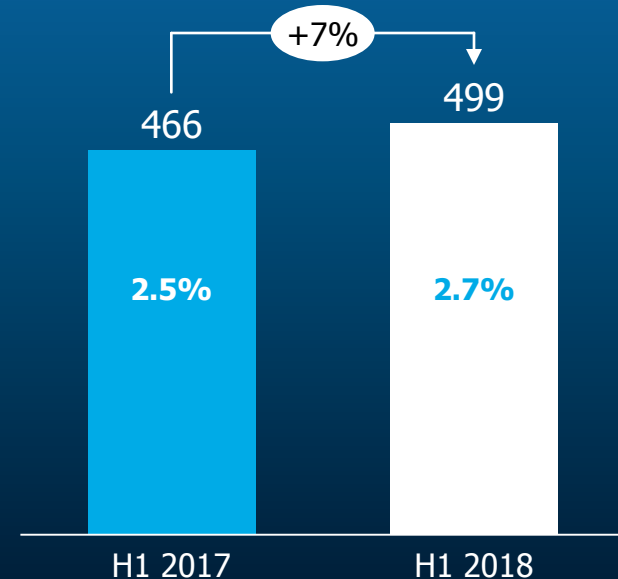
R&D Expenses

in € million and in % of sales



Investments in PP&E

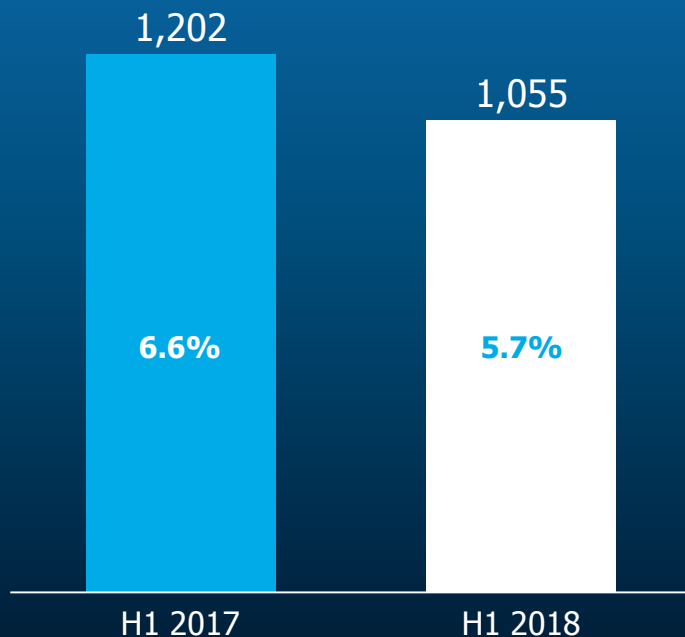
in € million and in % of sales



Adjusted EBIT Margin at approximately 6%

Adjusted EBIT

in € million and margin in %



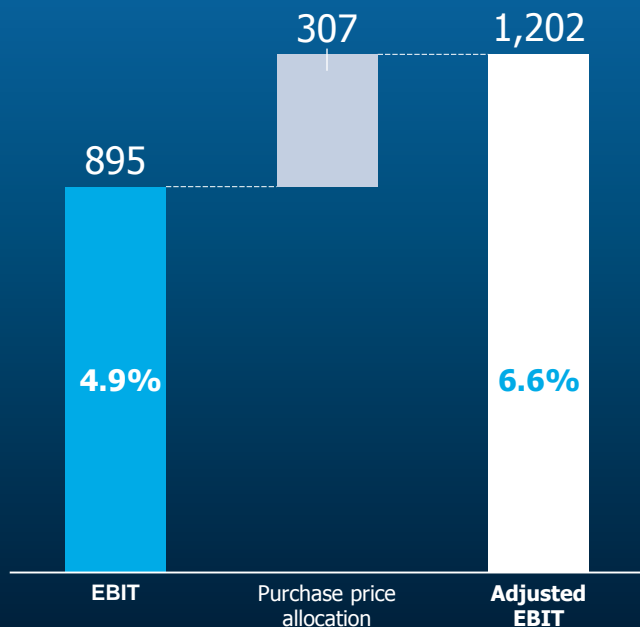
Developments

- Adjusted EBIT margin meets expectations
- Increased R&D expenses
- Adverse FX and material price effects

Adjusted EBIT Margin at around 6%

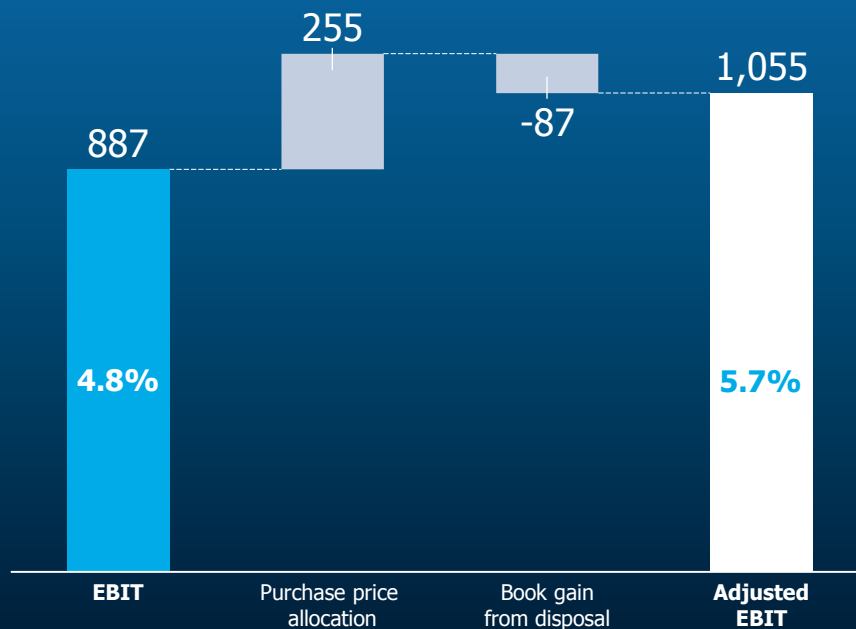
EBIT and Adjusted EBIT H1 2017

in € million and margin in %



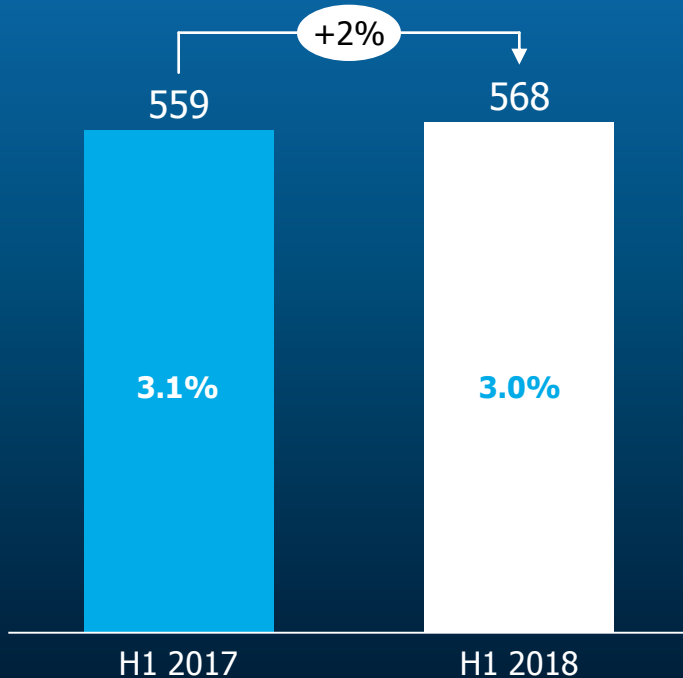
EBIT and Adjusted EBIT H1 2018

in € million and margin in %



Net Profit at approximately 3%

Net Profit After Tax in € million

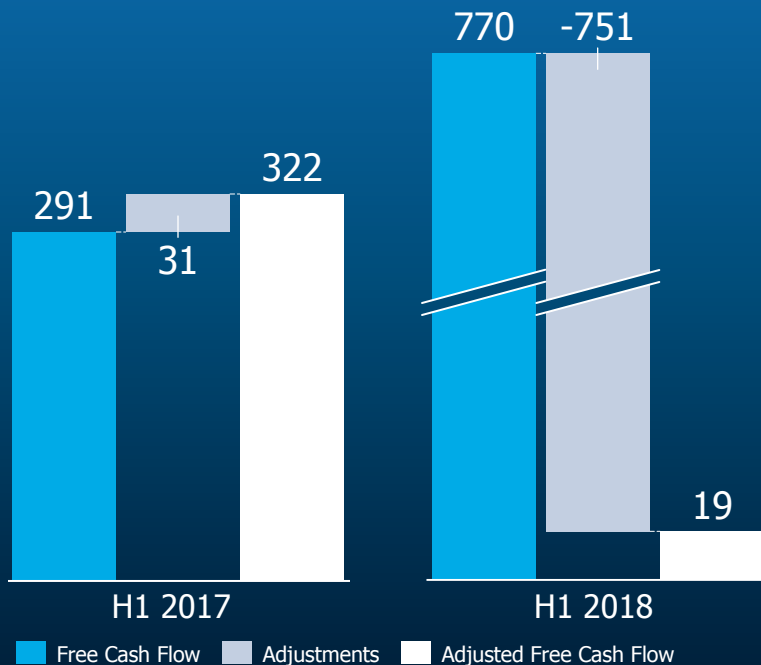


Developments

- Reduced financing costs due to further deleveraging
- Tax ratio slightly improved to 23.7% (previous year: 25.2%)

Free Cash Flow affected by Disposal of BCS

Adjusted Free Cash Flow in € million



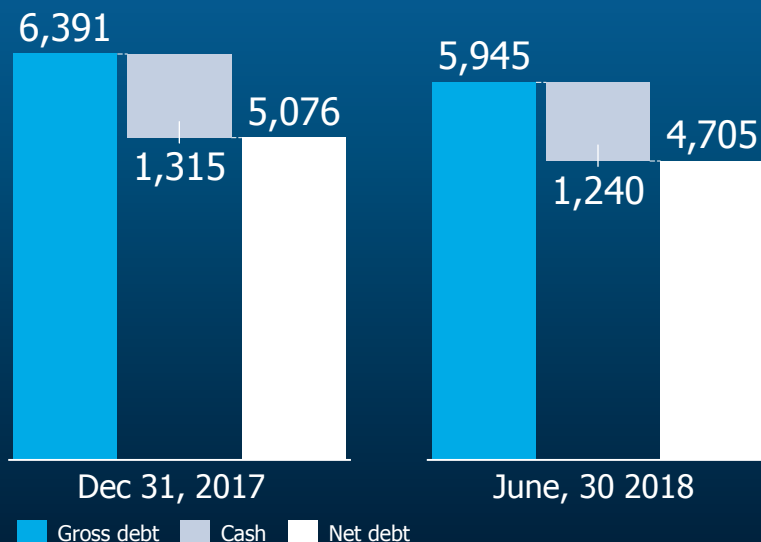
Developments

- Free Cash Flow at €770 million in H1 2018
- Adjustments for M&A activities
 - Disposal of Body Control Systems (BCS) business unit
 - Additional participations
- Adjusted Free Cash Flow at €19 million in H1 2018 mainly due to seasonal Working Capital swing

Net Debt further reduced

Gross/Net Debt

in € million



Note: Gross debt = Financial liabilities ./. derivative financial instruments

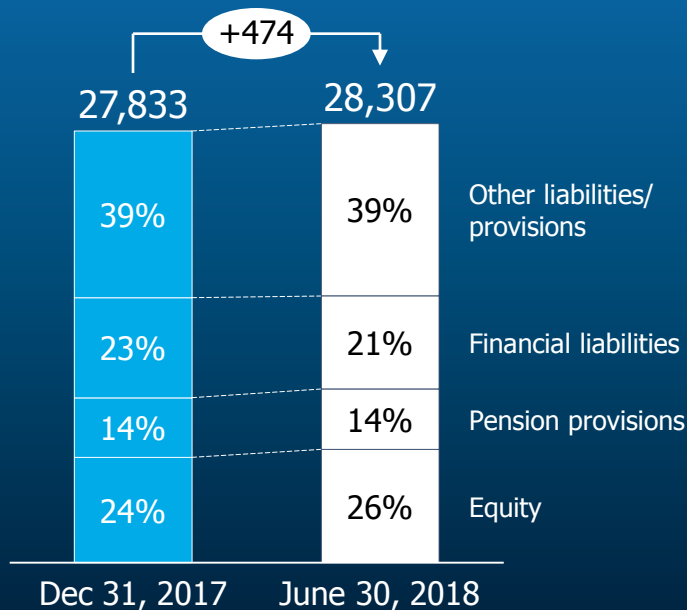
Developments

- Gross debt reduced by €446 million since December 31, 2017
- Net debt reduced by €371 million
- Investment Grade Rating by both agencies
 - S&P: BBB– (stable outlook)
 - Moody's: Baa3 (stable outlook)

Equity Ratio increased to 26%

Liabilities and Equity

in € million and in % of balance sheet total



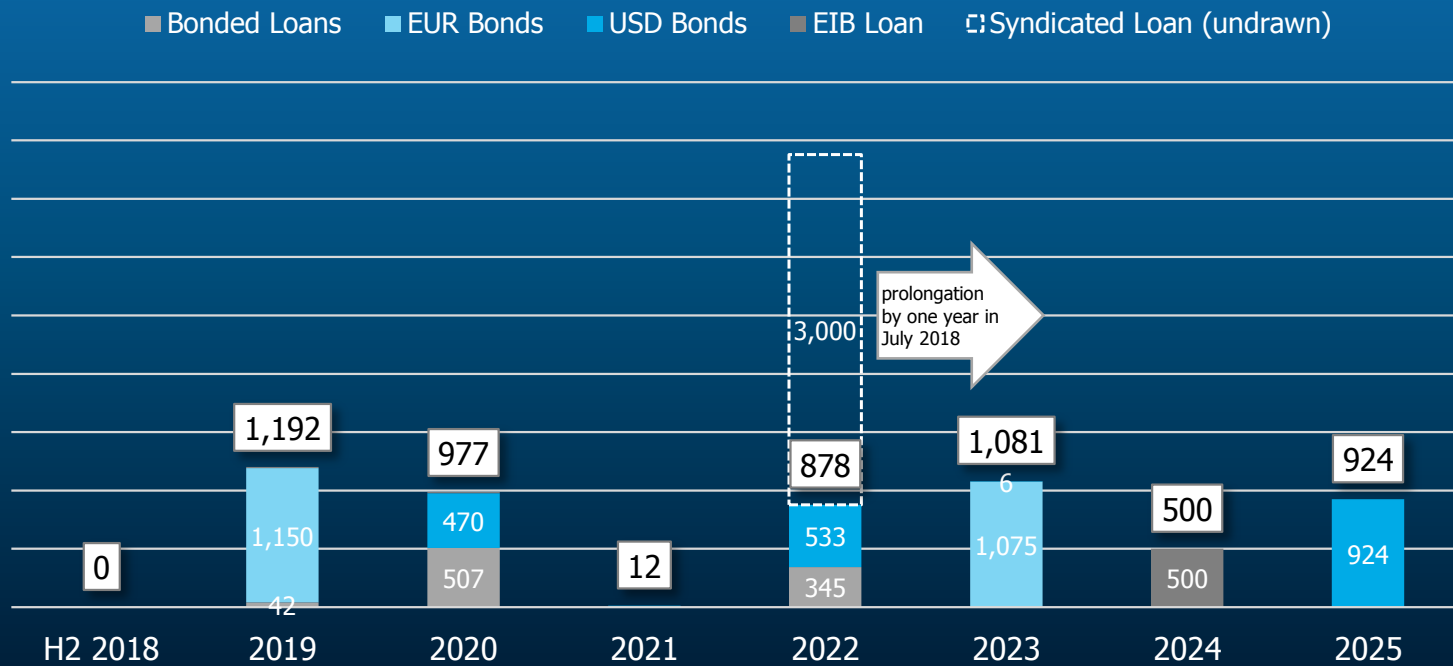
Developments

- Equity ratio increased by 2 percentage points to 26%
- Equity increase by €518 million mainly due to positive net profit after tax
- Reduction of financial liabilities to 21% of balance sheet total due to further deleveraging

Maturity Profile further smoothened in H1 2018

Maturity of Main Group Financings as of June 30, 2018

Nominal amounts in € million



Note: Excluding bilaterals worldwide which are rolled in the ordinary course of business.

Financial Key Figures at a Glance

Financial Key Figures

in € million

	H1 2017	H1 2018
Sales	18,327	18,654
Adjusted EBIT (margin)	1,202 (6.6%)	1,055 (5.7%)
Net Profit after Tax	559	568
Adjusted Free Cash Flow	322	19
Gross Financial Debt	(Dec 31, 2017) 6,391	5,945

Outlook H2 2018



Market Trends for H2 2018

Europe



- **The positive economic development in Europe and Germany continues to be stable.** Increasing uncertainty for the export economy.

North America



- **US economy** in a solid growth phase, supported by tax reform. High uncertainty through **ongoing threat of import duties** and protectionism. First wave of **US initiated import duties** e.g. China as **big risk**.

South America



- **The 2014–2017 economic crisis** (especially in Brazil and Argentina) has bottomed out, and a slow recovery can be discerned.

Asia



- **China's economy** is growing thanks to government subsidies within a defined corridor, expansive fiscal policy. Negative effects from mutually instituted import duties (China/USA) are to be expected.

Outlook H2 2018

Sales:
~ € **36.5** billion

EBIT margin*:
~ **6%**

Free cash flow*:
> € **1** billion

* adjusted



See you in Hannover
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SEEXT HINKX AC