ZF Shapes the Future in Four Technology Domains

Vehicle Motion Control

Automated Driving

Integrated Safety

Electric Mobility
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

July 30, 2018 | Half-year figures as of June 30, 2018
Review of ZF Technology Day 2018

Electric Mobility
- Electric Portal Axle AVE 130
- CeTrax lite
- CeTrax mid

Vehicle Motion Control
- Chassis Coordinator for a Safe and Comfortable Ride

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

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

July 30, 2018 | Half-year figures as of June 30, 2018
Organic Sales Growth at approximately 8%

Sales in € million:
- H1 2017: 18,327
- H1 2018: 18,654

Sales growth at 1.8%

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

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

Sales in € million and in % of sales

- **North America**
  - Sales: 5,022
  - Organic growth: +10%

- **South America**
  - Sales: 519
  - Organic growth: +22%

- **Europe**
  - Sales: 9,063
  - Organic growth: +4%

- **Asia-Pacific**
  - Sales: 3,955
  - Organic growth: +11%

- **Africa**
  - Sales: 95
  - Organic growth: +5%

*Organic growth in H1 2018 compared to previous year

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

Sales in € million

- **Active & Passive Safety Technology**
  - H1/17: 7,051
  - H1/18: 6,201

- **Car Powertrain Technology**
  - H1/17: 4,347
  - H1/18: 3,876

- **Car Chassis Technology**
  - H1/17: 3,314
  - H1/18: 3,998

- **E-Mobility**
  - H1/17: 446
  - H1/18: 1,084

- **Commercial Vehicle Technology**
  - H1/17: 1,593
  - H1/18: 1,894

- **Industrial Technology**
  - H1/17: 1,276
  - H1/18: 1,407

- **ZF Aftermarket**
  - H1/17: 1,524
  - H1/18: 1,499

- 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
- 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

![Graph showing R&D Expenses]

- **H1 2017**: 1,087 (5.9%)
- **H1 2018 (before IFRS 15)**: 1,201 (6.4%)
- **H1 2018**: 1,110 (6.0%)

**Increase**: +10%

**Investments in PP&E**
in € million and in % of sales

![Graph showing Investments in PP&E]

- **H1 2017**: 466 (2.5%)
- **H1 2018**: 499 (2.7%)

**Increase**: +7%
Adjusted EBIT Margin at approximately 6%

Adjustied EBIT in € million and margin in %

- H1 2017: 1,202, 6.6%
- H1 2018: 1,055, 5.7%

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 %

<table>
<thead>
<tr>
<th></th>
<th>EBIT</th>
<th>Purchase price allocation</th>
<th>Adjusted EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>895</td>
<td>307</td>
<td>1,202</td>
</tr>
<tr>
<td>Margin</td>
<td>4.9%</td>
<td>6.6%</td>
<td></td>
</tr>
</tbody>
</table>

EBIT and Adjusted EBIT H1 2018
in € million and margin in %

<table>
<thead>
<tr>
<th></th>
<th>EBIT</th>
<th>Purchase price allocation</th>
<th>Book gain from disposal</th>
<th>Adjusted EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>887</td>
<td>255</td>
<td>-87</td>
<td>1,055</td>
</tr>
<tr>
<td>Margin</td>
<td>4.8%</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

© ZF Friedrichshafen AG
Net Profit at approximately 3%

Net Profit After Tax in € million

H1 2017: 559 (3.1%)  
H1 2018: 568 (3.0%)  

+2%

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
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)

Net Debt further reduced

Gross/Net Debt in € million

Note: Gross debt = Financial liabilities / derivative financial instruments
Equity Ratio increased to 26%

Liabilities and Equity
in € million and in % of balance sheet total

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2017</th>
<th>June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>27,833</td>
<td>28,307</td>
</tr>
<tr>
<td>Other liabilities/provisions</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Equity</td>
<td>24%</td>
<td>26%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Bonded Loans</th>
<th>EUR Bonds</th>
<th>USD Bonds</th>
<th>EIB Loan</th>
<th>Syndicated Loan (undrawn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2 2018</td>
<td>1,192</td>
<td>0</td>
<td>42</td>
<td>977</td>
<td>1,150</td>
</tr>
<tr>
<td>2019</td>
<td>1,150</td>
<td>470</td>
<td>12</td>
<td>924</td>
<td>500</td>
</tr>
<tr>
<td>2020</td>
<td>977</td>
<td>507</td>
<td>12</td>
<td>878</td>
<td>533</td>
</tr>
<tr>
<td>2021</td>
<td>12</td>
<td>12</td>
<td>345</td>
<td>1,081</td>
<td>1,075</td>
</tr>
<tr>
<td>2022</td>
<td>345</td>
<td>345</td>
<td>6</td>
<td>924</td>
<td>924</td>
</tr>
<tr>
<td>2023</td>
<td>1,075</td>
<td>1,075</td>
<td>500</td>
<td>924</td>
<td>924</td>
</tr>
<tr>
<td>2024</td>
<td>500</td>
<td>500</td>
<td>924</td>
<td>924</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>924</td>
<td>924</td>
<td>924</td>
<td>924</td>
<td></td>
</tr>
</tbody>
</table>

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

July 30, 2018 | Half-year figures as of June 30, 2018
### Financial Key Figures at a Glance

#### Financial Key Figures

<table>
<thead>
<tr>
<th>in € million</th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>18,327</td>
<td>18,654</td>
</tr>
<tr>
<td>Adjusted EBIT (margin)</td>
<td>1,202 (6.6%)</td>
<td>1,055 (5.7%)</td>
</tr>
<tr>
<td>Net Profit after Tax</td>
<td>559</td>
<td>568</td>
</tr>
<tr>
<td>Adjusted Free Cash Flow</td>
<td>322</td>
<td>19</td>
</tr>
<tr>
<td>Gross Financial Debt</td>
<td>(Dec 31, 2017) 6,391</td>
<td>5,945</td>
</tr>
</tbody>
</table>
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**: The US economy is 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
@ IAA Commercial Vehicles
contact: charbel.chamoun@zf.com