

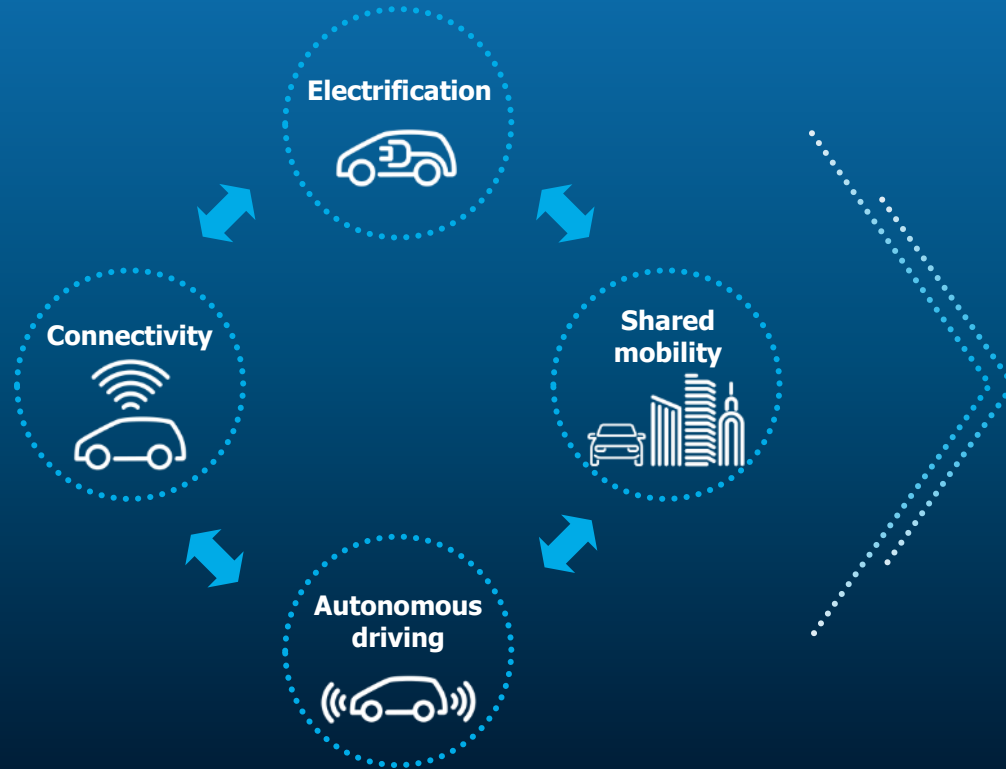


Investor and Analyst Call FY 2018

Dr. Konstantin Sauer | CFO
ZF Friedrichshafen AG



Mobility Trends



Radical changes in the automotive industry

Changes in **mobility behavior**



Diffusion of advanced technology



New competition and cooperation



Shifting markets and revenue pools



Digitalization in **products & processes**



ZF Strategy: Next Generation Mobility

Our Mission

Next Generation Mobility

- A clean and safe mobility
- Automated, comfortable and affordable
- For everyone, everywhere

Segments

Passenger Cars

Commercial Vehicles/Public Transportation

Industrial Applications

Technology Areas

Automated Driving

Vehicle Motion Control

Integrated Safety

Electric Mobility

USP SYSTEM INTEGRATION

Markets

Established Markets (EU, USA, Japan)
Current Customers

New Markets (India, China, ...)
New Mobility Customers

Core Targets ZF

Innovation and Cost Leadership

Balanced Market Penetration

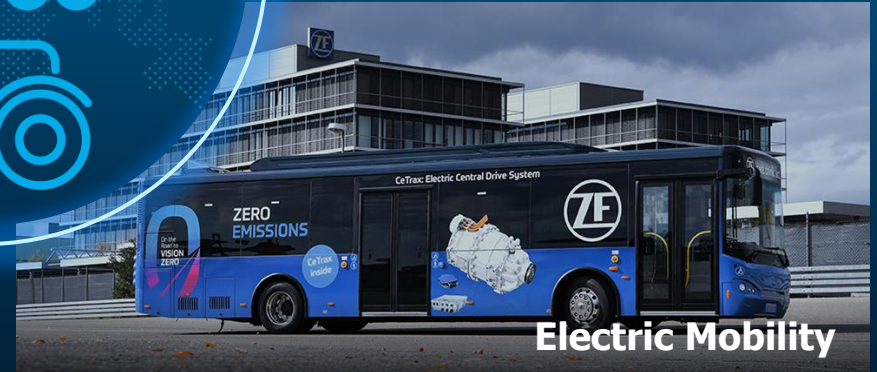
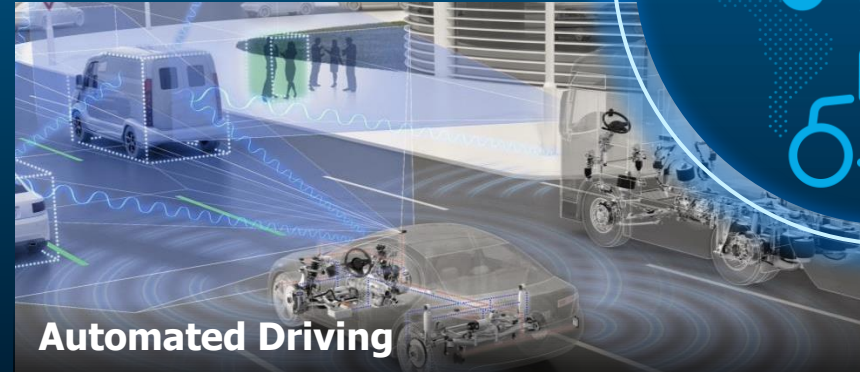
Financial Independence

Globally Attractive Employer

Diversified for Profit

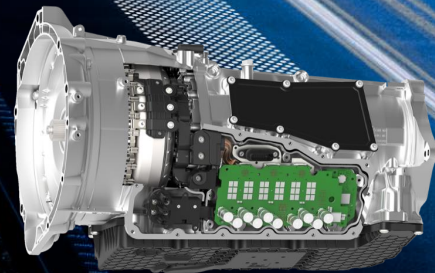
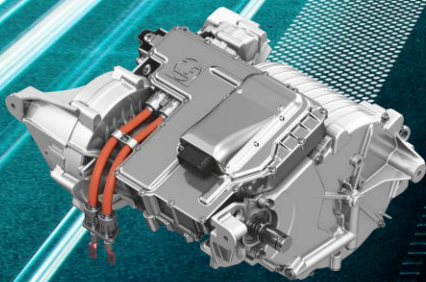


ZF Shapes the Future in 4 Technology Domains

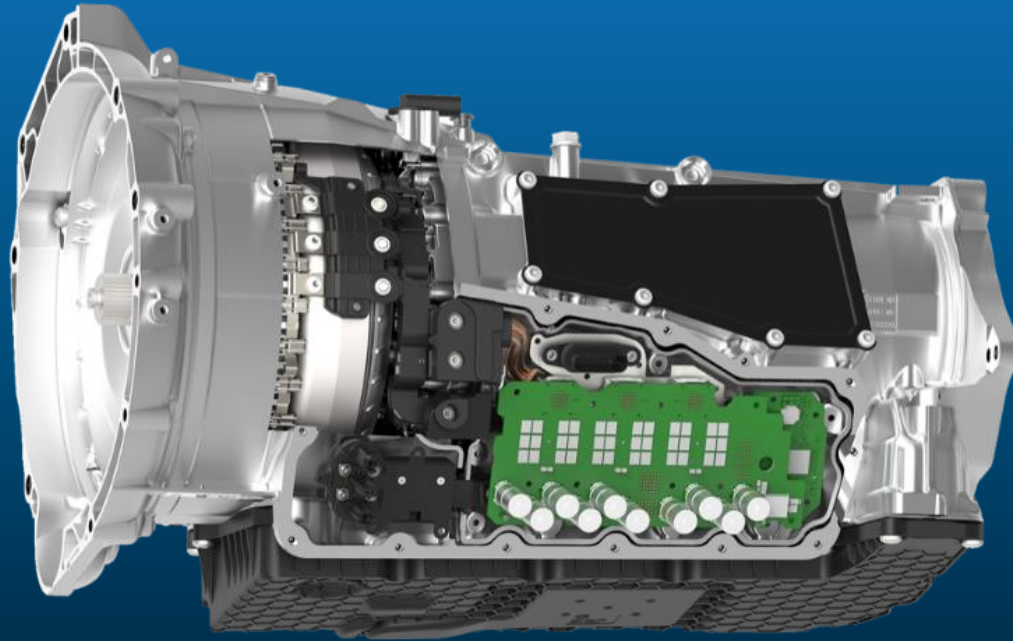


Electric Mobility for Passenger Cars: ZF Solutions

BEV EVPLUS



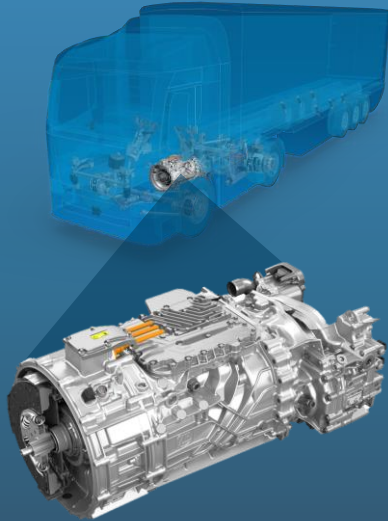
Long-Term Contract for Electrified Transmission



Biggest single ZF contract ever

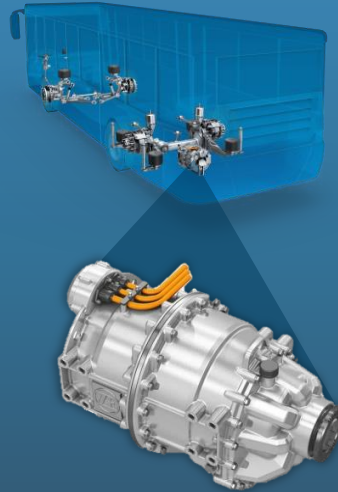
Electrified Commercial Vehicles

TraXon Hybrid



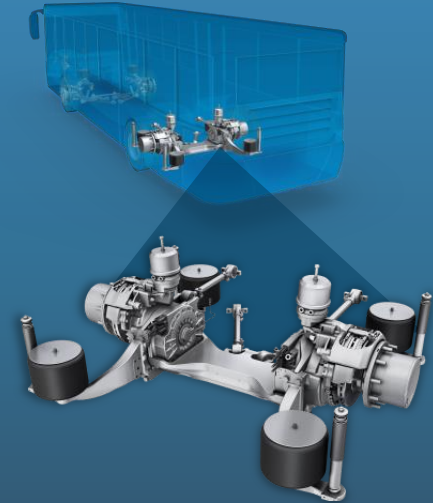
Hybrid solutions

Cetrax



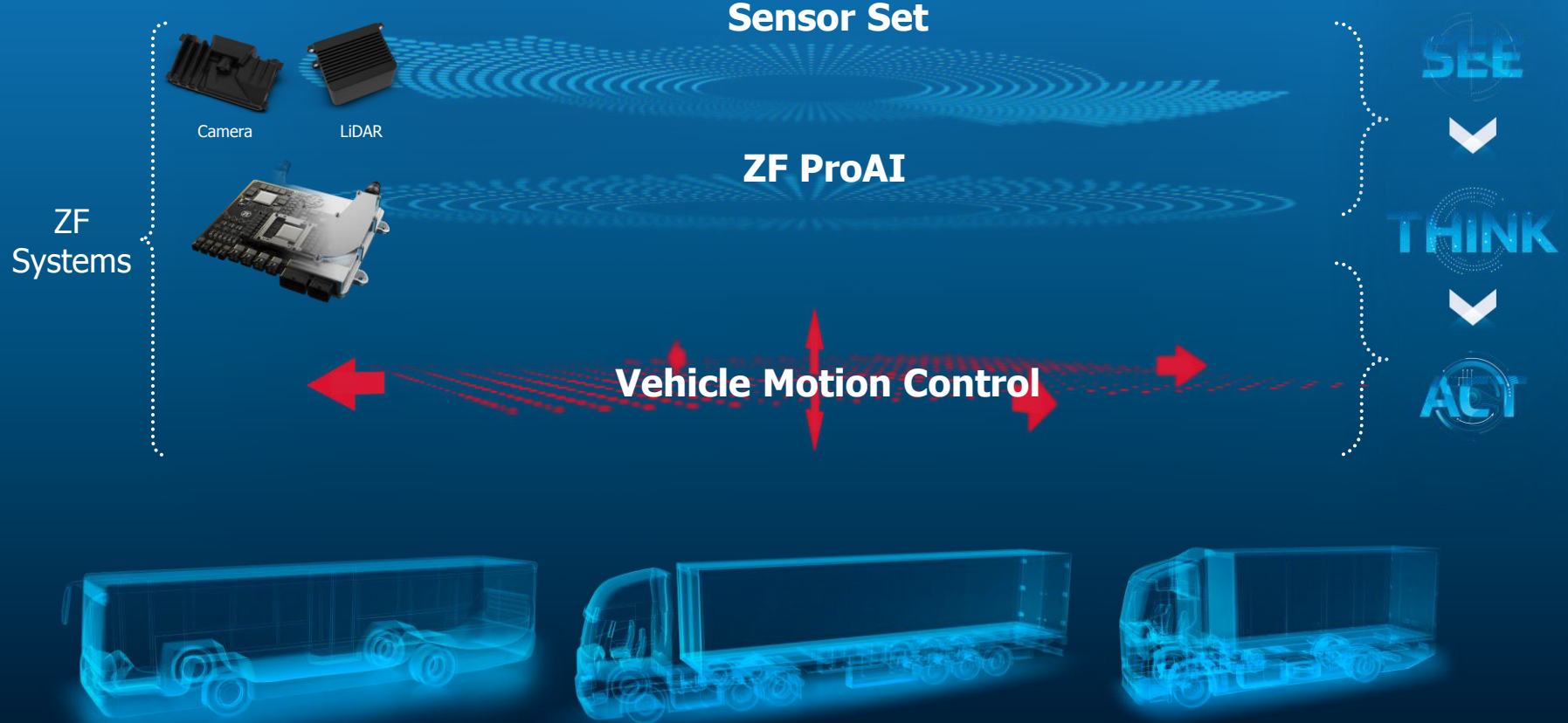
Fully electric drivelines

AxTrax AVE



Electric portal axle
(Fuel cell, Hybrid, catenary power or BEV)

ZFs as a System Supplier for Commercial Vehicles



ZF – Systems Supplier for Commercial Vehicles

CONNECTIVITY
SOLUTIONS

DIGITAL SERVICES

SAFETY ELECTRONICS

ADAS / AD SYSTEMS

DAMPING SYSTEMS

SUSPENSION CONTROL

STEERING SYSTEMS

STEERING CONTROL

POWERTRAIN MODULES

CHASSIS MODULES & COMPONENTS

AXLE SYSTEMS

WHEEL END SOLUTIONS

BRAKING CONTROL

(Air Brake Valves,
EBS & ESC, ABS)

OCCUPANT SAFETY SYSTEMS

ELECTRONIC COMPONENTS

ELECTRONIC CONTROL AND
MONITORING SYSTEMS

TRANSMISSION SYSTEMS

TRANSMISSION AUTOMATION

ELECTRIC DRIVES

ZF WABCO



Transaction Follows a Clear Strategic Rationale

ZF Friedrichshafen AG and WABCO



See. Think. act

WABCO
MOBILIZING VEHICLE INTELLIGENCE

The combined company forms the world's **leading integrated systems provider** for commercial vehicle technology

Game-changing next generation technology in the field of Autonomous Driving (AD/ADAS) in both commercial and passenger vehicles

Strengthening its position in **emerging markets** where WABCO operates market leading positions with cost advantages

Access to the highly attractive **truck fleet management** market where WABCO excels with telematics solutions

Superior access to **truck trailer** customers and advanced mechatronic competencies



Urban Mobility of the Future: ZF Solutions



**A clean, safe, comfortable and affordable
individual mobility,
for people and goods.**

Mobility-as-a-Service/Transport-as-a-Service: ZF Solutions



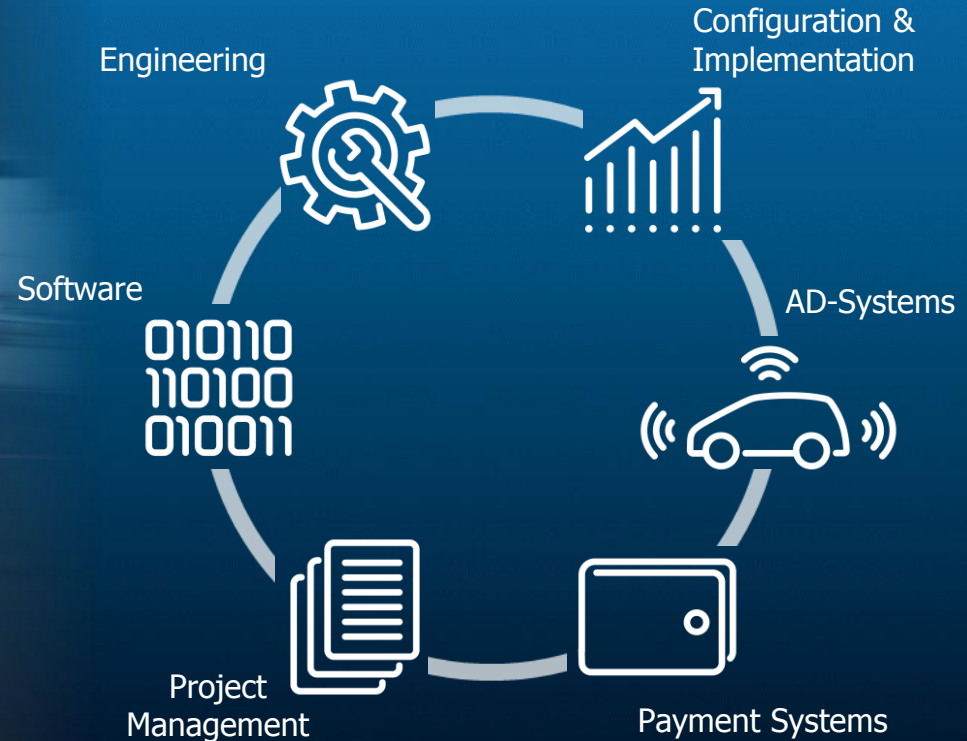
Full Systems Supplier in all Technology Domains



2getthere Reinforces Automated Driving



System Competence



New Urban Mobility Concepts



Financial Key Figures 2018

2018 Financial Overview



€2.1 billion

Adjusted EBIT



€2.5 billion

Research & Development



€1.6 billion

Investments in property, plant and equipment



€36.9 billion

Sales



€1.4 billion

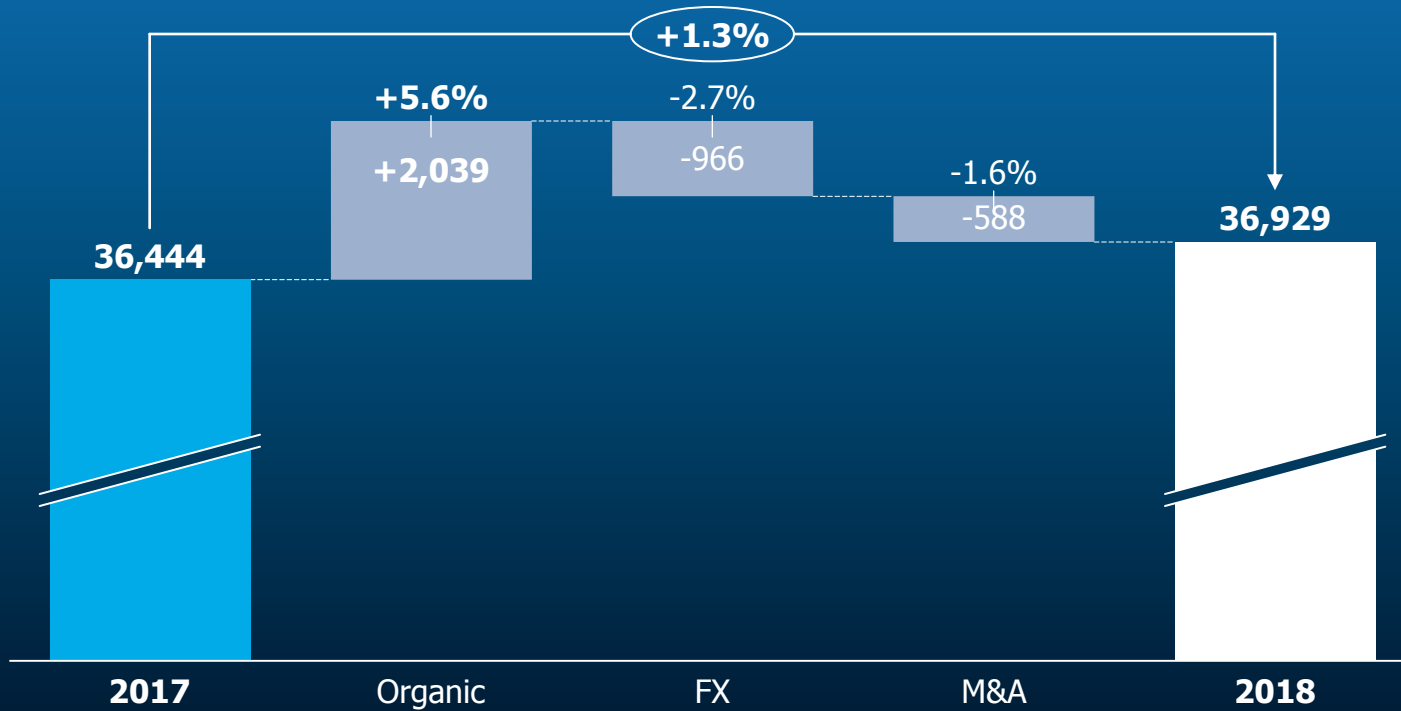
Reduction of Gross Debt



148,969

Employees

Organic Sales Growth at approximately 6%



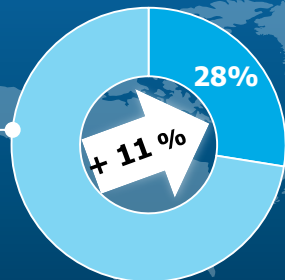
Sales by Regions

Sales

in € million and in % of sales

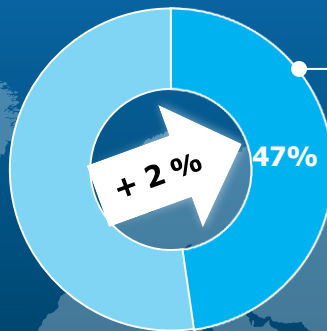
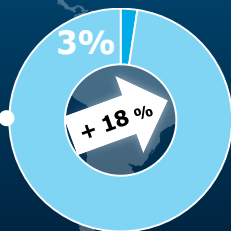
**North
America**

10,264



**South
America**

1,034

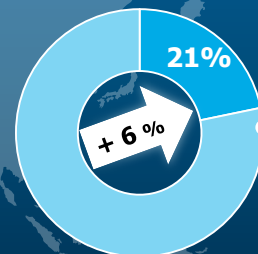


Europe

17,390

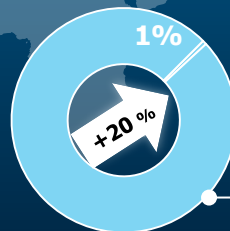
Asia-Pacific

8,008



Africa

233



★ Organic growth in 2018

Sales by Divisions

Sales

in € million

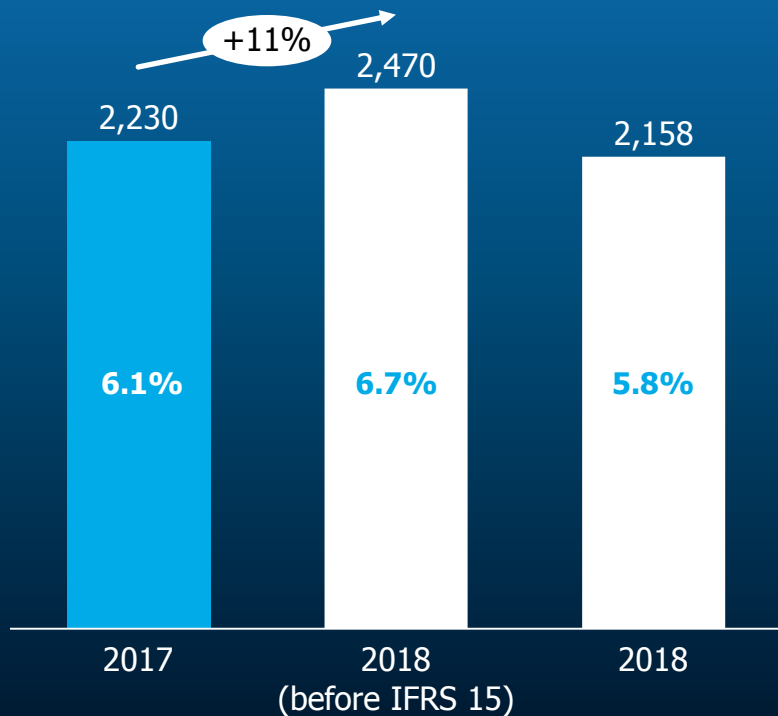


- Business with automatic transmissions specially for hybrids was the strongest growth driver
- Disproportionate growth in Asia-Pacific, negatively affected by exchange rate effects and sales development in North America
- Growth through market development in China as well as the positive turnaround in Russia and Brazil
- Increased sales in the business unit “Off-Highway Systems” could nearly offset the sales decrease in the wind power sector
- High demand for hybrid modules and control systems
- Sales decrease due to disposal of business units
- Organic sales increase of approx. 3%

R&D Budget and Investments in PP&E

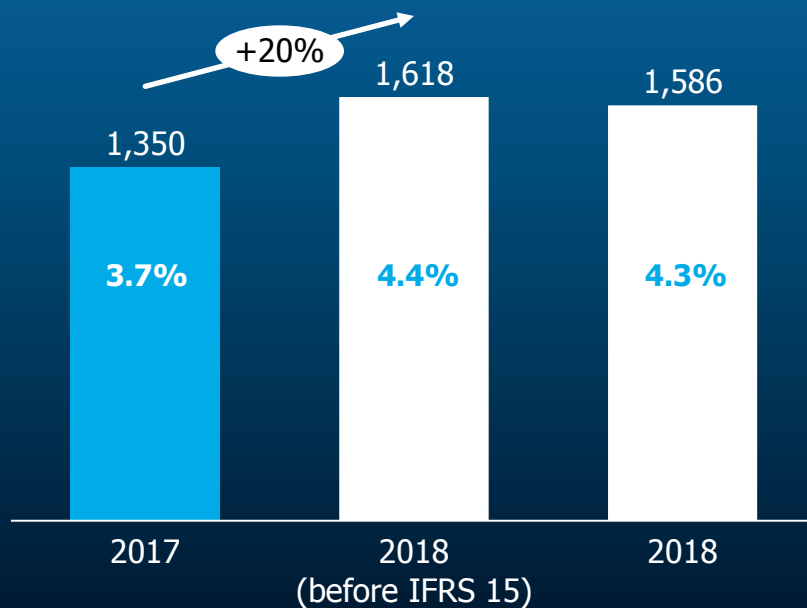
R&D Expenses

in € million and in % of sales



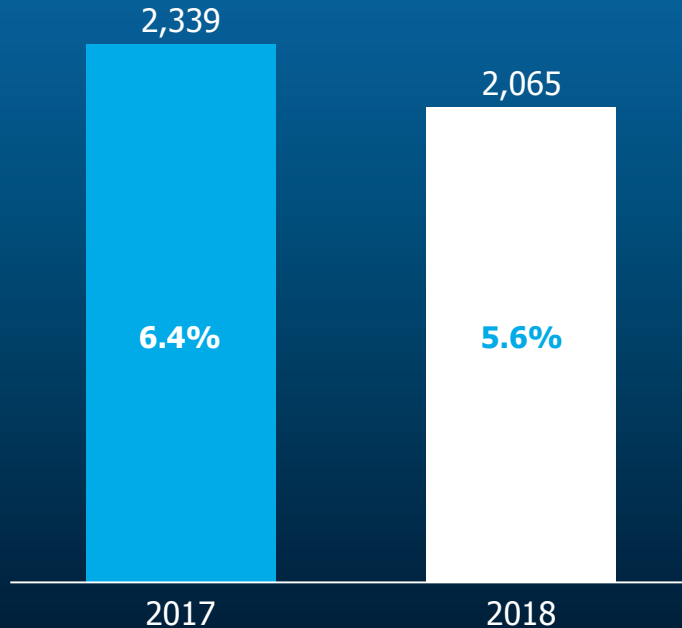
Investments in PP&E

in € million and in % of sales



Adjusted EBIT Margin

in € million and margin in %



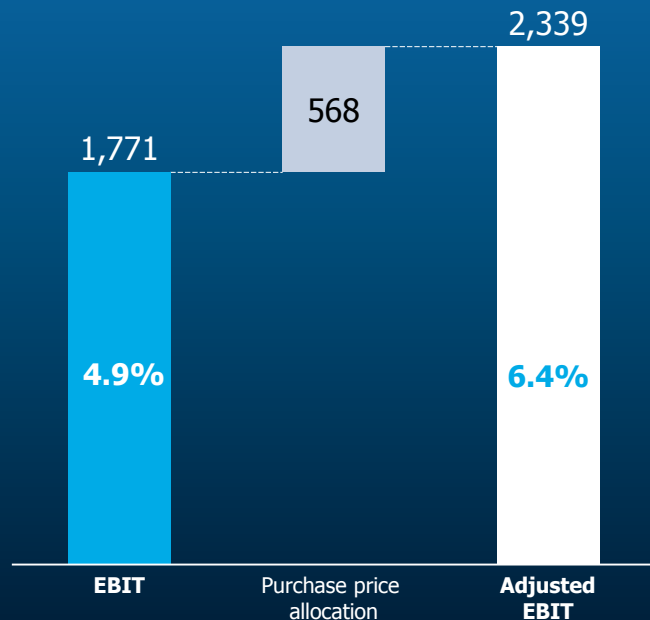
Developments

- Increased R&D expenses by €240 million mainly in the area of E-Mobility, AD/ADAS and Safety impacted the EBIT margin by 0.6%ppt.
- Furthermore EBIT negatively affected by
 - Material price increase
 - FX effects

Adjusted EBIT Margin

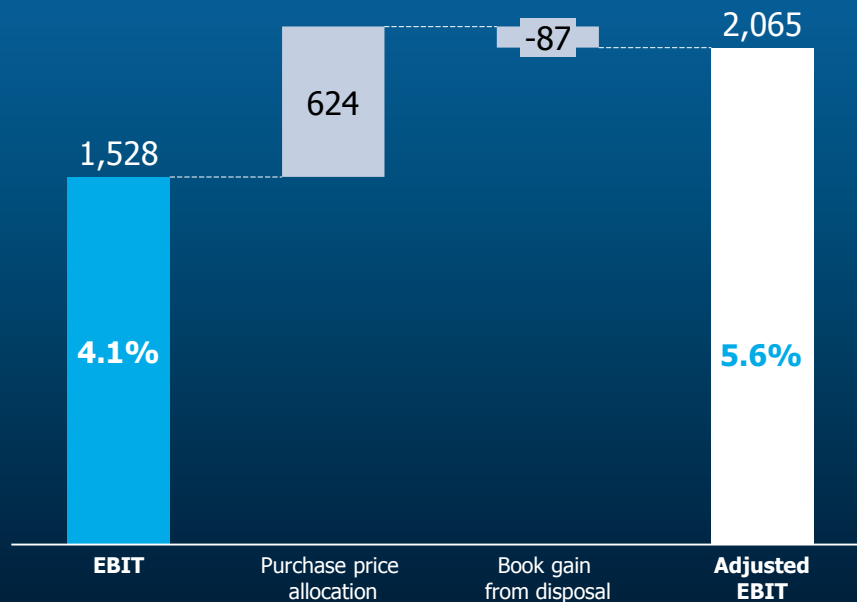
EBIT and Adjusted EBIT 2017

in € million and margin in %



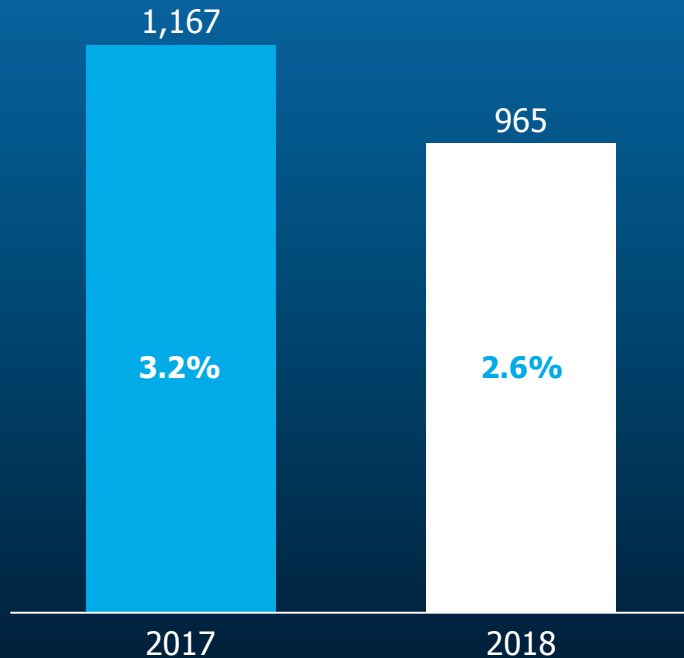
EBIT and Adjusted EBIT 2018

in € million and margin in %



Net Profit After Tax

in € million

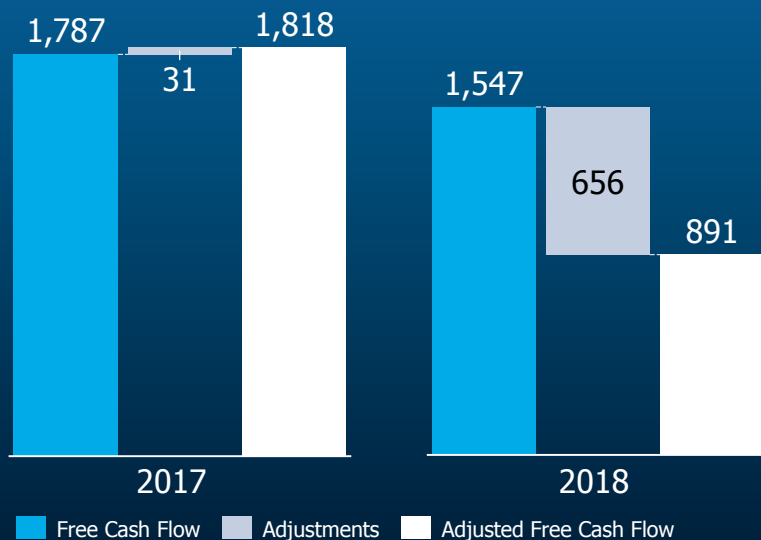


Developments

- Decrease of financial expenses driven by further deleveraging
- Interest on financial liabilities reduced by almost €150 millions
- Tax rate 2018 at 21% (previous year 17%)

Adjusted Free Cash Flow at around €900 millions

in € million

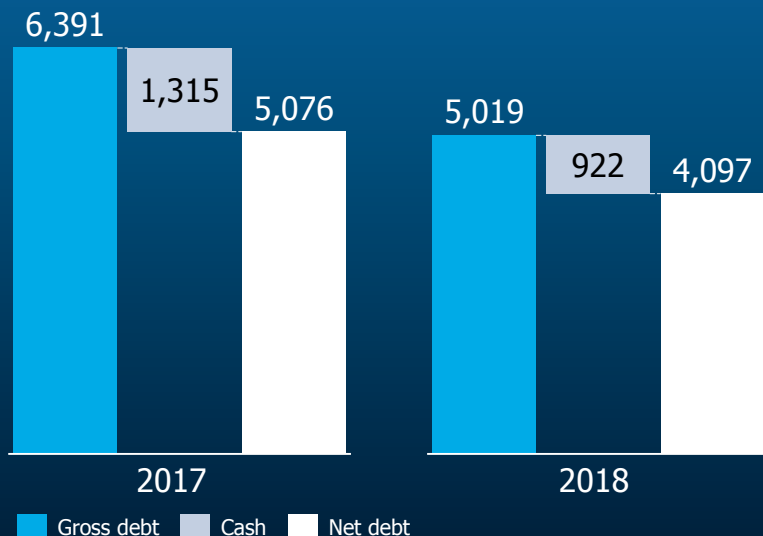


Developments

- Free Cash Flow at €1,547 million in 2018
- Adjustments M&A activities 2018 comprise:
 - Disposal of the Body Control System
 - Participations by Zukunft Ventures GmbH
- Adjusted Free Cash Flow at €891 million

Gross Debt Reduction by €1.4 billion

in € million



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

Developments

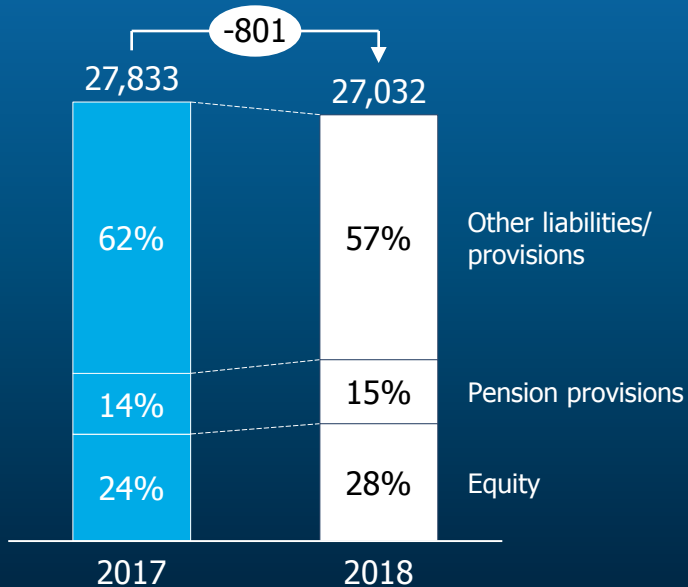
- Gross debt reduced by €1.4 billion since December 31, 2017
- Net debt reduced by around €1 billion
- Investment Grade Rating Confirmed :
 - S&P: BBB– (negative outlook)
 - Moody's: Baa3 (negative outlook)

Wabco announcement

Equity Ratio Increased to 28 %

Liabilities and Equity

in € million and in % of balance sheet total



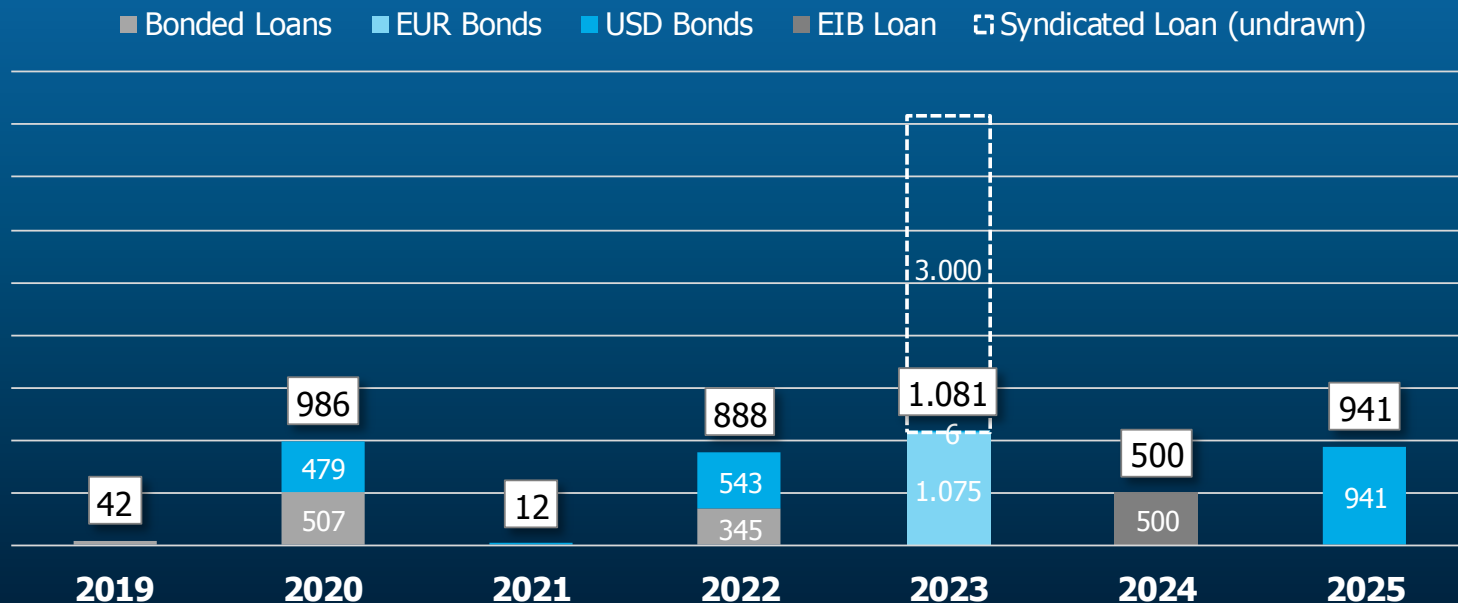
Developments

- Equity increase by €656 million mainly due to positive net profit after tax
- Balance sheet total decrease by €801 million due to further debt pay-down the disposal of Body Control Systems
- Equity ratio increased by 4 percentage points to 28 %

Maturity Profile Further Smoothened in 2018

Maturity of Main Group Financings as of December 31, 2018

Nominal amounts in € million

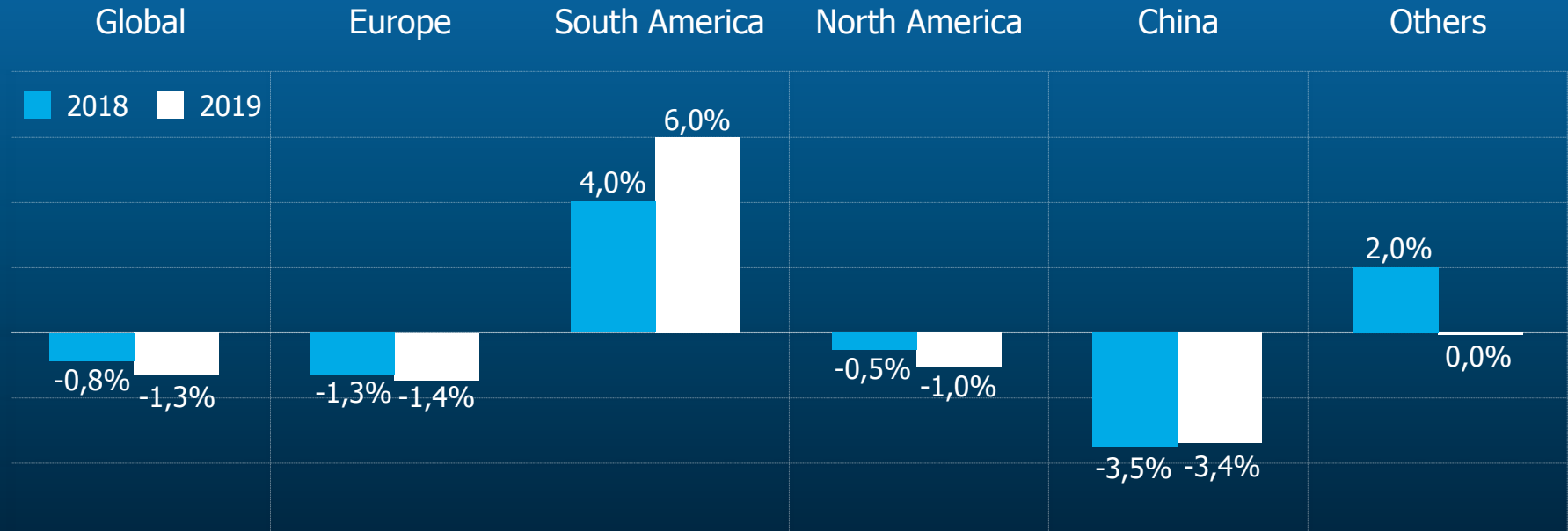


Note: Excluding bilaterals worldwide which are rolled in the ordinary course of business

Outlook 2019

Market for PassCar and CV < 6to is Slowing Down

Production: 2018 and Forecast 2019 (% to Previous Year)



2019 Forecast

Sales: € **37–38 billion**

EBIT margin:*

5.0–5.5%

Free cash flow*:

~ €

1 billion

* adjusted



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