



Investor and Analyst Call H1 2019

Dr. Konstantin Sauer, CFO
ZF Friedrichshafen AG

August 02, 2019 | Half-year figures as of June 30, 2019



ZF Solutions for Next Generation Mobility



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





Electric Mobility



Vehicle Motion Control



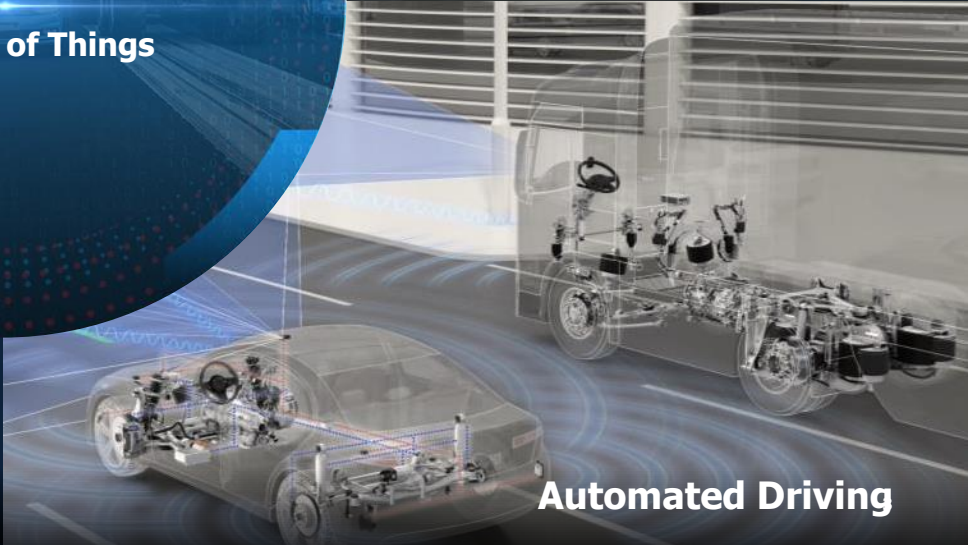
Digitalization

Internet of Things



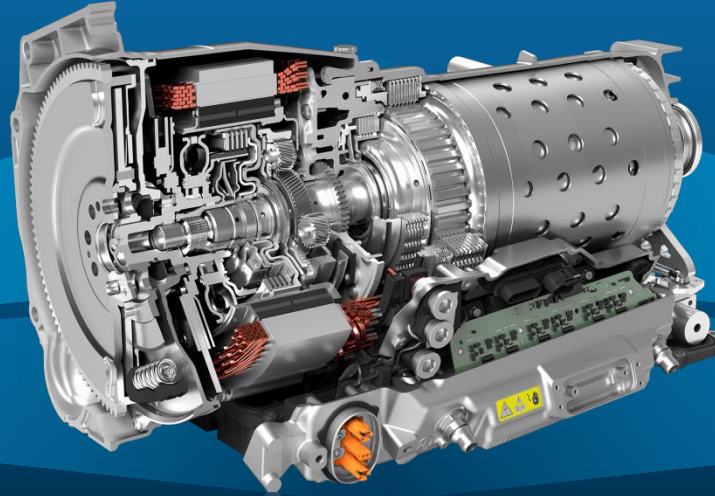
Integrated Safety

August 02, 2019 | Half-year figures as of June 30, 2019



Automated Driving

BMW and FCA nominated ZF as Supplier for New 8-speed Automatic Transmission



ZF supplies fully electric driveline for the all-new Mercedes-Benz EQC model



Photo: Daimler AG

Further Highlights of H1 2019

2get³there



ZF and WABCO: A Unique Systems Supplier

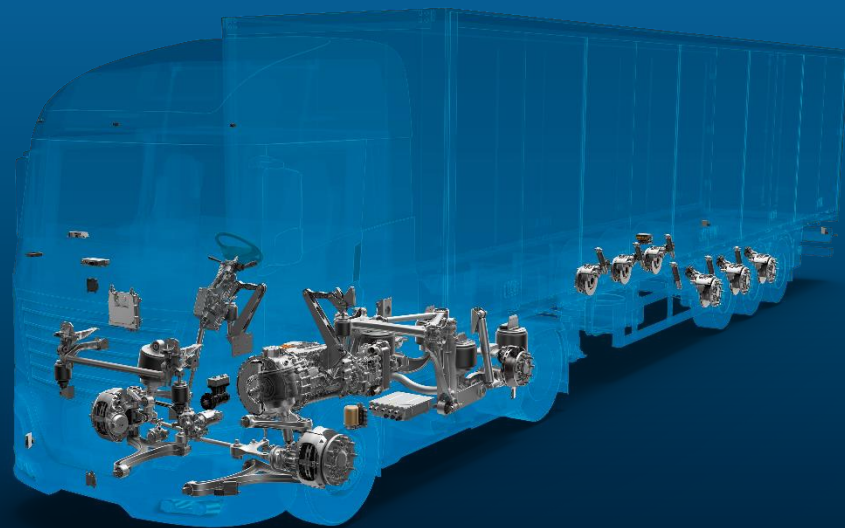
WABCO shareholders approved proposed acquisition on June 27



See. think. act.

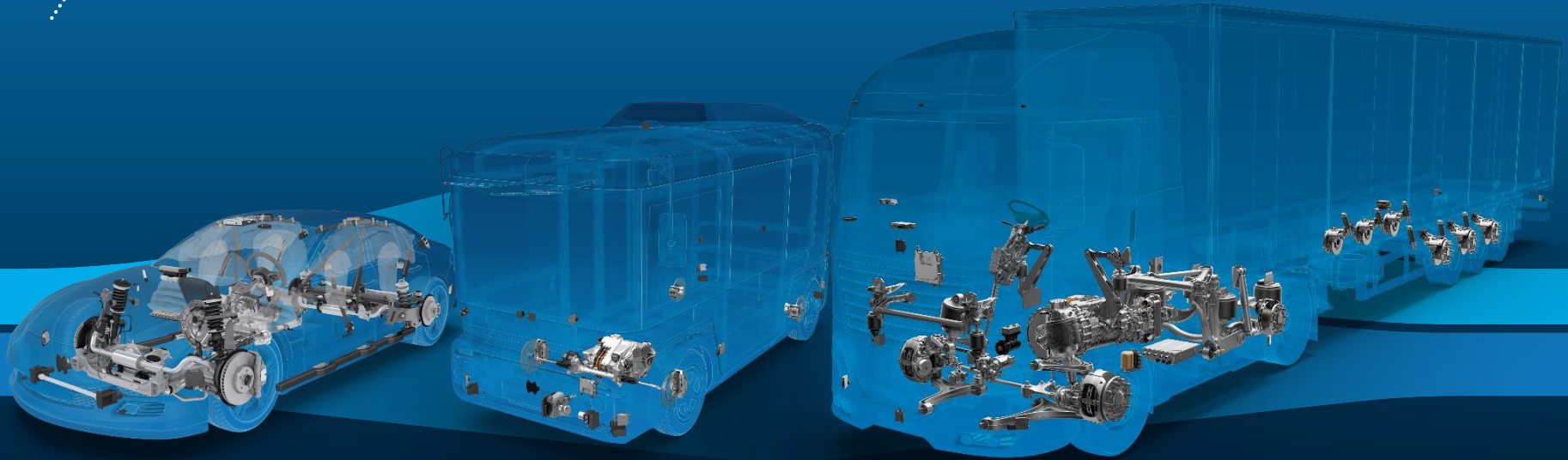
WABCO

MOBILIZING VEHICLE INTELLIGENCE



Full Systems Supplier in all Segments

**Efficient, Safe and Automated Mobility Solutions
for Passenger Cars and Commercial Vehicles**



Financial Key Figures H1 2019

Dr. Konstantin Sauer | Chief Financial Officer



Financial Overview H1 2019



€18.4 billion
Sales



€587 million
Investments in
property, plant
and equipment



€1.3 billion
Research &
Development



24%
Equity Ratio



€646 million
Adjusted EBIT

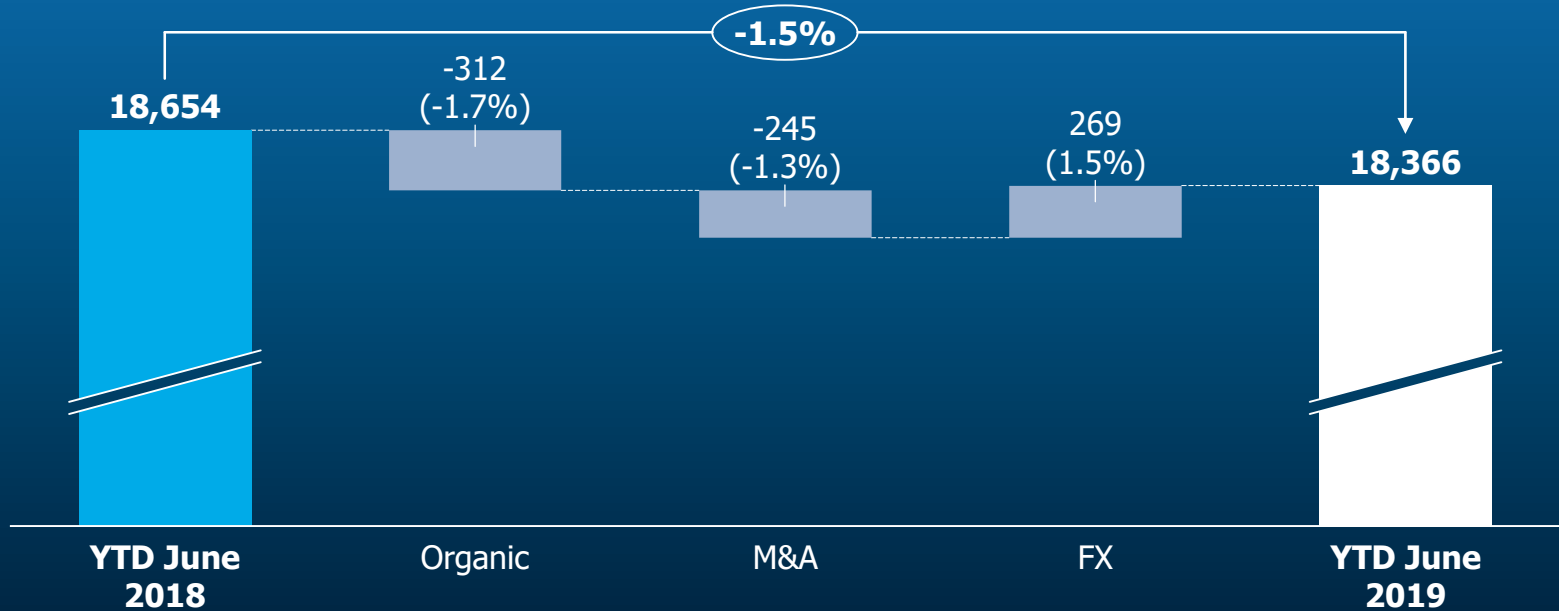


149,297
Employees

Sales Development H1 2019

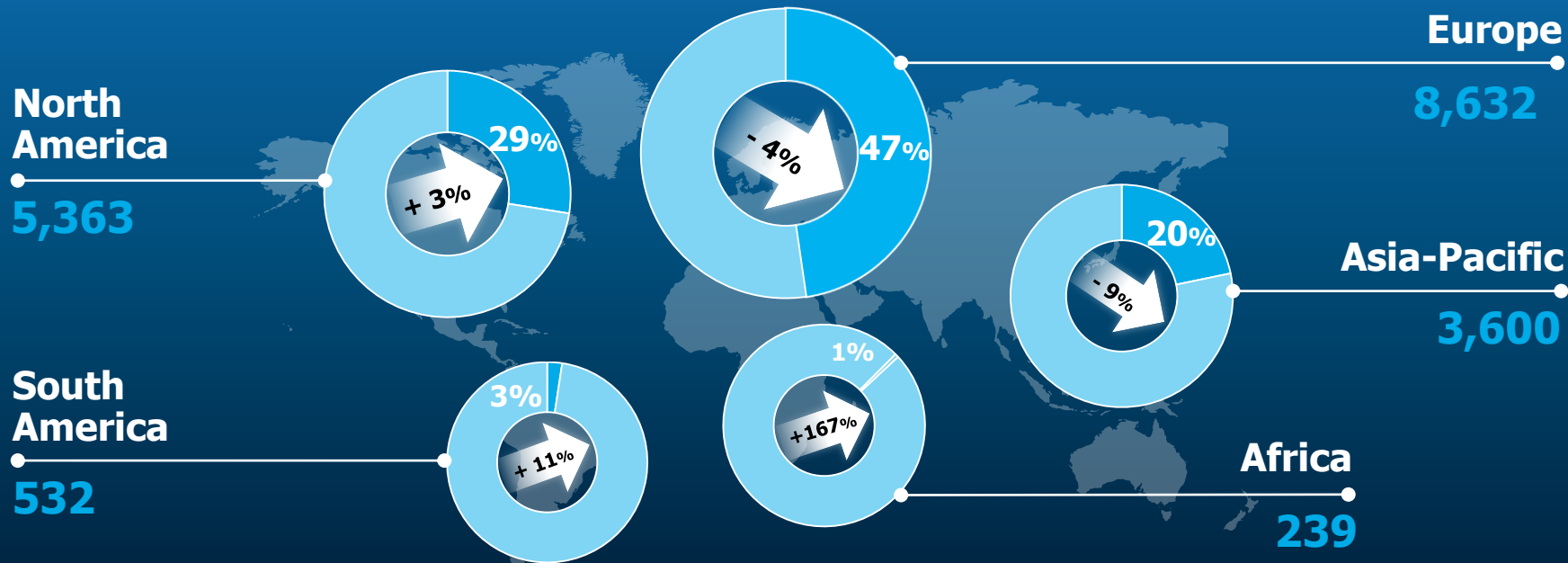
Sales

in € million



Sales by Regions

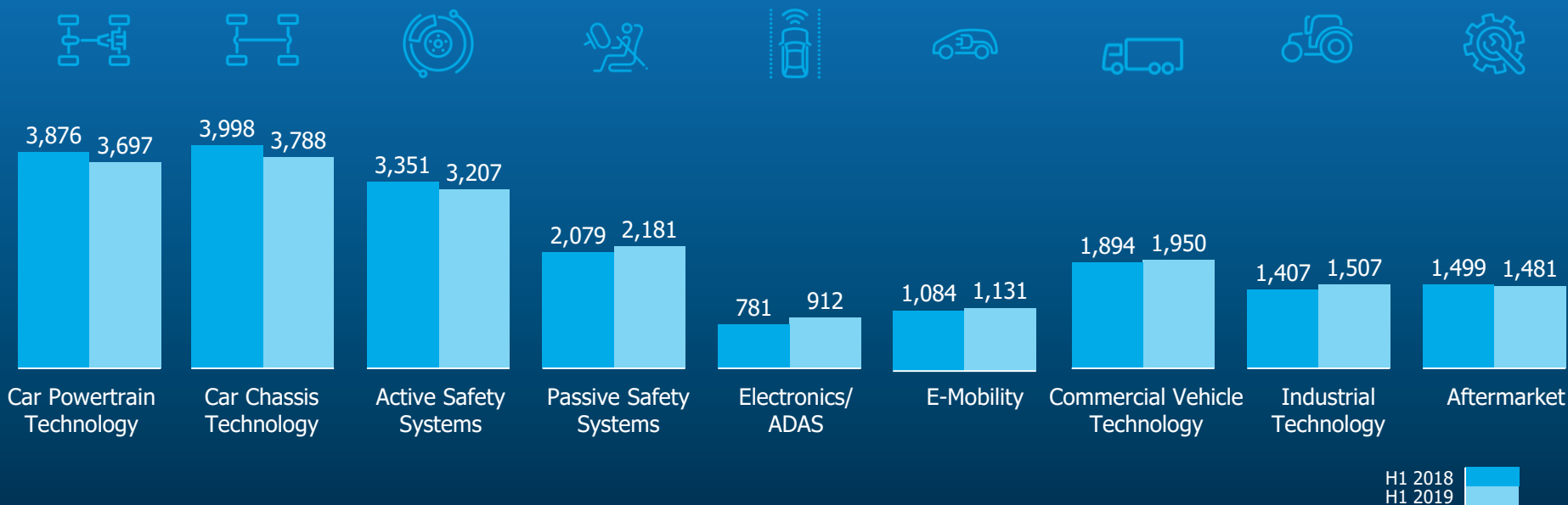
in € million and in % of sales



📈 Organic growth in H1 2019 compared to previous year

Sales by Divisions

in € million

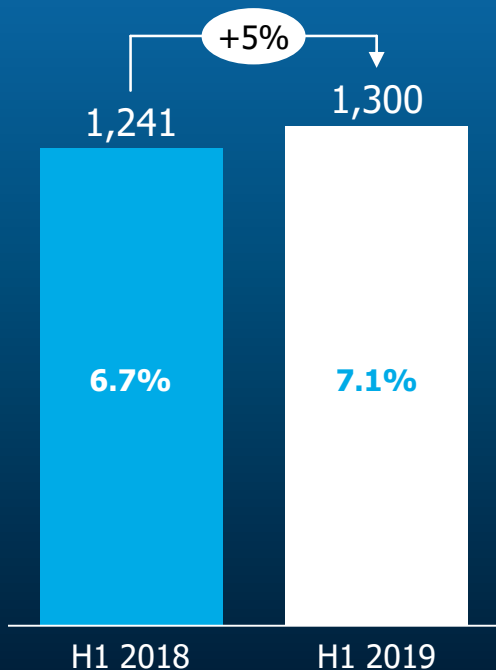


- Passenger Car Sales shows a decline in the first half year 2019 comparing to 2018
- Despite overall trend in the Passenger Car market growth of Passive Safety Systems and Electronics/ADAS
- Heavy Commercial vehicles and industrial business show a growth for the first half year 2019

R&D Budget and Investments in Property, Plant and Equipment

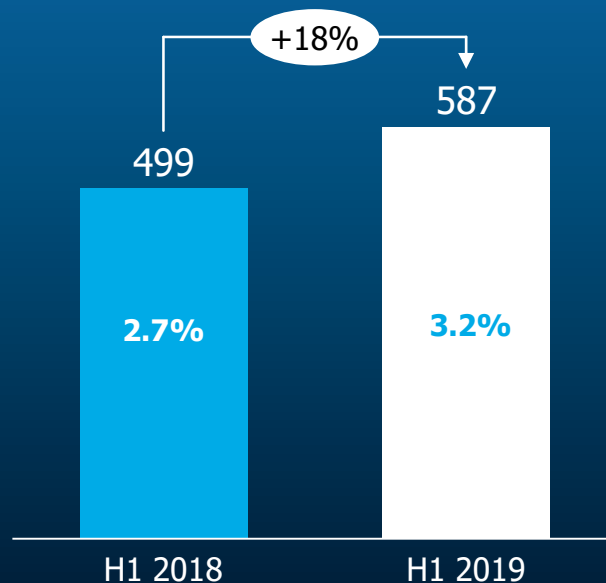
R&D Expenditure*

in € million and in % of sales



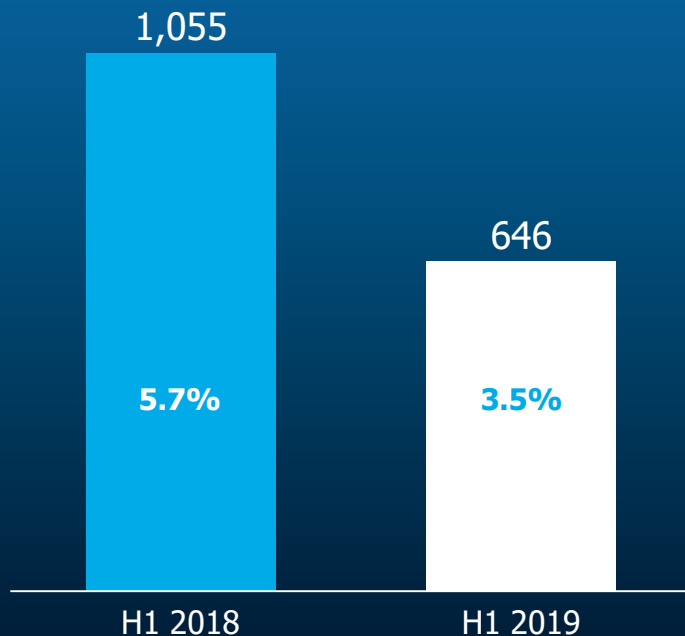
Investments in PP&E

in € million and in % of sales



Adjusted EBIT Margin

in € million and margin in %



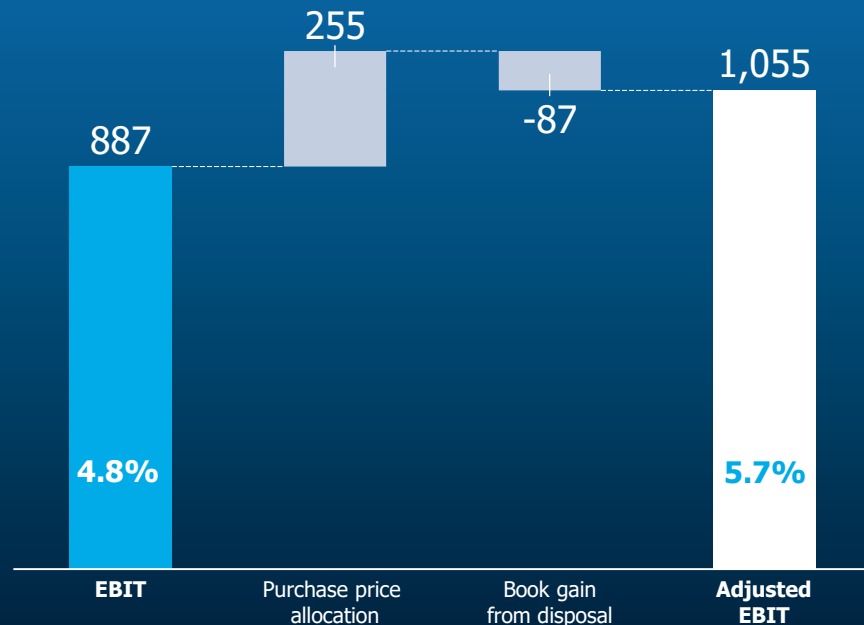
Developments

- Gross margin negatively impacted by lower volumes due to weakening of the global Passenger Car market
- Ramp-ups of new plants in particular for E-Mobility in H1 2019
- Increased R&D expenses to strengthen ZF's technological position
- H1 2019 only slight capacity adjustment due to initially expected stronger second half 2019

Adjusted EBIT Margin

EBIT and Adjusted EBIT H1 2018

in € million and margin in %



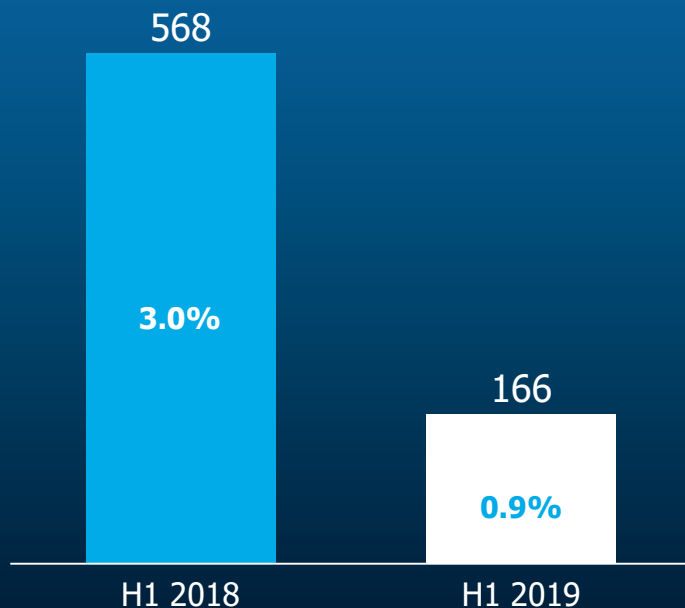
EBIT and Adjusted EBIT H1 2019

in € million and margin in %



Net Profit After Tax

in € million

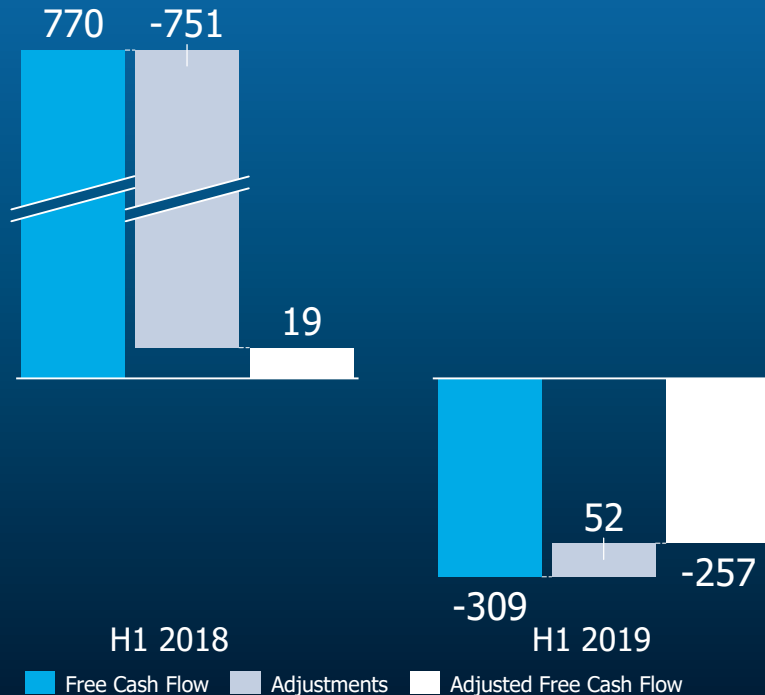


Developments

- Financing costs on level of previous year mainly due to lower interest expense compensated by transaction costs of WABCO as well as interest on leasing (IFRS16)
- Tax ratio slightly increased to 25.6% (previous year: 23.7%) due to US tax reform

Free Cash Flow

in € million

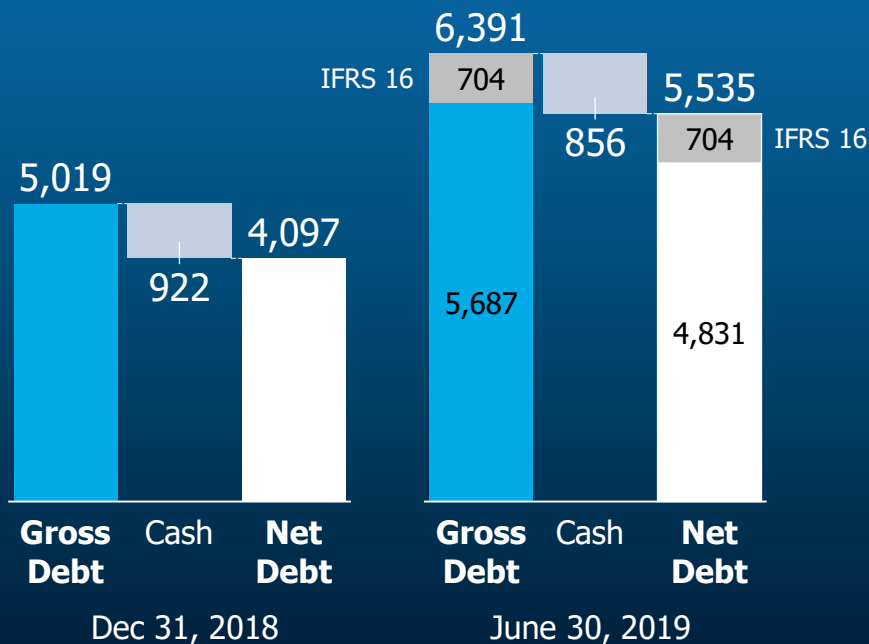


Developments

- Free Cash Flow at minus €257 million in H1 2019
- Free Cash Flow includes the payment to the European Commission for antitrust fine (€188 million)
- Slightly negative operative Free Cash Flow is mainly effected by:
 - Lower EBIT margin
 - Further increase of capex
 - Seasonal working capital swings

Gross/Net Debt

in € million



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

Developments

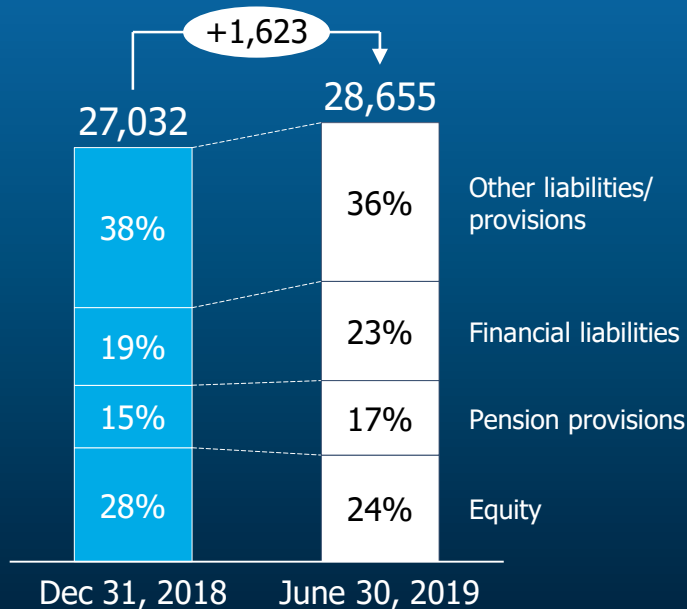
- Gross and net debt increased by around €1.4 billion due to:
 - First time adoption of IFRS 16
 - Negative Free Cash Flow
 - Dividends/interest/transaction costs
- Current Ratings
 - S&P: BBB– (negative outlook)
 - Moody's: Baa3 (negative outlook)

Wabco announcement

Equity Ratio

Liabilities and Equity

in € million and in % of balance sheet total



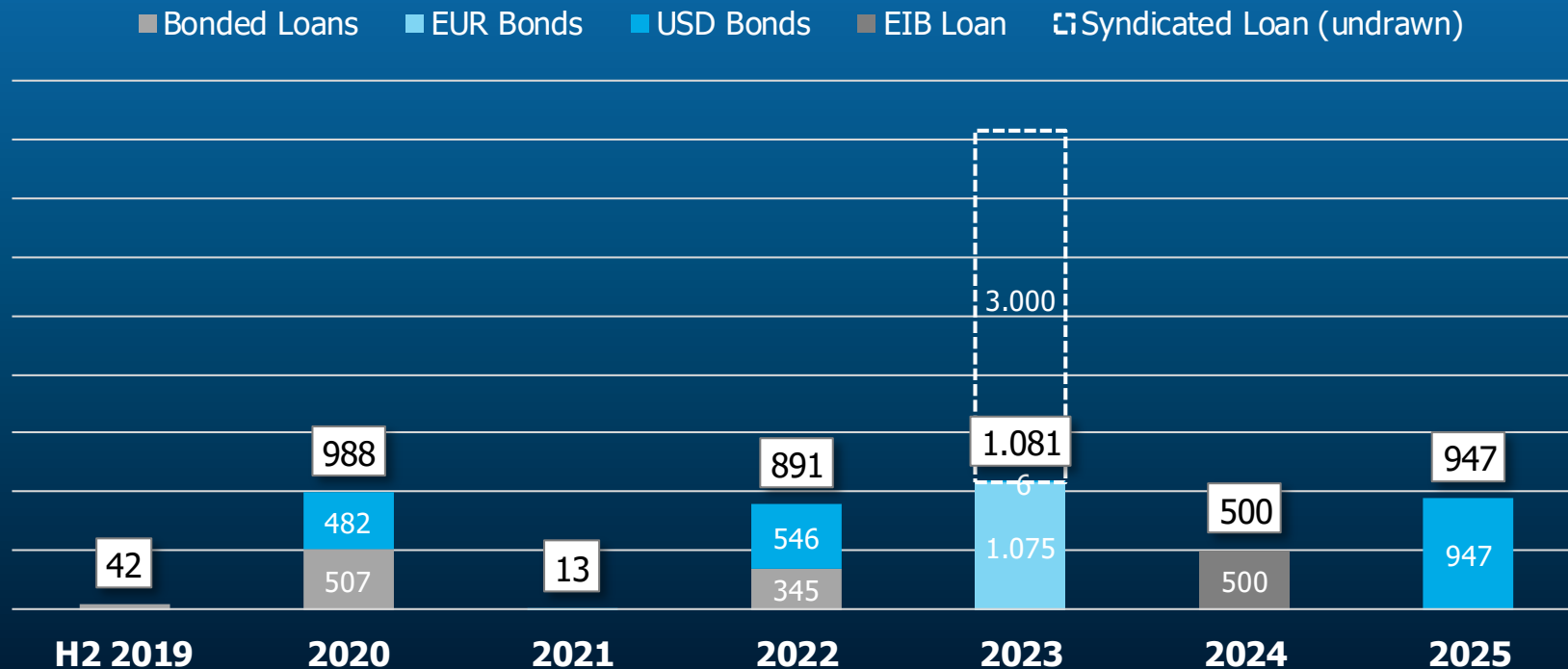
Developments

- Equity ratio decreased by 4 percentage points to 24%
- Equity decrease by around €0.5 billion mainly due to actuarial losses relating to pension provisions
- Increase in financial liabilities driven by first-time adoption of IFRS 16 as well as short-term increase in liabilities to banks

Maturity Profile

Maturity of Main Group Financings as of June 30, 2019

Nominal amounts in € million

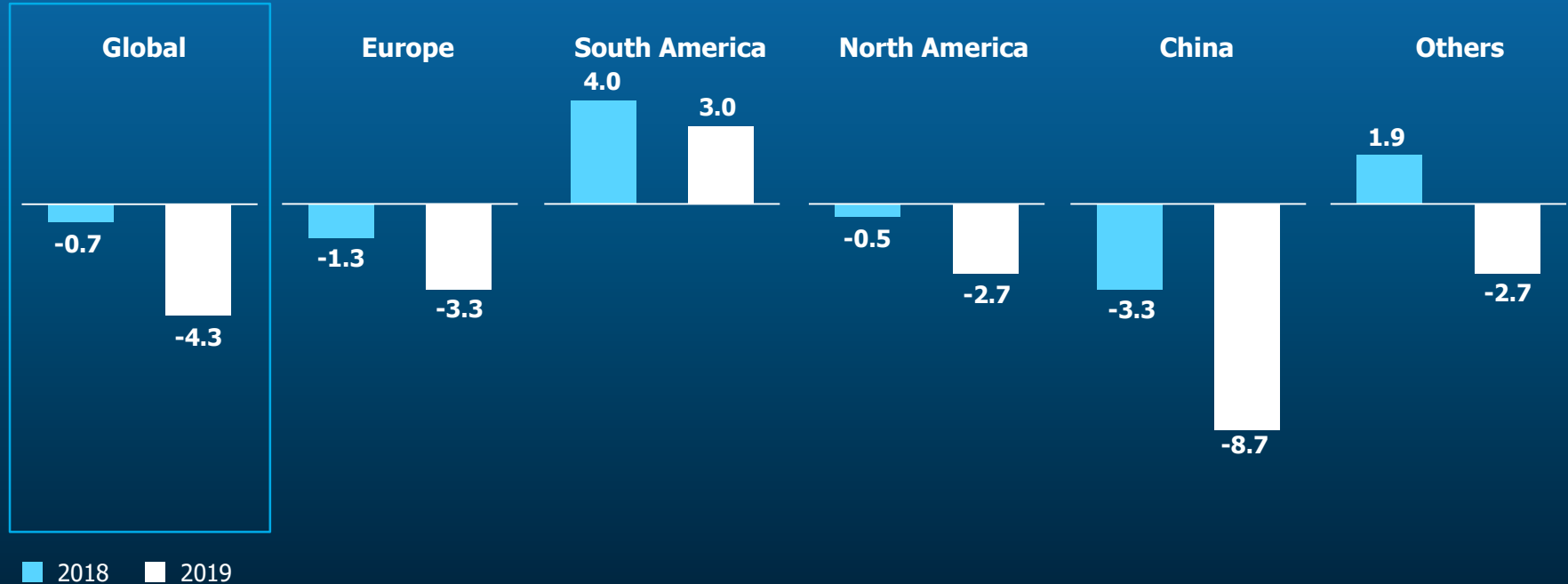


Outlook H2 2019



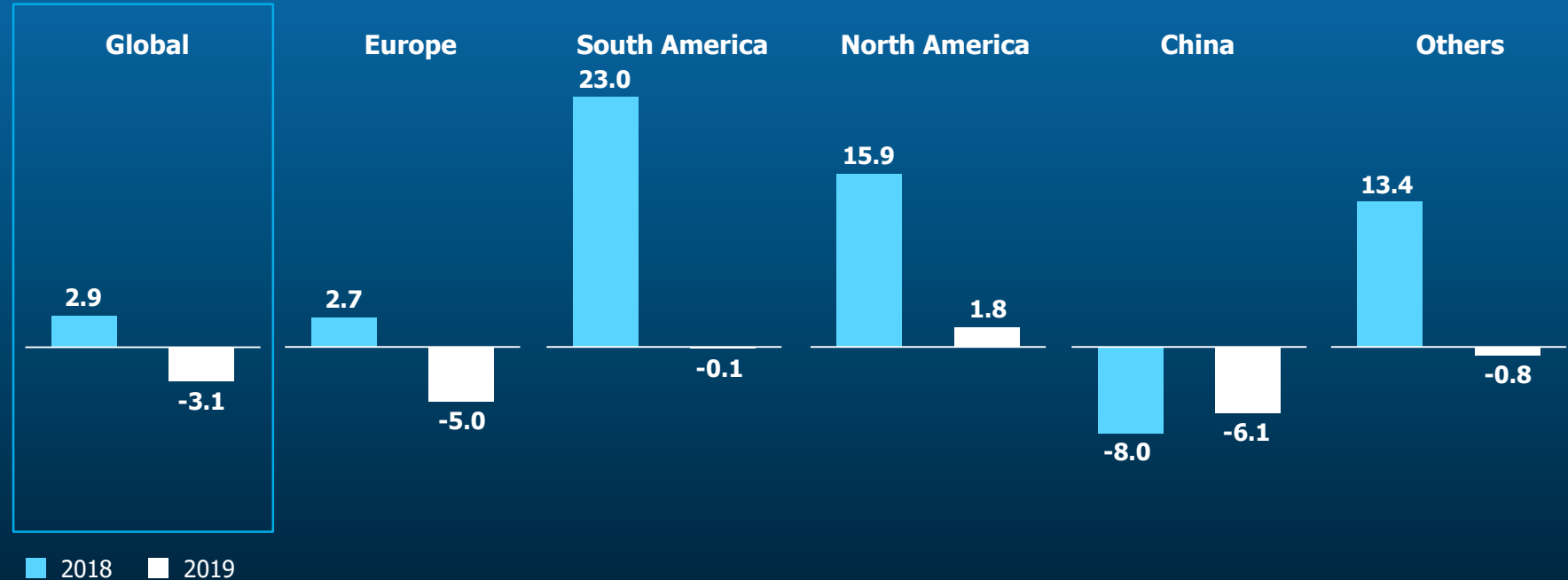
Forecast 2019: Passenger cars & commercial vehicles < 6 to

Vehicle production in % compared to previous year



Forecast 2019: Commercial vehicles > 6 to

Vehicle production in % compared to previous year



Outlook 2019

Outlook 2019 disclosed at Annual Press Conference

€ **37-38** billion



Sales

5.0-5.5 %



EBIT Margin*

€ **1.0** billion



Free Cash Flow*

Outlook 2019 revised

€ **36-37** billion

4-5 %

€ **0.5-1.0** billion

* adjusted

#MobilityLifeBalance

IAA press conference
Frankfurt/Main, September 10, 11:15 a.m.
Hall 8, booth C 21