



Investor and Analyst Call FY 2019

March 26, 2020

Dr. Konstantin Sauer, CFO

ZF Friedrichshafen AG



2019 – Challenging Year

China slowdown 'biggest in 30 years'

The Times, February 18, 2020

Clearing the air

Climate policy needs negative carbon-dioxide emissions

The Economist, December 5, 2019

Johnson to impose full customs checks on goods from EU - report

The Guardian, February 1, 2020

POLITICS

U.S.-China Deal Eases, But Doesn't End, Business Uncertainty

By Josh Mitchell Dec. 13, 2019 5:28 pm ET

The U.S.-China trade deal would deliver muted benefits to the American economy, leaving in place most tariffs on Chinese goods and uncertainty for the world's two largest economies.

Real GDP growth

(annual percent change)



ZF Milestones 2019



Business wins for the next generation of the 8-speed automatic transmission and for Integrated Brake Control (IBC)



High demand for **bus electric drives**



New **AD/ADAS** contracts (Level 2+, ZF ProAI)



Participation/cooperation
(e.g. 2getthere, Microsoft, Open Manufacturing Platform)



Expanded capacities for electric drives

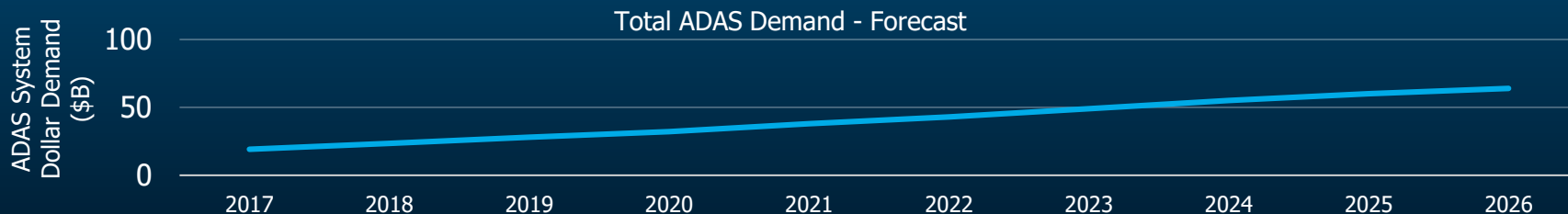
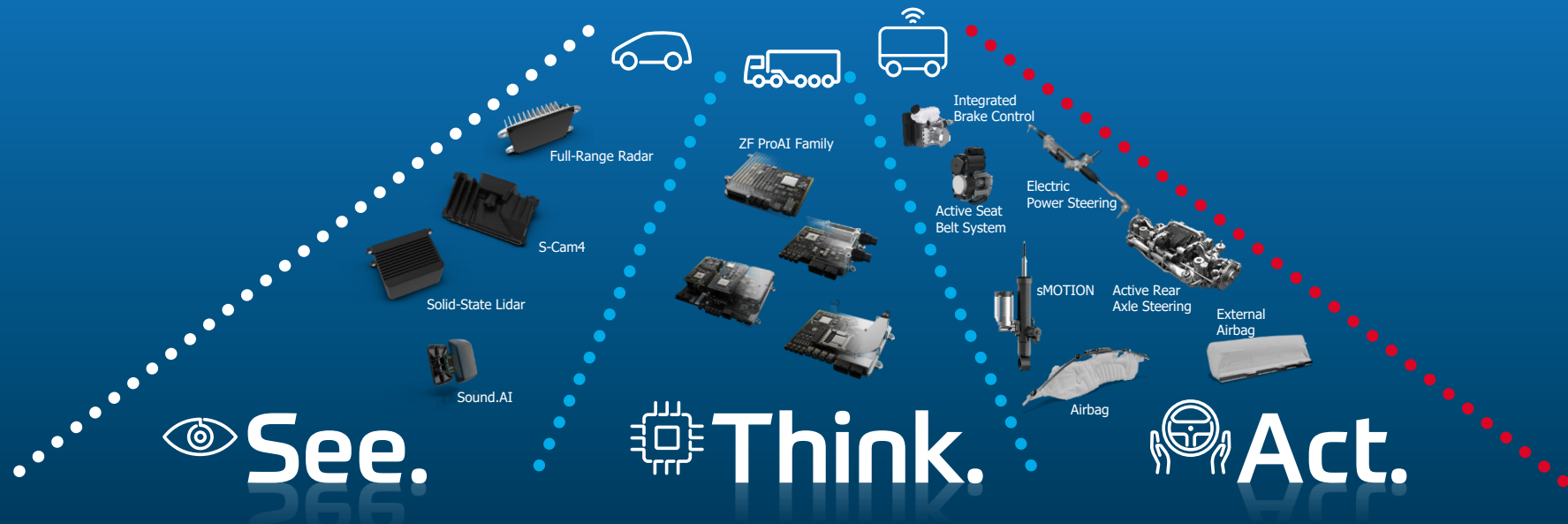


AI and cybersecurity center established



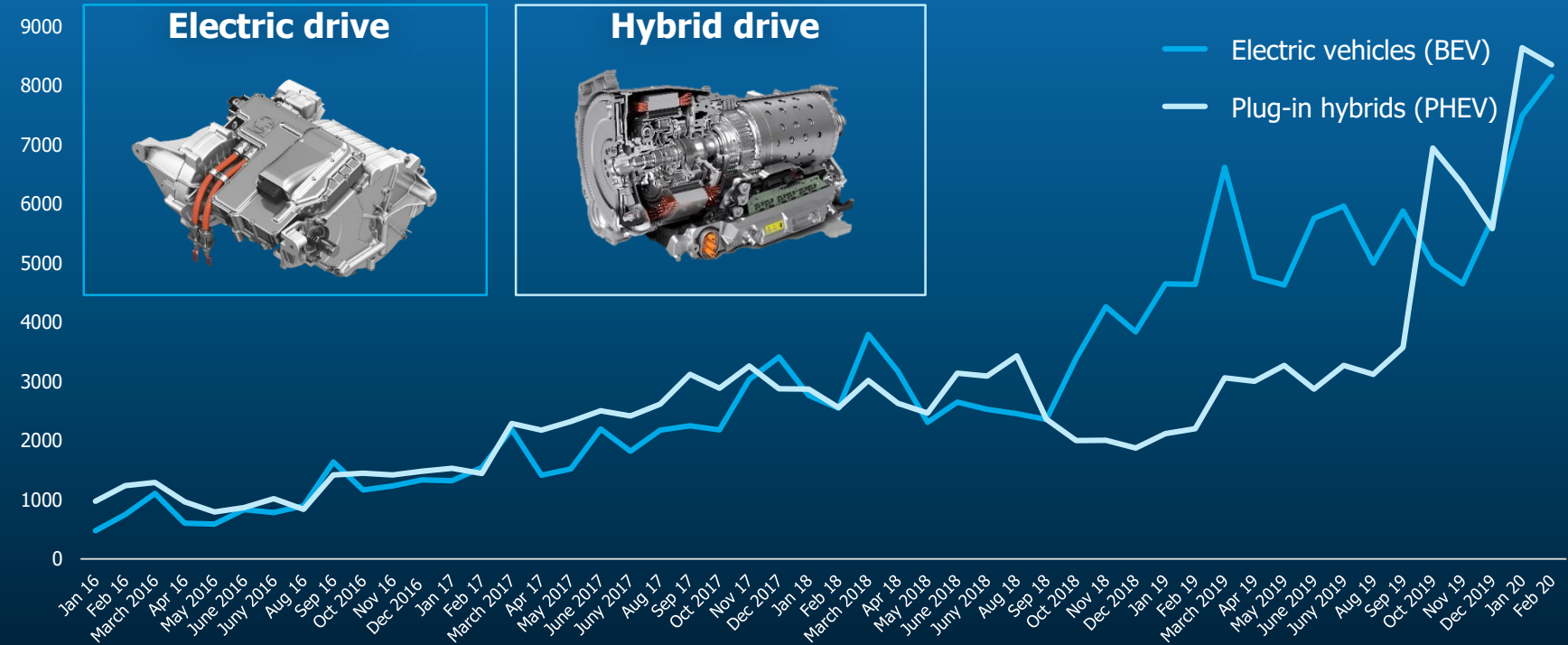
Agreement to acquire **Wabco**, financing secured

Strong demand for Safety Technologies



ZF Electrifies Passenger Cars

New registrations of electric cars and plug-in hybrids



The Climate Change Challenge

ZF is part of the solution

Climate neutrality along the entire value chain



Analysis of **all emission categories** of the Greenhouse Gas Protocol (Scope 1–3)

Intervention areas:

Production, administrative and research facilities



Continuous reduction of Scope-3 emissions

Focus on **major emission categories**



50-percent reduction of emissions **by 2030** compared to 2018

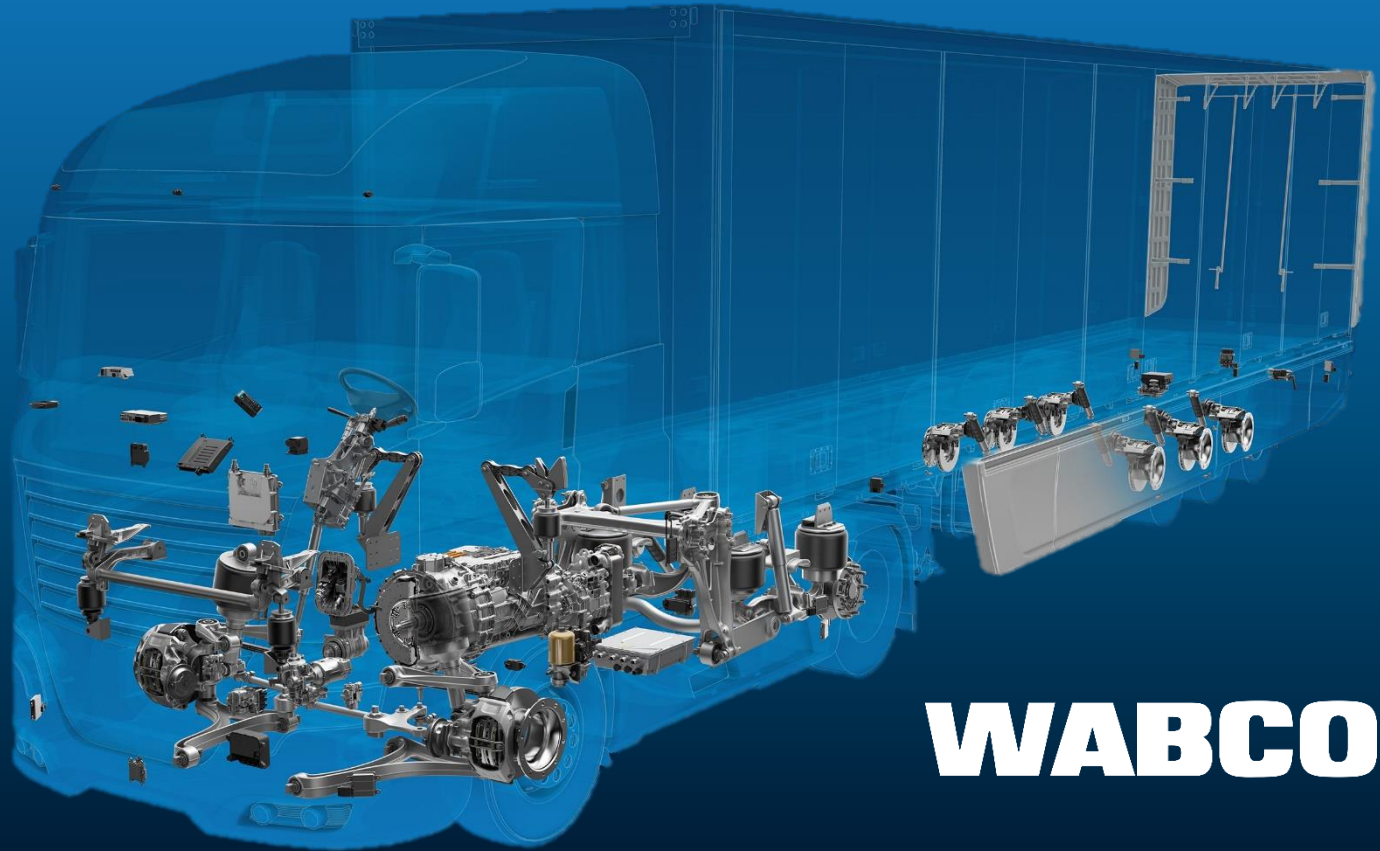
Climate neutrality by 2040 latest



Achieving **climate neutrality** through:

- Energy efficiency
- In-house power supply
- Green electricity purchasing

ZF & Wabco: The Leading Systems Supplier



WABCO

Financial Key Figures 2019

2019 Key Figures



€36.5 billion
Sales



147,797
Employees



€2.7 billion
Research &
Development



€1.5 billion
Adjusted EBIT



4.1%
Adjusted
EBIT margin

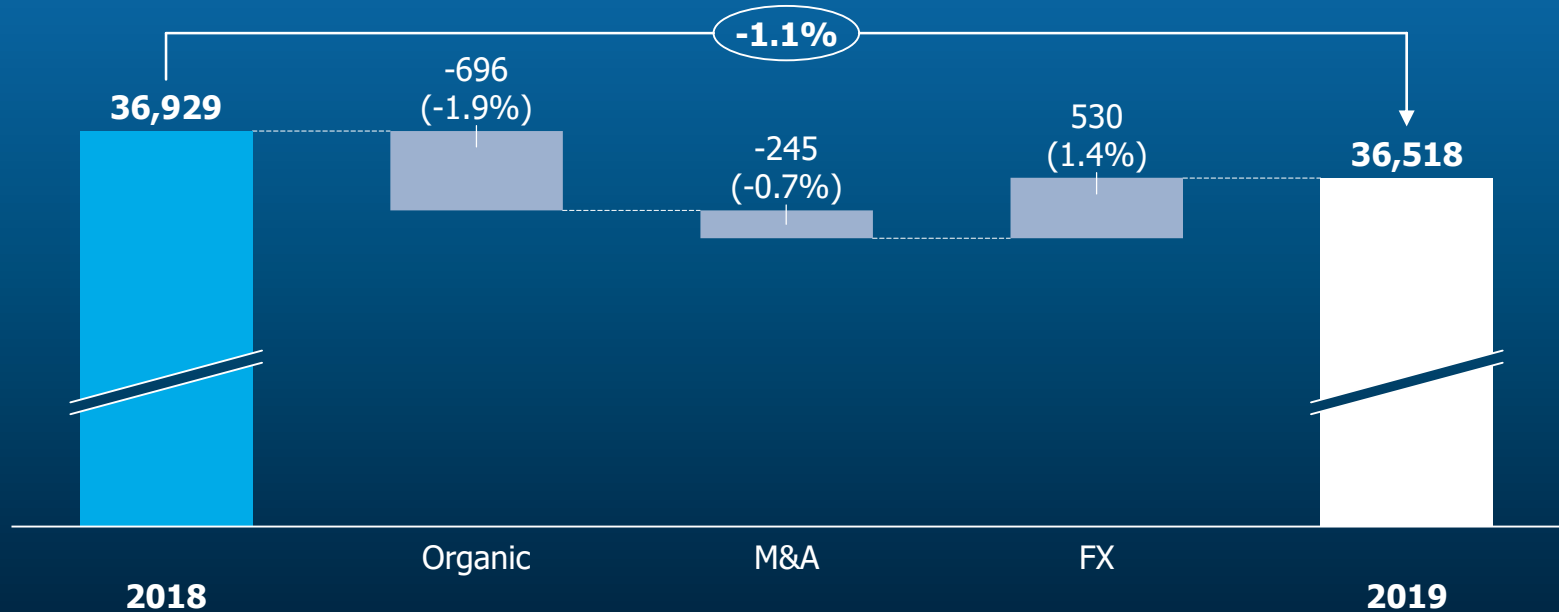


€1.9 billion
Investments in
property, plant
and equipment

Sales Development

Sales

in € million



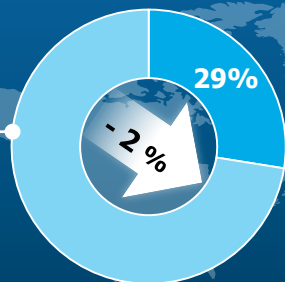
Sales by Regions

Sales

in € million and in % of sales

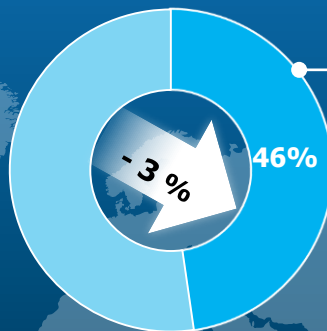
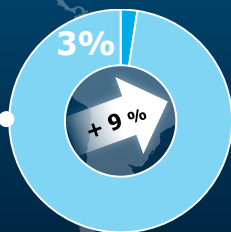
**North
America**

10,436



**South
America**

1,068

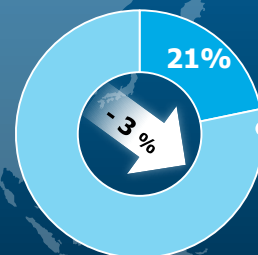


Europe

16,698

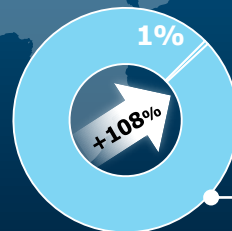
Asia-Pacific

7,847



Africa

469



🔗 Organic growth in 2019

Sales by Divisions

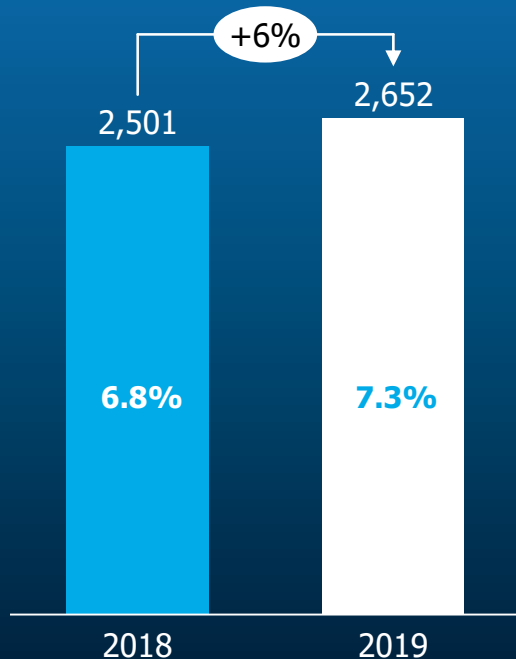
in € million



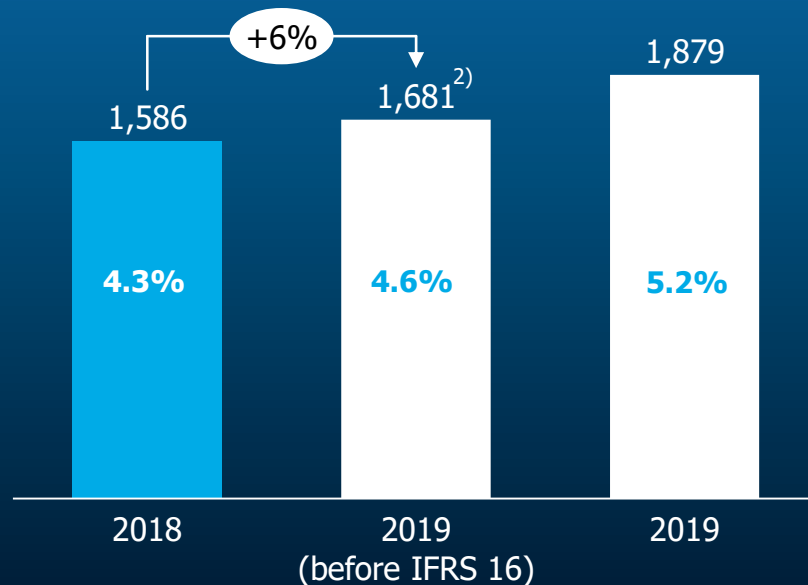
- Passenger car sales declined 2019 compared to previous year
- Despite overall trend in the passenger car market, growth of Electronics/ADAS and E-Mobility
- Stable sales development of heavy commercial vehicles
- Industrial business shows a strong sales growth mainly driven by Wind & Off-Highway Systems

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

R&D Expenditure¹⁾ in € million and in % of sales



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

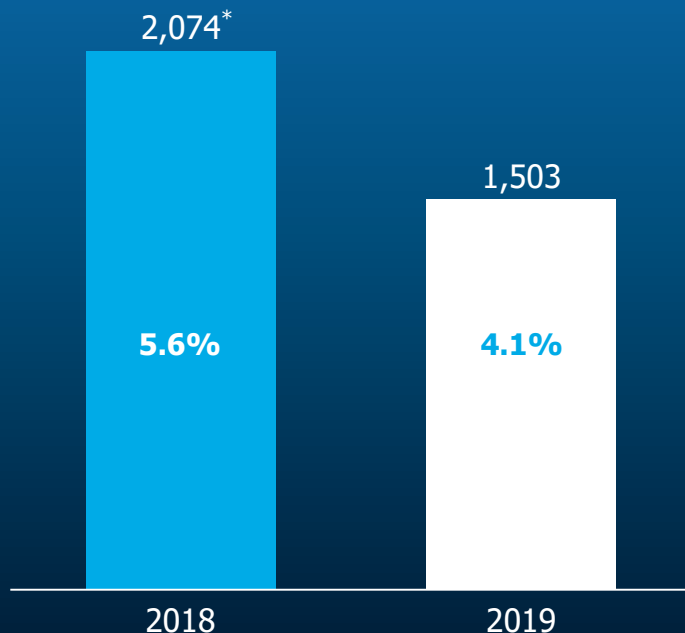


1) R&D Cost recognized in the consolidated statement of profit and loss and the capitalized development cost as inventories and intangible assets and excluding the respective amortization of the capitalized development cost

2) Excluding leasing contracts

Adjusted EBIT Margin

in € million and margin in %

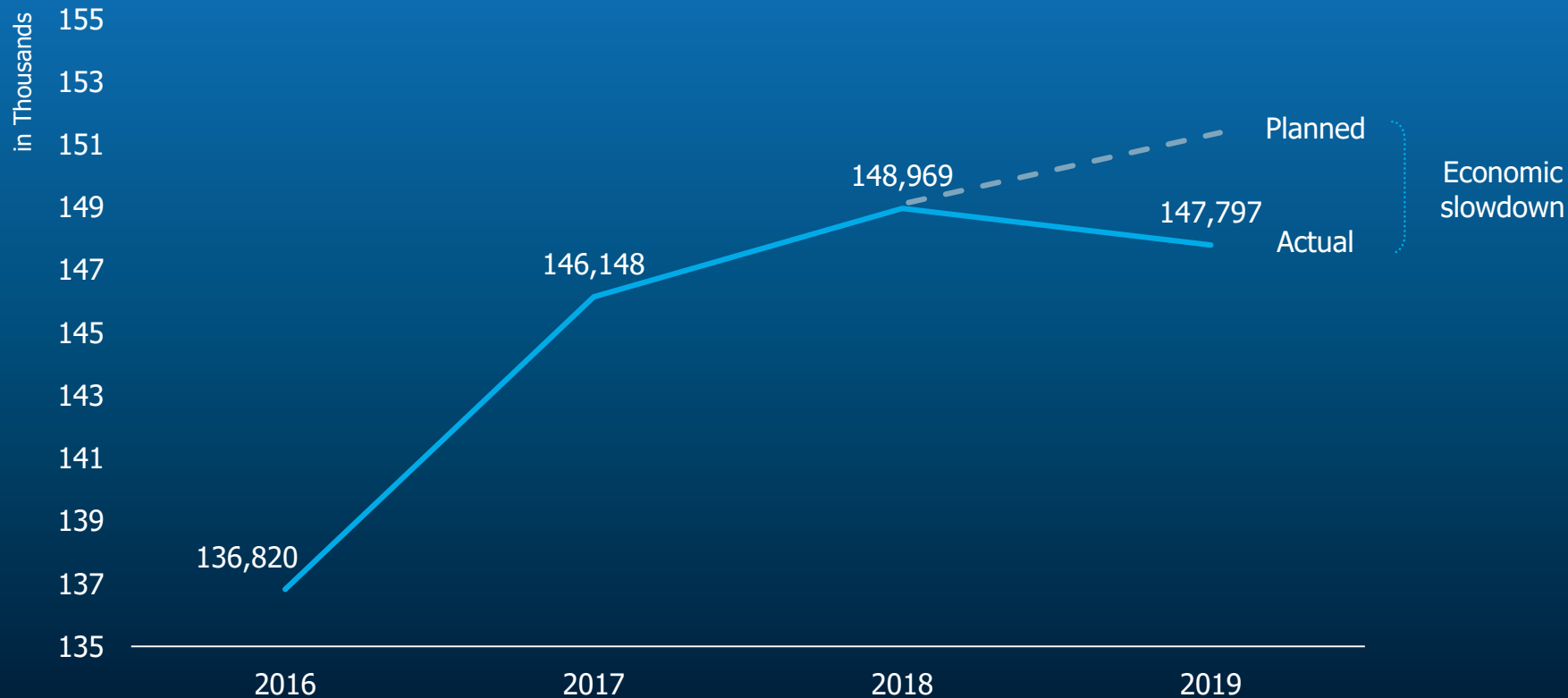


*Prior year adjusted due to change of accounting method for jubilee obligation

Developments

- Gross margin negatively impacted by lower volumes due to weakened markets
- Ramp-ups of new plants in particular of E-Mobility
- Increased R&D expenditure by €150 million mainly in the area of E-Mobility, AD/ADAS and Vehicle Motion Control

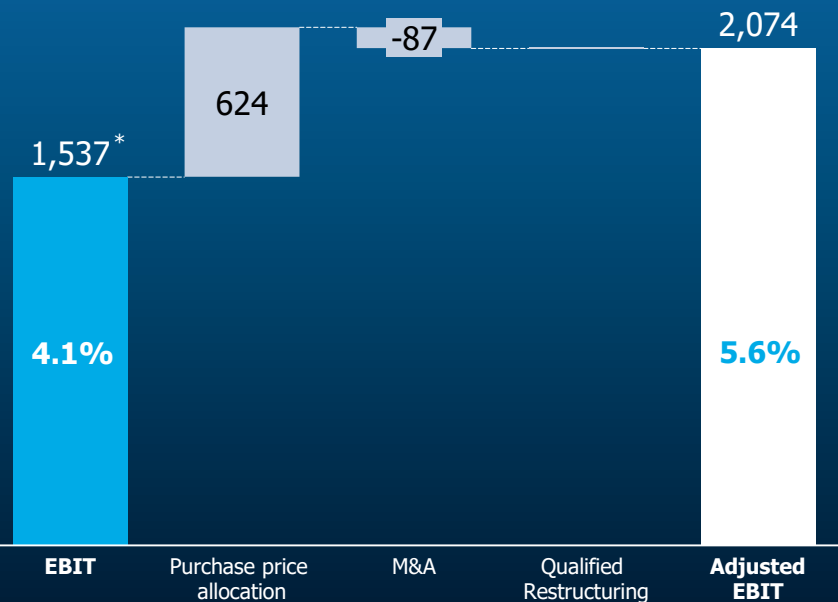
Planned new hires not realized



Adjusted EBIT Margin

EBIT and Adjusted EBIT 2018

in € million and margin in %



EBIT and Adjusted EBIT 2019

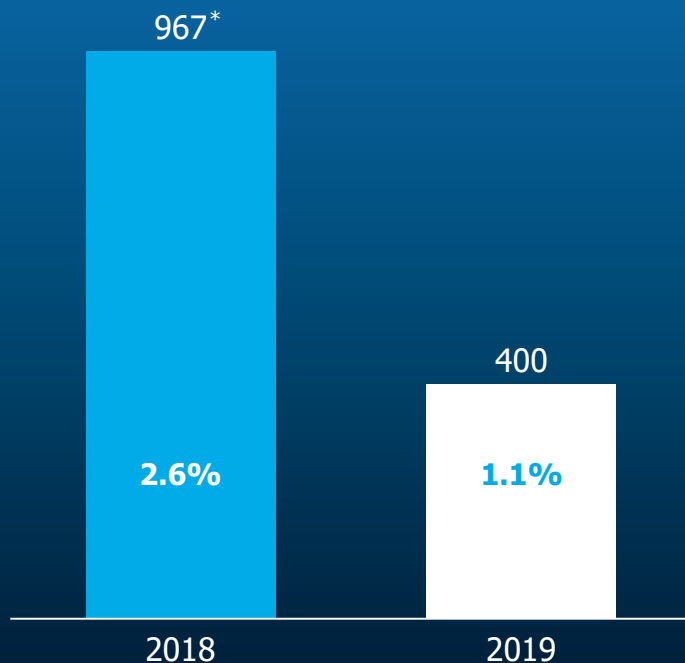
in € million and margin in %



*Prior year adjusted due to change of accounting method for jubilee obligation
Investor and Analyst Call FY 2019

Net Profit After Tax

in € million



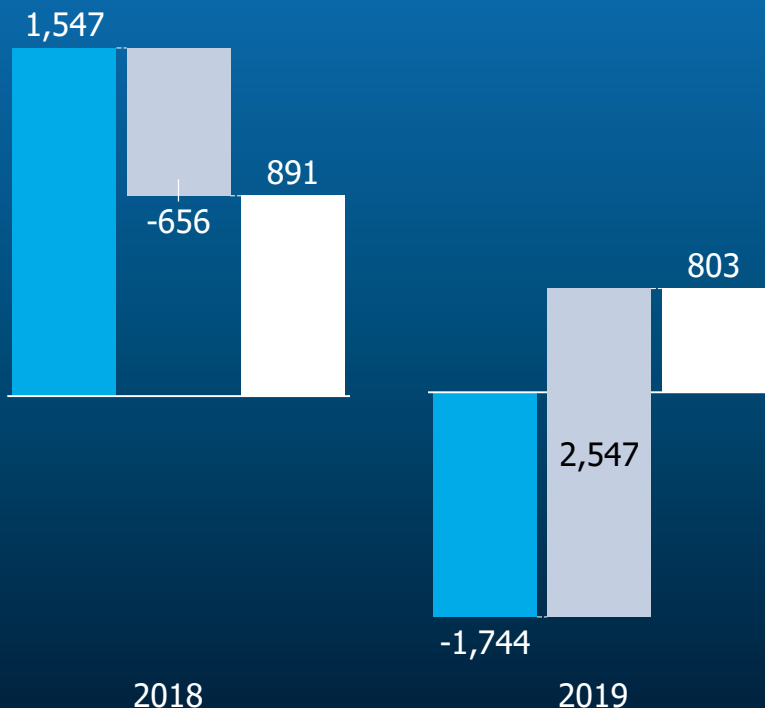
*Prior year adjusted due to change of accounting method for jubilee obligation

Developments

- EBIT effect main driver for reduction of Net Profit after tax
- Tax rate 2019 at 25.9% (previous year 21%)

Free Cash Flow

in € million



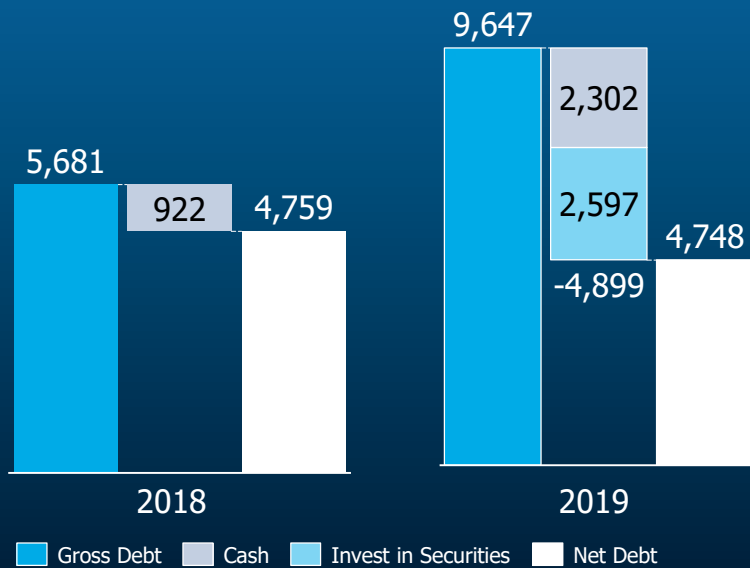
Free Cash Flow Adjustments Adjusted Free Cash Flow

Developments

- Adjustments M&A activities comprise:
 - 2018: Mainly Disposal of Body Control System
 - 2019: Mainly short-term investments in securities
- Adjusted Free Cash Flow is mainly effected by:
 - Lower EBIT
 - Payment to the European Commission for antitrust fine (€188 million)
 - Further increase of capex
 - Positive impact from working capital

Gross/Net Debt

in € million



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

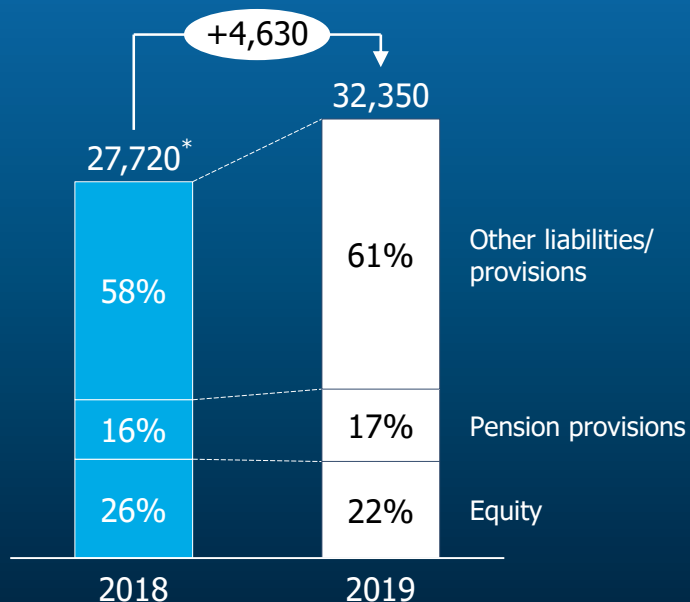
Developments

- Increase of gross debt by around €4 billion mainly due to WABCO Financing (Bonded loans/EURO-Bond)
- Net debt on previous year level:
 - Reduction of Net debt of around €250 million
 - Offset by increase of lease liabilities as well as negative FX effects

Equity Ratio

Liabilities and Equity

in € million and in % of balance sheet total



*Prior year adjusted due to change of accounting method for jubilee obligation and leasing contracts

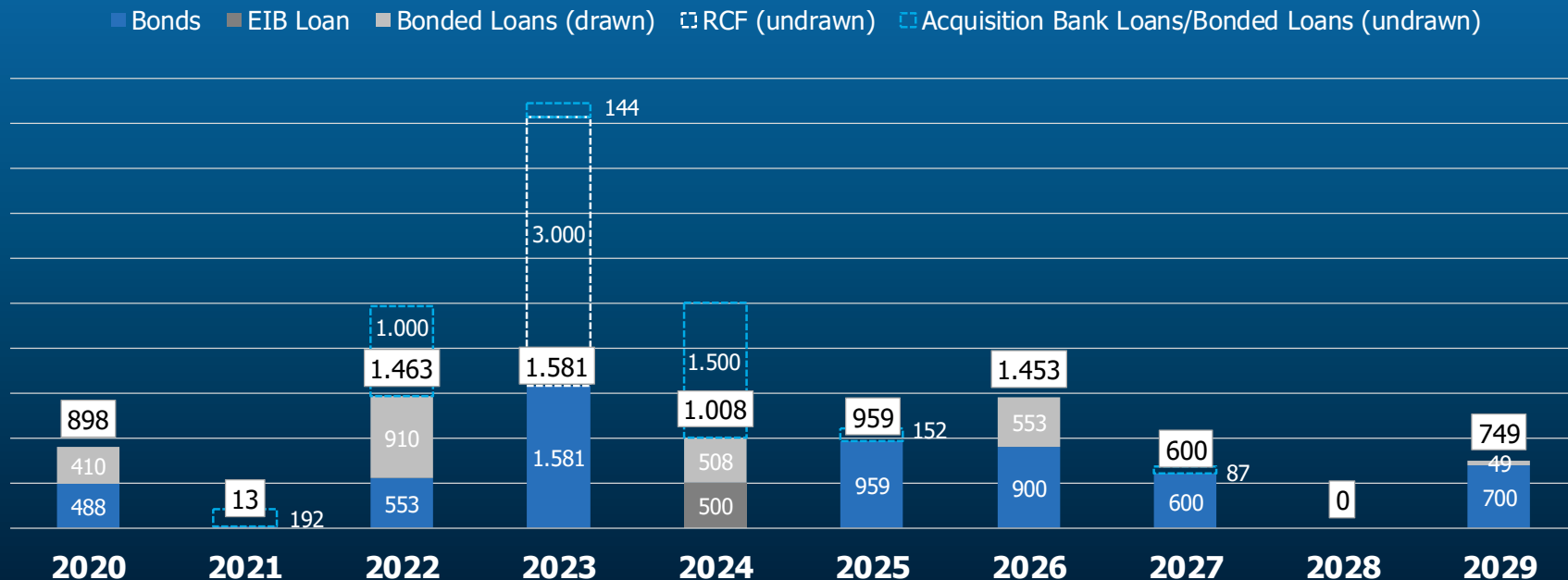
Developments

- Equity ratio reduced to 22% due to balance sheet extension by about €4.6 billion mainly due to:
 - Increase of pension provisions by €1 billion mainly as a result of decline of interest rate
 - Increase of financial liabilities for the WABCO Financing (Bonded loans €1.7 billion; Bonds €2.7 billion)

Maturity Profile Driven by WABCO Financing

Maturity of Main Group Financings as of December 31, 2019

Nominal amounts in € million



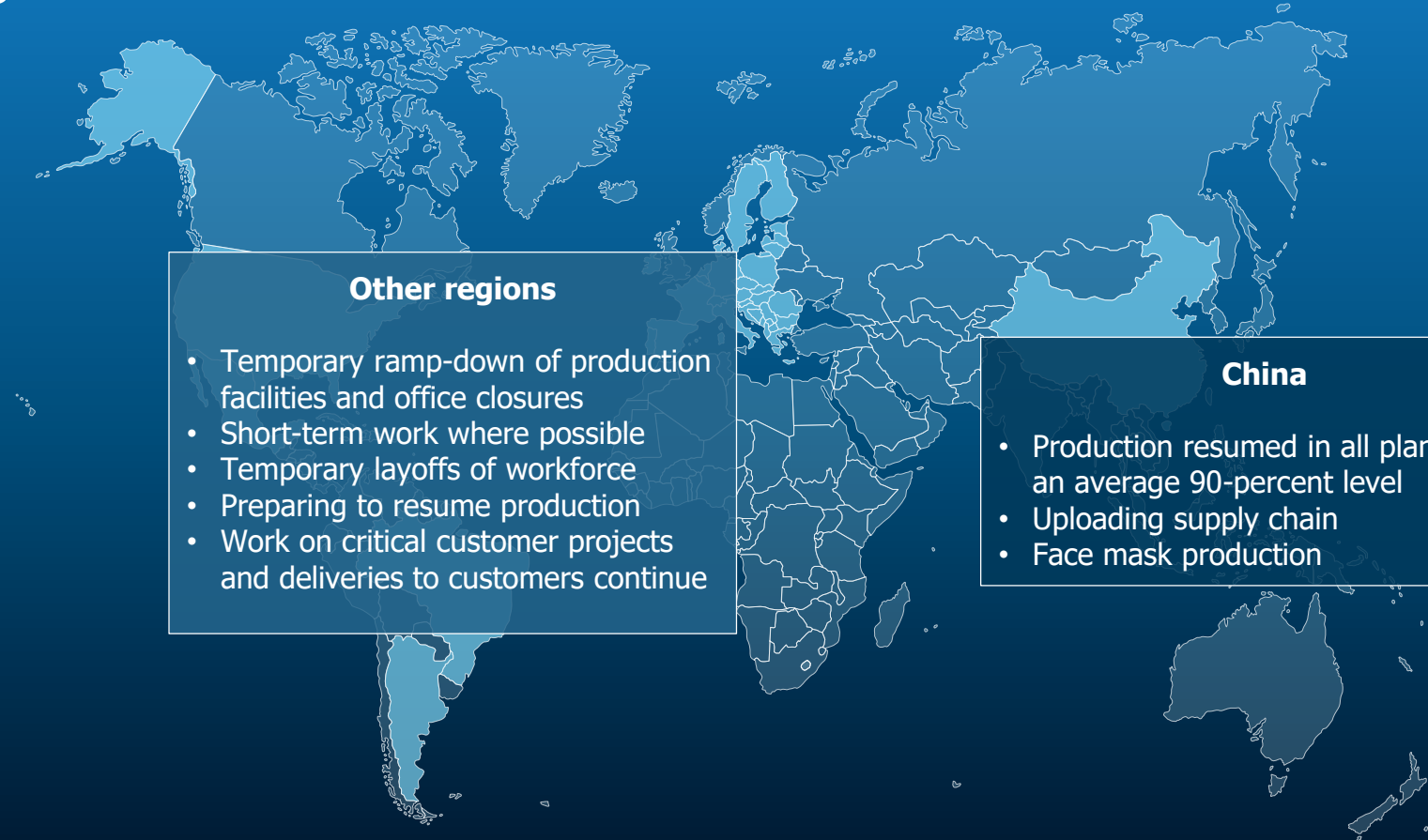
Note: Excluding bilateral credit facilities & leasing

Outlook 2020

2020 – Reliable Forecast Currently not Possible



ZF: global status



Other regions

- Temporary ramp-down of production facilities and office closures
- Short-term work where possible
- Temporary layoffs of workforce
- Preparing to resume production
- Work on critical customer projects and deliveries to customers continue

China

- Production resumed in all plants at an average 90-percent level
- Uploading supply chain
- Face mask production

Coronavirus: Manage the Challenge

General Measures



Task Forces established



Health protection of employees



Securing supply chains



Permanent exchange with customers and suppliers



Market and risk management

Securing our Business



Highly flexible production capacities



Reduction of overhead costs



Strict reduction of investments



Working capital management



Stringent liquidity management



Next Generation Mobility

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