Global Paradigm Shift

COVID-19 accelerates transformation
Increasing Demand for Future Technologies

- Full-Range Radar
- S-Cam4
- Solid-State Lidar
- Sound.AI
- ZF ProAI Family
- Integrated Brake Control
- Electric Power Steering
- Active Seat Belt System
- sMOTION
- Active Rear Axle Steering
- Airbag
- External Airbag


Software Solutions
New Division Founded
The Future of Pass Car Powertrain is Electric

Increasing Powertrain Electrification

- Meet governmental CO₂ targets
- Car makers must lower fleet fuel consumption
- Tailor-made technology solutions
ZF & WABCO: The Perfect Match
First Projects Started

• New division Commercial Vehicle Control Systems
• Integration according to Plan
• Swift Integration in Future Fields of Business AD/ADAS/E-mobility
• Joint Quotes for Systems Submitted to Truck Manufacturers
Positioning ZF for Future Success

Adjust Structure & Workforce

Stringent Cost Control of Expenses & Investments

Become Resilient to Volatility by Changing Mindset and Culture

Accelerating Transformation
Financial Key Figures H1 2020
H1 2020 Key Figures (in €)

Sales
-26%
18.4bn
13.5bn
H1 2019 H1 2020

Personnel Expenses
-16%
3.3bn
2.7bn
H1 2019 H1 2020

R&D
-6%
1.3bn
1.2bn
H1 2019 H1 2020

Adjusted EBIT
648m
3.5%
1.3%
-177m
H1 2019 H1 2020

Liquidity Headroom
3.9bn
4.7bn
H1 2019 H1 2020

Investments PP&E
587m
438m
H1 2019 H1 2020

1) Amount adjusted due to change in accounting policies. For details please see our interim consolidated financial statements for the H1 2020.
Sales Development H1 2020

Sales in € million

H1 2019: 18,366 (-27.1%)
Organic: -4,974 (-27.1%)
WABCO: 188 (1.0%)
FX: -71 (-0.4%)
H1 2020: 13,509

-26.4%
Sales by Regions

in € million and in % of total sales

- **Europe**: 6,180 (Europe)
  - North America: 3,461, -37%, 26%
  - South America: 292, -36%, 2%
  - Asia-Pacific: 3,439, -29%, 46%
  - Africa: 137, -39%, 1%

Organic decline in H1 2020 compared to previous year
Sales Ramp-up after Lock-Down in the Regions

in € million

North America

Europe

Asia-Pacific

South America

Africa

Note: Unconsolidated regional sales by production location
Sales by Divisions / Passenger Car

in € million

- Car Powertrain Technology: -28.8%
  - H1 2019: 3,697
  - H1 2020: 2,631

- Car Chassis Technology: -23.1%
  - H1 2019: 3,788
  - H1 2020: 2,914

- Active Safety Systems: -37.2%
  - H1 2019: 3,207
  - H1 2020: 2,014

- Passive Safety Systems: -31.2%
  - H1 2019: 2,181
  - H1 2020: 1,500

- Electronics/ADAS: -31.0%
  - H1 2019: 912
  - H1 2020: 629

- E-Mobility: -24.8%
  - H1 2019: 1,131
  - H1 2020: 851

- Overall Passenger Car sales decreased by 29% comparing to global production decline of 33%
- Different development within the Passenger Car Divisions due to their diverse global footprint
Sales by Divisions

in € million

- Division Commercial Vehicle Technology declined by around 23%
- New division CVCS (former WABCO) included for one month
- Wind business above prior year, partially compensating for the decline in other Industrial Technology business units
R&D Expenditure and Investments in Property, Plant and Equipment

R&D Expenditure*  
in € million and in % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Expenditure (€ million)</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2019</td>
<td>1,285</td>
<td>7.1%</td>
</tr>
<tr>
<td>H1 2020</td>
<td>1,210</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

-6% decrease

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments (€ million)</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2019</td>
<td>587</td>
<td>3.2%</td>
</tr>
<tr>
<td>H1 2020</td>
<td>438</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

-25% decrease

*R&D expenses w/o capitalization

August 7, 2020 | Half-Year Report

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Adjusted EBIT Margin

in € million

<table>
<thead>
<tr>
<th>Adj. EBIT H1 2019</th>
<th>Adj. EBIT H1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>648 (^1)</td>
<td>3.5%</td>
</tr>
<tr>
<td>-4.7%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>-640</td>
<td>275</td>
</tr>
<tr>
<td>41</td>
<td>147</td>
</tr>
<tr>
<td>-1.3%</td>
<td>-177</td>
</tr>
</tbody>
</table>

Developments

- Margin impacted by sharp drop in sales volumes
- Flexing of fixed costs by using different instruments
- Margin decline mitigated by timely countermeasures
- Restructuring and efficiency programs initiated to sustainably improve margin quality and adjust cost structures to new normal

1\(^1\) Amount adjusted due to change in accounting policies. For details please see our interim consolidated financial statements for the H1 2020.
Coronavirus: Manage the Challenge

**General Measures**
- Task Forces established
- Health protection of employees
- Securing supply chains
- Market and risk management

**Securing our Business**
- Highly flexible production capacities
- Reduction of overhead costs
- Strict reduction of investments
- Stringent liquidity management

>€1 billion cost reduction
COVID-19: Countermeasures Defined at an Early Stage

Capacity Adjustments

- Flexing personnel capacity by using following instruments:
  - Reduction/Cancelation of 40h Contract
  - Short-Term Work,
  - Vacation, Furlough, Time Bank reduction
- Reduction of workforce also through layoffs
- Termination of agency workforce
- Management contribution

Personnel expenses

Adjustment of capacity to new market development
COVID-19: Countermeasures Defined at an Early Stage

Cost Adjustments

- Travel and Marketing cost reduced to the minimum
- Optimization of freight and energy costs
- Reduction of Service- and Consulting Costs
- Strict spending control throughout all areas
- Review and Adjustment of R&D projects based on the approach “Invest where it matters”

Adapt Cost Structures to new market development
EBIT Improved Through Flexing of Costs Across All Areas

in € million

Cost improvement ~1.2 billion €

Adj. EBIT H1 2019
Sales: -5,045
Direct Material: 3,012
Personnel Expenses: 570
R&D: 89
Operating Costs: 517
Others: 32
Adj. EBIT H1 2020

3.5% - 1.3% = -1.2%

1) Amount adjusted due to change in accounting policies. For details please see our interim consolidated financial statements for the H1 2020.
COVID-19: Countermeasures Defined at an Early Stage

Liquidity Management

NWC Management
- Adjust Inventories based on production capacity
- Close monitoring and actively manage Accounts Payables and Accounts Receivables

Significant reduction of capex based on the approach “Invest where it matters” (YTD ~ €150million)

Secured additional liquidity with a new Bridge Facility (size: €1.35 billion, max tenor 2 years)

€3 billion undrawn committed revolving credit facility (RCF)

~€4.7 billion Liquidity Headroom
Adjusted Free Cash Flow

in € million

Developments

- Free Cash Flow is mainly affected by lower EBIT
- Seasonal effect of Working Capital reinforced by production ramp-up in May and June
- Focused Capex spending reduced further outflows
- Adjustments mainly driven by WABCO Acquisition

H1 2019

Free Cash Flow: -309
Adjustments: -257
Adjusted Free Cash Flow: -3,901

H1 2020

Free Cash Flow: 3,068
Adjustments: -833
Adjusted Free Cash Flow: -3,901
Adjusted Free Free Cash Flow – H1 2019 vs. H1 2020

Delta H1 2019 to H1 2020
in € million

-257

Adj. FCF H1 2019

1,022

EBIT

35

Depreciation

75

NWC

63

Tax

145

Invest/Disinvest

188

Anti-Trust Payment Prio Year

160

Non-Cash Items & Others

-833

Adj. FCF H1 2020

83

Delta H1 2019 to H1 2020
in € million
Developments

- Gross and net debt increased mainly due to
  - WABCO closing
  - Negative Free Cash Flow

Current Ratings

- S&P: BB+ (negative outlook)
- Moody’s: Ba1 (negative outlook)

Impact by Corona pandemic

Note: Gross debt = Financial liabilities / derivative financial instruments

Gross/Net Debt

in € million

Dec 31, 2019

Gross Debt 9,647
Cash 4,899
Net Debt 4,748

June 30, 2020

Gross Debt 13,879
Cash 1,663
Net Debt 12,216
Net Debt Development
in € million

Net Debt 31 Dec 2019: 4,748
Adj. FCF: 833
WABCO Acquisition: 6,098
Interest/Trans.Costs: 314
Dividends: 31
Others: 41
Net Debt 30 June 2020: 12,216

Net Debt Development (+7,468 € million): Purchase Price (6,412 € million), Dividends (31 € million).
## Liabilities and Equity

in € million and in % of balance sheet total

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2019</th>
<th>June 30, 2020</th>
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<tbody>
<tr>
<td>Other liabilities/provisions</td>
<td>32,350</td>
<td>36,722</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Equity</td>
<td>22%</td>
<td>16%</td>
</tr>
<tr>
<td>Total</td>
<td>+4,372</td>
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</table>

### Developments

- Additional debt financing in H1 2020 for WABCO acquisition
- First-time consolidation of WABCO as of May 29th, 2020
- Reduction of accounts payables due to Corona lock-down
- Repayment of bonded loans and USD bonds of a total amount of approximately (~€0.9 billion)
Maturity Profile

Maturity of Main Group Financings as of June 30, 2020
Nominal amounts in € million

Bonds | Syndicated Loans | EIB Loan | Bonded Loans/Private Placement | RCF (undrawn)

H2/2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
527 143 555 3.839 2.350 1.774 2.508 1.114 1.453 749 0

Note:
- Excluding bilateral credit facilities & leasing
- Considering final status of acceptance rates of change-of-control offer relating to WABCO financing instruments
Outlook 2020
Global Vehicle Production

Pass Car & CV <6 t. in million units

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<tbody>
<tr>
<td>Units</td>
<td>74.3</td>
<td>76.7</td>
<td>81.4</td>
<td>84.6</td>
<td>87.2</td>
<td>88.6</td>
<td>93</td>
<td>94.7</td>
<td>93.9</td>
<td>88.6</td>
<td>69.5</td>
<td>77.7</td>
<td>82.1</td>
<td>88.5</td>
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CV >6 t. in million units

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</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>3.14</td>
<td>3.36</td>
<td>3.05</td>
<td>3.19</td>
<td>3.18</td>
<td>3.00</td>
<td>3.16</td>
<td>3.65</td>
<td>3.76</td>
<td>3.56</td>
<td>2.75</td>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
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2020 Forecast

Sales: Below the prior-year level

Positive Adj. EBIT Margin

Positive Adj. Free Cash Flow
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