



Investor and Analyst Call FY 2017

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ZF Friedrichshafen AG



Highlights 2017

One Company



Investment Grade



Change in Leadership



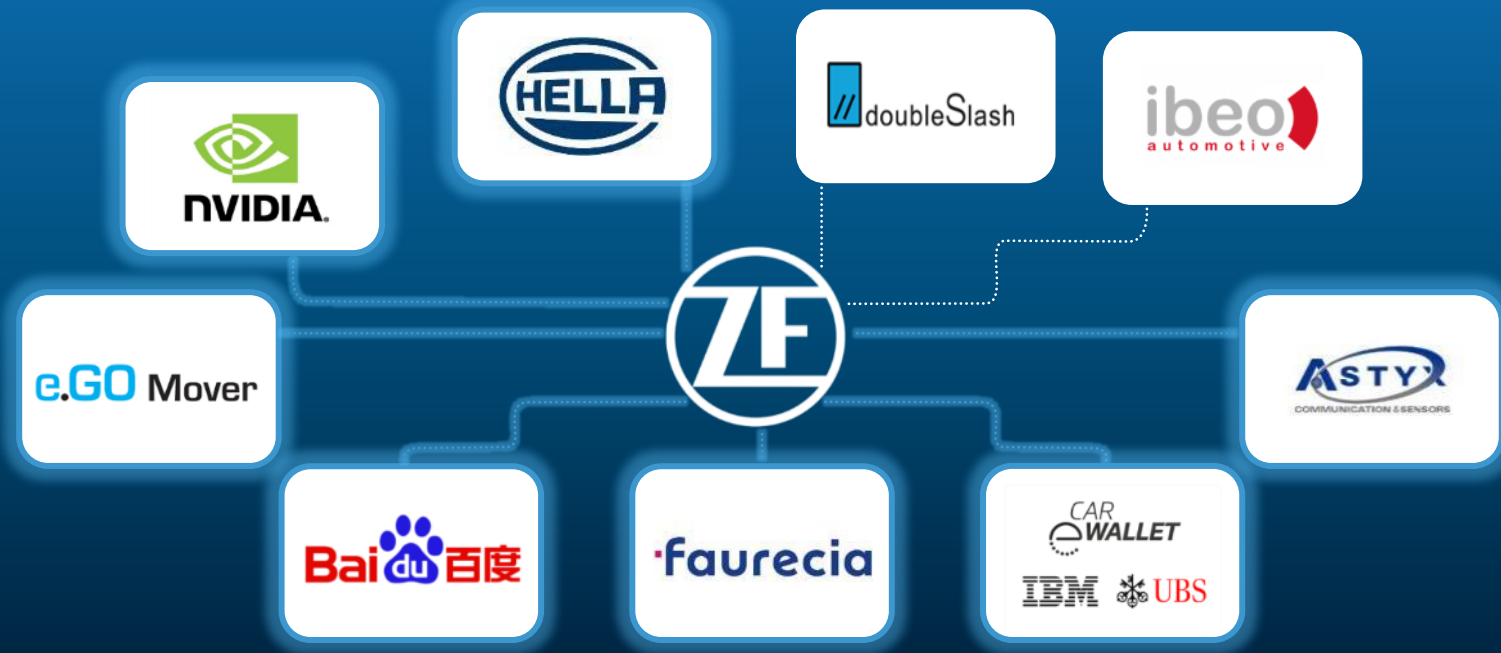
Sale of Body Control Systems



Strategic Positioning



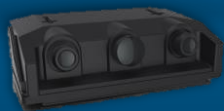
Vision Zero Ecosystem



2017



SEE X THINK X ACT



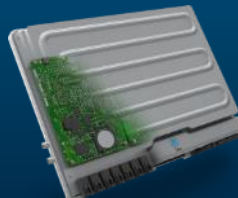
Camera



Radar



LiDAR



Supercomputer ZF ProAI



Integrated Brake Control



Electric Power Steering



Electric Drive



Active Rear Axle Steering

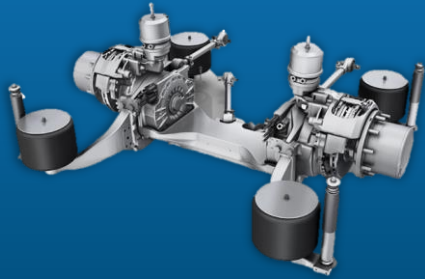


Active Seat Belt System



Active Damping System

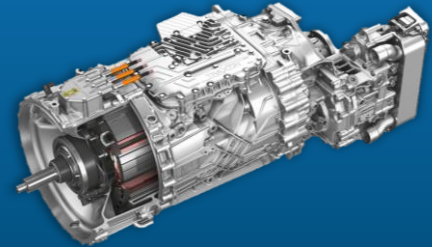
The Future is Electric – in all Sectors



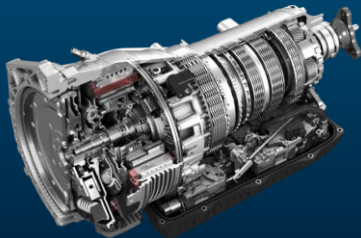
AVE -130 System



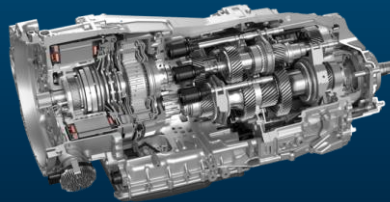
CeTrax



TraXon Hybrid



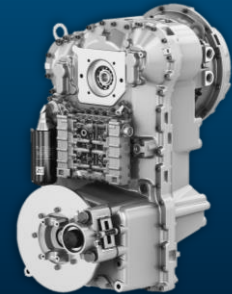
8-speed hybrid transmission
(8HP Hybrid)



8-speed dual clutch transmission
(8DT Hybrid)

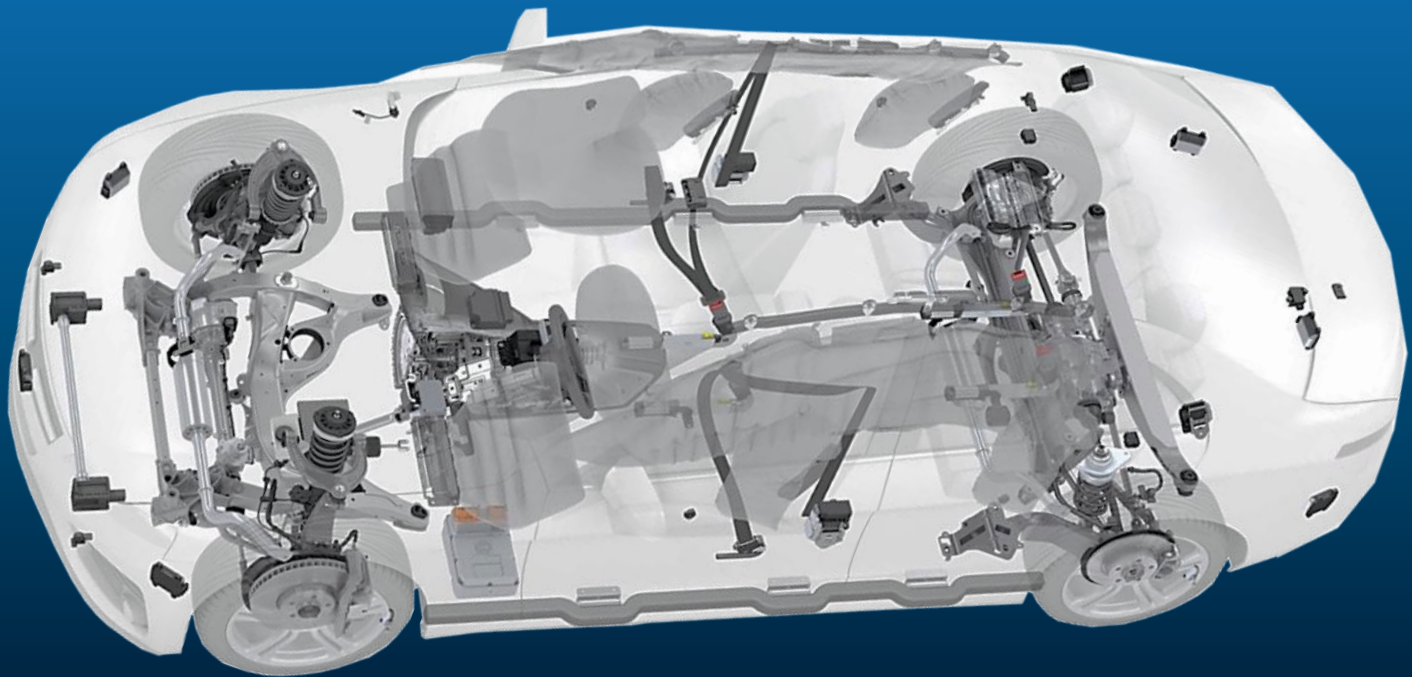


EVD2



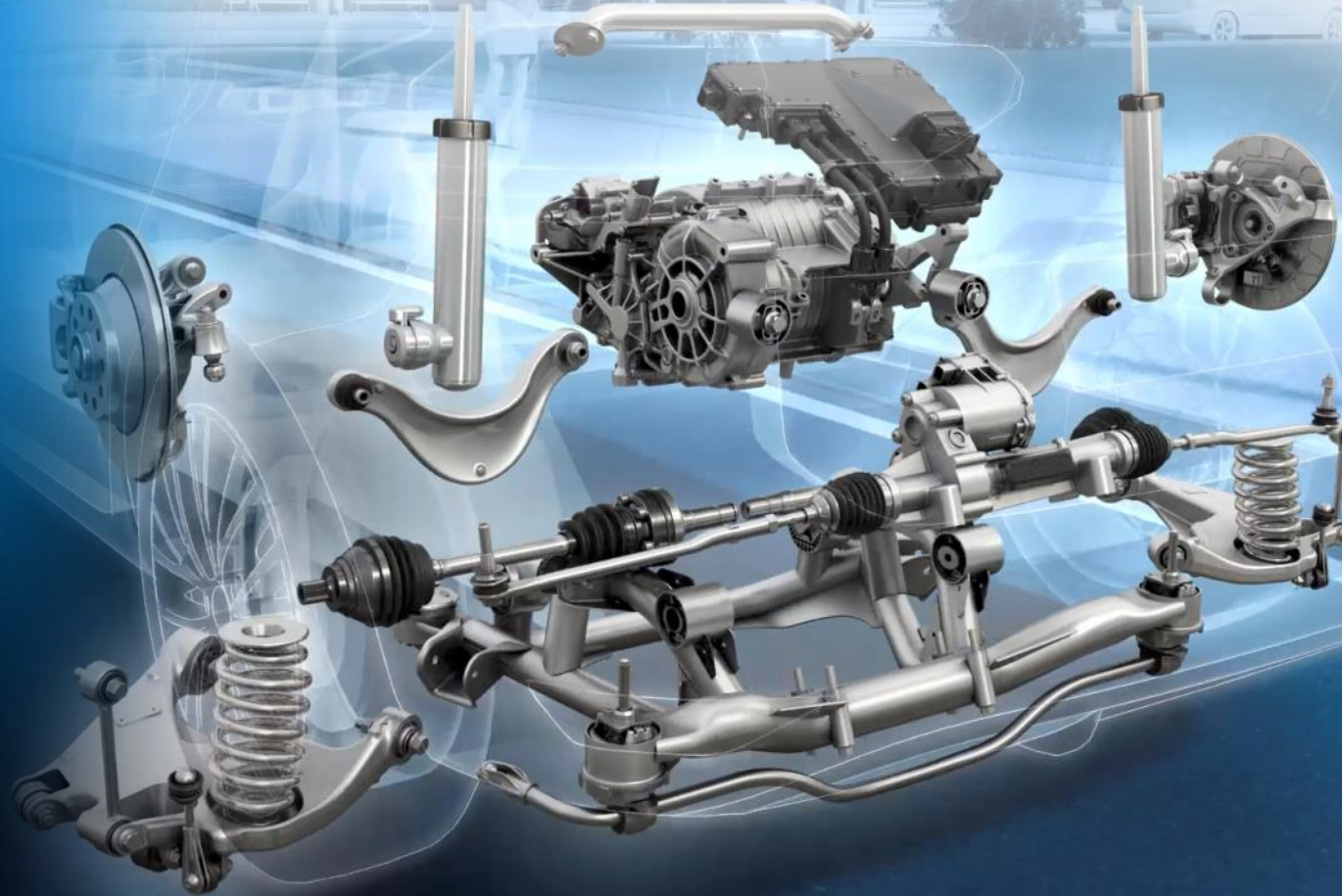
ZF-ERGOPOWER (5-speed)

System Integration

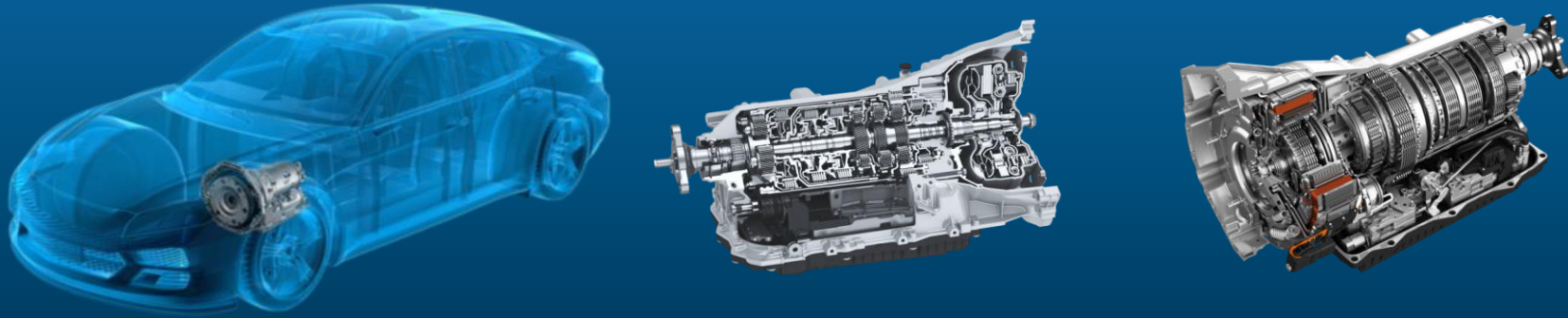


mSTARS

Modular axle system with integrated electric drive



Intelligent Mechanical Systems – Powertrain



2.9 million 8-speed automatic transmission 2017

Automatic Transmissions with more efficiency and hybrid options

Financial Figures 2017



Financial Overview 2017



146,148
Employees



€1.4 billion
Investments in
property, plant
and equipment



€2.2 billion
Research &
Development



€36.4 billion
Sales



€2.3 billion
Adjusted EBIT

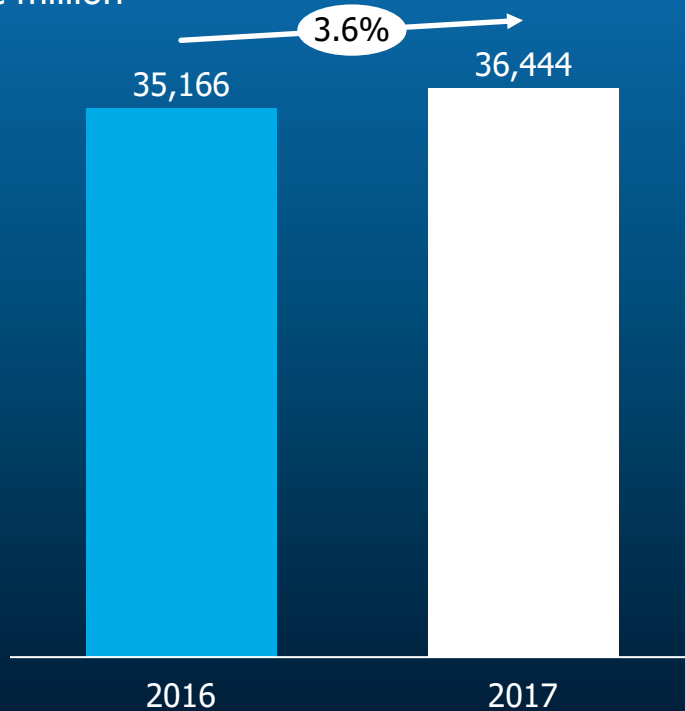


€1.9 billion
Reduction of
Gross Debt

Organic Sales Growth at 6%

Sales

in € million



Developments

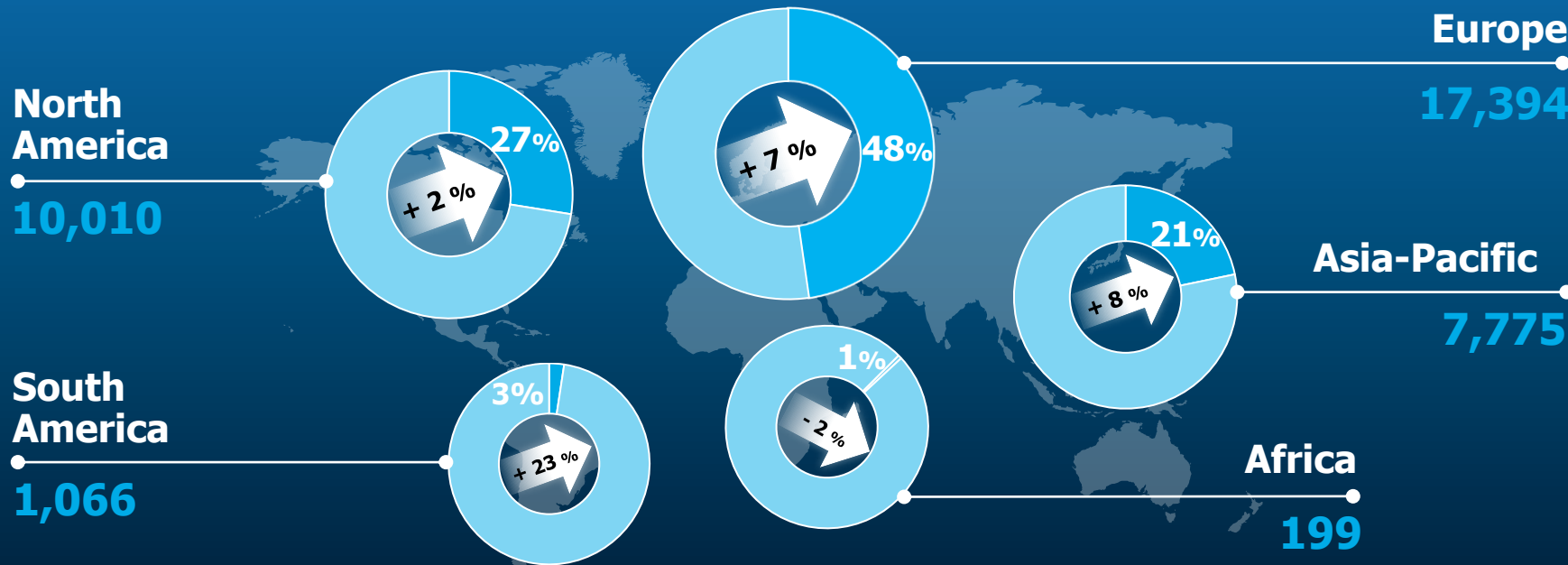
Sales growth at 3.6%

- Thereof organic: + 6.0%
- Thereof FX effects: - 1.5%
- Thereof M&A effects: - 0.9%

Sales by Regions

Sales

in € million and in % of sales



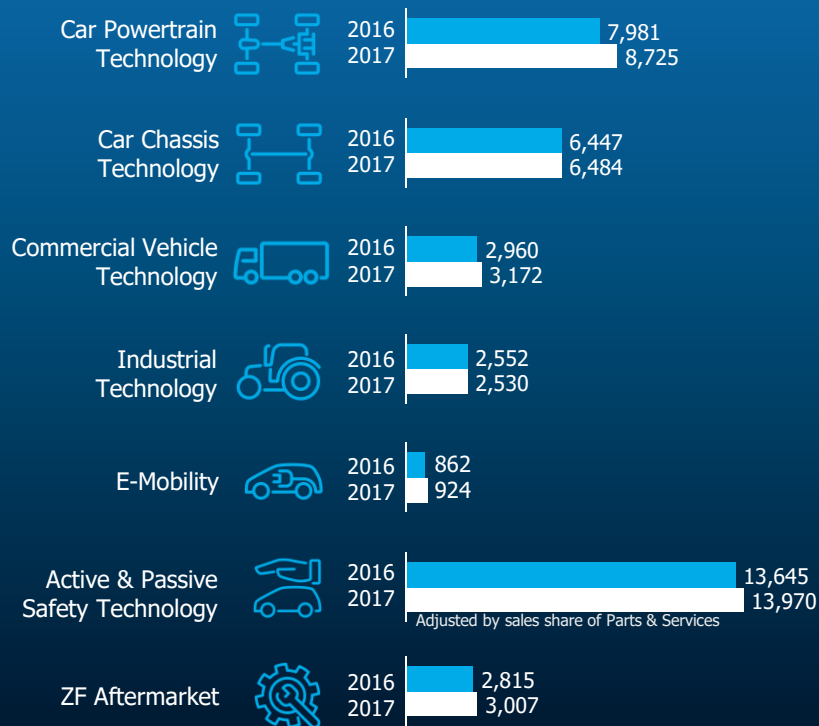
Organic growth in 2017



Sales by Divisions

Sales

in € million

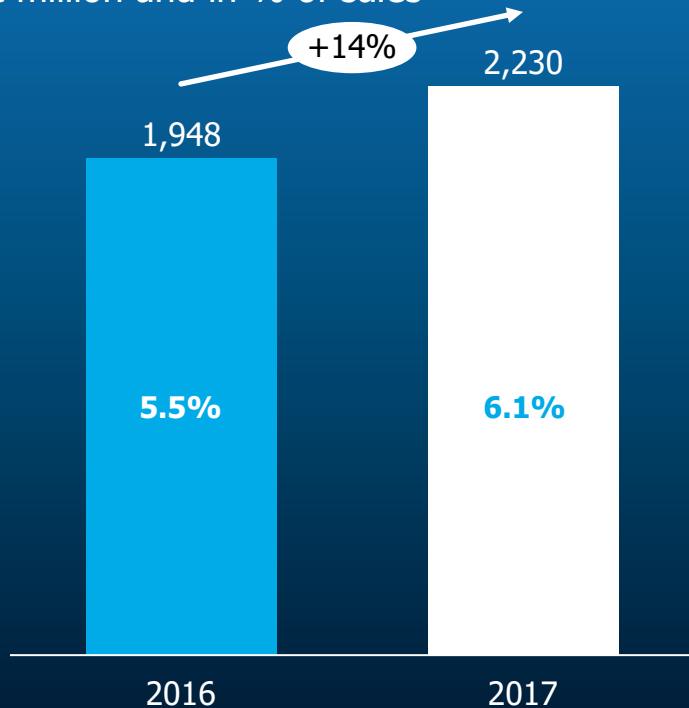


- Business with automatic transmissions was the strongest growth driver
- Overproportional growth in Asia-Pacific, negatively affected by exchange rate effects and sales development in North America
- Growth through market development in China as well as the positive turnaround in Russia and Brazil
- Increased sales in the business unit “Off-Highway Systems” could nearly offset the sales decrease in the wind power sector
- Organic growth above 9% due to high demand for hybrid modules and control systems
- Sales increase despite the disposal of business units in 2016
- Sales increase of approx. 7%

R&D Budget and Investments in PP&E

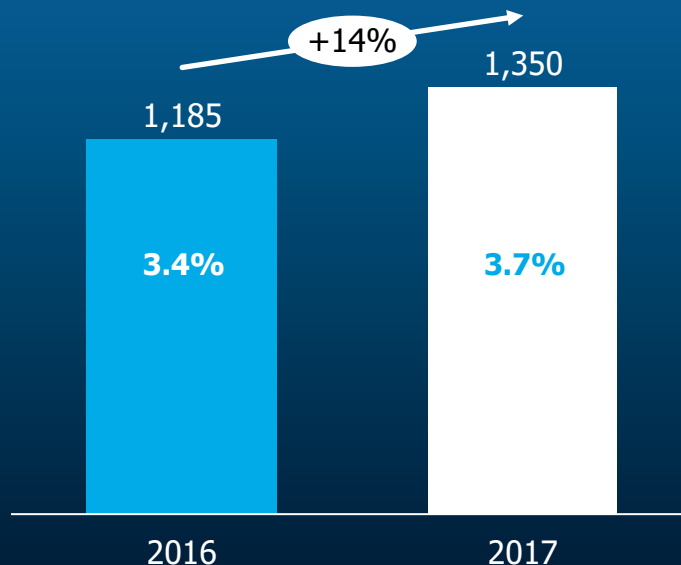
R&D Expenses

in € million and in % of sales



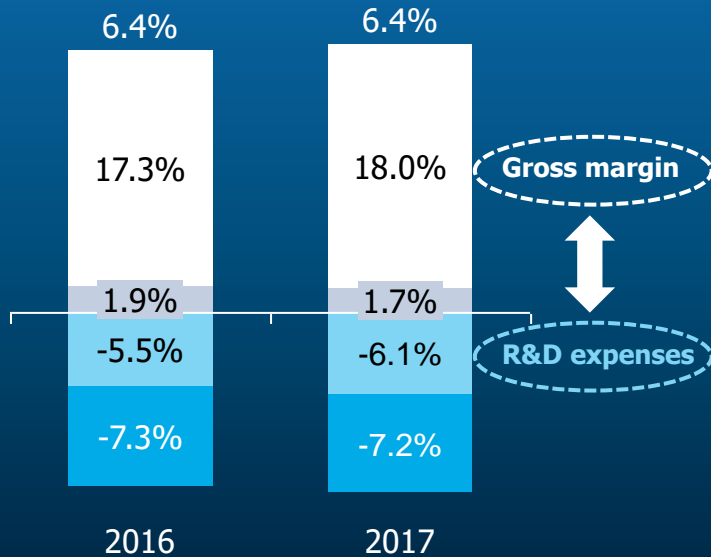
Investments in PP&E

in € million and in % of sales



Increased R&D Expenses Compensated by Operational Performance

Adjusted EBIT margin in %



■ SG&A ■ Adjustments (PPA) and others

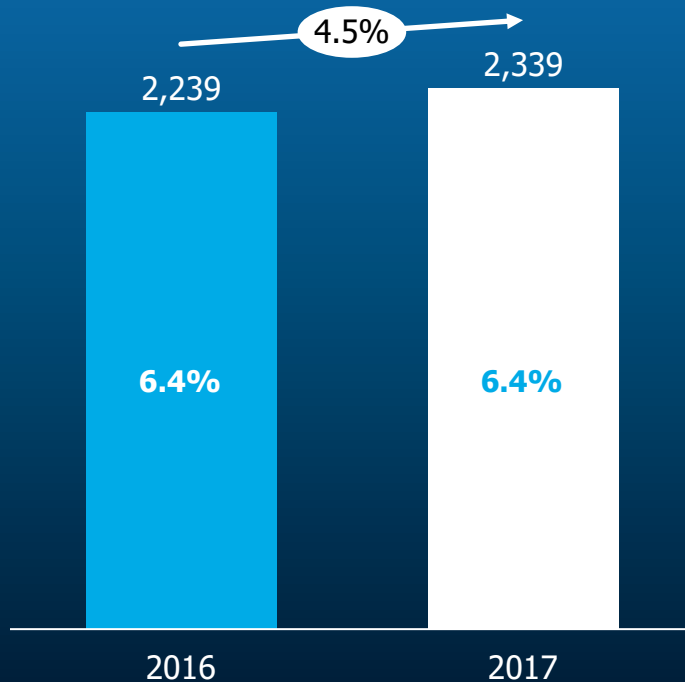
Developments

- Stable adjusted EBIT margin
- Improvement of gross margin driven by higher operational performance
- Increased R&D expenses to strengthen ZF's technological position
- Negatively affected by FX effects

Stable Adjusted EBIT Margin

Adjusted EBIT

in € million and margin in %



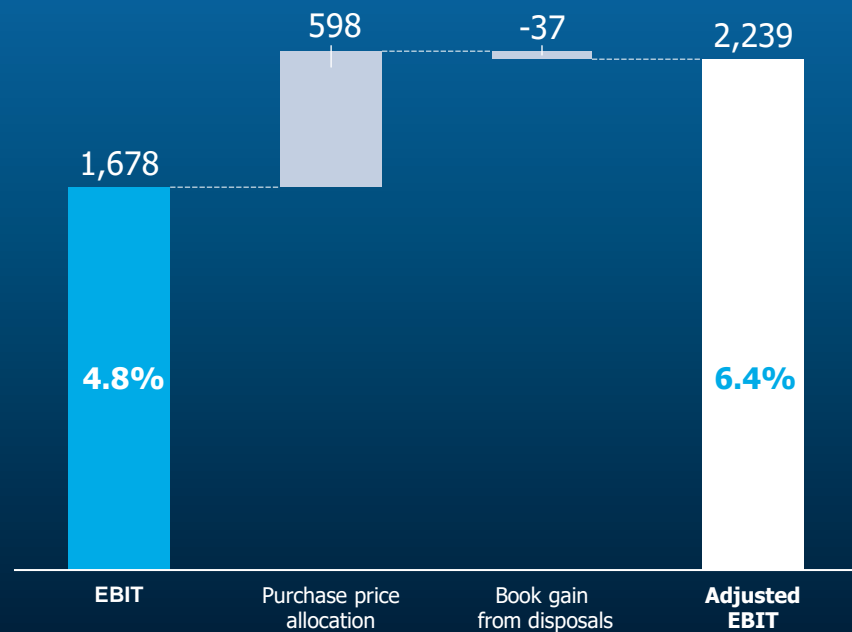
Developments

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Stable Adjusted EBIT Margin

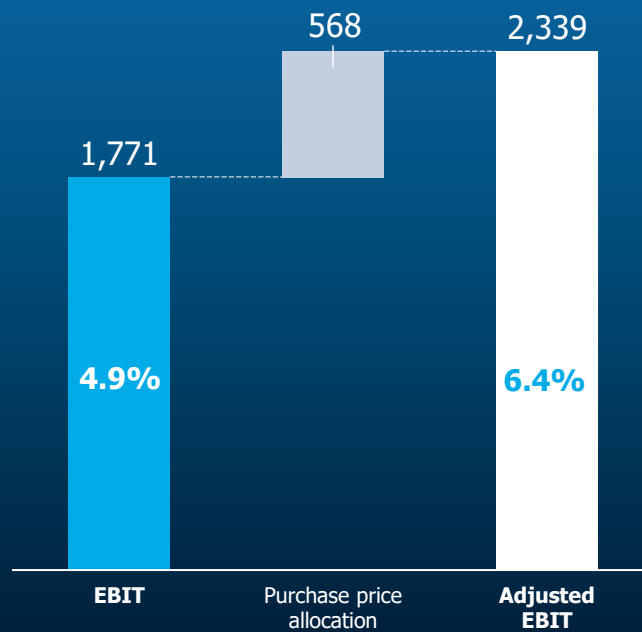
EBIT and Adjusted EBIT 2016

in € million and margin in %



EBIT and Adjusted EBIT 2017

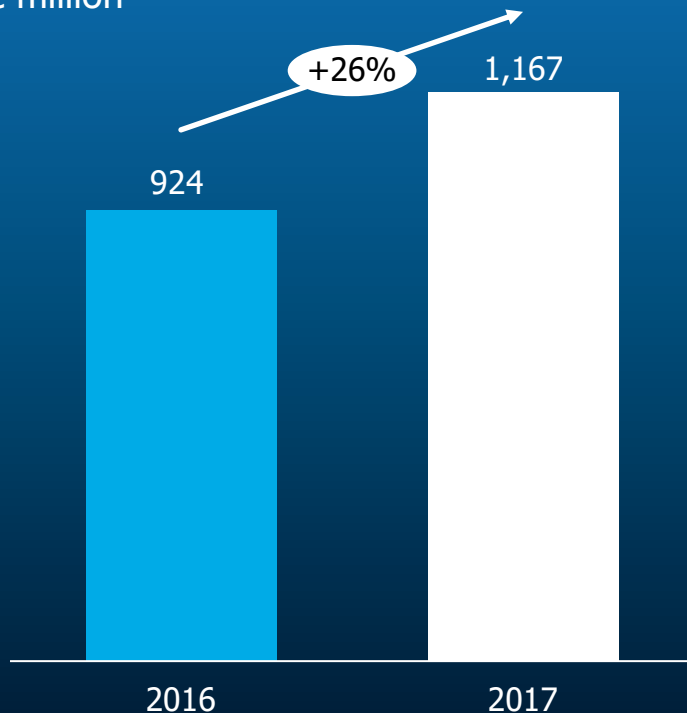
in € million and margin in %



Net Profit Positively Influenced by Tax Effects

Net Profit After Tax

in € million

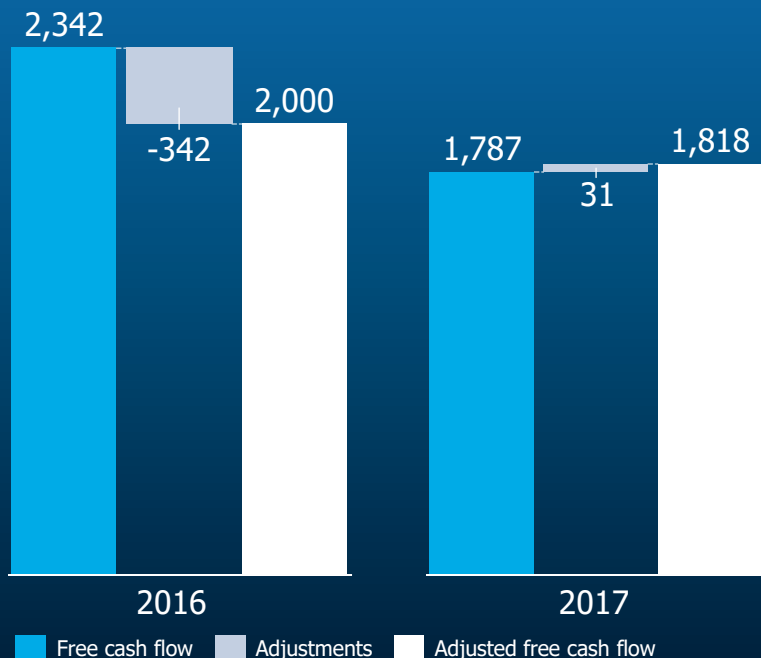


Developments

- Decrease of financial expenses mainly driven by lower financing costs
- Reduced tax expenses in 2017 mainly due to US tax reform and prior year effects leading to a tax rate of 17.2%

Adjusted Free Cash Flow at €1.8 Billion

Adjusted Free Cash Flow in € million



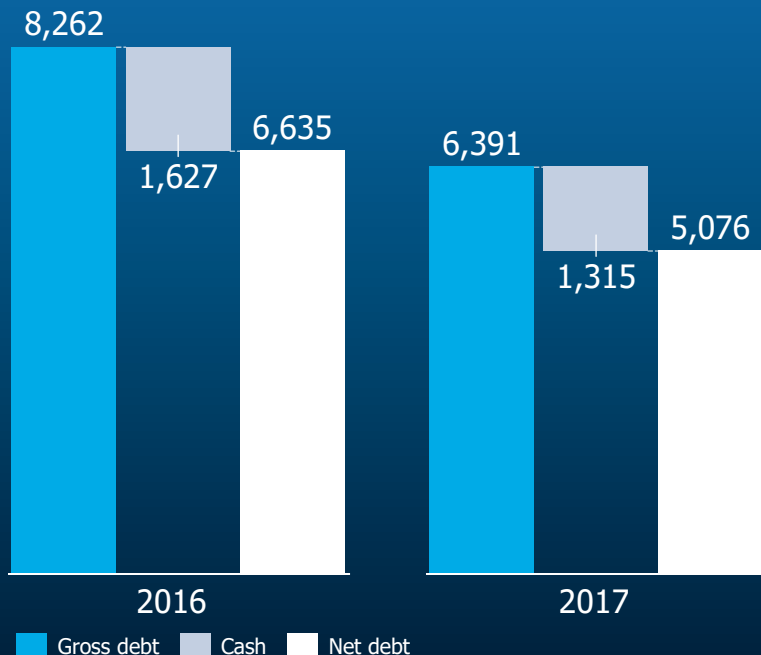
Developments

- Free Cash Flow at €1,787 million in 2017
- Adjustments for M&A activities comprise
 - 2016: Sale of Cherry and Fasteners, acquisition of shares in Haldex, Ibeo and doubleSlash
 - 2017: Investments through Zukunft Ventures GmbH
- Strong Adjusted Free Cash Flow at €1,818 million in 2017
 - due to improved operating activities
 - higher investments

Debt Reduction Strategy Confirmed by Rating Agencies

Gross/Net Debt

in € million



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

Developments

- Gross debt reduced by €1.9 billion since December 31, 2016
- Net debt reduced by €1.6 billion
- Deleveraging strategy confirmed by rating agencies:

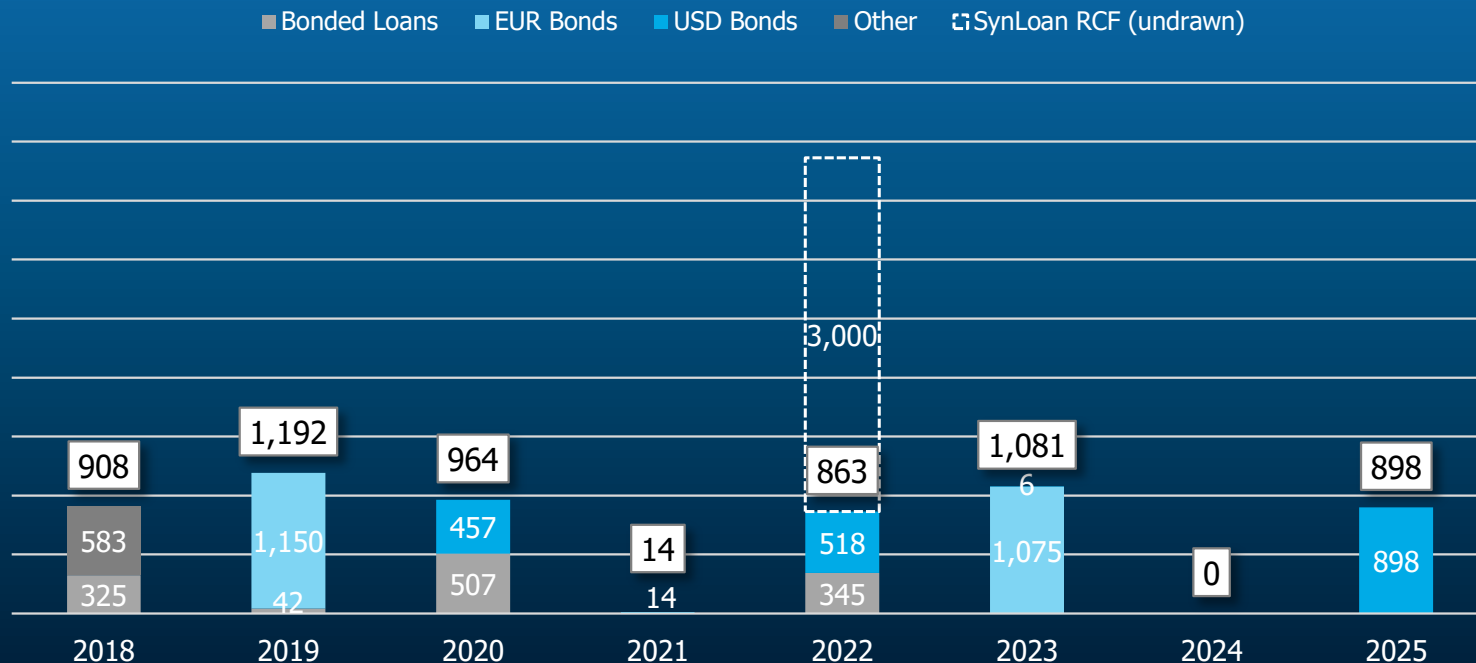
- S&P: BBB– (stable outlook)
- Moody's: Baa3 (stable outlook)

Upgrade to
Investment
Grade

Maturity Profile Further Smoothened in 2017

Maturity of Main Group Financings as of December 31, 2017

Nominal amounts in € million

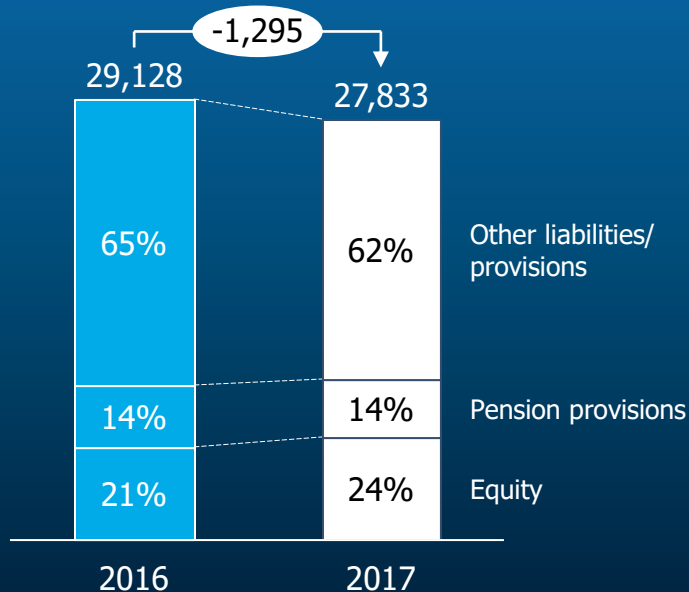


Note: Excluding bilaterals worldwide which are rolled in the ordinary course of business.

Equity Ratio Increased to 24 %

Liabilities and Equity

in € million and in % of balance sheet total



Developments

- Equity ratio increased by 3 percentage points to 24 % due to improved equity and reduced balance sheet total
- Equity increase by €670 million mainly due to positive net profit after tax
- Balance sheet total decrease by €1,295 million due to further debt pay-down and FX effects

Financial Key Figures Improved

Financial Key Figures

in € million

	2016	2017
Sales	35,166	36,444
Adjusted EBIT (margin)	2,239 (6.4%)	2,339 (6.4%)
Net Profit after Tax	924	1,167
Adjusted Free Cash Flow	2,000	1,818
Net Financial Debt	6,635	5,076

Outlook 2018

Market Development 2018

EUROPE



- Stable **positive economic** development in **Europe and Germany**

NORTH AMERICA



- **US economy in solid growth phase**, partly supported by tax reform in 2017.

SOUTH AMERICA



- **Economic crisis 2014-2017** (esp. Brazil and Argentina)
Recovery has gradually started, only slowly accelerating

ASIA



- **China economy** fueled by Government investment growing in the defined corridor, expansive fiscal policy
Emerging markets **without surprising impulses**

Outlook 2018

Sales:
~ € **36.5** billion

EBIT margin *:
~ **6%**

Free cash flow*:
> € **1** billion

* adjusted

see. think. act.



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