Highlights 2017

One Company

Sale of Body Control Systems

Investment Grade

Strategic Positioning

Change in Leadership

Investor and Analyst Call FY 2017
Vision Zero Ecosystem
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**
- **€36.4 billion** Sales
- **€1.4 billion** Investments in property, plant and equipment
- **€2.2 billion** Research & Development
- **€2.3 billion** Adjusted EBIT
- **€1.9 billion** Reduction of Gross Debt
Organic Sales Growth at 6%

Sales in € million

- 2016: 35,166
- 2017: 36,444

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

North America

- Sales: 10,010
- Organic growth in 2017: +2%

South America

- Sales: 1,066
- Organic growth in 2017: +23%

Europe

- Sales: 17,394
- Organic growth in 2017: +7%

Asia-Pacific

- Sales: 7,775
- Organic growth in 2017: +8%

Africa

- Sales: 199
- Organic growth in 2017: -2%

Organic growth in 2017
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

- 2016: 1,948, 5.5%
- 2017: 2,230, 6.1%

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

- 2016: 1,185, 3.4%
- 2017: 1,350, 3.7%
Increased R&D Expenses Compensated by Operational Performance

Adjusted EBIT margin in %

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>17.3%</td>
<td>18.0%</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>-5.5%</td>
<td>-6.1%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>-7.3%</td>
<td>-7.2%</td>
</tr>
</tbody>
</table>

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 %

2016: 2,239, 6.4%
2017: 2,339, 6.4%

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

EBIT and Adjusted EBIT 2016
in € million and margin in %

<table>
<thead>
<tr>
<th>EBIT</th>
<th>Purchase price allocation</th>
<th>Book gain from disposals</th>
<th>Adjusted EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,678</td>
<td>598</td>
<td>-37</td>
<td>2,239</td>
</tr>
<tr>
<td>4.8%</td>
<td></td>
<td></td>
<td>6.4%</td>
</tr>
</tbody>
</table>

EBIT and Adjusted EBIT 2017
in € million and margin in %

<table>
<thead>
<tr>
<th>EBIT</th>
<th>Purchase price allocation</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1,771</td>
<td>568</td>
<td>2,339</td>
</tr>
<tr>
<td>4.9%</td>
<td></td>
<td>6.4%</td>
</tr>
</tbody>
</table>

EBIT and Adjusted EBIT Margin

Investor and Analyst Call FY 2017
Net Profit Positively Influenced by Tax Effects

**Net Profit After Tax**
in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>924</td>
</tr>
<tr>
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<td>1,167</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Year</th>
<th>Free cash flow</th>
<th>Adjustments</th>
<th>Adjusted free cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,342</td>
<td>-342</td>
<td>2,000</td>
</tr>
<tr>
<td>2017</td>
<td>1,787</td>
<td>31</td>
<td>1,818</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
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</tr>
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<tbody>
<tr>
<td>Gross debt</td>
<td>8,262</td>
<td>6,391</td>
</tr>
<tr>
<td>Net debt</td>
<td>6,635</td>
<td>5,076</td>
</tr>
<tr>
<td>Cash</td>
<td>1,627</td>
<td>1,315</td>
</tr>
</tbody>
</table>

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)

Note: Gross debt = Financial liabilities / derivative financial instruments
Maturity Profile Further Smoothened in 2017

Maturity of Main Group Financings as of December 31, 2017
Nominal amounts in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonded Loans</th>
<th>EUR Bonds</th>
<th>USD Bonds</th>
<th>Other</th>
<th>SynLoan RCF (undrawn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>908</td>
<td>1,150</td>
<td>457</td>
<td>14</td>
<td>518</td>
</tr>
<tr>
<td>2019</td>
<td>583</td>
<td>1,192</td>
<td>507</td>
<td>14</td>
<td>863</td>
</tr>
<tr>
<td>2020</td>
<td>325</td>
<td>964</td>
<td>14</td>
<td>1,081</td>
<td>898</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>1,075</td>
<td></td>
<td>0</td>
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<td></td>
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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

<table>
<thead>
<tr>
<th>Year</th>
<th>Other liabilities/provisions</th>
<th>Pension provisions</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27,833</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>2017</td>
<td>29,128</td>
<td>14%</td>
<td>14%</td>
</tr>
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- 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

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Outlook 2018
US economy in solid growth phase, partly supported by tax reform in 2017.

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

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

Stable positive economic development in Europe and Germany
Outlook 2018

Sales: €36.5 billion
EBIT margin *: ~6%
Free cash flow*: > €1 billion

* adjusted
see. think. act.
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