Highlights 2017

One Company

Sale of Body Control Systems

Investment Grade

Strategic Positioning

Change in Leadership

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Investor and Analyst Call FY 2017
Vision Zero Ecosystem
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
- **€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
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%

**Developments**
Sales by Regions

Sales in € million and in % of sales

North America
- Sales: 10,010
- Growth in 2017: +2%

South America
- Sales: 1,066
- Growth in 2017: +23%

Asia-Pacific
- Sales: 7,775
- Growth in 2017: +8%

Europe
- Sales: 17,394
- Growth in 2017: +7%

Africa
- Sales: 199
- Growth in 2017: +1%

Organic growth in 2017
Sales by Divisions

Sales in € million

<table>
<thead>
<tr>
<th>Division</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Powertrain Technology</td>
<td>7,981</td>
<td>8,725</td>
</tr>
<tr>
<td>Car Chassis Technology</td>
<td>6,447</td>
<td>6,484</td>
</tr>
<tr>
<td>Commercial Vehicle Technology</td>
<td>2,960</td>
<td>3,172</td>
</tr>
<tr>
<td>Industrial Technology</td>
<td>2,552</td>
<td>2,530</td>
</tr>
<tr>
<td>E-Mobility</td>
<td>862</td>
<td>924</td>
</tr>
<tr>
<td>Active &amp; Passive Safety Technology</td>
<td>13,645</td>
<td>13,970</td>
</tr>
<tr>
<td>ZF Aftermarket</td>
<td>2,815</td>
<td>3,007</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Expenses (€ million)</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,948</td>
<td>5.5%</td>
</tr>
<tr>
<td>2017</td>
<td>2,230</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

+14%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments in PP&amp;E (€ million)</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,185</td>
<td>3.4%</td>
</tr>
<tr>
<td>2017</td>
<td>1,350</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

+14%
Increased R&D Expenses Compensated by Operational Performance

Adjusted EBIT margin in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross margin</th>
<th>Gross margin</th>
<th>R&amp;D expenses</th>
<th>R&amp;D expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>17.3%</td>
<td>1.9%</td>
<td>-5.5%</td>
<td>-7.3%</td>
</tr>
<tr>
<td>2017</td>
<td>18.0%</td>
<td>1.7%</td>
<td>-6.1%</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 %

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBIT in € million</td>
<td>2,239</td>
<td>2,339</td>
</tr>
<tr>
<td>Margin in %</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
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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 %

EBIT and Adjusted EBIT 2017
in € million and margin in %
Net Profit Positively Influenced by Tax Effects

Net Profit After Tax
in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>924</td>
</tr>
<tr>
<td>2017</td>
<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

**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)

**Gross/Net Debt in € million**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Debt</th>
<th>Net Debt</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8,262</td>
<td>1,627</td>
<td>6,635</td>
</tr>
<tr>
<td>2017</td>
<td>6,391</td>
<td>1,315</td>
<td>5,076</td>
</tr>
</tbody>
</table>

Note: Gross debt = Financial liabilities / derivative financial instruments

Upgrade to Investment Grade
Maturity Profile Further Smoothened in 2017

Maturity of Main Group Financing 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>1,192</td>
<td>964</td>
<td>457</td>
<td>863</td>
</tr>
<tr>
<td>2019</td>
<td>583</td>
<td>1,150</td>
<td>457</td>
<td>14</td>
<td>518</td>
</tr>
<tr>
<td>2020</td>
<td>325</td>
<td>1,111</td>
<td>507</td>
<td>14</td>
<td>345</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
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<td></td>
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<td>2022</td>
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<td>2023</td>
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<td>2024</td>
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<td>2025</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

2016 | 2017
---|---
Equity | 29,128 | 27,833
Equity ratio | 65% | 62%
Pension provisions | 14% | 14%
Other liabilities/provisions | 21% | 24%

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

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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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