

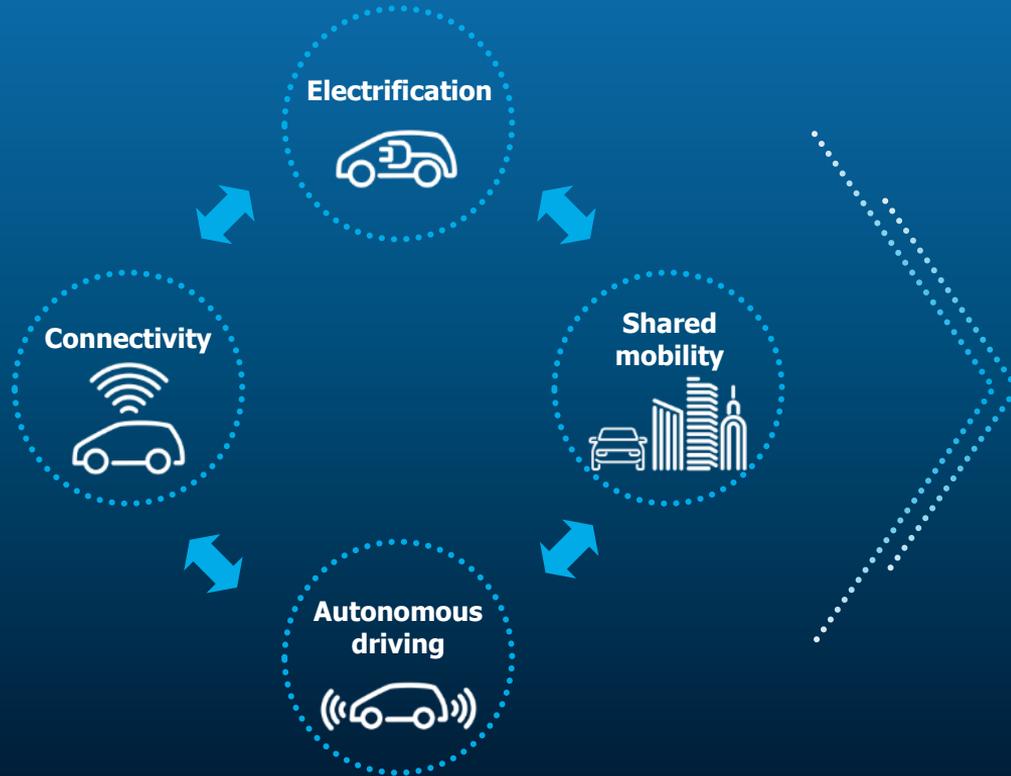


Investor and Analyst Call FY 2018

Dr. Konstantin Sauer | CFO
ZF Friedrichshafen AG



Mobility Trends



Radical changes in the automotive industry

Changes in **mobility behavior**



Diffusion of advanced technology



New competition and cooperation



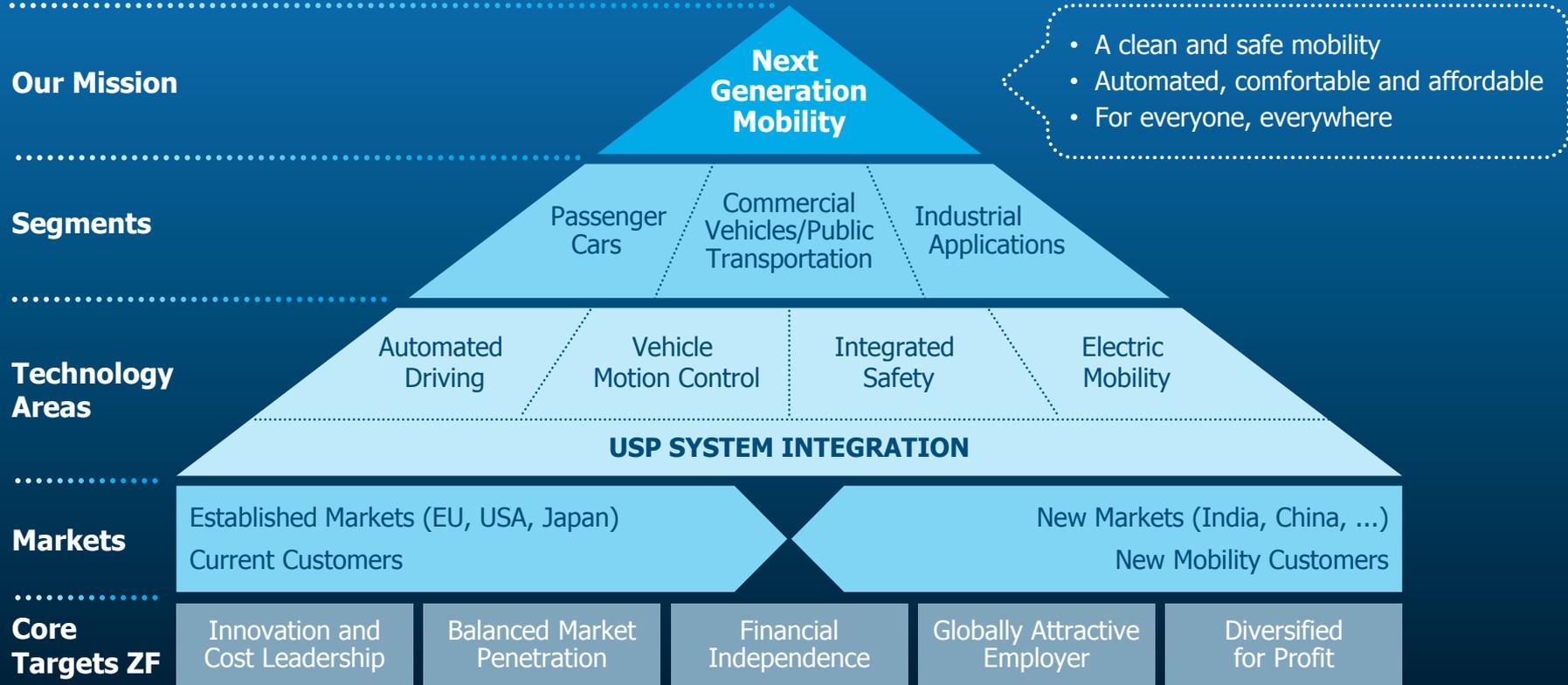
Shifting markets and revenue pools



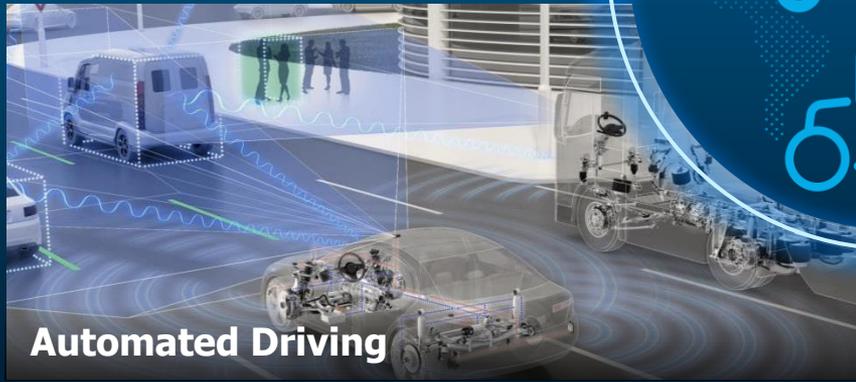
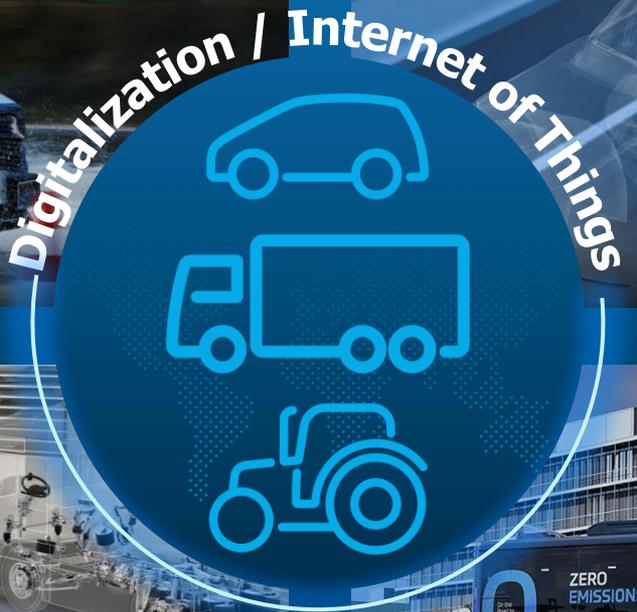
Digitalization in **products & processes**



ZF Strategy: Next Generation Mobility



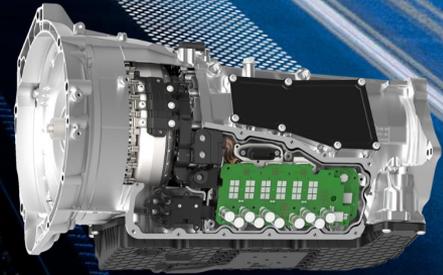
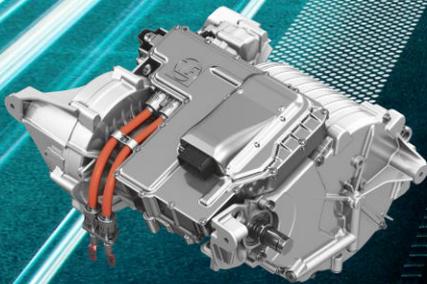
ZF Shapes the Future in 4 Technology Domains



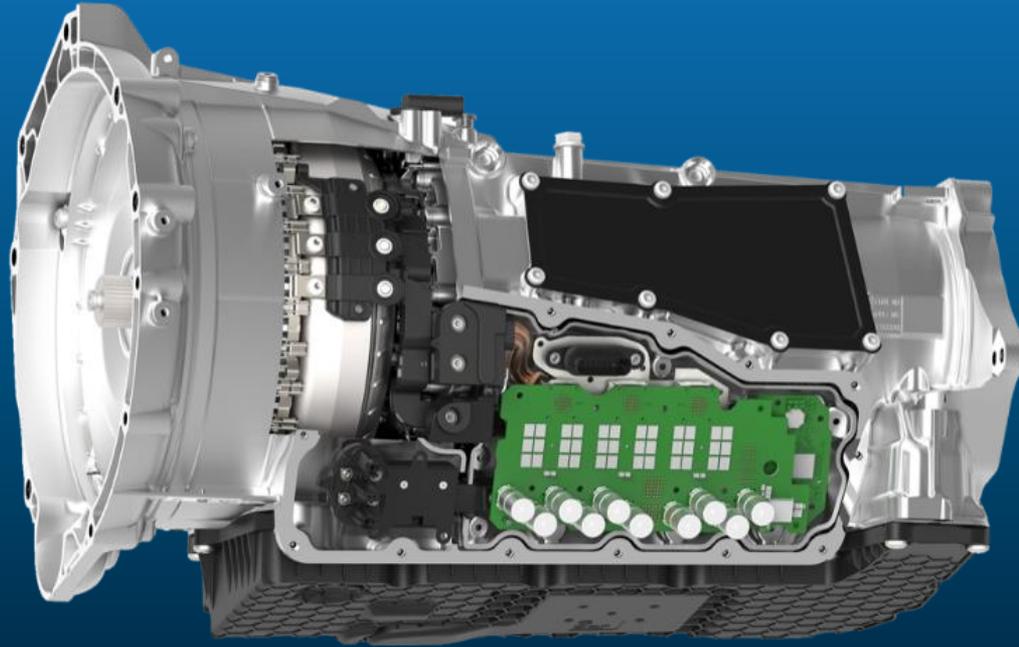
Electric Mobility for Passenger Cars: ZF Solutions

BEV

EVPLUS



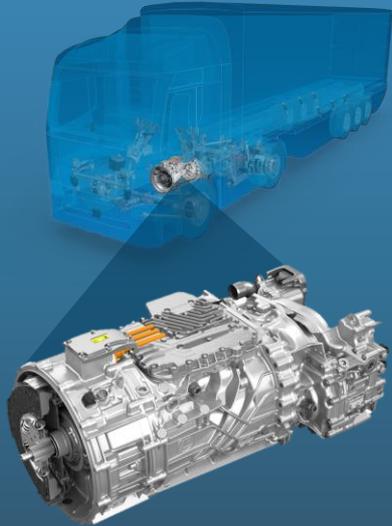
Long-Term Contract for Electrified Transmission



Biggest single ZF contract ever

Electrified Commercial Vehicles

TraXon Hybrid



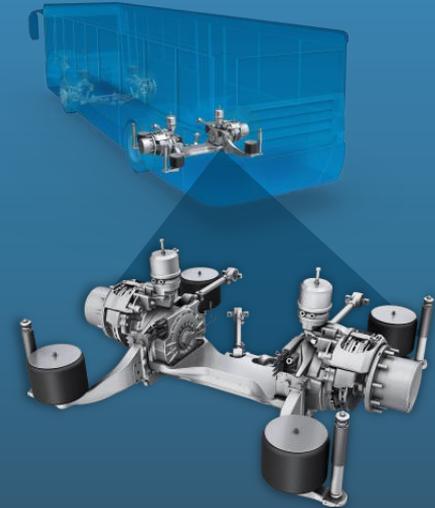
Hybrid solutions

Cetrax



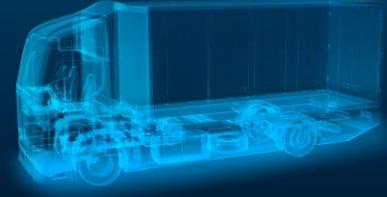
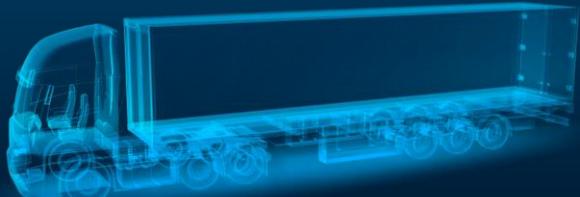
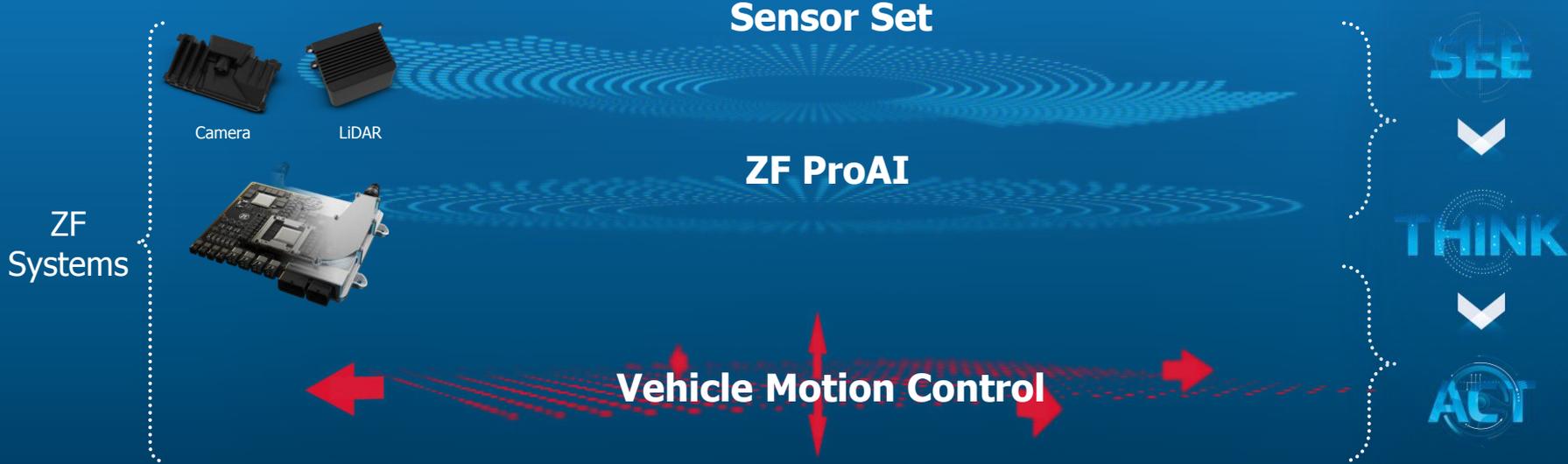
Fully electric drivelines

AxTrax AVE



Electric portal axle
(Fuel cell, Hybrid, catenary power or BEV)

ZFs as a System Supplier for Commercial Vehicles



ZF – Systems Supplier for Commercial Vehicles

CONNECTIVITY
SOLUTIONS

DIGITAL SERVICES

SAFETY ELECTRONICS
ADAS / AD SYSTEMS

DAMPING SYSTEMS
SUSPENSION CONTROL

STEERING SYSTEMS
STEERING CONTROL

POWERTRAIN MODULES

CHASSIS MODULES & COMPONENTS
AXLE SYSTEMS

WHEEL END SOLUTIONS

BRAKING CONTROL

(Air Brake Valves,
EBS & ESC, ABS)

OCCUPANT SAFETY SYSTEMS

ELECTRONIC COMPONENTS

ELECTRONIC CONTROL AND
MONITORING SYSTEMS

TRANSMISSION SYSTEMS

TRANSMISSION AUTOMATION

ELECTRIC DRIVES

ZF WABCO



Transaction Follows a Clear Strategic Rationale

ZF Friedrichshafen AG and WABCO



See. Think. act

WABCO
MOBILIZING VEHICLE INTELLIGENCE

The combined company forms the world's **leading integrated systems provider** for commercial vehicle technology

Game-changing next generation technology in the field of Autonomous Driving (AD/ADAS) in both commercial and passenger vehicles

Strengthening its position in **emerging markets** where WABCO operates market leading positions with cost advantages

Access to the highly attractive **truck fleet management** market where WABCO excels with telematics solutions

Superior access to **truck trailer** customers and advanced mechatronic competencies



Urban Mobility of the Future: ZF Solutions



A clean, safe, comfortable and affordable individual mobility, for people and goods.

Mobility-as-a-Service/Transport-as-a-Service: ZF Solutions



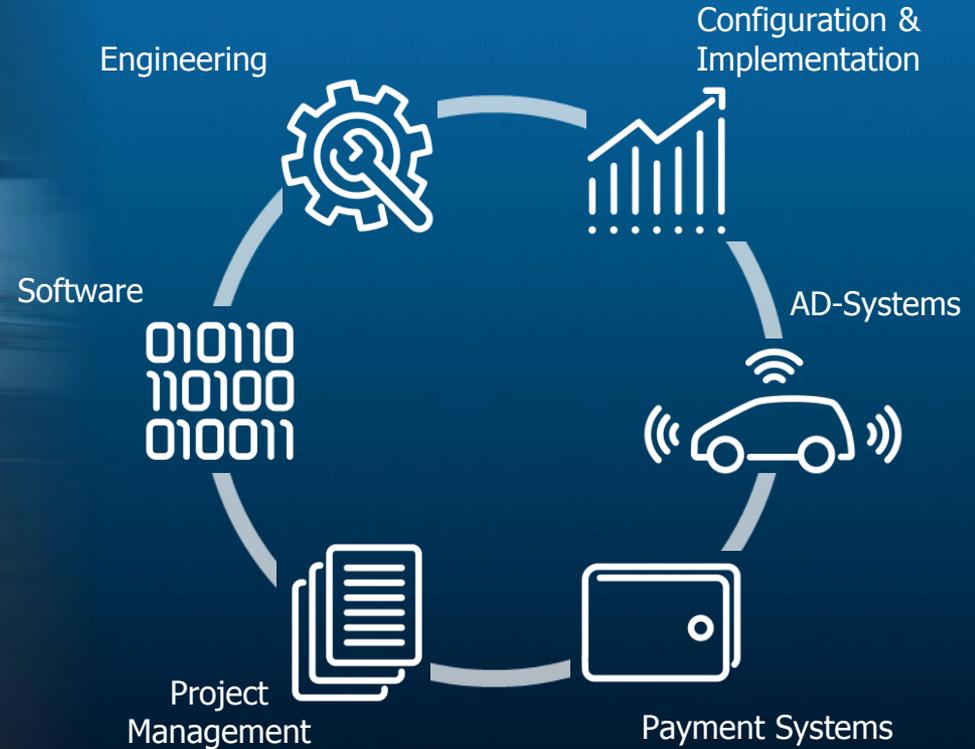
Full Systems Supplier in all Technology Domains



2getthere Reinforces Automated Driving



System Competence



New Urban Mobility Concepts



Financial Key Figures 2018



2018 Financial Overview



€2.1 billion
Adjusted EBIT



€2.5 billion
Research &
Development



€1.6 billion
Investments in
property, plant
and equipment



€36.9 billion
Sales

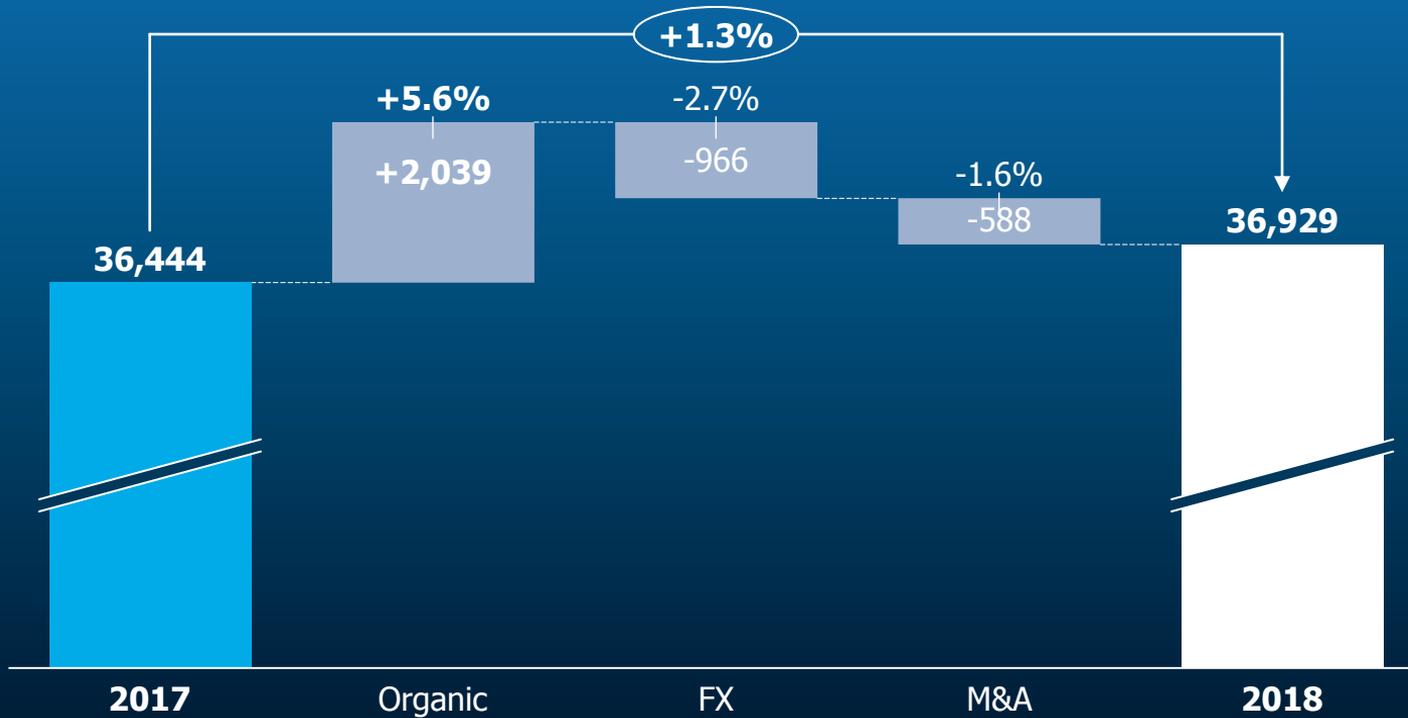


€1.4 billion
Reduction of
Gross Debt



148,969
Employees

Organic Sales Growth at approximately 6%



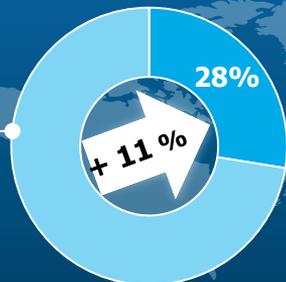
Sales by Regions

Sales

in € million and in % of sales

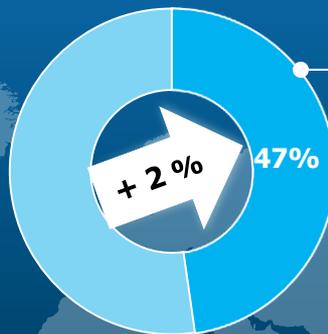
North America

10,264



South America

1,034

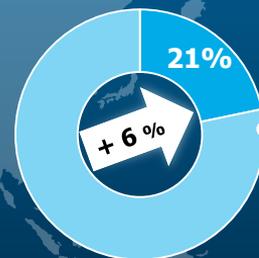


Europe

17,390

Asia-Pacific

8,008



Africa

233



➤ Organic growth in 2018



Sales by Divisions

Sales

in € million

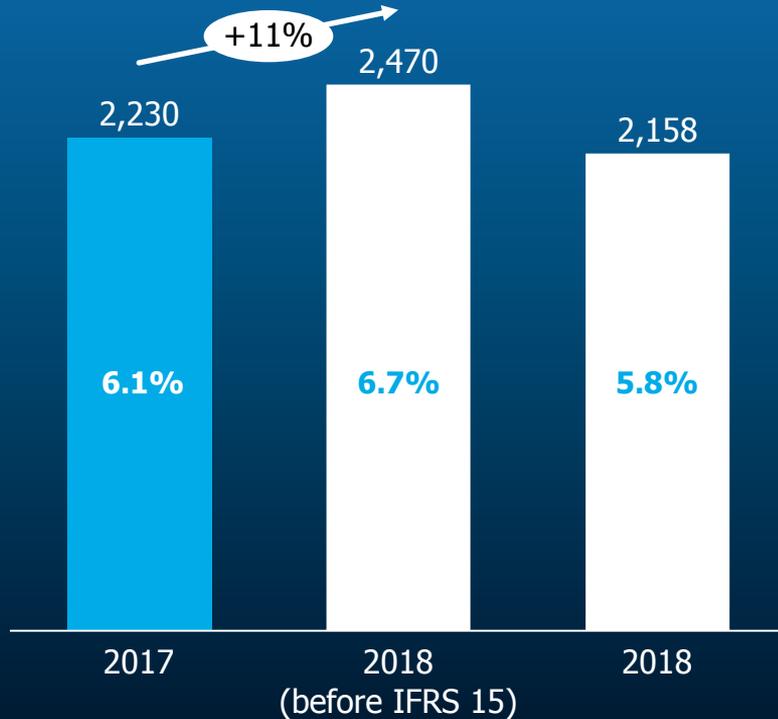


- Business with automatic transmissions specially for hybrids was the strongest growth driver
- Disproportionate growth in Asia-Pacific, negatively affected by exchange rate effects and sales development in North America
- Growth through market development in China as well as the positive turnaround in Russia and Brazil
- Increased sales in the business unit "Off-Highway Systems" could nearly offset the sales decrease in the wind power sector
- High demand for hybrid modules and control systems
- Sales decrease due to disposal of business units
- Organic sales increase of approx. 3%

R&D Budget and Investments in PP&E

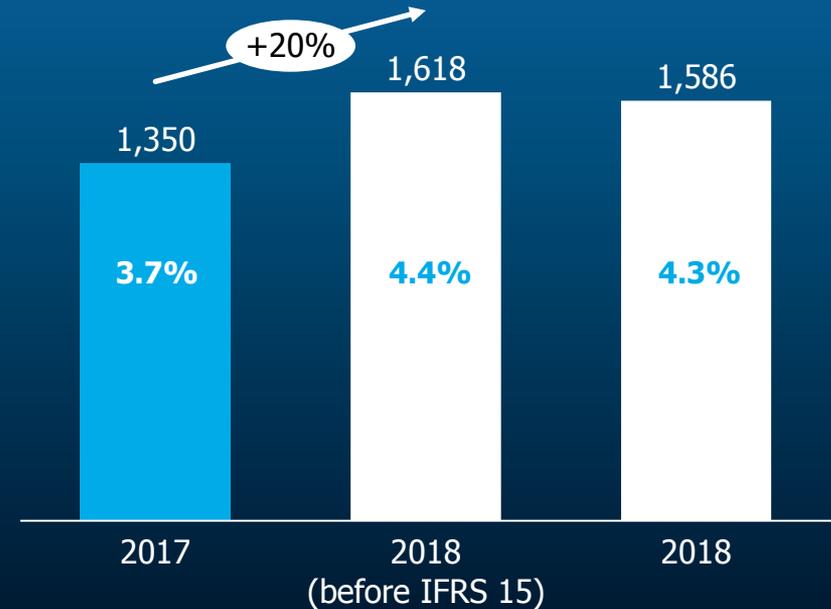
R&D Expenses

in € million and in % of sales



Investments in PP&E

in € million and in % of sales



Adjusted EBIT Margin

in € million and margin in %



Developments

- Increased R&D expenses by €240 million mainly in the area of E-Mobility, AD/ADAS and Safety impacted the EBIT margin by 0.6%ppt.
- Furthermore EBIT negatively affected by
 - Material price increase
 - FX effects

Adjusted EBIT Margin

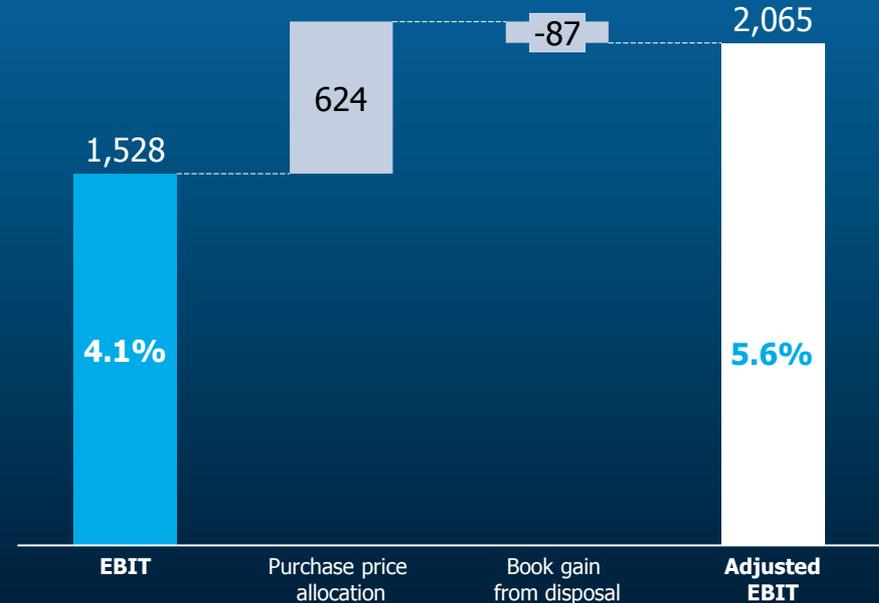
EBIT and Adjusted EBIT 2017

in € million and margin in %



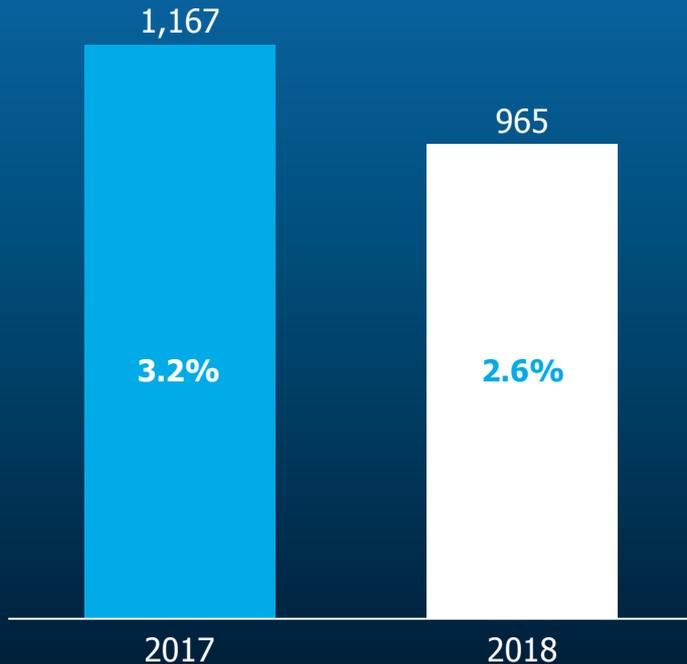
EBIT and Adjusted EBIT 2018

in € million and margin in %



Net Profit After Tax

in € million

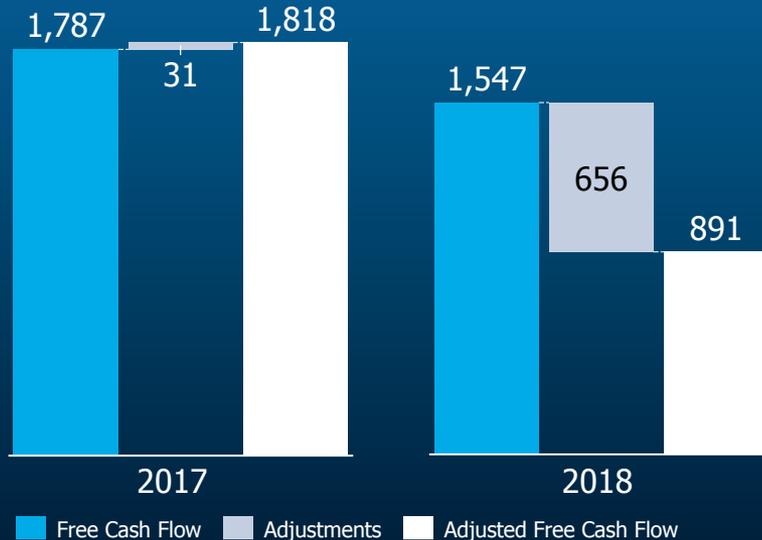


Developments

- Decrease of financial expenses driven by further deleveraging
- Interest on financial liabilities reduced by almost €150 millions
- Tax rate 2018 at 21% (previous year 17%)

Adjusted Free Cash Flow at around €900 millions

in € million

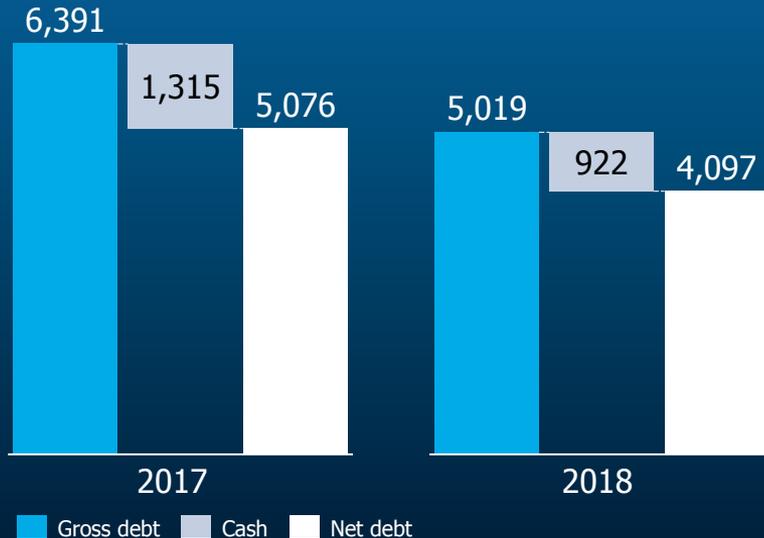


Developments

- Free Cash Flow at €1,547 million in 2018
- Adjustments M&A activities 2018 comprise:
 - Disposal of the Body Control System
 - Participations by Zukunft Ventures GmbH
- Adjusted Free Cash Flow at €891 million

Gross Debt Reduction by €1.4 billion

in € million



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

Developments

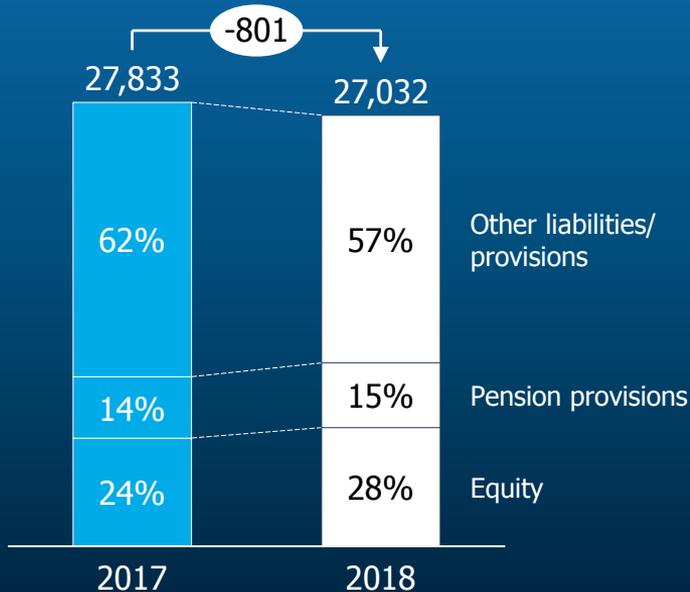
- Gross debt reduced by €1.4 billion since December 31, 2017
- Net debt reduced by around €1 billion
- Investment Grade Rating Confirmed :
 - S&P: BBB– (negative outlook)
 - Moody's: Baa3 (negative outlook)

Wabco announcement

Equity Ratio Increased to 28 %

Liabilities and Equity

in € million and in % of balance sheet total



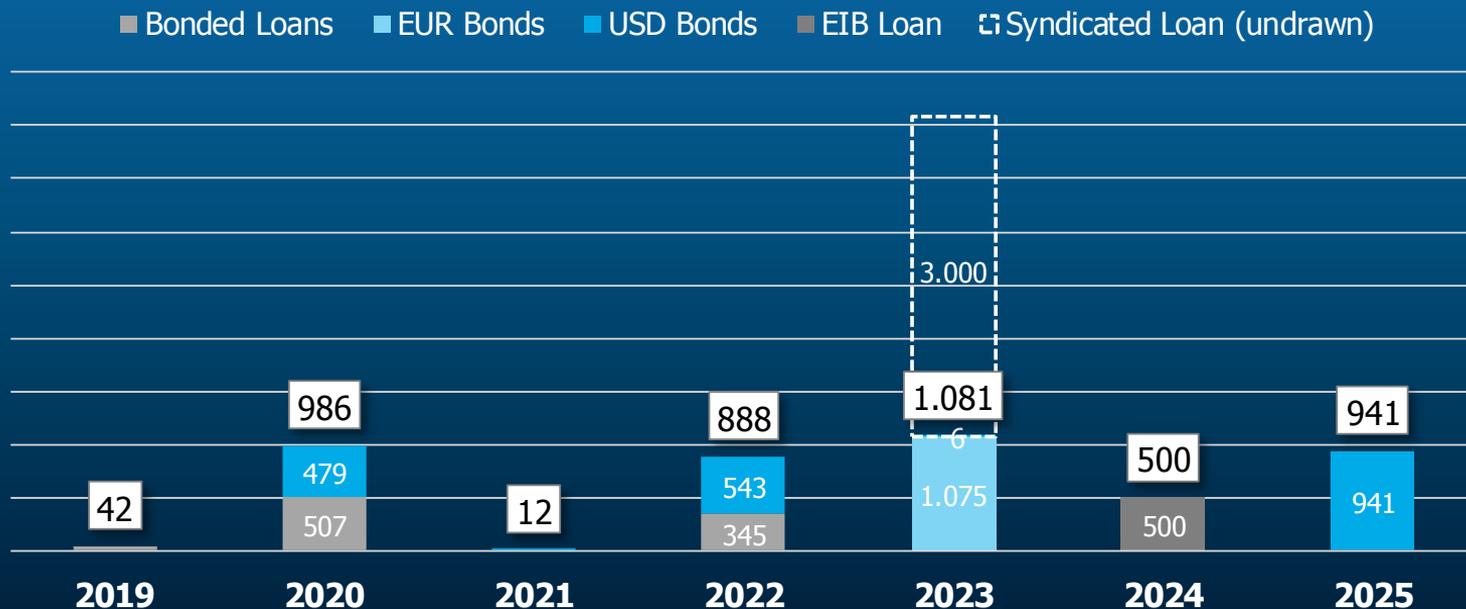
Developments

- Equity increase by €656 million mainly due to positive net profit after tax
- Balance sheet total decrease by €801 million due to further debt pay-down the disposal of Body Control Systems
- Equity ratio increased by 4 percentage points to 28 %

Maturity Profile Further Smoothened in 2018

Maturity of Main Group Financings as of December 31, 2018

Nominal amounts in € million



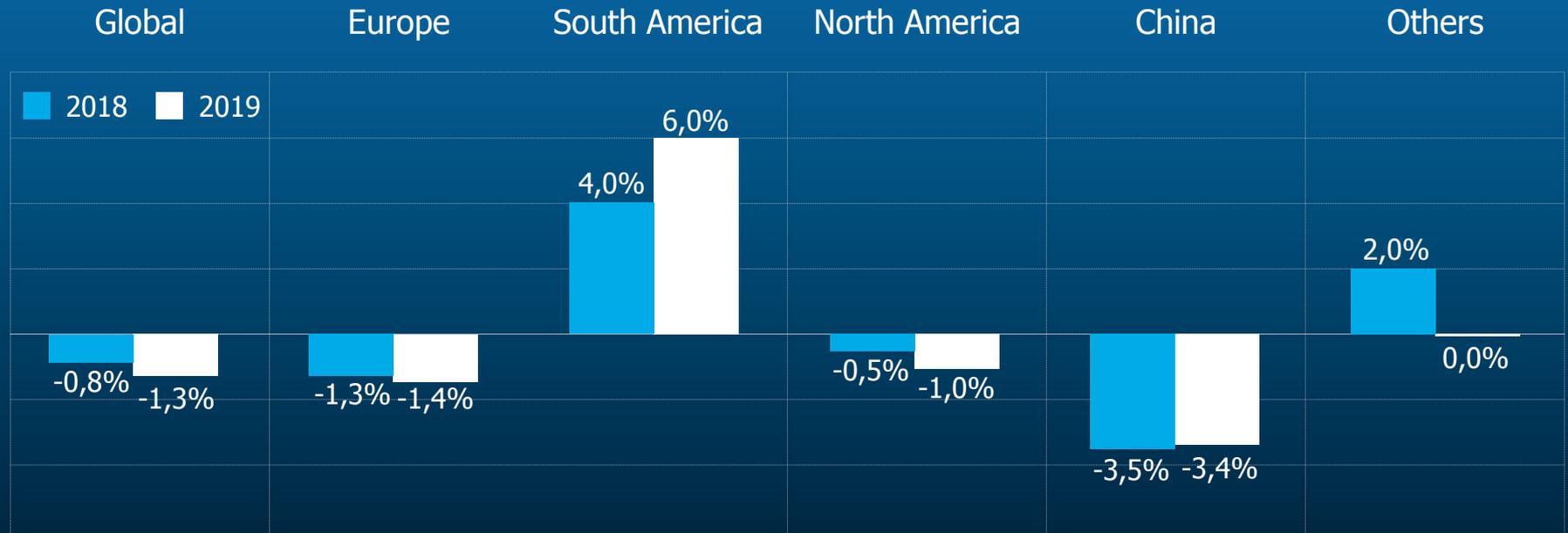
Note: Excluding bilaterals worldwide which are rolled in the ordinary course of business

Outlook 2019



Market for PassCar and CV < 6to is Slowing Down

Production: 2018 and Forecast 2019 (% to Previous Year)



2019 Forecast

Sales: € **37–38 billion**

EBIT margin:* **5.0–5.5%**

Free cash flow*:
~ € **1 billion**

* adjusted



DISCLAIMER

IMPORTANT: You must read the following before continuing. By listening and/or attending the presentation you are deemed to have taken notice of the following limitations.

ZF Friedrichshafen AG (the "**Company**", and together with its subsidiaries, the "**ZF Group**") has prepared this document solely for use in connection with this investor presentation. It is furnished solely for your information, should not be treated as giving investment advice and may not be printed or otherwise copied or distributed. The information (the "**Information**") contained in this presentation (the "**Presentation**") is not to be viewed from or for publication or distribution in the United States of America (the "**United States**"), Australia, Canada or Japan and does not constitute an offer of securities for sale in any of these jurisdictions. Neither the Company nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for any direct or indirect losses arising from any use of this presentation. While the Company has taken all reasonable care to ensure that the facts stated in this presentation are accurate and that the opinions contained in it are fair and reasonable, this presentation is selective in nature. The Company neither explicitly nor implicitly accepts liability, nor gives any guarantee for the actuality, accuracy or completeness of any Information. The Information includes forward looking statements relating to the business, financial performance and results of the ZF Group and/or the industry in which the ZF Group operates. A forward looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Presentation. The forward-looking statements are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause ZF Group's actual results, including the financial condition and profitability of ZF Group, to differ materially from or fail to meet the expectations expressed or implied in the forward looking statements. Actual results, performance or events may differ materially from those in such statements due to, among other reasons which include changes in general economic conditions in Germany, political changes, changes to the taxation of corporations and other changes in laws, regulations and jurisprudence. The Information does not purport to be all-inclusive or to contain all information that a prospective investor may desire. It is understood that each recipient of this Presentation is a sophisticated financial institution and will perform its own independent investigation and analysis of the proposed financing based on such information as it deems relevant. The Information, including any opinions expressed in this presentation are subject to change without notice and neither the Company nor any other person is under any obligation to update or keep current the Information, or adapt it to subsequent events or developments. In supplying the Information, the Company reserves the right to amend or replace the Information at any time, but undertakes no obligation to provide the recipient with access to any additional information. However, any information provided after the date of this Presentation is provided for the same purposes and on the same terms as this Presentation. Neither delivery of the Information nor any participation in the financing shall, under any circumstances, create any implication that there has been no change in the Information or in the business, operations, financial condition, prospects, creditworthiness, status and affairs of the Company or the ZF Group since the date the Information was supplied. Therefore it should not be assumed that the Information is necessarily complete or up to date at any given time. Statements contained herein describing documents and agreements are provided in summary form only, and such summaries are qualified in their entirety by reference to such documents and agreements. Recipients of this Presentation must check and observe all applicable legal requirements and, for the avoidance of doubt, receipt of this Presentation and the Information may not be taken as discharging the regulatory or statutory responsibilities under applicable legislation (including but not limited to anti-money laundering legislation) of any such recipient. This Presentation does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person or in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Information is not for publication, release or distribution in the United States, Australia, Canada or Japan and, subject to certain exceptions, the instruments referred to herein may not be offered or sold in the United States, Australia, Canada or Japan. The securities referred to herein may not be offered or sold except pursuant to registration under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of the securities referred to herein has not been and will not be registered under the Securities Act. There will be no public offer of the securities referred to herein in the United States. The securities referred to herein will be offered only outside the United States in reliance on Regulation S of the Securities Act. In relation to each Member State of the European Area, this presentation is directed only: (i) to persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive, as amended, or (ii) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive, as amended. This presentation is directed at and/or for distribution in the United Kingdom only to (i) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (ii) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons are referred to herein as "**relevant persons**"). This presentation is directed only at relevant persons. Any person who is not a relevant person should not act or rely on this presentation or any of its contents. Any investment or investment activity to which this presentation relates is available only to relevant persons and will be engaged in only with relevant persons. The distribution of the Information in certain jurisdictions may be prohibited by law. Recipients are required to observe such restrictions and the Company does not accept any liability to any person in relation to the distribution of information in any jurisdiction.

This Presentation and the Information do not constitute an offer capable of acceptance and do not form a binding agreement and neither this Presentation nor anything in it shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This presentation contains non-IFRS financial measures and ratios, such as adjusted EBIT, adjusted EBIT margin, free cash flow, adjusted free cash flow, gross debt and net debt, that are not required by, or presented in accordance with, IFRS. We present non-IFRS financial measures because some investors may find it helpful. The definitions of the non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results or any other performance or liquidity measures as reported under IFRS. The prospectus to be published in connection with the listing of the notes referred to in this presentation contains definitions and reconciliations of the non-IFRS financial measures contained in this presentation. In accordance with commercial accounting, some numerical figures (including percentages) in this presentation have been rounded. As a result, figures shown as totals in some tables may not be the exact arithmetic aggregation of the rounded figures that precede them. This communication is for information purposes only and does not constitute a solicitation of a proxy, nor shall there be any such solicitation in any jurisdiction in which such solicitation would be unlawful prior to applicable filings and/or qualification under the securities laws of such jurisdiction.

