ZF Remains on Course in the First Half of 2018

- **Sales: Organic growth of around 8 percent**
- **Profit: Adjusted EBIT of approximately €1.1 billion**

Friedrichshafen, Germany. In the first half of 2018, ZF Friedrichshafen AG achieved its targets: Sales rose to €18.7 billion, and adjusted operating profit (EBIT) amounted to approximately €1.1 billion. At the same time, ZF was able to further reduce the debts incurred from the TRW acquisition and significantly increase investments in property, plant and equipment as well as expenditure in research and development.

"The strong organic sales growth of around 8 percent shows that we are offering the right products for the global markets," says ZF CEO Wolf-Henning Scheider. "We achieved significant growth in China and the USA in particular, where we grew faster than the industry average, especially in the passenger car segment." However, sales development was held back by the appreciation of the euro, particularly against the US dollar and other currencies. Total Group sales included pro-rated sales for the first four months from the Global Body Control Systems Business Unit, which ZF sold in spring 2018. Taking into account exchange rate effects and the sale of the Global Body Control Systems Business Unit, the increase in sales reported on the balance sheet amounted to approximately 2 percent.

ZF was able to further reduce its gross financial debt by approximately €450 million. At the same time, the technology company increased its investments in the future: ZF spent €1.1 billion on research and development, with a focus on the technologies of autonomous driving, electromobility, and active and passive safety technology. The company invested €500 million in property, plant and equipment.

"Despite further significant debt reduction and enormous investments in the future, we ended up within range of our issued profit target of

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around 6 percent," explains ZF CFO Dr. Konstantin Sauer. "Our main focus in the second half of 2018 will be on earnings quality."

ZF is cautiously optimistic about the second half of the year. The predicted weakening demand for passenger cars in the North American and Asia-Pacific markets can presumably be compensated for by significant growth rates in the commercial vehicle sector. In Europe, the automotive industry continues to develop in a positive direction, with opportunities and challenges arising from technology shifts. South America is now growing strongly – starting from a low level, however.

"Even if conditions become somewhat rougher in the second half of the year – especially due to impairments of free trade – we are sticking to our forecast," says CFO Sauer. For the overall year of 2018, ZF expects consolidated sales of approximately €36.5 billion; the EBIT margin is expected to be 6 percent and free cash flow is anticipated to exceed €1 billion.

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ZF Friedrichshafen AG
ZF is a global leader in driveline and chassis technology as well as active and passive safety technology. The company has a global workforce of 146,000 with approximately 230 locations in some 40 countries. In 2017, ZF achieved sales of €36.4 billion and as such, is one of the largest automotive suppliers worldwide.

ZF enables vehicles to see, think and act. The company invests more than six percent of its sales in research and development annually – in particular for the development of efficient and electric drivelines and also in striving for a world without accidents. With its broad portfolio, ZF is advancing mobility and services for passenger cars, commercial vehicles and industrial technology applications.

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