Dear Reader,

2019 was a challenging year for our company and the automotive industry as a whole. The environment was difficult but also presented us with opportunities. We have taken advantage of this and won new orders – in electromobility, automated driving, and also in conventional technology. The income from the latter continues to give us the strength to invest in our future. Last year, we spent more than seven percent of our sales on research and development. That represents a €150 million increase on the previous year.

Besides pushing on with the transformation, our main tasks included responding to a weakened market environment in an appropriate manner, which we did emphatically. The measures involved in doing so included postponing investments that were not immediately necessary as well as reviewing and amending the personnel capacities and working hours in all of the areas affected. The effectiveness of the measures was clearly noticeable in the second half of the year.

These measures also allowed us to hold our ground against the trend, thus ensuring that our income data was within the forecasted range that had been corrected in mid-2019: standing at €36.5 billion, sales were almost on par with the prior-year figure. Due to higher costs and investments, EBIT suffered a significant decline and totaled €927 million, which resulted in the adjusted EBIT margin falling to 4.1 percent. Adjusted free cash flow dropped slightly to €803 million. We have different objectives, which is why we will continue to work intensively on our costs.

The acquisition and integration of WABCO represented an important milestone on our journey of designing the mobility of the future in all areas. In order to purchase the brake manufacturer, we successfully raised a total of €4.8 billion on the capital market last October. Considerably more investors wanted to subscribe than would have been necessary for this funding measure. This shows us that the financial market also sees and supports the potential of this acquisition.
What are our expectations for the current year? We will continue pursuing our goals in a committed manner, even though we do not expect the economic situation to improve noticeably and that owing to the current uncertain mood, further downturns are possible. Despite this, we will continue investing in the key future mobility technologies to the same extent as before and we will implement further efficiency and cost-cutting measures in close collaboration with all of our employees. To ensure that such projects are a success, everyone involved will need to demonstrate a high degree of commitment. I am therefore delighted that the corporate units, as well as their employees, are treading this – sometimes difficult – path so well.

It is not just economic growth that is proving challenging to us. The vast dynamics of our industry require us to go off the beaten track and break new ground. In doing so, we have to engage with the unknown, deal with uncertainty, and also make one or two difficult decisions. This includes streamlining our processes, reviewing our portfolio, further developing locations, integrating companies into the Group, developing new areas of knowledge and technology, as well as ceasing activities if they don’t help us in the long run.

“At ZF, we are ready to take on the challenges of the upcoming years.”

In all of these endeavors, we will have a compass to clearly point us in the right direction – with our “Next Generation Mobility” strategy, we have developed an image of the mobility of the future that will help us to coordinate our next steps. This will ensure that we are not as reliant on the traditional vehicle business over the next few years and will further strengthen our market position. Our four technological fields of Vehicle Motion Control, integrated safety, automated driving, and electromobility comprise the key aspects of the next-generation mobility. We no longer only contemplate individual products or vehicles, but instead see mobility as a holistic system to be used by the people of the 21st century.

With our strategy, we want to help curtail climate change, including by reducing our carbon footprint. We will therefore continue to invest in our own sustainability in 2020 – despite the numerous initiatives that we currently have in place to cut costs. Here too, it is a question of investing in areas that are important for securing our future.

I would like to thank the shareholder representatives and the members of the Supervisory Board for their hard work and once again extremely constructive help throughout the past year. I am looking forward to working together with my Board of Management team and you all to continue writing ZF’s success story this year.

WOLF-HENNING SCHEIDER
Chief Executive Officer
THE BOARD OF MANAGEMENT
(from left to right):
Dr. Holger Klein
Dr. Martin Fischer
Sabine Jaskula
Wolf-Henning Scheider
Dr. Konstantin Sauer
Wilhelm Rehm
Michael Hankel