

# Q4-2018 EARNINGS RELEASE

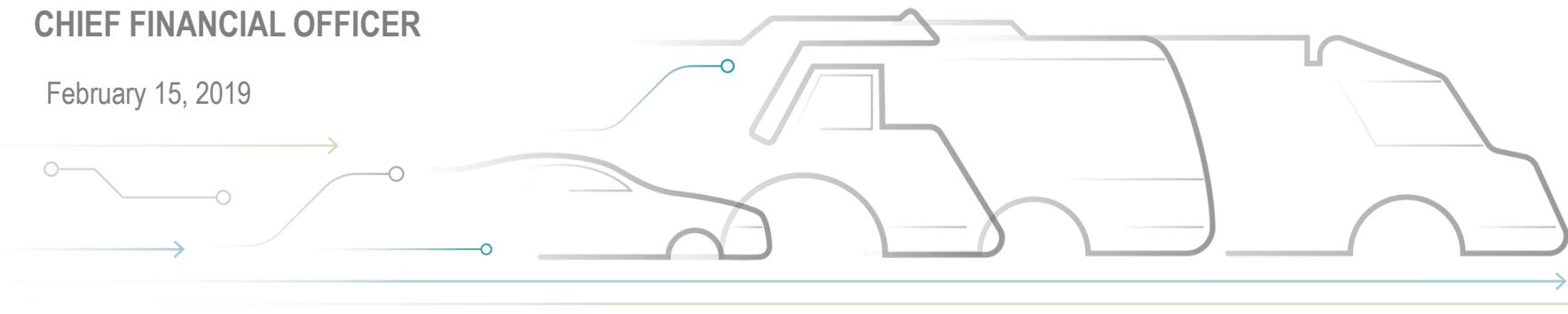
**JACQUES ESCULIER**

CHAIRMAN & CHIEF EXECUTIVE OFFICER

**ROBERTO FIORONI**

CHIEF FINANCIAL OFFICER

February 15, 2019



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# FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

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Comments in this document contain certain forward-looking statements, which are based on management's good faith expectations and beliefs concerning future developments. Actual results may differ materially from these expectations as a result of many factors. These factors include, but are not limited to, the risks and uncertainties described in the "Risk Factors" section and the "Forward Looking Statements" section of WABCO's Form 10-K, as well as in the "Management's Discussion and Analysis of Financial Condition and Results of Operations - Information Concerning Forward Looking Statements" section of WABCO's Form 10-K Report. WABCO does not undertake any obligation to update such forward-looking statements. All market and industry data are based on Company estimates.

This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. Sales, gross profit, operating expenses and operating income, which are adjusted to exclude the effects of foreign exchange and are denoted by the word "adjusted" in the line item, as well as EBIT and pre-tax income attributable to company, are non-GAAP financial measures. Additionally, gross profit, operating expenses, operating income, operating income margin, EBIT, tax rate, pre-tax income attributable to company, net income attributable to company and net income attributable to company per diluted share on a "performance basis" are non-GAAP financial measures that exclude items for separation, streamlining, acquisitions, discrete and one-time tax items, and other items that management believes may mask the underlying operating results of the company, as applicable. Our tax rate guidance for the full year is presented only on a performance basis as reconciliation to an expected tax rate on a reported basis would not be meaningful due to the complex nature of such an estimate. Management believes that presenting these non-GAAP measures is useful to shareholders because it enhances their understanding of how management assesses the operating performance of the Company's business.

Free cash flow presents our net cash provided by operating activities less net purchases of property, plant, equipment and computer software. Performance free cash flow presents our net cash provided by operating activities less net purchases of property, plant, equipment and computer software; and excludes streamlining, separation, acquisition related and US transition tax payments. Management believes that presenting free cash flow and performance free cash flow is useful to shareholders because it demonstrates our ability to generate cash and the health of our business. Free cash flow and performance free cash flow does not represent residual cash flow available for discretionary purposes since it may not include a deduction for mandatory debt service requirements and other non-discretionary expenditures.

All of the non-GAAP financial measures presented herein should be considered in addition to, not as a substitute for, GAAP measures. These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner. Certain non-GAAP measures may be used, in part, to determine incentive compensation for current employees. Reconciliations of the non-GAAP financial measures to the most comparable GAAP measures are included herein and are available in WABCO's quarterly results presentations posted on the company's website.

# Q4 AND FY 2018 PERFORMANCE SUMMARY

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## Fourth Quarter 2018

- Sales of \$911.6M up 1.4% in local currencies; Down 2.4% reported
- Performance operating income<sup>(1)</sup> of \$125.7M vs. \$144.2M in Q4'17; Reported operating income of \$112.0M vs. \$124.9M in Q4'17
- Performance EPS<sup>(2)</sup> of \$2.13 vs. \$2.00 in Q4'17; Reported EPS of \$2.20 vs. \$3.12 in Q4'17

## Full Year 2018

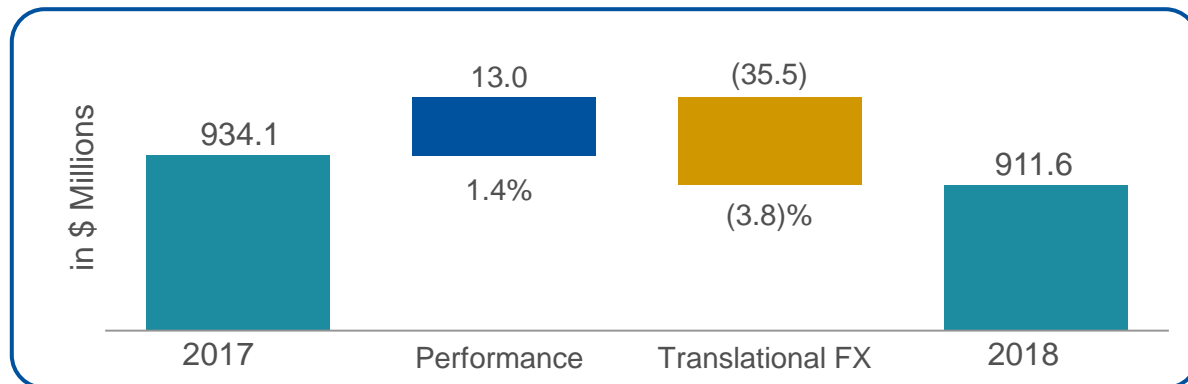
- Sales of \$3,831M; Up 13.9% in local currencies; Up 15.9% reported
- Performance operating income<sup>(1)</sup> of \$545.7M vs. \$492.1M in 2017; Reported operating income of \$512.5M vs. \$435.0M in 2017
- Performance EPS<sup>(2)</sup> of \$7.87 vs. \$6.86 in 2017; Reported EPS of \$7.43 vs. \$7.50 in 2017
- Performance Free Cash Flow<sup>(6)</sup> of \$398M equivalent to 95% conversion rate
- Returned \$300M cash to shareholders by repurchasing 2.5M shares

Refer to Slide #16 for Footnotes

**WABCO**

# Q4 2018 SALES & TRUCK AND BUS MARKET OUTPERFORMANCE

## Q4 2018 Sales Bridge



## Q4 2018 YoY Sales Growth <sup>(4)</sup> By Channel

OE	0%	<ul style="list-style-type: none"> <li>T&amp;B markets down by 6% YoY, driven by vehicle production drop in China, partially offset by North America</li> <li>Trailer outperforming down market by 16%</li> </ul>
Aftermarket	7%	<ul style="list-style-type: none"> <li>Strong performance in key markets</li> </ul>

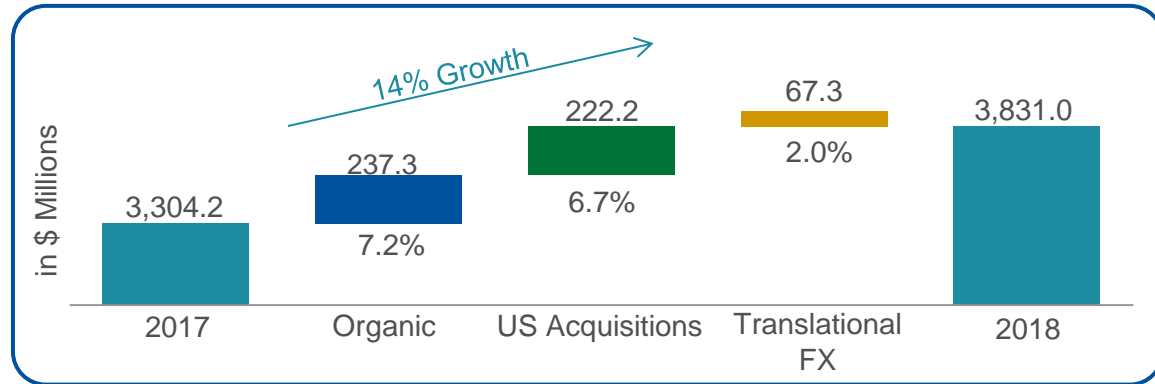
## 2018 YoY T&B Sales Growth <sup>(4)</sup> vs. Estimated Production Growth by Region

	WABCO	Est. Production	Comments
Europe	(2)%	(4)%	• Europe: Favorable customer mix and SOM gain on ADB
North America	12%	20%	• N. America: Customer stock reductions on AMT and steering systems
South America	39%	14%	• S. America: SOM gain in mBSP at a major customer and increased penetration of AMT
Japan/Thailand/Korea	0%	7%	• Japan: Unfavorable vehicle mix as well as phase-out of ABS/EBS at a smaller OEM
China	(27)%	(19)%	• China: Favorable one-timers in Q4 '17 as well as pressure on pricing
India	3%	(2)%	• India: Ramp up of new products more than offsetting the temporary shortage of credit facilities for fleets

Refer to Slide #16 for Footnotes

# FY 2018 SALES & TRUCK AND BUS MARKET OUTPERFORMANCE

## FY 2018 Sales Bridge



## FY 2018 YoY Sales Growth <sup>(4)</sup> By Channel

OE	21%	<ul style="list-style-type: none"> <li>T&amp;B markets up by 3% YoY</li> <li>Trailer outperforming market by 16%</li> <li>Off-highway sales increased 26%</li> <li>Acquisitions contributing 13%</li> </ul>
Aftermarket	18%	<ul style="list-style-type: none"> <li>Continued strong growth with double-digit growth in Americas and APAC</li> <li>Market headwinds in Middle East, Turkey &amp; Russia</li> <li>Acquisitions contributing 12%</li> </ul>

## 2018 YoY T&B Sales Growth <sup>(4)</sup> vs. Estimated Production Growth by Region

	WABCO	Est. Production	Comments
Europe	3%	2%	• Europe: Higher AMT penetration mitigating phase-out of prior generation AMT at gearbox supplier
North America	49%	18%	• N. America: Increasing content per vehicle from AMT, ESC; acquisitions contributing 28%
South America	38%	27%	• S. America: Ramp up of Tristop actuator, increased penetration of AMT
Japan/Thailand/Korea	0%	(4)%	• Japan: Ramp-up of ADB, ECAS and Air Dryer
China	(18)%	(8)%	• China: Lower ratio of tractor vs. rigid truck
India	33%	23%	• India: Launch of steering and market share gains in recently launched products

Refer to Slide #16 for Footnotes

# Q4 2018 FINANCIAL PERFORMANCE

(\$ Millions, except per share data)

## Profit and Loss Statement Highlights

	Q4 Reported	<sup>(1),(2)</sup> Q4 Performance	<sup>(5)</sup> Performance vs. 2017 in local curr.	Performance Drivers
<b>Sales</b>	<b>\$911.6</b>	<b>\$911.6</b>	<b>1.4%</b>	<ul style="list-style-type: none"> <li>Sales up 1% vs. Q3'18</li> <li>Price erosion \$(8.5) or (0.9)%</li> </ul>
Gross Profit	278.1 30.5%	279.5 30.7%	<b>1.2%</b> (7)bps	<ul style="list-style-type: none"> <li>Volume, mix and absorption \$2.2</li> <li>Materials productivity \$5.4 (5.2% gross, 3.8% net)</li> <li>Conversion productivity \$10.0 (7.1%)</li> </ul>
OPEX & Other	(166.1) (18.2%)	(153.8) (16.9%)	<b>12.1%</b> (161)bps	<ul style="list-style-type: none"> <li>Labor inflation \$(8.7)</li> <li>Net R&amp;D and other investments \$(13.2)</li> <li>Transactional FX favorably impacts operating income \$3.6</li> </ul>
<b>Operating Income</b>	<b>\$112.0</b> <b>12.3%</b>	<b>\$125.7</b> <b>13.8%</b>	<b>(9.6)%</b> (168)bps	
Equity Income	0.3	0.3		<ul style="list-style-type: none"> <li>Equity income up from \$(0.1) in Q4'17</li> </ul>
Non-controlling Int. Exp.	(4.1)	(4.1)		<ul style="list-style-type: none"> <li>Non-controlling Interest down from \$(4.4) in Q4'17</li> </ul>
Other Non-operating Exp.	(7.0)	(6.1)		<ul style="list-style-type: none"> <li>Other non-operating exp. down from \$(8.4) in Q4'17</li> </ul>
<b>EBIT</b>	<b>\$101.2</b> <b>11.1%</b>	<b>\$115.8</b> <b>12.7%</b>		<ul style="list-style-type: none"> <li>Streamlining \$(8.6) vs. \$(3.5) in Q4'17</li> <li>Separation \$(1.1) vs. \$(4.8) in Q4'17</li> <li>Acquisition related costs \$(4.9) vs. a gain of \$235.7 in Q4'17 primarily from purchase of Meritor Inc. stake in Meritor WABCO JV</li> </ul>
Interest	(0.7)	(0.7)		<ul style="list-style-type: none"> <li>Interest exp. down from \$(4.3) in Q4'17</li> </ul>
Taxes	14.0	(4.5)		<ul style="list-style-type: none"> <li>3.9% Performance tax rate, down from 15.2% in Q4'17 supported by a ~\$11.0 current year net benefit of the 2013-14 PID in Belgium</li> </ul>
<b>Net Income*</b>	<b>\$114.5</b>	<b>\$110.6</b>		<ul style="list-style-type: none"> <li>Performance net income of \$107.7 in Q4'17</li> </ul>
<b>EPS</b>	<b>\$2.20</b>	<b>\$2.13</b>		<ul style="list-style-type: none"> <li>Vs. Q4'17 reported EPS of \$3.12 and performance EPS of \$2.00</li> </ul>

\*Represents net income attributable to company

Refer to Slide #16 for Footnotes

**WABCO**

# FY 2018 FINANCIAL PERFORMANCE

(\$ Millions, except per share data)

## Profit and Loss Statement Highlights

	FY Reported	<sup>(1),(2)</sup> FY Performance	<sup>(5)</sup> Performance vs. 2017 in local curr.	Performance Drivers
<b>Sales</b>	<b>\$3,831.0</b>	<b>\$3,831.0</b>	<b>13.9%</b>	<ul style="list-style-type: none"> <li>Price erosion \$(41.8) or (1.2)%</li> </ul>
Gross Profit	1,172.5 30.6%	1,175.7 30.7%	<b>11.2%</b> (74) bps	<ul style="list-style-type: none"> <li>Volume, mix and absorption \$51.6</li> <li>Materials productivity \$36.4 (5.0% gross, 3.5% net) incl. \$9.1 supplier settlement compensating delayed cost reduction project</li> <li>Conversion productivity \$38.5 (7.7%), partially offset by supply chain constraints</li> </ul>
OPEX & Other	(660.0) (17.2%)	(630.0) (16.4%)	<b>14.4%</b> (8) bps	
<b>Operating Income</b>	<b>\$512.5</b> <b>13.4%</b>	<b>\$545.7</b> <b>14.2%</b>	<b>7.7%</b> (82) bps	
Equity Income Non-controlling Int. Exp. Other Non-operating Exp.	1.0 (20.3) (42.3)	1.0 (20.3) (33.2)		<ul style="list-style-type: none"> <li>Equity income down from \$23.1 in 2017</li> <li>Non-controlling Interest up from \$(16.8) in 2017</li> <li>Other non-operating exp. down from \$(33.7) in 2017</li> </ul>
<b>EBIT</b>	<b>\$450.9</b> <b>11.8%</b>	<b>\$493.2</b> <b>12.9%</b>		<ul style="list-style-type: none"> <li>Streamlining \$(14.3) vs. \$(11.9) in 2017</li> <li>Separation \$(4.5) vs. \$(20.2) in 2017</li> <li>Acquisition related costs \$(23.5) vs. income of \$219.2 in 2017 primarily from purchase of Meritor Inc. stake in Meritor WABCO JV</li> </ul>
Interest Taxes	(7.5) (49.3)	(7.5) (67.9)		<ul style="list-style-type: none"> <li>Interest exp. down from \$(16.0) in 2017</li> <li>14.0% Performance tax rate, down from 17.2% in 2017 supported by a ~\$11.0 current year net benefit of the 2013-14 PID in Belgium</li> </ul>
<b>Net Income*</b>	<b>\$394.1</b>	<b>\$417.8</b>		<ul style="list-style-type: none"> <li>Performance net income of \$371.6 in 2017</li> </ul>
<b>EPS</b>	<b>\$7.43</b>	<b>\$7.87</b>		<ul style="list-style-type: none"> <li>Vs. 2017 reported EPS of \$7.50 and performance EPS of \$6.86</li> </ul>

\*Represents net income attributable to company

Refer to Slide #16 for Footnotes

**WABCO**

# CASH FLOW SUMMARY 2018

## Free Cash Flow<sup>(3)</sup> (in \$ Millions)

### Cash Provided by Operating Activities:

• Net Income including non-controlling interest	414.4
• Depreciation & amortization	124.7
• Working capital	(9.7)
• Changes in other assets & liabilities	(60.9)

<b>Net Cash Provided by Operating Activities</b>	<b>468.5</b>
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Net Purchases of PP&E, Tooling & Computer Software	(132.1)
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<b>Free Cash Flow<sup>(3)</sup> reported</b>	<b>336.4</b>
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Streamlining, separation & acquisition related and US transition tax payments	61.2
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<b>Performance Free Cash Flow<sup>(6)</sup></b>	<b>397.6</b>
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- Converting 95% of performance net income into cash
- Improved working capital as a percentage of sales
- Repurchased 2.5M shares at a cost of \$300M

Refer to Slide #16 for Footnotes

**WABCO**



# PERFORMANCE TAX RATE OUTLOOK

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## 2018

- **FY 2018 Performance tax rate: 14%**
- Obtained EC confirmation on our Belgium 2013/2014 PID claim with a net benefit of ~\$11M\*

\* \$33M on a reported basis in 2018

## 2019

- **FY 2019 forecasted Performance tax rate: ~18%**
- Initial side-benefits of our HQ relocation
  - Reorganization of our Treasury function
- One-time benefit expected by mid-year related to pension optimization
- Does not include potential tailwind from the February 14<sup>th</sup> EU General Court announcement annulling EC's decision to consider Belgian EPR as state aid

## Mid to Long Term

- **Forecasted Performance tax rate: ~20%**

# FOCUSING ON CORE STRATEGIES

## New Technologies & Products



- **Developing Next Generation Automated Manual Transmission (AMT) Control Technology for Daimler:** long-term agreement to supply next generation AMT control units for Daimler's global truck and bus series production
- **Equipping Premium Passenger Car Manufacturer with Innovative Air Suspension Technology:** \$230 million ten-year agreement supporting a high-volume global premium car platform including electric and hybrid vehicles
- **Advanced Technologies to Support Hyundai Motor Company's New Medium-Duty Truck Launch in South Korea:** The first supplier to equip Hyundai with EBS and integrated pedal units for its medium-duty trucks, WABCO will also supply electronic stability control and air suspension systems as well as air processing units

## Globalization



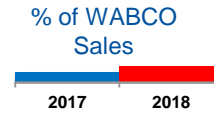
- **Wide-Ranging \$950 Million Global Agreement with Major Global OEM:** WABCO has extended and expanded its relationship to supply the OEM with its leading braking, advanced driver systems and efficiency technologies
- **WABCO Moves Global Headquarters to Bern, Switzerland:** As part of its change in organizational logic, WABCO decided to relocate its corporate headquarters to Bern, Switzerland, with the objective of creating a singular focus on fully globalizing WABCO's advanced technology strategy. The current Brussels base will become the headquarters of its newly formed division covering Europe, Middle East and Africa
- **WABCO Opens New Americas Headquarters Consolidating and Synergizing Management of All Regional Activities Under One Roof:** A key milestone in further developing WABCO's presence in this key market

## Execution

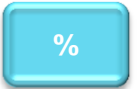


- **WABCO APAC Wins 20 Customer and Industry Awards:** Among other distinctions, WABCO APAC has been recognized for excellence and commended with top honors for service, quality, connectivity and technology leadership
- **WABCO Operating System Continued to Deliver Robust Results in 2018:**
  - Delivered productivity gain of \$74.9 million
  - Generated gross materials productivity of 5.0%
  - Generated conversion productivity of 7.7% in our factories

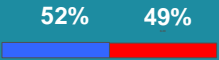
# MARKET DYNAMICS SHOWING MIXED TRENDS



2018 Global T&B Production

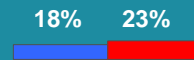


## Europe



- New registrations of EU heavy trucks down 1% in Q4, but up 3% for FY vs. 2017
- Total Europe Q4 '18 T&B production down 4% vs. Q4 '17; FY up 2% vs. '18
- 2019 EU new registrations expected to be flattish
- **2019 production outlook -2% to +3%**

## North America



- T&B production up 20% vs. Q4 '17
- Total year 2018 production was up 18%
- Record order level of 2018 has generated backlogs that cover most of 2019
- **2019 production outlook -5% to flat**

## China



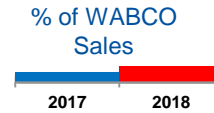
- Q4 '18 T&B production down 19% vs. Q4 '17
- FY 2018 production down 8% vs. 2017 with unfavorable tractor vs. construction mix and lower subsidies for E-Bus
- For 2019 anticipating unchanged tractor vs. construction mix
- Expecting FY double-digit outperformance, weaker in 1H '19
- **2019 production outlook -15% to -10%**

## India

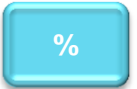


- Q4 '18 T&B production down 2% vs. Q4 '17
- Total year 2018 production up 23% vs. 2017 fueled by strong economic growth
- Favorable impact from pre-buy in 2H '19 offset by lower production of heavy duty trucks in 1H '19
- **2019 production outlook flat to +10%**

# MARKET DYNAMICS SHOWING MIXED TRENDS



2018 Global T&B Production



## Japan & Korea



Japan & Korea



- Q4 '18 T&B production up 7% vs. Q4 '17
- Full year 2018 down 4% vs. 2017
- Production declined due to production shutdowns driven by low construction activities in Korea
- **2019 production outlook (incl. South East Asia) -3% to +2%**

## Brazil

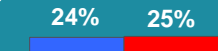


Brazil



- Q4 '18 T&B production up 14% vs. Q4 '17
- Total year 2018 production up 27% vs. 2017
- Continued recovery expected in '19
- Q1 '19 affected by temporary closure of a key OEM for platform change
- **2019 production outlook flat to +10%**

## Aftermarket



Aftermarket



- Q4 '18 up 7% vs. Q4 '17
- Full year 2018 up 18% (6% excl. acquisitions)
- Strong growth in key regions hampered by supply chain constraints till Q3
- Significant slowdown in Turkey and Russia as well as continued market erosion in Middle East
- **2019 Initial outlook ~6%**

## Trailers



Trailers



- Q4 '18 global production down 8% vs. Q4 '17; down 17% vs. Q3 '18; with strong drop in China partially offset by continued growth in Americas and Europe
- Total year 2018 production flat vs. 2017
- **2019 Global production outlook -5% to flat**

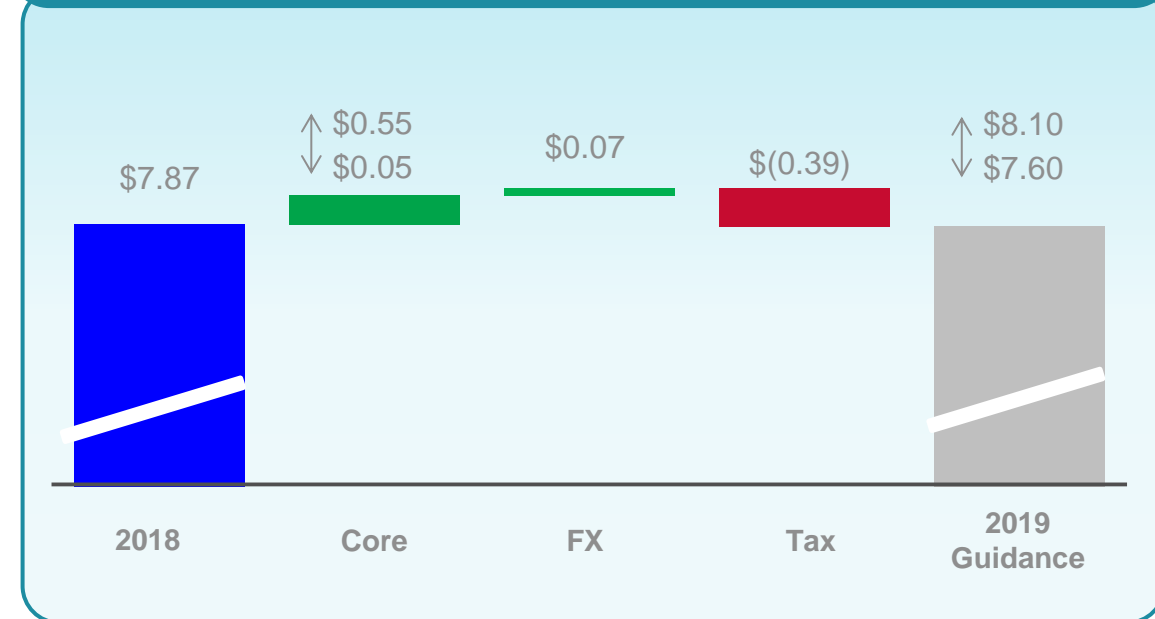
# FULL-YEAR 2019 GUIDANCE

(\$ Millions, except per share data)

As of Feb 15<sup>th</sup>, 2019

	2019
Sales Growth <sup>(4)</sup>	1.5% - 6.5% (in local currencies)
Reported Sales	\$3,800 - \$4,000 1 Euro = 1.15 USD
Performance Op Margin <sup>(1)</sup>	13.4% - 13.8%
Performance EPS <sup>(2)</sup>	\$7.60 - \$8.10
Performance Free Cash Flow <sup>(6)</sup>	80% - 90%

## 2019 Performance EPS<sup>(2)</sup> Guidance Bridge



## 2019 Performance EPS<sup>(2)</sup> Guidance Range

- Back to incremental margin framework except for excess of \$40M of engineering investment
- Price erosion in line with 2018
- Flow of net productivity back to normal
- Unusual level of one-timers in 2018 material productivity offset by flat YoY non-engineering opex
- Transactional FX vs 2018 rates positively affecting pre-tax profits by ~\$14M
- Average diluted shares ~49.7M
- Performance tax rate ~18% requiring \$5M of performance opex investment

Refer to Slide #16 for Footnotes

# WABCO CONTINUES TO DELIVER STRONG VALUE TO SHAREHOLDERS

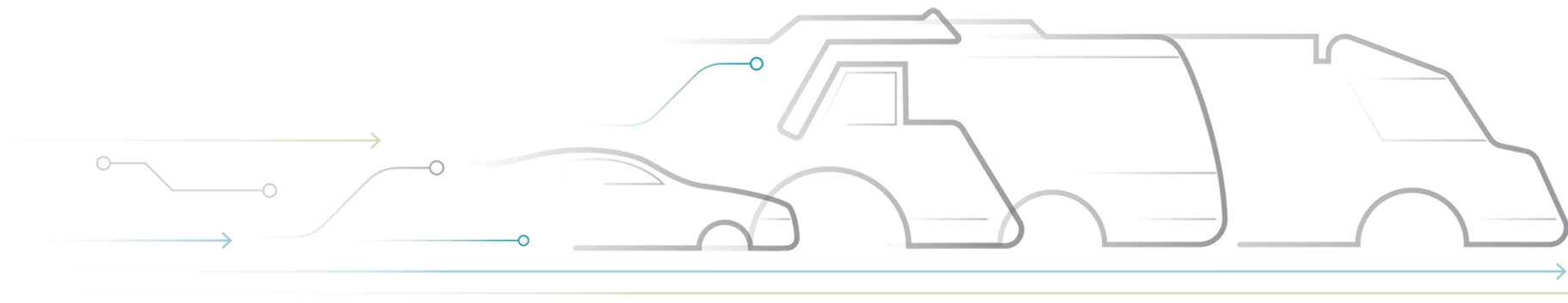
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- Closing 2018 on a high note with record Performance EPS and Performance Free Cash Flow
- In 2019:
  - Will continue to solidly outperform a weakening global Commercial Vehicle market
  - Delivering strong productivity gains in a now normalized supply chain
  - Stepping up investments in engineering to support recent wins and future technologies
  - Aiming to return \$400M through the Share buyback program

Refer to Slide #16 for Footnotes

# APPENDIX

## RECONCILIATIONS OF NON-GAAP MEASURES TO GAAP MEASURES



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# FOOTNOTES, TABLES & DEFINITIONS

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## Footnotes

1. Adjusted for streamlining, separation costs and acquisition related costs
2. Adjusted for streamlining, separation, one-time tax & discrete tax items and acquisition related costs
3. Net cash provided by operating activities less net purchases of property, plant, equipment and computer software
4. Adjusted for currency translation
5. Adjusted for currency translation, streamlining, separation costs and acquisition related costs
6. Free Cash Flow<sup>(3)</sup> excluding streamlining, separation and acquisition related and US transition tax payments

## Tables

The tables that follow provide the reconciliations of the non-GAAP financial measures to the most comparable US GAAP measures.

## Definitions

- **Separation costs** include all the incremental costs to establish WABCO as a stand-alone separate independent company. It also includes the costs associated with certain liabilities, including contingent liabilities, that have been assumed by WABCO from Trane, formerly American Standard, in the separation but which are not related to the Vehicle Controls Business. These costs would include the (i) periodic adjustments to the carrying values of the liability, (ii) interest on certain liabilities and (iii) costs to defend certain of these assumed liabilities.
- **Streamlining costs** are costs that help adjust the company's workforce and other resources to changing market requirements.
- **Acquisition related costs** cover costs related to acquiring a business and non-cash expenses associated with purchase accounting including amortization of identifiable intangible assets and impairments of non-marketable equity securities.



**WABCO HOLDINGS INC. AND SUBSIDIARIES**  
**Three Months Ended December 31, 2018 Data Supplement Sheet (Unaudited)**

(Amounts in millions, except per share data)	Three Months Ended December 31,					
	2018	% of Sales/ Adj Sales	2017	% of Sales/ Adj Sales	Chg vs. 2017	% Chg vs. 2017
<b>Sales</b>						
Reported	\$ 911.6		\$ 934.1		\$ (22.5)	-2.4%
Foreign exchange translational effects	35.5		-		35.5	
Adjusted Sales	<u>\$ 947.1</u>		<u>\$ 934.1</u>		<u>\$ 13.0</u>	1.4%
<b>Gross Profit</b>						
Reported	\$ 278.1	30.5%	\$ 276.6	29.6%	\$ 1.5	0.5%
Streamlining costs	1.4		2.0		(0.6)	
Acquisition related costs	-		7.5		(7.5)	
Performance Gross Profit	<u>\$ 279.5</u>	30.7%	<u>\$ 286.1</u>	30.6%	<u>\$ (6.6)</u>	-2.3%
Foreign exchange translational effects	9.9		-		9.9	
Adjusted Gross Profit	<u>\$ 289.4</u>	30.6%	<u>\$ 286.1</u>	30.6%	<u>\$ 3.3</u>	1.2%
<b>Operating Expenses</b>						
Reported	\$ 166.1	18.2%	\$ 151.7	16.2%	\$ 14.4	9.5%
Streamlining costs	(7.2)		(1.5)		(5.7)	
Separation costs	(0.2)		(3.9)		3.7	
Acquisition related costs	(4.9)		(4.4)		(0.5)	
Performance Operating Expenses	<u>\$ 153.8</u>	16.9%	<u>\$ 141.9</u>	15.2%	<u>\$ 11.9</u>	8.4%
Foreign exchange translational effects	5.3		-		5.3	
Adjusted Operating Expenses	<u>\$ 159.1</u>	16.8%	<u>\$ 141.9</u>	15.2%	<u>\$ 17.2</u>	12.1%
<b>Operating Income</b>						
Reported	\$ 112.0	12.3%	\$ 124.9	13.4%	\$ (12.9)	-10.3%
Streamlining costs	8.6		3.5		5.1	
Separation costs	0.2		3.9		(3.7)	
Acquisition related costs	4.9		11.9		(7.0)	
Performance Operating Income	<u>\$ 125.7</u>	13.8%	<u>\$ 144.2</u>	15.4%	<u>\$ (18.5)</u>	-12.8%
Foreign exchange translational effects	4.6		-		4.6	
Adjusted Operating Income	<u>\$ 130.3</u>	13.8%	<u>\$ 144.2</u>	15.4%	<u>\$ (13.9)</u>	-9.6%

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

**WABCO HOLDINGS INC. AND SUBSIDIARIES**  
**Three Months Ended December 31, 2018 Data Supplement Sheet (Unaudited)**

	Three Months Ended December 31,					
	2018	% of Sales/ Adj Sales	2017	% of Sales/ Adj Sales	Chg vs. 2017	% Chg vs. 2017
(Amounts in millions, except per share data)						
<b>EBIT (Earnings Before Interest and Taxes)</b>						
Reported Net Income Attributable to Company	\$ 114.5		\$ 168.3		\$ (53.8)	-32.0%
Income tax (benefit)/expense	(14.0)		186.1		(200.1)	
Interest expense, net	0.7		4.3		(3.6)	
EBIT	<u>\$ 101.2</u>	11.1%	<u>\$ 358.7</u>	38.4%	<u>\$ (257.5)</u>	-71.8%
Streamlining costs	8.6		3.5		5.1	
Separation costs	1.1		4.8		(3.7)	
Acquisition related costs/(income)	4.9		(235.7)		240.6	
Performance EBIT (Earnings Before Interest and Taxes)	<u>\$ 115.8</u>	12.7%	<u>\$ 131.3</u>	14.1%	<u>\$ (15.5)</u>	-11.8%
<b>Pre-Tax Income</b>						
Reported Net Income Attributable to Company	\$ 114.5		\$ 168.3		\$ (53.8)	
Income tax (benefit)/expense	(14.0)		186.1		(200.1)	
Pre-Tax Income Attributable to Company	<u>\$ 100.5</u>		<u>\$ 354.4</u>		<u>\$ (253.9)</u>	
Streamlining costs	8.6		3.5		5.1	
Separation costs	1.1		4.8		(3.7)	
Acquisition related costs/(income)	4.9		(235.7)		240.6	
Performance Pre-Tax Income Attributable to Company	<u>\$ 115.1</u>		<u>\$ 127.0</u>		<u>\$ (11.9)</u>	
Tax rate on a reported basis	-13.4%		51.9%			
Tax rate on a performance basis	3.9%		15.2%			
<b>Net Income Attributable to Company</b>						
Reported Net Income Attributable to Company	\$ 114.5		\$ 168.3		\$ (53.8)	
Streamlining costs	8.6		3.5		5.1	
Separation costs	1.1		4.8		(3.7)	
Acquisition related costs/(income)	4.9		(235.7)		240.6	
Tax items <sup>(1)</sup>	(18.5)		166.8		(185.3)	
Performance Net Income Attributable to Company	<u>\$ 110.6</u>		<u>\$ 107.7</u>		<u>\$ 2.9</u>	
Net Income Attributable to Company per Diluted Common Share	<u>\$ 2.20</u>		<u>\$ 3.12</u>			
Performance Net Income Attributable to Company per Diluted Common Share	<u>\$ 2.13</u>		<u>\$ 2.00</u>			

**Common Shares Outstanding - Diluted**

51.9

53.9

**Incremental Gross Profit and Operating Income Margin**

	Gross Profit	Operating Income
Increase in adjusted sales from '17	13.0	13.0
Increase in adjusted income from '17	3.3	(13.9)
<b>Incremental Income as a % of Sales</b>	<b>25.4%</b>	<b>-106.9%</b>
Less: YoY Transactional Foreign Exchange (FX) Impact		(3.6)
<b>Increase in adjusted income from '17 excluding transactional FX impact</b>		<b>(17.5)</b>
<b>Incremental income excluding transactional FX as a % of Sales</b>		<b>-134.6%</b>

(1) The tax impacts calculated are based on the statutory tax rate applicable to the item being adjusted for the jurisdiction from which the adjustment arises.

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

**WABCO HOLDINGS INC. AND SUBSIDIARIES**  
**Twelve Months Ended December 31, 2018 Data Supplement Sheet (Unaudited)**

(Amounts in millions, except per share data)	Twelve Months Ended December 31,					
	2018	% of Sales/ Adj Sales	2017	% of Sales/ Adj Sales	Chg vs. 2017	% Chg vs. 2017
<b>Sales</b>						
Reported	\$ 3,831.0		\$ 3,304.2		\$ 526.8	15.9%
Foreign exchange translational effects	(67.3)		-		(67.3)	
Adjusted Sales	<u>\$ 3,763.7</u>		<u>\$ 3,304.2</u>		<u>\$ 459.5</u>	13.9%
<b>Gross Profit</b>						
Reported	\$ 1,172.5	30.6%	\$ 1,013.8	30.7%	\$ 158.7	15.7%
Streamlining costs	3.2		7.6		(4.4)	
Acquisition related costs	-		7.5		(7.5)	
Performance Gross Profit	<u>\$ 1,175.7</u>	30.7%	<u>\$ 1,028.9</u>	31.1%	<u>\$ 146.8</u>	14.3%
Foreign exchange translational effects	(31.4)		-		(31.4)	
Adjusted Gross Profit	<u>\$ 1,144.3</u>	30.4%	<u>\$ 1,028.9</u>	31.1%	<u>\$ 115.4</u>	11.2%
<b>Operating Expenses</b>						
Reported	\$ 660.0	17.2%	\$ 578.8	17.5%	\$ 81.2	14.0%
Streamlining costs	(11.1)		(4.3)		(6.8)	
Separation costs	(0.9)		(16.8)		15.9	
Acquisition related costs	(18.0)		(20.9)		2.9	
Performance Operating Expenses	<u>\$ 630.0</u>	16.4%	<u>\$ 536.8</u>	16.2%	<u>\$ 93.2</u>	17.4%
Foreign exchange translational effects	(15.7)		-		(15.7)	
Adjusted Operating Expenses	<u>\$ 614.3</u>	16.3%	<u>\$ 536.8</u>	16.2%	<u>\$ 77.5</u>	14.4%
<b>Operating Income</b>						
Reported	\$ 512.5	13.4%	\$ 435.0	13.2%	\$ 77.5	17.8%
Streamlining costs	14.3		11.9		2.4	
Separation costs	0.9		16.8		(15.9)	
Acquisition related costs	18.0		28.4		(10.4)	
Performance Operating Income	<u>\$ 545.7</u>	14.2%	<u>\$ 492.1</u>	14.9%	<u>\$ 53.6</u>	10.9%
Foreign exchange translational effects	(15.7)		-		(15.7)	
Adjusted Operating Income	<u>\$ 530.0</u>	14.1%	<u>\$ 492.1</u>	14.9%	<u>\$ 37.9</u>	7.7%

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

**WABCO HOLDINGS INC. AND SUBSIDIARIES**  
**Twelve Months Ended December 31, 2018 Data Supplement Sheet (Unaudited)**

	Twelve Months Ended December 31,					
	2018	% of Sales/ Adj Sales	2017	% of Sales/ Adj Sales	Chg vs. 2017	% Chg vs. 2017
(Amounts in millions, except per share data)						
<b>EBIT (Earnings Before Interest and Taxes)</b>						
Reported Net Income Attributable to Company	\$ 394.1		\$ 406.1		\$ (12.0)	-3.0%
Income tax expense	49.3		229.7		(180.4)	
Interest expense, net	7.5		16.0		(8.5)	
EBIT	<u>\$ 450.9</u>	11.8%	<u>\$ 651.8</u>	19.7%	<u>\$ (200.9)</u>	-30.8%
Streamlining costs	14.3		11.9		2.4	
Separation costs	4.5		20.2		(15.7)	
Acquisition related costs/(income) <sup>(1)</sup>	23.5		(219.2)		242.7	
Performance EBIT (Earnings Before Interest and Taxes)	<u>\$ 493.2</u>	12.9%	<u>\$ 464.7</u>	14.1%	<u>\$ 28.5</u>	6.1%
<b>Pre-Tax Income</b>						
Reported Net Income Attributable to Company	\$ 394.1		\$ 406.1		\$ (12.0)	
Income tax expense	49.3		229.7		(180.4)	
Pre-Tax Income Attributable to Company	<u>\$ 443.4</u>		<u>\$ 635.8</u>		<u>\$ (192.4)</u>	
Streamlining costs	14.3		11.9		2.4	
Separation costs	4.5		20.2		(15.7)	
Acquisition related costs/(income) <sup>(1)</sup>	23.5		(219.2)		242.7	
Performance Pre-Tax Income Attributable to Company	<u>\$ 485.7</u>		<u>\$ 448.7</u>		<u>\$ 37.0</u>	
Tax rate on a reported basis	10.6%		35.2%			
Tax rate on a performance basis	14.0%		17.2%			
<b>Net Income Attributable to Company</b>						
Reported Net Income Attributable to Company	\$ 394.1		\$ 406.1		\$ (12.0)	
Streamlining costs	14.3		11.9		2.4	
Separation costs	4.5		20.2		(15.7)	
Acquisition related costs/(income) <sup>(1)</sup>	23.5		(219.2)		242.7	
Tax items <sup>(2)</sup>	(18.6)		152.6		(171.2)	
Performance Net Income Attributable to Company	<u>\$ 417.8</u>		<u>\$ 371.6</u>		<u>\$ 46.2</u>	
Net Income Attributable to Company per Diluted Common Share	<u>\$ 7.43</u>		<u>\$ 7.50</u>			
Performance Net Income Attributable to Company per Diluted Common Share	<u>\$ 7.87</u>		<u>\$ 6.86</u>			
Common Shares Outstanding - Diluted	53.1		54.1			

<b>Incremental Gross Profit and Operating Income Margin</b>	<b>Gross Profit</b>	<b>Operating Income</b>
Increase in adjusted sales from '17	459.5	459.5
Increase in adjusted income from '17	115.4	37.9
<b>Incremental Income as a % of Sales</b>	<b>25.1%</b>	<b>8.2%</b>
Less: YoY Transactional Foreign Exchange (FX) Impact		7.6
<b>Increase in adjusted income from '17 excluding transactional FX impact</b>		<b>45.5</b>
<b>Incremental income excluding transactional FX as a % of Sales</b>		<b>9.9%</b>

<sup>(1)</sup> Acquisition related costs include an impairment of a non-marketable equity securities

<sup>(2)</sup> The tax impacts calculated are based on the statutory tax rate applicable to the item being adjusted for the jurisdiction from which the adjustment arises.

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

**WABCO HOLDINGS INC.**  
**Reconciliation of Net Cash Provided**  
**By Operating Activities to Free Cash Flow**  
**(Unaudited)**

<i>(Amounts in millions)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
<b>Net Cash Provided by Operating Activities</b>	\$ 168.1	\$ 194.9	\$ 468.5	\$ 421.5
<b>Deductions or Additions to Reconcile to Free Cash Flow:</b>				
Net purchases of property, plant, equipment and computer software	(39.3)	(48.8)	(132.1)	(110.5)
<b>Free Cash Flow</b>	\$ 128.8	\$ 146.1	\$ 336.4	\$ 311.0
Less: Streamlining & separation payments	(7.5)	(7.4)	(28.6)	(40.7)
Less: Acquisition related payments	-	(7.4)	(0.3)	(8.8)
Less: US transition tax payments	(5.9)	-	(32.3)	-
<b>Performance Free Cash Flow</b>	\$ 142.2	\$ 160.9	\$ 397.6	\$ 360.5

**WABCO HOLDINGS INC. AND SUBSIDIARIES**  
**Reconciliation of GAAP to Non-GAAP Financial Measures for Full Year 2019 Guidance**  
**(Unaudited)**

(Amounts in millions, except per share data)

	<b>Full Year 2019 Guidance</b>
<b><u>Sales</u></b>	
Reported Sales	\$3,800.0 - \$4,000.0 <i>(1 Euro = 1.15 USD)</i>
<b><u>Operating Income</u></b>	
Reported Operating Income Margin	12.4% - 12.8%
Streamlining cost, impact to margin	0.6%
Separation costs, impact to margin	0.0%
Acquisition related items, impact to margin	0.4%
Performance Operating Income Margin	13.4% - 13.8%
<b><u>Net Income Attributable to Company</u></b>	
Reported Net Income Attributable to Company	\$341.7 - \$366.6
Streamlining cost	22.6
Separation costs	4.3
Acquisition related items	17.0
Tax items <sup>(1)</sup>	(7.9)
Performance Net Income Attributable to Company	\$377.7 - \$402.6
<b>Reported Net Income Attributable to Company per Diluted Common Share</b>	<b>\$6.88 - \$7.38</b>
<b>Performance Net Income Attributable to Company per Diluted Common Share</b>	<b>\$7.60 - \$8.10</b>
Diluted common shares outstanding	~ 49.7

<sup>(1)</sup> Includes the tax impacts of the above items, calculated based on the statutory tax rates applicable to each adjustment for the jurisdiction from which the adjustment arises.

Note: The presentation of performance net income and performance net income per diluted common share is not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

# WABCO

Mobilizing Vehicle Intelligence

# THANK YOU

