

**WABCO**  
FIRST QUARTER 2012



# Q1-2012 EARNINGS RELEASE

## APRIL 26, 2012



**JACQUES ESCULIER**  
Chairman & Chief Executive Officer  
**ULRICH MICHEL**  
Chief Financial Officer

# FORWARD LOOKING STATEMENTS

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-Q Quarterly Reports. 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. EBIT and sales excluding the effects of foreign exchange are non-GAAP financial measures. Additionally, gross profit, gross profit margin, operating income, operating income margin, EBIT, EBIT margin, 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 separation and streamlining items, and one-time and discrete tax items, as applicable. Free cash flow presents our net cash provided by operating activities less net purchases of property, plant, equipment and computer software. These measures should be considered in addition to, not as a substitute for, GAAP measures. 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. 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 available in WABCO's quarterly results presentations posted on the company's website.

## **Q1 2012 PERFORMANCE SUMMARY**

- **First Quarter Sales of \$657.3 Million; Up 0.5% in Local Currencies or Down 3% Reported**
- **Performance Gross Profit Margin<sup>(1)</sup> of 29.9% vs. 29.2% in Q1 '11; Reported Gross Profit Margin of 29.8% vs. 28.9% in Q1 '11**
- **Performance Operating Income<sup>(1)</sup> of \$91.3 Million vs. \$90.2 Million in Q1 '11; Reported Operating Income of \$89.5 Million vs. \$88.1 Million in Q1 '11**
- **Performance EPS<sup>(2)</sup> \$1.17 vs. \$1.12 in Q1 '11, Reported EPS \$1.34 vs. \$1.66 in Q1 '11**
- **Free Cash Flow<sup>(3)</sup> of \$78.8 Million, Excluding Streamlining & Separation Payments in the Quarter**
- **Returned \$49M Cash to Shareholders; Repurchased 874K Shares**
- **Maintaining Full Year 2012 Guidance**

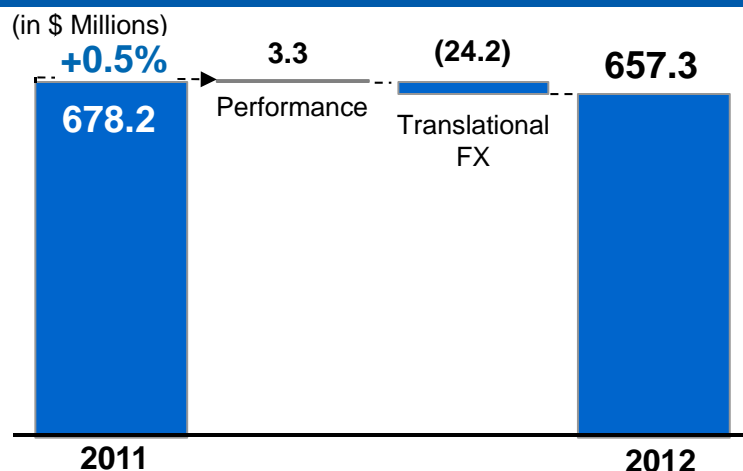
Refer to Slide #13 for Footnotes

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***Continued Market Outperformance; Record Operating Margin***

# Q1 SALES PERFORMANCE & MARKET TRENDS

## Q1 Sales Bridge



## Q1 YoY Sales Growth<sup>(4)</sup> By Channel

<b>OE</b>	(3%)	<ul style="list-style-type: none"> <li>• Down 1% vs. Q4 '11</li> <li>• Increased Content per Vehicle</li> <li>• Markets Slowed Down</li> </ul>
<b>Aftermarket</b>	4%	<ul style="list-style-type: none"> <li>• All-Time Record in Revenues</li> <li>• Slowdown in Growth as Indicator for Market Trend in Europe</li> </ul>
<b>Sales to JVs</b>	19%	<ul style="list-style-type: none"> <li>• Supporting Continued Growth in T&amp;B and Trailer Production in the US</li> </ul>

## Q1 T&B Sales Growth<sup>(4)</sup> vs. Estimated Production Growth By Region

	WABCO	Estimated Production	Comments
<b>Europe</b>	(4%)	(3%)	<ul style="list-style-type: none"> <li>• Negative vehicle mix in Russia</li> </ul>
<b>North America</b>	46%	36%	<ul style="list-style-type: none"> <li>• Increased value per vehicle in North America</li> </ul>
<b>South America</b>	(21%)	(32%)	<ul style="list-style-type: none"> <li>• Increased market share in South America</li> </ul>
<b>Japan/Korea</b>	24%	29%	<ul style="list-style-type: none"> <li>• Growth in Japan/Korea impacted by mix of export vs. domestic applications</li> </ul>
<b>China</b>	(24%)	(23%)	<ul style="list-style-type: none"> <li>• Chinese heavy duty construction vehicles lead the drop in the market</li> </ul>
<b>India</b>	4%	1%	

Refer to Slide #13 for Footnotes

***Still Outperforming a Declining Market***

# FINANCIAL PERFORMANCE Q1 2012

(in \$ Millions except per share data)

	Q1 Reported	Q1 Performance <sup>(1),(2)</sup>	Performance vs. 2011 In Local Curr. <sup>(5)</sup>	Performance Drivers
Sales	\$657.3	\$657.3	0.5%	<ul style="list-style-type: none"> <li>-1% versus Q4 '11</li> <li>\$1.1B Order Book, Flat vs. Dec. '11</li> <li>Price: (\$2.8) or (0.4%)</li> </ul>
Gross Profit	196.1	196.3	3.3%	<ul style="list-style-type: none"> <li>Volume &amp; Mix: \$1.1</li> <li>Productivity:                             <ul style="list-style-type: none"> <li>-Materials: \$9.8 (5.1% gross, 3.9% net)</li> <li>-Conversion: \$5.8 (5.5%)</li> <li>-OH absorption &amp; other: (\$8.2)</li> </ul> </li> </ul>
OPEX & Other	(106.6)	(105.0)	(1.4)%	
	(16.2%)	(16.0%)	-14 bps	
Operating Income	89.5	91.3	5.5%	<ul style="list-style-type: none"> <li>OPEX &amp; Other: (\$1.4)</li> </ul>
	13.6%	13.9%	+67 bps	
Equity Income	4.9	4.9		<ul style="list-style-type: none"> <li>Meritor WABCO JV up \$0.1 vs. '11</li> </ul>
Noncontrolling Int. Exp.	(2.8)	(2.8)		<ul style="list-style-type: none"> <li>Versus (\$3.6) in Q1 '11</li> </ul>
EBIT	\$90.9	\$93.0		<ul style="list-style-type: none"> <li>Separation (\$0.9) vs. \$21.5 in '11</li> <li>Streamlining (\$1.2) vs. (\$1.1) in '11</li> </ul>
	13.8%	14.1%		
Taxes	1.4	15.3		<ul style="list-style-type: none"> <li>FY Performance Tax Rate ~16.5%</li> </ul>
Net Income*	\$89.2	\$77.4		<ul style="list-style-type: none"> <li>Up from \$77.0M in Q1 2011</li> </ul>
<b>EPS</b>	<b>\$1.34</b>	<b>\$1.17</b>		<ul style="list-style-type: none"> <li>Versus '11 Reported of \$1.66 and Performance of \$1.12</li> </ul>

\*Represents net income attributable to company

Refer to Slide #13 for Footnotes

**Setting a New Record in Performance Operating Margin<sup>(1)</sup>**

# CASH FLOW SUMMARY Q1 2012

(in \$ Millions)

## Free Cash Flow

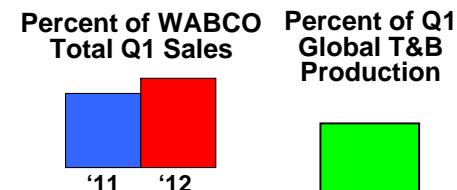
Cash Provided by Operating Activities		
Net Income including noncontrolling interest	92.0	
Depreciation & amortization	19.4	Receivables (\$13.0) Inventory (\$24.5) Payables \$28.6
Working capital	(8.9)	
Changes in other assets & liabilities	(8.2)	
<b>Net Cash Provided by Operating Activities</b>	<b>94.3</b>	
<b>Purchases of PP&amp;E, Tooling &amp; Computer Software</b>	<b>18.9</b>	
<b>Free Cash Flow<sup>(3)</sup></b>	<b>75.4</b>	
<b>Less: Streamlining &amp; separation payments</b>	<b>3.4</b>	
<b>Free Cash Flow<sup>(3)</sup> excl. streamlining &amp; separation payments</b>	<b>78.8</b>	

- Capex just below D&A but \$4.5M higher than previous year to support new programs and globalization
- Free cash flow conversion of 102% excluding streamlining & separation payments
- Repurchased ~0.9M shares in Q1 at a cost of ~\$49M

Refer to Slide #13 for Footnotes

***Strong Cash Conversion***

# MARKET DYNAMICS



## Europe

- Jan & Feb 2012 heavy duty truck registrations down 6% compared to 2011
- Current OE order book stable at January level; Q2 '12 orders 5% below Q2 '11 sales
- Uncertainty remains in market evolution
- 2012 T&B production estimate: Down ~7% to ~12%



## North America

- Q1 '12 production growth up 36%
- Replacement cycle continues to drive strong growth; average age of the fleet catching up
- Heavy and medium trucks growing with similar speed for FY 2012
- 2012 T&B production estimate: Up ~10% to ~15%



## China

- Q1 '12 T&B production 23% below last year but 6% higher than Q4 '11
- ABS penetration stable in Q1 '12 versus Q4 '11
- 2012 T&B production estimate: Down ~10% to ~15% with Q1 showing strongest decline

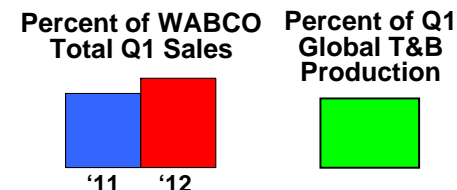


## India

- Q1 '12 T&B production 1% above last year and up 18% from Q4 '11
- Market growth expectations attract global OE's establishing local production
- 2012 T&B production estimate: Flat to Up ~5%

***Uncertainty in Market Remains***

# MARKET DYNAMICS



- Q1 '12 T&B production 29% above last year, weighted more towards exports
- Q1 '12 T&B production up 6% from Q4 '11
- 2012 T&B production estimate: Up ~10% to ~15%



- Q1 '12 T&B production 32% below last year and down 39% from Q4 '11
- 2012 T&B production estimate: Down ~15% to ~20% impacted by January '12 introduction of new emission standard



- Q1 growth of 4% in line with expectation of slowdown in T&B production and relatively mild winter conditions in Europe
- 2012 Outlook: Up ~5% to ~8%



- Q1 '12 production in Europe down 5% from last year and on Q4 '11 level
- 2012 global trailer production estimate: Flat to down ~5%

***Uncertainty in Market Remains***



# FOCUSING ON CORE STRATEGIES

## Globalization

- **Two-Millionth Air Compressor Made in Charleston, South Carolina:** Joint-venture factory supplies Cummins and other globally operating manufacturers of diesel engines and commercial vehicles in North America and worldwide
- **New VP Americas Position Further Globalizes Senior Management Team:** WABCO veteran Nikhil Varty assumes newly created executive position

## New Technologies & Products

- **OnGuardPLUS for a Major Commercial Vehicle Manufacturer in Europe:** Breakthrough emergency braking system's first adoption in Europe with series production of more than 50,000 systems annually expected to begin in Q3 2013
- **Contract with Major Truck Maker in U.S. for Innovative Air Compressors:** Factory in Charleston, South Carolina to supply industry-leading technology for diesel engines for premium heavy duty trucks in series production in the U.S.
- **WABCO to Remanufacture Air Conditioning Compressors for a Global Car Manufacturer in U.S.:** New agreement announced in March at the 2012 Mid-America Trucking Show (MATS) in Louisville, Kentucky

## Execution

- **WABCO Wins Record Number of Top Supplier Awards in China:** 8 major commercial vehicle manufacturers honor WABCO with 11 awards for superlative performance during 2011 for excellence, innovation and quality
- **WABCO Operating System Continues to Deliver Strong Results:**
  - Generated 5.1% gross materials productivity in Q1 2012 and 3.9% net after commodity inflation
  - 5.5% conversion productivity in Q1 2012

*Continued Success in Executing Core Strategies*

# FY 2012 GUIDANCE

## 2012 Guidance

(\$ Millions, except per share data)

<b>Sales Growth</b>	<sup>(4)</sup> <b>(2.0)% - 3.0%</b> <i>(in local currencies)</i>
<b>Sales at 1 EURO = 1.30 USD</b>	<b>\$2,570 – 2,710</b>
<b>Performance Op Margin<sup>(1)</sup></b>	<b>12.8% – 13.8%</b>
<b>Performance EPS<sup>(2)</sup></b>	<b>\$4.30 - \$4.80</b>
<b>Free Cash Flow Conversion<sup>(3)</sup></b>	<b>80% - 90%</b> <i>(Excluding Stream. &amp; Separation)</i>

## Key Inputs

- **Continued outperformance of the market**
- **Annual price erosion ~1%**
- **Raw material inflation: 1.5% to 2.0% of materials cost**
- **Productivity levels in line with past performance**
- **Performance tax rate ~16.5%**
- **~65.5M average diluted shares**

Refer to Slide #13 for Footnotes

***Confirming Previous Guidance***

## SUMMARY

- **First Quarter Sales up 0.5% in Local Currencies**
- **Delivered Record Performance Operating Margin<sup>(1)</sup> of 13.9%**
- **Achieved \$1.17 of Performance EPS<sup>(2)</sup> vs. \$1.12 in Q1 '11**
- **Generated \$78.8M of Free Cash Flow<sup>(3)</sup> Excluding Streamlining & Separation Payments, a Conversion Rate of 102%**
- **Maintaining Full Year 2012 Guidance**
  - **Sales Down 2% to Up 3% in Local Currencies**
  - **Performance Operating Margin<sup>(1)</sup> between 12.8% & 13.8%**
  - **Performance EPS<sup>(2)</sup> Between \$4.30 and \$4.80**
- **Continuing to Buyback Shares**

Refer to Slide #13 for Footnotes

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*Continuing to Enhance Shareholder Value*

# **APPENDIX**

## **RECONCILIATIONS OF NON-GAAP MEASURES TO GAAP MEASURES**

# Footnotes, Tables & Definitions

## Footnotes

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1. Adjusted for streamlining and separation costs
2. Adjusted for streamlining, separation and one-time tax and discrete tax items
3. Net cash provided by operating activities less net cash used in investing activities
4. Adjusted for currency translation
5. Adjusted for currency translation, streamlining and separation costs

## Tables

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

## Definitions

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- **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 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 those costs that help adjust the company's workforce and other resources to changing market requirements.

WABCO HOLDINGS INC.  
Q1 2012 Data Supplement Sheet (Unaudited)



(Amounts in millions, except per share data)

	2012	% of Sales/ Adj Sales	Quarter Ended March 31, 2011	% of Sales/ Adj Sales	Chg vs. 2011	% Chg vs. 2011
<b>Sales</b>						
Reported	\$ 657.3		\$ 678.2		\$ (20.9)	-3.1%
Foreign exchange translational effects	24.2		-		24.2	
<b>Adjusted Sales</b>	<b>\$ 681.5</b>		<b>\$ 678.2</b>		<b>\$ 3.3</b>	<b>0.5%</b>
<b>Gross Profit</b>						
Reported	\$ 196.1	29.8%	\$ 196.3	28.9%	\$ (0.2)	-0.1%
Streamlining costs	0.0		1.1		(1.1)	
Separation costs	0.2		0.3		(0.1)	
<b>Performance Gross Profit</b>	<b>\$ 196.3</b>	<b>29.9%</b>	<b>\$ 197.7</b>	<b>29.2%</b>	<b>\$ (1.4)</b>	<b>-0.7%</b>
Foreign exchange translational effects	7.9		-		7.9	
<b>Adjusted Gross Profit</b>	<b>\$ 204.2</b>	<b>30.0%</b>	<b>\$ 197.7</b>	<b>29.2%</b>	<b>\$ 6.5</b>	<b>3.3%</b>
<b>Selling, Administrative, Product Engineering Expenses and Other</b>						
Reported	\$ 106.6	16.2%	\$ 108.2	16.0%	\$ (1.6)	-1.5%
Streamlining costs	(1.2)		-		(1.2)	
Separation costs	(0.4)		(0.7)		0.3	
UK pension adjustment	-		-		-	
<b>Performance Selling, Administrative, Product Engineering Expenses and Other</b>	<b>\$ 105.0</b>	<b>16.0%</b>	<b>\$ 107.5</b>	<b>15.9%</b>	<b>\$ (2.5)</b>	<b>-2.3%</b>
Foreign exchange translational effects	4.0		-		4.0	
<b>Adjusted Selling, Administrative, Product Engineering Expenses and Other</b>	<b>\$ 109.0</b>	<b>16.0%</b>	<b>\$ 107.5</b>	<b>15.9%</b>	<b>\$ 1.5</b>	<b>1.4%</b>
<b>Operating Income</b>						
Reported	\$ 89.5	13.6%	\$ 88.1	13.0%	\$ 1.4	1.6%
Streamlining costs	1.2		1.1		0.1	
Separation costs	0.6		1.0		(0.4)	
UK pension adjustment	-		-		-	
<b>Performance Operating Income</b>	<b>\$ 91.3</b>	<b>13.9%</b>	<b>\$ 90.2</b>	<b>13.3%</b>	<b>1.1</b>	<b>1.2%</b>
Foreign exchange translational effects	3.9		-		3.9	
<b>Adjusted Operating Income</b>	<b>\$ 95.2</b>	<b>14.0%</b>	<b>\$ 90.2</b>	<b>13.3%</b>	<b>\$ 5.0</b>	<b>5.5%</b>

WABCO HOLDINGS INC.  
Q1 2012 Data Supplement Sheet (Unaudited)



(Amounts in millions, except per share data)

	2012	% of Sales/ Adj Sales	Quarter Ended March 31, 2011	% of Sales/ Adj Sales	Chg vs. 2011	% Chg vs. 2011
<b><u>EBIT (Earnings Before Interest and Taxes)</u></b>						
Reported Operating Income/(Loss)	\$ 89.5		\$ 88.1		\$ 1.4	
Equity in Income of Unconsolidated Joint Venture	4.9		4.7		0.2	
Other non-operating expenses, net	(0.7)		(0.3)		(0.4)	
Indemnification and Other settlements	-		23.1		(23.1)	
Net income attributable to noncontrolling interest	(2.8)		(3.6)		0.8	
<b>EBIT</b>	<b>\$ 90.9</b>	<b>13.8%</b>	<b>\$ 112.0</b>	<b>16.5%</b>	<b>\$ (21.1)</b>	<b>-18.8%</b>
Streamlining costs	1.2		1.1		0.1	
Separation costs	0.9		(21.5)		22.4	
<b>Performance EBIT (Earnings Before Interest and Taxes)</b>	<b>\$ 93.0</b>	<b>14.1%</b>	<b>\$ 91.6</b>	<b>13.5%</b>	<b>\$ 1.4</b>	<b>1.5%</b>
Foreign exchange translational effects	3.6		-		3.6	
<b>Adjusted EBIT (Earnings Before Interest and Taxes)</b>	<b>\$ 96.6</b>	<b>14.2%</b>	<b>\$ 91.6</b>	<b>13.5%</b>	<b>\$ 5.0</b>	<b>5.5%</b>
<b><u>Pre-Tax Income</u></b>						
EBIT	\$ 90.9		\$ 112.0		\$ (21.1)	
Interest (expense)/income, net	(0.3)		(0.5)		0.2	
<b>Pre-Tax Income</b>	<b>\$ 90.6</b>		<b>\$ 111.5</b>		<b>\$ (20.9)</b>	
Streamlining costs	1.2		1.1		0.1	
Separation costs	0.9		(21.5)		22.4	
<b>Performance Pre-Tax Income</b>	<b>\$ 92.7</b>		<b>\$ 91.1</b>		<b>\$ 1.6</b>	
Tax rate on a performance basis	16.5%		15.5%			
<b><u>Net Income Attributable to Company</u></b>						
Reported Net Income Attributable to Company	\$ 89.2		\$ 114.7		\$ (25.5)	
Streamlining cost, net of tax	1.1		1.1		-	
Tax items	(13.6)		(17.0)		3.4	
Separation costs, net of tax and separation related taxes	0.7		(21.8)		22.5	
<b>Performance Net Income Attributable to Company</b>	<b>\$ 77.4</b>		<b>\$ 77.0</b>		<b>\$ 0.4</b>	
<b>Performance Net Income Attributable to Company per Diluted Common Share</b>	<b>\$ 1.17</b>		<b>\$ 1.12</b>			
<b>Common Shares Outstanding - Diluted</b>	<b>66.4</b>		<b>69.0</b>			

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



(Amounts in millions)

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Net Cash Provided by Operating Activities</b>	\$ 94.3	\$ 71.0
<b>Deductions or Additions to Reconcile to Free Cash Flow:</b>		
Net purchases of property, plant, equipment and computer software	(18.9)	(14.4)
<b>Free Cash Flow</b>	\$ 75.4	\$ 56.6
<b>Less: Streamlining &amp; separation payments</b>	\$ (3.4)	\$ (4.7)
<b>Free Cash Flow excluding streamlining &amp; separation payments</b>	\$ 78.8	\$ 61.3

Note: This statement reconciles net cash provided by operating activities to free cash flow. Management uses free cash flow, which is not defined by US GAAP, to measure the Company's operating performance. Free cash flow is also one of the several measures used to determine incentive compensation for certain employees.



**WABCO HOLDINGS INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures for Full Year 2012 Guidance**  
**(Unaudited)**



(Amounts in millions, except per share data)

	<b>Full Year 2012 Guidance</b>
<b>Operating Income</b>	
Reported Operating Income Margin	12.3% - 13.3%
Streamlining cost, impact to margin	0.4%
Separation costs, impact to margin	0.1%
<b>Performance Operating Income Margin</b>	<b>12.8% - 13.8%</b>
<b><u>Net Income Attributable to Company</u></b>	
Reported Net Income Attributable to Company	\$283.2 - \$315.9
Streamlining cost, net of tax	8.0
Tax items	(12.6)
Separation costs, net of tax and separation related taxes	3.1
<b>Performance Net Income Attributable to Company</b>	<b>\$281.7 - \$314.4</b>
<b>Reported Net Income Attributable to Company per Diluted Common Share</b>	<b>\$4.32 - \$4.82</b>
<b>Performance Net Income Attributable to Company per Diluted Common Share</b>	<b>\$4.30 - \$4.80</b>
Diluted common shares outstanding	~65.5

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.