

Q1 – 2013 EARNINGS RELEASE APRIL 25, 2013



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 2013 Performance Summary

- First Quarter Sales of \$644.7 Million; down 0.7% in local currencies or down 1.9% Reported
- Record Performance Gross Profit Margin⁽¹⁾ at 31.1% vs. 29.9% in Q1 '12; Reported Gross Profit Margin of 30.7% vs. 29.8% in Q1 '12
- Performance Operating Income⁽¹⁾ of \$87.6 Million vs. \$91.3 Million in Q1 '12; Reported Operating Income of \$81.7 Million vs. \$89.5 Million in Q1 '12
- Performance EPS⁽²⁾ \$1.17 vs. \$1.17 in Q1 '12, Reported EPS \$1.18 vs. \$1.34 in Q1 '12
- Free Cash Flow⁽³⁾ of \$49.4 Million, excluding streamlining & separation payments in the quarter
- Returned \$52M cash to shareholders; repurchased 746k shares
- Upgrading Full Year 2013 Guidance

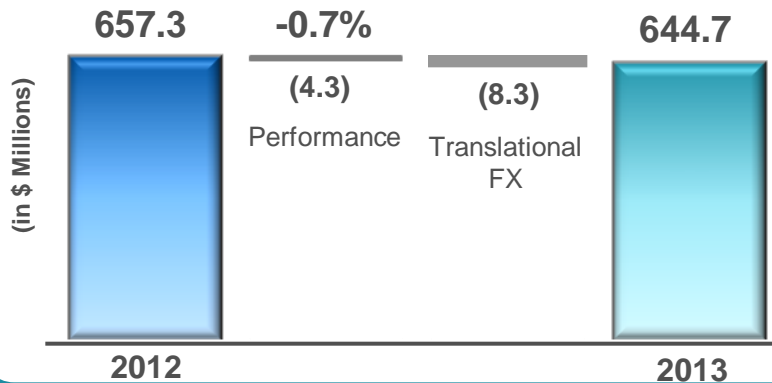
Refer to Slide #13 for Footnotes

Strong execution in sluggish market driving improved outlook

WABCO

Q1 Sales Performance & Market Trends

Q1 Sales Bridge



Q1 YoY Sales Growth (4) By Channel

OE	(3%)	<ul style="list-style-type: none"> Increased content per vehicle Up sequentially 11% vs. Q4 '12
Aftermarket	9%	<ul style="list-style-type: none"> New record quarterly revenue on currency adjusted basis Supporting an OE field campaign to replace competitor's ADB
Sales to JVs	(12%)	<ul style="list-style-type: none"> Lower NA T&B and trailer production drives decline

Q1 YoY T&B Sales Growth⁽⁴⁾ vs. Estimated Production Growth By Region

	WABCO	Estimated Production	Comments
Europe	(3%)	(10%)	<ul style="list-style-type: none"> SOM increase in Eastern Europe
North America	(6%)	(19%)	<ul style="list-style-type: none"> Higher content per vehicle in N. America (OnGuard™ and AMT)
South America	45%	47%	<ul style="list-style-type: none"> OEs in Europe and NA ramping up for higher production in Q2
Japan/Korea	(13%)	(14%)	<ul style="list-style-type: none"> Japan shows higher decrease of vehicles for domestic demand with higher content per vehicle offset by additional content in Korea
China	0%	(6%)	<ul style="list-style-type: none"> Market share gains in China (ABS and other technologies)
India	(38%)	(34%)	<ul style="list-style-type: none"> Continued decline in T&B production in India; heavy multi-axles vehicles impacted most

Continued outperformance in a 10% T&B global production decline

WABCO

Financial Performance Q1 2013

(in \$ Millions except per share data)

Profit and Loss Statement Highlights

	Q1 Reported	(1),(2) Q1 Performance	(5) Performance vs 2012 in local curr.	Performance Drivers
Sales	\$644.7	\$644.7	(0.7%)	<ul style="list-style-type: none"> +7.1% vs Q4 '12, \$1.2B order book, +12% vs Dec '12 Price: (\$7.2) or (1.1%)
Gross Profit	197.7 30.7%	200.8 31.1%	3.0% +110 bps	<ul style="list-style-type: none"> Volume & Mix: (\$8.4) Materials productivity: \$12.7 (5.0% gross, 4.5% net) Conversion productivity: \$6.1 (5.9%)
OPEX & Other	(116.0) (18.0%)	(113.2) (17.6%)	(8.1%) -141 bps	<ul style="list-style-type: none"> OH absorption & other: \$4.2 Warranty: \$4.9
Operating Income	81.7 12.7%	87.6 13.6%	(2.9%) -31 bps	<ul style="list-style-type: none"> Labor inflation: (\$6.4) Opex investments (\$4.2) FX negatively impacts margin by 46bps year-over-year
Equity Income Non-controlling Int. Exp	2.9 (2.3)	2.9 (2.3)		<ul style="list-style-type: none"> Meritor WABCO JV down (\$1.9) from Q1 '12 Versus (\$2.8) in Q1'12
EBIT	\$82.2 12.8%	\$88.4 13.7%		<ul style="list-style-type: none"> Separation (\$0.7) vs. \$(0.6) in '12 Streamlining (\$5.2) vs. (\$1.2) in '12
Taxes	(8.2)	(13.2)		<ul style="list-style-type: none"> FY Performance tax rate 15% Favorable discrete tax items
Net Income*	\$73.7	\$74.9		<ul style="list-style-type: none"> Down from \$77.4M in 2012
EPS	\$1.15	\$1.17		<ul style="list-style-type: none"> Versus '12 Reported of \$1.34 and Performance of \$1.17

Strong execution delivers record Gross Profit margin

WABCO

Cash Flow Summary Q1 2013

(in \$ Millions)

Free Cash Flow

Cash Provided by Operating Activities;

• Net Income including non-controlling interest	76.0
• Depreciation & amortization	21.3
• Working capital	(22.9)
• Changes in other assets & liabilities	(10.4)

Net Cash Provided by Operating Activities **64.0**

Purchases of PP&E, Tooling & Computer Software (20.4)

Free Cash Flow⁽³⁾ 43.6

• Streamlining & separation payments	5.8
--------------------------------------	-----

Free Cash Flow⁽³⁾ excl. streamlining & separation payments **49.4**

- Working capital up due to increased business activity versus Q4 '12
- Past dues decreased versus December
- Seasonally high tax and incentive compensation payments
- Repurchased 746k shares in Q1 at a cost of ~\$52M

Refer to Slide #13 for Footnotes

Conversion rate affected by seasonality of cash payments

WABCO

Market Dynamics

% of WABCO
Q1 Sales




2012 2013

Q1 '13 Global T&B
Production




61% 62% 18%

Europe 


- New registrations of heavy trucks down 16% in first 2 months of Q1 vs. 2012
- Q1 T&B production down 10% versus 2012 and down 3% vs. Q4 '12
- **2013 T&B production outlook: Flat to -3%**
- Upgraded low end of range driven by stronger Q1 sales and higher Q2 order book
- Q1 run rate would result in ~10% year-over-year production decline

10% 10% 15%

North America 


- Production down 19% in Q1 vs. 2012 and down 4% vs. Q4 '12
- **2013 T&B production outlook: -5% to -10%**
- Downgraded outlook based on weak Q1 and current outlook
- Q1 run rate would result in ~15% year-over-year production decline

6% 7% 40%

China 

- Q1 '13 T&B production down 6% versus 2012 and up 8% vs. Q4 '12
- **2013 T&B production outlook: flat to -5%** biggest decline in MDT
- Q1 run rate would result in ~10% year-over-year increase of production

7% 5% 10%

India 

- Q1 '13 T&B production down 34% vs. 2012 or up 6% vs. Q4 '12
- **2013 T&B production outlook: Flat to -5%**, biggest decline in HD multi-axle vehicles
- Q1 run rate would result in ~15% year-over-year production decline

Uncertainty in market prevails

WABCO

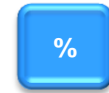
Market Dynamics

% of WABCO
Q1 Sales



2012 2013

Q1 '13 Global T&B
Production



6% 7% **10%** Japan & Korea

- Q1 '13 T&B production down 14% vs. 2012 or down 11% vs. Q4 '12
- Stronger decline for export vehicles compared to domestic
- **2013 T&B production outlook: -3% to -8%**
- Q1 run rate would result in ~10% year-over-year production decline

6% 8% **6%** Brazil

- Q1 '13 T&B production up 47% above 2012 or up 25% vs. Q4 '12
- 1st H stronger than 2nd H year due to lowered government incentives
- **2013 T&B production outlook: +12% to 17%**
- Q1 run rate would result in ~30% year-over-year increase in production

23% 25% **Aftermarket**

- 9% Growth in Q1 helped by European OE field service campaign, replacing a competitor's ADB
- **2013 outlook: Up ~5%**

9% 9% **Trailer**

- Q1 '13 Global production down 6% vs. 2012 or up 7% versus Q4 '12
- **2013 global production outlook: Flat to -5%** (WE decreasing more than other Regions)
- Q1 run rate would result in ~5% year-over-year production decline

Uncertainty in market prevails

WABCO

Focusing on Core Strategies

Globalization

- **MAXXUS™ Technology Now on Highway on Daimler Trucks in North America:** Industry's lightest, highest performing single-piston air disc brake continues in series production on several models per previously disclosed long-term supply agreement with Daimler Trucks North America
- **Global Contribution Award from Toyota's Hino Commercial Vehicle Unit:** Recognition for WABCO's performance excellence in 2012 for supplying vehicle safety and efficiency technologies

New Technologies & Products

- **Next Generation OnGuard™ Collision Mitigation System in Series Production:** Four major truck manufacturers in North America already installing latest OnGuard technology, the market's most widely adopted collision mitigation system for commercial vehicles
- **Electronically Controlled Air Suspension Wins Awards in North America:** Trade press recognizes optimal ride performance and "intelligent load transfer" among other innovations in WABCO's ECAS technology, further marking the company's industry leadership
- **Industry's First Hydraulic Anti-Lock Braking System Integrated with ESCsmart™ Electronic Stability Control:** ABS and ESC safety technologies combined for hydraulic brake applications on medium-duty trucks and buses ahead of anticipated ESC regulations in North America in 2016

Execution

- **Daimler Supplier Award During 2012:** Major recognition in electronics category for WABCO's outstanding performance in terms of technology innovation, quality, cost and supply
- **WABCO Operating System Continues to Deliver Strong Results:**
 - Generated 5.0% gross materials productivity in Q1 2013 and 4.5% net after commodity inflation
 - 5.9% conversion productivity in Q1 2013, another robust result

Continued success in executing core strategies

WABCO

FY 2013 Guidance

(\$ Millions, except per share data)

Guidance as of April 25, 2013

	Prior	Updated
Sales Growth ⁽⁴⁾	2% - 7% (in local currencies)	3% - 7% (in local currencies)
Reported Sales	\$2,600 - \$2,750 1 Euro = 1.35 USD	\$2,600 - \$2,700 1 Euro = 1.31 USD
Performance Op Margin ⁽¹⁾	12.3% - 13.3%	12.7% - 13.3%
Performance EPS ⁽²⁾	\$4.30 - \$4.80	\$4.45 - \$4.85
Free Cash Flow Conversion ⁽³⁾	80% - 90% (excl. Stream & Separation)	80% - 90% (excl. Stream. & Separation)

Key Inputs

- Annual price erosion: 1% to 1.5%
- Raw material inflation: 0.5%-1% of material costs
- Productivity levels in line with past performance
- Performance tax rate 15%
- Average diluted shares ~63M
- Anticipated release of tax valuation allowance on NOL's in 4Q: ~\$200M (non-performance)

Refer to Slide #13 for Footnotes

Upgrading guidance based on stronger execution

WABCO

Summary

- Outperformed in a global market that further declined 10% in T&B production
- Continued drive for excellence in execution:
 - ▶ delivered a new quarterly productivity record of \$18.8 Million
 - ▶ achieved record Performance Gross Profit Margin ⁽¹⁾ of 31.1% for the quarter
- Sustained First Quarter Performance EPS ⁽²⁾ of \$1.17 in market downturn
- Generated \$49.4M of Free Cash Flow ⁽³⁾ excluding streamlining & separation payments
- Upgrading Full Year 2013 guidance
- Share buy-back program ongoing

Refer to Slide #13 for Footnotes

WABCO continues to deliver on key drivers of shareholder value

WABCO

APPENDIX

RECONCILIATIONS OF NON-GAAP MEASURES TO GAAP MEASURES

Footnotes, Tables & Definitions

Footnotes

1. Adjusted for streamlining and separation costs
2. Adjusted for streamlining, separation, the UK pension adjustment and one-time tax and discrete tax items
3. Net cash provided by operating activities less net purchases of purchases of property, plant, equipment and computer software
4. Adjusted for currency translation
5. Adjusted for currency translation, streamlining and separation costs
6. Adjusted for currency translation, transactional currency and streamlining and separation costs

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 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 2013 Data Supplement Sheet (Unaudited)

(Amounts in millions, except per share data)

	<u>2013</u>	<u>% of Sales/ Adj Sales</u>	<u>Quarter Ended March 31, 2012</u>	<u>% of Sales/ Adj Sales</u>	<u>Chg vs. 2012</u>	<u>% Chg vs. 2012</u>
<u>Sales</u>						
Reported	\$ 644.7		\$ 657.3		\$ (12.6)	-1.9%
Foreign exchange translational effects	8.3		-		8.3	
Adjusted Sales	\$ 653.0		\$ 657.3		\$ (4.3)	-0.7%
<u>Gross Profit</u>						
Reported	\$ 197.7	30.7%	\$ 196.1	29.8%	\$ 1.6	0.8%
Streamlining costs	2.9		0.0		2.9	
Separation costs	0.2		0.2		-	
Performance Gross Profit	\$ 200.8	31.1%	\$ 196.3	29.9%	\$ 4.5	2.3%
Foreign exchange translational effects	1.4		-		1.4	
Adjusted Gross Profit	\$ 202.2	31.0%	\$ 196.3	29.9%	\$ 5.9	3.0%
<u>Selling, Administrative, Product Engineering Expenses and Other</u>						
Reported	\$ 116.0	18.0%	\$ 106.6	16.2%	\$ 9.4	8.8%
Streamlining costs	(2.3)		(1.2)		(1.1)	
Separation costs	(0.5)		(0.4)		(0.1)	
Performance Selling, Administrative, Product Engineering Expenses and Other	\$ 113.2	17.6%	\$ 105.0	16.0%	\$ 8.2	7.8%
Foreign exchange translational effects	0.3		-		0.3	
Adjusted Selling, Administrative, Product Engineering Expenses and Other	\$ 113.5	17.4%	\$ 105.0	16.0%	\$ 8.5	8.1%
<u>Operating Income</u>						
Reported	\$ 81.7	12.7%	\$ 89.5	13.6%	\$ (7.8)	-8.7%
Streamlining costs	5.2		1.2		4.0	
Separation costs	0.7		0.6		0.1	
Performance Operating Income	\$ 87.6	13.6%	\$ 91.3	13.9%	(3.7)	-4.1%
Foreign exchange translational effects	1.1		-		1.1	
Adjusted Operating Income	\$ 88.7	13.6%	\$ 91.3	13.9%	\$ (2.6)	-2.9%

WABCO HOLDINGS INC.
Q1 2013 Data Supplement Sheet (Unaudited)

(Amounts in millions, except per share data)

	2013	% of Sales/ Adj Sales	Quarter Ended March 31, 2012	% of Sales/ Adj Sales	Chg vs. 2012	% Chg vs. 2012
<u>EBIT (Earnings Before Interest and Taxes)</u>						
Reported Operating Income/(Loss)	\$ 81.7		\$ 89.5		\$ (7.8)	
Equity in Income of Unconsolidated Joint Venture	2.9		4.9		(2.0)	
Other non-operating expense, net	(0.1)		(0.7)		0.6	
Net income attributable to noncontrolling interest	(2.3)		(2.8)		0.5	
EBIT	\$ 82.2	12.8%	\$ 90.9	13.8%	\$ (8.7)	-9.6%
Streamlining costs	5.2		1.2		4.0	
Separation costs	1.0		0.9		0.1	
Performance EBIT (Earnings Before Interest and Taxes)	\$ 88.4	13.7%	\$ 93.0	14.1%	\$ (4.6)	-4.9%
Foreign exchange translational effects	1.0		-		1.0	
Adjusted EBIT (Earnings Before Interest and Taxes)	\$ 89.4	13.7%	\$ 93.0	14.1%	\$ (3.6)	-3.8%
<u>Pre-Tax Income</u>						
EBIT	\$ 82.2		\$ 90.9		\$ (8.7)	
Interest (expense)/income, net	(0.3)		(0.3)		-	
Pre-Tax Income	\$ 81.9		\$ 90.6		\$ (8.7)	
Streamlining costs	5.2		1.2		4.0	
Separation costs	1.0		0.9		0.1	
Performance Pre-Tax Income	\$ 88.1		\$ 92.7		\$ (4.6)	
Tax rate on a performance basis	15.0%		16.5%			
<u>Net Income Attributable to Company</u>						
Reported Net Income Attributable to Company	\$ 73.7		\$ 89.2		\$ (15.5)	
Streamlining cost, net of tax	4.3		1.1		3.2	
Tax items	(3.9)		(13.6)		9.7	
Separation costs, net of tax and separation related taxes	0.8		0.7		0.1	
Performance Net Income Attributable to Company	\$ 74.9		\$ 77.4		\$ (2.5)	
Performance Net Income Attributable to Company per Diluted Common Share	\$ 1.17		\$ 1.17			
Common Shares Outstanding - Diluted	64.1		66.4			

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)

(Amounts in millions)

	Three Months Ended March 31,	
	2013	2012
Net Cash Provided by Operating Activities	\$ 64.0	\$ 94.3
Deductions or Additions to Reconcile to Free Cash Flow:		
Net purchases of property, plant, equipment and computer software	(20.4)	(18.9)
Free Cash Flow	<u>\$ 43.6</u>	<u>\$ 75.4</u>
Less: Streamlining & separation payments	<u>\$ (5.8)</u>	<u>\$ (3.4)</u>
Free Cash Flow excluding streamlining & separation payments	<u>\$ 49.4</u>	<u>\$ 78.8</u>

Note: This statement reconciles net cash provided by operating activities to free cash flow. Management uses free cash flow and free cash flow excluding streamlining and separation payments, which are not defined by US GAAP, to measure the Company's operating performance. Free cash flow excluding streamlining and separation payments 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 2013 Guidance
(Unaudited)

(Amounts in millions, except per share data)

	Previous Full Year 2013 Guidance	Updated Full Year 2013 Guidance
<u>Operating Income</u>		
Reported Operating Income Margin	11.7% - 12.7%	12.1% - 12.7%
Streamlining cost, impact to margin	0.4%	0.4%
Separation costs, impact to margin	0.2%	0.2%
Performance Operating Income Margin	12.3% - 13.3%	12.7% - 13.3%
<u>Net Income Attributable to Company</u>		
Reported Net Income Attributable to Company	\$459.7 - \$491.3	\$469.2 - \$494.5
Streamlining cost, net of tax	8.5	8.5
Tax items	(200.0)	(200.0)
Separation costs, net of tax and separation related taxes	4.0	4.0
Performance Net Income Attributable to Company	\$272.2 - \$303.8	\$281.7 - \$307.0
Reported Net Income Attributable to Company per Diluted Common Share	\$7.26 - \$7.76	\$7.41 - \$7.81
Performance Net Income Attributable to Company per Diluted Common Share	\$4.30 - \$4.80	\$4.45 - \$4.85
Diluted common shares outstanding	~63.3	~63.3

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.



A WORLD OF DIFFERENCE