

**WABCO**  
FIRST QUARTER 2011



# Q1-2011 EARNINGS RELEASE

## April 29, 2011



**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 and net income 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 2011 PERFORMANCE SUMMARY**

- **First Quarter Sales of \$678.2 Million; Up 36% in Local Currencies or 38% Reported**
- **Performance Gross Profit Margin<sup>(1)</sup> of 29.1% vs. 28.6% in Q1 '10; Reported Gross Profit Margin of 28.9% vs. 28.5% in Q1 '10**
- **Performance Operating Income<sup>(1)</sup> of \$90.2 Million vs. \$44.5 Million in Q1 '10; Reported Operating Income of \$88.1 Million vs. 43.1 Million in Q1 '10**
- **Performance EPS<sup>(2)</sup> \$1.12 vs. \$0.51 in Q1 '10, Reported EPS \$1.66 vs. \$0.47 in Q1 '10**
- **Free Cash Flow<sup>(3)</sup> of \$61.3 Million, Excluding Streamlining & Separation payments in the Quarter**
- **Raising Full Year 2011 Guidance**

Refer to Slide #13 for Footnotes

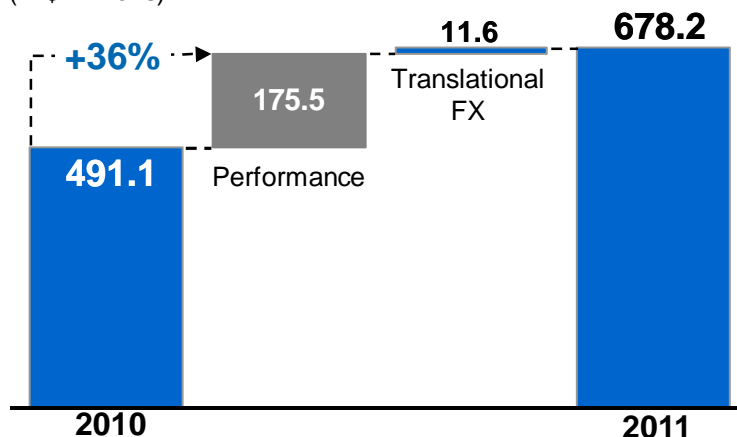
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***Continued Outstanding Organic Growth; Record Profitability***

# SALES PERFORMANCE & MARKET TRENDS

## Q1 Sales Bridge

(in \$ Millions)



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

<b>OEMs</b>	47%	<ul style="list-style-type: none"> <li>• Up 11% vs. Q4 '10</li> <li>• Increased Content per Vehicle</li> <li>• Strong Growth Continues in Developed Markets</li> </ul>
<b>Aftermarket</b>	12%	<ul style="list-style-type: none"> <li>• Normal Fleet Utilization Rates</li> <li>• Setting New Record in Revenues</li> </ul>
<b>Sales to JVs</b>	32%	<ul style="list-style-type: none"> <li>• 102% Increase in Trailer Production in US</li> <li>• Preparing for Accelerated Truck Builds through 2011</li> </ul>

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

	WABCO	Estimated Production	Comments
<b>Europe</b>	72%	68%	• Increased content per vehicle, particularly high in China & India
<b>North America</b>	43%	38%	• North America more bullish than anticipated
<b>South America</b>	23%	17%	• Japanese T&B production down 6%
<b>Japan/Korea</b>	2%	(3%)	• Production in China at peak levels
<b>China</b>	23%	4%	• Increased penetration of ABS in China and India
<b>India</b>	27%	10%	

Refer to Slide #13 for Footnotes

*Continuing to Globally Outperform a Strong Growing Market*

# FINANCIAL PERFORMANCE Q1 2011

(in \$ Millions except per share data)

	Q1 Reported	Q1 Performance <sup>(1),(2)</sup>	Performance vs. 2010 In Local Curr. <sup>(5)</sup>	Performance Drivers
Sales	\$678.2	\$678.2	<b>35.7%</b>	<ul style="list-style-type: none"> <li>+9 versus Q4 '10</li> <li>Order Book at \$1.2B, Up 41% YoY</li> <li>Price: (\$10.8) or (1.6%)</li> </ul>
Gross Profit	196.3	197.7	<b>40.3%</b>	<ul style="list-style-type: none"> <li>Volume &amp; Mix: \$39.0</li> <li>Productivity:                             <ul style="list-style-type: none"> <li>–Materials: \$9.3 (5.7% gross, 3.2% net)</li> <li>–Conversion: \$5.9 (5.5%)</li> <li>–OH absorption &amp; other: \$17.2</li> </ul> </li> </ul>
OPEX & Other	(108.2)	(107.5)	<b>(12.0%)</b>	<ul style="list-style-type: none"> <li>–R&amp;D investment: (\$4.2)</li> <li>–Investment in global expansion: (\$3.2)</li> <li>–Incentive compensation: (\$2.2)</li> <li>–Labor &amp; other inflation: (\$1.8)</li> </ul>
Operating Income	88.1	90.2	<b>101.5%</b>	
Equity Income	4.7	4.7		<ul style="list-style-type: none"> <li>Meritor WABCO JV up \$2.8 vs. '10</li> </ul>
Noncontrolling Int. Exp.	(3.6)	(3.6)		<ul style="list-style-type: none"> <li>Versus '10 of (\$3.0)</li> </ul>
EBIT	\$112.0	\$91.6		<ul style="list-style-type: none"> <li>Separation \$21.5 vs. (\$3.6) in '10</li> <li>Streamlining (\$1.1) vs. \$0.1 in '10</li> </ul>
Taxes	(3.2)	14.1		<ul style="list-style-type: none"> <li>15.6% Performance tax rate</li> <li>~\$19M favorable tax audit settlements</li> </ul>
Net Income	\$114.7	\$77.0		<ul style="list-style-type: none"> <li>Net Income more than double 2010</li> </ul>
<b>EPS</b>	<b>\$1.66</b>	<b>\$1.12</b>		<ul style="list-style-type: none"> <li>Versus '10 Reported of \$0.47 and Performance of \$0.51</li> </ul>

Refer to Slide #13 for Footnotes

**32% Incremental Gross Margin; 26% Incremental Operating Margin<sup>(1)</sup>**

# CASH FLOW SUMMARY Q1 2011

(in \$ Millions)

## Free Cash Flow

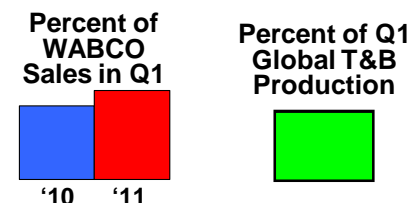
Cash Provided by Operating Activities		
Net Income including noncontrolling interest	118.3	} Receivables (\$54.9) Inventory (\$31.6) Payables \$20.9
Depreciation & amortization	20.1	
Working capital	(65.6)	
Changes in other assets & liabilities	(1.8)	
<b>Net Cash Provided by Operating Activities</b>	<b>71.0</b>	
<b>Purchases of PP&amp;E, Tooling &amp; Computer Software</b>	<b>(14.4)</b>	
<b>Free Cash Flow<sup>(3)</sup></b>	<b>56.6</b>	
<b>Less: Streamlining &amp; separation payments</b>	<b>(4.7)</b>	
<b>Free Cash Flow<sup>(3)</sup> excl. streamlining &amp; separation payments</b>	<b>61.3</b>	

- Net income includes ~\$40M of non-cash related accrual reversals, primarily from the resolution of separation related indemnification liabilities as well as tax audit settlements
- Increased business volumes drove working capital higher, while past dues as a percentage of accounts receivable were reduced by 10%
- Free cash flow conversion of 80% excluding streamlining & separation payments

Refer to Slide #13 for Footnotes

***Another Solid Cash Conversion in High Growth Environment***

# MARKET DYNAMICS



- New registrations for heavy duty truck up 65% in Q1 '11 vs. Q1 '10 and up 10% vs. Q4 '10
- WABCO's order book continues to increase
- Expect T&B production to grow ~+25% full year '11



- Freight demand continues to increase
- High average truck age
- Q1 order intake at high level
- Recovery stronger than anticipated
- 2011 T&B production estimate: Up 50% to 60%



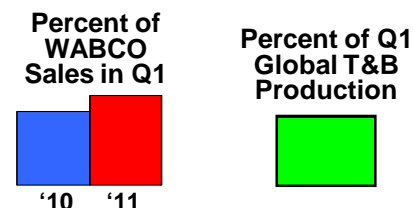
- Q1 '11 T&B production close to previous peak of 406K; anticipated at lower levels for Q2 – Q4
- ABS gaining momentum in 2011
- Still most challenging market to predict
- 2011 T&B production estimate: Down (10%) to (15%)



- Increasing production from several global OE's with recently established local production
- ABS penetration improving
- 2011 T&B production estimate: Up 10% to 15%

***Erosion in China More Than Offset by North America***

# MARKET DYNAMICS



7% 6% **Japan/Korea** 6%

- Natural disaster in Japan resulting in expected drop in T&B production of 50% in Q2, followed by gradual recovery
- Production in Korea remains above '10
- 2011 T&B production estimate: Down (10%) to (15%)

7% 7% **Brazil** 7%

- Government stimulus to CV industry extended through 2011
- 2011 T&B production estimate: Up 5% to 10%

29% 24% **Aftermarket**

- European utilization rates continue at normal levels
- 2011 Outlook: Above 10% sales growth

7% 8% **Trailer**

- Significant improvement in outlook for US production
- Most other markets currently stable
- 2011 global production estimate: ~+35%

***Impact on Japan More Than Offset by Other Market Increases***



# FOCUSING ON CORE STRATEGIES

## Globalization

- **WABCO Opens Factory in Jinan, China:** WABCO's fourth factory in China, the new Jinan production facility is ingrained with Six Sigma Lean
- **WABCO Certified as High Tech Firm by Qingdao in China:** Government certifies WABCO's local innovation capabilities and R&D investments
- **WABCO Establishes New Subsidiary in Russia:** WABCO RUS serves across CIS through national network of 4 sales offices and 140 service points

## New Technologies & Products

- **Shaanxi Fast Gear Adopts OptiDrive™:** World's largest maker of heavy duty transmissions equips platform of new products with OptiDrive systems
- **Over 10,000 OnGuard™ Systems Sold in North America as of Q1 2011:** Collision mitigation system increasingly adopted by national truck fleets as customers collectively clock over 1 billion miles (1.6 billion km) using OnGuard
- **Innovative Air Processing Units for IVECO in Brazil and Argentina:** Long term contract to supply new generation of air processing technology for full range of light, medium and heavy trucks in series production starting 2012

## Execution

- **Chief Quality Officer Joins WABCO in Newly Created Executive Position:** Kazuo Kawashima strengthens global management team and leads way for further powering how WABCO ingrains quality across value chain
- **WABCO Operating System Maintains Strong Results:** Continues to provide flexibility for fast changing, high growth market environment:
  - Generated 5.7% gross materials productivity in Q1 2011 and 3.2% net after commodity inflation
  - Achieved 5.5% conversion productivity in Q1 2011

*Continued Success in Executing Core Strategies*

# FY 2011 GUIDANCE

## Updated 2011 Guidance

(\$ Millions, except per share data)

	Original	Revised (1 EURO = 1.37 USD)
	Low End – High End	Low End – High End
<b>Sales</b>	18% - 23% <sup>(4)</sup>	\$2,700 - \$2,800 20% - 25% <sup>(4)</sup>
<b>Performance Op Margin</b> <sup>(1)</sup>	12.6% – 13.6%	12.8% – 13.8%
<b>Performance EPS</b> <sup>(2)</sup>	\$3.75 - \$4.15	\$4.15 - \$4.55
<b>Free Cash Flow Conversion</b> <sup>(3)</sup>	80% - 90% (Excluding Stream. & Separation)	80% - 90% (Excluding Stream. & Separation)

## Key Inputs

- Annual price erosion ~1.5%
- Maintaining strong levels of productivity
- ~2.5% higher materials cost from raw materials inflation
- Net interest expense at current rates
- Performance tax rate of ~15.6%
- 2011 weighted average shares at 69M
- Streamlining & separation cash payments: ~\$15M

Refer to Slide #13 for Footnotes

**Raising Full Year 2011 Guidance**

# SUMMARY

- **First Quarter Sales up 36% in Local Currencies**
- **Continued Outperforming the Market in Every Region**
- **Delivered Record Performance Operating Margin<sup>(1)</sup> of 13.3%**
- **Achieved \$1.12 of Performance EPS<sup>(2)</sup> vs. \$0.51 in Q1 '10**
- **Generated Over \$61M of Free Cash Flow<sup>(3)</sup> Excluding Streamlining & Separation Payments**
- **Raising Full Year 2011 Guidance**
  - **Sales up 20% to 25% in Local Currencies**
  - **Performance Operating Margin<sup>(1)</sup> between 12.8% & 13.8%**
  - **Performance EPS<sup>(2)</sup> Between \$4.15 and \$4.55**

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***Record Quarter of Profitability; Raised Outlook for FY 2011***

# **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 2011 Data Supplement Sheet (Unaudited)**

(Amounts in millions, except per share data)

	2011	% of Sales/ Adj Sales	Quarter Ended March 31, 2010	% of Sales/ Adj Sales	Chg vs. 2010	% Chg vs. 2010
<b>Sales</b>						
Reported	\$ 678.2		\$ 491.1		\$ 187.1	38.1%
Foreign exchange translational effects	(11.6)		-		(11.6)	
<b>Adjusted Sales</b>	<b>\$ 666.6</b>		<b>\$ 491.1</b>		<b>\$ 175.5</b>	<b>35.7%</b>
<b>Gross Profit</b>						
Reported	\$ 196.3	28.9%	\$ 140.2	28.5%	\$ 56.1	40.0%
Streamlining costs	1.1		0.0		1.1	
Separation costs	0.3		0.3		(0.0)	
<b>Performance Gross Profit</b>	<b>\$ 197.7</b>	<b>29.1%</b>	<b>\$ 140.5</b>	<b>28.6%</b>	<b>\$ 57.2</b>	<b>40.7%</b>
Foreign exchange translational effects	(0.5)		-		(0.5)	
<b>Adjusted Gross Profit</b>	<b>\$ 197.2</b>	<b>29.6%</b>	<b>\$ 140.5</b>	<b>28.6%</b>	<b>\$ 56.7</b>	<b>40.3%</b>
<b>Selling, Administrative, Product Engineering Expenses and Other</b>						
Reported	\$ 108.2	16.0%	\$ 97.1	19.8%	\$ 11.1	11.4%
Streamlining costs	-		-		-	
Separation costs	(0.7)		(1.1)		0.4	
<b>Performance Selling, Administrative, Product Engineering Expenses and Other</b>	<b>\$ 107.5</b>	<b>15.8%</b>	<b>\$ 96.0</b>	<b>19.5%</b>	<b>\$ 11.5</b>	<b>12.0%</b>
Foreign exchange translational effects	-		-		-	
<b>Adjusted Selling, Administrative, Product Engineering Expenses and Other</b>	<b>\$ 107.5</b>	<b>16.1%</b>	<b>\$ 96.0</b>	<b>19.5%</b>	<b>\$ 11.5</b>	<b>12.0%</b>
<b>Operating Income</b>						
Reported	\$ 88.1	13.0%	\$ 43.1	8.8%	\$ 45.0	104.4%
Streamlining costs	1.1		-		1.1	
Separation costs	1.0		1.4		(0.4)	
<b>Performance Operating Income</b>	<b>\$ 90.2</b>	<b>13.3%</b>	<b>44.5</b>	<b>9.1%</b>	<b>45.7</b>	<b>102.6%</b>
Foreign exchange translational effects	(0.5)		-		(0.5)	
<b>Adjusted Operating Income</b>	<b>\$ 89.7</b>	<b>13.5%</b>	<b>\$ 44.5</b>	<b>9.1%</b>	<b>\$ 45.2</b>	<b>101.5%</b>

**WABCO HOLDINGS INC.**  
**Q1 2011 Data Supplement Sheet (Unaudited)**

(Amounts in millions, except per share data)

	<b>2011</b>	<b>% of Sales/ Adj Sales</b>	<b>Quarter Ended March 31, 2010</b>	<b>% of Sales/ Adj Sales</b>	<b>Chg vs. 2010</b>	<b>% Chg vs. 2010</b>
<b><u>EBIT (Earnings Before Interest and Taxes)</u></b>						
Reported Operating Income/(Loss)	\$ 88.1		\$ 43.1		\$ 45.0	
Equity in Income of Unconsolidated Joint Venture	4.7		1.8		2.9	
Other non-operating expenses, net	(0.3)		(3.2)		2.9	
Indemnification and Other settlements	23.1		-		23.1	
Net income attributable to noncontrolling interest	(3.6)		(3.0)		(0.6)	
<b>EBIT</b>	<b>\$ 112.0</b>	<b>16.5%</b>	<b>\$ 38.7</b>	<b>7.9%</b>	<b>\$ 73.3</b>	<b>189.4%</b>
Streamlining costs	1.1		(0.1)		1.2	
Separation costs	(21.5)		3.6		(25.1)	
<b>Performance EBIT (Earnings Before Interest and Taxes)</b>	<b>\$ 91.6</b>	<b>13.5%</b>	<b>\$ 42.2</b>	<b>8.6%</b>	<b>\$ 49.4</b>	<b>117.1%</b>
Foreign exchange translational effects	(1.5)		-		(1.5)	
<b>Adjusted EBIT (Earnings Before Interest and Taxes)</b>	<b>\$ 90.1</b>	<b>13.5%</b>	<b>\$ 42.2</b>	<b>8.6%</b>	<b>\$ 47.9</b>	<b>113.5%</b>
<b><u>Pre-Tax Income</u></b>						
EBIT	\$ 112.0		\$ 38.7		\$ 73.3	
Interest (expense)/income, net	(0.5)		(0.4)		(0.1)	
<b>Pre-Tax Income</b>	<b>\$ 111.5</b>		<b>\$ 38.3</b>		<b>\$ 73.2</b>	
Streamlining costs	1.1		(0.1)		1.2	
Separation costs	(21.5)		3.6		(25.1)	
<b>Performance Pre-Tax Income</b>	<b>\$ 91.1</b>		<b>\$ 41.8</b>		<b>\$ 49.3</b>	
Tax rate on a performance basis	15.6%		19.6%			
<b><u>Net Income</u></b>						
Reported Net Income	\$ 114.7		\$ 30.7		\$ 84.0	
Streamlining cost, net of tax	1.1		-		1.1	
Tax items	(17.0)		-		(17.0)	
Separation costs, net of tax and separation related taxes	(21.8)		2.9		(24.7)	
<b>Performance Net Income</b>	<b>\$ 77.0</b>		<b>\$ 33.6</b>		<b>\$ 43.4</b>	
<b>Performance Net Income per Diluted Common Share</b>	<b>\$ 1.12</b>		<b>\$ 0.51</b>			
<b>Common Shares Outstanding - Diluted</b>	<b>69.0</b>		<b>65.7</b>			
<b><u>Incremental Gross Profit and Operating Income Margin</u></b>						
Increase in adjusted sales from '10	175.5		175.5			
Increase in adjusted income from '10	56.7		45.2			
<b>Incremental Income as a % of Sales</b>	<b>32%</b>		<b>26%</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>2011</b>	<b>2010</b>
<b>Net Cash Provided by Operating Activities</b>	\$ 71.0	\$ 28.0
<b>Deductions or Additions to Reconcile to Free Cash Flow:</b>		
Net purchases of property, plant, equipment and computer software	(14.4)	(12.4)
<b>Free Cash Flow</b>	<b>\$ 56.6</b>	<b>\$ 15.6</b>
<b>Less: Streamlining &amp; separation payments</b>	<b>\$ (4.7)</b>	<b>\$ (11.1)</b>
<b>Free Cash Flow excluding streamlining &amp; separation payments</b>	<b>\$ 61.3</b>	<b>\$ 26.7</b>



**WABCO HOLDINGS INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures for Full Year 2011 Guidance**  
**(Unaudited)**

(Amounts in millions, except per share data)

	<b>Previous Full Year 2011 Guidance</b>	<b>Revised Full Year 2011 Guidance</b>
<b>Operating Income</b>		
Reported Operating Income Margin	12.2% - 13.2%	12.4% - 13.4%
Streamlining cost, impact to margin	0.3%	0.3%
Separation costs, impact to margin	0.1%	0.1%
<b>Performance Operating Income Margin</b>	<b>12.6% - 13.6%</b>	<b>12.8% - 13.8%</b>
<b>Net Income</b>		
Reported Net Income	\$266.8 - \$294.5	\$319.0 - \$346.6
Streamlining cost, net of tax	6.3	7.0
Tax items	3.0	(17.9)
Separation costs, net of tax and separation related taxes	(17.4)	(21.7)
<b>Performance Net Income</b>	<b>\$258.7 - \$286.4</b>	<b>\$286.4 - \$314.0</b>
<b>Reported Net Income per Diluted Common Share</b>	<b>\$3.87 - \$4.27</b>	<b>\$4.62 - \$5.02</b>
<b>Performance Net Income per Diluted Common Share</b>	<b>\$3.75 - \$4.15</b>	<b>\$4.15 - \$4.55</b>
Diluted common shares outstanding	69.0	69.0

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.