



Half-Year Figures as of June 30, 2015

ZF Friedrichshafen AG

Dr. Konstantin Sauer
Chief Financial Officer



100
YEARS
MOTION
AND
MOBILITY

Preliminary Remarks



Preliminary Remarks

- **On May 15, 2015, ZF fully acquired TRW** for a purchase price of USD 12.4 billion.
- The half-year figures (statement of profit or loss) include the **sales and income figures of ZF TRW since that date for a period of 1.5 months**.
- The comparative values are the ZF Group figures as of June 30, 2014, without inclusion of ZF TRW. There are neither combined financial statements nor pro-forma financial statements for the first half of 2014.
- The half-year figures of ZF TRW were converted on Group level from U.S. GAAP to IFRS. The transition to IFRS has not been completed yet.
- Consolidation on Group level comprises approx. 300 companies.
- Due to seasonalization and one-time effects from the M&A transactions, **the extrapolation of the first half to the full year – above all for income figures – is not possible**.

Half-Year Figures as of June 30, 2015



Table of Contents

Preliminary remarks *p. 3*

Business Development in the First Half of 2015 *p. 5*

1. Highlights *p. 6*

2. Group sales *p. 7*

a) Group sales by regions *p. 8*

b) Sales by divisions *p. 9*

3. EBIT / EBITDA *p. 10*

4. Net Profit after Tax *p. 12*

5. Adjusted Free Cash Flow *p. 13*

6. Total Assets / Equity Ratio *p. 14*

7. Net Financial Debt *p. 15*

8. Key Figures at a Glance *p. 16*

Future Prospects *p. 17*

9. General Market Development *p. 18*

10. Integration of TRW *p. 20*

11. Outlook International Motor Show (IAA) *p. 21*

12. Forecast *p. 22*

13. Conclusion *p. 23*

Business Development in the First Half of 2015

Highlights from the First Half of 2015



Successful first half of 2015

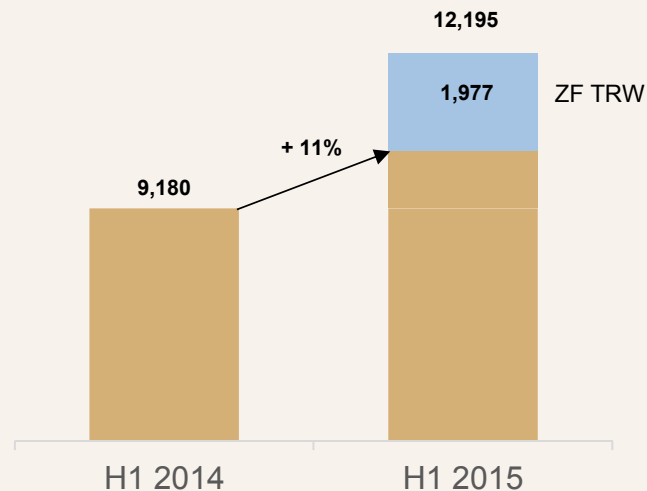
- **Sales** increase again on a constant currency basis
- Disproportionate **EBITDA** increase due to extraordinary items
- Placement of a **record bonded loan** as well as several **corporate bonds** in connection with acquisition financing

Strategic further development on track

- Acquisition of **TRW** completed and comprehensive integration measures initiated
- Sale of 50% share in **ZF Lenksysteme** to Robert Bosch GmbH completed in January 2015
- **Proposed acquisition of large gearbox business** of Bosch Rexroth AG

Group sales

in € million

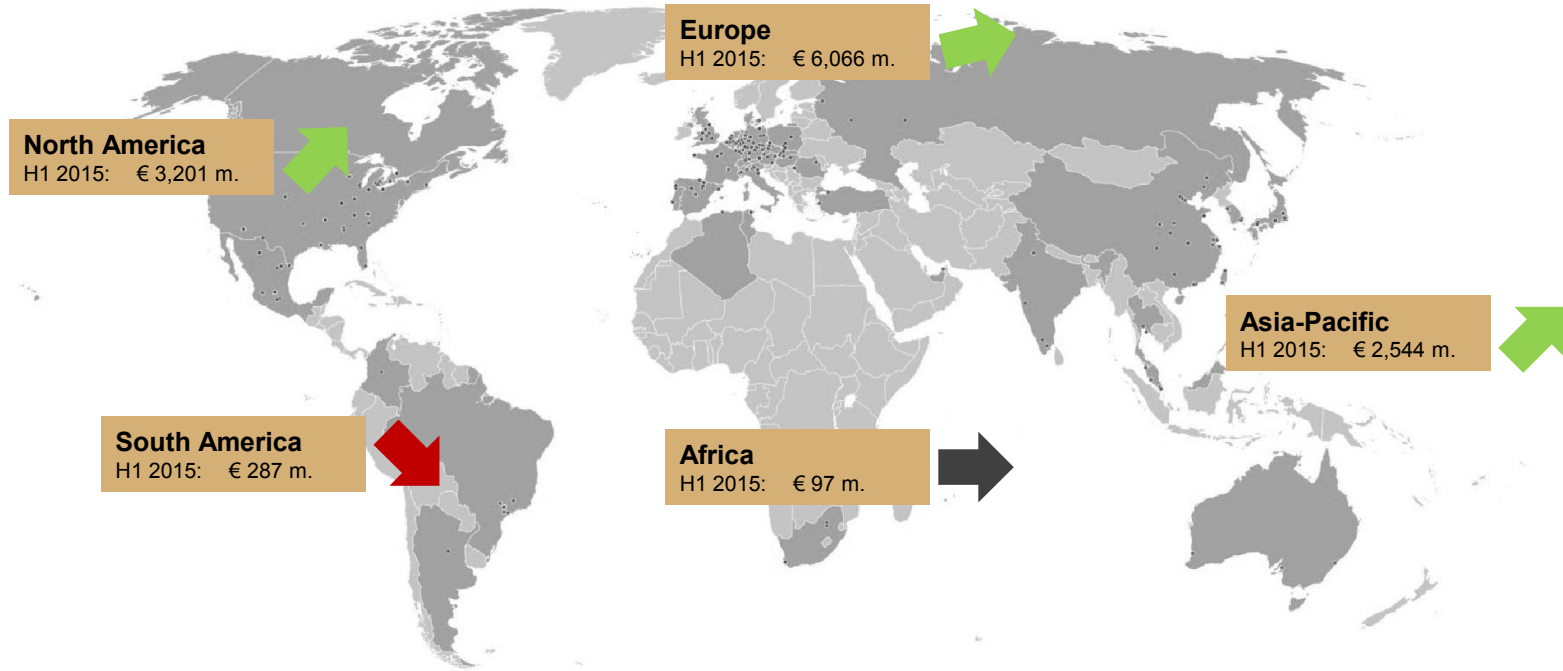


Developments:

- Sales figures include ZF TRW's sales of € 1,977 million generated since mid-May 2015
- Positive market development in the U.S. and Asia compensate for weaker development in Eastern Europe and South America
- Sales growth of approx. 3% on a constant currency basis

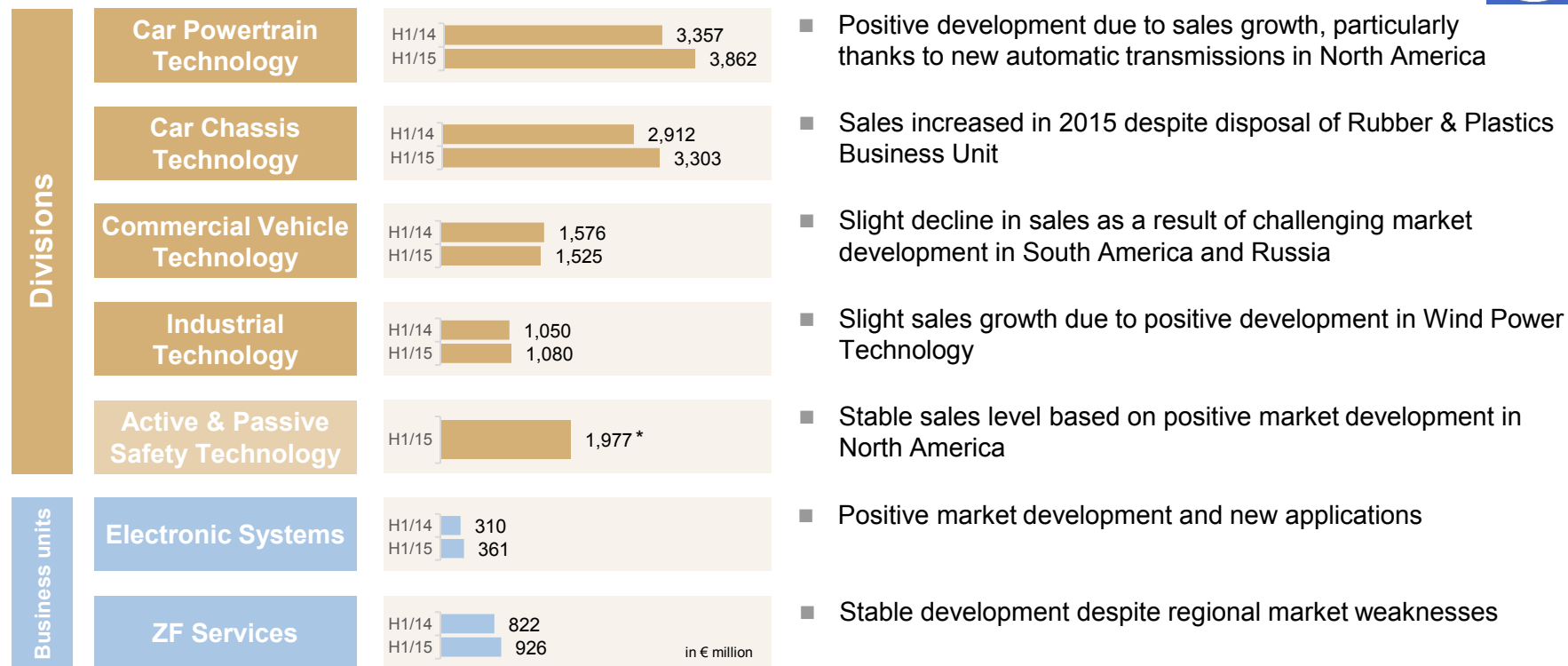
Stable sales growth, automotive competence further strengthened through TRW acquisition.

Group sales by Regions



Strong growth in North America & Asia-Pacific, significant decline in South America.

Sales by Divisions & Business Units



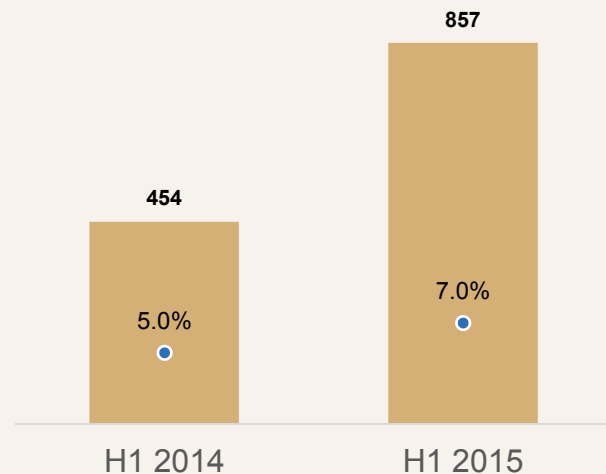
Divisions and strategic business units develop largely positively.

Earnings Before Interest and Taxes (EBIT)



EBIT and EBIT margin

in € million and %



Developments:

- Sale of 50% share in ZF Lenksysteme has one-time positive effect on results
- Transaction costs for TRW acquisition and additional expenses from purchase price allocation negatively affect operating profit
- Market weakness in South America and Eastern Europe reduce both sales and results
- Expenses for the expansion of development centers in the U.S., Europe and China

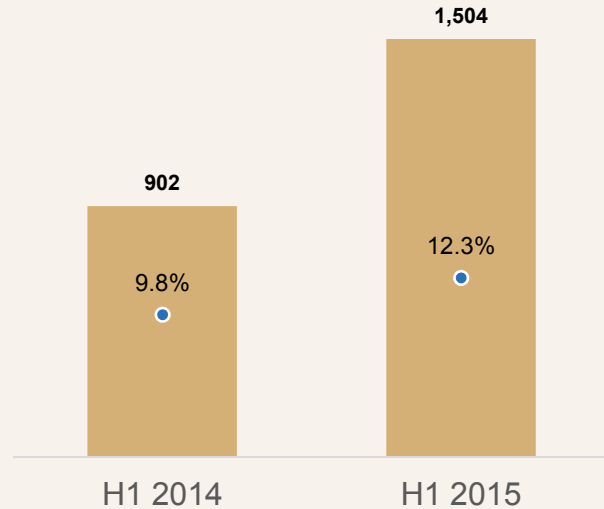
**One-time exceptional items lead to EBIT increase.
EBIT excluding exceptional items on prior year level.**

Earnings Before Interest, Taxes, Depreciation/Amortization (EBITDA)



EBITDA and EBITDA margin

in € million and %



Developments:

- EBITDA increase due to sales growth and first-time inclusion of ZF TRW for a period of 1.5 months
- EBITDA also positively influenced by the net result from participations due to the sale of the 50% share in ZF Lenksysteme
- Operating profit (EBIT) without one-time exceptional items on prior-year level

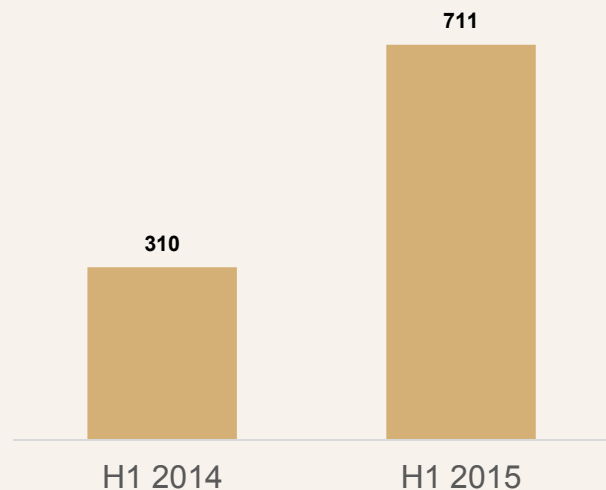
EBITDA and EBITDA margin positively influenced by one-time exceptional items.

Net Profit After Tax



Net Profit After Tax

in € million



Developments:

- Significant increase in net profit after tax by € 401 million
- Net financial result impacted by higher expenses arising from TRW acquisition, particularly interest, transaction costs and currency hedges regarding the purchase price
- Below-average tax charge on earnings from the sale of the 50% share in ZF Lenksysteme
- Positive effects from TRW acquisition due to offsetting of existing tax loss carryforwards with profits of the acquired company

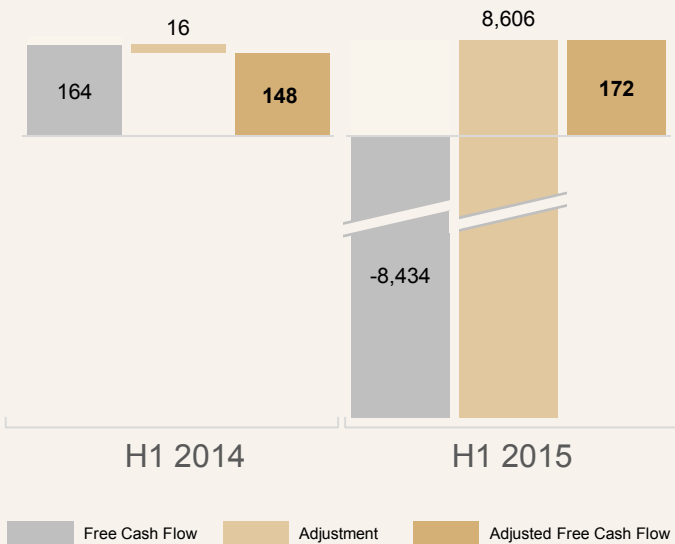
Reduced tax rate due to TRW acquisition and one-time effects more than compensate for high expenses for acquisition financing.

Adjusted Free Cash Flow (Operating)



Adjusted Free Cash Flow (Operating)

in € million



Developments:

- Cash outflows in the cash flow statement (acquisition of consolidated companies) eliminated in connection with TRW acquisition
- Cash inflows (Proceeds from disposal of associates) due to sale of 50% share in ZF Lenksysteme also eliminated
- Seasonal increase in trade receivables at the middle of year negatively affect free cash flow
- Seasonal development of net working capital will lead to an operating free cash flow at prior-year level as of year-end

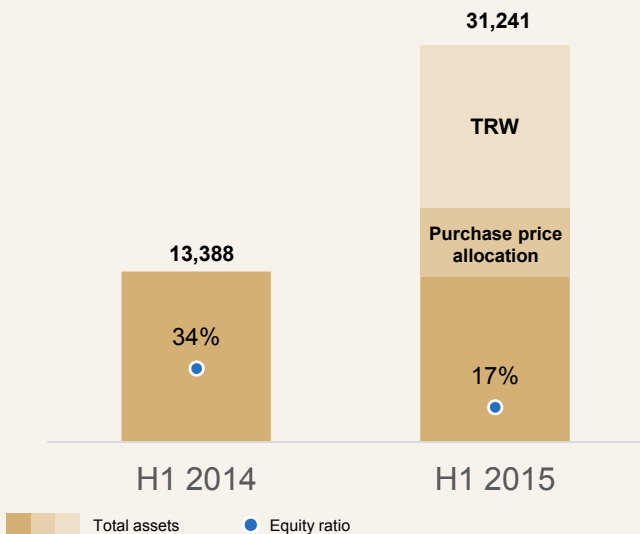
Operating Free Cash Flow – adjusted by one-time effects – on prior-year level.

Total Assets & Equity Ratio



Total Assets and Equity Ratio

in € million and %



Developments:

- Equity ratio is largely influenced by balance sheet extension in connection with TRW acquisition, and particularly by the purchase price allocation
- Higher total assets attributable to, amongst others, the adjustment of pension provisions (interest effect)
- Equity ratio is intended to be improved by further retentions of profits and speedy debt reduction

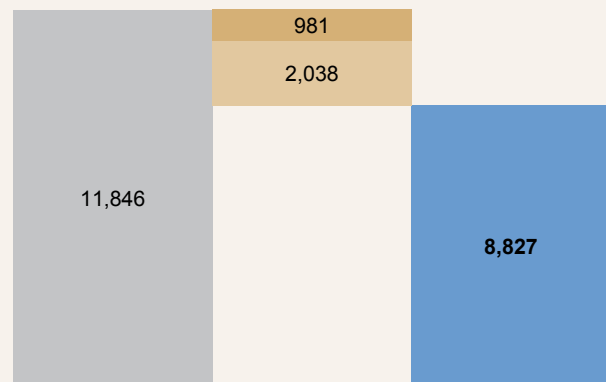
TRW transaction leads to increase in total assets – equity ratio on expected level.

Net Financial Debt



Net Financial Debt

in € million



H1 2015

External financing Financial assets Cash Net financial debt

Developments:

- Net financial debt adjusted based on the definition from syndicate borrowing agreement
- Increase in financial liabilities as planned to finance TRW acquisition
- Placement of a bonded loan in the amount of € 2.2 billion is included in external financing
- Corporate bonds in the amount of € 5.4 billion have fully replaced the bridge financing from the syndicated loan
- Return of unused tranches from syndicated borrowing agreement already completed

Continuous reduction of indebtedness as planned.

Key Figures at a Glance



| Financial Key Figure | ZF reported figure H1 2014 | ZF + TRW consolidated H1 2015 |
|-------------------------------------|-------------------------------|----------------------------------|
| Sales | € 9,180 million | € 12,195 million |
| EBITDA | € 902 million | € 1,504 million |
| EBITDA margin | 9.8% | 12.3% |
| EBIT | € 454 million | € 857 million |
| EBIT margin | 5.0% | 7.0% |
| Net profit after tax | € 310 million | € 711 million |
| Adjusted free cash flow (operating) | € 148 million | € 172 million |
| Net financial debt | € -1,172 million | € 8,827 million |

Future Prospects

Europe



- **Europe** with a **positive development** in 2015 but remaining **under pressure** by situation in **Russia**.

North America



- So far **stable development** of the US economy in 2015 (positive economic trend, low unemployment rate and stable real estate market)

South America



- **Market downfall** continues in **South America** (especially Brazil and Argentina) – general outlook is uncertain

Asia – Pacific



- **Weakness** in the **premium segment** in particular German OEMs (**Chinese** economy is growing at lower pace)

General Market Development

Production Indication (% vs. Prior Year)



| | LV < 6 t | | CV > 6 t | | Tractor | | Construction Machinery | |
|----------------|----------|------|----------|------|---------|------|------------------------|------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Europe | 2% | 2% | 1% | 2% | - 3% | 2% | 1% | 1% |
| North America | 2% | 2% | 8% | - 1% | - 10% | 3% | 3% | 1% |
| South America | - 9% | 4% | - 31 % | 5% | - 14% | 2% | - 13% | 4% |
| Asia – Pacific | 4% | 4% | - 9% | 5% | - 13% | 5% | - 18% | 2% |
| Global | 2% | 3% | - 6% | 3% | - 10% | 4% | - 9% | 2% |



Integration successfully started

- Upon the start of the new combined company, ZF TRW will become the 5th Division called **"Active & Passive Safety Technology"**
- First **joint trade fair presentation at the IAA** in September

Clear integration timetable

- In order to implement the integration, which is expected to take three to five years, 13 work teams with different main tasks were established, led by the **Integration Management Office**
- The objective of the integration team is to leverage the competences existing in both companies in an optimal way and to bring together the best of both worlds.

Integration is on track.



Global press event in the run-up to the IAA

- First presentation of the new ZF division **"Active & Passive Safety Technology"** in the public within the entire ZF presence
- Around 150 journalists from 24 countries took part in the event at the beginning of July

IAA 2015

- A joint trade fair booth, a common key message: **"The Power of 2"**
- Integrative presentation of the ZF product range in the megatrends of efficiency, safety, and automated driving
- **"Advanced Urban Vehicle"** combines product ranges of ZF and ZF TRW. The concept vehicle shows the ability to combine driving dynamics correlations in an overall vehicle

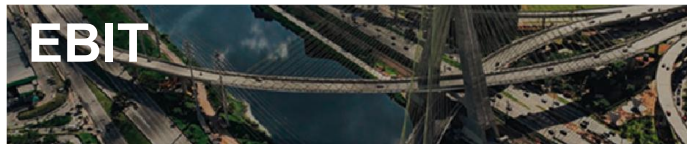


Sales



- **Sales forecast** as of Dec. 31, 2015 between **€ 29 billion and € 30 billion** for the entire ZF Group, which will include TRW for a period of 7.5 months

EBIT



- **EBIT margin** of **approx. 5%** expected for the full year 2015

EBITDA



- **EBITDA** margin for the full year expected to **exceed 10%**



ZF continues positive development

- Good **operating and financial interim results** despite challenging market conditions
- **Structural and currency effects** influence key figures in the first half
- Stable **expectations as regards sales, results, and free cash flow** for the full year 2015



Integration of TRW fully on track

- **Workstreams** have successfully started working on the integration of TRW as the 5th division "Active & Passive Safety Technology"
- **Figures of TRW** converted into IFRS and integrated into ZF
- First **joint trade fair presentation at the IAA** in September

Disclaimer



This presentation has been prepared by ZF Friedrichshafen AG solely in connection with the release of the condensed Interim consolidated financial statements as of June 30, 2015 on August 27, 2015. It has neither been audited nor has it been subject to any other independent review. It does not contain or constitute an offer, invitation or recommendation to purchase or subscribe for any securities issued by ZF Friedrichshafen AG or any subsidiary and neither shall any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

Neither ZF Friedrichshafen AG nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss that may arise from any use of this presentation or its contents or otherwise arising in connection with this presentation.

This presentation includes, beside statements of facts, also assumptions, estimates, forecasts and other forward-looking statements, including statements about our beliefs and expectations regarding future developments, earnings capacity, plans and business growth of ZF ("Forward Looking Statements"). These Forward Looking Statements are subject to risks and uncertainties, as they relate to future events, and are based on plans, estimates, assessments and projections made to the best of our present knowledge. Therefore, these Forward Looking Statements speak only as of the date they are made, and we assume no obligation to update or revise publicly any of them in light of new information or future events or developments. Although ZF Friedrichshafen AG is of the opinion that these statements, and their underlying beliefs and expectations, are realistic as of the date they are made, no guarantee is given that the expected developments and effects will actually occur. Actual results, performance, developments or events may differ materially from those expressed in the Forward Looking Statements due to, for example and without limitation, changes in general economic and business conditions, political changes, changes to the taxation of corporations and other changes in laws, regulations and jurisprudence, fluctuations in currency exchange rates or interest rates, the introduction of competing products, the lack of acceptance for new products or services and changes in business strategy.

All statements with regard to market position(s) of ZF or any of its competitors are estimates of ZF based on data available to ZF. Such data are neither comprehensive nor independently verified. Consequently, the data used are not adequate for and the statements based on such data are not meant to be, an accurate or proper definition of regional and/or product markets or market shares of ZF and any of the participants in any market.

Unless otherwise stated, all amounts are shown in millions of euro. Please note that differences may arise as a result of the use of rounded amounts and percentages.

Appendix

Consolidated statement of financial position (IFRS) – half-year



| Assets in € million | June 30, 2015 unaudited | Dec. 31, 2014 |
|--|-------------------------------|------------------|
| Current assets | | |
| Cash | 2,009 | 1,114 |
| Financial assets | 166 | 528 |
| Trade receivables | 5,103 | 2,403 |
| Other assets | 385 | 335 |
| Income tax receivables | 54 | 12 |
| Inventories | 3,214 | 1,870 |
| | 10,931 | 6,262 |
| Assets held for sale and disposal groups | 508 | 400 |
| | 11,439 | 6,662 |
| Non-current assets | | |
| Financial assets | 1,275 | 1,148 |
| Trade receivables | 20 | 13 |
| Other assets | 131 | 85 |
| Associates | 425 | 23 |
| Intangible assets | 10,140 | 905 |
| Property, plant, and equipment | 6,746 | 4,006 |
| Investment property | 5 | 5 |
| Deferred taxes | 1,060 | 541 |
| | 19,802 | 6,726 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | 31,241 | 13,388 |

Consolidated statement of financial position (IFRS) – half-year



Liabilities and equity
in € million

| | June 30, 2015 unaudited | Dec. 31, 2014 |
|---|-------------------------------|------------------|
| Current liabilities | | |
| Financial liabilities | 587 | 492 |
| Trade payables | 5,006 | 2,440 |
| Other liabilities | 1,682 | 852 |
| Income tax provision | 230 | 36 |
| Other provisions | 550 | 376 |
| | 8,055 | 4,196 |
| Liabilities of disposal groups | 105 | 0 |
| | 8,160 | 4,196 |
| Non-current liabilities | | |
| Financial liabilities | 11,138 | 279 |
| Trade payables | 9 | 0 |
| Other liabilities | 503 | 233 |
| Provisions for pensions | 4,367 | 3,803 |
| Other provisions | 602 | 315 |
| Deferred taxes | 1,228 | 43 |
| | 17,847 | 4,673 |
| Equity | | |
| Subscribed capital | 500 | 500 |
| Capital reserve | 386 | 386 |
| Retained earnings ¹⁾ | 4,011 | 3,474 |
| Equity attributable to shareholders of ZF Friedrichshafen AG | 4,897 | 4,360 |
| Non-controlling interests | 337 | 159 |
| | 5,234 | 4,519 |
| | | |
| | 31,241 | 13,388 |

Consolidated statement of profit or loss (IFRS) – half-year



| in € million | 2015 unaudited | 2014 unaudited |
|---|-------------------|-------------------|
| Sales | 12,195 | 9,180 |
| Cost of sales | 10,296 | 7,626 |
| Gross profit on sales | 1,899 | 1,554 |
| Research and development costs | 615 | 450 |
| Selling expenses | 432 | 348 |
| General administrative expenses | 527 | 347 |
| Other income | 268 | 59 |
| Other expenses | 256 | 50 |
| Operating profit or loss | 337 | 418 |
| Result from associates | 518 | 33 |
| Net result from participations | 2 | 3 |
| Interest income | 23 | 17 |
| Interest expenses | 150 | 76 |
| Other financial income | 145 | 79 |
| Other financial expenses | 244 | 53 |
| Net financial result | 294 | 3 |
| Net profit or loss before income taxes | 631 | 421 |
| Income taxes | - 80 | 111 |
| Net profit or loss after tax | 711 | 310 |
| thereof shareholders of ZF Friedrichshafen AG | 691 | 299 |
| thereof non-controlling interests | 20 | 11 |

Consolidated statement of cash flows (IFRS) – half-year



| in € million | 2015 unaudited | 2014 unaudited |
|---|-------------------|-------------------|
| Net profit or loss before income tax | 631 | 421 |
| Depreciation/Reversal of Impairments for intangible assets and property, plant, and equipment | 646 | 448 |
| Changes in non-current provisions made through profit or loss | 54 | 24 |
| Income taxes paid | – 132 | – 96 |
| Results from deconsolidation | 0 | 6 |
| Results from the disposal of intangible assets and property, plant, and equipment | – 8 | – 2 |
| Net financial result | – 294 | – 3 |
| Increase in inventories | – 132 | – 91 |
| Increase in trade receivables | – 494 | – 417 |
| Decrease in other assets | – 24 | – 54 |
| Increase in other liabilities | 333 | 397 |
| Cash flow from operation activities | 580 | 633 |

Consolidated statement of cash flows (IFRS) – half-year



| in € million | 2015 unaudited | 2014 unaudited |
|--|-------------------|-------------------|
| Expenditures for investments in | | |
| intangible assets | – 77 | – 78 |
| property, plant, and equipment | – 466 | – 400 |
| associates | – 2 | 0 |
| participations | – 1 | – 2 |
| securities | 0 | – 50 |
| financial receivables | – 3 | – 2 |
| Proceeds from disposal of | | |
| intangible assets | 2 | 1 |
| property, plant, and equipment | 21 | 10 |
| associates | 786 | 0 |
| securities | 0 | 2 |
| financial receivables | 102 | 8 |
| Cash inflow from the sale of consolidated companies | 0 | 16 |
| Cash outflow for the acquisition of consolidated companies | – 9,390 | 0 |
| Dividends received | 2 | 3 |
| Interest received | 12 | 23 |
| Cash flow from investing activities | – 9,014 | – 469 |

Consolidated statement of cash flows (IFRS) – half-year



| in € million | 2015 unaudited | 2014 unaudited |
|--|-------------------|-------------------|
| Dividends paid to ZF Friedrichshafen AG shareholders | – 50 | – 30 |
| Dividends paid to non-controlling interests | – 24 | – 18 |
| Repayments of borrowings | – 1,341 | 137 |
| Proceeds from borrowings | 10,889 | – 60 |
| Interest paid and transaction costs | – 174 | – 26 |
| Cash flow from financing activities | 9,300 | 3 |
| Net change in cash | 866 | 167 |
| Cash position at the beginning of the period | 1,114 | 1,143 |
| Effects of exchange rate changes on cash | 29 | 1 |
| Cash position at the end of the period | 2,009 | 1,311 |