

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## AS OF JUNE 30, 2015

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2015

in € million	Notes	2015 unaudited	2014 unaudited
Sales	1	12,195	9,180
Cost of sales		10,296	7,626
<b>Gross profit on sales</b>		<b>1,899</b>	<b>1,554</b>
Research and development costs		615	450
Selling expenses		432	348
General administrative expenses	2	527	347
Other income	3	268	59
Other expenses	3	256	50
<b>Operating profit or loss</b>		<b>337</b>	<b>418</b>
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
<b>Net financial result</b>	4	<b>294</b>	<b>3</b>
<b>Net profit or loss before income taxes</b>		<b>631</b>	<b>421</b>
Income taxes	5	-80	111
<b>Net profit or loss after tax</b>		<b>711</b>	<b>310</b>
thereof shareholders of ZF Friedrichshafen AG		691	299
thereof non-controlling interests		20	11

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### ZF Friedrichshafen AG for the period dating January 1 to June 30, 2015

in € million	Notes	2015 unaudited	2014 unaudited
<b>Net profit or loss after tax</b>		711	310
<b>Line items that will be reclassified in the consolidated statement of profit or loss</b>			
Foreign currency translation differences			
Gains arising during the year		203	15
Amounts reclassified through profit or loss		0	10
Mark-to-market of securities			
Gains arising during the year		31	16
Amounts reclassified through profit or loss		-8	-22
Mark-to-market of cash flow hedges			
Gains arising during the year		505	0
Amounts reclassified through profit or loss		4	-6
Amounts reclassified to acquisition costs through comprehensive income		-907	0
Income taxes		125	3
Other comprehensive income from associates			
Losses arising during the year (2014: gains)		-1	13
Amounts reclassified through profit or loss		-37	0
		<b>-85</b>	<b>29</b>
<b>Line items that will not be reclassified in the consolidated statement of profit or loss</b>			
Actuarial losses from pension obligations		-5	-364
Income taxes		2	104
		<b>-3</b>	<b>-260</b>
<b>Other comprehensive income after tax</b>	<b>12</b>	<b>-88</b>	<b>-231</b>
<b>Total comprehensive income</b>		<b>623</b>	<b>79</b>
thereof shareholders of ZF Friedrichshafen AG		591	68
thereof non-controlling interests		32	11

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ZF Friedrichshafen AG as of June 30, 2015

Assets in € million	Notes	June 30, 2015 unaudited	Dec. 31, 2014
<b>Current assets</b>			
Cash		2,009	1,114
Financial assets	6	166	528
Trade receivables	7	5,103	2,403
Other assets	8	385	335
Income tax receivables		54	12
Inventories		3,214	1,870
		<b>10,931</b>	<b>6,262</b>
Assets held for sale and disposal groups		508	400
		<b>11,439</b>	<b>6,662</b>
<b>Non-current assets</b>			
Financial assets		1,275	1,148
Trade receivables		20	13
Other assets	8	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
		<b>19,802</b>	<b>6,726</b>
		<b>31,241</b>	<b>13,388</b>

<sup>1)</sup> Disposal groups and assets held for sale account for € 0 million (2014: € 37 million).

Liabilities and equity in € million	Notes	June 30, 2015 unaudited	Dec. 31, 2014
<b>Current liabilities</b>			
Financial liabilities		587	492
Trade payables		5,006	2,440
Other liabilities	10	1,682	852
Income tax provision		230	36
Other provisions		550	376
		<b>8,055</b>	<b>4,196</b>
Liabilities of disposal groups		105	0
		<b>8,160</b>	<b>4,196</b>
<b>Non-current liabilities</b>			
Financial liabilities	11	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
		<b>17,847</b>	<b>4,673</b>
<b>Equity</b>			
Subscribed capital		500	500
Capital reserve		386	386
Retained earnings <sup>1)</sup>		4,011	3,474
<b>Equity attributable to shareholders of ZF Friedrichshafen AG</b>		<b>4,897</b>	<b>4,360</b>
Non-controlling interests		337	159
	12	<b>5,234</b>	<b>4,519</b>
		<b>31,241</b>	<b>13,388</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2015

in € million	Notes	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
<b>Cash flow from operation activities</b>		<b>580</b>	<b>633</b>
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	15	0	16
Cash outflow for the acquisition of consolidated companies	14	-9,390	0
Dividends received		2	3
Interest received		12	23
<b>Cash flow from investing activities</b>		<b>-9,014</b>	<b>-469</b>

in € million	Notes	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
<b>Cash flow from financing activities</b>		<b>9,300</b>	<b>3</b>
<b>Net change in cash</b>		<b>866</b>	<b>167</b>
Cash position at the beginning of the period		1,114	1,143
Effects of exchange rate changes on cash		29	1
<b>Cash position at the end of the period</b>		<b>2,009</b>	<b>1,311</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2015

in € million	Subscribed capital	Capital reserve
<b>Jan. 1, 2014</b>	500	386
Net profit or loss after tax		
Other comprehensive income after tax		
<b>Total comprehensive income</b>	0	0
Dividends paid		
Changes in the basis of consolidation		
<b>June 30, 2014 (unaudited)</b>	500	386
<b>Jan. 1, 2015</b>	500	386
Net profit or loss after tax		
Other comprehensive income after tax		
<b>Total comprehensive income</b>	0	0
Dividends paid		
Changes in the basis of consolidation		
Others		
<b>June 30, 2015 (unaudited)</b>	500	386



Retained earnings					Equity attributable to shareholders of ZF Friedrichshafen AG	Non-controlling interests	Group equity
Other retained earnings	Foreign currency translation differences	Mark-to-market securities	Mark-to-market cash flow hedges	Actuarial gains and losses			
3,552	-37	43	10	-415	4,039	126	4,165
299					299	11	310
	38	-5	-4	-260	-231		-231
299	38	-5	-4	-260	68	11	79
-30					-30	-18	-48
2	1				3		3
3,823	2	38	6	-675	4,080	119	4,199
4,149	149	35	254	-1,113	4,360	159	4,519
691					691	20	711
	156	20	-273	-3	-100	12	-88
691	156	20	-273	-3	591	32	623
-50					-50	-24	-74
-1					-1	170	169
-3					-3		-3
4,786	305	55	-19	-1,116	4,897	337	5,234

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ZF Friedrichshafen AG as of June 30, 2015

### Fundamental Principles

#### Corporate structure

ZF Friedrichshafen AG (ZF) is a corporation, of which 93.8% is owned by the Zeppelin Foundation and 6.2% by the Dr. Jürgen and Irmgard Ulderup Foundation. The company is headquartered in 88046 Friedrichshafen, Germany, Graf-von-Soden-Platz 1.

ZF is a leading global technology company in driveline and chassis technology as well as active & passive safety technology. At ZF the structure is based on market and customer. The business units are assigned to the five divisions Car Powertrain Technology, Car Chassis Technology, Commercial Vehicle Technology, Industrial Technology and Active & Passive Safety Technology. Further explanations on the corporate structure can be found in the management report as of December 31, 2014.

#### General

The interim consolidated financial statements of ZF Friedrichshafen AG as of June 30, 2015 have been prepared as a condensed interim report and are in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting," as adopted by the EU. The following components are included:

- Consolidated Statement of Profit or Loss from January 1 to June 30, 2015
- Consolidated Statement of Comprehensive Income from January 1 to June 30, 2015
- Consolidated Statement of Financial Position as of June 30, 2015
- Consolidated Statement of Cash Flows from January 1 to June 30, 2015

- Consolidated Statement of Changes in Equity from January 1 to June 30, 2015
- Notes to the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as of December 31, 2014.

In connection with the obtainment of control over the ZF TRW Automotive Holdings Corp. (formerly TRW Automotive Holdings Corp.) (ZF TRW) on May 15, 2015 and the resulting initial inclusion in the consolidated interim financial statements, the results of operations, net assets, and financial position are not directly comparable with the previous year.

The financial year of ZF TRW is the calendar year, the four quarters are each composed of a period of five weeks and two periods of four weeks. The first half of the fiscal year of ZF TRW companies thus end up on July 3, 2015. Due to the obtaining of control over ZF TRW on May 15, 2015, a short-term change of posting periods as of June 30, 2015 was not possible.

The Group's currency is the euro. Unless otherwise stated, all amounts are reported in millions of euros (€ million).

The interim consolidated financial statements were not subject to any audit or review.

#### Adoption of IFRS

As a company that is not publicly traded, ZF Friedrichshafen AG has chosen the option to draw up its consolidated financial statements on the basis of IFRS pursuant to § 315a Section 3 HGB (German Commercial Code).

The accounting and valuation principles in the preparation of the condensed interim consolidated financial statements correspond to those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2014, with the following exceptions.

The financial statements of ZF TRW have so far been based on the principles of the US GAAP accounting. With the first-time inclusion in the consolidated financial statements of ZF, the preliminary adaptation in accordance with IFRS principles was done with regard to ZF TRW accounting.

Income taxes were accrued in the interim consolidated financial statements on the basis of the tax rate expected for the whole financial year.

Starting in fiscal year 2015, the underlying cash-generating units for the impairment tests in accordance with IAS 36 are no longer defined by individual companies or portions of individual companies but by the Group's business units or by regional organizations of the Group. This change is based on amendments made to the business model of ZF, that no longer it appears appropriate that individual companies or portions of individual companies generate cash flow independently of other organizational units. These Group's business units also represent the organizational level, which is subject to regular supervision by management.

Another exception to this principle is the adoption of new IFRS standards and interpretations effective as of January 1, 2015.

For the condensed interim consolidated financial statements the following amended and new IASB standards and interpretations had to be taken into consideration for the first time:

- Amendment to IAS 19 "Employee Benefits"
- Improvements to IFRS 2010 to 2012
- Improvements to IFRS 2011 to 2013

The amendment to IAS 19 permits the recognition of contributions from employees or third parties to defined benefit plans as a reduction of the current service cost in the period in which the related service is rendered, if the contributions are independent of the number of years of service. If, in contrast, contributions by employees are dependent on the number of years of service, the projected unit credit method must be applied.

The improvements to IFRSs 2010 – 2012 and IFRSs 2011 – 2013 describe omnibus standards which were published in December 2013 and deal with amendments to various IFRSs. Below, the amendments are listed:

- IFRS 3 and follow-up amendment to IFRS 9: Clarification that a company has to apply IAS 32 when it classifies contingent considerations in a business combination either as financial liabilities or equity. Subsequent changes to contingent considerations not classified as equity have to be measured at fair value. It is planned to introduce corresponding changes to IFRS 9 to ensure that contingent considerations cannot be measured at amortized cost. The disclosure requirements of IFRS 7 for contingent considerations have to be complied with, along with those set out in IFRS 3;
- IFRS 13: Clarification of the possibility to measure non-current receivables and liabilities without discounting, despite the follow-up amendments to IFRS 9 and IAS 39;
- IFRS 3: Clarification that all types of joint arrangements within the meaning of IFRS 11 are excluded from the scope of IFRS 3, and that this exclusion from the scope of IFRS 3 only applies to the financial statements of the joint venture or the joint operation itself;
- IFRS 13: Clarification that the portfolio exception set out in IFRS 13.52 has to be applied to all contracts that are within the scope of IAS 39 and IFRS 9, respectively, irrespective of whether or not these contracts meet the definitions of "financial assets" or "financial liabilities" in IAS 32.

The above revised standards were applied for the first time for the current fiscal year and did not result in any change in the accounting of ZF Group.

ZF Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

### **Significant occurrences until June 30, 2015**

The acquisition of ZF TRW Automotive Holdings Corp. that was initialized in September 2014 was completed on May 15, 2015 in accordance with a majority agreement of shareholders of TRW Automotive Holdings Corp. (TRW) and approval of antitrust regulators. In connection with the financing of the purchase price, three major capital market transactions have been implemented in the first half 2015. In January, a bonded loan with a total amount of € 2.2 billion was issued in various tranches with maturities of three, five and seven years. In April, the issuance of euro and US dollar-denominated bonds took place. The euro bonds were placed on April 27, 2015 with a total of € 2.25 billion in two tranches. The first tranche with € 1.15 billion has a term of four years with an annual interest rate of 2.25% and the second tranche with € 1.1 billion has a maturity of eight years placed at an annual interest rate of 2.75%. The US dollar-denominated bonds were issued on April 29, 2015 and comprised three tranches with US-\$ 1 billion and a term of five years with an annual interest rate of 4%, US-\$ 1 billion with a maturity of seven years at an annual interest rate of 4.5%, and US-\$ 1.5 billion with a maturity of ten years and an annual interest rate of 4.75%. The issuance of bonds (euro and US dollar bonds) was carried out by the American subsidiary ZF North America Capital, Inc. Furthermore, funds amounting to € 2.4 billion from a bridge financing denominated in euros and US dollars and provided by a syndicate of banks were utilized in order to finance the TRW acquisition.

ZF TRW announced on April 21, 2015 the signing of a contract for the sale of their linkage and suspension business to the Japanese company THK Co., Ltd. The business

includes an annual turnover of about € 500 million. ZF expects to complete the transaction by the end of the third quarter. The assets and liabilities held for sale are disclosed in the balance sheet under the items “Assets held for sale and disposal groups” and “Liabilities of disposal groups.”

In connection with the concluded sale of the joint venture Robert Bosch Automotive Steering GmbH (formerly ZF Lenksysteme GmbH) to the Robert Bosch GmbH in January, the contracts for the purchase of its industrial and wind gearbox division with locations in Germany, China and the United States were signed on May 13, 2015 with the Bosch Rexroth AG. The acquisition is still subject to antitrust clearance. The industrial and wind gearbox division of Bosch Rexroth AG develops and produces industrial gear units that are used in wind turbines and in the oil-producing and mining industry and employs approximately 1,200 employees at the three locations. In fiscal year 2014, the industrial and wind gear division generated sales of € 178 million. The acquisition serves to expand the industrial technology portfolios of ZF and opens up new customer groups. ZF Friedrichshafen AG currently expects that the transaction will be completed in the second half of 2015. With regard to the sale of the joint venture Robert Bosch Automotive Steering GmbH, please refer to section “Divestments.”

On May 27, 2015, ZF TRW made an offer to repurchase the bonds at a purchase price of 101% of the principle amount plus accrued and unpaid interest to the creditors of the two senior notes issued by ZF TRW, each with a volume of US-\$ 400 million and an interest rate of 4.5% (due 2021) respectively 4.45% (due 2023). In accordance with the bond terms, the holders of these bonds had the right to demand a repurchase of the bonds by the issuer if the credit rating of these bonds is downgraded by a change of control. This condition occurred by the acquisition of ZF TRW by ZF on May 15, 2015. After the expiry of the offer on June 25, 2015, US-\$ 281 million of the bond that is due in 2021 and US-\$ 357 million of the bond that is due in 2023 were repurchased by ZF TRW.

For the outstanding bonds amounting to US-\$ 119 million with maturity in 2021 and US-\$ 43 million that are mature in 2023, ZF TRW has offered an amendment of the indentures to the holders on July 7, 2015. The amendment is aimed to align the reporting requirements contained in the terms of these bonds in accordance with the terms of the euro and US dollar bonds issued by ZF. For the approval of the holders to the change in loan terms ZF TRW has offered a payment of US-\$ 2.50 per US-\$ 1,000.00 principal amount of the bonds. The requisite consent from the holders was obtained by expiration of the deadline on July 15, 2015. Furthermore, the bonds issued by ZF TRW with an interest rate of 7.25% and a term until 2017 amounting to US-\$ 496 million were paid back to the creditors.

#### Basis of consolidation

In addition to ZF Friedrichshafen AG, 20 domestic and 278 foreign subsidiaries controlled by ZF Friedrichshafen AG are included in the interim consolidated financial statements.

With the acquisition of ZF TRW 179 subsidiaries and 14 associates were acquired. All companies were included for the first time to the interim consolidated financial statements in the consolidated financial statements.

The following table shows the composition of the consolidated ZF Group (without ZF Friedrichshafen AG):

	Jan. 1, 2015	First-time consoli- dations	Legal changes	Deconsoli- dations	June 30, 2015
Subsidiaries	116	184	0	2	298
of which domestic	6	14	0	0	20
of which foreign	110	170	0	2	278
Associates	5	14	0	1	18

#### Company acquisitions

On September 15, 2014, ZF made a binding agreement with ZF TRW in order to acquire 100% of the shares of ZF TRW in a cash transaction. The management and supervisory boards of both companies unanimously granted their consent to the agreement. The transaction was subject to various precedent conditions, in particular with the majority approval of the general meeting of shareholders of ZF TRW and the issue of antitrust and regulatory approvals. On November 19, 2014, the shareholders of ZF TRW approved at an extraordinary general meeting with 79% of the voting rights the proposed

acquisition. After the approval of the US Committee on Foreign Investment (CFIUS) and the antitrust regulators, the ZF TRW purchase was completed on May 15, 2015.

ZF TRW is an automotive supplier of active and passive safety technology as well as advanced driver assistance systems. With the acquisition ZF Group strengthens its market position and expands its product portfolio in an attractive segment. The purchase price amounting € 10,093 million was paid in cash. The recognized goodwill that is based on the preliminary purchase price allocation representing synergy-effects amounted to € 3,725 million and is not tax-deductible. ZF TRW was incorporated as an independent division, named "Active and Passive Safety Technology" into ZF Group.

The acquired assets and liabilities of ZF TRW and its subsidiaries were recognized at the date of acquisition with the following fair values which are based on a preliminary purchase price allocation:

in € million	100%
Cash	703
Financial assets	105
Trade receivables	2,213
Other assets	213
Inventories	1,212
Assets held for sale and disposal groups	502
Associates	390
Intangible assets	5,497
Property, plant, and equipment	2,653
Financial liabilities	-1,481
Deferred taxes (netted)	-937
Trade payables	-2,299
Other liabilities	-944
Income tax provisions	-215
Other provisions	-436
Liabilities of disposal groups	-104
Provisions for pensions	-534
Non-controlling interests	-170
<b>Acquired net assets</b>	<b>6,368</b>
Purchase price	10,093
<b>Goodwill</b>	<b>3,725</b>

As part of the business combination, receivables were acquired with a fair value of € 2,426 million. They relate to trade receivables amounting to € 2,213 million and other assets in the amount of € 213 million. The gross amount of receivables amounted to € 2,448 million, of which € 22 million are likely uncollectible. Since the acquisition date, ZF TRW has contributed € 1,977 million to sales, € -25 million to net profit after tax and € 38 million to total comprehensive income.

The purchase price allocation has not yet been completed, as not all measurements have been finalized. Adjustments may arise in particular in the evaluation of customer relationships, technologies, fixed assets and related deferred taxes.

### Divestments

On September 15, 2014, an agreement was signed with Robert Bosch GmbH for the sale of 50% of the shares in the Robert Bosch Automotive Steering GmbH held by ZF Friedrichshafen AG. The Robert Bosch Automotive Steering GmbH develops and manufactures steering systems for cars and trucks. In accordance with the regulations of IFRS 5 the participation has been disclosed as "Assets held for sale" and the equity method accounting was discontinued. The sale was legally effective as of January 30, 2015. From the selling price of € 882 million, € 792 million were paid in cash. The remaining € 90 million are due upon successful completion of the purchase of the industrial and wind gearbox division of Bosch Rexroth AG by ZF. The book profit from the sale is included in the result from associates.

### Other changes in the basis of consolidation

In addition to the above-mentioned company acquisitions, the following companies have been included in the consolidated interim financial statements of ZF for the first time in the fiscal year 2015:

in %	Share in capital
ZF Industrieantriebe Witten GmbH	100
ZF Middle East FZE, JAFZ	100
ZF Services Middle East LLC	100
ZF Powertrain Modules Shanghai Co., Ltd.	100
ZF North America Capital, Inc.	100

Due to liquidation the following companies were deconsolidated in the fiscal year 2015:

in %	Share in capital
ZF Marine Middle East LLC	100
ZF Sachs Suspension France S.A.S.	100

### Consolidation principles and foreign currency translation

Consolidation principles and the methods for currency translation are unchanged compared to the consolidated financial statements as of December 31, 2014.

The exchange rates used for foreign currency translation with a significant influence on the consolidated financial statements changed as follows in relation to one euro:

	Closing rate		Average rate	
	June 30, 2015	Dec. 31, 2014	Jan. – June 2015	Jan. – June 2014
U.S. dollar	1.1189	1.2141	1.1096	1.3707
British pound	0.7114	0.7789	0.7264	0.8216
Chinese renminbi	6.9366	7.5358	6.8931	8.4507
Brazilian real	3.4699	3.2207	3.3506	3.1518
Mexican peso	17.5332	17.8679	16.9026	17.9852

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The changes in the consolidated statement of profit or loss and in the consolidated statement of financial position are, unless stated below, mainly due to the initial consolidation of ZF TRW in the interim consolidated financial statements.

### Consolidated Statement of Profit or loss

The consolidated statement of profit or loss has been drawn up in accordance with the cost of sales method.

### 1 Sales

Sales of ZF Group have increased compared to the same period last year to € 3,015 million, of which € 1,977 million are attributable to ZF TRW. The increase in sales of the previous ZF companies is mainly attributable to the areas of the Car Driveline Technology and Car Chassis Technology in North America and Asia. Additionally, the increase was positively supported by the current exchange rate of the euro.

### 2 Administrative expenses

The increase in administrative expenses is mainly attributable to higher personnel expenses and consulting fees related to M&A transactions.

### 3 Other income and expenses

Higher realized foreign exchange gains and losses resulted in an increase in other income and expenses.

#### 4 Net financial result

in € million	Jan. – June 2015	Jan. – June 2014
Income from deconsolidation	513	0
Operating result	5	33
<b>Result from associates</b>	<b>518</b>	<b>33</b>
<b>Net result from participations</b>	<b>2</b>	<b>3</b>
<b>Interest income</b>	<b>23</b>	<b>17</b>
Interest on financial liabilities	116	23
Interest from pension provisions	32	51
Unwinding the discount of other non-current items	2	2
<b>Interest expenses</b>	<b>150</b>	<b>76</b>
Foreign exchange gains	105	46
Income from hedging	24	6
Income from the disposal of securities	14	23
Unrealized fair value gains from securities	2	4
<b>Other financial income</b>	<b>145</b>	<b>79</b>
Foreign exchange losses	71	44
Expenses from hedging	40	3
Losses on disposal of securities	4	1
Unrealized fair value losses from securities	5	2
Transaction costs and incidental expenses	124	3
<b>Other financial expenses</b>	<b>244</b>	<b>53</b>
<b>Net financial result</b>	<b>294</b>	<b>3</b>

#### 5 Income taxes

The disclosed tax income is mainly caused by reversal of the valuation allowance of deferred taxes in North America. Correspondingly, deferred tax assets increased in the balance sheet as of June 30, 2015.



## Notes to the consolidated statement of financial position

### 6 Current financial assets

As of December 31, 2014 the current financial assets contained derivative financial instruments for hedging of the purchase price of ZF TRW.

### 7 Current trade receivables

The increase in trade receivables is mainly related to the increase in business volume.

### 8 Other assets

Transaction costs that occurred in connection with the taking of loans and issuance of bonds to finance the purchase price of ZF TRW were disclosed in other assets as of December 31, 2014. In the current financial year they had been reclassified to non-current financial liabilities.

### 9 Impairment tests

If there were any indications for an impairment, ZF performed an impairment test for the cash-generating units on June 30, 2015, taking into account recent findings on the current expectations of the future and the financial results achieved so far this year. The value in use of the cash-generating units is determined assuming a discount factor before tax of 8.4% to 13.8% and a growth rate of 1.5%. At the end of the three-year or five-year planning horizon, the expected cash flows are extrapolated on the basis of the cash flows from the last planning period. Fair values less costs to sell for property, plant, and equipment are estimated on the basis of discounted cash flows as well as a cost-based approach for comparable assets that are generally not based on parameters observable on the market. An impairment loss is recognized if

the recoverable amount falls below the carrying amount of the asset or the cash-generating unit. Impairment losses and reversals of impairment losses are assigned to the functional areas of the consolidated statement of profit or loss.

Both in the first half of 2015 and in the comparable period neither impairments nor reversals of impairments were recognized. Against the background of a weak economic environment and unfavorable exchange rate developments the business of ZF in South America especially in Brazil, has experienced a significant decline in sales in the first half. ZF examines continuously the impact of these developments on the value of its existing assets in this market.

### 10 Other current liabilities

The increase in other liabilities is attributable to higher liabilities to customers and accrued expenses. Furthermore, sales tax liabilities as well as outstanding payroll and church tax have increased.

### 11 Non-current financial liabilities

The increase in non-current financial liabilities results from the borrowed capital in order to finance the acquisition of ZF TRW.

### 12 Equity

#### Dividend

In the fiscal year a dividend for 2014 amounting to € 50 million (€ 0.10 per share) was paid.

### Deferred taxes on equity items not affecting profit or loss

in € million	June 30, 2015			June 30, 2014		
	Before income tax	Income tax	After tax	Before income tax	Income tax	After tax
Foreign currency translation differences	203	0	203	25	0	25
Mark-to-market of securities	23	0	23	-6	1	-5
Mark-to-market of cash flow hedges	-398	125	-273	-6	2	-4
Actuarial gains and losses	-5	2	-3	-364	104	-260
Other comprehensive income from associates	-38	0	-38	13	0	13
<b>Other comprehensive income</b>	<b>-215</b>	<b>127</b>	<b>-88</b>	<b>-338</b>	<b>107</b>	<b>-231</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### 13 General

The consolidated statement of cash flows shows how the cash position of the consolidated ZF Group changed during the fiscal year due to the inflow and outflow of funds. A distinction is drawn between cash flows from operating, investing and financing activities.

The cash position presented in the consolidated statement of cash flows covers all cash reported in the consolidated statement of financial position, i.e. cash on hand and cash at banks, available at any time for use by the consolidated ZF Group.

The cash flows from investing and financing activities are determined on the basis of payments. The cash flow from operating activities, on the other hand, is indirectly derived from the net profit or loss before income tax.

Dividends and interest received are assigned to the cash flow from investing activities. Interest and transaction costs paid for borrowings are included in cash flow from financing activities.

As part of the indirect calculation, effects from the translation of foreign currencies and changes in the basis of consolidation were adjusted regarding changes in financial line items taken into account in conjunction with the operating activities. Changes in the respective financial line items can therefore not be reconciled to the corresponding values on the basis of the published consolidated statement of financial position.

### 14 Acquisition of shares in consolidated companies

The acquisitions of shares in consolidated companies, which are recognized in the cash flow from investing activities, are composed as follows:

in € million	Jan. – June 2015	Jan. – June 2014
Current assets	4,794	0
thereof cash and cash equivalents	703	0
Non-current assets	8,953	0
Current liabilities	3,788	0
Non-current liabilities	3,421	0

### 15 Proceeds from the sale of consolidated companies

The divestments in assets and liabilities from the share deals in the period relate to the following:

in € million	Jan. – June 2015	Jan. – June 2014
Current assets	0	7
thereof cash and cash equivalents	0	1
Non-current assets	0	17
Current liabilities	0	4
Non-current liabilities	0	7

The purchase price for the shares of AIBC Group in South Africa in the comparison period amounted to € 17 million and was paid by the purchasers in cash in 2014.

## OTHER DISCLOSURES

### 16 Litigation

For a pending antitrust case at ZF TRW, a provision for possible penalties in the amount of the expected risk is recorded. The point of time when the procedure will be completed as well as the outcome are uncertain.

In connection with an ongoing antitrust investigation procedure, the premises of a subsidiary were searched in 2014. The reason for the investigation was the suspected involvement of the subsidiary in illegal antitrust price agreements. ZF fully cooperated with the investigating authorities. The duration and outcome of the procedure are uncertain.

Apart from that, neither ZF nor any of its Group companies are engaged in current or foreseeable court or arbitration proceedings, which have had in the past or could have a significant impact on the economic situation of the consolidated ZF Group. Adequate provisions have been set up by the respective Group companies for probable financial exposure from other court or arbitration proceedings.

### 17 Financial instruments

#### Carrying amounts of the financial instruments by categories

The following table shows the recognized financial assets and liabilities by measurement categories:

in € million	June 30, 2015	Dec. 31, 2014
<b>Assets</b>		
Loans and receivables	7,485	3,781
Available-for-sale financial assets	1,042	950
Financial assets at fair value through profit or loss	11	78
Financial assets held for trading	1	11
Derivative financial instruments (hedge accounting) <sup>1)</sup>	34	386
	<b>8,573</b>	<b>5,206</b>
<b>Liabilities</b>		
Financial liabilities at amortized cost	16,678	3,163
Liabilities from finance leases <sup>1)</sup>	27	17
Financial assets held for trading	2	3
Derivative financial instruments (hedge accounting) <sup>1)</sup>	33	28
	<b>16,740</b>	<b>3,211</b>

<sup>1)</sup> No IAS 39 measurement categories.

### Fair values

The fair values of the financial assets and liabilities are presented below. Provided that financial assets and liabilities are recognized at amortized cost, the fair value is compared to the carrying amount.

The following table shows the carrying amounts and the fair values of the non-current financial assets and liabilities recognized at amortized cost. Due to short maturities, the carrying amounts of the current financial instruments recognized at cost approximate the fair values and are thus not recorded. The fair value of the investments in participations in the amount of € 70 million cannot be determined reliably as there are no active markets for these shares and whose fair values in the absence of planning data cannot be determined reliably.

in € million	June 30, 2015		Dec. 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Loans and receivables				
Financial receivables	180	180	120	120
Trade receivables	20	20	13	13
	<b>200</b>	<b>200</b>	<b>133</b>	<b>133</b>
<b>Liabilities</b>				
Financial liabilities at amortized cost				
Bonds	5,434	5,412	0	0
Bonded loan	2,296	2,310	101	109
Liabilities to banks	3,363	3,387	159	145
Trade payables	9	9	0	0
Other financial liabilities	7	7	1	1
Liabilities from finance leases <sup>1)</sup>	24	27	15	16
	<b>11,133</b>	<b>11,152</b>	<b>276</b>	<b>271</b>

<sup>1)</sup> No IAS 39 measurement categories.

The following table shows the financial instruments recognized at fair value:

in € million	June 30, 2015	Dec. 31, 2014
<b>Assets</b>		
Available-for-sale financial assets		
Securities	970	881
Investments in participations	2	2
Financial assets at fair value through profit or loss		
Securities	11	78
Financial assets held for trading		
Derivative financial instruments	1	11
Derivative financial instruments (hedge accounting) <sup>1)</sup>	34	386
	<b>1,018</b>	<b>1,358</b>
<b>Liabilities</b>		
Financial liabilities held for trading		
Derivative financial instruments	2	3
Derivative financial instruments (hedge accounting) <sup>1)</sup>	33	28
	<b>35</b>	<b>31</b>

<sup>1)</sup> No IAS 39 measurement categories.

The allocation of the financial instruments recognized at fair value to the three levels of the fair value hierarchy is as follows: The classification as well as the need to perform reclassifications is reviewed on the reporting date. Level 1 covers those financial instruments for which prices for identical assets and liabilities quoted on active

markets are available. Allocation to level 2 occurs if input parameters are drawn on for valuating the financial instruments that are directly (e.g. prices) or indirectly (e.g. derived from prices) observable on the market. In level 3, financial instruments are accounted for whose valuation is based on information that is not observable on the market.

in € million	June 30, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Securities				
Shares	133	0	0	133
Fixed-interest securities	230	4	0	234
Fund shares	488	0	19	507
Alternative investments	36	57	14	107
Investments in participations	2	0	0	2
Derivative financial instruments	0	35	0	35
	<b>889</b>	<b>96</b>	<b>33</b>	<b>1,018</b>
<b>Liabilities</b>				
Derivative financial instruments	1	34	0	35

in € million	Dec. 31, 2014			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Securities				
Shares	114	0	2	116
Fixed-interest securities	322	3	0	325
Fund shares	395	0	16	411
Alternative participations	35	57	15	107
Investments in participations	2	0	0	2
Derivative financial instruments	0	242	155	397
	<b>868</b>	<b>302</b>	<b>188</b>	<b>1,358</b>
<b>Liabilities</b>				
Derivative financial instruments	4	27	0	31

For level 1 securities, the fair value is recognized directly as the quoted price on an always active market. The active market is either the stock exchange of the respective country or a comparable trading platform offering the liquidity and transparency of the underlying asset. An active market is characterized by the fact that mainly homogeneous assets are traded at publicly available prices and that there are usually willing buyers and sellers at any time, e.g. stock exchanges or commodity exchanges.

Level 2 includes classes whose prices can be derived or modeled from parameters which can be observed on the market. Some examples are observable interest rates, exchange rates or comparable instruments. Interest-bearing securities with slightly delayed direct quotation are also included in level 2. For real estate funds contained in level 2, the continued ability for redemption on an active market is contractually ensured.

The level 3 securities involve interests in private equity funds and direct lending funds. The private equity umbrella funds hold shares in non-listed companies. The direct lending fund contains financial receivables toward mid-size companies from German-speaking countries or Great Britain. The market values of level 3 securities are determined on the basis of currently available information from the funds' managers. A significant change of the underlying future cash flows and the interest rate, which implies a change of the discount factor, would influence the market values of these securities.

Investments in participations which are traded on an active market are recognized at share prices of the stock exchange of the respective country.

Derivative financial instruments of level 1 concern tradable derivatives, such as futures. Their fair value corresponds to the value traded on the futures exchange.

The level 2 derivative financial instruments concern non-tradable derivatives. Fair values are determined on the basis of fixed prices quoted on approved stock exchanges discounted for the remaining term (foreign currency exchange rates, interest rates, and raw material price indexes).

With respect to hedging of a material portion of the purchase price of the TRW transaction (underlying transaction) in the amount of US-\$ 12.4 billion against currency fluctuations, several option contracts and transaction-related forward contracts existed as of December 31, 2014. As the forward contracts are bound to the execution of the underlying transaction, these contracts were classified as level 3. The fair value of these forward contracts was determined by the two components of a premium paid only in case of execution of the underlying transaction and the market value of the forward contract. The value of the premium was ascertained on the basis of the futures price observable on the market at the time of conclusion and the tendered price agreed on with the contracting party at the time of maturity of the underlying transaction. The premium was recognized and consequently amortized over the maturity period. The market value of the forward contract was determined in line with market standards from parameters observable on the market.

The following table illustrates the development of financial instruments assigned to level 3 of the fair value hierarchy:

in € million	Securities		Derivatives	
	June 2015	2014	June 2015	2014
<b>As of Jan. 1</b>	<b>33</b>	<b>24</b>	<b>155</b>	<b>0</b>
Fair Value changes recognized through other comprehensive income	0	1	209	155
Fair Value changes recognized through profit or loss	1	0	0	0
Fair value gains/losses	1	3	0	0
Purchases	9	11	0	0
Sales	-11	-2	0	0
Realization	0	0	-364	0
Reclassification of plan assets	0	-4	0	0
<b>As of June 30/Dec. 31</b>	<b>33</b>	<b>33</b>	<b>0</b>	<b>155</b>

Gains and losses recognized through profit or loss are recognized in other financial income and financial expenses. Gains recognized through other comprehensive income are disclosed in mark-to-market valuation of securities or cash flow hedges.

#### **18 Related party transactions**

The relations between fully consolidated companies of the Group and related parties substantially affect associated and other participations. The supplies and services rendered with joint ventures have been reduced due to the sale of Robert Bosch Automotive Steering GmbH. During the reporting period resulted no reportable transactions with related parties or companies beyond normal business relations.

#### **19 Occurrences after June 30, 2015**

As early as February 2015, ZF TRW had sold most of its engine valve business to the US automotive supplier Federal-Mogul Holdings Corporation. In July 2015, ZF TRW now also separated from the hitherto remaining engine valve joint ventures. Therefore the assets and liabilities held for sale are disclosed in the balance sheet under the items "Assets held for sale and disposal groups" and "Liabilities of disposal groups."

In July 2015, ZF TRW offered an adjustment of terms and conditions to the holders regarding the bonds with maturities in 2021 and 2023. The requisite consent from the holders was obtained by expiration of the deadline on July 15, 2015. Further explanations can be found in section „Significant occurrences until June 30, 2015.“

No other events after the balance sheet date occurred that impacted the consolidated financial statements.



## 20 Company bodies

Effective January 1, 2015, Dr. Franz Kleiner was appointed as member of the Board of Management by the Supervisory Board.

Mr. Martin Ocker resigned from the Supervisory Board effective January 30, 2015. Since January 30, 2015, Mr. Matthias Beuerlein belongs to the Supervisory Board.

Friedrichshafen, August 24, 2015

ZF Friedrichshafen AG  
The Board of Management



Dr. Stefan Sommer



Dr. Konstantin Sauer



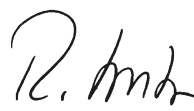
Jürgen Holeksa



Michael Hankel



Wilhelm Rehm



Rolf Lutz



Dr. Franz Kleiner

**ZF Friedrichshafen AG**  
88038 Friedrichshafen  
Germany  
Phone +49 7541 77-0  
Fax +49 7541 77-908000  
[www.zf.com](http://www.zf.com)



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