ZF TAKES OVER TRW
THE NEW ZF
December 31, 2015

€29.2 bn
Sales

138,300
Employees

40
Countries

€1.3 bn
Investments in
fixed assets

€1.4 bn
R&D expenses

230
Locations
FINANCIAL FIGURES AT A GLANCE
PRELIMINARY REMARKS

- On May 15, 2015, ZF fully acquired TRW for a purchase price of $12.4 billion. The year-end financial figures (income statement) include the sales and income figures of ZF TRW since the acquisition date for a period of 7.5 months.

- The comparative values are the ZF Group figures as at December 31, 2014, without inclusion of ZF TRW.

- In 2015, ZF Lenksysteme GmbH and two business units of ZF TRW (Engine Valves, Linkage & Suspension) were sold. The Industrial and Wind Gearbox Division from Bosch Rexroth was acquired.

- On the basis of the agreement with Illinois Tool Works, the Fasteners & Components business is disclosed as disposal group.

- Consolidation at Group level comprises approx. 300 companies (Germany: 21, foreign: 279).
GROUP SALES (IFRS) in € million

- 2014: 18,415
- 2015: 29,154

Consolidated Financial Statements

Pro-forma adjustment
ZF TRW year-round

+9%
SALES BY DIVISIONS & BUSINESS UNITS
DEVELOP LARGELY POSITIVELY

Positive development due to automatic transmissions in North America

Sales increased in 2015 despite disposal of Rubber & Plastics Business Unit

Slight decline in sales as a result of challenging market development in South America and Russia

Slight sales growth due to positive development in Wind Power, Marine & Special Driveline Technology

Stable sales level based on positive market development in North America

Division profits from high sales of automatic car transmissions

Stable development despite regional market weaknesses
ONE-TIME EXCEPTIONAL ITEMS INFLUENCE EBIT IN 2015 SIGNIFICANTLY

EBIT in € million and margin in %

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,098</td>
<td>6.0%</td>
</tr>
<tr>
<td>2015</td>
<td>1,596</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Developments

- Increase in results mainly due to first-time consolidation of ZF TRW
- Results in 2015 significantly influenced by exceptional items:
  - Book gain through disposal of ZF Lenksysteme
  - Book gain through acquisition of Industrial and Wind Gearbox Division from Bosch Rexroth
  - Expenses from purchase price allocation for TRW
  - Anniversary bonus „100 years ZF“
- One-time exceptional items also impacted significantly on EBIT in 2014.
ADJUSTED EBIT-MARGIN OVER PRIOR YEAR LEVEL

**EBIT 2014 (adjusted)**
in € million and margin in %

<table>
<thead>
<tr>
<th>EBIT (adjusted)</th>
<th>Book gain sale of AIBC &amp; Rubber / Plastics Business Unit</th>
<th>Settlement legal dispute</th>
<th>EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>851</td>
<td>-104</td>
<td>-143</td>
<td>1,098</td>
</tr>
<tr>
<td>4.6%</td>
<td></td>
<td></td>
<td>6.0%</td>
</tr>
</tbody>
</table>

**EBIT 2015 (adjusted)**
in € million and margin in %

<table>
<thead>
<tr>
<th>EBIT (adjusted)</th>
<th>Purchase price allocation</th>
<th>Book gain acquisition of Bosch Rexroth division</th>
<th>Book gain sale of ZF Lenksysteme</th>
<th>Others</th>
<th>EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,596</td>
<td>462</td>
<td>-510</td>
<td>63</td>
<td>1,570</td>
<td></td>
</tr>
<tr>
<td>5.5%</td>
<td></td>
<td>5.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EBITDA AND EBITDA MARGIN POSITIVELY INFLUENCED BY ONE-TIME EXCEPTIONAL ITEMS

EBITDA in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,044</td>
</tr>
<tr>
<td>2015</td>
<td>3,354</td>
</tr>
</tbody>
</table>

**Developments**

- Increase of EBITDA especially through first-time consolidation of ZF TRW
- Results significantly influenced by exceptional items:
  - Book gain through disposal of ZF Lenksysteme
  - Book gain through acquisition of Industrial and Wind Gearbox Division from Bosch Rexroth
  - Expenses from purchase price allocation for TRW (inventories)
  - Anniversary bonus „100 years ZF“
- Results in 2014 also influenced by one-time exceptional items, especially by M&A activities
ADJUSTED EBIT-MARGIN OVER PRIOR YEAR LEVEL

**EBITDA 2014 (adjusted)**
in € million and margin in %

- **EBITDA**: 2,044
- **Margin (adjusted)**: 11.1%
- **EBITDA (adjusted)**: 1,797
- **Margin**: 9.8%


**EBITDA 2015 (adjusted)**
in € million and margin in %

- **EBITDA**: 3,354
- **Margin (adjusted)**: 11.5%
- **EBITDA (adjusted)**: 2,934
- **Margin**: 10.1%
NET PROFIT AFTER TAX AT A HIGH LEVEL

Earnings after tax in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>672</td>
</tr>
<tr>
<td>2015</td>
<td>1,019</td>
</tr>
</tbody>
</table>

Developments

- Significant increase in net profit after tax by €347 million
- Net financial result impacted by higher expenses arising from TRW acquisition (interest costs and financing fees)
- 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 companies
INVESTMENTS IN FIXED ASSETS

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESEARCH AND DEVELOPMENT</td>
<td>€891</td>
<td>€1,390</td>
</tr>
<tr>
<td>INVESTMENTS IN FIXED ASSETS</td>
<td>€1,005</td>
<td>€1,290</td>
</tr>
</tbody>
</table>

in € million
STRONG OPERATING FREE CASH FLOW WITH €1.4 BILLION

Reported Free Cash Flow in 2015 mainly influenced by acquisition of TRW

Adjustments of the following M&A activities in 2015:
- Acquisition of TRW and Industrial and Wind Power business units from Bosch Rexroth
- Sales of ZF Lenksysteme, Engine Valves and Linkage & Suspension

In 2015, positive influence on Free Cash Flow (operating) due to seasonal effect of ZF TRW
SIGNIFICANT REDUCTION OF DEBT

Net Financial Debt in € million

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>719</td>
<td>1,519</td>
</tr>
<tr>
<td>Bonded Loans</td>
<td>2,038</td>
<td>1,495</td>
</tr>
<tr>
<td>Cash</td>
<td>8,827</td>
<td>7,409</td>
</tr>
<tr>
<td>Financial Assets</td>
<td>2315</td>
<td>2,304</td>
</tr>
<tr>
<td>Net Financial Debt</td>
<td>5,524</td>
<td>5,614</td>
</tr>
<tr>
<td>Total</td>
<td>11,846</td>
<td>9,914</td>
</tr>
<tr>
<td>Change</td>
<td>€ -1,418 million</td>
<td></td>
</tr>
</tbody>
</table>

Development

- Significant reduction of debt in the second half of 2015 as planned
- Reduction of cash to a necessary operating level – Usage of cash in particular for repayments of syndicated loans
- Reduction of net financial liabilities in the amount of approx. €1.4 billion in the second half of 2015
- Major enhancement of Leverage Ratio (according Syndicated Loan Agreement) from 2.8 on June 30, 2015 to 2.1 at year-end
DIVERSIFIED FINANCING INSTRUMENTS WITH BALANCED MATURITY PROFILE

Bonds, bonded loans and syndicated loan per December 31, 2015
in € million
TRW TRANSACTION LEADS TO HIGHER BALANCE SHEET TOTAL

<table>
<thead>
<tr>
<th>Total Assets and Equity Ratio</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Sheet Total</td>
<td>13,388</td>
<td>30,332</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>34%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Development**

- Equity ratio is largely influenced by balance sheet extension in connection with TRW acquisition, and particularly by the purchase price allocation.
- Compared to the first half of 2015 the equity ratio improved by 2 percent.
- Equity ratio is intended to be improved by further retentions of profits and speedy debt reduction.
# IMPROVEMENT OF ALL MAJOR FINANCIAL KEY FIGURES

<table>
<thead>
<tr>
<th>Financial Key figures</th>
<th>2014 ZF Reported</th>
<th>2015 ZF Forecast</th>
<th>2015 ZF Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>€18,415 m</td>
<td>€29 – 30 bn ✓</td>
<td>€29,154 m</td>
</tr>
<tr>
<td>EBIT (margin)</td>
<td>€1,098 m (6.0 %)</td>
<td>~ 5 % ✓</td>
<td>€1,596 m (5.5 %)</td>
</tr>
<tr>
<td>EBITDA (margin)</td>
<td>€2,044 m (11.2%)</td>
<td>&gt; 10 % ✓</td>
<td>€3,354 m (11.5 %)</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>€672 m</td>
<td></td>
<td>€1,019 m</td>
</tr>
<tr>
<td>Adjusted Free Cash Flow (Operating)</td>
<td>€542 m</td>
<td></td>
<td>€1,361 m</td>
</tr>
<tr>
<td>Net Financial Debt</td>
<td>(June 30, 2015) €8,827 m</td>
<td></td>
<td>€7,409 m</td>
</tr>
</tbody>
</table>
MEGATRENDS

SAFETY

EFFICIENCY

AUTONOMOUS DRIVING
INTELLIGENT MECHANICS
Europe with moderate development, continues to be hampered by Russian market.

German economy shows stable growth.
Positive development of the US economy in 2015 (low unemployment rate, positive housing market, low energy costs)

Expectations for 2016 somewhat muted (high $ rate impacts negatively on exports)
Sustained market weakness since 2014 (in particular Brazil)

2016: remains under pressure, no improvement to be expected
- China’s economy is growing with **reduced dynamic momentum** (less than 7%)
- Ongoing absence of dynamic economic performance in the emerging markets
FORECAST FOR 2016
* ADJUSTED VALUES

Sales: €35 – 36 billion
EBIT margin*: 5 – 6 %
EBITDA margin*: > 10 %
Free cash flow*: > €1 billion
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