

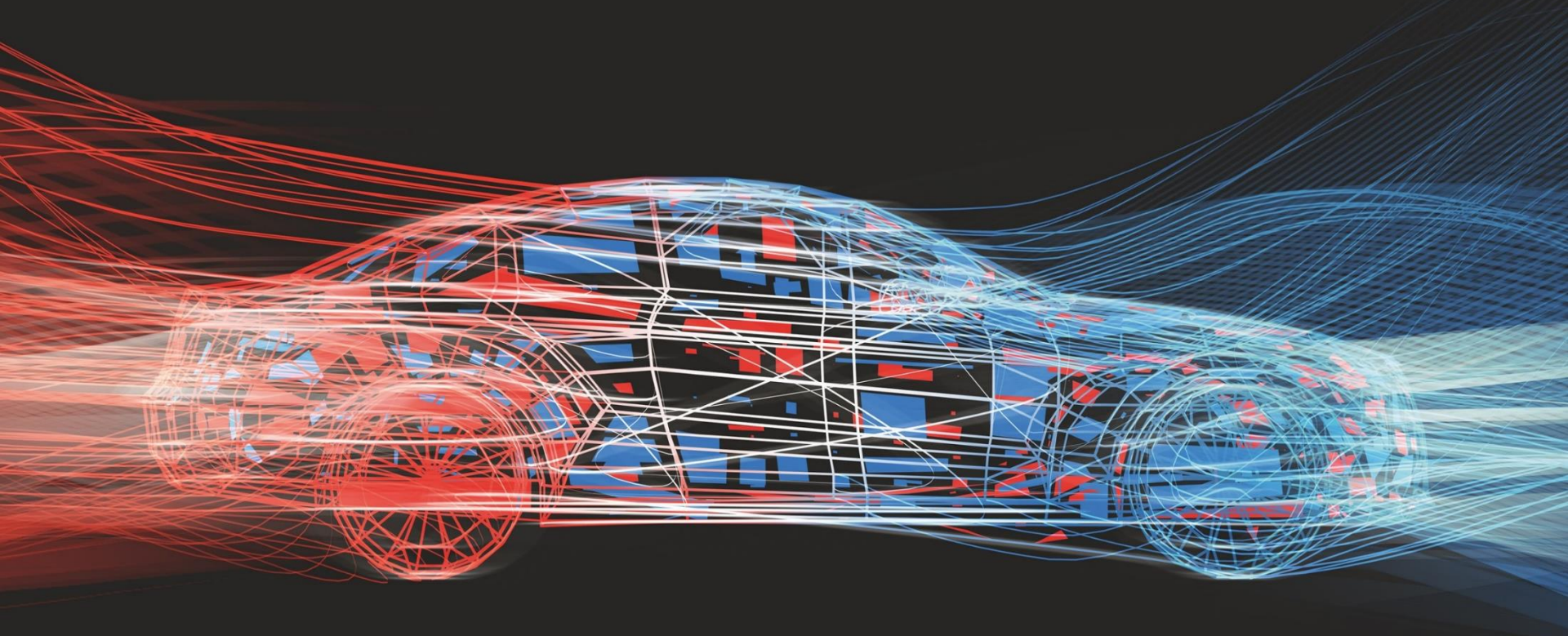


INVESTOR AND ANALYST CALL 2016

ZF Friedrichshafen AG

March 22, 2016

BEST OF BOTH





ZF TAKES OVER TRW

THE NEW ZF

December 31, 2015



€29.2 bn

Sales



€1.3 bn

Investments in
fixed assets



138,300

Employees



40

Countries



€1.4 bn

R&D expenses



230

Locations



FINANCIAL FIGURES AT A GLANCE



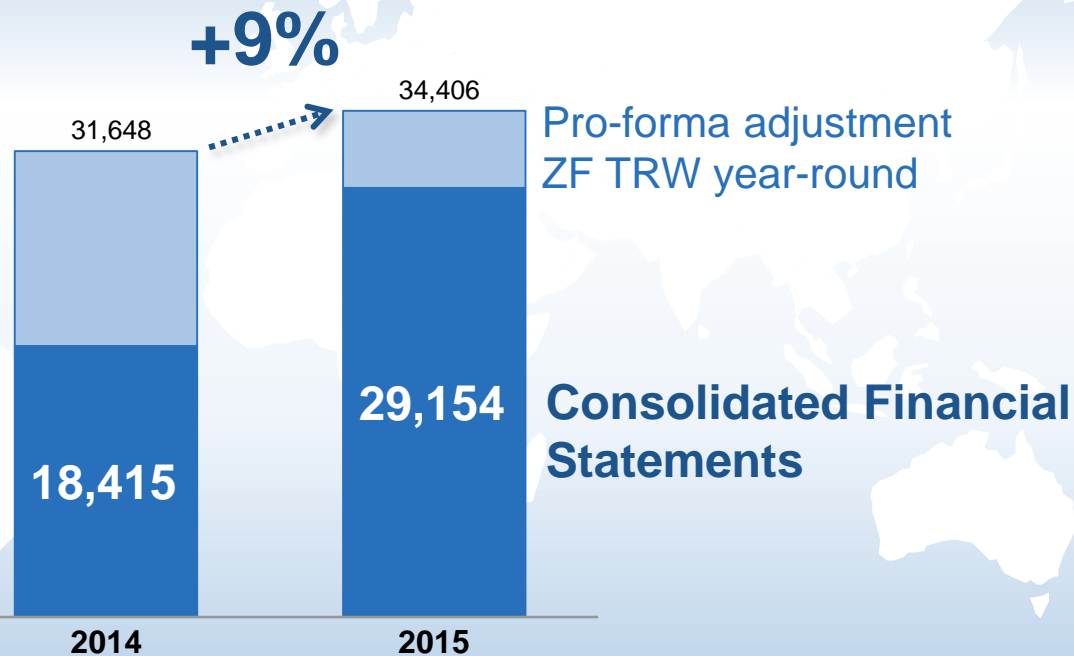
PRELIMINARY REMARKS



- **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).

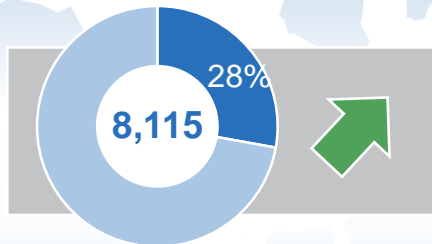
GROUP SALES

(IFRS) in € million

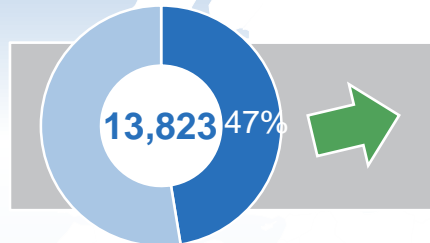




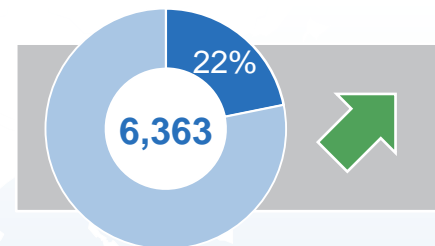
NORTH AMERICA



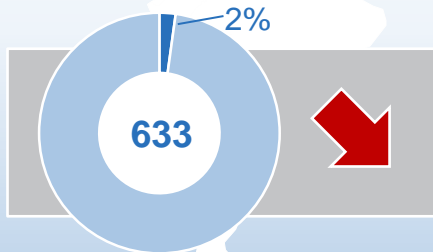
EUROPE



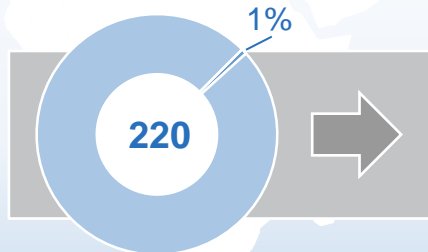
ASIA-PACIFIC



SOUTH AMERICA



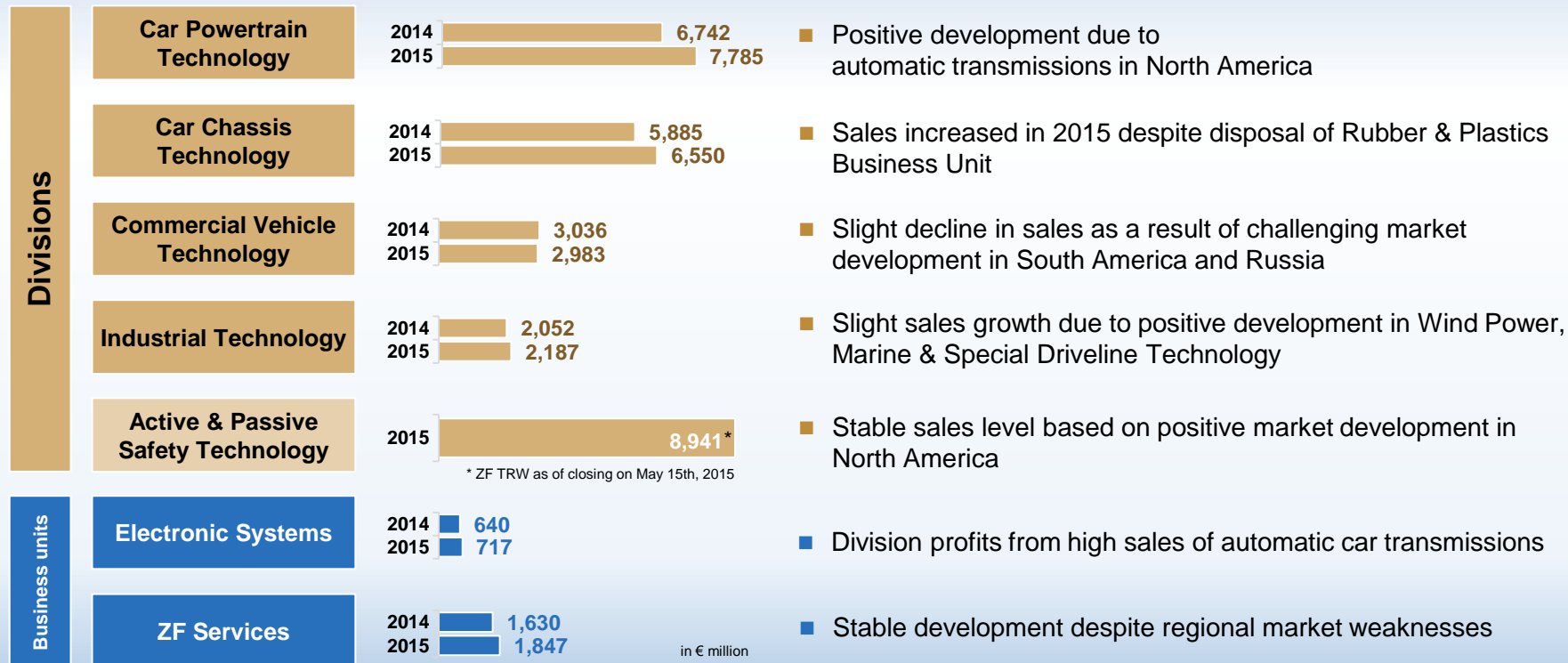
AFRICA



SALES in € million
Share in %

SALES BY DIVISIONS & BUSINESS UNITS

DEVELOP LARGELY POSITIVELY

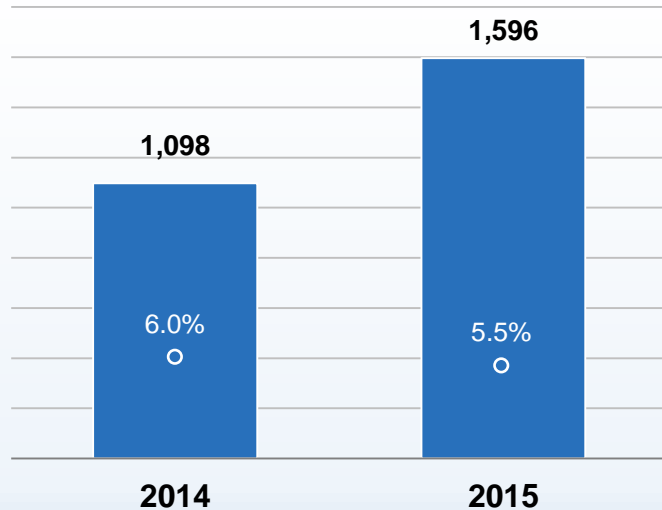


ONE-TIME EXCEPTIONAL ITEMS INFLUENCE EBIT IN 2015 SIGNIFICANTLY



EBIT

in € million and margin in %



Developments

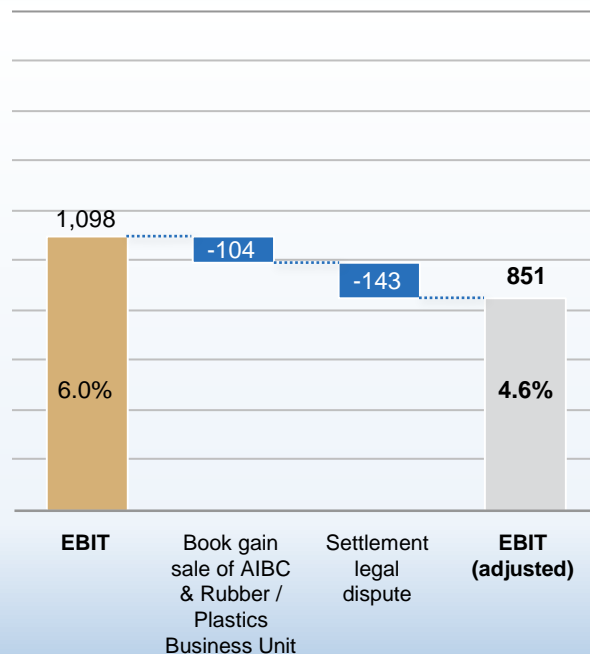
- Increase in results mainly due to first-time consolidation of ZF TRW
- Results in 2015 significantly influenced by exceptional items:
 - ⊕ Book gain through disposal of ZF Lenksysteme
 - ⊕ Book gain through acquisition of Industrial and Wind Gearbox Division from Bosch Rexroth
 - ⊖ Expenses from purchase 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



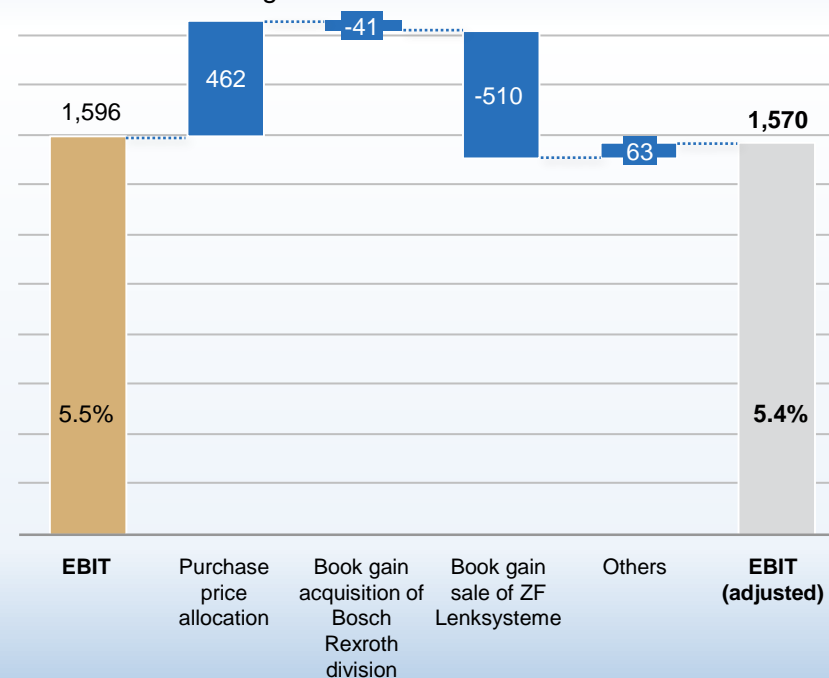
EBIT 2014 (adjusted)

in € million and margin in %



EBIT 2015 (adjusted)

in € million and margin in %

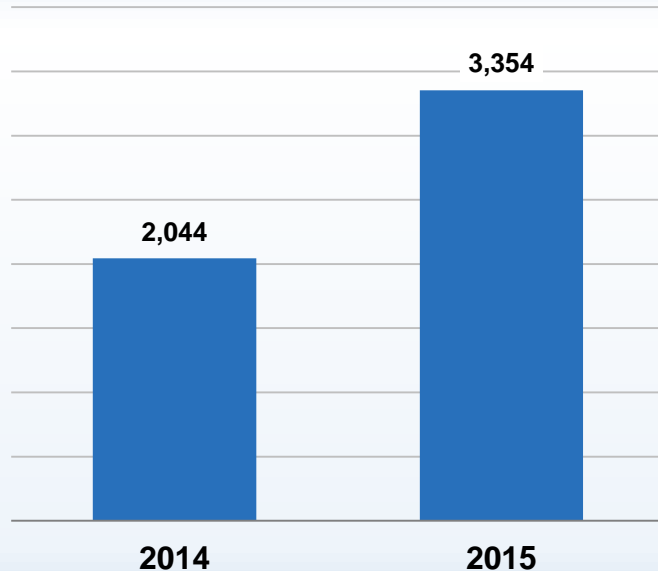


EBITDA AND EBITDA MARGIN POSITIVELY INFLUENCED BY ONE-TIME EXCEPTIONAL ITEMS



EBITDA

in € million



Developments

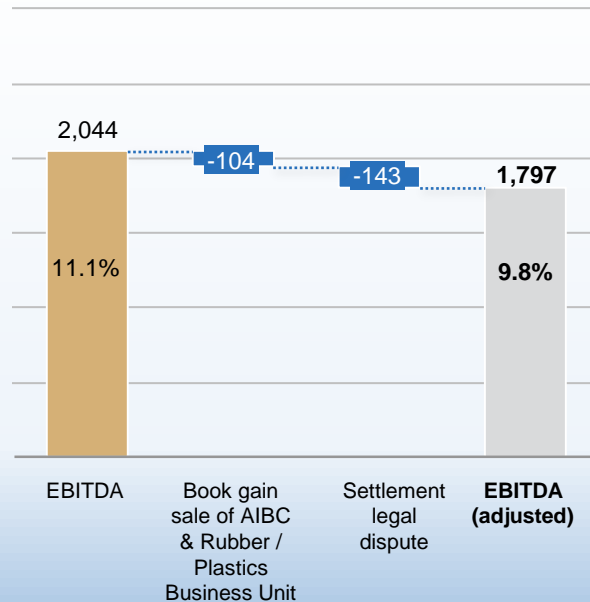
- Increase of EBITDA especially through first-time consolidation of ZF TRW
- Results significantly influenced by exceptional items:
 - ⊕ Book gain through disposal of ZF Lenksysteme
 - ⊕ Book gain through acquisition of Industrial and Wind Gearbox Division from Bosch Rexroth
 - ⊖ Expenses from purchase 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



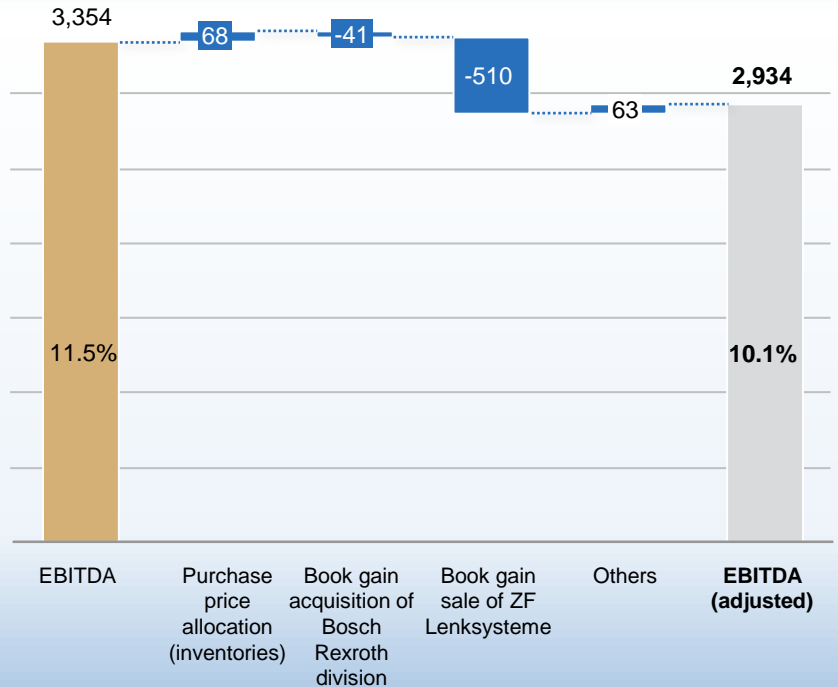
EBITDA 2014 (adjusted)

in € million and margin in %



EBITDA 2015 (adjusted)

in € million and margin in %

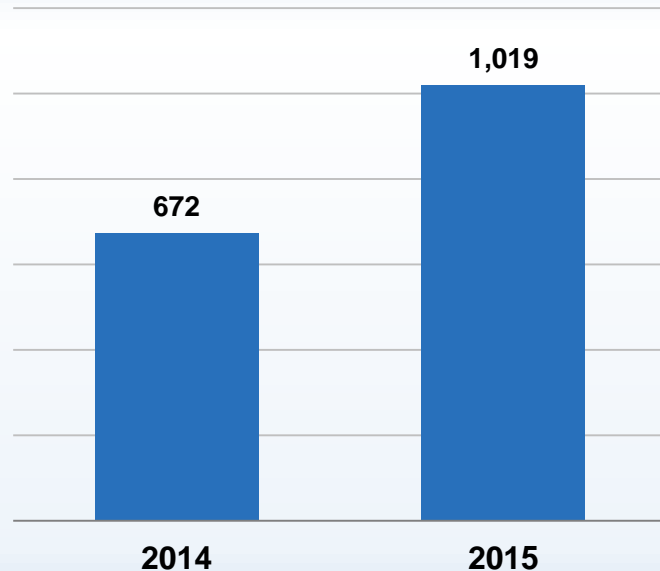


NET PROFIT AFTER TAX AT A HIGH LEVEL



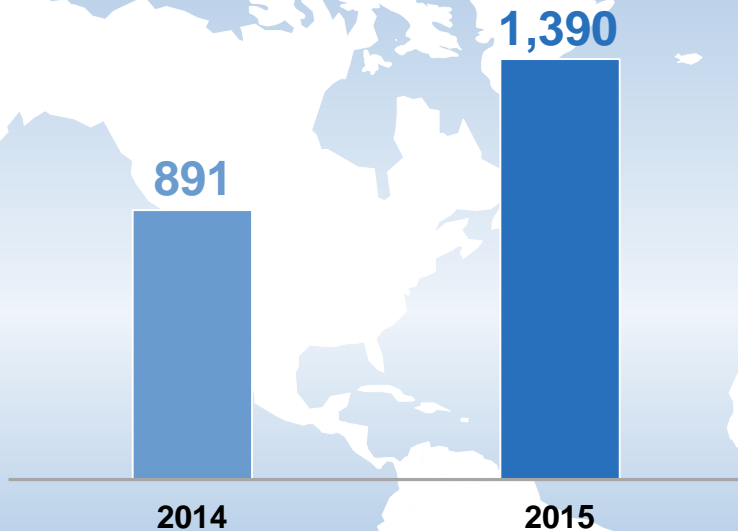
Earnings after tax

in € million

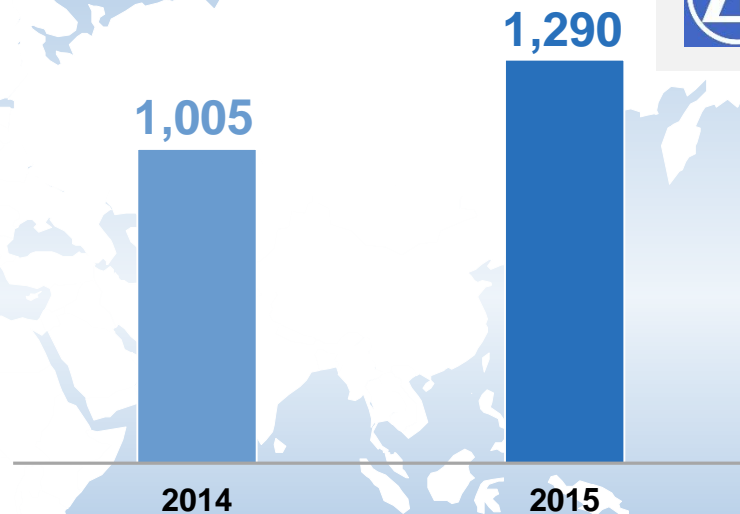


Developments

- 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



RESEARCH AND
DEVELOPMENT



INVESTMENTS IN
FIXED ASSETS

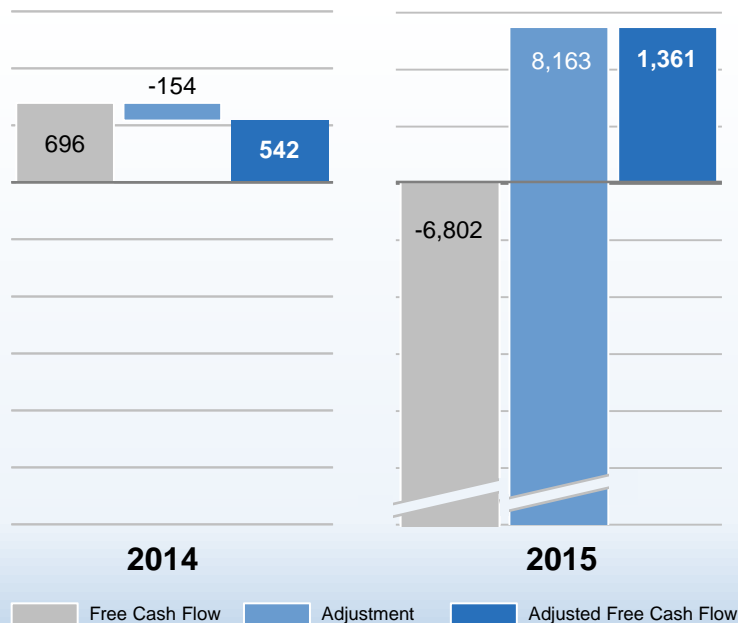
in € million

STRONG OPERATING FREE CASH FLOW WITH €1.4 BILLION



Adjusted Free Cash Flow (Operating)

in € million



Developments

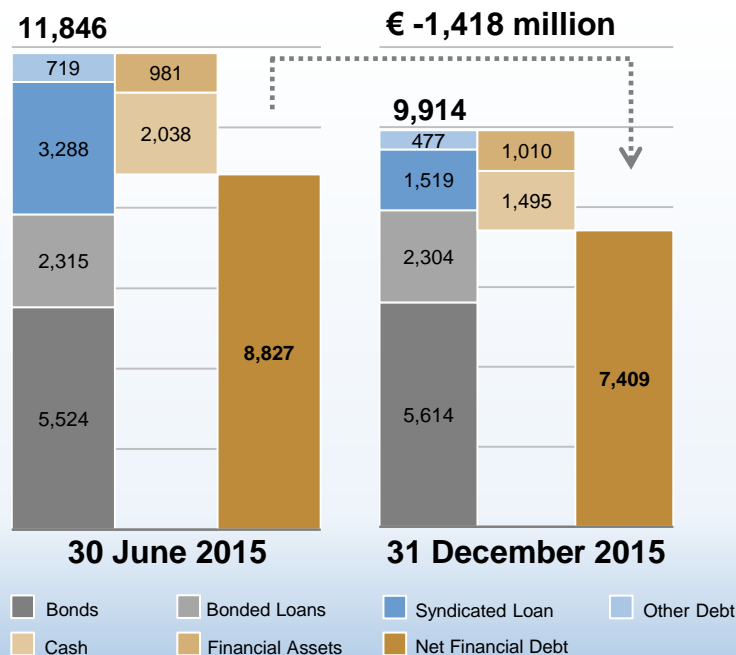
- Reported Free Cash Flow in 2015 mainly influenced by acquisition of TRW
- Adjustments of the following M&A activities in 2015:
 - Acquisition of TRW and Industrial and Wind Power business units from Bosch Rexroth
 - Sales of ZF Lenksysteme, Engine Valves and Linkage & Suspension
- In 2015, positive influence on Free Cash Flow (operating) due to seasonal effect of ZF TRW

SIGNIFICANT REDUCTION OF DEBT



Net Financial Debt

in € million



Development

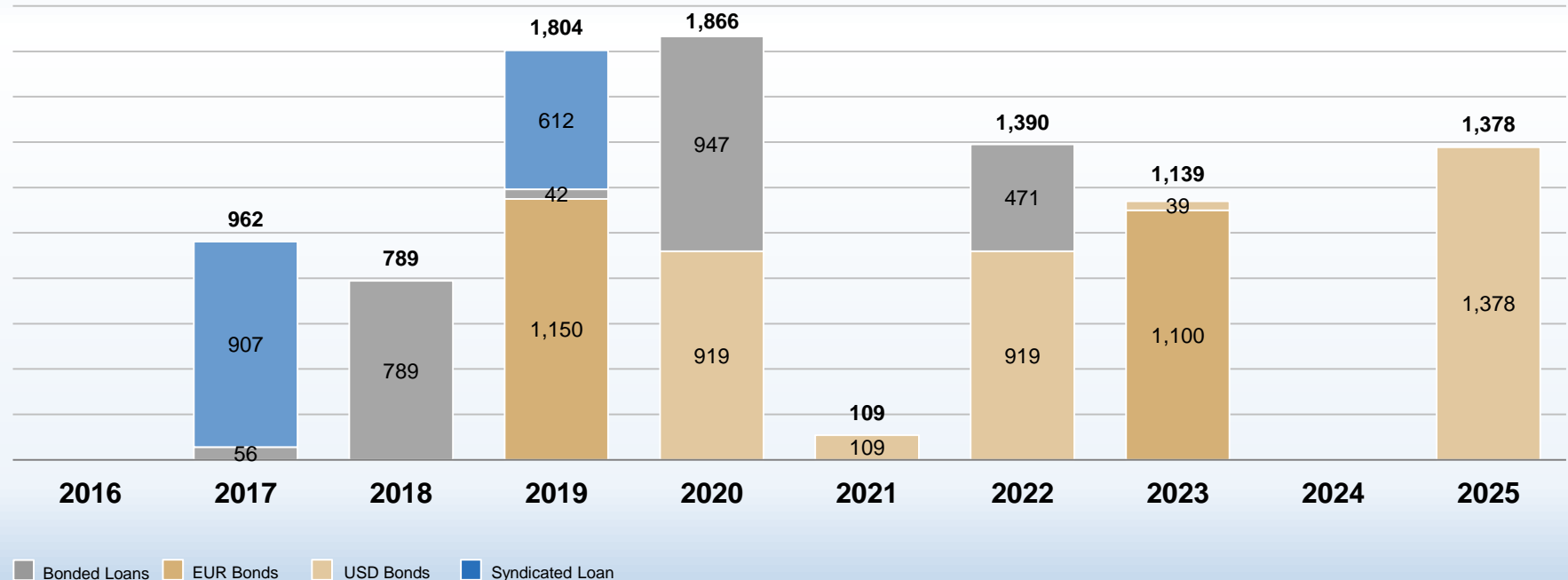
- Significant reduction of debt in the second half of 2015 as planned
- Reduction of cash to a necessary operating level – Usage of cash in particular for repayments of syndicated loans
- Reduction of net financial liabilities in the amount of approx. €1.4 billion in the second half of 2015
- Major enhancement 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

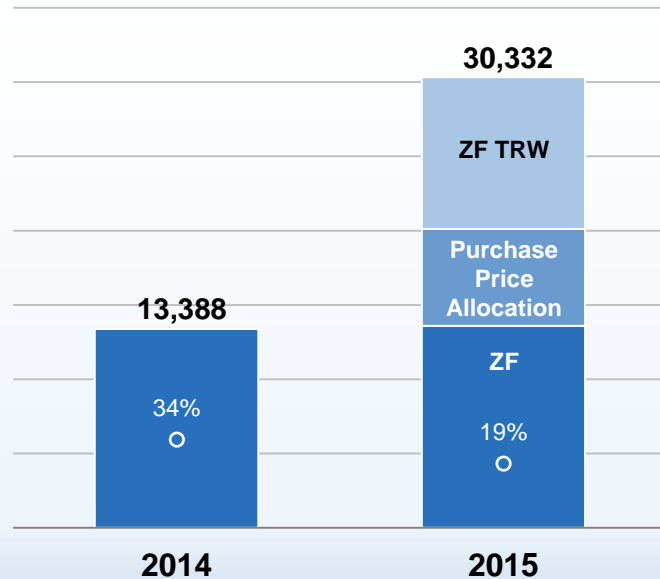


TRW TRANSACTION LEADS TO HIGHER BALANCE SHEET TOTAL



Total Assets and Equity Ratio

in € million and %



Balance Sheet Total Equity Ratio

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

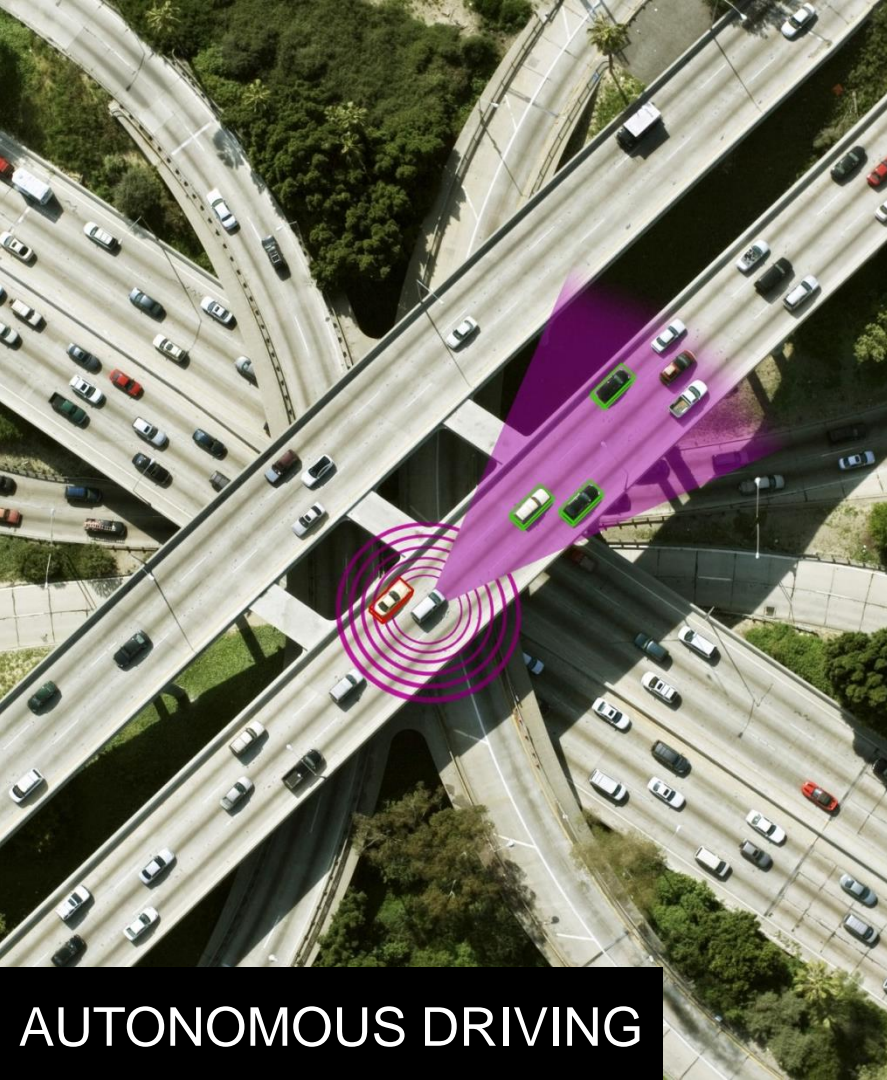


Financial Key figures	2014 ZF Reported	2015 ZF Forecast	2015 ZF Reported
Sales	€18,415 m	€29 – 30 bn	€29,154 m
EBIT (margin)	€1,098 m (6.0 %)	~ 5 %	€1,596 m (5.5 %)
EBITDA (margin)	€2,044 m (11.2%)	> 10 %	€3,354 m (11.5 %)
Net Profit After Tax	€672 m		€1,019 m
Adjusted Free Cash Flow (Operating)	€542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



OUTLOOK FOR 2016





AUTONOMOUS DRIVING



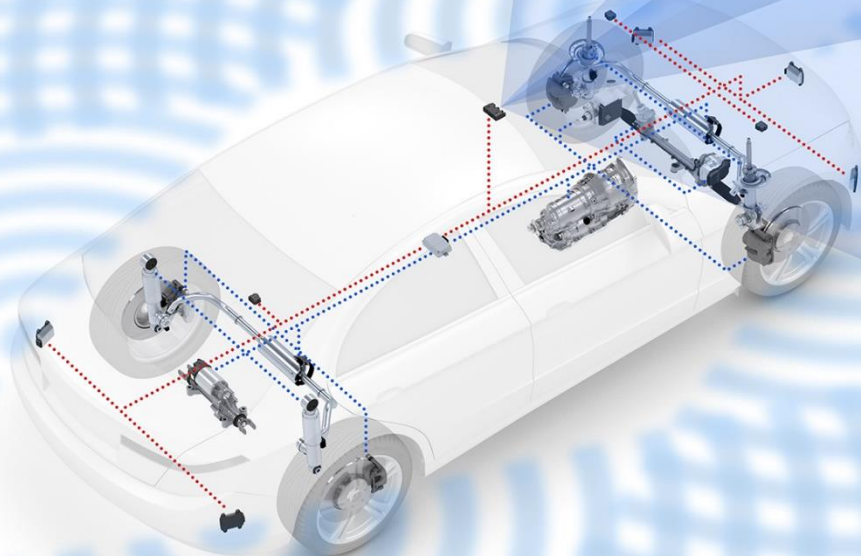
SAFETY



MEGATRENDS



EFFICIENCY



INTELLIGENT MECHANICS



INTEGRATION

- 
- **Europe with moderate development**, continues to be hampered by **Russian market**
 - **German economy** shows **stable growth**




EUROPE

- **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)



NORTH AMERICA

- 
- **Sustained market weakness** since 2014 (in particular Brazil)
 - **2016: remains under pressure**, no improvement to be expected



SOUTH AMERICA

- 
- A satellite night view of the Asia-Pacific region, showing the glowing lights of cities and urban areas against the dark blue background of the landmasses and surrounding oceans. The image is used as a background for the slide.
- **China's economy** is growing with **reduced dynamic momentum** (less than 7%)
 - **Ongoing absence of dynamic economic performance** in the **emerging markets**



ASIA-PACIFIC

FORECAST FOR 2016

* ADJUSTED VALUES



Sales: €35 – 36 billion

EBIT margin*: 5 – 6 %

EBITDA margin*: > 10 %

Free cash flow*: > €1 billion



2016

2017

2015

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