

The background image is a long-exposure photograph of a city at night. On the left, a large, curved building with a metallic, grid-like facade is illuminated. To the right, a multi-lane highway with an overpass shows light trails from moving vehicles. In the background, city lights and signs are visible, including one that says '大西 洋 百货' (Daxi Yang Baihuo).

HALF-YEAR FIGURES JUNE 30, 2016

ZF Friedrichshafen AG

August 4, 2016; Friedrichshafen



CURRENT CORPORATE DEVELOPMENT



Automotive Megatrends



AUTONOMOUS DRIVING



SAFETY



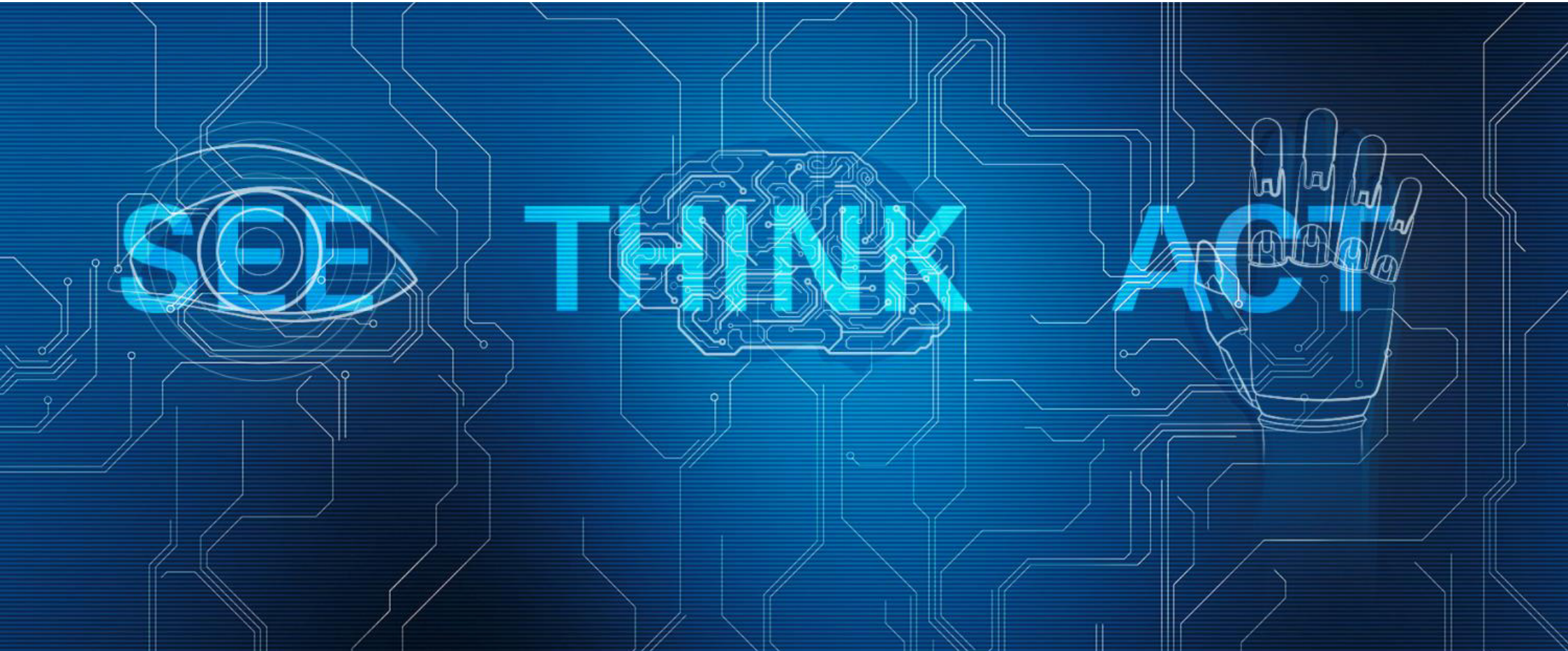
EFFICIENCY



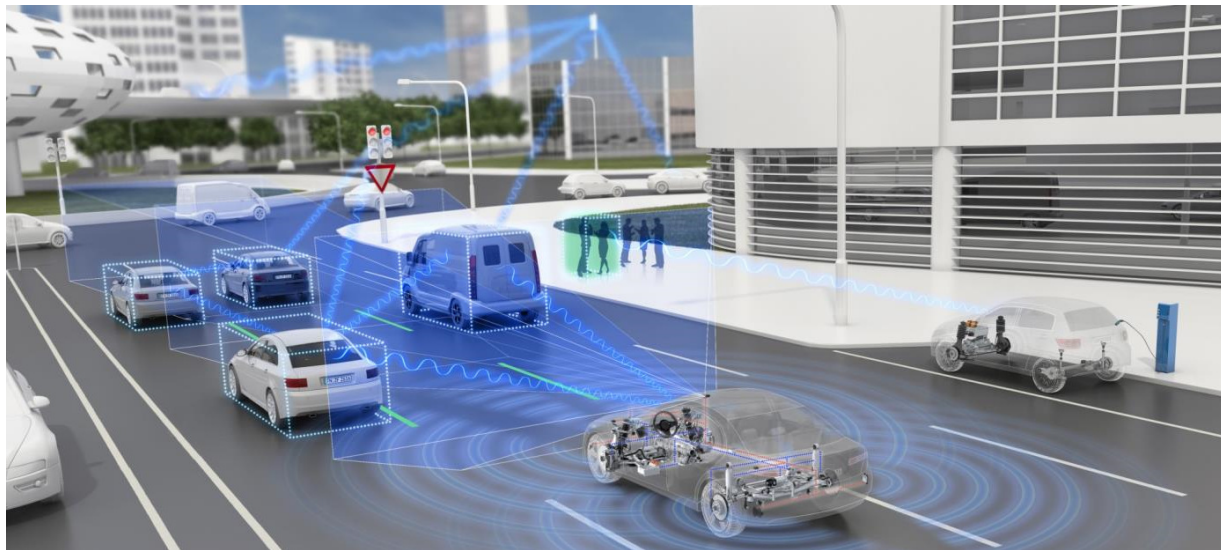
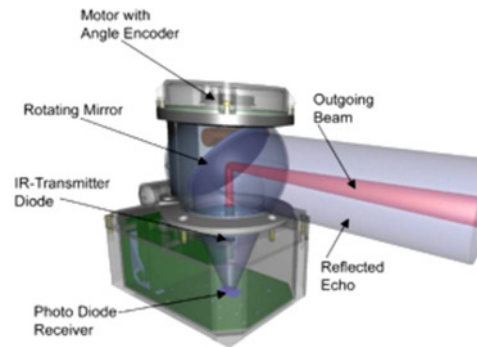
TRW Acquisition – A Milestone in Strategy ZF 2025



How Does ZF Differ from the Competition?



“See”: Good Environment Recognition, the Basis for Autonomous Driving



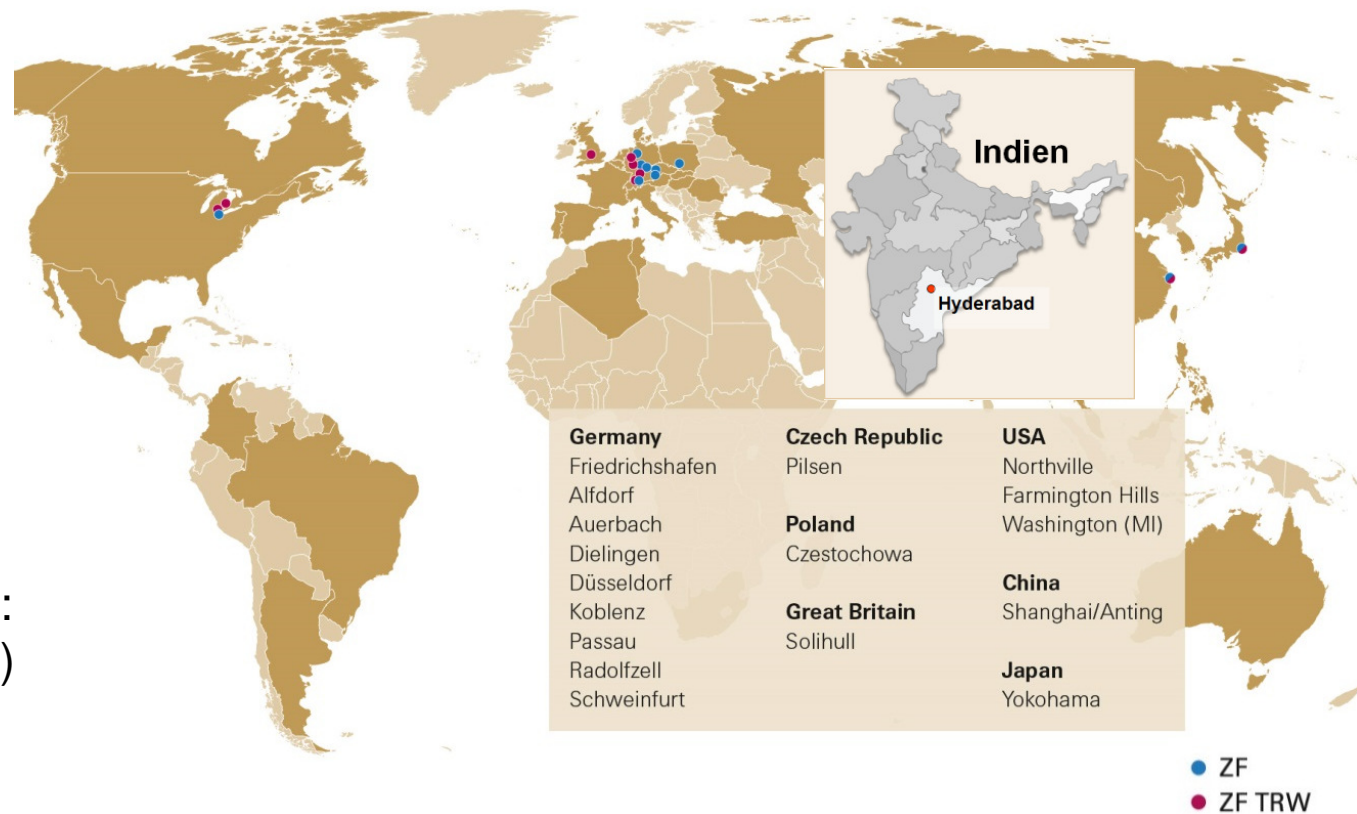
- High-tech laser scanners for the automotive industry
- Lidar: base technology for automated driving
- 360-degree object tracking

"Think": Expansion of the Global ZF Development Network

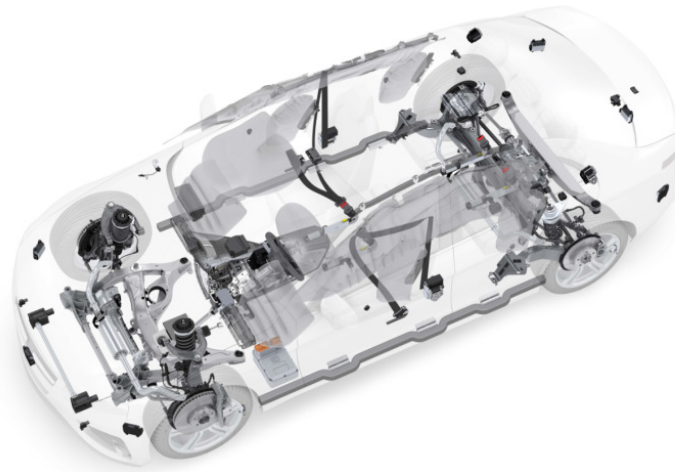


- New development center in Hyderabad, India
- Approx. 1,000 software and mechanical engineers
- Start: beginning of 2017, by 2020: 2,500 engineers (mainly software)
- Task: local and global product development

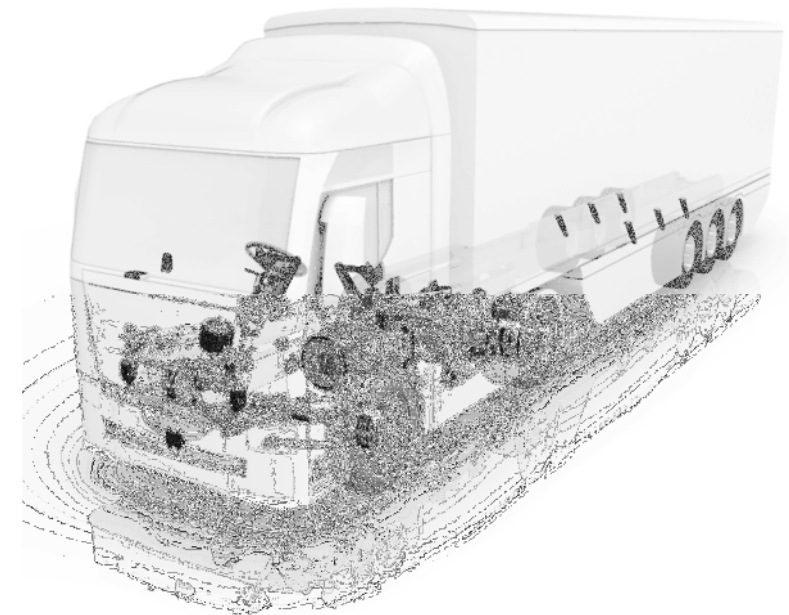
ZF Main Development Locations Worldwide



"Act": Implementing the Processed Data



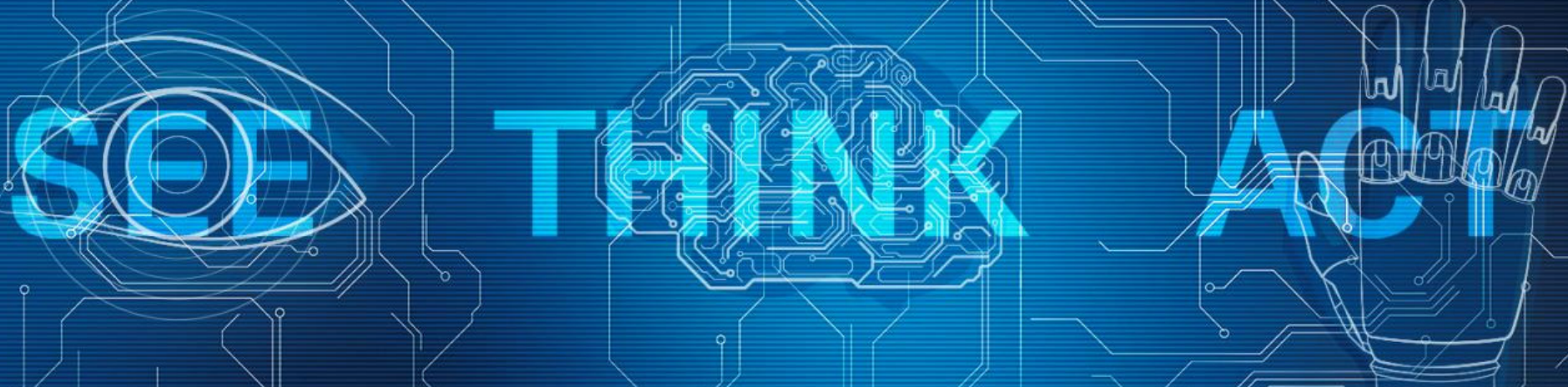
- Our strong point: actuators that turn information into action
- The passenger car sector covers the entire functional chain
- Offer for Haldex in order to implement functional chain in commercial vehicles by means of braking technology



Intelligent Mechanical Systems Act Correctly



ZF is Consistently Filling In the White Spots



ibeo
automotive
PASSION FOR SCANNING

New Tech
Center India



Haldex



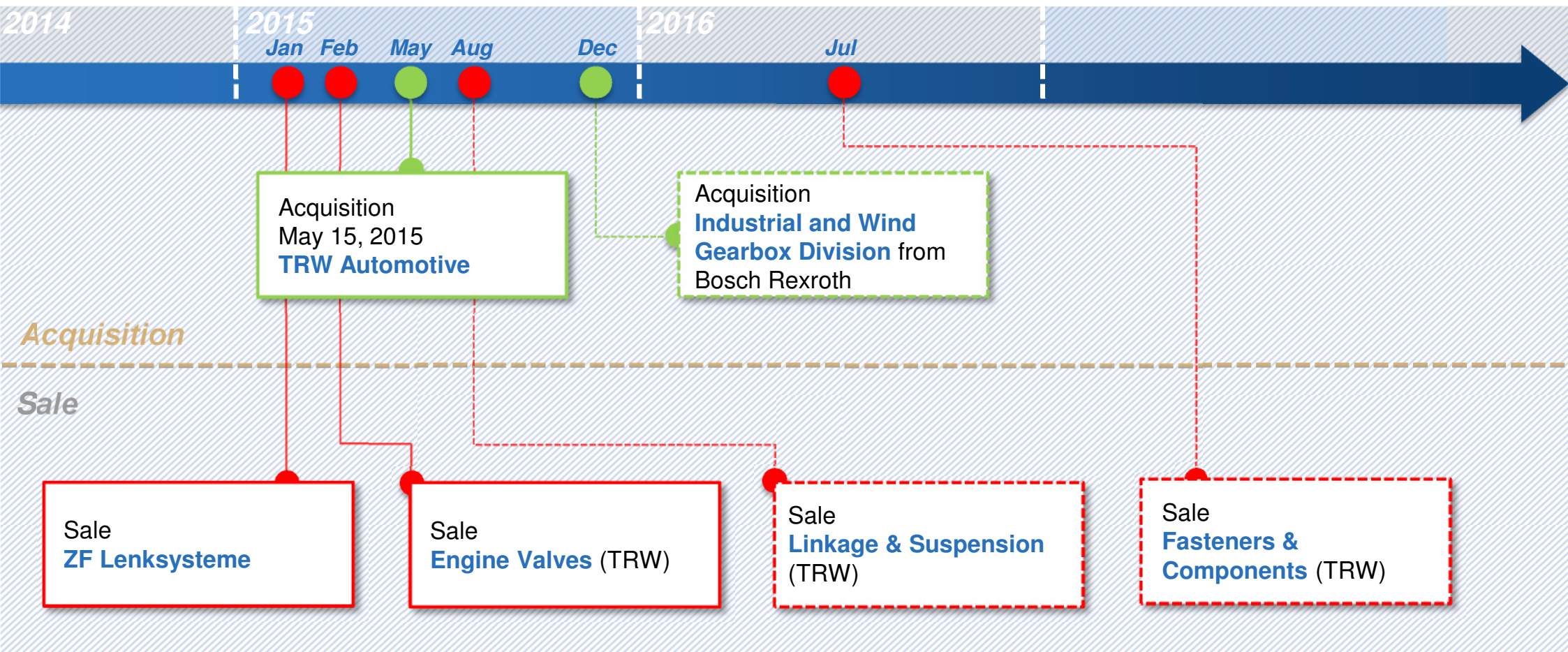
BUSINESS DEVELOPMENT IN FIRST HALF OF 2016



Highlights of 2016



M&A Transactions in the Context of the ZF TRW Acquisition

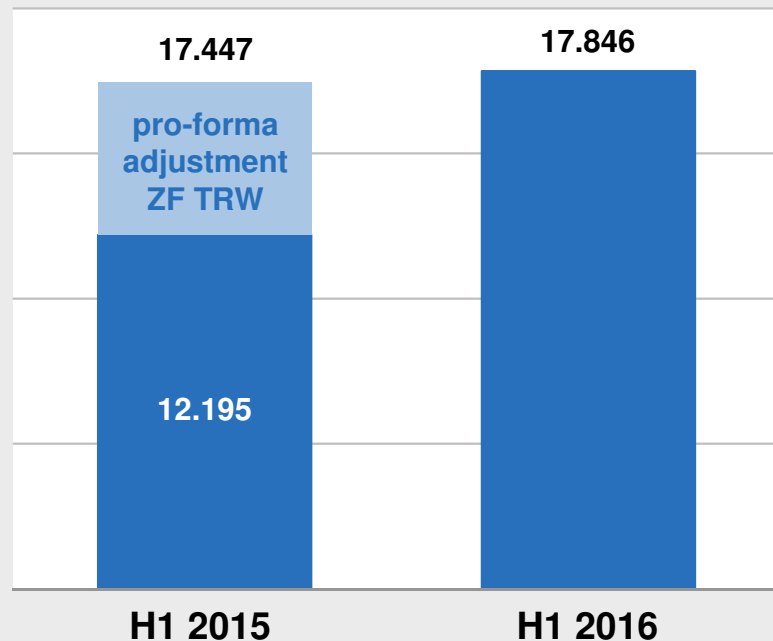


Organic Sales Growth at 5%



Sales

in € million



Developments

- Increase in unadjusted sales by 46% due to the full inclusion of ZF TRW. In the comparison period H1 2015 ZF TRW was only included for 1.5 months.
- Sales growth on pro-forma basis with ZF TRW for full 6 months in 2015 at +2%
 - Thereof, organic: + 5%
 - Thereof, FX effects: - 2%
 - Thereof, M&A effects: - 1%

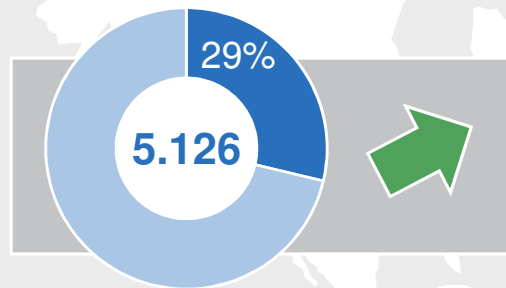
TRW Transaction Improves Global Footprint



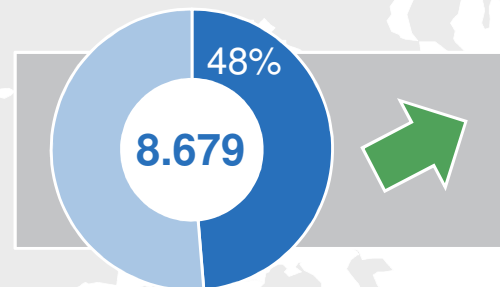
Sales

in € million / share in %

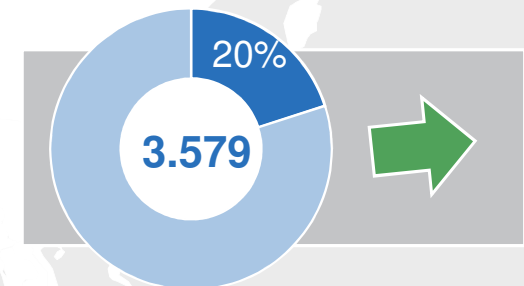
NORTH AMERICA



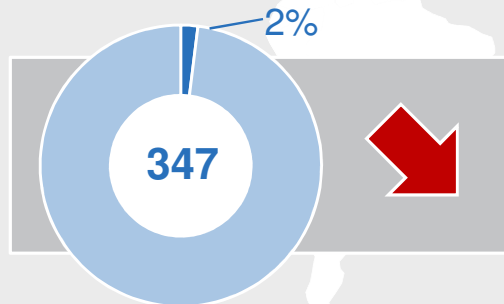
EUROPE



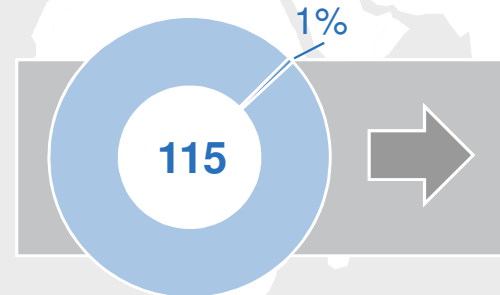
ASIA-PACIFIC



SOUTH AMERICA



AFRICA

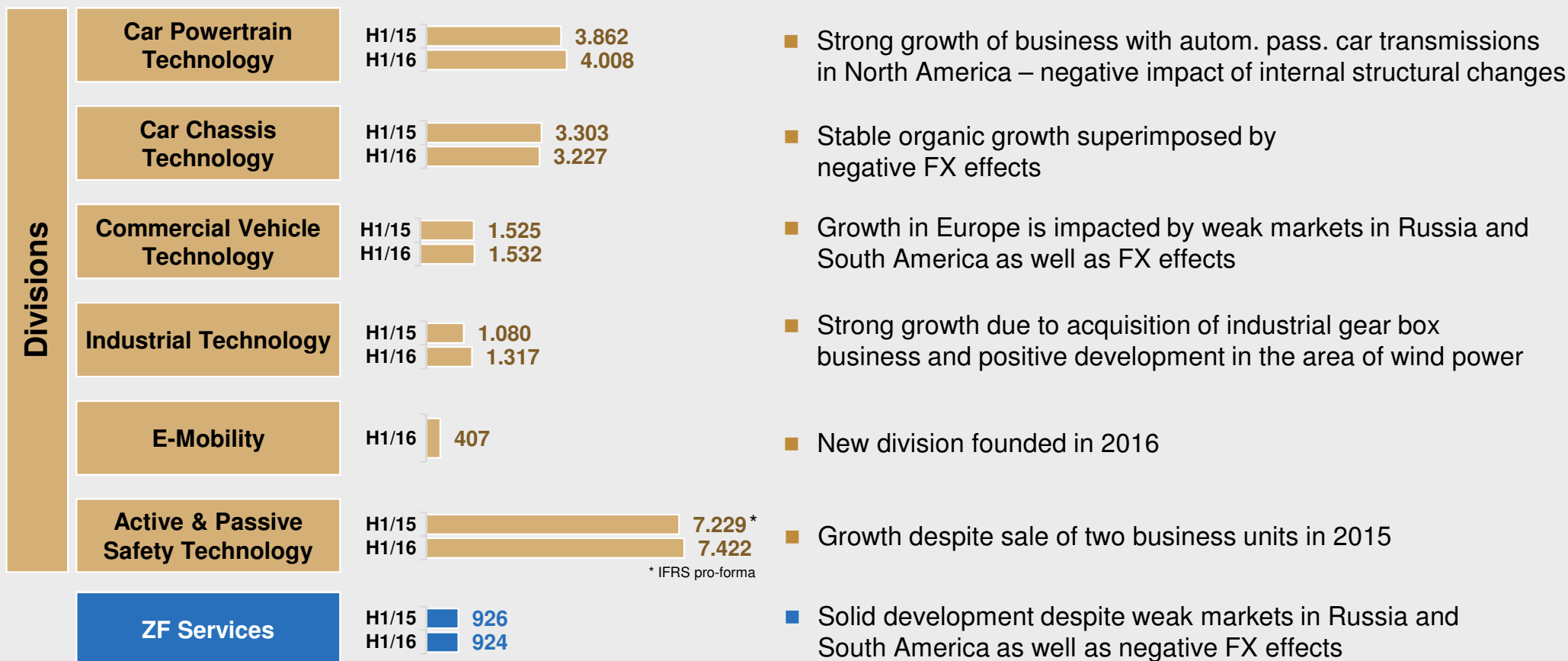


Stable Organic Growth in the Divisions and Business Units



Sales

in € million

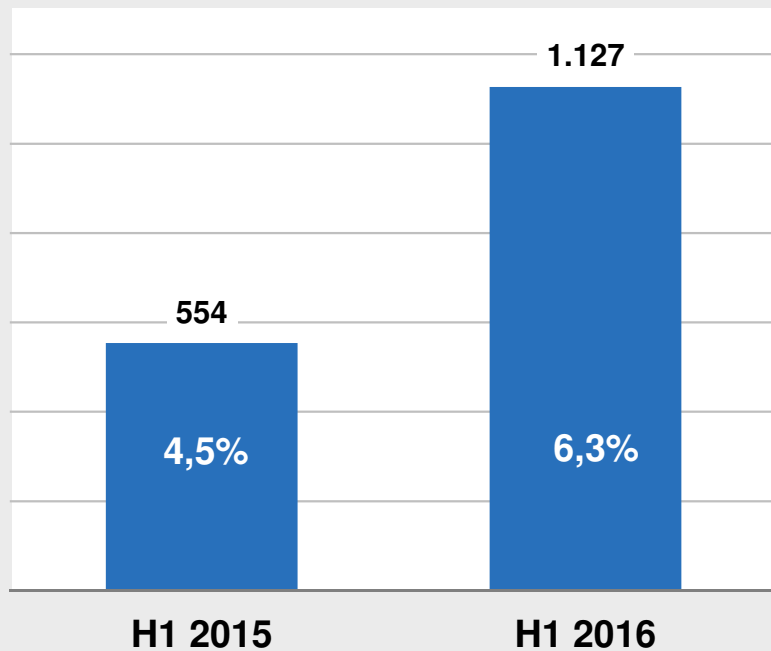


Clear Increase in Adjusted EBIT Margin



Adjusted EBIT

in € million or margin in %



Developments

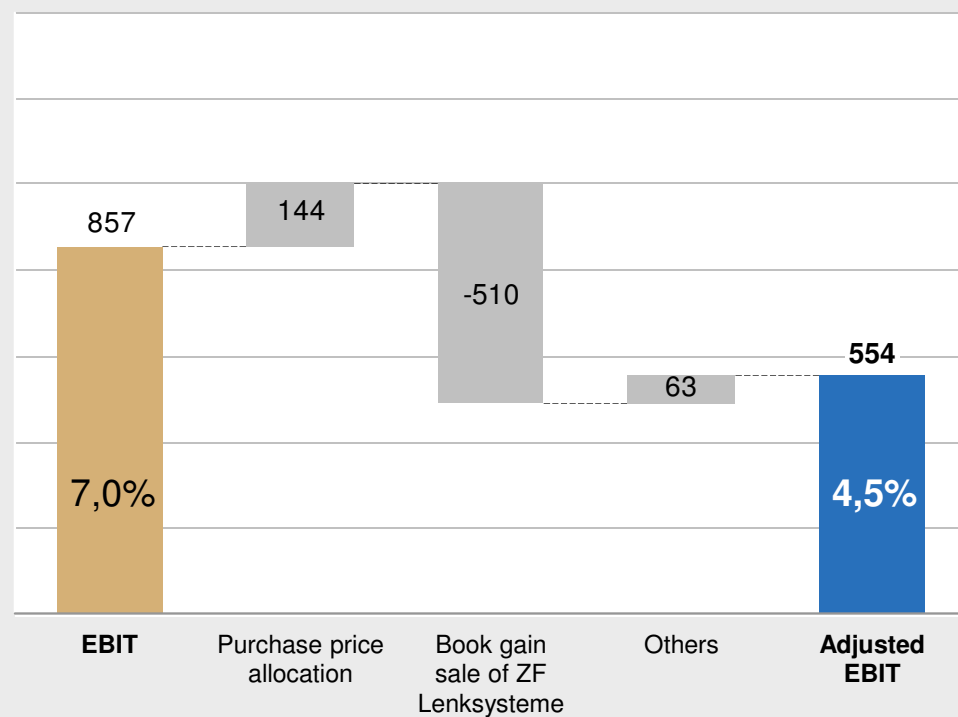
- Strong absolute increase in adjusted EBIT mainly due to consideration of ZF TRW for full six months
- Increase of the adjusted EBIT margin due to
 - Improved operational performance
 - Synergies from ZF TRW acquisition

Clear Increase in Adjusted EBIT Margin



Adjusted EBIT – H1 2015

in € million or margin in %



Adjusted EBIT – H1 2016

in € million or margin in %

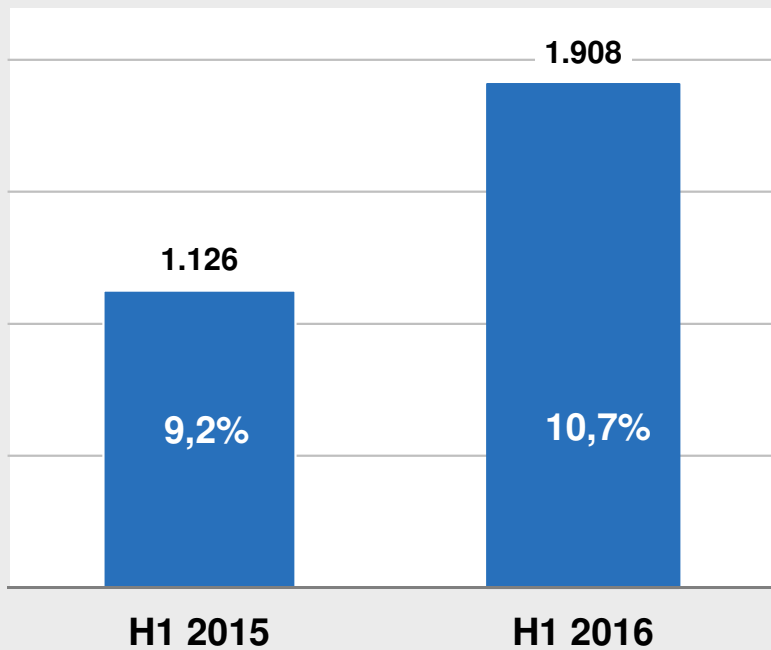


Adjusted EBITDA Margin Considerably Above Prior-Year



Adjusted EBITDA

in € million or margin in %



Developments

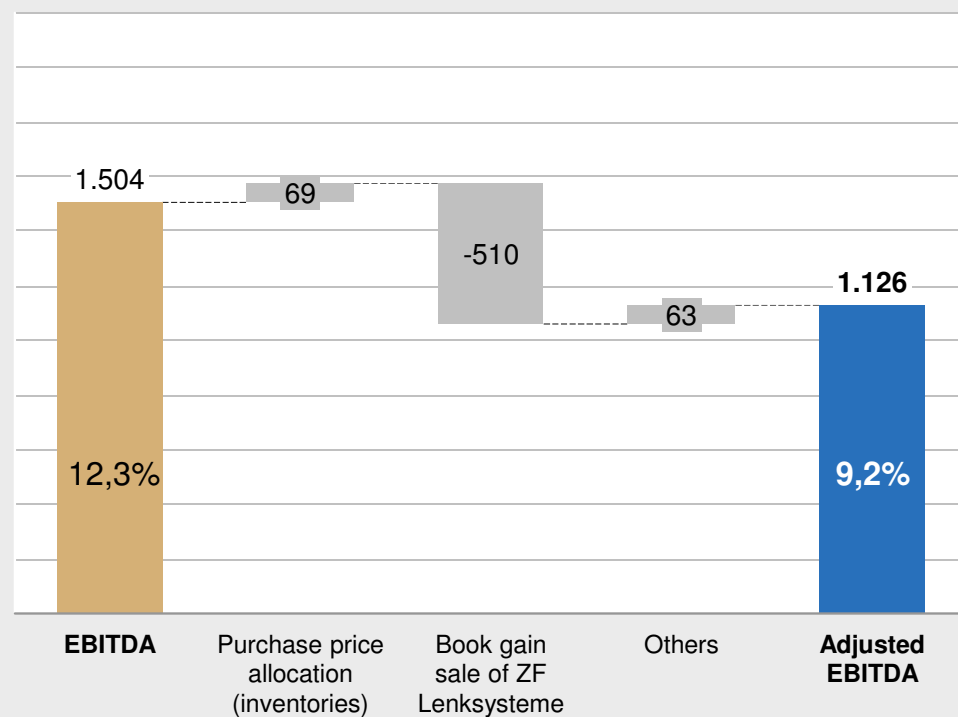
- Strong absolute increase in adjusted EBITDA mainly due to consideration of ZF TRW for full six months
- Increase of the adjusted EBITDA margin due to
 - Improved operational performance
 - Synergies by acquisition of ZF TRW

Adjusted EBITDA Margin Considerably Above Prior-Year



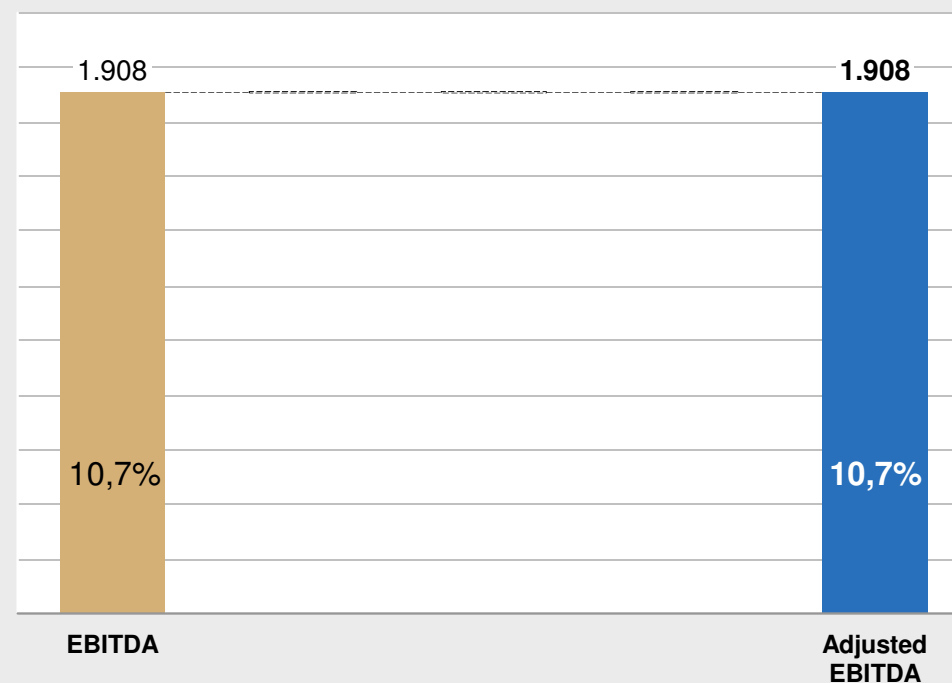
Adjusted EBITDA – H1 2015

in € million or margin in %



Adjusted EBITDA – H1 2016

in € million or margin in %

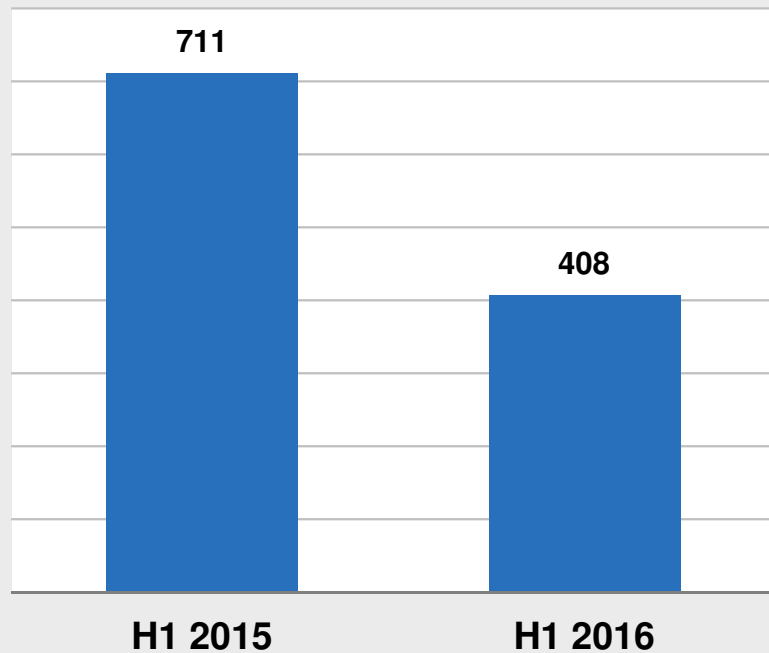


Net Profit Influenced by Extraordinary Items in Previous Year



Net profit after tax

in € million



Developments

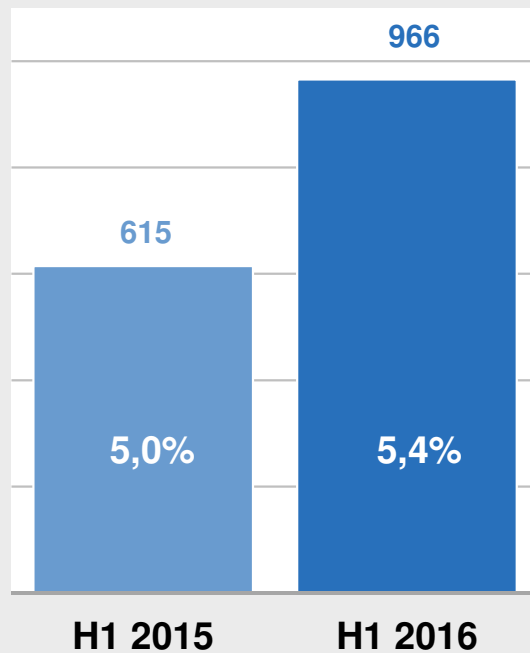
- Reduced tax expenses in 2015 due to extraordinary items:
 - Low taxation on earnings from the sale of the 50% share in ZF Lenksysteme
 - Positive effects from TRW acquisition due to offsetting of existing tax loss carryforwards with profits of the acquired company
- Net financial result (without net result from participations) on prior-year level

Continuously Intensive R&D Activities with Adapted Investment Level



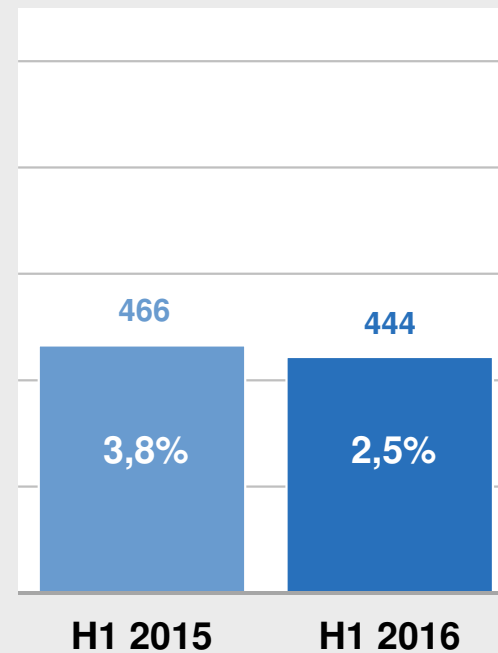
R&D

in € million and in % of sales



Investments in property, plant & equipment

in € million and in % of sales



Developments

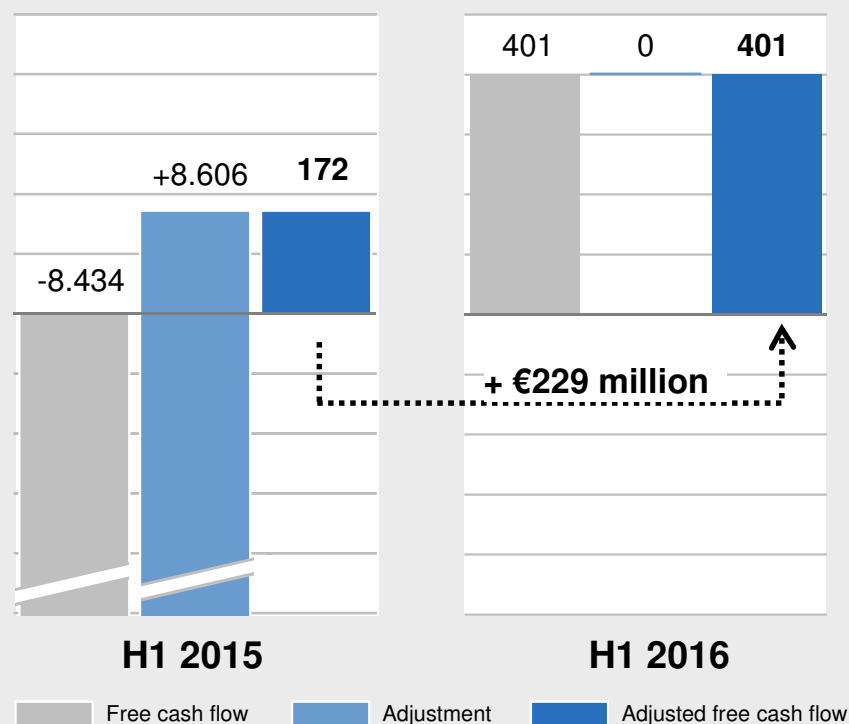
- Increase in R&D ratio indicates strong focus on future-oriented technologies
- Reduced investment ratio compared to previous years due to
 - Moderate investment in economically weak markets (Russia, Brazil)
 - Improved utilization of installed capacities
- Seasonal increase in investment volume in the second half of the year

Adjusted Free Cash Flow at €401 million



Adjusted free cash flow (operating)

in € million



Developments

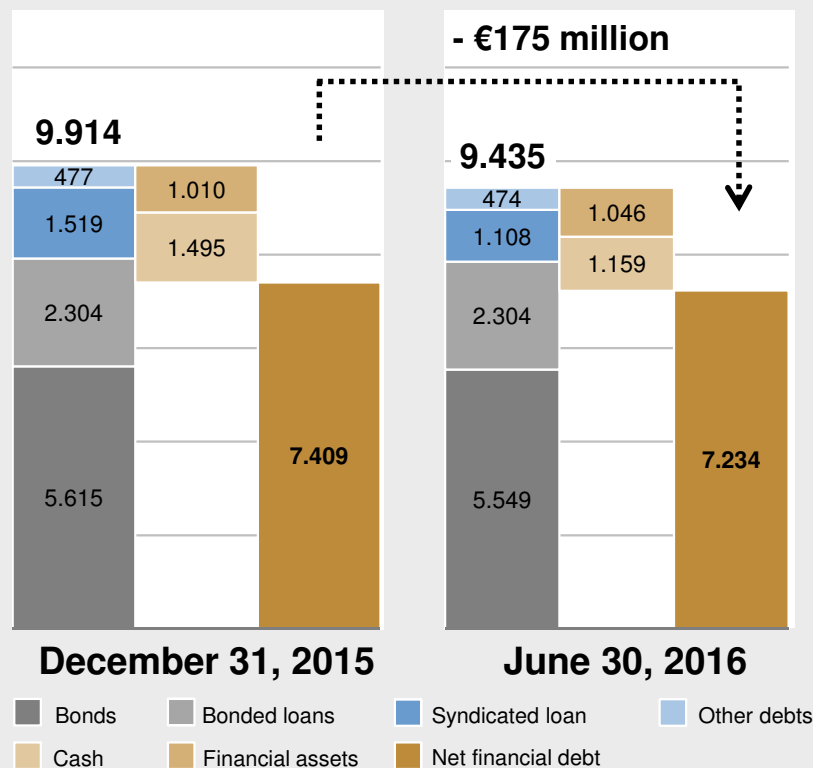
- Free cash flow mainly influenced in first half of 2015 by ZF TRW acquisition
- Adjusted free cash flow as of June 2016 increased by €229 million year-on-year
- Higher adjusted free cash flow due to improved operational performance
- No effects from M&A-activities in first half of 2016 - proceeds from sale of Fasteners & Components Business Unit in second half of 2016

Debt Reduction Strategy Confirmed by Rating Upgrades



Net financial debt

in € million



Developments

- Gross debt reduced by half a billion since December 31, 2015
- Net financial debt reduced by €175 million
- Proceeds from sale of Fasteners & Components Business Unit not yet included
- Leverage ratio* improved further from 2.1 to 1.9 compared to December 31, 2015
- Debt reduction strategy confirmed by two rating upgrades in first half of this year:
 - Moody's: Ba1 and positive outlook
 - S&P: BB+ and stable outlook

* Definition according to syndicated loan agreement 2014

All Major Financial Key Figures Improved



Financial key figures	June 30, 2015	June 30, 2016
Sales	(pro-forma) €17,447 million	€17,846 million
Adjusted EBIT (margin)	€554 million (4.5%)	€1,127 million (6.3%)
Adjusted EBITDA (margin)	€1,126 million (9.2%)	€1,908 million (10.7%)
Net Profit after tax	€711 million	€408 million
Adjusted Free Cash Flow (operative)	€172 million	€401 million
Net Financial Debt	(2015-12-31) €7,409 million	€7,234 million

Refinancing of Syndicated Loan Successfully Completed



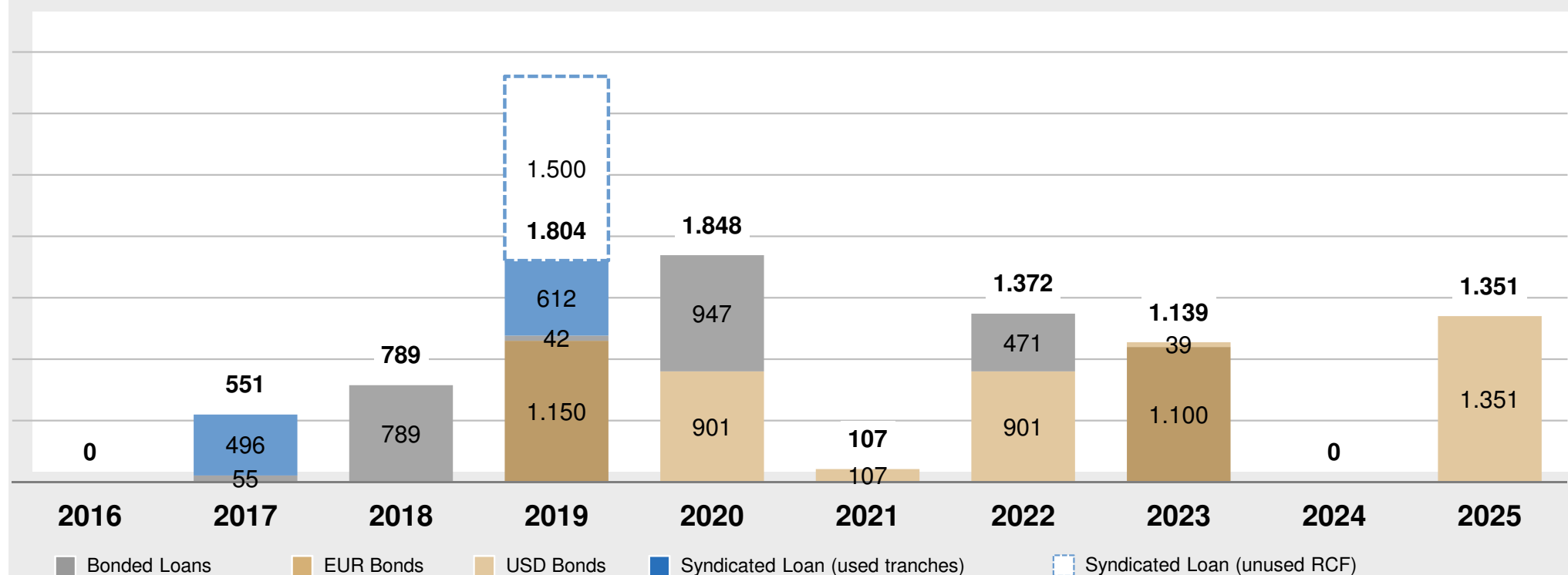
- Refinancing of existing syndicated loan from acquisition financing for TRW
- Completion of refinancing: July 29, 2016
- Volume €3.5 billion
 - €500 million term loan (term of 3 years)
 - €3.0 billion revolving facility (RCF) (term of 5 years incl. extension option)
- Key benefits:
 - Optimization of maturity profile and considerable improvement in terms and conditions
 - Increase in liquidity reserve and thus stronger financial independence

Diversified Financing Mix with Balanced Maturity Profile



Maturity of main group financings as of June 30, 2016

Nominal amounts in € million

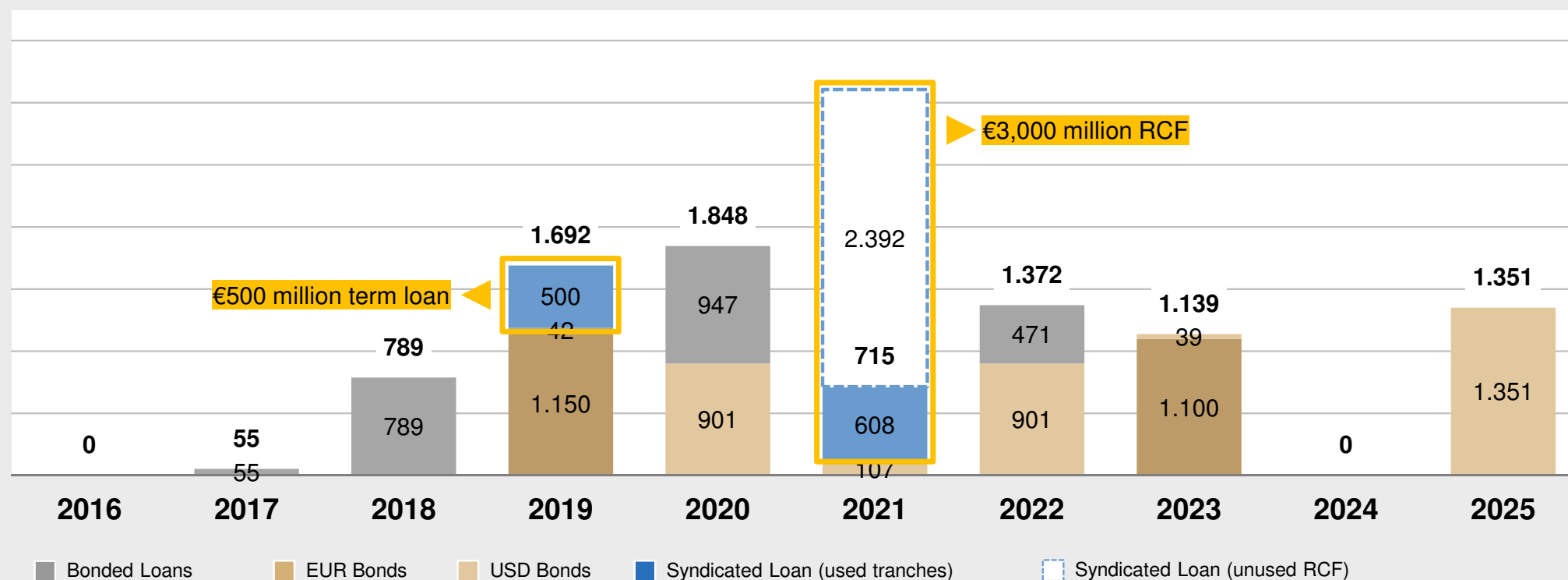


Further Smoothing of Maturity Profile and Increase of Liquidity Reserve due to Refinancing



Maturity of main group financings as of June 30, 2016 (pro-forma refinancing)

Nominal amounts in € million





OUTLOOK FOR SECOND HALF OF 2016

Market Development



Europe



- **Europe and Germany** with **modest economic growth**
- Development impaired due to **crisis in Russia, unsolved problems in Greece, Brexit** as controllable risk for the EU

North America



- **North American economy** in 2016 still on **positive growth** path but **not as dynamic**

South America



- Ongoing **economic crisis since 2014** (mainly Brazil and Argentina)
- **Pressure in 2016** remains high

Asia



- **Chinese economy** grows with **reduced dynamic (6,5%)**
- **Lack of dynamic economic growth** in newly **industrialized countries**



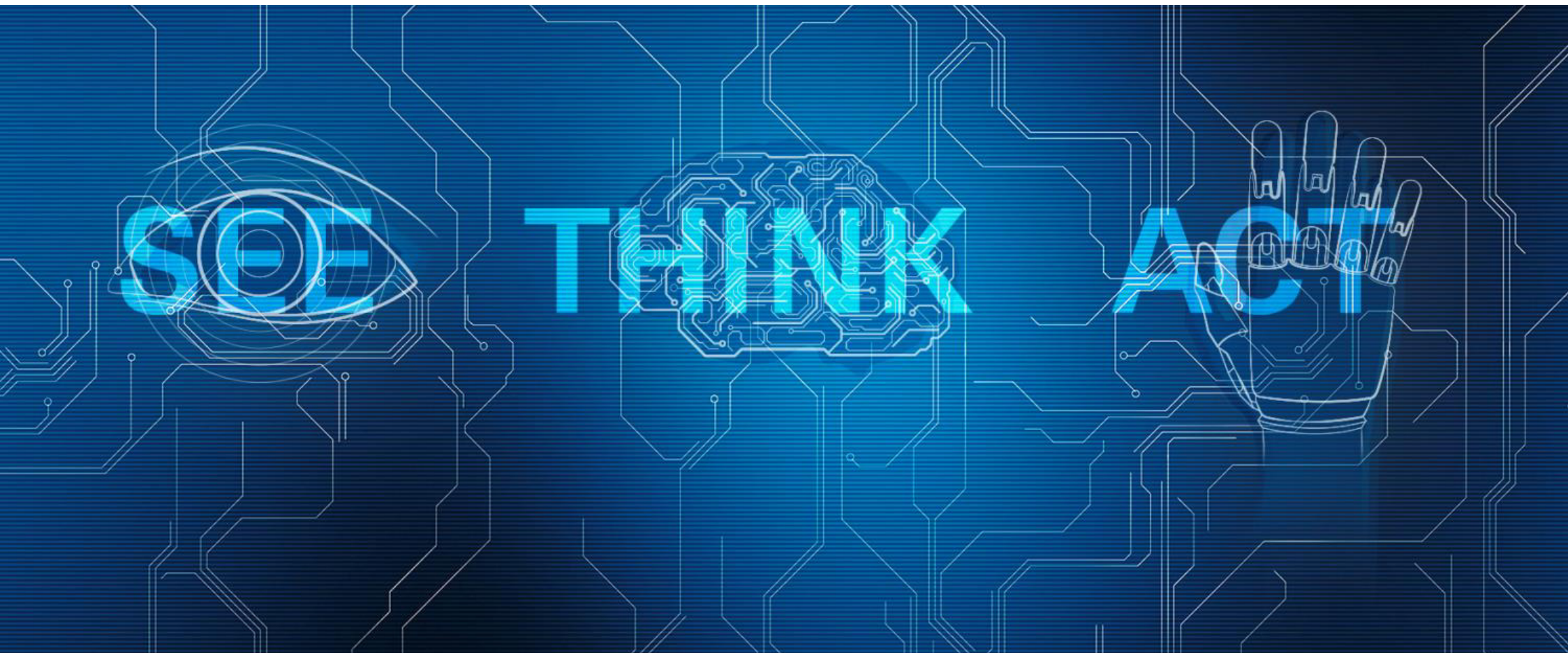
Sales: about € 35 billion

EBIT margin*: about 6%

EBITDA margin*: > 10%

Free cash flow*: > € 1 billion

* adjusted values



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