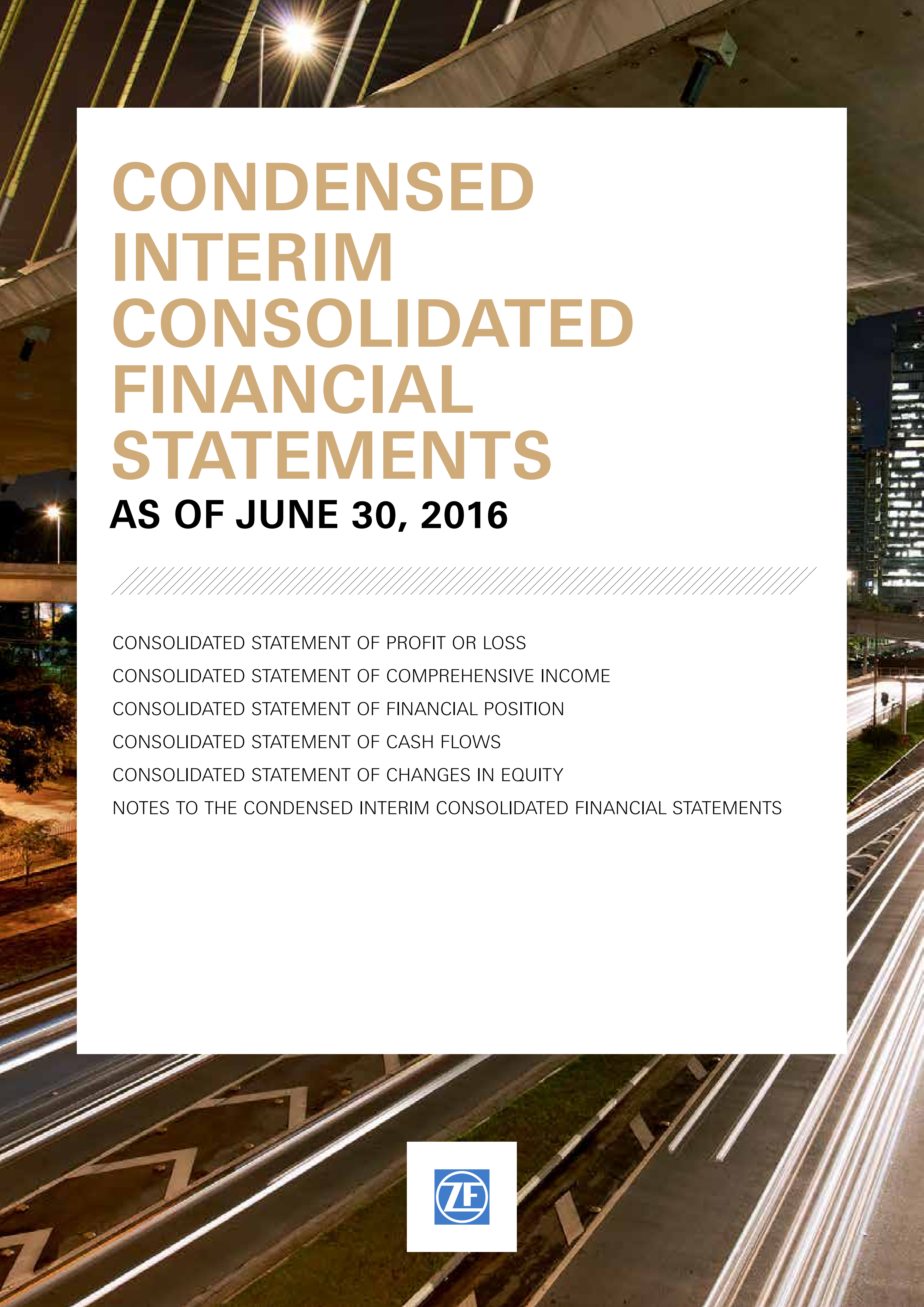

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2016

in € million	Notes	2016 unaudited	2015 unaudited
Sales	1	17,846	12,195
Cost of sales		14,795	10,296
Gross profit on sales		**3,051**	**1,899**
Research and development costs		966	615
Selling expenses		575	432
General administrative expenses		692	527
Other income	2	220	268
Other expenses	2	238	256
Operating profit or loss		**800**	**337**
Result from associates		21	518
Net result from participations		7	2
Interest income		28	23
Interest expenses		239	150
Other financial income		129	145
Other financial expenses		145	244
Net financial result	3	**−199**	**294**
Net profit or loss before income tax		**601**	**631**
Income taxes	4	193	−80
Net profit or loss after tax		**408**	**711**
thereof shareholders of ZF Friedrichshafen AG		375	691
thereof non-controlling interests		33	20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2016

in € million	Notes	2016 unaudited	2015 unaudited
Net profit or loss after tax		**408**	**711**
Line items that will be reclassified in the consolidated statement of profit or loss			
Foreign currency translation differences			
Losses arising during the year (2015: gains)		−254	203
Mark-to-market of securities			
Gains arising during the year		20	31
Amounts reclassified through profit or loss		−5	−8
Mark-to-market of cash flow hedges			
Losses arising during the year (2015: gains)		−67	505
Amounts reclassified through profit or loss		23	4
Amounts reclassified to acquisition costs through other comprehensive income		0	−907
Income taxes		7	125
Other comprehensive income from associates			
Losses arising during the year		0	−1
Amounts reclassified through profit or loss		0	−37
		−276	**−85**
Line items that will not be reclassified in the consolidated statement of profit or loss			
Actuarial losses from pension obligations		−461	−5
Income taxes		120	2
		−341	**−3**
Other comprehensive income after tax	12	**−617**	**−88**
Total comprehensive income		**−209**	**623**
thereof shareholders of ZF Friedrichshafen AG		−213	591
thereof non-controlling interests		4	32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ZF Friedrichshafen AG as of June 30, 2016

Assets in € million	Notes	June 30, 2016 unaudited	Dec. 31, 2015
Current assets			
Cash		1,159	1,495
Financial assets	5	128	66
Trade receivables	6	5,474	4,777
Other assets		413	434
Income tax receivables		7	9
Inventories		2,887	2,879
		10,068	**9,660**
Assets held for sale and disposal groups		598	657
		10,666	**10,317**
Non-current assets			
Financial assets	7	1,710	1,809
Trade receivables		1	1
Other assets		221	184
Associates		320	308
Intangible assets	8	9,737	10,179
Property, plant and equipment	8	6,521	6,856
Investment property		0	5
Deferred taxes		777	673
		19,287	**20,015**
		29,953	**30,332**

Liabilities and equity in € million	Notes	June 30, 2016 unaudited	Dec. 31, 2015
Current liabilities			
Financial liabilities		427	436
Trade payables		4,872	4,987
Other liabilities		1,807	1,754
Income tax provisions		384	402
Other provisions		649	580
		8,139	**8,159**
Liabilities of disposal groups		242	244
		8,381	**8,403**
Non-current liabilities			
Financial liabilities	10	9,063	9,471
Trade payables		18	16
Other liabilities		397	444
Provisions for pensions	11	4,947	4,465
Other provisions		633	613
Deferred taxes		945	1,070
		16,003	**16,079**
Equity			
Subscribed capital		500	500
Capital reserve		386	386
Retained earnings [1)]		4,400	4,667
Equity attributable to shareholders of ZF Friedrichshafen AG		**5,286**	**5,553**
Non-controlling interests		283	297
	12	**5,569**	**5,850**
		29,953	**30,332**

[1)] Assets held for sale and disposal groups account for € 24 million (2015: € 23 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2016

in € million	Notes	2016 unaudited	2015 unaudited
Net profit or loss before income tax		601	631
Depreciation/Reversal of impairments for intangible assets and property, plant and equipment		1,081	646
Changes in non-current provisions made through profit or loss		19	54
Income taxes paid		−252	−132
Results from the disposal of intangible assets and property, plant and equipment		2	−8
Net financial result		199	−294
Increase in inventories		−41	−132
Increase in trade receivables		−780	−494
Increase in other assets		−36	−24
Increase in other liabilities		67	333
Cash flow from operating activities		**860**	**580**
Expenditures for investments in			
intangible assets		−137	−77
property, plant and equipment		−444	−466
associates		−1	−2
participations		−2	−1
financial receivables		2	−3
Proceeds from the disposal of			
intangible assets		19	2
property, plant and equipment		62	21
associates		0	786
participations		7	0
financial receivables		3	102
Cash outflow from the acquisition of consolidated companies	14	0	−9,390
Dividends received		10	2
Interest received		22	12
Cash flow from investing activities		**−459**	**−9,014**

in € million	**Notes**	**2016 unaudited**	**2015 unaudited**
Dividends paid to ZF Friedrichshafen AG shareholders		−50	−50
Dividends paid to holders of non-controlling interests		−18	−24
Repayments of borrowings		−451	−1,341
Proceeds from borrowings		41	10,889
Interest paid and transaction costs		−238	−174
Cash flow from financing activities		**−716**	**9,300**
Net change in cash		**−315**	**866**
Cash position at the beginning of the fiscal year		1,495	1,114
Effects of exchange rate changes on cash		−21	29
Cash position at the end of the fiscal year		**1,159**	**2,009**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2016

in € million	Subscribed capital	Capital reserve
Jan. 1, 2015	500	386
Net profit or loss after tax		
Other comprehensive income after tax		
Total comprehensive income	0	0
Dividends paid		
Changes in the basis of consolidation		
Other changes		
June 30, 2015 (unaudited)	500	386
Jan. 1, 2016	500	386
Net profit or loss after tax		
Other comprehensive income after tax		
Total comprehensive income	0	0
Dividends paid		
Other changes		
June 30, 2016 (unaudited)	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 of securities	Mark-to-market of cash flow hedges	Actuarial gains and losses			
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**
5,073	**297**	**40**	**−17**	**−726**	**5,553**	**297**	**5,850**
375					375	33	408
	−225	15	−37	−341	−588	−29	−617
375	**−225**	**15**	**−37**	**−341**	**−213**	**4**	**−209**
−50					−50	−18	−68
−4					−4		−4
5,394	**72**	**55**	**−54**	**−1,067**	**5,286**	**283**	**5,569**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ZF Friedrichshafen AG as of June 30, 2016

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 global leader in driveline and chassis technology as well as active and passive safety technology. The ZF Group structure is aligned with the market and customers. The business units are assigned to the following six divisions: Car Powertrain Technology, Car Chassis Technology, Commercial Vehicle Technology, Industrial Technology, Active & Passive Safety Technology and E-Mobility. Further explanations on the corporate structure can be found in the group management report as of December 31, 2015.

General

The interim consolidated financial statements of ZF Friedrichshafen AG as of June 30, 2016 were prepared as a condensed interim report in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting," as adopted by the European Union. It includes the following components:

- Consolidated statement of profit or loss from January 1 to June 30, 2016
- Consolidated statement of comprehensive income from January 1 to June 30, 2016
- Consolidated statement of financial position as of June 30, 2016
- Consolidated statement of cash flows from January 1 to June 30, 2016
- Consolidated statement of changes in equity from January 1 to June 30, 2016
- Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements do not include all the pieces of information and disclosures that are required for the consolidated financial statements at the end of a fiscal year and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2015.

The fiscal year of ZF TRW Automotive Holdings Corp. (ZF TRW) corresponds to the calendar year, and each of the four quarters comprises a period of five weeks and two periods of four weeks, respectively. A changeover of the accounting periods of ZF TRW to the calendar month is intended to be introduced for fiscal year 2017.

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 condensed interim consolidated financial statements were prepared on the basis of the accounting policies applied for the preparation of the consolidated financial statements as of December 31, 2015, with the following exceptions.

Income taxes are recognized in the interim consolidated financial statements on the basis of the estimated income tax rate expected for the full year.

Another exception to this principle is the adoption of new IFRS standards and interpretations effective as of January 1, 2016.

The following new or amended IASB standards and interpretations were applied for the first time for the condensed interim consolidated financial statements:

- Amendment to IAS 27 "Separate Financial Statements"
- Amendment to IAS 1 "Presentation of Financial Statements"
- Improvements to IFRS 2012 – 2014
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"
- Amendment to IFRS 11 "Joint Arrangements"
- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"

The amendment to IAS 27 is designed to reintroduce the application of the equity method in the separate financial statements; this means that interests of an investor held in subsidiaries, joint ventures and associates have to be accounted for either at amortized cost in accordance with IAS 39 or IFRS 9, respectively, or using the equity method. The selected method has to be applied consistently for each category of interests. The amendment has to be applied retrospectively.

The amendments to IAS 1 are intended to improve financial reporting in relation to disclosures. A stronger focus is put on the materiality principle. The amendments introduce further subdivisions of the minimum components of the statement of financial position as well as the presentation of subtotals. In addition, there is now a greater flexibility as regards the order of disclosures. Moreover, the provisions set out in IAS 1 with respect to the identification of significant accounting policies as a component of the notes were abolished.

The improvements to IFRS 2012 – 2014 describe a collective standard which was published in June 2014 and deals with amendments to various IFRS. The amendments are listed below:

- IFRS 5: In relation to non-current assets (or disposal groups) classified as held for distribution to owners, it is clarified that when a company reclassifies an asset from the held-for-sale category to the held-for-distribution category – or vice versa –, such reclassification is considered a continuation of the original plan of disposal or distribution, provided this is conducted without time delay. This means that the accounting rules for assets (or disposal groups) held for sale or for distribution may be applied. If a company determines that an asset (or a disposal group) no longer meets the criteria for being held for distribution, the company shall cease to classify it as held for distribution – similarly to the rules applicable for the discontinuation of the classification as held for sale. A change in the classification does not result in an extension of the period required to complete a sale or distribution.
- IFRS 7: Clarification of disclosure requirements for fully transferred assets comprising a servicing contract that is subject to a servicing fee. Due to the retained right to service the asset, disclosures on continuing involvement have to be made when the company has an interest in the future performance of the transferred financial asset. In addition, the applicability of the amendments to IFRS 7 in relation to disclosures on offsetting financial assets and financial liabilities to condensed interim financial statements was specified.
- IAS 19: Clarification that, in connection with determining the discount rate for post-employment benefits, only high-quality corporate or government bonds that are denominated in the same currency as the payments to be made may be used. This has the effect that the depth of the market for high-quality corporate or government bonds has to be assessed on currency rather than at country level.

- IAS 34: Clarification that the selected explanatory notes required by IAS 34 in an interim financial report are not required to be disclosed in the notes, but may be reported elsewhere in the interim financial report.

The amendments to IAS 16 and IAS 38 provide further guidance to determine acceptable methods of depreciation and amortization. Accordingly, sales-based methods of depreciation or amortization of property, plant and equipment and intangible assets, respectively, are only appropriate in particular exceptions.

The amendments to IFRS 11 clarify that the acquisition of both the initial interest and additional interests in a joint operation which constitutes a business has to be accounted for based on the accounting provisions for business combinations set out in IFRS 3, unless there is a conflict with the guidance set out in IFRS 11. The disclosure requirements of IFRS 3 also have to be met.

The amendments to IAS 16 and IAS 41 clarified that plants that are used solely to grow agricultural produce (bearer plants) are accounted for in the same way as property, plant and equipment (in accordance with IAS 16 “Property, Plant and Equipment”) since their operation is similar to that of manufacturing.

The above-mentioned changed standards were applied for the first time in the current fiscal year and did not lead to any change in the ZF Group accounting.

The ZF Group did not apply early any further new or amended standards and interpretations whose application is not yet mandatory even though they have been published.

Basis of consolidation

In addition to ZF Friedrichshafen AG, 23 domestic and 277 foreign subsidiaries controlled by ZF Friedrichshafen AG are included in the interim consolidated financial statements.

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

	Jan. 1, 2016	**First-time consolidations**	**Legal changes**	**Deconsolidations**	**June 30, 2016**
Subsidiaries	298	2	0	0	300
of which domestic	22	1	0	0	23
of which foreign	276	1	0	0	277
Joint ventures	9	0	0	0	9
Associates	7	0	0	0	7

In the fiscal year 2016, the following companies have been included in the interim consolidated financial statements of ZF Friedrichshafen AG for the first time:

in %	**Share in capital**
ZF Investment GmbH, Friedrichshafen, Germany	100
ZF US Timber Properties, LLC, Northville, USA	100

Company acquisitions in the prior-year period

On May 15, 2015, ZF completed the purchase of 100% of the shares in ZF TRW Automotive Holdings Corp. (former TRW Automotive Holdings Corp.) by way of a cash transaction. ZF TRW is an automotive supplier of active and passive safety technology as well as state-of-the art advanced driver assistance systems. The acquisition strengthened the market position of the consolidated ZF Group and expanded the product portfolio in an attractive segment.

The finalization of the purchase price allocation particularly resulted in effects on deferred taxes in the low double-digit million range for the period from January 1 to May 14, 2016.

With effect from November 30, 2015, ZF acquired the industrial drive and wind turbine gearbox business of Bosch Rexroth AG within the context of an asset deal. The industrial drive and wind turbine gearbox business develops and produces industrial drives used in wind turbines as well as in the oil production and mining industry. The acquisition is intended to expand our Industrial Technology portfolio.

The purchase price allocation, which has not changed compared to December 31, 2015, has not been completed since there are no final valuations of assets available. Adjustments may occur, above all, in relation to the valuation of customer relations, technologies, property, plant and equipment, the associated deferred taxes as well as the negative goodwill recognized in the previous year.

Consolidation principles and foreign currency translation

The consolidation methods and the methods for foreign currency translation have not changed compared to the consolidated financial statements as of December 31, 2015.

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, 2016	Dec. 31, 2015	Jan. – June 2016	Jan. – June 2015
U.S. dollar	1.1102	1.0887	1.1159	1.1096
British pound	0.8265	0.734	0.7791	0.7264
Chinese renminbi	7.3755	7.0608	7.2964	6.8931
Brazilian real	3.5898	4.3117	4.1308	3.3506
Mexican peso	20.6347	18.9145	20.178	16.9026

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

Unless explained in the following, the changes in the consolidated statement of profit or loss are largely attributable to the inclusion of ZF TRW for the entire period from January 1 to June 30, 2016. In the comparative period, ZF TRW was included only for the period from May 15 to June 30, 2015.

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

in € million	Jan. – June 2016	Jan. – June 2015
Domestic	3,888	3,042
Western Europe	3,500	2,440
Eastern Europe	1,291	573
North America	5,126	3,189
South America	347	281
Asia-Pacific	3,579	2,569
Africa	115	101
	17,846	**12,195**

2 Other income and expenses

Other income and expenses were reduced due to the lower amount of foreign exchange gains and losses.

3 Net financial result

in € million	Jan. – June 2016	Jan. – June 2015
Result from deconsolidations	– 1	513
Current result	22	5
Result from associates	**21**	**518**
Net result from participations	**7**	**2**
Interest from current financial investments	16	22
Interest from non-current financial investments	12	1
Interest income	**28**	**23**
Interest on financial liabilities	187	116
Other interest	4	0
Interest from pension provisions	48	32
Unwinding the discount on other non-current items	0	2
Interest expenses	**239**	**150**
Foreign exchange gains	44	105
Income from derivative financial instruments	70	24
Income from the disposal of securities	12	14
Unrealized fair value gains from securities	3	2
Other financial income	**129**	**145**
Foreign exchange losses	31	71
Expenses from derivative financial instruments	76	40
Losses on disposal of securities	9	4
Unrealized fair value losses from securities	5	5
Transaction costs and incidental expenses	24	124
Other financial expenses	**145**	**244**
Net financial result	**– 199**	**294**

4 Income taxes

The increase in income taxes is mainly attributable to extraordinary items in the comparative period. In the first half of 2015, the reported tax income resulted from the reversal of impairment losses from deferred taxes in North America.

Consolidated statement of financial position

5 Current financial assets

in € million	June 30, 2016	Dec. 31, 2015
Financial receivables	81	22
Derivative financial instruments	47	44
	128	**66**

6 Current trade receivables

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

7 Non-current financial assets

in € million	June 30, 2016	Dec. 31, 2015
Investments in participations	66	71
Securities	990	958
Financial receivables	112	162
Net assets from defined benefit plans	521	600
Derivative financial instruments	21	18
	1,710	**1,809**

8 Intangible assets and property, plant and equipment

Amortization, depreciation and impairment of intangible assets and property, plant and equipment were higher than capital expenditure in the first half of 2016, which led to a decrease in both line items.

9 Impairment tests

To the extent that there were indications for an impairment, ZF performed an impairment test for its cash-generating units as of June 30, 2016, taking into consideration new insight about the current expectations for the future and the business results achieved so far this year.

Both in the first half of 2016 and the comparative period, neither impairments nor reversals of impairments were recognized. Business in South America remained weak against the backdrop of a continued challenging economic environment. In addition, ZF's further course of business is at risk in the United Kingdom due to the Brexit decision. ZF continuously monitors the effects of these developments as to the recoverability of its assets in this region.

10 Non-current financial liabilities

The decline of the non-current financial liabilities is largely the result of further repayments in relation to the syndicated loan.

11 Provisions for pensions

The increase in provisions for pensions is primarily attributable to the reduced discount rate applied as of the reporting date June 30, 2016.

12 Equity

Dividends
In the fiscal year, a dividend of € 50 million (€ 0.10 per share) for 2015 was paid.

Deferred taxes on equity items not affecting profit or loss

in € million	June 30, 2016			June 30, 2015		
	Before income tax	Income tax	After tax	Before income tax	Income tax	After tax
Foreign currency translation differences	–254	0	–254	203	0	203
Mark-to-market of securities	15	0	15	23	0	23
Mark-to-market of cash flow hedges	–44	7	–37	–398	125	–273
Actuarial gains and losses	–461	120	–341	–5	2	–3
Other comprehensive income from associates	0	0	0	–38	0	–38
Other comprehensive income	**–744**	**127**	**–617**	**–215**	**127**	**–88**

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. To this end, the net profit or loss before income tax is adjusted by the financial result in the cash flow from operating activities.

As part of the indirect calculation, the changes in financial line items taken into account in conjunction with the operating activities are adjusted for effects from the translation of foreign currencies and changes in the basis of consolidation. 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 Acquisitions of shares in consolidated companies

The assets and liabilities of consolidated companies received on the date of acquisition are composed of as follows:

in € million	Jan.–June 2016	Jan.–June 2015
Current assets	0	4,794
thereof cash and cash equivalents	0	703
Non-current assets	0	8,953
Current liabilities	0	3,788
Non-current liabilities	0	3,421

OTHER DISCLOSURES

15 Litigation

For a pending antitrust case at ZF TRW, a provision for risks existing in this context has been recorded. The point of time at which the suit will be completed as well as the outcome of the procedure are uncertain.

In the fiscal year 2014, the premises of a subsidiary were searched in connection with an ongoing antitrust investigation procedure. 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.

In addition, the premises of ZF were searched in the context of another antitrust investigation procedure in the current fiscal year. The reason for this investigation was the suspicion of the Bundeskartellamt [Federal Cartel Office] that ZF was involved in agreements regarding steel purchasing that violate antitrust law. In this case, ZF again fully cooperates 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.

16 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, 2016	Dec. 31, 2015
Assets		
Loans and receivables	6,834	6,457
Available-for-sale financial assets	1,037	1,019
Financial assets at fair value through profit or loss	12	10
Financial assets held for trading	52	6
Derivative financial instruments (hedge accounting) [1)]	16	56
	7,951	**7,548**
Liabilities		
Financial liabilities at amortized cost	14,212	14,815
Liabilities from finance leases [1)]	23	26
Financial liabilities held for trading	54	0
Derivative financial instruments (hedge accounting) [1)]	91	69
	14,380	**14,910**

1) 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 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.

in € million	June 30, 2016		Dec. 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans and receivables				
Cash and cash equivalents	1,159	1,159	1,495	1,495
Financial receivables	181	181	160	160
Trade receivables	5,475	5,475	4,778	4,778
Securities	19	19	24	24
	6,834	**6,834**	**6,457**	**6,457**
Liabilities				
Financial liabilities at amortized cost				
Bonds	5,506	5,711	5,592	5,555
Bonded loans	2,321	2,391	2,334	2,373
Liabilities to banks	1,473	1,520	1,836	1,894
Other financial liabilities	22	22	50	50
Trade payables	4,890	4,890	5,003	5,003
Liabilities from finance leases [1]	23	25	26	27
	14,235	**14,559**	**14,841**	**14,902**

[1] No IAS 39 measurement categories.

The following table shows the financial instruments recognized at fair value. Of the fair value of investments in participations, which amount to a total of € 66 million, the amount of € 64 million cannot be determined reliably because there is no active market for these participations and their fair value cannot be determined reliably. The investments in participations are included in the "available-for-sale financial assets" category. Sale of these shares is currently not planned.

in € million	**June 30, 2016**	**Dec. 31, 2015**
Assets		
Available-for-sale financial assets		
Securities	959	948
Investments in participations	2	2
Financial receivables	12	0
Financial assets at fair value through profit or loss		
Securities	12	10
Financial assets held for trading		
Derivative financial instruments	52	6
Derivative financial instruments (hedge accounting)[1)]	16	56
	1,053	**1,022**
Liabilities		
Financial liabilities held for trading		
Derivative financial instruments	54	0
Derivative financial instruments (hedge accounting)[1)]	91	69
	145	**69**

[1)] No IAS 39 measurement categories.

In the following, the financial instruments recognized at fair value are allocated to the three levels of the fair value hierarchy based on the input parameters used for the valuation. 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, 2016**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities				
Shares	119	0	0	119
Fixed-interest securities	232	15	0	247
Fund shares	453	0	2	455
Alternative investments	36	101	13	150
Investments in participations	2	0	0	2
Financial receivables	0	12	0	12
Derivative financial instruments	1	67	0	68
	843	**195**	**15**	**1,053**
Liabilities				
Derivative financial instruments	1	144	0	145

in € million	**Dec. 31, 2015**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities				
Shares	132	0	0	132
Fixed-interest securities	296	13	0	309
Fund shares	386	0	2	388
Alternative investments	34	80	15	129
Investments in participations	2	0	0	2
Derivative financial instruments	2	60	0	62
	852	**153**	**17**	**1,022**
Liabilities				
Derivative financial instruments	1	68	0	69

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. This includes in particular 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.

From level 1 of the fair value hierarchy, securities amounting to € 6 million were reclassified to level 2 as a result of the deteriorated market liquidity of the relevant securities on the stock exchange during the current fiscal year compared to the prior year.

From level 2 of the fair value hierarchy, securities amounting to € 4 million were reclassified to level 1 as a result of the improved market liquidity of the relevant securities on the stock exchange during the current fiscal year compared to the prior year.

The level 3 securities involve interests in private equity funds. The private equity umbrella funds hold shares in non-listed companies. 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 fair 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).

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

in € million	Securities		Derivatives	
	June 2016	2015	June 2016	2015
As of Jan. 1	**17**	**17**	**0**	**155**
Fair value changes – recognized through other comprehensive income	0	0	0	209
Fair value changes – recognized through profit or loss	–1	0	0	0
Purchases	0	2	0	0
Sales	–1	–2	0	0
Liquidation of derivative positions	0	0	0	–364
As of June 30/Dec. 31	**15**	**17**	**0**	**0**

Gains and losses recognized in profit or loss are recognized in other financial income and financial expenses. Gains not affecting profit or loss are recognized in the market valuation of securities or market valuation of cash flow hedges.

17 Related party transactions

The relationship between fully consolidated companies of the Group and related parties substantially affect other participations. In the period under review, there were no reportable related party transactions other than the general business relationships.

18 Occurrences after June 30, 2016

On January 25, 2016, ZF TRW concluded an agreement with Illinois Tool Works (ITW) to sell its Engineered Fasteners & Components business activity after the Supervisory Board of ZF Friedrichshafen AG had granted its consent in December 2015. The full transfer of the business activity was completed in July 2016. The disposal is expected to result in a sales price of around USD 450 million. The Engineered Fasteners & Components business activity, with its headquarters in Enkenbach-Alsenborn (Germany) employs 3,500 people worldwide at 13 locations in nine countries and manufactures fastening solutions, precision moldings from plastics, modules and components. The assets and liabilities held for sale in this context were reported in the consolidated statement of financial position in the items “Assets held for sale and disposal groups” and “Liabilities of disposal groups.”

No other reportable events occurred after the reporting date.

Friedrichshafen, July 28, 2016

ZF Friedrichshafen AG
The Board of Management

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Rolf Lutz	Wilhelm Rehm	Dr. Konstantin Sauer
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