



INVESTOR AND ANALYST CALL 2017

Dr. Konstantin Sauer, CFO
ZF Friedrichshafen AG

2016 FACTS & FIGURES AT A GLANCE



136,820
Employees



€1.2 billion
Investments in
property, plant and
equipment



€2 billion
Research &
Development



€35.2 billion
Sales



€2.2 billion
Adjusted EBIT



€1.6 billion
Reduction in
gross debt

ZF STRATEGY 2025

2013

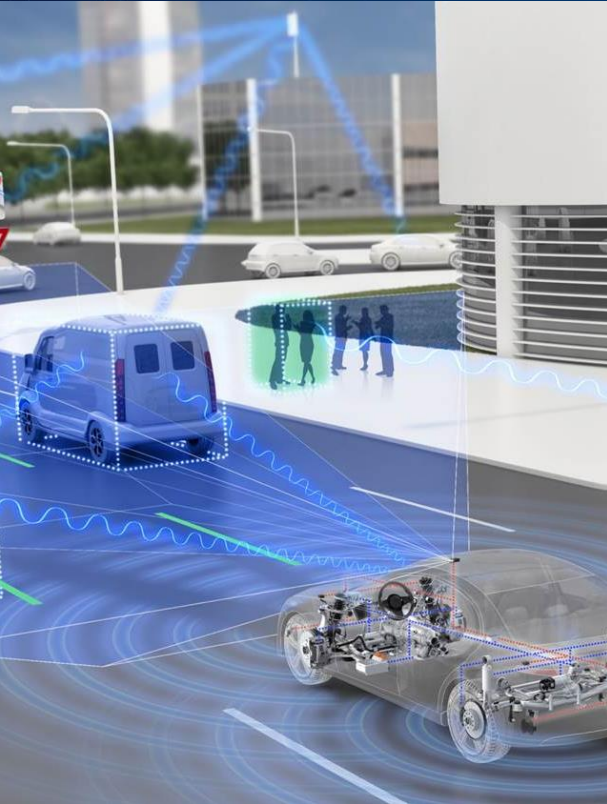


2025

INTEGRATION OF ZF AND TRW ON THE HOME STRAIGHT



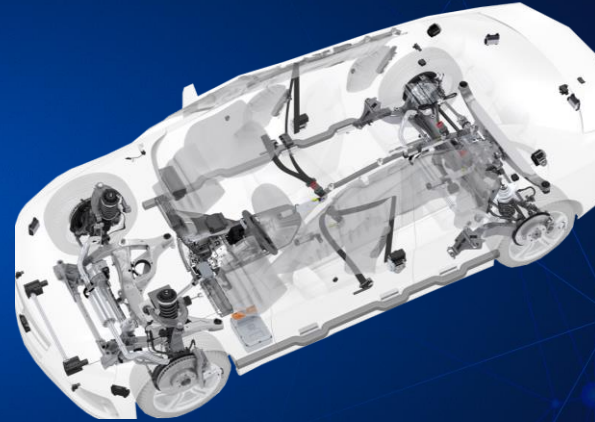
SEE



THINK



ACT



ZF ProAI



INTELLIGENT MECHANICAL SYSTEMS

A white semi-truck is shown from a rear three-quarter perspective, driving on a road at night. The truck is in motion, indicated by horizontal light streaks and motion blur on the wheels and background. The scene is set under a bridge or overpass, with streetlights visible on the right. The text "INTELLIGENT MECHANICAL SYSTEMS" is overlaid in large, white, digital-style characters across the side of the truck's trailer. The overall color palette is dark with blue and white highlights from the lights.

ZF ZUKUNFT VENTURES GMBH



- Access to new technologies and strategic know-how
- Sponsorship of entrepreneurship
- Agile technology management



CAR2X
SOFTWARE

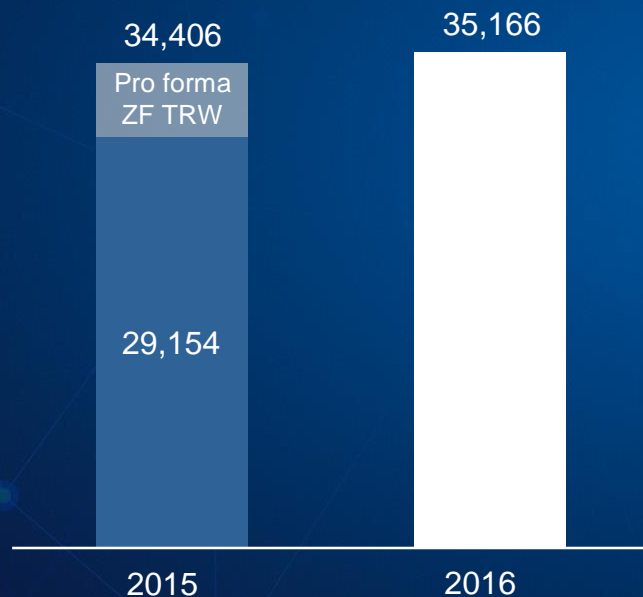
AUTONOMOUS
TRANSPORT

FINANCIAL FIGURES 2016 AT A GLANCE



4 PERCENT ORGANIC GROWTH

SALES in € million

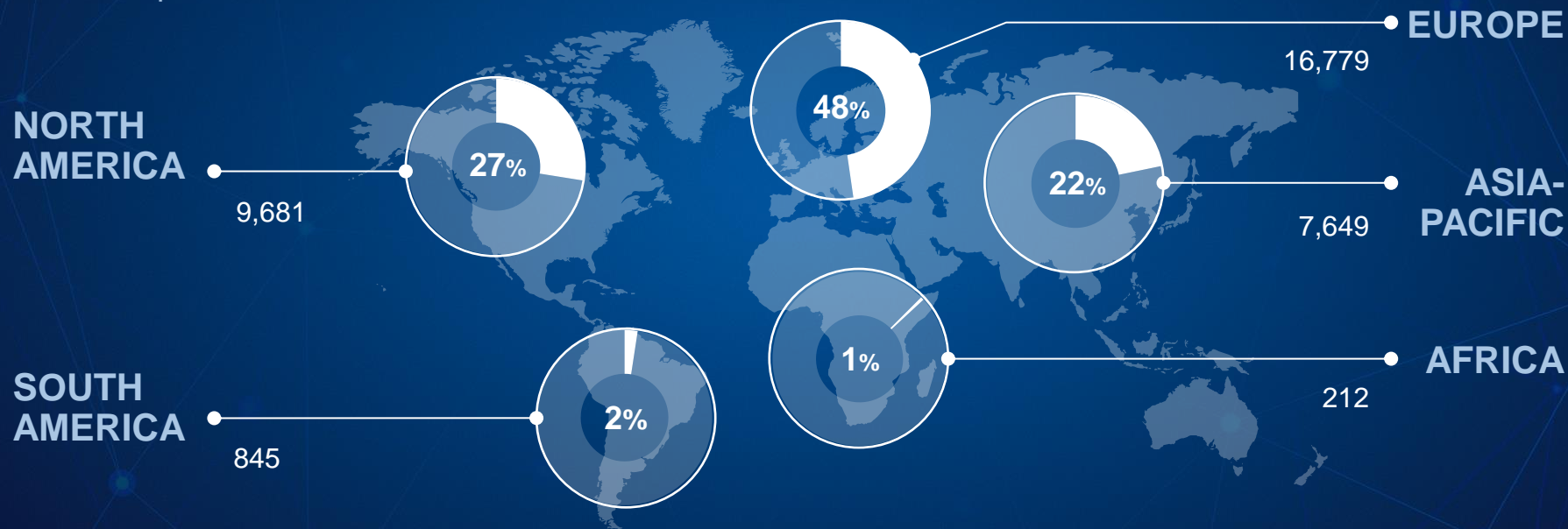


DEVELOPMENTS

- Sales in 2016 increased by 20.6%
- Growth of 2.2% based on the pro forma sales from ZF TRW in 2015
 - thereof, organic: + 4.2%
 - thereof, exchange rate effects: - 1.5%
 - thereof, M&A effects: - 0.5%

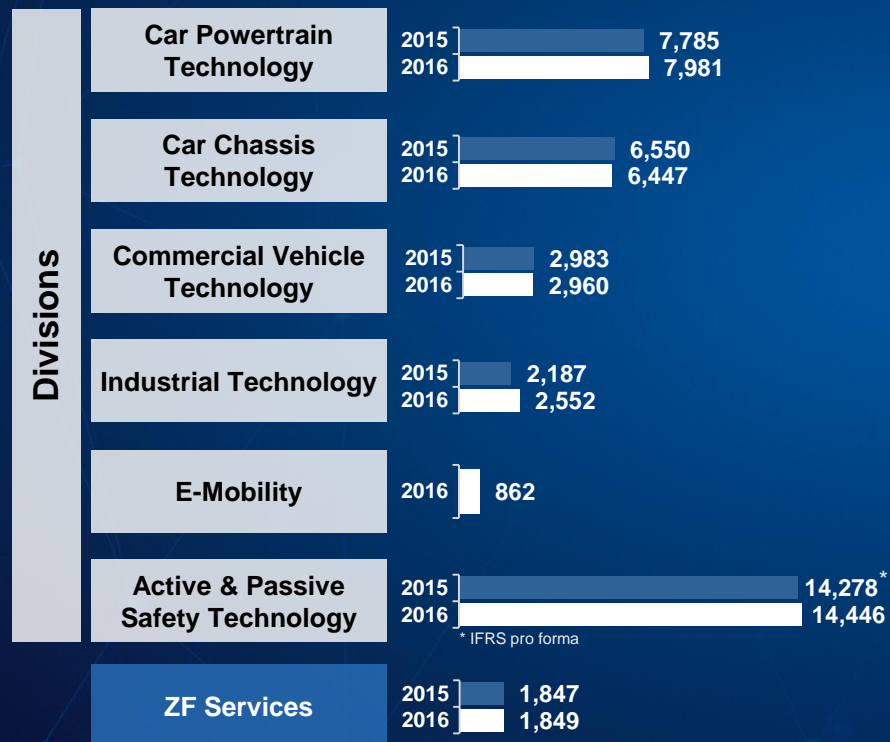
ZF IS GLOBALLY POSITIONED

SALES in € million
% of Group sales



STABLE ORGANIC GROWTH

SALES in € million

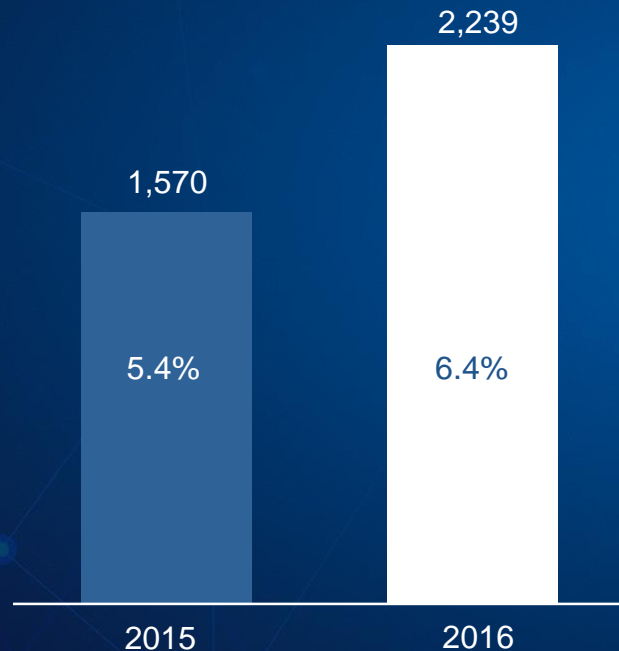


- Business with automatic transmissions was the strongest growth driver, especially in North America
- Stable, organic growth was offset by negative exchange rate effects, especially in the Chinese market
- Growth in Europe was partially offset by negative market trends and exchange rate effects in South America
- Strong growth due to the acquisition transmission business and positive developments in the wind power sector
- New division founded in 2016
- Growth, especially in Europe and Asia-Pacific, despite sale of Business Units in 2015/2016
- Strong organic growth on the European markets was offset by negative exchange rate effects, particularly in South America.

CONSIDERABLE INCREASE IN PROFITS

ADJUSTED EBIT

in € million and margin in %



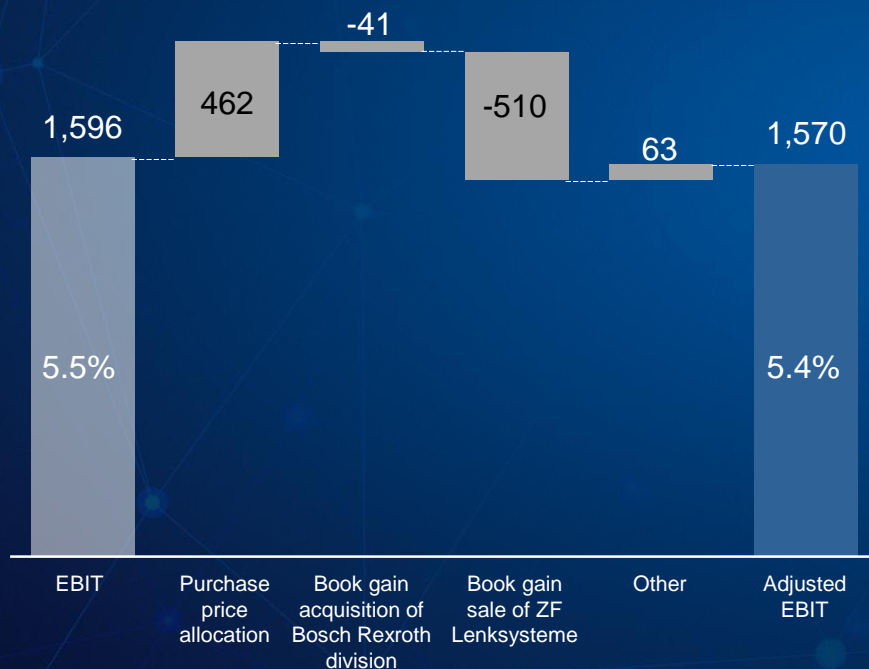
DEVELOPMENTS

- Increase in the adjusted EBIT to €2.2 billion
- Strong increase in the adjusted EBIT margin to 6.4% due to
 - improved operational performance
 - synergies from ZF TRW acquisition

CONSIDERABLE INCREASE IN PROFITS

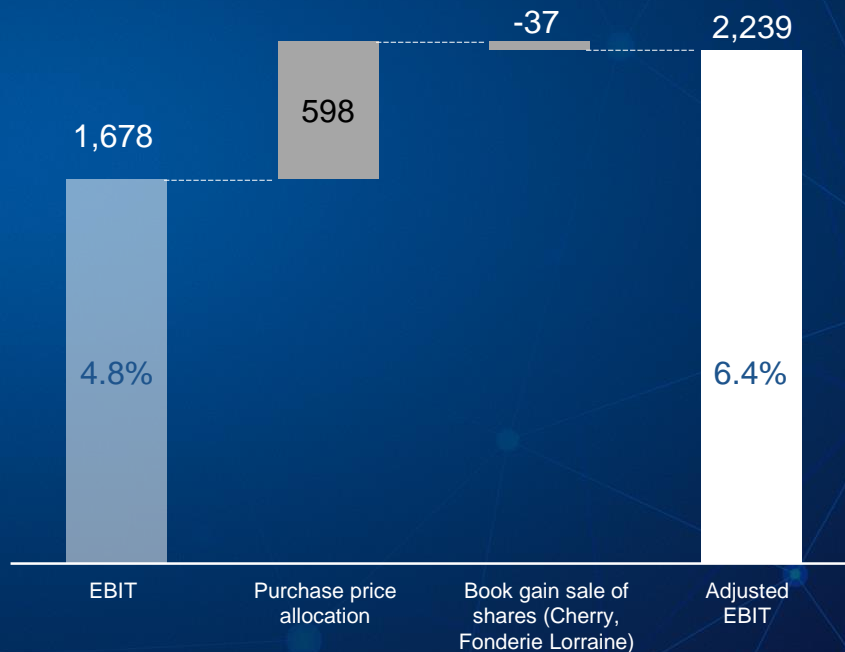
ADJUSTED EBIT 2015

in € million and margin in %



ADJUSTED EBIT 2016

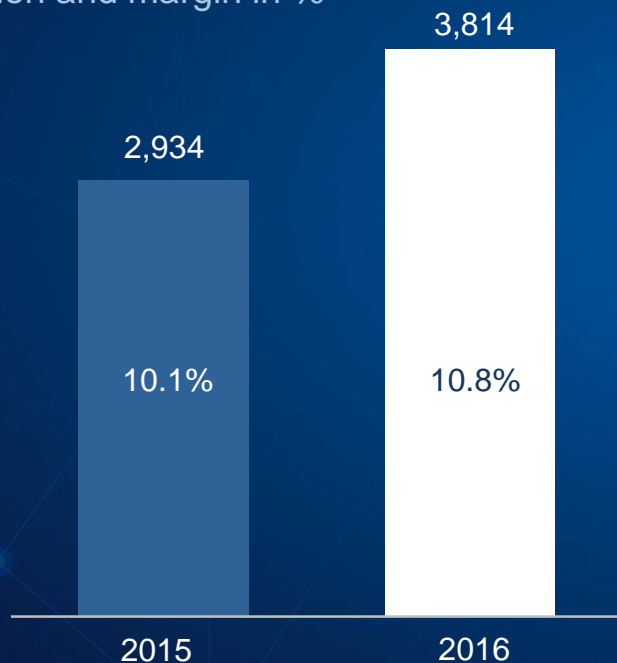
in € million and margin in %



ADJUSTED EBITDA AT €3.8 billion

ADJUSTED EBITDA

in € million and margin in %



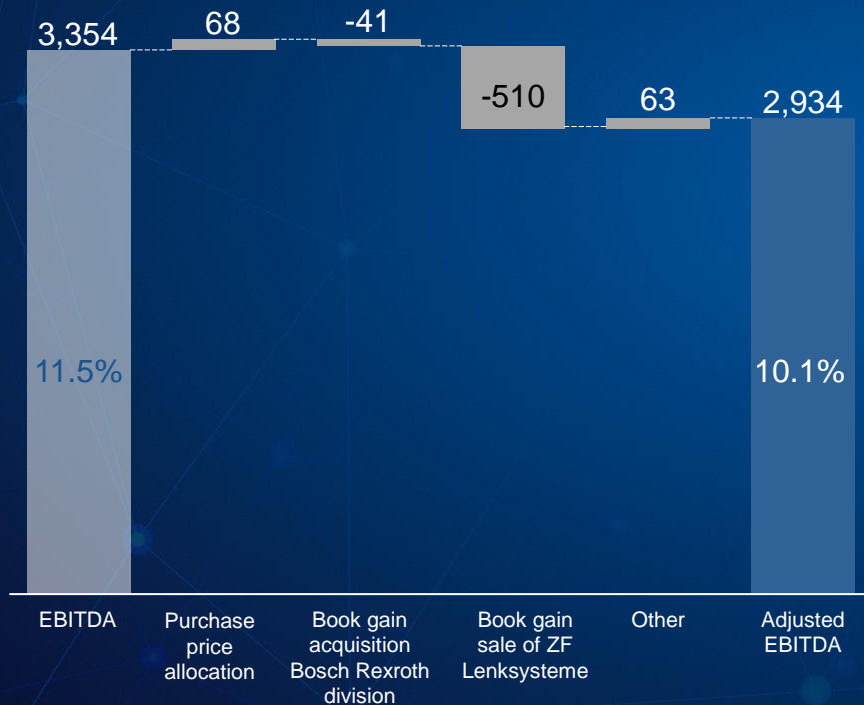
DEVELOPMENTS

- Increase in the adjusted EBITDA to €3.8 billion
- Strong increase in the adjusted EBITDA margin to 10.8% due to
 - improved operational performance
 - synergies from ZF TRW acquisition

ADJUSTED EBITDA AT €3.8 billion

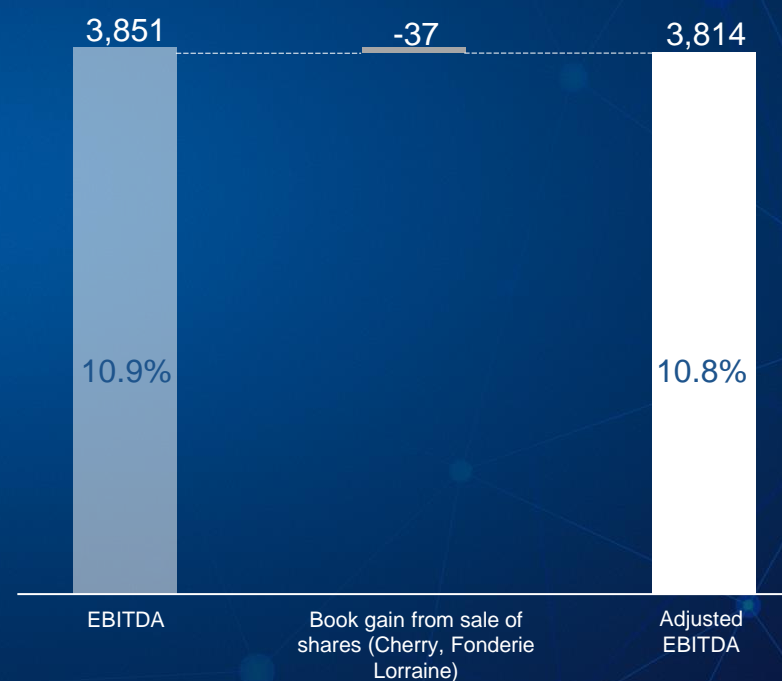
ADJUSTED EBITDA 2015

in € million and margin in %



ADJUSTED EBITDA 2016

in € million and margin in %



NET PROFIT AFTER TAX

in € million



DEVELOPMENTS

- Net profit after tax at €924 million
- 2015 characterized by special circumstances
 - sale of ZF Lenksysteme
 - offsetting of tax loss carryforwards from the acquisition of ZF TRW

ZF INVESTS IN THE FUTURE

in € million
in % of Sales



RESEARCH &
DEVELOPMENT

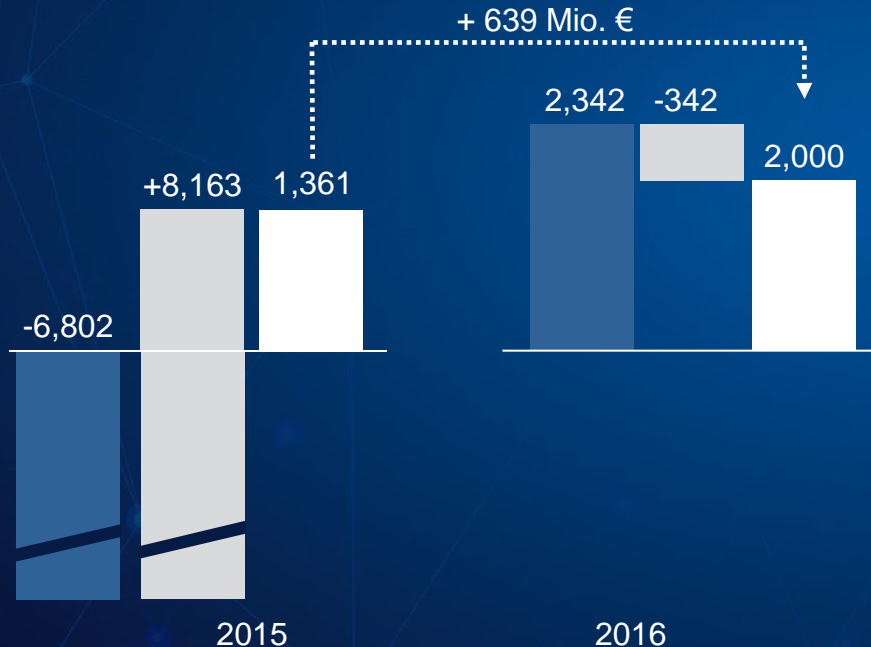


INVESTMENTS IN
PROPERTY, PLANT AND
EQUIPMENT

€2 billion ADJUSTED FREE CASH FLOW

in € million

■ Free cash flow ■ Adjustments ■ Adjusted free cash flow

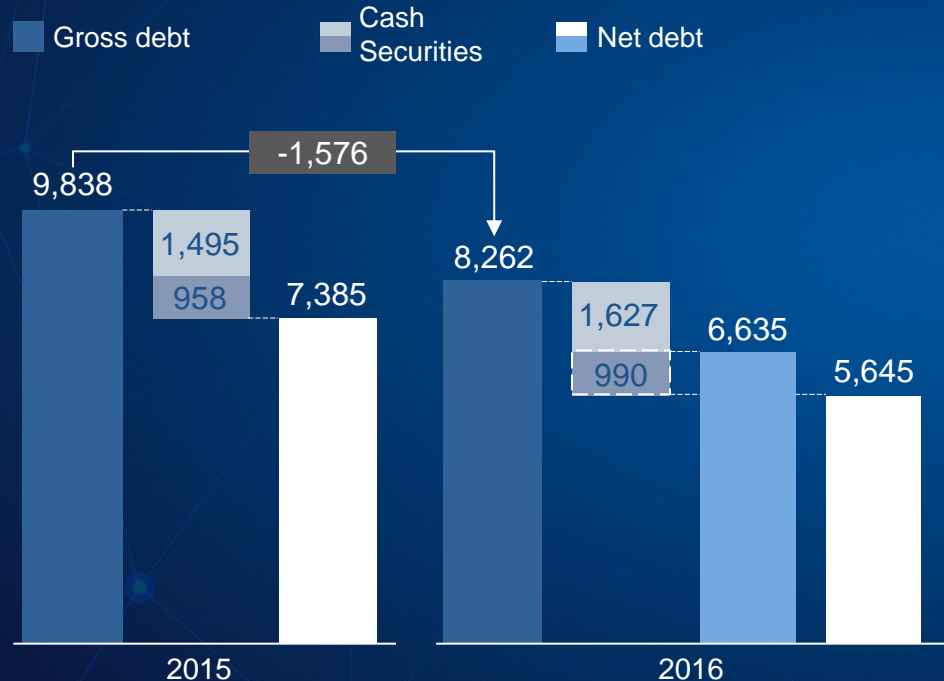


DEVELOPMENTS

- Free cash flow in 2016 increased to €2.3 billion
- Adjustments of M&A activities in 2016 include
 - sale of Cherry and the Business Unit Engineered Fasteners & Components
 - acquisition of shares in Haldex, Ibeo and doubleSlash
- Adjusted free cash flow in 2016 at €2.0 billion due to better operational performance and focused investments

SIGNIFICANT DEBT REDUCTION

in € million



Note: gross debt = financial liabilities excluding derivative financial instruments

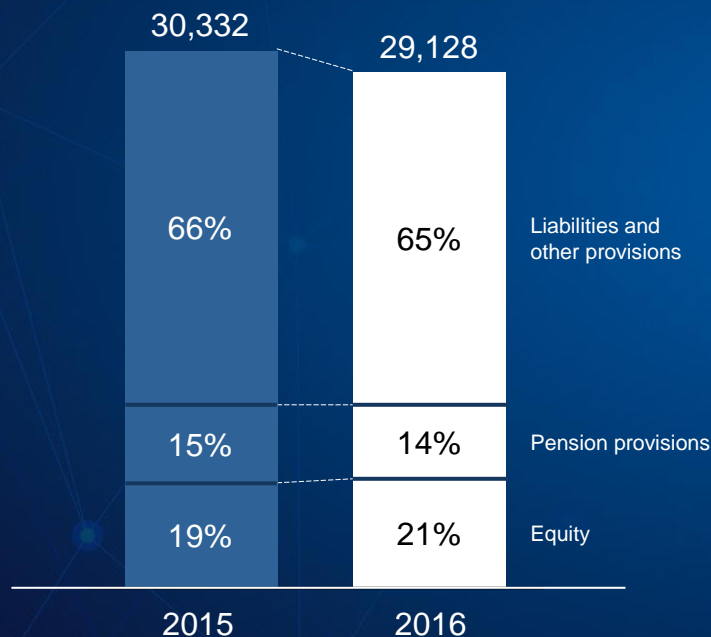
DEVELOPMENTS

- Gross debt reduced by €1.6 billion
- Including the consideration of securities deposited in 2016 for pension funding
 - reduction of net debt down to 5.6 billion € (PY: 7.4 billion €)
 - improvement of leverage to 1.5 (PY: 2.1)
- Debt reduction strategy confirmed by two rating upgrades
 - Moody's: Ba1 (positive outlook)
 - S&P: BB+ (stable outlook)

EQUITY RATIO REINFORCED

LIABILITIES AND EQUITY

in € million and % of the balance sheet total



DEVELOPMENTS

- Increase in equity due to strong net profit after tax
- Reduction of total assets due to
 - debt repayment
 - pensions secured by securities, thus reducing pension provisions
- Increase in equity ratio by 2 percentage points to 21 percent

BALANCED MATURITY PROFILE

MATURITY of main Group financings as per December 31, 2016

Nominal amounts in € million



IMPROVEMENTS IN ALL FINANCIAL KEY FIGURES

FINANCIAL KEY FIGURE	2015	2016	
Sales	(Pro forma) €34,406 million	€35,166 million	✓
EBIT (margin)*	€1,570 million (5.4%)	€2,239 million (6.4%)	✓
EBITDA (margin)*	€2,934 million (10.1%)	€3,814 million (10.8%)	✓
Free cash flow*	€1,361 million	€2,000 million	✓
Gross debt	€9,838 million	€8,262 million	✓

* Adjusted values

OUTLOOK 2017

The background of the slide is a deep blue gradient. It features a series of glowing, white binary digits (0s and 1s) that are arranged in a way that creates a strong sense of perspective, resembling a tunnel or a digital corridor. The digits are more prominent and larger in the foreground and become smaller and more blurred as they recede into the distance. A semi-transparent white rectangular box is positioned in the upper left quadrant, containing the text 'OUTLOOK 2017' in a dark blue, sans-serif font.

MARKET DEVELOPMENT 2017

EUROPE



- **Moderate positive economic momentum in Europe and Germany**
- **Brexit** and political developments in **Turkey**. Growing risk of **protectionism**.

NORTH AMERICA



- **US economy** enjoying **growing momentum** since summer 2016. Positive outlook for 2017. Investments and private consumption are rising. **Uncertainty** due to “**America first**” message.

SOUTH AMERICA



- Ongoing **economic crisis since 2014** (esp. Brazil and Argentina)
- **Under severe pressure** in 2016, downward trend continues, appears to have gradually bottomed out But for 2017 still no sweeping recovery in sight.

ASIA



- **China's economy** grows under massive use of state investments in the defined corridor, expansive fiscal policy
- **Emerging countries** push forward **without dramatically positive momentum**.

FORECAST 2017

Sales: about €36 billion

EBIT margin*: >6%

EBITDA margin*: >10%

Free cash flow*: >€1 billion

* adjusted values



STRENGTH TO CHANGE