INVESTOR AND ANALYST CALL 2017
Dr. Konstantin Sauer, CFO
ZF Friedrichshafen AG
2016 FACTS & FIGURES AT A GLANCE

- 136,820 Employees
- €35.2 billion Sales
- €1.2 billion Investments in property, plant and equipment
- €2 billion Research & Development
- €2.2 billion Adjusted EBIT
- €1.6 billion Reduction in gross debt
INTEGRATION OF ZF AND TRW
ON THE HOME STRAIGHT
ZF ZUKUNFT VENTURES GMBH

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

ZF ZUKUNFT VENTURES
A COMPANY OF

CAR2X SOFTWARE
AUTONOMOUS TRANSPORT

ibeo doubleSlash ASTY Communication & Sensors
FINANCIAL FIGURES 2016
AT A GLANCE
4 PERCENT ORGANIC GROWTH

**SALES** in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in € million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>29,154</td>
</tr>
<tr>
<td>2016</td>
<td>35,166</td>
</tr>
</tbody>
</table>

**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

NORTH AMERICA
9,681
27%

SOUTH AMERICA
845
2%

EUROPE
16,779
48%

ASIA-PACIFIC
7,649
22%

AFRICA
212
1%
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 %

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBIT in € million</th>
<th>Margin in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,570</td>
<td>5.4%</td>
</tr>
<tr>
<td>2016</td>
<td>2,239</td>
<td>6.4%</td>
</tr>
</tbody>
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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 %

EBIT  | Purchase price allocation | Book gain acquisition of Bosch Rexroth division | Book gain sale of ZF Lenksysteme | Other | Adjusted EBIT | Margin |
--- | --- | --- | --- | --- | --- | ---|
1,596 | 462 | -510 | -41 | 63 | 1,570 | 5.4% |

ADJUSTED EBIT 2016
in € million and margin in %

EBIT  | Purchase price allocation | Book gain sale of shares (Cherry, Fonderie Lorraine) | Adjusted EBIT | Margin |
--- | --- | --- | --- | ---|
1,678 | 598 | -37 | 2,239 | 6.4% |
ADJUSTED EBITDA AT €3.8 billion

**ADJUSTED EBITDA**
in € million and margin in %

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA (€ million)</th>
<th>Margin (%)</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>2,934</td>
<td>10.1%</td>
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<tr>
<td>2016</td>
<td>3,814</td>
<td>10.8%</td>
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**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

<table>
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<tr>
<th>ADJUSTED EBITDA 2015</th>
<th>ADJUSTED EBITDA 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>in € million</strong></td>
<td><strong>in € million</strong></td>
</tr>
<tr>
<td>EBITDA</td>
<td>EBITDA</td>
</tr>
<tr>
<td>Purchase price allocation</td>
<td>3,354</td>
</tr>
<tr>
<td>Book gain acquisition Bosch Rexroth division</td>
<td>68</td>
</tr>
<tr>
<td>Book gain sale of ZF Lenksysteme</td>
<td>-510</td>
</tr>
<tr>
<td>Other</td>
<td>63</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>2,934</td>
</tr>
<tr>
<td><strong>margin in %</strong></td>
<td><strong>margin in %</strong></td>
</tr>
<tr>
<td>EBITDA</td>
<td>11.5%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>10.1%</td>
</tr>
</tbody>
</table>
NET PROFIT AFTER TAX

in € million

330 462 672 1,019 924

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

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

in € million
in % of Sales

2015
1,390
4.8%

2016
1,948
5.5%

2015
1,290
4.4%

2016
1,185
3.4%

RESEARCH & DEVELOPMENT
€2 billion 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**

**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)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross debt</td>
<td>9,838</td>
<td>7,385</td>
</tr>
<tr>
<td>Securities</td>
<td>1,495</td>
<td>1,627</td>
</tr>
<tr>
<td>Net debt</td>
<td>8,262</td>
<td>6,635</td>
</tr>
</tbody>
</table>

Note: gross debt = financial liabilities excluding derivative financial instruments
EQUITY RATIO REINFORCED

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

LIABILITIES AND EQUITY
in € million and % of the balance sheet total

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities and other provisions</td>
<td>30,332</td>
<td>29,128</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Equity</td>
<td>19%</td>
<td>21%</td>
</tr>
</tbody>
</table>

66% 65% 14% 21%
## BALANCED MATURITY PROFILE

### MATURITY of main Group financings as per December 31, 2016
Nominal amounts in € million

<table>
<thead>
<tr>
<th>Year</th>
<th>Bonded Loans</th>
<th>EUR Bonds</th>
<th>USD Bonds</th>
<th>Syndicated Loan (unutilized line)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>466</td>
<td>779</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>466</td>
<td>779</td>
<td>1,150</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>1,192</td>
<td>1,150</td>
<td>924</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>1,440</td>
<td>517</td>
<td>113</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>3,000</td>
<td>1,384</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>1,367</td>
<td>1,140</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>1,367</td>
<td>1,140</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>1,367</td>
<td>1,140</td>
<td>0</td>
<td></td>
</tr>
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<td>2025</td>
<td>1,367</td>
<td>1,140</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

*Of this, €411 million due to voluntary termination of bonded loans*
## IMPROVEMENTS IN ALL FINANCIAL KEY FIGURES

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

* Adjusted values
OUTLOOK 2017
MARKET DEVELOPMENT 2017

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

NORTH 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.

SOUTH AMERICA
- 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.

ASIA
FORECAST 2017

Sales: about €36 billion

EBIT margin*: >6%

EBITDA margin*: >10%

Free cash flow*: >€1 billion

* adjusted values
STRENGTH TO
CHANGE