ZF Improves Margin During First Half of 2017 Despite Increased R&D Expenses

- **Sales rise to €18.3 billion**
- **Adjusted EBIT reaches €1.2 billion with adjusted EBIT margin of 6.6 percent**
- **Debt reduced by a further €684 million**

Friedrichshafen. ZF Friedrichshafen AG has further boosted its sales and profit margin during the first six months of 2017. Sales rose to €18.3 billion with the adjusted operating profit (EBIT) increasing to €1.2 billion. ZF thus posted an improved adjusted EBIT margin of 6.6 percent despite an increase in research and development investments. At the same time, ZF was able to reduce its debt load, which was a result of the TRW acquisition, by roughly €684 million.

"ZF has invested heavily in the future during the first half of the year – we are quickly ramping up our efforts when it comes to electromobility and autonomous driving," explains ZF's Chief Executive Officer, Dr. Stefan Sommer. "Our improved margin and a solid cash flow are helping us to achieve this, as well as several new cooperative partnerships which we are using to complete our technology portfolio."

In the first six months of 2017, ZF generated sales totaling €18.3 billion. This is an increase of €481 million or 2.7 percent over the first six months of last year. Excluding exchange rate effects and with adjustment for the buying and selling of company shares, the organic growth rate was three percent.

The adjusted operating profit (EBIT) reached €1.2 billion (2016: €1.1 billion) in the first six months of 2017 and is the equivalent of an adjusted EBIT margin of 6.6 percent (2016: 6.3 percent). "Despite investing more in research and development as well as electromobility and autonomous driving, we were able to further improve our margin," adds Chief Financial Officer Dr. Konstantin

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Sauer. “We were able to achieve this by boosting operating performance and realizing synergies resulting from the acquisition of TRW.” The adjusted earnings before interest, taxes and depreciation and amortization (EBITDA) came to €2.0 billion (2016: €1.9 billion), which is the equivalent of an EBITDA margin of 10.8 percent (2016: 10.7 percent).

The operative free cash flow, adjusted for buying and selling of company shares, stood at €322 million (2016: €401 million), which contributed to further reducing the debt – which resulted from the TRW acquisition – by €684 million to €7.6 billion. In the meantime, the equity ratio rose by two percentage points to 23 percent.

ZF predicts that business will remain stable throughout 2017. “We continue to expect an adjusted EBIT margin of more than six percent and an adjusted EBITDA margin of over ten percent,” explains CFO Sauer. “2017 sales will exceed €36 billion from today's perspective.”

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ZF Friedrichshafen AG
ZF is a global leader in driveline and chassis technology as well as active and passive safety technology. The company has a global workforce of around 137,000 with approximately 230 locations in some 40 countries. In 2016, ZF achieved sales of €35.2 billion. ZF annually invests about six percent of its sales in research & development – ensuring continued success through the design and engineering of innovative technologies. ZF is one of the largest automotive suppliers worldwide.
ZF allows vehicles to see, think and act. With its technologies, the company is striving for Vision Zero – a world of mobility without accidents and emissions. With its broad portfolio, ZF is advancing mobility and services in the automobile, truck and industrial technology sectors.

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