

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2017

in € million	Notes	2017 unaudited	2016 unaudited
Sales	1	18,327	17,846
Cost of sales		15,072	14,795
Gross profit on sales		3,255	3,051
Research and development costs		1,087	966
Selling expenses		632	575
General administrative expenses		637	692
Other income		206	220
Other expenses		234	238
Operating profit or loss		871	800
Result from associates	2	24	21
Other net result from participations	2	0	7
EBIT		895	828
Financial income	3	181	157
Financial expenses	3	329	384
Net profit or loss before tax		747	601
Income taxes	4	188	193
Net profit or loss after tax		559	408
thereof shareholders of ZF Friedrichshafen AG		509	375
thereof non-controlling interests		50	33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2017

in € million	Notes	2017 unaudited	2016 unaudited
Net profit or loss after tax		559	408
Line items that will be reclassified in the consolidated statement of profit or loss			
Foreign currency translation differences			
Losses arising during the year		- 441	- 254
Mark-to-market of securities			
Losses arising during the year (2016: gains)		- 11	20
Amounts reclassified through profit or loss		0	- 5
Mark-to-market of cash flow hedges			
Gains arising during the year (2016: losses)		76	- 67
Amounts reclassified through profit or loss		13	23
Amounts reclassified to acquisition costs through comprehensive income		3	0
Income taxes		- 25	7
		- 385	- 276
Line items that will not be reclassified in the consolidated statement of profit or loss			
Actuarial gains (2016: losses) from pension obligations		380	- 461
Income taxes		- 52	120
		328	- 341
Other comprehensive income after tax	11	- 57	- 617
Total comprehensive income		502	- 209
thereof shareholders of ZF Friedrichshafen AG		451	- 213
thereof non-controlling interests		51	4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ZF Friedrichshafen AG as of June 30, 2017

Assets in € million	Notes	June 30, 2017 unaudited	Dec. 31, 2016
Current assets			
Cash and cash equivalents		1,117	1,627
Financial assets		92	94
Trade receivables	5	5,665	5,220
Other assets		524	477
Income tax receivables		22	13
Inventories		3,023	2,864
		10,443	10,295
Assets held for sale and disposal groups		98	108
		10,541	10,403
Non-current assets			
Financial assets	6	909	764
Trade receivables		1	0
Other assets		203	213
Associates		411	386
Intangible assets	7	9,014	9,893
Property, plant and equipment	7	6,224	6,626
Investment property		0	1
Deferred taxes		803	842
		17,565	18,725
		28,106	29,128

Liabilities and equity in € million	Notes	June 30, 2017 unaudited	Dec. 31, 2016
Current liabilities			
Financial liabilities	9	1,383	926
Trade payables		5,197	5,335
Other liabilities		1,814	1,843
Income tax provisions		346	488
Other provisions		708	725
		9,448	9,317
Non-current liabilities			
Financial liabilities	9	6,273	7,504
Trade payables		26	26
Other liabilities		401	434
Provisions for pensions	10	3,922	4,140
Other provisions		641	643
Deferred taxes		895	949
		12,158	13,696
Equity			
Subscribed capital		500	500
Capital reserve		386	386
Retained earnings ¹⁾		5,335	4,930
Equity attributable to shareholders of ZF Friedrichshafen AG		6,221	5,816
Non-controlling interests		279	299
	11	6,500	6,115
		28,106	29,128

¹⁾ Assets held for sale and disposal groups account for –€13 million (2016: –€2 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2017

in € million	Notes	2017 unaudited	2016 unaudited
Net profit or loss before income tax		747	601
Depreciation/Reversal of impairments for intangible assets and property, plant and equipment		1,084	1,081
Changes in non-current provisions made through profit or loss		57	19
Income taxes paid		-300	-252
Results from the disposal of intangible assets and property, plant and equipment		3	2
Net result from participations and net financial result		124	199
Increase in inventories		-281	-41
Increase in trade receivables		-688	-780
Increase in other assets		-36	-36
Increase in other liabilities		123	67
Cash flow from operating activities		833	860
Expenditures for investments in			
intangible assets		-103	-137
property, plant and equipment		-466	-444
associates		-20	-1
participations		-11	-2
financial receivables		-4	2
Proceeds from the disposal of			
intangible assets		3	19
property, plant and equipment		25	62
participations		1	7
financial receivables		12	3
Dividends received		8	10
Interest received		13	22
Cash flow from investing activities		-542	-459

in € million	Notes	2017 unaudited	2016 unaudited
Dividends paid to ZF Friedrichshafen AG shareholders		-50	-50
Dividends paid to holders of non-controlling interests		-74	-18
Repayments of borrowings		-557	-451
Proceeds from borrowings		181	41
Interest paid and transaction costs		-210	-238
Cash flow from financing activities		-710	-716
Net change in cash		-419	-315
Cash position at the beginning of the fiscal year		1,627	1,495
Effects of exchange rate changes on cash		-91	-21
Cash position at the end of the fiscal year	12	1,117	1,159

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ZF Friedrichshafen AG for the period dating January 1 to June 30, 2017

in € million

	Subscribed capital	Capital reserve
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
Jan. 1, 2017	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		
June 30, 2017 (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			
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
5,887	280	-2	-69	-1,166	5,816	299	6,115
509					509	50	559
	-442	-11	67	328	-58	1	-57
509	-442	-11	67	328	451	51	502
-50					-50	-74	-124
4					4	3	7
6,350	-162	-13	-2	-838	6,221	279	6,500

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ZF Friedrichshafen AG as of June 30, 2017

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, Löwentaler Straße 20.

As a global leader in driveline and chassis technology as well as active and passive safety technology, ZF operates in particular in the passenger car and commercial vehicle industry. ZF is set up along the lines of a matrix organization which links the Group-wide competencies of the corporate functions with the global business responsibility of the divisions and business units. The business units are assigned to the following seven divisions: Car Powertrain Technology, Car Chassis Technology, Commercial Vehicle Technology, Industrial Technology, E-Mobility, ZF Aftermarket, Active & Passive Safety Technology. Further explanations on the corporate structure can be found in the group management report as of December 31, 2016.

GENERAL

The interim consolidated financial statements of ZF Friedrichshafen AG as of June 30, 2017 were prepared as a condensed interim report in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting", as adopted by the European Union. They include the following components:

- Consolidated statement of profit or loss from January 1 to June 30, 2017
- Consolidated statement of comprehensive income from January 1 to June 30, 2017
- Consolidated statement of financial position as of June 30, 2017
- Consolidated statement of cash flows from January 1 to June 30, 2017

- Consolidated statement of changes in equity from January 1 to June 30, 2017
- 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, 2016.

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, 2016, with the following exception:

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

According to the International Accounting Standards Board (IASB), London, the following standards and interpretations are mandatory as of January 1, 2017:

- Amendment to IAS 12 “Income Taxes”
- Amendment to IAS 7 “Consolidated Statement of Cash Flows”
- Improvements to IFRS 2014 – 2016

The amendments to IAS 12 include guidelines as to how a company has to determine future taxable income and explain the circumstances in which future taxable income may include amounts from the realization of assets above the carrying amount.

The amendments to IAS 7 are intended to improve the information published in the IFRS financial statements on changes in the company’s indebtedness. Pursuant to the amendments, a company has to provide additional disclosures about the changes of financial liabilities where the related cash proceeds and cash payments are shown as part of the cash flows from financing activities in the consolidated statement of cash flows.

The improvements to IFRS 2014 – 2016 describe a collective standard which was published in December 2016 and deals with amendments to various IFRS. The amendments are listed below:

- IFRS 1: Deletion of remaining short-term exemptions for first-time adopters pursuant to IFRS 1. Appendix E.
- IFRS 12: Clarification that the disclosure requirements of the standard – except for IFRS 12.B10-B16 – also apply to interests that are within the scope of IFRS 5.

- IAS 28: Clarification that the election to measure an investment in an associate or joint venture held by a venture capital organization or another qualifying entity may be exercised differently for each such investment.

Since the European Union has not yet endorsed them into European law, these standards and interpretations were not applied to the interim consolidated financial statements. ZF currently does not expect that the amendments, if adopted by the EU in this form, will have a significant impact on the presentation of financial statements.

Apart from those listed above, the ZF Group did not apply early any 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, 32 domestic and 256 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, 2017	First-time consoli- dations	Legal changes	Deconsoli- dations	June 30, 2017
Subsidiaries	272	16	0	0	288
of which domestic	22	10	0	0	32
of which foreign	250	6	0	0	256
Joint ventures	9	1	0	0	10
Associates	8	2	0	0	10

In the fiscal year 2017, the following companies have been included in the interim consolidated financial statements of ZF Friedrichshafen AG for the first time:

in %	Share in capital
Consolidated subsidiaries	
Lucas Automotive Grundstücksverwaltungs AG & Co. KG, Friedrichshafen, Germany	100
Lucas Varsity Grundstücksverwaltungs AG & Co. KG, Friedrichshafen, Germany	100
PT. ZFAG Aftermarket Jakarta, Jakarta, Indonesia	100
TRW Airbag Systems Grundstücksverwaltungs AG & Co. KG, Friedrichshafen, Germany	100
TRW Automotive Electronics & Components AG & Co. KG, Friedrichshafen, Germany	100
TRW Automotive Grundstücksverwaltungs AG & Co. KG, Alfdorf, Germany	100
TRW Automotive Safety Systems Grundstücksverwaltungs AG & Co. KG, Friedrichshafen, Germany	100
ZF Asia-Pacific Holding GmbH, Friedrichshafen, Germany	100
ZF Aurelia GmbH, Friedrichshafen, Germany	100
ZF Cassiopeia GmbH, Friedrichshafen, Germany	100
ZF Chassis Systems Zatec s.r.o., Plzeň, Czech Republic	100
ZF Danmark ApS, Tåstrup, Denmark	100
ZF Europa Beteiligungs GmbH, Friedrichshafen, Germany	100
ZF FOTON Automated Transmission (Jiaxing) Co. Ltd., Jiaxing, China	51
ZF Holdings B.V., Amsterdam, Netherlands	100
ZF Taiwan Ltd., Taipei, Taiwan	100

in %	Share in capital
Consolidated companies accounted for using the equity method	
Astyx GmbH, Ottobrunn, Germany	44
FOTON ZF LCV Automated Transmission (Jiaxing) Co. Ltd., Jiaxing, China	40
ZF Hero Chassis Systems Private Limited, New Delhi, India	50

The first-time consolidated companies are primarily newly founded companies.

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, 2016.

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, 2017	Dec. 31, 2016	Jan. – June 2017	Jan. – June 2016
U.S. dollar	1.1412	1.0541	1.0823	1.1159
British pound	0.8793	0.8562	0.8604	0.7791
Chinese renminbi	7.7385	7.3202	7.4408	7.2964
Brazilian real	3.76	3.4305	3.4382	4.1308
Mexican peso	20.5839	21.7719	21.0452	20.178

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

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 2017	Jan. – June 2016
Domestic	3,814	3,888
Western Europe	3,791	3,500
Eastern Europe	1,210	1,291
North America	5,170	5,126
South America	516	347
Asia-Pacific	3,734	3,579
Africa	92	115
	18,327	17,846

2 NET RESULT FROM PARTICIPATIONS

in € million	Jan. – June 2017	Jan. – June 2016
Result from deconsolidations	0	-1
Result from at-equity valuation	24	22
Result from associates	24	21
Income from participations	0	7
Other net result from participations	0	7
Net result from participations	24	28

3 NET FINANCIAL RESULT

in € million	Jan. – June 2017	Jan. – June 2016
Interest from current financial investments	12	16
Interest from non-current financial investments	3	12
Other interest income	37	0
Net income from the valuation of other non-current items	6	0
Interest income	58	28
Foreign exchange gains	44	44
Income from derivative financial instruments	79	70
Income from the disposal of securities	0	12
Unrealized fair value gains from securities	0	3
Other financial income	123	129
Financial income	181	157
Interest on financial liabilities	158	187
Other interest	0	4
Net expenses from the valuation of pension obligations	34	48
Interest expenses	192	239
Foreign exchange losses	79	31
Expenses from derivative financial instruments	45	76
Losses on the disposal of securities	0	9
Unrealized fair value losses from securities	0	5
Write-downs of financial receivables	2	0
Transaction costs and incidental expenses	11	24
Other financial expenses	137	145
Financial expenses	329	384
Net financial result	-148	-227

4 INCOME TAXES

The re-assessment of tax risks abroad in particular, among other things, led to a decrease of the income tax rate compared to the previous year. Moreover, in the prior year, the income tax rate had been influenced by extraordinary items in Germany in particular.

Consolidated Statement of Financial Position

5 CURRENT TRADE RECEIVABLES

Compared to the end of fiscal year 2016, trade receivables have increased due to the applicable key date.

6 NON-CURRENT FINANCIAL ASSETS

The increase in non-current financial assets mainly results from higher net assets from defined benefit plans.

7 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The decrease of both line items results from currency effects and the continuously high level of amortization, depreciation and impairment of intangible assets and property, plant and equipment that exceeded investments in the first half of 2017.

8 IMPAIRMENT TESTS

As of June 30, 2017, there were no indications for required impairment in the cash-generating units of ZF. Both in the first half of 2017 and the comparative period, neither impairments nor reversals of impairments were recognized.

9 FINANCIAL LIABILITIES

The increase in current financial liabilities and the decrease of non-current financial liabilities reflect the reclassification of part of the remaining bond tranches from non-current to current financial liabilities. Apart from the reclassification of a bond tranche totaling €325 million with a term until January 2018, ZF announced in the first half of the year the termination, effective as of July 2017, of two more tranches covering a total amount of €580 million. This amount was therefore also classified as current as of June 30, 2017. At the beginning of the current fiscal year, a bond tranche totaling €411 million was repaid. This tranche was already listed under current financial liabilities as of December 31, 2016.

In addition, exchange rate effects had a positive impact on non-current financial liabilities thanks to the appreciation of the euro compared to the U.S. dollar.

10 PROVISIONS FOR PENSIONS

The decline of provisions for pensions is primarily attributable to the increased discount rate, applied as of the reporting date June 30, 2017, for pension obligations in Germany.

11 EQUITY

Dividends

In the fiscal year, a dividend of €50 million (€0.10 per share) for 2016 was paid to the shareholders of ZF Friedrichshafen AG.

Deferred taxes on equity items not affecting profit or loss

in € million	June 30, 2017			June 30, 2016		
	Before income tax	Income tax	After tax	Before income tax	Income tax	After tax
Foreign currency translation differences	-441	0	-441	-254	0	-254
Mark-to-market of securities	-11	0	-11	15	0	15
Mark-to-market of cash flow hedges	92	-25	67	-44	7	-37
Actuarial gains and losses	380	-52	328	-461	120	-341
Other comprehensive income	20	-77	-57	-744	127	-617

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

12 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 and cash equivalents 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 in the cash flow from operating activities is adjusted by the financial result.

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.

OTHER DISCLOSURES

13 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 ZF 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. Two further procedures against a subsidiary are at an early stage. ZF is fully cooperating with the investigating authorities. The duration and outcome of the procedures are uncertain.

In addition, the premises of ZF were searched in the past fiscal year in connection with another antitrust investigation procedure. 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, ZF is involved in ongoing arbitration proceedings for which adequate provisions were made. In addition, 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.

14 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, 2017	Dec. 31, 2016
Assets		
Loans and receivables	6,872	6,950
Available-for-sale financial assets	155	160
Financial assets held for trading	2	0
Derivative financial instruments (hedge accounting) ¹⁾	86	72
	7,115	7,182
Liabilities		
Financial liabilities at amortized cost	12,775	13,595
Liabilities from finance leases ¹⁾	26	28
Financial liabilities held for trading	7	8
Derivative financial instruments (hedge accounting) ¹⁾	71	160
	12,879	13,791

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, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans and receivables				
Cash and cash equivalents	1,117	1,117	1,627	1,627
Financial receivables	89	89	103	103
Trade receivables	5,666	5,666	5,220	5,220
	6,872	6,872	6,950	6,950
Liabilities				
Financial liabilities at amortized cost				
Bonds	5,299	5,619	5,599	5,889
Bonded loans	1,869	1,941	2,308	2,382
Liabilities to banks	368	365	307	300
Other financial liabilities	16	16	20	20
Trade payables	5,223	5,223	5,361	5,361
Liabilities from finance leases ¹⁾	26	26	28	28
	12,801	13,190	13,623	13,980

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 €57 million, the amount of €55 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, 2017	Dec. 31, 2016
Assets		
Available-for-sale financial assets		
Investments in participations	2	2
Assets held for sale and disposal groups	98	108
Financial assets held for trading		
Derivative financial instruments	2	0
Derivative financial instruments (hedge accounting) ¹⁾	86	72
	188	182
Liabilities		
Financial liabilities held for trading		
Derivative financial instruments	7	8
Derivative financial instruments (hedge accounting) ¹⁾	71	160
	78	168

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 drawn on 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. There are currently no level 3 financial instruments.

in € million	June 30, 2017		
	Level 1	Level 2	Total
Assets			
Investments in participations	2	0	2
Derivative financial instruments	0	88	88
Assets held for sale and disposal groups	98	0	98
	100	88	188
Liabilities			
Derivative financial instruments	0	78	78

in € million	Dec. 31, 2016		
	Level 1	Level 2	Total
Assets			
Investments in participations	2	0	2
Derivative financial instruments	0	72	72
Assets held for sale and disposal groups	108	0	108
	110	72	182
Liabilities			
Derivative financial instruments	0	168	168

Investments in participations and the securities included in the “Assets held for sale and disposal groups” balance sheet position which are traded on an active market are recognized at share prices of the stock exchange of the respective country.

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	
	June 2017	2016
As of Jan. 1	0	17
Fair value changes recognized through profit and loss	0	-1
Fair value changes recognized through other comprehensive income	0	1
Purchases	0	15
Sales	0	-32
Liquidation of derivative positions	0	0
As of June 30/Dec. 31	0	0

Gains and losses recognized in profit or loss in the previous year are recognized in other financial income and financial expenses. Gains not affecting profit or loss are recognized in the mark-to-market of securities.

15 RELATED PARTY TRANSACTIONS

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

Friedrichshafen, July 26, 2017

ZF Friedrichshafen AG
 The Board of Management



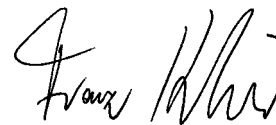
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