

INVESTOR AND ANALYST CALL HALF-YEAR FIGURES JUNE 30, 2017

Dr. Stefan Sommer, CEO
Dr. Konstantin Sauer, CFO

ZF Friedrichshafen AG

CURRENT CORPORATE DEVELOPMENT

Dr. Stefan Sommer, CEO



On the
Road to
**VISION
ZERO**



ZF ZERO
EMISSIONS

VISION
ZERO
VEHICLE

VISION ZERO VEHICLE
ZERO EMISSIONS - ZERO ACCIDENTS



SEE > THINK > ACT



ZF STRATEGY 2025

2013



2025

A futuristic cityscape rendered in a blue wireframe style. The scene features several tall, rectangular buildings with complex internal structural lines. In the foreground, two cars are visible on a street, also depicted with wireframe outlines. The overall atmosphere is high-tech and digital. Overlaid on the center of the image is the text "VISION ZERO" in a large, bold, white sans-serif font. Various business-related terms like "IDEA", "BUSINESS", "MARKET", and "CONNECT" are faintly visible in the background, suggesting a focus on innovation and commerce.

VISION ZERO

ECO SYSTEM ENABLES ZF VISION ZERO



ZERO ACCIDENTS



ZERO EMISSIONS

SEE > THINK > ACT

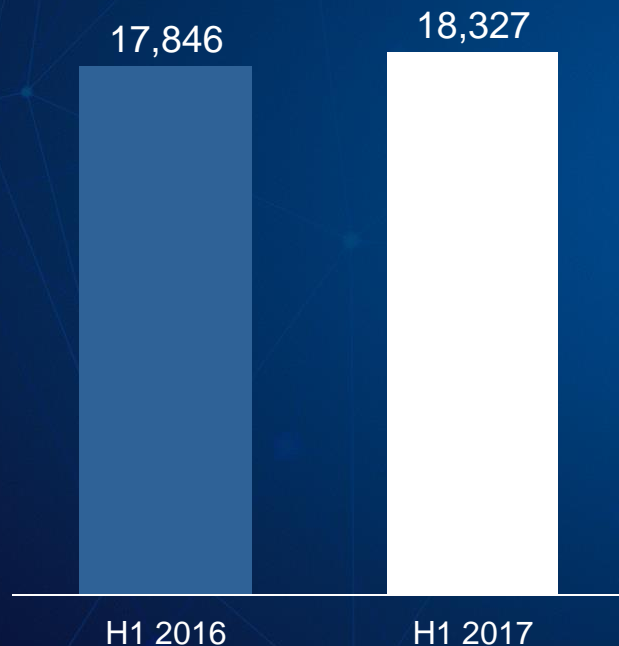
FINANCIAL FIGURES H1 2017

Dr. Konstantin Sauer, CFO



3 PERCENT ORGANIC GROWTH

SALES in € million

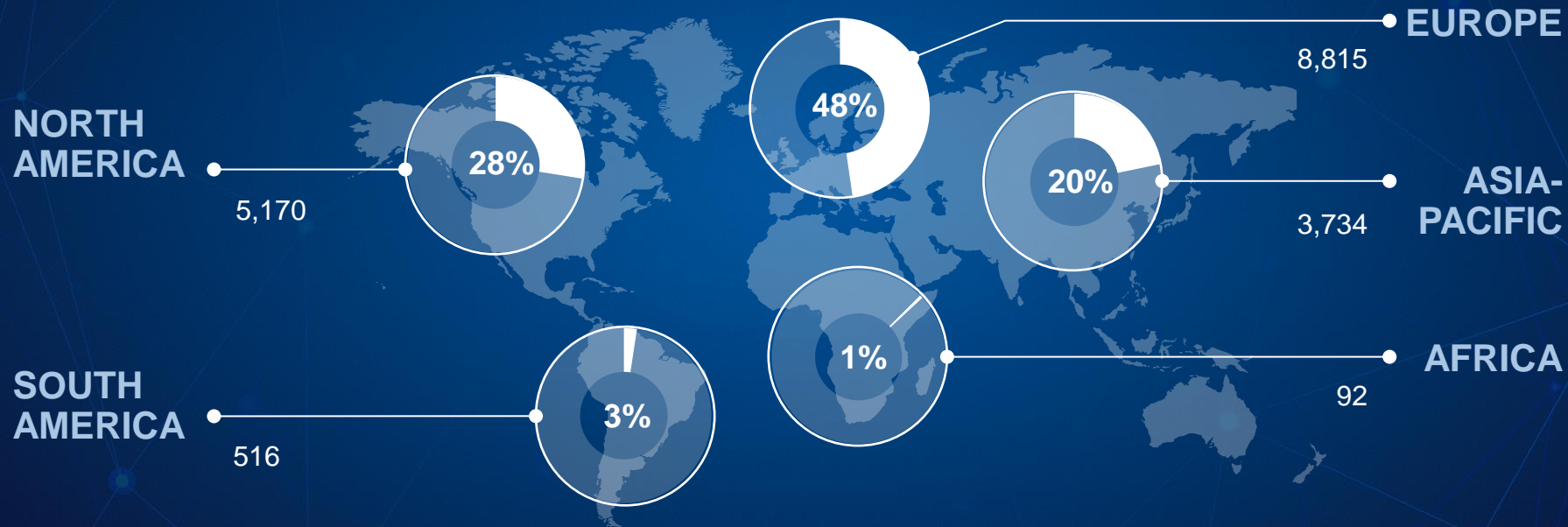


DEVELOPMENTS

- Sales increased by 3%
 - thereof, organic: + 3%
 - thereof, exchange rate effects: + 1%
 - thereof, M&A effect: - 1%

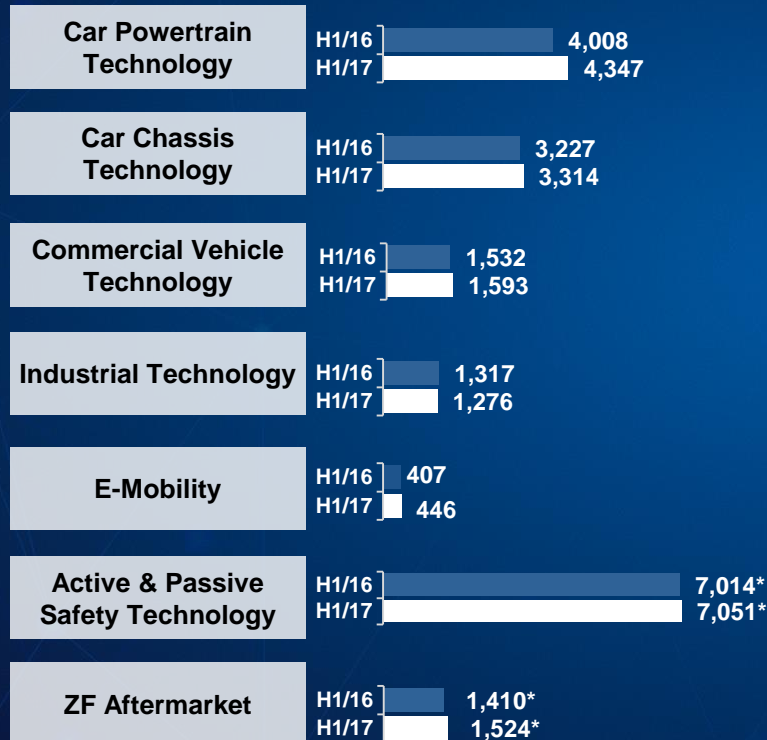
SALES BY REGIONS

SALES in € million
% of Group sales



SALES BY DIVISIONS

SALES in € million



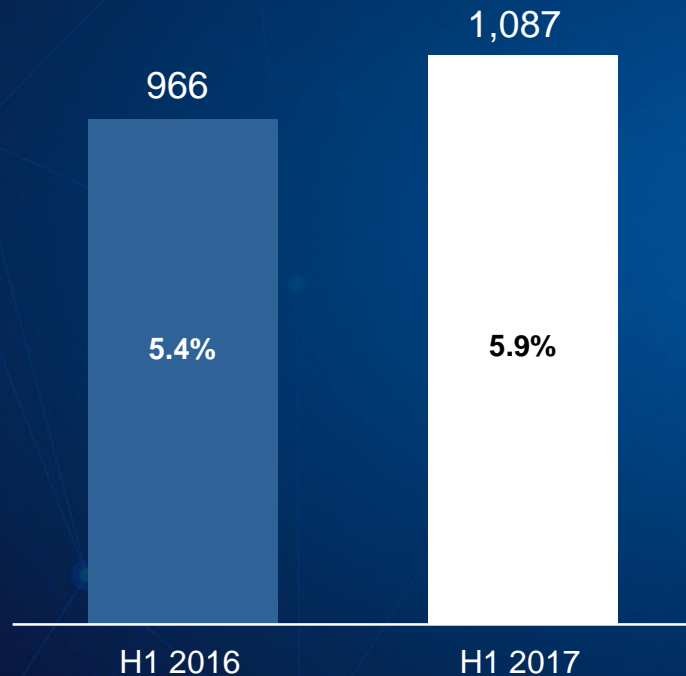
- Strong growth within all business units
- Organic growth mainly due to ramp up of new projects in North America and China
- Growth in Asia-Pacific due to Chinese regulations for commercial vehicles
- Strong second half year of 2017 will overcompensate the dip of the first half year
- Growth by almost 10% of bundled E-Mobility activities
- Growth despite sale of Business Unit in 2016
- Newly formed division with combined aftermarket business showed growth of 8%

* Adjusted by sales share of Parts&Services

R&D BUDGET INCREASED

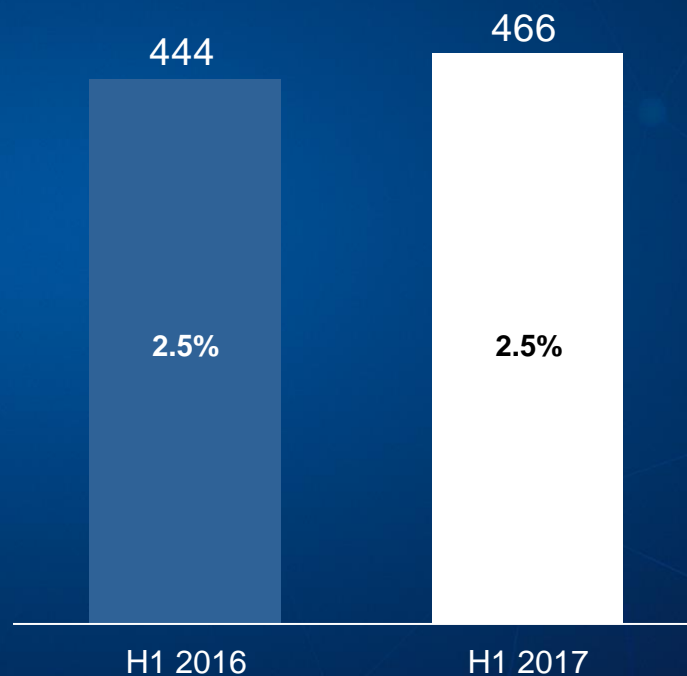
R&D

in € million and in % of Sales



Fixed Asset Investments

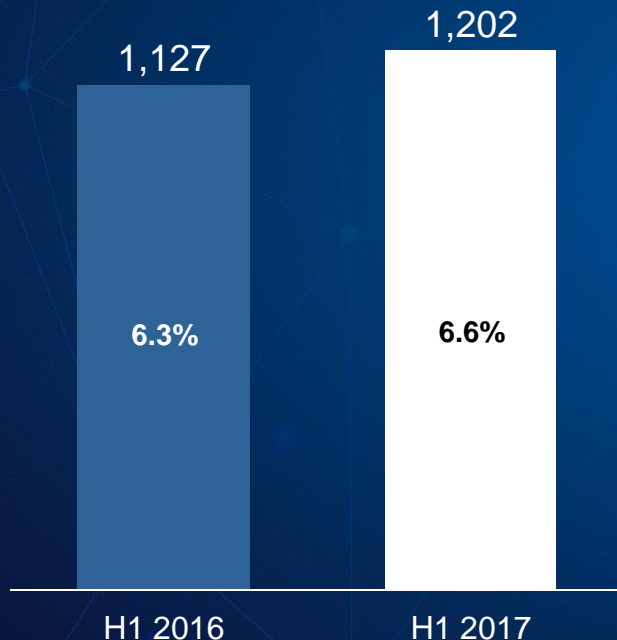
in € million and in % of Sales



CONSIDERABLE INCREASE IN PROFITS

ADJUSTED EBIT

in € million and margin in %



DEVELOPMENTS

EBIT:

- Increase of the EBIT margin
- Increased R&D expenses
- Improvement of gross margin driven by higher operational performance and synergies

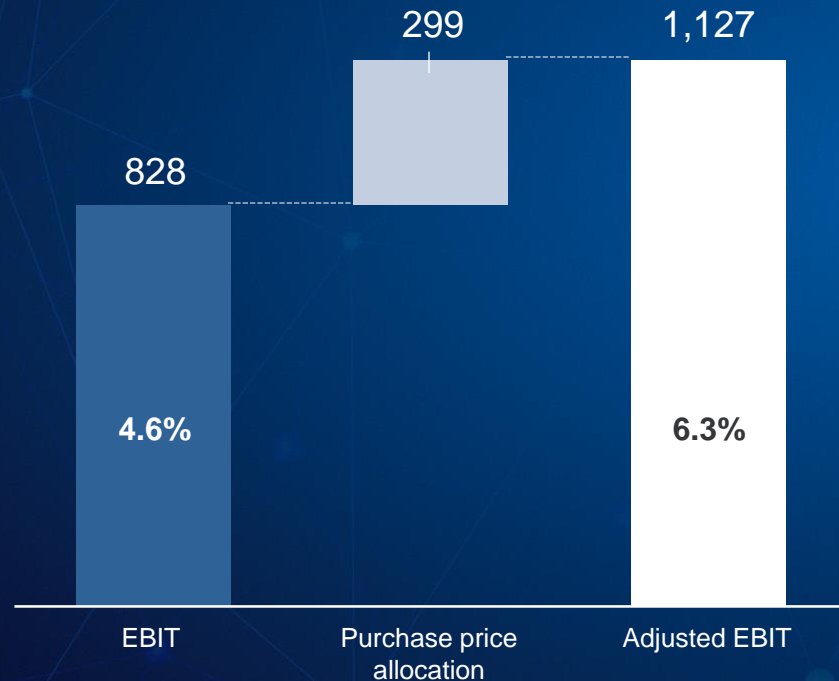
EBITDA:

- EBITDA margin with 10.8% within the target corridor

SOLID EBIT MARGIN

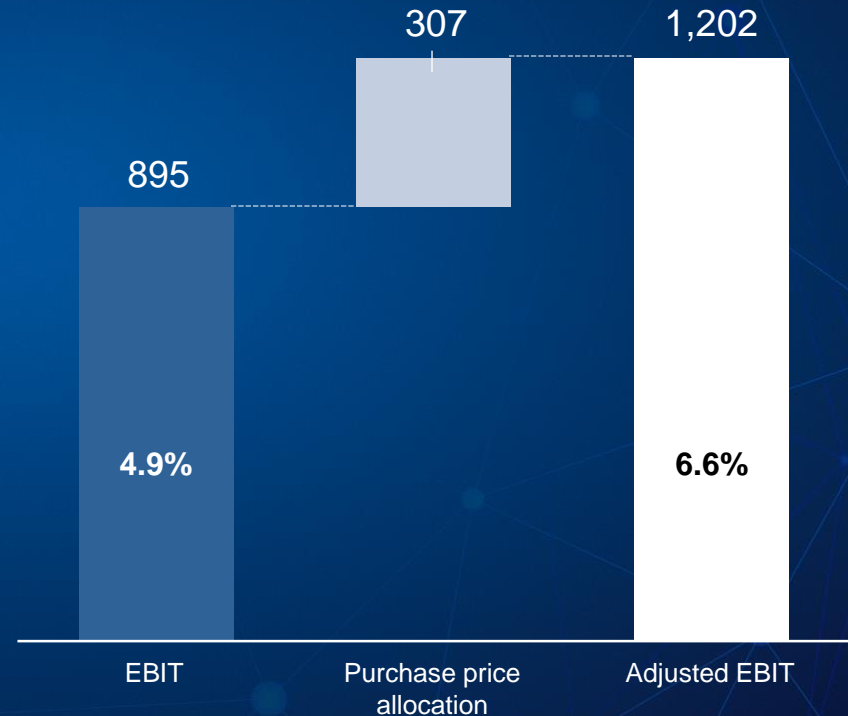
ADJUSTED EBIT H1 2016

in € million and margin in %



ADJUSTED EBIT H1 2017

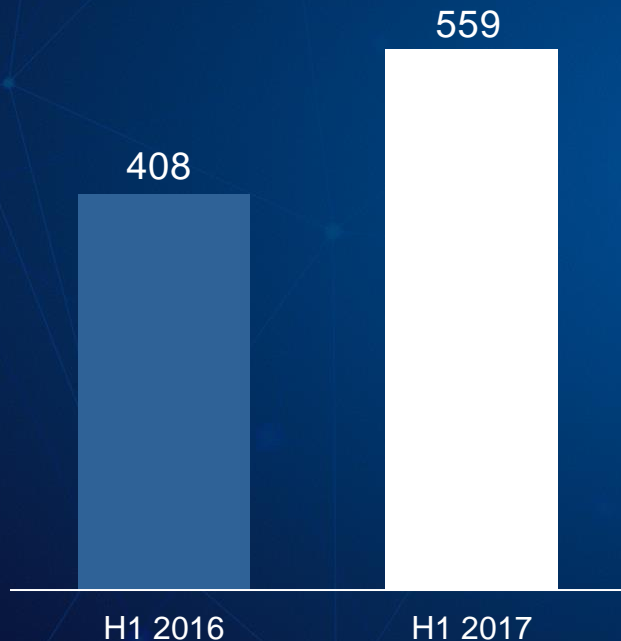
in € million and margin in %



NET PROFIT AFTER TAX IMPROVED

NET PROFIT AFTER TAX

in € million

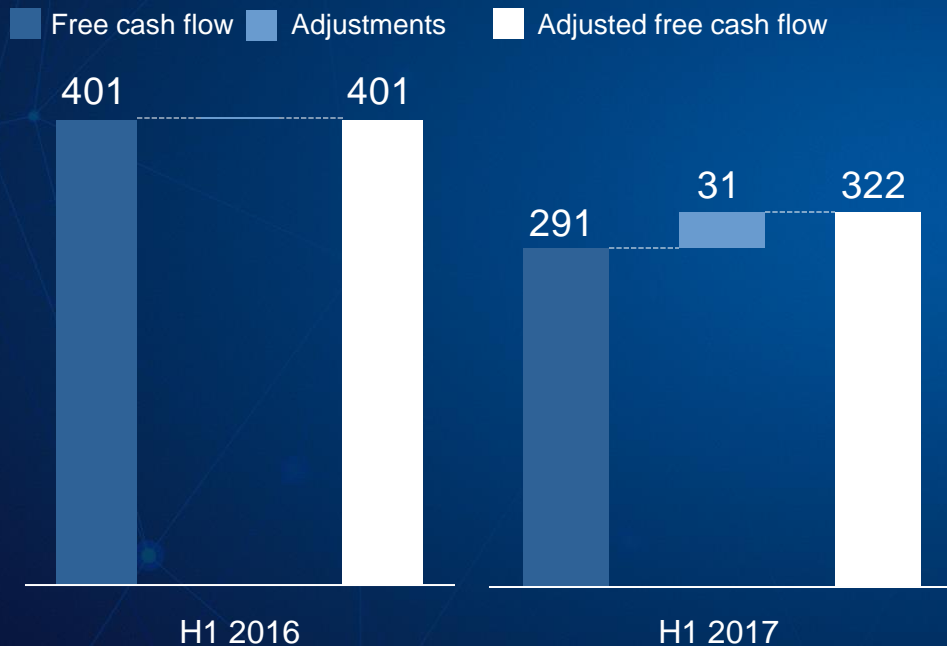


DEVELOPMENTS

- Improved total result due to higher operating result
- Financial result improved mainly due to reduced financing costs
- Tax rate at 25% comparing to last year at 32%

ADJUSTED FREE CASH FLOW AT €322 MILLION

FREE CASH FLOW in € million



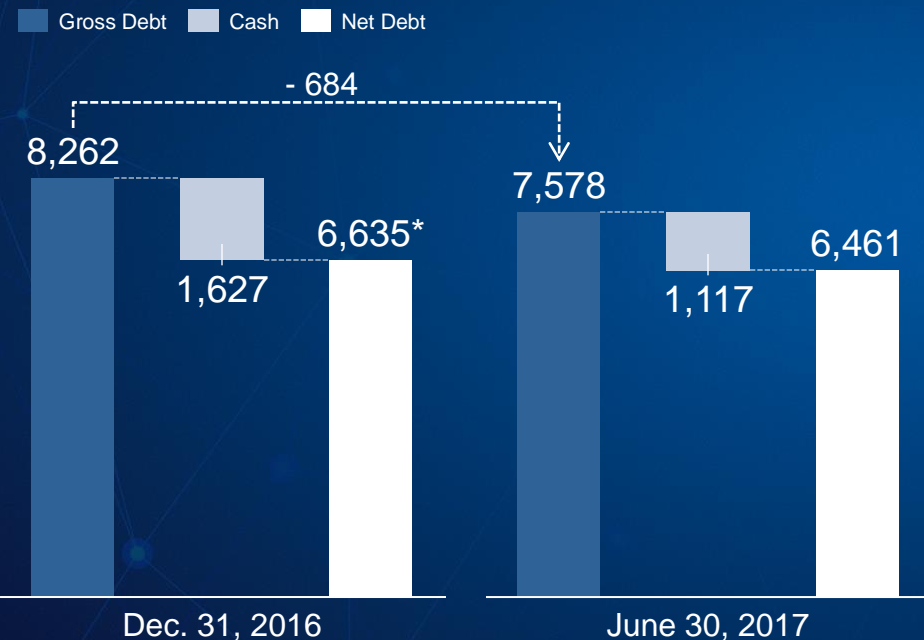
DEVELOPMENTS

- Free cash flow in H1 2017 at €291 million
- Adjustments of M&A activities by €31 million include participations
- Adjusted free cash flow in H1 2017 at €322 million

DELEVERAGING CONTINUED

GROSS/NET DEBT

in € million



Note: Gross debt = financial liabilities excluding derivative financial instruments

* Without consideration of financial securities applied for pension securitization in 2016. Considering these securities net debt was at €5,645 million.

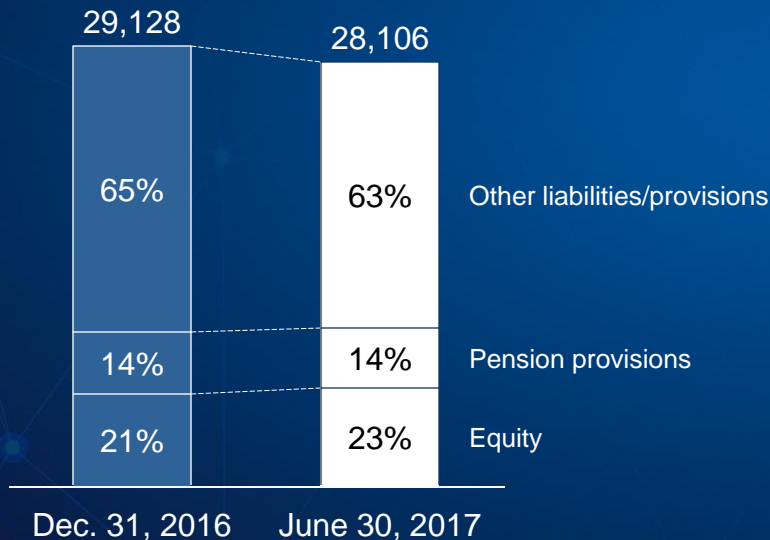
DEVELOPMENTS

- Gross debt reduced by €684 million
- Net debt reduced by €174 million
- Close to investment grade
 - Moody's: Ba1 (outlook positive)
 - S&P: BB+ (outlook positive)

EQUITY RATIO FURTHER IMPROVED

LIABILITIES AND EQUITY

in € million and % of the balance sheet total



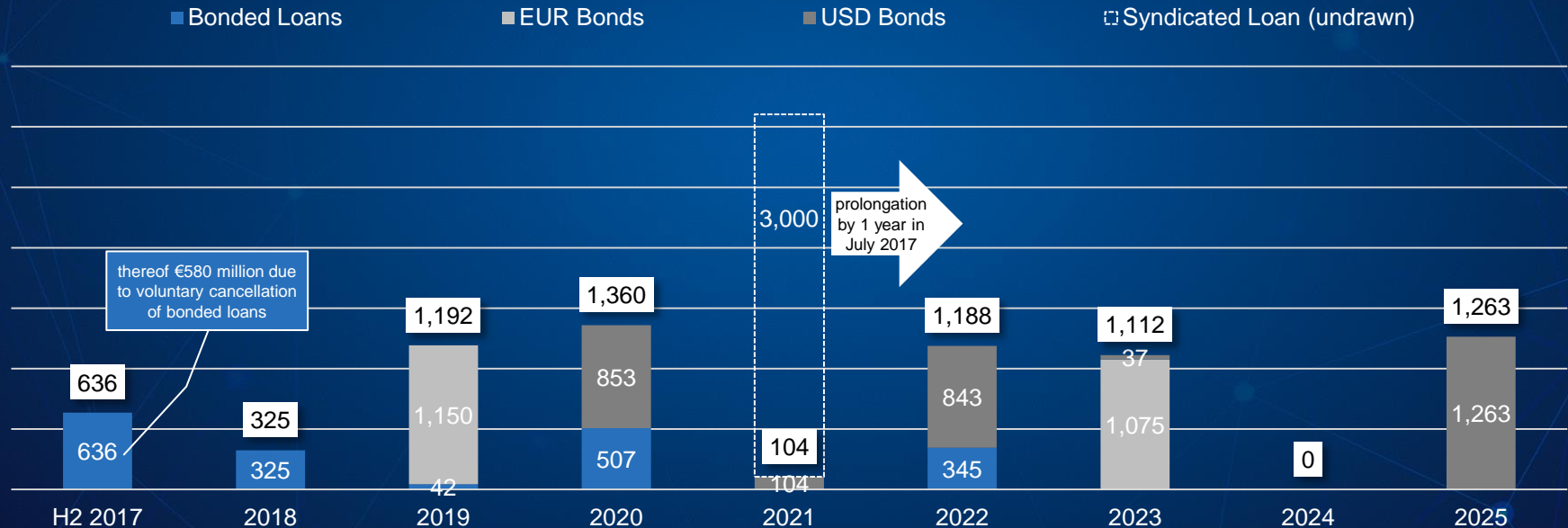
DEVELOPMENTS

- Improvement of equity ratio by 2 percentage points to 23%
- Increase in equity by €385 million mainly due to positive net profit after tax
- Reduction of balance sheet total by €1,022 million due to further debt pay-down and rise in discount rate applied to pension provisions

BALANCED MATURITY PROFILE

MATURITY of main Group financings as per June 30, 2017

Nominal amounts in € million



FINANCIAL KEY FIGURES AT A GLANCE

FINANCIAL KEY FIGURE	H1 2016	H1 2017
Sales	€17,846 million	€18,327 million
EBIT*	€1,127 million	€1,202 million
EBIT margin*	6.3 %	6.6 %
EBITDA*	€1,908 million	€1,984 million
EBITDA margin*	10.7%	10.8%
Free cash flow*	€401 million	€322 million
Gross debt	(2016-12-31) €8,262 million	€7,578 million

* Adjusted values

OUTLOOK 2017

Dr. Stefan Sommer, CEO



MARKET DEVELOPMENT 2017

EUROPE



- **Further moderate economic momentum in Europe and Germany.**
- Opportunities and challenges due to technological change in the automotive industry. Positive trend in the European automotive sector, economic turnaround toward positive growth seems to have been achieved in Russia.

NORTH AMERICA



- Outlook for **U.S. economy** generally positive, however with **declining momentum**. Recently weaker demand in the automotive industry due to accumulated stocks of used and new vehicles.

SOUTH AMERICA



- Ongoing **economic crisis since 2014** (esp. Brazil and Argentina).
- Trough gradually reached, but for 2017 still no sweeping recovery. First positive news about growth in automotive sector in the first months (however at a low level).

ASIA



- **China's economy** grows thanks to state investments in the defined corridor, expansive fiscal policy. Weak growth rates in the car sector, but significant growth in the commercial vehicle sector.
- **Newly industrialized countries** push forward **without dramatically positive momentum**.

FORECAST 2017

Sales >€36 billion

EBIT margin* >6%

EBITDA margin* >10%

Free cash flow* >€1 billion

* adjusted values

SEE > THINK > ACT

The image features the text "SEE > THINK > ACT" in a bold, blue, sans-serif font. The text is centered horizontally against a dark blue gradient background. Behind the text are three circular, futuristic UI elements: a circular grid with a crosshair behind "SEE", a circular pattern of dots behind "THINK", and a circular pattern with a central dot and lines behind "ACT". The chevrons are white and point to the right, connecting the three words. The overall aesthetic is high-tech and digital.