ANNUAL REPORT 2015

THE NEXT LEVEL

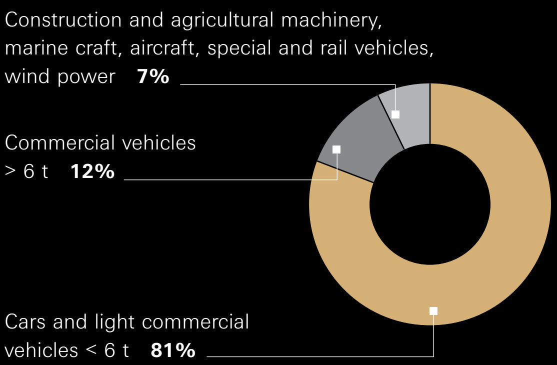
FACTS & FIGURES [1)]

		2014	2015
Sales	€ million	18,415	29,154
Germany	€ million	5,792	6,774
Europe (without Germany)	€ million	4,524	7,049
Rest of world	€ million	8,099	15,331
Employees (end of the year) [2)]		71,402	138,269
Capital expenditure	€ million	1,005	1,290
Depreciation in % of capital expenditure	%	75	87
Operating profit or loss	€ million	897	1,081
EBITDA	€ million	2,044	3,354
EBIT	€ million	1,098	1,596
EBIT return	%	6.0	5.5
Net profit or loss after tax	€ million	672	1,019
Free cash flow [3)]	€ million	696	−6,802
Net financial position [4)]	€ million	1,400	−7,266
Subscribed capital	€ million	500	500
Dividend	€ million	50	50

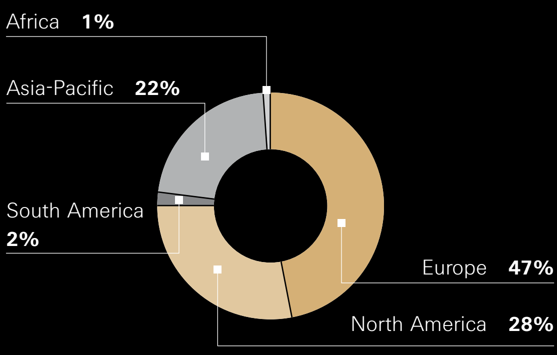
1) The consolidated ZF Group comprises all domestic and foreign participations in which ZF holds at least 50% interest, provided they are included in the basis of consolidation.
2) Direct and indirect employees without temporary workers, apprentices and holiday workers, without employees of the Rubber & Plastics Business Unit and without AIBC employees.
3) Cash flow from operating activities less cash flow from investing activities.
4) Cash and cash equivalents, including securities less liabilities to banks, bonds, bonded loans and liabilities from finance leases.

€ 29.2 billion SALES

SALES DISTRIBUTION BY SECTORS



SALES DEVELOPMENT BY REGIONS



EDITORIAL

“2015 marks a decisive milestone as we head into the future.”

We can look back on a special year. In 2015, we proudly celebrated our 100th anniversary while at the same time ushering in a new era with the acquisition of TRW, which represents a trend-setting milestone in implementing our strategy.

ZF is now almost twice the size it was in the previous year. We generated sales of € 29.2 billion with roughly 138,000 employees, making us one of the top automotive suppliers worldwide. As we strive to keep improving, we continue to invest in research and development, spending € 1.4 billion on R&D in 2015.

Our aspiration is to make mechanical systems smart. ZF and TRW products and know-how complement each other perfectly in this respect. As a systems supplier, we are actively structuring the megatrends of efficiency, safety and autonomous driving. The decision to bundle our activities in the area of e-mobility in a single division means that we are laying the foundations for more efficient mobility. The networking between our existing and new divisions will enable us to leverage new potential.

We have also bolstered our non-automotive segment. Through the acquisition of Bosch Rexroth’s industrial and wind power business, we are expanding our industrial technology portfolio, thus creating a broader basis for success.

The next few years will bring radical technological changes, new markets and opportunities. We are prepared for these changes. In 2016, we intend to stay firmly on track – I look forward to delighting our customers and surprising our competitors.

Dr. Stefan Sommer
Chief Executive Officer

OUR GOALS: ZF 2025

THE AUTOMOTIVE INDUSTRY IS UNDERGOING RADICAL CHANGE. WE ARE ACTIVELY SHAPING THIS CHANGE.

On the back of clearly defined strategic goals, ZF aims to become the leading technology company with extensive system solutions.

Quality, technology leadership and innovativeness have shaped ZF's identity from the outset. As we look to the future, our ability to make mobility safe, efficient and sustainable with trendsetting technologies continues to motivate and define everything we do.

In order to successfully meet the major challenges of the global markets, we have laid the important groundwork for future corporate development over the past few years with the ZF 2025 Strategy. In this way, we are equipping ourselves for the major changes in the market with which the entire industry will have to contend. Such changes include long-term growth markets such as China, new market players and the wide-ranging technological changes toward digitization. Electric drives, increasing networking and self-steering cars will fundamentally alter mobility.

ZF intends to shape this change actively and is aligning the company to these developments, for instance with the integration of the former U.S. company TRW Automotive as the Active & Passive Safety Technology Division or by setting up the E-Mobility Division. Both these examples demonstrate how we aim to shape mobility with groundbreaking technologies in the areas of safety, efficiency and automated driving. In order to achieve this, we have defined five strategic goals which we will focus on over the coming years.

THE FIVE STRATEGIC GOALS OF ZF 2025:

1

BALANCED MARKET PENETRATION

2

INNOVATION AND COST LEADERSHIP

THE MEGATRENDS FOR FUTURE MOBILITY

ZF combines all the relevant technologies for the megatrends of efficiency, safety and automated driving under one roof and hence is optimally equipped for the future.

EFFICIENCY

Vehicles with very low fuel consumption and emissions are already on the road today. Increasing electrification will boost efficiency still further. Even more potential can be tapped if the networking between consumption-relevant systems in the vehicle is further improved and vehicles use information on their surroundings, i.e. the course of the road and the route.

SAFETY

Sensors, high-resolution cameras as well as software algorithms and on-board computing power make it possible: In the future, intelligent systems in the vehicle will be able to identify and interpret hazardous situations independently of the driver, and react rapidly and correctly by performing autonomous braking or evasive maneuvers. This will raise the safety standard in vehicles to a new level.

AUTOMATED DRIVING

The technology already exists: Sensors precisely record what happens around the vehicle, cameras monitor the lane and even "read" traffic signs, a control unit in the car uses the information to calculate ideal driving maneuvers and autonomously actuates the steering system, brakes and drive. This is the core element of automated driving that will characterize future road traffic.

3

DIVERSIFIED PRODUCT PORTFOLIO

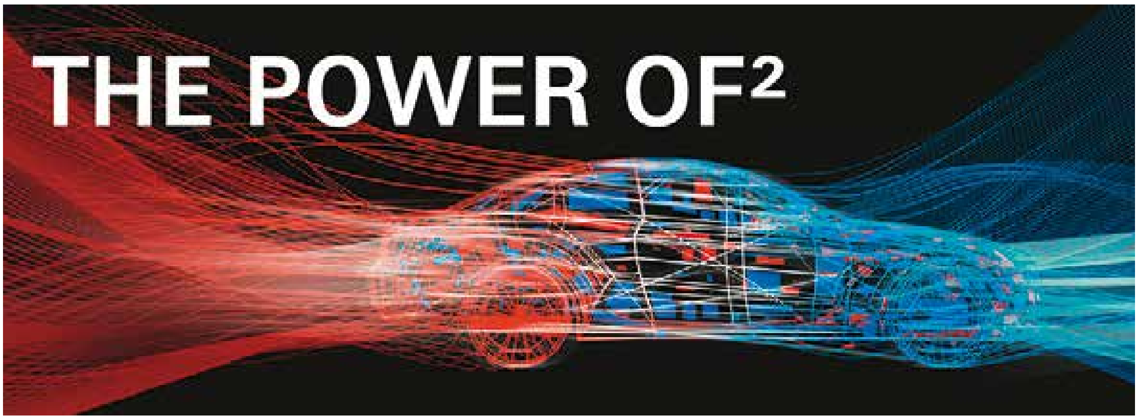
4

FINANCIAL INDEPENDENCE

5

GLOBALLY ATTRACTIVE EMPLOYER

MILESTONES 2015



DAY ONE

The go-ahead *for the integration of the U.S. company TRW into the ZF Group was given in mid-May. "Today marks the day we combine the strengths of ZF and TRW into a worldwide leading systems supplier in the automotive sector," said Dr. Stefan Sommer, ZF's Chief Executive Officer. Since then, ZF TRW has been part of ZF Friedrichshafen AG as the Active & Passive Safety Technology Division. "The Power of ²" is the motto and inspiration behind the integration process. The superscript 2 indicates that the benefits in the extended ZF Group are not simply equal to the sum of the parts but rather multiply each other.*

VOLUME PRODUCTION ORDER

IBC

ZF TRW, the Active & Passive Safety Technology Division, has received **its first production** order for the innovative Integrated Brake Control (IBC): As of 2018, the system will enter volume production in large quantities at a big vehicle manufacturer. The system consists of a single unit which replaces the Electronic Stability Control (ESC) and the vacuum booster with all the associated cables, sensors, switches and control units. It can be deployed in the supermini to the SUV and is suitable for both conventional braking and semi-autonomous driving functions.

Large industrial drives and gearboxes

Industrial drives consolidated: In May, ZF took over the industrial drives and wind turbine gearbox segment of Bosch Rexroth AG and incorporated the three locations and a total of 1,200 employees into the Industrial Technology Division. This acquisition provides ZF with access to the large industrial drives and gearboxes business while strengthening its activities in the wind power segment. It also makes the Group less dependent on the cyclical automotive industry.

AGILE, CLEVER, URBAN

IAA 2015

At the IAA 2015, ZF demonstrated the indispensable features of the city runabout of the future with its Advanced Urban Vehicle (AUV) concept study. During its development, ZF engineers and engineers in the Active & Passive Safety Technology Division were already working hand in hand – linking intelligence and mechanical systems in the concept vehicle. An extreme steering angle of the AUV's front axle allows for extremely tight turning and parking maneuvers. This is used by the Smart Parking Assist function, which enables fully autonomous parking maneuvers. The microcar uses "PreVision Cloud Assist" to obtain route information from the cloud, making the vehicle safer and more fuel-efficient in the process.

100 YEARS

MOTION AND MOBILITY

The Group's anniversary year in 2015 drew to a close with a host of activities. The celebrations focused on the company's employees worldwide. Meanwhile, the opening ceremony in Friedrichshafen in September 2015 proved a highlight for customers and stakeholders.

Development location in Japan

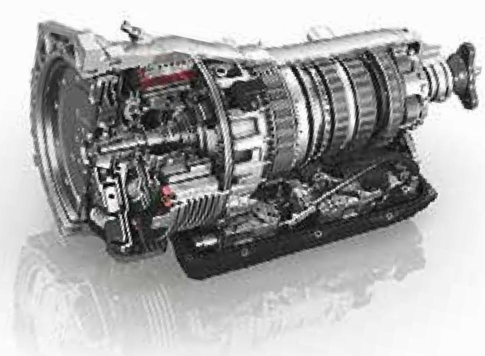
A new, additional ZF development location in Japan **centers on e-mobility.** As of 2016, ZF will develop electric drive solutions specially for the Asian market in the new Tech Center near Yokohama.

Commercial vehicle transmissions

ZF has been volume-producing the new **TraXon** automatic transmission system for commercial vehicles at its Friedrichshafen location since mid-2015. It has been designed to enable the basic transmission to be combined with various starting modules – from the classic dry single-disk clutch to the hybrid module.

PLUG-IN HYBRID TRANSMISSION

Market premiere for more e-mobility: In September, the first plug-in hybrid transmission with eight gears came off the production line. The ZF product features an electric motor that is powerful enough to drive passenger cars at up to 120 km/h in this all-electric mode. The range in all-electric mode is around 50 kilometers depending on the battery capacity. Compared with a driveline powered solely by a combustion engine, the ZF innovation cuts fuel consumption by up to 70% in the standard cycle.



THE NEXT

EFFICIENT, SAFE, CONNECTED:
HOW ZF SHAPES THE MOBILITY OF THE FUTURE.

"ADVANCED URBAN VEHICLE" (AUV): This ZF concept vehicle is an extremely agile, locally zero-emission all-electric car. It is equipped with many smart assistance functions. Thanks to the Smart Parking Assist function in the AUV, you simply need to tap your finger on the smartwatch rather than cranking the steering wheel. Networking with the cloud also makes it more efficient and safer. The Cloud Driving Assist function stores key route information on the cloud, allowing it to be accessed by other vehicles as well. Tomorrow's ride comfort – by connecting today's systems.

i WWW.ZF.COM/AUV

LEVEL

Urbanization, demographic change, sustainable resource utilization – many of the global megatrends have been making their presence felt for many years. ZF has already set the course toward the future with its 2025 Strategy. One result of this was the acquisition of the U.S. company TRW. A new Group has crystallized from the two strong companies – with greater clout, diverse market opportunities and with the ability to shape tomorrow's mobility.

Technological leadership with twice the power

Such company acquisitions are rare: ZF managed with TRW Automotive to acquire a company which had virtually no overlaps with ZF in its product portfolio. The range of technologies and competencies where the two companies complemented each other almost perfectly proved all the broader, though. For that reason, it made perfect sense to integrate ZF TRW under the motto "The Power of ^{2}" as the Active & Passive Safety Technology Division. The company wasted little time before demonstrating the innovativeness of the ZF Group: ZF presented the AUV at the IAA (International Motor Show) in 2015. Since then, one thing has been clear: Smart mechanical systems, i.e. the optimum interaction of actuators and controllers on the one hand, and sensors and software on the other, make for a decisive advantage in ZF's hands. The company aims to leverage this advantage to the full in future in order to implement fuel efficiency, occupant safety, driver assist systems through to autonomous driving.

EFFIC

HOW ZF ACHIEVES MORE WITH LESS.

Passenger cars with a PLUG-IN HYBRID TRANSMISSION from ZF can drive at up to 120 km/h without any assistance from the combustion engine. The range in all-electric mode is up to 50 kilometers depending on the battery capacity. As such, for many drivers the combustion engine does not start at all during everyday motoring.
WWW.ZF.COM/E-MOBILITY

Lower emissions with higher output

Greater cost-effectiveness, lower emissions with the same or improved output – this is the objective when it comes to implementing state-of-the-art passenger car drives. Electric drive solutions are particularly in demand today. Such solutions need to keep pace with growing competitive and cost pressures while at the same time meeting ever greater customer expectations; they must be efficient, but not detract from driving pleasure. ZF offers everything that is required to fulfill these expectations. From individual hybrid modules, plug-in hybrid systems, which are already being used in a host of volume-production applications, through to an all-electric rear-axle drive that is due to enter volume production from 2016. The engineers are not taking their eye off conventional drives though. Take for instance, the second generation of its globally successful 8-speed automatic transmission where ZF has further reduced fuel consumption compared with the transmission's highly energy-efficient predecessor.

CIENT

Quality is a basic prerequisite in the competitive environment. Thanks to efficient COST AND PROCUREMENT MANAGEMENT, ZF customers receive reliable products and services at competitive costs.

WWW.ZF.COM/PROCUREMENT

Top quality at lower cost

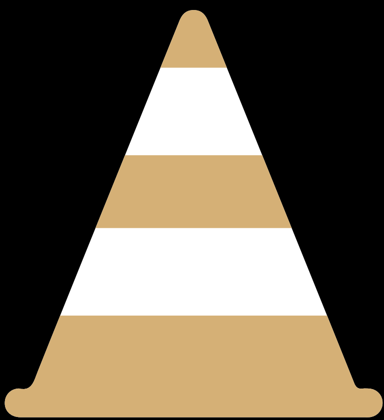
Reliable technology – the decisive factor in all product applications. ZF makes a major contribution in this respect with its diversified product portfolio. To ensure this will continue to be the case, customer orientation permeates the entire Group. It is an approach that is reflected in the product strategy, in quality, right through to the availability of spare parts and the global service network. To ensure the top quality of our products and services at economic costs, ZF is generating new synergies through the integration of ZF TRW: Knowledge sharing and the further development of common standards will improve the quality of our products even further. Materials procurement of the two companies is also being merged – with positive repercussions for the cost structure.

SAF

HOW ZF ENSURES SAFETY.

ZF CAMERA SYSTEMS make vehicles see. In this field, we already focus on the requirements of tomorrow: Tri-Cam4, for example, supports the most advanced driving functions with its three lenses including a telephoto lens and a fish-eye lens.

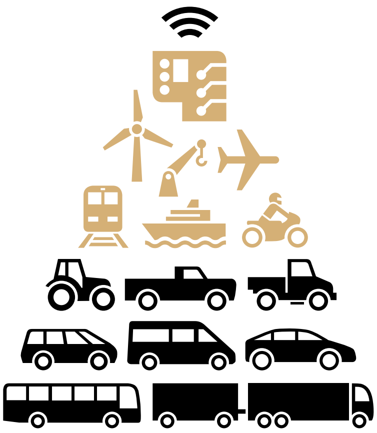
i WWW.ZF.COM/SAFETY



Minimize risks predictively

A computer does not panic and freeze. For this reason, intelligent systems on board a car can not only detect hazardous situations more effectively, they can also interpret them thanks to sensors, high-resolution cameras and software algorithms as well as suitable computing power. They can respond quickly and appropriately, with virtually no delay, with independent braking and evasive maneuvers. The technology in passive safety solutions we now all take for granted – airbags and pretensioners triggered to the exact millisecond – will help take the standard of safety in vehicles to a new level in the form of active driver assist systems.

ETY



Eggs in more than one basket with A BROAD PRODUCT PORTFOLIO: ZF's diversified range of expertise delivers greater added value and minimizes risks.

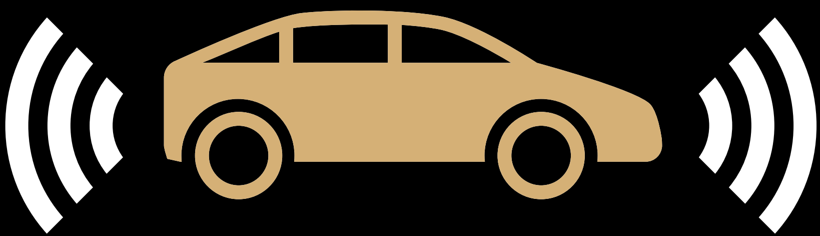
WWW.ZF.COM/PORTFOLIO

Broader base ensures stable growth

E-mobility illustrates the kinds of opportunities a diversified product and service portfolio brings for ZF: The company benefits from this megatrend not just as a supplier of drive solutions that make locally zero-emission mobility a reality. ZF also plays a major role when it comes to generating power from renewable energy sources by supplying gearboxes for wind turbines, for instance. A broad product portfolio not only makes ZF less dependent on economic cycles. Technologies and process know-how from the automotive industry can also be transferred to neighboring sectors with lower quantities and a higher level of individualization, such as the agricultural and construction machinery industries.

CONN

HOW ZF DRIVES AUTOMATION.



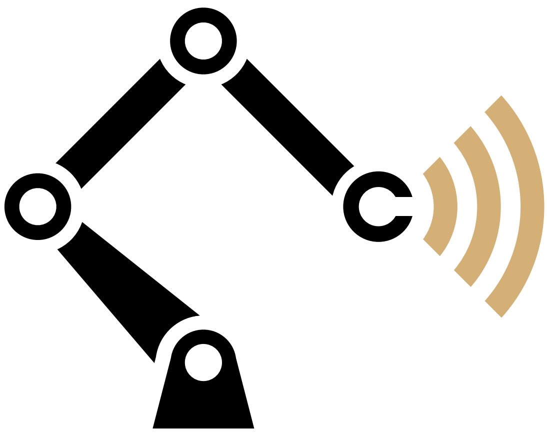
Steer, brake and accelerate automatically with the HIGHWAY DRIVING ASSIST: The combination of Adaptive Cruise Control and Lane Centering Assist helps to maintain a defined safe distance to the car ahead.

WWW.ZF.COM/HDA

Automated driving functions for all vehicle categories

Sit back and read the news on your way to work, while the vehicle sets the indicator at 130 km/h to overtake smoothly, and then autonomously changes lane: Scenarios like these become reality with automated assistance systems which will relieve the driver in future of the need to steer the vehicle. Powerful sensors, complex electronic control units and mechatronic systems, which ensure the safety of the driver, occupants and other road users at all times, enable vehicles to see, think and act. To ensure that such systems are not reserved exclusively for full-size high-end luxury cars, ZF is already working continuously on “democratizing” the autonomous driving functions across all vehicle categories.

ECTED



Digitization is revolutionizing production, ushering in the era of INDUSTRY 4.0. With the aid of smart machines that communicate with each other and cooperate with people, ZF aims to become even more efficient across the entire value chain.

WWW.ZF.COM/PRODUCTION

Effectively utilizing automation internally

Networking and digitization play an important role for ZF not just in terms of product development. A look in the production halls reveals that here too the digital transformation has long since been underway, for instance as part of the needs-based maintenance and repair of machinery or the optimization of the operating process. Milk run systems which transfer transport orders for the final assembly line to the driver in real time using mobile scanners are already part of ZF's everyday operations. ZF also calls on digital support when it comes to identifying individual parts across the entire production process: IT-based traceability systems document the production cycle and soon also the lifecycle of individual workpieces – and provide even greater reliability thanks to automated workflows.

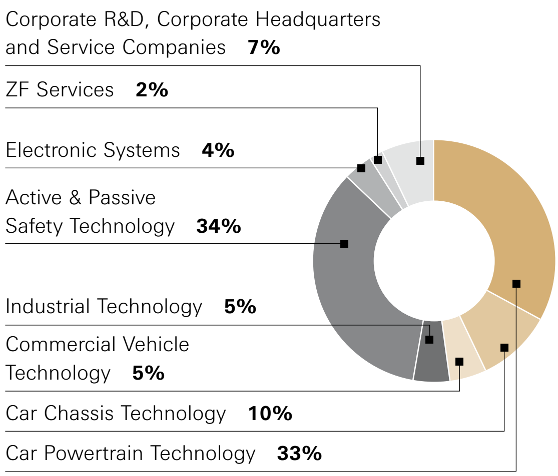
FINANCIAL REPORT

€ 29,154
million sales

Sales development by divisions and business units, consolidated ZF Group
in € million

	2015	2015/2014
Car Powertrain Technology	7,785	+15%
Car Chassis Technology	6,550	+11%
Commercial Vehicle Technology	2,983	−2%
Industrial Technology	2,187	+7%
Active & Passive Safety Technology	8,941	
Electronic Systems	717	+12%
ZF Services	1,847	+13%
Corporate R&D, Corporate Headquarters and Service Companies	284	+87%
− Internal Sales	−2,140	+24%
Consolidated ZF Group	**29,154**	**+58%**

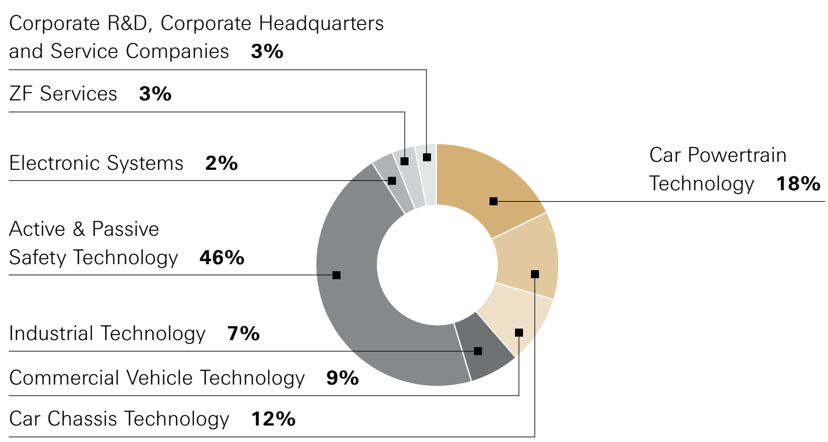
Investments by divisions, consolidated ZF Group



€ 1,290 **million investments**

138,269
employees

Employees by divisions, consolidated ZF Group



Status: December 2015

PREFACE TO THE FINANCIAL REPORT

Dear Customers and Business Partners,
Dear Employees and Readers,

In the year under review 2015, ZF continued to develop positively and opened up a new chapter in its success story: The year was marked by the largest acquisition in the company's 100-year history, the purchase of U.S. automotive supplier TRW Automotive Holdings Corp. With ZF TRW now included in the calculation for the first time – for a period of just seven-and-a-half months since the acquisition on May 15, 2015 – we have achieved new dimensions in sales and results. Group sales increased to € 29,154 million. Even in the first year of integration, the increase in EBIT to € 1,596 million and net profit after tax of € 1,019 million is also testimony to our success. The integration of ZF TRW led to a significant rise in the number of employees, taking the headcount to 138,269 worldwide.

The acquisition is a groundbreaking milestone in the implementation of our ZF 2025 Strategy while the incorporation of ZF TRW as the new Active & Passive Safety Technology Division poses a major challenge – from a cultural perspective, too. The integration is making rapid progress and has shown some initial successes. After barely four months, we showcased our capabilities as a systems supplier with our new, holistic portfolio at the International Motor Show IAA 2015 in Frankfurt. The ZF highlight was the Advanced Urban Vehicle, which demonstrates the indispensable features of the city runabout of the future. ZF engineers and engineers in the new Active & Passive Safety Technology Division worked together for the first time during development of the concept vehicle.

Overall, global economic growth can be described as moderate. Nonetheless, we managed to take advantage of numerous market opportunities. As in the past few years, the market regions experienced different business trends. While South America continued to be dogged by a downturn in the market, North America and Asia-Pacific saw strong growth while Europe reported a slight rise. Growth drivers for ZF were the large sales volume of automatic transmissions for luxury and mid-size vehicles, particularly in the U.S., European and Asian markets. The Electronic Systems Business Unit, which is becoming strategically more important, also benefited from the strong demand for car powertrain technology and managed to report a substantial increase in sales. The Wind Power Technology Business Unit of the Industrial Technology Division, which managed to turn around its business in 2015, is another positive highlight. The ZF Group's global distribution of sales shifted slightly: The sales share in North America increased to 28%, Asia-Pacific achieved a share of 22%, while Europe fell to 47%.

MANAGEMENT

The substantial investment of € 1,290 million in property, plant and equipment, primarily in technical equipment and machines, to expand production capacity will help guarantee our future success. In terms of geographical regions, the focus was on Germany, the USA, Mexico and China. We invested € 1,390 million in research and development, around 5% of sales, hitting our target, as we had done last year.

We expect overall stable market development in industries relevant to ZF. In the medium term, we expect an average growth of 7% for the ZF Group. In this respect, the expected increase in sales is based on additional market penetration and stable market growth. With our diversified product portfolio for the technology trends of efficiency, safety and autonomous driving we continue to open up long-term growth opportunities. Upcoming volume production launches and ramp-ups in the passenger car and commercial vehicle sectors will boost our sales in 2016. The recently founded E-Mobility Division will reinforce ZF's electronics expertise and feed into the future trend of efficiency. Against this backdrop, we also expect business to perform well and develop positively overall in 2016.

Our focus over the next years will be on further improving profitability and free cash flow in order to further quickly reduce the debts incurred by the ZF Group as a result of the acquisition of ZF TRW. In 2015, we had already managed to substantially reduce the debt associated with the purchase. ZF rests on a solid financial foundation thanks to its long-term oriented and diversified financing, high levels of cash, our securities and a substantial unused credit line.

We owe our success to many factors. I would like to take this opportunity to thank first and foremost our customers, suppliers and business partners for their trust and cooperation based on mutual respect. Similarly, without our qualified and committed employees worldwide, we would not be in such a strong position today – many thanks for your commitment and particularly for your willingness to embrace change. Particular thanks also go to the shareholders representatives and the Supervisory Board members who have worked intensively on essential corporate issues and participated in important decision-making processes in favor of safeguarding ZF's future.

Friedrichshafen, March 2016

Dr. Stefan Sommer
Chief Executive Officer

BOARD OF MANAGEMENT

»Our ZF production system is the basis for highest efficiency and competitiveness. It guarantees a sustainable, successful partnership with our customers around the globe.«

»Attractive, performance-oriented and fair – these are the attributes a company needs to secure the best talent. After all, we want to be up there with the best.«

»The integration of ZF TRW boosts innovation for the ZF Group as a whole: with new market opportunities and international relevance.«

»Our financial power enables us to effectively pay back the liabilities from the TRW acquisition; it forms the basis for ongoing, profitable growth.«

Michael Hankel

Corporate Production, Car Powertrain Technology, Car Chassis Technology, E-Mobility

Jürgen Holeksa

Corporate Human Resources, Corporate Governance, Service Companies, Asia-Pacific

Dr. Franz Kleiner

Active & Passive Safety Technology, North America

Dr. Konstantin Sauer

Corporate Finance, IT, M&A

Dr. Stefan Sommer

Chief Executive Officer, Corporate Research and Development, ZF Services

Peter Lake

Corporate Market

Wilhelm Rehm

Corporate Materials Management, Industrial Technology

Rolf Lutz

Corporate Quality, Commercial Vehicle Technology, South America

REPORT OF THE SUPERVISORY BOARD

Two extremely noteworthy events shaped the course of 2015 for the ZF Group: the acquisition and subsequent integration of the U.S. company TRW in May and ZF Friedrichshafen AG's 100-year anniversary celebrations.

In 2015, the Supervisory Board met for five regular meetings during which the Board of Management reported on the company's situation and all essential, current and strategically important issues. In our role as Supervisory Board, we regularly monitored the Board of Management's work and assisted it in the execution of its managerial tasks, the strategic further development of the company and other important individual matters. Outside of the board meetings, the Chairman of the Supervisory Board also received regular reports from the Chief Executive Officer about current and important developments in the company. Once again in 2015, we performed the duties incumbent upon us under the law and the by-laws with great diligence. An open, responsible and constructive reciprocity characterizes our cooperation with the Board of Management in the Executive and Audit Committees as well as in the collective Supervisory Board.

A common objective of the Supervisory Board and the Board of Management to ensure long-term success is the sustainable further development of the ZF Group based on the requirements for new technologies in an increasingly dynamic market. The pooling of the Group's e-mobility activities in the new E-Mobility Division, ZF's acquisition of Bosch Rexroth's industrial drives segment and, above all, the successful integration of ZF TRW play a major role here. The Supervisory Board will closely follow the further development of these activities. The know-how of ZF TRW, incorporated into the new Active & Passive Safety Technology Division, opens up new opportunities for ZF to actively shape both the safety and automated driving megatrends. The process and structure of ZF TRW's integration as well as the adapted ZF management concept were regularly deliberated by the Board.

The Supervisory Board pays special attention to the Board of Management's presentation of goals and key activities in the framework of strategic and operational planning which, above all, should improve operational performance and profitability, and directly focus on achieving the targeted debt relief. The Supervisory Board will make sure it is kept up-to-date about how implementation of the necessary actions is progressing. The Board of Management also presented the Compliance Report and reported about the significant individual risks within the context of risk management. No risks were identified which were a threat to continued existence.

On January 1 and October 1, 2015, Dr. Franz Kleiner and Peter Lake respectively assumed their positions on the Board of Management. As per the decision taken by the Supervisory Board on April 9, 2015, the appointment of Michael Hankel as member of the Board of Management was extended by five years. Following Martin Ocker's retirement from the Supervisory Board, Matthias Beuerlein was appointed as his successor as of January 30, 2015.

At the April 2015 meeting of the Supervisory Board, the Board of Management presented the pro-forma financial statement of the future combined companies ZF and TRW prepared in connection with the funding of the TRW acquisition through the issuance of corporate bonds. The public auditor explained the pro-forma financial information audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (auditing company) and issued the required certificate.

The annual financial statements of ZF Friedrichshafen AG compiled by the Board of Management in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements compiled in accordance with § 315a HGB on the basis of the International Financial Reporting Standards (IFRS), dated December 31, 2015, as well as the corresponding management reports, were each audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The company issued its unqualified audit opinion in each case. The Supervisory Board extensively studied the documentation. All members of the Supervisory Board had access to the audit reports to do this. In addition, the appointed auditor explained the main audit results first to the Audit Committee and then to the Supervisory Board during the board meeting on March 18, 2016. In both cases, the results were discussed in detail in the presence of the auditor. The Supervisory Board raised no objections, accepted the financial statement audit results and adopted the annual financial statements of ZF Friedrichshafen AG as well as the consolidated financial statements. The Supervisory Board advised the shareholders to approve the annual financial statements, adopt the consolidated financial statements and accept the recommendation of the Board of Management for the use of the net profit.

The anniversary ceremony took place on September 9, 2015 with guests from 45 countries, representing business, society and the media. Under the banner of "One Global ZF," it was the highlight of the 100-year anniversary celebrations. Just like the 118 Family Days worldwide, it was a worthy way to celebrate this special anniversary. Despite facing enormously difficult obstacles at times, the Board of Management, the employee representatives and the entire workforce of the ZF Group did an outstanding job in 2015. The Supervisory Board would like to take this opportunity to express its appreciation and thank everyone for the work they have done, the high level of commitment to the company as well as the objective and constructive teamwork.

Friedrichshafen, March 2016

On behalf of the Supervisory Board
Prof. Dr. Giorgio Behr
Chairman

MANAGEMENT BODIES

Board of Management

Dr. Stefan Sommer, Meersburg,
Chief Executive Officer,
Corporate Research and Development,
ZF Services

Michael Hankel, Eschborn,
Corporate Production, Car Powertrain Technology, Car Chassis Technology, E-Mobility

Jürgen Holeksa, Friedrichshafen,
Corporate Human Resources, Corporate Governance, Service Companies, Asia-Pacific

Dr. Franz Kleiner (as of January 1, 2015),
Neuburg am Inn,
Active & Passive Safety Technology,
North America

Peter Lake (as of October 1, 2015),
Franklin, USA,
Corporate Market

Rolf Lutz, Friedrichshafen,
Corporate Quality, Commercial Vehicle Technology, South America

Wilhelm Rehm, Höchstädt,
Corporate Materials Management,
Industrial Technology

Dr. Konstantin Sauer, Überlingen,
Corporate Finance, IT, M&A

Supervisory Board

The Supervisory Board of the company has been set up in accordance with the provisions of the Act on the Co-determination of Employees. It is composed as follows:

Prof. Dr. Giorgio Behr, Buchberg,
Switzerland,
Chairman,
CEO and President of the BBC Group,
Villmergen, Switzerland

Frank Iwer[1], Stuttgart,
Deputy Chairman,
Head of Staff Position Political and Strategic Planning of the Board of Management of IG Metall, Frankfurt

Jörg Ammon[1], Salem,
Head of Gears and Shafts Production at ZF Friedrichshafen AG, Friedrichshafen

Ernst Baumann, Münsing,
former Member of the Management Board of BMW AG, Munich

Matthias Beuerlein[1]
(as of January 30, 2015), Volkach,
Team Leader of Non-Production Materials Purchasing, Schweinfurt location of
ZF Friedrichshafen AG, Friedrichshafen

Andreas Brand, Friedrichshafen,
First Mayor of the City of Friedrichshafen

Jürgen Bunge[1], Lemförde,
Chairman of the Lemförde Location
Works Council of ZF Friedrichshafen AG,
Friedrichshafen

Achim Dietrich-Stephan[1], Kressbronn,
Chairman of the Group Works Council of
ZF Friedrichshafen AG, Friedrichshafen

Prof. Dr. Dr. Claudia Eckert, Munich,
Chair for IT Security, Technische Universität München, Munich

Dr. Margarete Haase, Cologne,
Member of the Management Board of
DEUTZ AG, Cologne

Hans-Georg Härter, Salzweg,
former CEO of ZF Friedrichshafen AG,
Friedrichshafen

Peter Kippes[1], Schweinfurt,
First Representative of IG Metall
Administration Center Schweinfurt

Dr. Joachim Meinecke, Freiburg,
Lawyer

Oliver Moll[1], Schonungen,
Chairman of the Schweinfurt Location
Works Council of ZF Friedrichshafen AG,
Friedrichshafen

Martin Ocker[1] (until January 30, 2015),
Schwäbisch Gmünd,
Member of the Works Council of Robert Bosch Automotive Steering GmbH,
Schwäbisch Gmünd

Jürgen Otto, Coburg,
CEO of Brose GmbH, Coburg

Dr.-Ing. Franz-Josef Paefgen, Ingolstadt,
former Chairman and Chief Executive of Bentley Motors Ltd., Crewe, Great Britain

Vincenzo Savarino[1], Friedrichshafen,
First Representative of IG Metall Administration Center Friedrichshafen-Upper Swabia

Wolfgang Schuler[1], Riegelsberg,
Chairman of the Saarbrücken Location
Works Council of ZF Friedrichshafen AG,
Friedrichshafen

Hermann Sicklinger[1], Thyrnau,
Chairman of the Passau Location
Works Council of ZF Friedrichshafen AG,
Friedrichshafen

Weidong Xu, Castrop-Rauxel,
Chief Representative of LIMO Lissotschenko Mikrooptik GmbH, Dortmund

Chief Representative

Andreas Hartmann, Cologne

[1] Employee Representative

GROUP MANAGEMENT REPORT

ZF Group sales increased to € 29,154 million in 2015. In the year under review, the number of employees rose to 138,269. An amount of € 1,290 million was invested in property, plant and equipment, € 1,390 million was spent on R&D. EBIT was at € 1,596 million. The profit after tax rose to € 1,019 million.

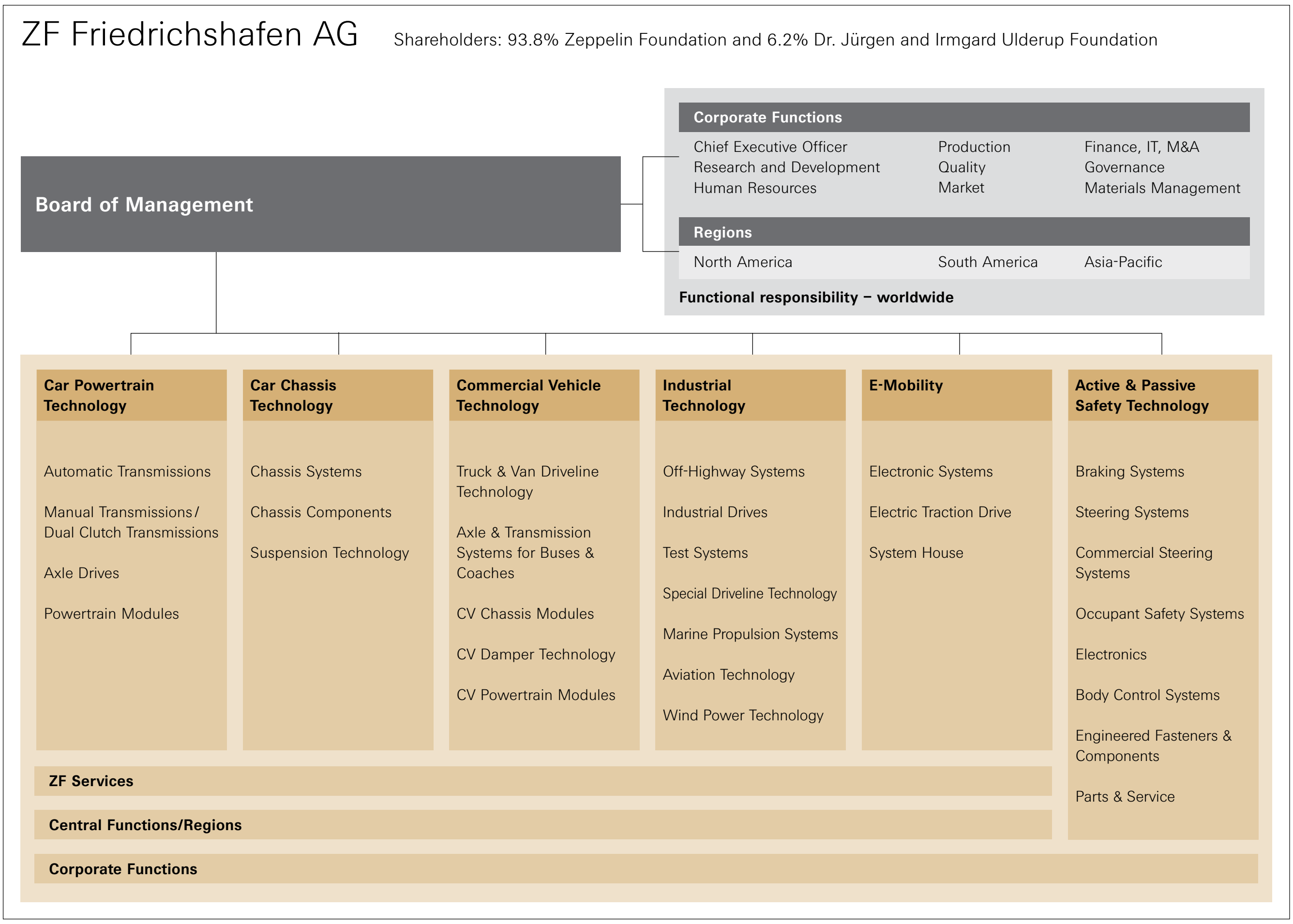
BASIC PRINCIPLES OF THE ZF GROUP

Operating Activities and Corporate Structure

ZF Friedrichshafen AG 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 Friedrichshafen. As of December 31, 2015, the Group's workforce worldwide comprised 138,269 employees in 40 countries.

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. In addition, our activities cover other market segments such as construction and agricultural machinery, wind power, marine propulsion, aviation technology, rail drives, special drives and test systems for industry with a focus on the automotive sector. Alongside transmission systems, units and components, the company also produces chassis systems and components as well as safety technology, electronics and sensors. ZF offers a wide range of services that is mainly marketed by the ZF Services organization. These services primarily involve the spare parts business for driveline and chassis technology as well as maintenance and repair services. The main sales markets of the Group are Europe, North America and the Asia-Pacific region, with China as the core market.

ZF is set up along the lines of a matrix organization which links the Group-wide competencies of the corporate functions with the global



Status: January 2016

business responsibility of the divisions and business units. The central departments of the ZF Group are headed by the members of the Board of Management. The members of the Board of Management are assigned directly to the six divisions as well as to the ZF Services Business Unit. The same applies to the responsibilities with regard to the Regions of North America, South America and Asia-Pacific.

The Group structure with six divisions is aligned with the market and customers.

- The *Car Powertrain Technology Division* is responsible for the following business units: Automatic Transmissions, Manual Transmissions/Dual Clutch Transmissions, Axle Drives and Powertrain Modules.

- The *Car Chassis Technology Division* includes the following business units: Chassis Systems, Chassis Components and Suspension Technology.

- The *Commercial Vehicle Technology Division* is responsible for the following business units: Truck & Van Driveline Technology, Axle & Transmission Systems for Buses & Coaches, CV Chassis Modules, CV Damper Technology and CV Powertrain Modules.

- The *Industrial Technology Division* combines the following business units: Off-Highway Systems, Industrial Drives, Test Systems, Special Driveline Technology, Marine Propulsion Systems, Aviation Technology and Wind Power Technology.

- The *Active & Passive Safety Technology Division* has been managing the business activities of the acquired company TRW Automotive Holdings Corp. since May 15, 2015. It includes the following business units: Braking Systems, Steering Systems, Commercial Steering Systems, Occupant Safety Systems, Electronics, Body Control Systems, Engineered Fasteners & Components and Parts & Service.

- ZF also added the sixth division, *E-Mobility,* in fiscal year 2016. This division brings together the competencies in e-mobility.

ZF Services, the separate business unit, merges the product brands of SACHS, LEMFÖRDER, BOGE and ZF Parts. It also pools the worldwide product range of the ZF Group in the fields of services, aftermarket trading and customer service.

Management and Supervision of the Company

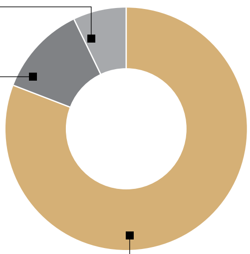
The shareholders, the Zeppelin Foundation and the Dr. Jürgen and Irmgard Ulderup Foundation exercise their voting rights at the annual shareholders' meeting.

ZF Friedrichshafen AG and the ZF Group are led by the Board of Management, which manages the company, and by the Supervisory Board, which monitors the Board of Management. For the most part, the activities of the Board of Management are strategic in nature and comprise responsibility for the corporate functions, the divisions and the regions. In this context, particular importance is placed on close networking and cooperation within the Group. The divisions and business units mainly address their operational topics themselves.

On January 1, 2015, the Board of Management was expanded by one member with responsibility for the Region of North America. This person is also responsible for the management of the new Active & Passive Safety Technology Division which was created following the successful acquisition of the U.S. company TRW Automotive Holdings Corp. The activities of this company have been integrated into the ZF Group via this division. Another new member joined the Board of Management on October 1, 2015. This person's remit is the now autonomous Corporate Market Function. The ZF Board of Management thus comprised eight members as of year-end 2015.

The supervision of the Board of Management by the Supervisory Board, whose 20 members are appointed with equal representation, is supported by an Executive Committee and an Audit Committee which are both composed of members of the Supervisory Board.

Sales distribution by sectors, consolidated ZF Group



ECONOMIC REPORT

The Business Environment and Industry Developments

Moderate global economic growth

The global economy continued to develop positively in the year under review. However, the global growth rate was a mere 3.1%, despite low energy and raw material prices. The economy had not seen such low growth levels since the 2009 economic slump. The developed economies posted only moderate growth of 1.9%, while the developing and newly industrialized countries reported growth of 4%, the weakest figure seen over the past five years.

The eurozone reported a 1.5% increase in economic performance. The indicators ticked up in the fourth quarter in particular, boosted by strong private consumption and a favorable construction industry. By comparison, the rate of economic growth in the USA started to slow down slightly throughout the course of 2015; following a very positive start, gross domestic product rose by 2.5%. In China, decreasing investments and weaker import and export led to a more moderate economic development than expected. Growth came in at 6.9% for the overall year of 2015. Both domestic and export demand proved weak in Japan. The country marked time with the economy moving sideways by 0.6%.

Varying trends in the industries and regions

In this economic environment, some ZF markets – despite regional variances – were under pressure on the whole. The production of passenger cars and light commercial vehicles worldwide rose marginally by just 1%. While Western Europe with 6%, Germany with 3%, North America with 3% and China with 4% contributed to growth, the vehicle volumes in South America (– 18%), Russia (– 25%) and Japan (– 5%) came under fierce pressure in certain sectors.

By contrast, global production of heavy commercial vehicles > 6 tons fell sharply by – 7% in 2015. Positive news came from North America with + 8%, India with + 29% and Western Europe with + 9%; the Euro 6 pre-buy effect from the previous years helped boost the figures in Western Europe in particular. The crisis-hit markets performed very poorly: In South America, commercial vehicle production fell by 43%, Russia reported a drop of 27%, while in China, the world's largest commercial vehicle market, volumes fell by roughly a quarter. Japan and South Korea also saw the market shrink by 6% to 9%.

Sales development by divisions and business units, consolidated ZF Group
in € million

	2015	2015/2014
Car Powertrain Technology	7,785	+15%
Car Chassis Technology	6,550	+11%
Commercial Vehicle Technology	2,983	–2%
Industrial Technology	2,187	+7%
Active & Passive Safety Technology	8,941	
Electronic Systems	717	+12%
ZF Services	1,847	+13%
Corporate R&D, Corporate Headquarters and Service Companies	284	+87%
– Internal Sales	–2,140	+24%
Consolidated ZF Group	**29,154**	**+58%**

The production figures in the off-road machinery markets were even worse: Manufacturers had to contend with a massive slump in agricultural technology with global volumes falling by –12%, and in the construction machinery sector, down –18%. While the situation in Europe remained relatively stable, off-road machinery production in South America plummeted by over a third, compounding the double-digit drop already reported in 2014. Construction machinery production in China was hit extremely hard by the downturn in the industrial sector, with production falling by 40%.

Business Trend

In 2015, sales in the ZF Group rose by € 10,739 million to € 29,154 million. Along with organic growth, which continued to significantly exceed the industry average, it was above all the inclusion of ZF TRW since May 15, 2015 with a contribution to sales of € 8,753 million that led to this large growth.

In the reporting year, development in the major market segments and regions continued to vary greatly. Major growth impetus largely came from the passenger car market segments, especially in North America and China. The continued slowdown of the economy in South America resulted in a considerable sales decline. The sales performance in Europe was stable as a whole, despite negative developments in Eastern Europe.

Positive momentum was lacking overall throughout 2015 in the commercial vehicle and off-highway industries. Some market segments and regions of these industries were characterized by – in some cases considerable – downward trends. However, the development in Wind Power Technology was particularly encouraging.

As a result of the inclusion of ZF TRW, the share of sales attributable to North America increased to 28%, while Europe's share declined from 56% to below 50%.

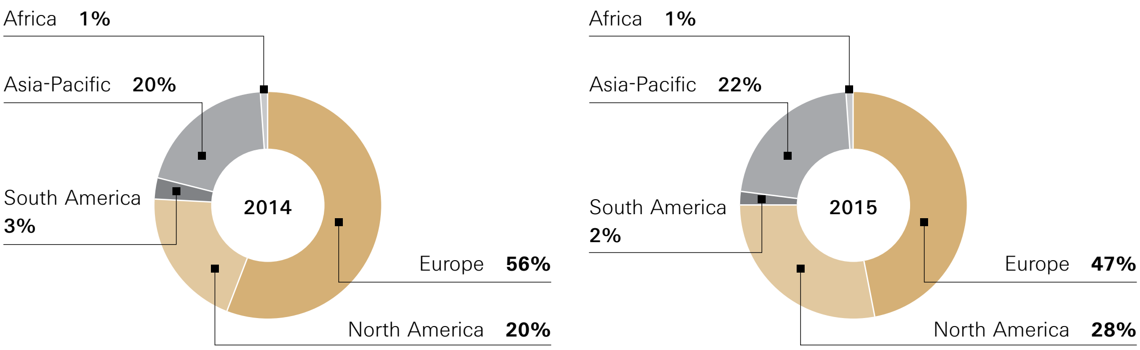
The successful fiscal year 2015 was characterized in particular by the acquisition of ZF TRW.

Sales development by regions, consolidated ZF Group
in € million (consolidated)

	2011	2012 1)	2013	2014	2015 2)
Europe	9,458	9,081	9,827	10,316	13,823
North America (NAFTA)	2,319	2,935	3,095	3,745	8,115
South America	880	692	704	556	633
Asia-Pacific	2,630	2,604	2,998	3,621	6,363
Africa	222	214	213	177	220
Total	**15,509**	**15,526**	**16,837**	**18,415**	**29,154**

1) As of 2012 excluding ZF Lenksysteme.
2) Including ZF TRW as of May 15, 2015.

Sales development by regions, consolidated ZF Group



The acquisition of ZF TRW was completed as of May 15, 2015. Since the acquisition date, ZF TRW has been included in the consolidated financial statements as the independent Active & Passive Safety Technology Division.

In connection with the acquisition of ZF TRW, the 50% shareholding in ZF Lenksysteme GmbH was sold to Robert Bosch GmbH already at the beginning of 2015. This resulted in an income of € 510 million. On the other hand, ZF acquired the industrial drive and wind turbine gearbox segment of Bosch Rexroth AG with locations in Germany, China and the USA as of November 30, 2015. Negative goodwill in the amount of € 41 million was recognized as income.

On August 31, 2015, the linkage and suspension business of ZF TRW, with a sales volume of around € 500 million, was sold. This sale did not have any effects on profit or loss.

EBIT increased from € 1,098 million to € 1,596 million, which was also due to the first-time inclusion of ZF TRW. EBITDA amounted to € 3,354 million, up from € 2,044 million in the prior year. This corresponds to a margin of 11.5% of sales (2014: 11.1%).

Investments in property, plant and equipment rose by € 285 million to € 1,290 million; the investment ratio fell to 4.4% of sales year on year, attributable to higher sales. The free cash flow (cash flow from operating activities less cash flow from investing activities) changed from € 696 million to € −6,802 million. Adjusted by the purchase price effect from ZF TRW and other acquisitions and disposals of companies, free cash flow was € 1,361 million.

The acquisition of ZF TRW and the required financing had a significant influence on the results of operations, net assets and financial position in 2015.

Results of Operations, Net Assets and Financial Position

Preliminary remark

The acquisition of TRW Automotive Holdings Corp., agreed by contract in September 2014, was successfully concluded on May 15, 2015, after the majority of the shareholders of TRW Automotive Holdings Corp. had given their approval and anti-trust clearance had been obtained. In the first half of 2015, two large-scale capital market transactions were implemented in order to generate the funds required to pay the purchase price. These transactions included the issuing of a bonded loan as well as corporate bonds in euro and U.S. dollar. Additionally, a bank consortium provided funding in euro and U.S. dollar.

The following company acquisitions and sales in connection with the acquisition of ZF TRW affected the results of operations, net assets and financial position: The sale of the 50% share in the joint venture ZF Lenksysteme GmbH (later renamed Robert Bosch Automotive Steering GmbH) to Robert Bosch GmbH became legally effective on January 30, 2015. The acquisition of the industrial drive and wind turbine gearbox segment of Bosch Rexroth AG with locations in Germany, China and the USA was agreed upon on May 13, 2015, and completed on November 30, 2015. The sale of ZF TRW's linkage and suspension business to the Japanese company THK Co., Ltd. became legally effective on August 31, 2015.

Results of operations

The ZF Group succeeded in increasing sales by € 10,739 million compared to the previous year. Since the acquisition of ZF TRW on May 15, 2015, the Active & Passive Safety Technology Division has generated € 8,941 million in sales. Not taking into account ZF TRW, the ZF Group

Structure of the consolidated statement of profit or loss, consolidated ZF Group
in € million

	2015	%	2014	%
Sales	29,154	100%	18,415	100%
Cost of sales	24,533	84%	15,319	83%
Gross profit on sales	**4,621**	**16%**	**3,096**	**17%**
Research and development costs	1,390	5%	891	5%
Selling expenses	1,081	4%	700	4%
General administrative expenses	1,099	4%	734	4%
Other income	653	2%	279	2%
Other expenses	623	2%	153	1%
Operating profit or loss	**1,081**	**4%**	**897**	**5%**
Result from associates	532		49	
Net result from participations	−17		152	
Net interest result and other financial results	−508		−225	
Net financial result	7		−24	
Net profit or loss before income tax	**1,088**		**873**	
Income taxes	69		201	
Net profit or loss after tax	**1,019**		**672**	

increased sales by 11% compared to the prior year, generating € 20,433 million in sales in 2015.

Even not taking into account ZF TRW, ZF was able to considerably increase **sales.**

The Car Powertrain Technology Division achieved the strongest sales growth, increasing its sales by 15.5% to € 7,785 million. The main driver in 2015 was the large sales volume of automatic transmissions for upper mid-size and luxury vehicles, particularly in the U.S., European and Asian markets. Growing quantities during the ramp-up phase in the automatic transmission plant in Gray Court, South Carolina (USA), had positive effects. Despite losing sales due to the sale of the Rubber & Plastics Business Unit in 2014, the Car Chassis Technology Division was able to increase sales by 11.3% to € 6,550 million in 2015. On top of positive currency effects, the main contributing factor was the increase in quantities in Europe, the USA and China, mainly due to the axle systems business.

The growing strategic significance of the Electronic Systems Business Unit is highlighted by a sales growth of 12% to now € 717 million. This business unit strongly benefits from the high demand for products in the Car Powertrain Technology Division. Despite the weakening construction machinery systems business, the Industrial Technology Division registered a sales growth of 6.6%, resulting in € 2,187 million in 2015. This increase is the result of recovering markets, the launch of new wind power technology products and a positive development in the Marine Propulsion Systems and Special Driveline Technology Business Units. In order to strengthen the non-automotive business, the industrial drive and wind turbine gearbox business acquired from Bosch Rexroth AG was integrated into the Industrial Technology Division in December 2015. In the overall year of 2015, the Active & Passive Safety Technology Division generated € 14,385 million in sales of which, however, only € 8,941 million can be attributed to the period from May 15, 2015. ZF TRW was also affected by the market slump in South America and the reduced growth momentum in Asia-Pacific. In the overall year and without taking into account currency and consolidation effects resulting from the sale of the linkage and suspension business and from the engine valves business, ZF TRW achieved positive growth.

In contrast, the Commercial Vehicle Technology Division experienced a slight decline. The continued market weakness in Brazil and Russia as well as negative exchange rate effects contributed decisively to the decrease in sales by 1.7% to € 2,983 million. In addition to organic growth, ZF Services based its increase in sales of 13.3% to € 1,847 million in particular on the integration of the customer service business of several locations.

Concerning the regional distribution of sales, the ZF Group improved its global footprint by integrating ZF TRW in 2015. The sales share in North America grew from 20% to 28%, while the European share dropped from 56% to 47%. The ZF sales share in Asia-Pacific was 22% (2014: 20%). Regional growth not considering ZF TRW differed. Particularly the strong demand for automatic transmissions and axle drives in the USA and Mexico led to further sales growth of 36% to € 5,099 million in the Region of North America. Development in the Region of Asia-Pacific was similarly positive. Here, sales increased again by 15% to € 4,179 million thanks to consistently positive sales in all divisions. In contrast, sales declined by 27% to € 408 million in South America due to market weakness. In Europe, sales grew by 3% to reach € 10,568 million. Sales in the Region of Africa increased by 1%, resulting in € 179 million.

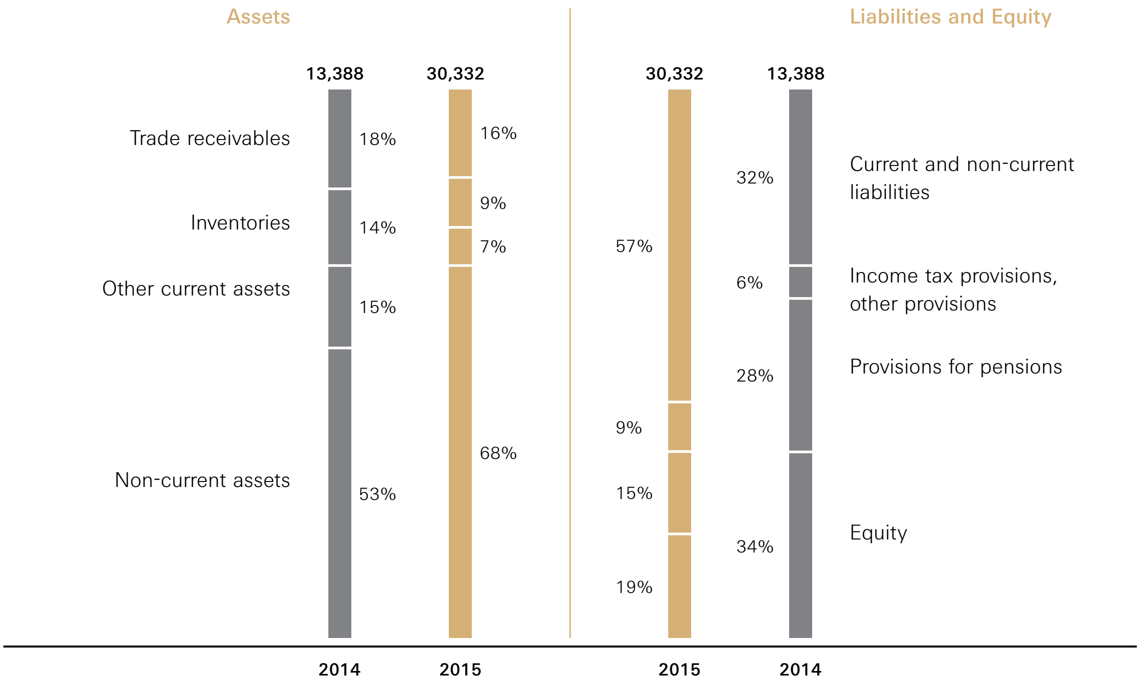
In both the current and previous fiscal year, EBIT and operating profit were strongly characterized by structural effects and extraordinary items. In the fiscal year 2015, operating profit increased by € 184 million to € 1,081 million. Return on sales decreased from 4.9% to 3.7%. The decrease of the margin results from extraordinary items. The cost of € 462 million resulting from the purchase price allocation in connection with the acquisition of ZF TRW as well as expenses for ZF's centennial reduced the operating profit in 2015. The negative goodwill resulting from the acquisition of Bosch Rexroth AG's industrial drive and wind turbine gearbox business, however, had positive effects contributing € 41 million. In the previous year, the operating profit improved thanks to € 104 million of profit resulting from the deconsolidation of two corporate segments. The costs of the functional areas remained on prior-year level, proportionate to the increase in sales. The increase in other income and expenses mainly results from higher foreign exchange gains and/or losses.

The main factor in the net result from participations 2015 is the profit of € 510 million made in the sale of the shares in ZF Lenksysteme GmbH. The net result from participations in 2014 included the distribution of a subsidiary in connection with the settlement of a litigation as an extraordinary item. Including the operating profit and the net result from participations, this results in an EBIT of € 1,596 million, amounting to an increase of € 498 million and an EBIT margin of 5.5%. Adjusted for the above-mentioned extraordinary items in the current fiscal year and in the previous year, the adjusted EBIT margin of 5.4% is higher than it was in the prior year. In 2015, EBITDA increased by € 1,310 million to € 3,354 million.

The level of debt, which grew in the course of acquisition financing, is reflected in higher interest expenses as well as in transactional and incidental expenses in the increase in other financial expenses. In the category of other financial expenses, reduced expenses from hedging compensate for the increase in foreign exchange losses. The increase in other financial income mainly results from higher foreign exchange gains.

The reported tax expenditure of 2015 amounting to € 69 million (2014: € 201 million) is mainly influenced by the fact that previously unreported deferred tax assets on retained losses were reported for the first time, from permanent differences due to the discontinuation of business activities, changes in legislation and different national tax systems. This results in a net profit after tax of € 1,019 million, € 347 million more than in the previous year. The share of ZF TRW is € 51 million.

Consolidated statement of financial position, consolidated ZF Group[1]
in € million



[1] Individual values including disposal groups.

Financial position

The **cash flow** from operating activities of € 2,770 million reflects a significant improvement.

Cash and cash flow

In the past fiscal year 2015, the cash position increased by € 375 million, after a decline by € 54 million in the previous year. Overall, cash amounted to € 1,495 million as of year-end 2015, which is above the prior-year level of € 1,114 million. The strong increase in cash flow from operating activities by € 1,072 million to € 2,770 million had a positive effect. The decisive factor for this development was the increase of the net profit before income tax along with the strong increase of depreciation and amortization, both in particular attributable to the first-time inclusion of ZF TRW in the consolidated financial statements of ZF Friedrichshafen AG. In terms of working capital, a reduction in inventories as well as trade receivables also had a positive impact on cash flow. The cash flow from investing activities amounted to € –9,572 million (2014: € –1,002 million). This included a cash outflow from the purchase of consolidated companies in the amount of € 9,444 million (2014: cash inflow of € 12 million). An amount of € 9,390 million was attributable to the purchase of shares in ZF TRW and € 54 million to the purchase of the industrial drive and wind turbine gearbox segment of Bosch Rexroth AG by ZF. Positive effects mainly came from the cash inflow in relation to the sale of ZF Friedrichshafen AG's 50% shareholding in the former ZF Lenksysteme GmbH (later renamed in Robert Bosch Automotive Steering GmbH) to Robert Bosch GmbH in the amount of € 892 million. In addition, there was cash inflow in the amount of € 344 million from the sale of the linkage and suspension business of ZF TRW to THK Co., Ltd. The cash flow from financing activities amounted to € 7,177 million in the past fiscal year (2014: € –750 million). Proceeds from borrowings in the amount of € 11,131 million (2014: € 71 million) mainly resulted from financing in connection with the acquisition of ZF TRW, i.e. the issue of

Consolidated statement of cash flows, consolidated ZF Group
in € million

	2015	2014
Cash flow from operating activities	2,770	1,698
Cash flow from investing activities	– 9,572	– 1,002
Free cash flow	– 6,802	696
Cash flow from financing activities	7,177	– 750
Change in cash position	**375**	**– 54**
Cash position at the beginning of the fiscal year	1,114	1,143
Changes in cash position from changes in the basis of consolidation and exchange rate effects	6	25
Cash position at the end of the fiscal year	**1,495**	**1,114**

bonds and bonded loans as well as utilization under the syndicated loan. The repayment of financial liabilities resulted in a cash outflow of € 3,490 million (2014: € 491 million). These repayments particularly referred to tranches of the syndicated loan, the advance repayment of a large portion of the bonds issued by ZF TRW as well as the partial redemption of a bonded loan issued by ZF in 2012. Cash outflow in the amount of € 349 million (2014: € 284 million) referred to interest and transaction costs, mainly in connection with the above-mentioned financial instruments.

The net financial position, including securities, amounted to € – 7,266 million as of the reporting date. Since the acquisition of ZF TRW in May 2015 and the above-mentioned related cash outflow of € 9,390 million, the net financial position has improved due to a substantial debt relief. Further debt relief continues to represent a central company target of ZF in fiscal year 2016.

Investments in property, plant and equipment
In the year under review, investments in property, plant and equipment amounted to € 1,290 million (2014: € 1,005 million). The investment ratio of 4.4% of sales was below the prior-year level.

A share of 79% of capital expenditure was spent on technical equipment and machines, including advance payments and construction in progress, while 18% was spent on other equipment, factory and office equipment, and 3% on land and buildings. The largest portion of capital expenditure related to the ramp-up of new products and the expansion of capacities for existing products. In terms of geographical regions, capital expenditure focused on Germany, the USA, Mexico and China. Depreciation on property, plant and equipment (excluding impairment losses) amounted to € 1,115 million (2014: € 744 million).

Once again in 2015, a large share of capital expenditure was allocated to technical equipment and machines.

Investments in the Car Powertrain Technology Division focused on the further expansion of the production of 8 and 9-speed automatic transmissions at the site in Gray Court, South Carolina (USA). Investments in Europe primarily referred to the Saarbrücken (Germany) location and were intended to increase the capacities in transmission production and assembly as well as for the production of control units. At the same time, the capacities for the production of dual clutch transmissions in Brandenburg (Germany) and the torque converter production in Schweinfurt (Germany) were further expanded.

The Car Chassis Technology Division invested in the expansion of various production capacities in the Chassis Components Business Unit. The Chassis Systems Business Unit received a first-time order for corner modules from South America which will be manufactured in Sorocaba (Brazil) from 2016. The Suspension Technology Business Unit invested in the construction of a second location for the production of shock absorbers in China.

In the Commercial Vehicle Technology Division, capital expenditures were made for heavy commercial vehicle transmissions (TraXon) at the Friedrichshafen (Germany) location. In addition, investments were also made for the new axle generation of the portal axle for buses at the Passau (Germany) location. The Industrial Technology Division mainly invested in the expansion of capacities for new projects in the wind power business as well as flood protection measures and a new logistics center at the Passau (Germany) location. Investments were also made for the restructuring of the production at the location in Padua (Italy).

The new Active & Passive Safety Technology Division primarily invested in the areas of safety and electronics, brakes and occupant safety as well as steering systems. The focus of investments in capacity expansions was on North America, Europe and Asia. In the Electronic Systems Business Unit, focus was placed upon the start of volume production for new products, especially electronic control units for applications in passenger cars. This included, among other things, capacity expansion for the production of fully integrated transmission control units for 8 and 9-speed automatic transmissions in Auerbach and Diepholz (Germany). Further capital expenditure in assembly and test equipment for shift-by-wire system were made in Diepholz (Germany), Shenyang (China) and Juárez (Mexico).

In 2015, the majority of investments in the ZF Services Business Unit was spent on the further expansion of the logistics network (logistics center in Bremen (Germany)) and on improving the efficiency of logistics centers. Moreover, investments were made in the expansion of the wind power business in Vernon Hills, Illinois (USA). Capital expenditure also referred to the construction of development and administrative buildings at the location of Shanghai (China) as well as Saarbrücken and Friedrichshafen (Germany). In addition, construction of the Forum, the new corporate headquarters of the ZF Group, was continued and the children’s day-care center with health center in Friedrichshafen (Germany) was completed.

Capital structure and financing

In the year under review, total assets increased by € 16,944 million to € 30,332 million. This is mainly attributable to the first-time consolidation of ZF TRW and the financing in connection with the acquisition. Comparison with the previous year is thus only possible to a limited extent.

As of December 31, 2015, the Group equity, including non-controlling interests, amounted to € 5,850 million compared to € 4,519 million in the prior year. Accordingly, the equity ratio was 19% (2014: 34%). Positive effects came from the net profit after tax in the amount of € 1,019 million, the effect from the increase of the discount rate for the valuation of pension obligations, which amounted to € 387 million net of tax and from foreign currency translation in the amount of € 136 million. The mark-to-market valuation of cash flow hedges from the purchase price hedge of ZF TRW and associated transfers to acquisition costs in a total amount of € – 271 million had opposing effects. The dividends paid to ZF shareholders in the year under review (€ 50 million) and to holders of non-controlling interests totaled € 115 million (2014: € 49 million).

Financial liabilities amounted to € 9,907 million as of December 31, 2015 (2014: € 771 million). The increase reflects the financing concluded in connection with the acquisition of ZF TRW. For example, in September 2014, a syndicated financing with a credit facility of € 12.5 billion was entered into. The overall financing is divided into term loans in a total amount of € 3.5 billion with terms of three and five years, a revolving credit line in a total amount of € 1.5 billion with a term of five years and bridge financing of € 7.5 billion with an original term of two years, which however was fully redeemed in 2015. In this context, ZF issued a bonded loan in January 2015 in a total amount of € 2.2 billion in various tranches with terms of three, five and seven years. The existing bonded loan from the year 2012 was largely repaid with the proceeds from this new bonded loan. In April 2015, bonds denominated in euro and U.S. dollar were also issued. The euro bonds total € 2.25 billion and were issued in two tranches with terms of four (€ 1.15 billion) and eight (€ 1.1 billion) years. The U.S. dollar bonds have a total volume of USD 3.5 billion and were issued in tranches with terms of five (USD 1 billion), seven (USD 1 billion) and ten (USD 1.5 billion) years. The euro and U.S. dollar bonds were issued by the U.S. subsidiary ZF North America Capital Inc., while ZF Friedrichshafen AG issued a guarantee for the benefit of the bondholders. Furthermore, in June 2015, bonds in a total volume of USD 1.1 billion were repaid by ZF TRW in the context of a repurchase offer and the exercise of a repurchase right. As of December 31, 2015, the term loans within the framework of the syndicated financing were utilized in an amount of € 1.5 billion. The remaining amount of the term loans (€ 2.0 billion) has been repaid and terminated in the meantime and is no longer available. The revolving credit line was not utilized in the amount of € 1.5 billion as of the reporting date. Most of the financial liabilities are due at the end of their contractual term. ZF believes that the maturity profile is well-balanced. The liabilities are largely denominated in euro and U.S. dollar. More than half of this amount has a fixed interest rate.

Further changes on the liabilities side of the statement of financial position also mainly occurred due to the first-time inclusion of ZF TRW. For example, trade payables increased by € 2,563 million to € 5,003 million and provisions for pensions by € 662 million to € 4,465 million. This includes a reduction of the provisions for pensions in the amount of € 387 million arising from actuarial gains, particularly as a result of the increase of the discount factor in Germany from 2.1% to 2.6% as of the reporting date, which was due to developments on the capital market. The increase in deferred tax liabilities primarily results from the purchase price allocation.

Net assets position

The increase in the ZF Group's total assets in 2015 to € 30,332 million (2014: € 13,388 million) was essentially influenced by the first-time inclusion of ZF TRW.

As far as current assets are concerned, growth was achieved, in particular, in terms of trade receivables (plus € 2,374 million) and inventories (plus € 1,009 million). This increase is largely attributable to the acquisition of ZF TRW and the growth of the operating business. It corresponds with the rise observable on the liabilities side in relation to trade payables by € 2,563 million. As a result of the acquisition of ZF TRW, tax loss carryforwards in the USA that had not been recognized previously can be utilized which, together with the tax effects from the purchase price allocation, resulted in an increase of deferred tax assets by € 132 million.

In 2015, the "Non-current assets held for sale and disposal groups" item amounted to € 657 million and included the activities of the Engineered Fasteners & Components Business Unit of ZF TRW. In the previous year, the item comprised the shares in ZF Lenksysteme GmbH which were accounted for using the equity method. The corresponding liabilities are reported in the "Liabilities of disposal groups" item. The increase in non-current financial assets by € 661 million in the past fiscal year is mainly attributable to excess cover of plan assets in relation to the obligation to employees of ZF TRW.

Non-current assets rose by € 13,289 million. This increase is the result of higher intangible assets and property, plant and equipment. At the end of the year, the goodwill increased by € 4,006 million due to the first-time inclusion of ZF TRW. Other intangible assets climbed by € 5,268 million, while property, plant and equipment rose by € 2,850 million. The increase in other intangible assets mainly referred to customer relations and technology expertise identified during first-time consolidation of ZF TRW. The growth of property, plant and equipment can also be attributed to the acquisition, mainly owing to the takeover of production locations.

Further Performance Indicators

Employees

As of December 31, 2015, ZF employees worldwide numbered 138,269 (2014: 71,402).

This strong increase is largely attributable to the acquisition of TRW. Adjusted by the acquisition of TRW, the increase in employees was approximately 4% compared to the previous year. In 2015, ZF Friedrichshafen AG once again ranked among Germany's major providers of training and apprenticeship opportunities in Germany. At the end of 2015, ZF's workforce included more than 2,300 apprentices and students in the work-study degree program.

Attractive employer in all areas

Employer attractiveness increased again in 2015. For example, in the well-known "trendence Graduate Barometer 2015" ranking among prospective engineers, ZF moved up two places to number 14. In a survey among economists, ZF ranked 26th. IT at ZF moved up 25 places to be ranked 56th in the "Universum Student Survey."

Employee satisfaction

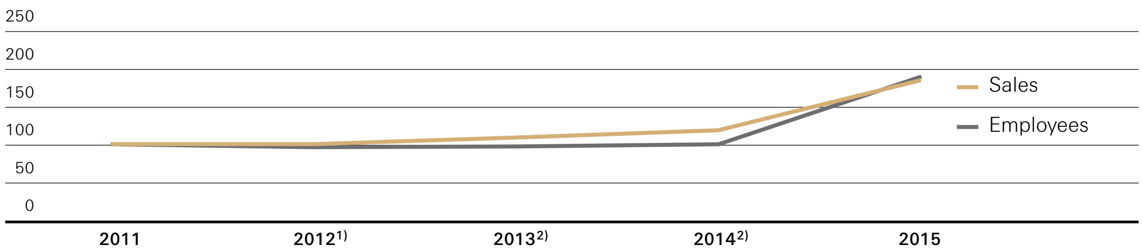
In 2015, ZF carried out a Global Employee Survey. The results of this survey help all executive managers to further develop their respective areas of responsibility in a targeted manner, based on the feedback from their employees. With a participation quota of 78%, participation was pleasingly high. The results reveal many positive aspects – for example, 87% of respondents are proud to work for the company and 85% would recommend ZF as a good employer to their friends and acquaintances. The ZF Global Employee Survey also helps to identify fields of action. For example, only 42% of employees considered the process for changing to a same or higher-level job to be transparent and understandable. Here, we need to create more transparency in the future to make job rotation more attractive worldwide.

Workforce development, consolidated ZF Group
at the end of the year (direct and indirect employees)

	2011	2012[1]	2013[2]	2014[2]	2015
Domestic	41,229	39,882	40,154	41,188	50,131
Foreign	30,259	28,524	28,082	30,214	88,138
Total	**71,488**	**68,406**	**68,236**	**71,402**	**138,269**

1) As of 2012 excluding ZF Lenksysteme.
2) Without employees of the Rubber & Plastics Business Unit and without AIBC employees.

Development of sales and employees, consolidated ZF Group
2011 = Index 100



1) As of 2012 excluding ZF Lenksysteme.
2) Without employees of the Rubber & Plastics Business Unit and without AIBC employees.

Representation of women

Against the backdrop of German legislation governing equal representation of women and men in managerial positions in the private and public sectors, ZF has discussed and set targets for the relevant managerial levels to be achieved by June 30, 2017. At the first managerial level below the Board of Management, we want to increase the proportion of women from 6.3% to 8.4%, and at the second managerial level, from 6.1% to 8.1% (actual value as of June 30, 2015). The percentage of women on the Board of Management will probably remain at 0% in June 2017 as no personnel-related changes are envisaged for this period. At the moment, 15% of the members of the Supervisory Board are women. This percentage may change when seats on the Supervisory Board become vacant.

Research and development

After the integration of ZF TRW, the number of employees working for ZF Research and Development worldwide amounts to 13,600. Of these, about 1,450 engineers and technicians work for the ZF Group's Corporate Research and Development Departments at the locations in Friedrichshafen (Germany), Pilsen (Czech Republic), Shanghai (China), Tokyo (Japan) and Northville, Michigan (USA). In 2015, we invested € 1,390 million in R&D. Thus, the target of around 5% of sales for research and development costs was achieved.

Wide range of tasks

The Group's product and technology planning is based on market, product and competence roadmaps which are continuously updated. Corporate Research and Development continued its work in the areas of advanced engineering, basic development and the optimization of development processes while focusing on the following subject areas. In 2015, the international development locations were further strengthened. This included a major extension to our Engineering Center at the Pilsen (Czech Republic) location.

Solutions for future mobility

Once again in 2015, many of the topics in advanced product engineering were related to CO2 target fleet values and the required efficiency improvements. With this in mind, we are continuously further developing lightweight design solutions for conventional and electrified drives, for example. Projects promoted based on the recommendations of the German Federal Government's National Platform for Electric Mobility (NPE) are now in their final phase. Initial trials of the hardware specially built for these projects proved the feasibility of newly developed concepts such as the large-scale integration of e-vehicle drives and range extender concepts. Another focal point was the design of the future product and function portfolio and its modification as a result of the acquisition of ZF TRW.

Against the backdrop of the urbanization megatrend, 2015 saw the construction of the third innovation prototype vehicle. The Advanced Urban Vehicle (AUV) presented at the IAA International Motor Show in Frankfurt combines all-electric driving with highly improved maneuverability thanks to an innovative steering system and semi-autonomous vehicle operation. A ZF innovation prototype thus provided the first occasion for demonstrating the new technical opportunities open to the Group as a result of the acquisition of TRW. Both the engineering progress and the new strategic alignment of the product portfolio were exemplified in the form of the AUV and enthusiastically received by the public.

To reinforce ZF's competence in the field of driver assist systems and autonomous driving, approximately 50 employees highly-qualified in this field were taken over from an established development company and integrated into Corporate Research and Development in 2015.

A technology project was started in order to develop modern and competitive power electronics. Its objective is to make future-oriented technologies fit for volume production application. For ZF, the integration of power electronics into drive units is an important step toward more streamlined vehicle design and competitive overall concepts.

Methods and processes during product evolution

In 2015, further development of existing Product Data Management (PDM) systems was reduced to a necessary minimum. Moreover, resources were pooled into developing a new Product Lifecycle Management (PLM) strategy. In this context, consideration of divisional requirements and the megatrends of the ZF 2025 Strategy were given priority.

Basic and technology development

Functional Mockup Interface (FMI) is a tool-independent standard governing model exchange in behavior simulation. Together with many other companies in the automotive industry, ZF is pushing this standard in order to facilitate efficient simulation research co-operations across different organizations.

Numerous basic simulation research projects have been started to investigate early-stage design optimization of mechatronics modules and highly-integrated power electronics and to further accelerate development procedures.

The modernization of the four-wheel drive acoustics roller test bench enables mechanical and hybrid transmissions to be tested in line with the current service portfolio. Moreover, the acoustics software is now directly linked to the test bench software which means a certain degree of automated measurement is possible resulting in considerable improvements in testing efficiency.

Thanks to the construction of a materials laboratory in Northville, Michigan (USA), Corporate Materials Technology is now able to realize its global development and quality management tasks even more quickly and cost-effectively.

Patent applications exceed high prior-year value

The protection of industrial property is high on ZF's list of priorities. As in previous years, we were able to maintain our position among the top patent applicants in Germany in 2015. The company once again managed to exceed the high level set in the previous year with 1,588 internal invention disclosures and 1,036 new patents. These figures also include ZF TRW activities for the first time. Inventions still focused on transmission system technology and on hybrid drive technology in particular. Other important areas for property right applications are electronic control systems for transmissions, electric drives and axle systems. At ZF TRW, the focus was on its main product lines of chassis technology, electronics and occupant safety.

With regard to brand and domain rights, ZF has reinforced the protection of its valuable assets worldwide. Our brand and domain inventory consists of more than 3,922 individual brands and more than 1,200 domains.

Compliance

Integrity and sustainability are the foundations of our entrepreneurial activities. ZF is aware of and willingly assumes its responsibility to society as a whole. We are thus committed to managing the businesses fairly and transparently. Compliance with statutory provisions is indispensable for ZF. In order to support these corporate principles, our compliance organization is constantly working on extending and optimizing in-house measures and efforts. In 2015, existing rules were further adapted to national and international statutory and operational requirements. The consulting services in relation to existing internal and external regulations were professionalized by creating an IT solution. Furthermore, training and other communications measures were driven forward. Existing online training courses, for instance, were supplemented and classroom-based compliance courses were held worldwide. The business partner due diligence was further optimized and the existing notification system "ZF Trustline" communicated with greater prominence internally and externally.

Sustainability

ZF celebrated its 100th anniversary in 2015 – and that too means sustainability to us. We aim to ensure that the growth of our company remains in tune with its environment. This not only involves complying with laws and regulations, but also implementing ethically sound business practices with a clear commitment to value-based management and consistent social responsibility principles.

In the year under review, ZF presented its third Sustainability Report in accordance with the international Global Reporting Initiative (GRI). The new version G4 was used for the first time. As such, the reporting focused on the non-financial key performance indicators that are central to ZF in the areas of economy, ecology and society. The sustainability program also saw all corporate objectives consolidated for the first time in the sustainability topics that are crucial for ZF.

The Sustainability Report cites the following key topics: product safety, environmental impacts of products, CO2 emissions in production, water use in production, energy efficiency in production, waste and recycling, environmental impacts of transport, employer attractiveness as well as occupational health and safety.

Environmental protection, occupational health and safety

At ZF, environmental protection is integrated as a corporate principle at all levels and throughout all processes. Through innovative products and state-of-the-art production technologies, we have succeeded in sustainably reducing the environmental impacts resulting from our operating activities and the use of ZF products. All production plants are equipped with a high level of environmental technology.

Systematic environmental management according to ISO 14001 is the Group standard for all production and main development locations. It has been centrally managed in line with the multisite procedure since 2006. In the fiscal year 2015, 99 locations worldwide were certified according to ISO 14001. These external audits confirmed that the participating locations comply with current legislation.

The topic of occupational health and safety has become more systemized within the Group and covers aspects beyond accident management. It has been developed further within the scope of integrated EHS (Environment, Health and Safety) management. The trend toward OHRIS (Occupational Health and Risk Management System) certification continues to be a theme in this year under review. For example, all relevant production locations in the Region of North America have been certified according to OHSAS (Occupational Health and Safety Assessment Series).

The Europe-wide statutory obligation to conduct systematic energy audits has been implemented as a Group program for European ZF companies. In this connection, the centrally managed ISO 50001 energy management certification has been extended to include nine additional locations.

In 2015, actions to improve the company's environmental situation once again focused on energy savings and reduced CO2 emissions. In order to consistently promote the ability to act with respect to the requirements of product-related environmental protection and REACH (EU chemicals regulation), a committee spanning all corporate functions was established. The environmental organization in the regions was consolidated in order to be able to support business developments and product localizations in the respective countries more effectively.

With respect to noise emission at ZF plants, we now have access to significantly improved noise calculation, forecasting and mapping methods. In Friedrichshafen, for example, all plants have been set up as models for analyzing noise using the widest diversity of assessment technologies. This facilitates efficient and reliable simulations of noise reduction measures even during the planning stage of refurbishment works and new buildings. Another benefit is increasingly improved communication with official bodies and residents.

As part of the ZF TRW integration, the EHS working group identified numerous topics concerning the exploitation of synergies and/or new common approaches.

As part of our corporate development plans, we conducted an environmental due diligence audit for one project to assess its environmental and occupational health and safety risks. ZF also completed several waste clean-up projects at two locations. In 2015, a total of € 35.2 million was spent on new environmental protection facilities and € 52.7 million for operation and maintenance at the German and international ZF locations.

Group Management Overall Statement on Business Performance

The fiscal year 2015 was shaped by two extremely noteworthy events: the first was ZF's celebration of its 100 years of existence, the second was the company's biggest-ever acquisition in its history.

With the biggest-ever acquisition in its company history, ZF has entered a **new dimension.**

On May 15, 2015, the purchase of TRW Automotive Holdings Corp. was fully completed. ZF TRW was incorporated into the company as a new division called Active & Passive Safety Technology. Integration is being speedily pushed forward and the first signs of success are already visible such as the joint appearance at the International Motor Show 2015 in Frankfurt and the presentation of the Advanced Urban Vehicle.

The ZF Group made significant advances in the fiscal year 2015. With ZF TRW now included in the calculation for the first time – for a period of just 7.5 months since its acquisition on May 15, 2015 – the ZF Group has achieved new dimensions in sales and results. A € 10,739 million increase in sales to € 29,154 million, the € 498 million rise in EBIT to € 1,596 million and the € 347 million improvement in net profit after tax to € 1,019 million are already signs of the successful integration of ZF TRW in the first year. The integration of ZF TRW has also led to a significant rise in the number of employees. As of year-end, the number of employees stood at 138,269 which is an increase of 93.6%.

Taking into account the structural effects from the acquisition of ZF TRW, the expectations of the previous year's forecast report were fulfilled. The forecast was exceeded in terms of free cash flow; headcount developments at ZF remained below the figure of 80,000 employees stated in the prior year.

As in past years, the important regions experienced different business trends in 2015. While the North America and Asia-Pacific markets increased again sharply and Europe slightly, the Region of South America experienced a continued fall in market development.

The main growth drivers for ZF however were the business with automatic passenger car transmissions and axle systems, and passenger car safety technology. The market segment for commercial vehicle products suffered from a lack of impetus throughout the fiscal year. The same applies by and large to off-road machinery where the positive trend in agricultural machinery was not able to compensate for the negative trend in construction machinery. By contrast, the Wind Power Technology Business Unit managed the turnaround in 2015 after suffering from tough market conditions in previous years.

The newly-incurred debts should be **reduced** as quickly as possible.

Both operating profit and EBIT are influenced by extraordinary items. As a result of the acquisition of ZF TRW and as part of the purchase price allocation, an additional € 462 million worth of depreciation and amortization was generated which will increase throughout the following year to approx. € 600 million. Further efforts, both in terms of income and costs, are required to improve the gross margin in particular. The net financial result was impacted by additional costs connected with the financing required for the acquisition of ZF TRW.

The acquisition of ZF TRW is an important component in the implementation of the ZF 2025 Strategy which will secure ZF's long-term future as a technology company and leader. At € 1,290 million, the ZF Group significantly increased its investment in property, plant and equipment (€ 337 million more than in 2014), primarily in the extension of production and development capacities. On November 30, 2015, the takeover of Bosch Rexroth AG's industrial drive and wind turbine gearbox segment was completed. This should provide a further boost to ZF's business in this sector. Already at the beginning of the year, ZF sold its 50% share in ZF Lenksysteme GmbH to Robert Bosch GmbH. ZF TRW's linkage and suspension business was bought by THK Co., Ltd. on August 31, 2015.

The focus in the next years is on further improvement of the profitability and generation of free cash flow in order to reduce the debts incurred by the ZF Group as a result of the acquisition of ZF TRW. Besides increased borrowing, the acquisition of ZF TRW led to a rise in total assets and hence a reduced equity ratio of 19%. This will considerably improve again in the following years as a result of the planned redemptions. Despite its high levels of borrowing, the ZF Group rests on a solid financial foundation thanks to its long-term oriented and diversified financing, as well as cash and cash equivalents of € 1,495 million, securities valued at € 958 million and an unused credit line of € 1.5 billion. Against this backdrop of a stable liquidity and financial basis as well as the good business performance, the economic situation is considered to be positive on the whole. In this context, ZF expects overall stable market development in industries relevant to ZF in 2016.

OCCURRENCES AFTER THE END OF THE FISCAL YEAR

On January 25, 2016, ZF TRW concluded an agreement with Illinois Tool Works (ITW) to sell its Engineered Fasteners & Components business activity. The full transfer of the business activity is expected to be completed in the first half of 2016.

No other events occurred that impacted the consolidated financial statements.

FORECAST, OPPORTUNITIES AND RISK REPORT

Business Environment and Industry Trends

Growth fails to gain substantial momentum
The global economy will only witness a slight year-on-year upturn in 2016. Most economic research institutions point to a consensus forecast of a marginal increase in the pace of growth to 3.4% in 2016 and 3.6% in 2017. This scenario is based on a potential increase in the established economies from 1.9% (2015) to 2.1% in the two years thereafter, while the new markets should achieve a growth potential of 4.0% (2015), moving toward 4.3% (2016) and 4.7% (2017). In this respect, it can be assumed that China could see economic growth slow even further while other newly industrialized countries should tend to have a better outlook once more. A sideways move is becoming apparent for the eurozone; current estimates of future economic growth are between 1.5% and 1.6%. For the USA too, growth is likely to be on par with the prior year at around 2.3%.

Development of the industry still inconsistent
In this economic environment, only a moderate increase is likewise expected for 2016 for the production of passenger cars and light commercial vehicles. Volume is expected to grow by 2% worldwide. In this respect, the rate of growth has slowed down in the USA (+2%) and also in Western Europe; following the very positive development in Western Europe in 2015 (+6%), the growth rate is expected to be halved to around 3%. By contrast, the trough is thought to have been reached in Russia. Starting from a very low base, a gradual recovery is forecast. However, vehicle volumes in South America are likely to drop further (–14%) as a result of the crisis. With a growth outlook of around 5%, China has returned to a "new normal level" while Japan remains on par with the previous year. Only India has a higher growth potential (8%) starting from a low level.

The economic and industry-related environment will not change significantly in 2016.

The growth forecast for heavy commercial vehicles shows a slightly weaker picture. Global production is stagnating at the prior-year level. On the one hand, following the distortion caused by the Euro 6 introduction and the ensuing pre-buy effects, Western Europe remains on a par with the prior-year volume. On the other, there is a chance that the crisis-hit markets of Russia and South America will gradually stabilize from the extremely low level and could start to recover in 2017. The market for heavy commercial vehicles > 16 t in particular is weakening in North America. This market appears to have moved past its zenith following two very good years; the initial signs of an ensuing downturn are discernible. In 2016, it will amount to approximately 6% for vehicles > 6 t. China, the world's largest commercial vehicle market, is returning to a "new normal level" following an extremely poor previous year and could grow moderately once again.

Another decrease is also becoming apparent in the agricultural machinery markets. Growth is estimated between – 2% and – 8% depending on the region; the consolidated agricultural technology market is dropping by 3% worldwide. The situation in the construction machinery segment also remains weak. A further fall of at least 3% is a distinct possibility in 2016. Europe should be able to match the prior-year level once again, while bad news is coming from the USA (– 4%) and, in particular, China. In the wake of – 13% in 2014 and – 40% in 2015, the market will presumably once again see a double-digit drop in 2016.

Opportunities report

ZF wants to use both internal and external opportunities to promote **profitable** growth.

ZF's range of products and services coupled with its global presence ensure it is well placed to respond early and appropriately to the challenges of the expected megatrends and thus reap the benefits. The ZF 2025 Strategy is similarly tailored to these megatrends. The organic sales growth planned for 2016, the consistent implementation of cost engineering projects, improved material price structures and the focus on cost and structural optimizations will help improve performance within the ZF Group's operating business. Opportunities also arise from continuously developing new and existing products, extending development expertise and setting up new locations, which can, in turn, further improve competitiveness. Particular opportunities arise from the integration of the new Active & Passive Safety Technology Division: Apart from reinforcing its strategic positioning by extending its technology and product portfolio, ZF also expects improved market access as well as synergies, especially in the area of materials management, sales and the aftermarket, and as a result of merging and extending shared services activities. New technology trends such as the connected car and autonomous driving are becoming increasingly ready for market and open up new opportunities, as do the current developments in the market for airbags and the electrification of the driveline. The upgrading of development and testing capacities at ZF bears testimony to these developments. The consolidation of the activities of the previous Electronic Systems and Electronic Driveline Technology Business Units to create the new E-Mobility Division as the core element in ZF's e-mobility strategy, and the ensuing bundling of expertise for electric drives, substantially bolsters ZF's position in this promising field.

Risk report

Risk management system

The aim of risk management at ZF Friedrichshafen AG is to identify and assess risks as early as possible and to avoid such risks by initiating appropriate measures or to minimize their impact. The regular analysis of identified risks increases risk awareness and enables continuous improvement.

ZF defines risk as any event that results in negative deviations from our business plan. The Board of Management is responsible for the risk management system. The Board of Management reports to the Audit Committee and the Supervisory Board about the major existing risks on a regular basis. ZF risk management is regularly audited and assessed in terms of compliance by Internal Auditing and the external auditors.

The risk management system is set out in a ZF Group Directive, which was approved by the Board of Management and which can be accessed by all employees. This Group Directive describes processes and responsibilities of the risk management system. Risk areas are defined as structural elements along the value added chain, including risks such as quality, sales, procurement, restructuring, location and other risks. Risks are captured, assessed and tracked on the basis of these risk areas. The directive is regularly reviewed and updated and is binding for all companies of the ZF Group and, as such, for the new Active & Passive Safety Technology Division as well, which was established following the acquisition of ZF TRW. Specific limits for the risks to be captured were defined as part of the initial implementation of ZF risk management in the Active & Passive Safety Technology Division.

Risks are captured, assessed and tracked quarterly by the reporting units. The captured risks are combined on division and Group level and tracked in coordination with the responsible corporate function department. The ZF risk management system captures risks in terms of their potential financial impact in connection with their probability of occurrence where these risks exceed a limit defined by the Board of Management. Essential risks that exceed a second, defined limit are brought to the attention of the responsible party or person via an ad-hoc reporting process. This enables ZF to initiate effective risk control measures. Opportunities are included in the ZF risk management system if they have a direct material link to a risk.

Major risks in the ZF Group, which are subject to regular reporting, essentially involve the areas of market/customer, warranty obligations and material price development also since, as a result of these, the planned synergy effects cannot be realized due to market-driven developments. Risks are also reported that arise out of current business operations or result from antitrust law issues and transactions relevant under taxation law in connection with acquisitions.

Strategic risks

The ZF Group's strategic risks essentially entail risks from the following areas:

ZF has implemented suitable **counter-measures** to withstand strategic risks.

- **Industries and market**

  ZF may well face risks, similar to those encountered by the automotive supplier industry as a whole, associated with negative developments in global markets, which may have negative repercussions on the business, profitability and financing conditions. One possible cause may include the difficulties resulting from the debt burden of certain countries within the European Monetary Union. Fiercer competition may also adversely affect sales development and sales prices. In the Asian market in particular, which is vital to ZF, a succession of new providers are set to enter the fray and hence intensify competition. Another earnings risk is associated with potential material price increases.

  A fall in demand for ZF products, which depends in particular on the global economic environment, economic cycles and changes to the customer structure, may have a substantial impact on the company's results of operations, financial position and net assets.

In addition to activities in the classic markets, ZF is also operating in the emerging markets such as Eastern Europe, Brazil or India. Economic downturns in these countries may lead to declining sales and payment defaults. The specifically promoted diversification and broadening of ZF's product portfolio decisively limit these kinds of risks.

- **Technology and quality**
  ZF generates a substantial proportion of its sales with products used in the combustion engine driveline. The progressive electrification in the passenger car and commercial vehicle drive segment may jeopardize the hitherto strong market position. ZF combats this long-term development by expanding and bundling activities in the area of electronic systems and electric drive technology in the new E-Mobility Division, and by means of the electric drive systems that have already been rolled out. In the case of high-volume ZF products such as the 8HP and 9HP automatic transmissions as well as airbags, faulty products may translate into substantial financial losses on account of warranty obligations. ZF consistently combats such possibilities with the aid of the certified ZF quality management system and by means of thorough quality checks and optimized process workflows.

- **IT**
  Unauthorized access to IT systems and product piracy, industrial espionage or social engineering may also cause huge losses. Alongside security incident and problem management, preventive measures such as antivirus programs, source code scanning and hard disk encryption, which are continually adapted to the increasing threats, should help minimize the impact of the aforementioned risks.

- **Countries and locations**
  ZF is represented with 230 locations in 40 countries worldwide. In some of these countries, risks associated, for instance, with unstable political conditions or on account of different competitive, legal and taxation systems pose a threat. Critical situations may also arise due to bottlenecks in the supply chain and financial problems affecting key suppliers. The risk of lost production due to strikes is also ever present.

- **Compliance/legal/taxation**
  Antitrust authorities are increasingly focusing on investigating infringements of competition rules in many countries, which may result in losses through fines associated with unlawful conduct. Substantial additional tax demands may also be made as a consequence of regular audits by the tax authorities in the various countries in which ZF companies operate. Tax laws and circumstances relevant to tax could be interpreted and assessed in a different manner by the tax authorities than by ZF.

- **Other factors**
  The financing of the acquisition of TRW Automotive Holdings Corp. in particular and the associated cash flows between the eurozone and U.S. dollar area may result in risks that cannot be hedged in their entirety. The acquisition and integration of ZF TRW may also give rise to numerous risks that cannot be fully estimated. These could include, for instance, tax risks due to acquisitions and the acquisition financing. Such risks are, however, safeguarded against through carefully thought-out planning and detailed structuring of the financing.

The markets and their development are subject to constant monitoring and analysis.

Operating risks of the divisions and business units

The Active & Passive Safety Technology Division is exposed to risks through the ongoing market weakness in South America and reduced growth forecasts in the Chinese market. Risks in the Car Powertrain Technology Division may arise primarily from technology changes and warranty claims. This applies similarly to the newly established E-Mobility Division. Product ramp-ups and the preparation of further industrialization in China, and elsewhere, pose challenges in this division. New products are about to be launched in South America in the Car Chassis Technology Division, while the phase-out of products and the further development of the production footprint in Germany and Europe will take priority.

The Commercial Vehicle Technology Division faces uncertainty regarding market developments in South America, Russia and China. The expected phase-out of transmissions for the customer MAN, along with increasing price pressure from main customers call for the systematic, rapid implementation of cost-cutting measures. The acquisition of the industrial drives and wind turbine gearbox segment of Bosch Rexroth AG and the resulting integration of the Witten (Germany) and Beijing (China) locations not only provide an opportunity by extending the product portfolio, but also pose a challenge for the Industrial Technology Division. Risks may also ensue from the various market developments in the segments and regions, the ramp-up of new products, not to mention the expected further decline in the construction machinery market. The ZF Services Business Unit may also face risks associated with the high price pressure especially with commodities and the increasing market clout of wholesalers.

Financial risks

Liquidity, foreign currency, interest rate and counterparty risks as well as credit risks are monitored, controlled and, if necessary, hedged as part of central risk management in order to ensure the ZF Group’s financial stability. Guidelines and provisions regarding the individual risk types have been put in place which determine how the particular risk must be assessed. Wherever possible and expedient, derivative financial instruments to hedge existing underlying or planned transactions are used to manage interest and currency risks in particular. As of December 31, 2015, derivative financial instruments were held at a nominal volume of € 3.2 billion and a market value of € –7 million.

In order to reduce counterparty risks within finance, all transactions are carried out only with banks having a first-class credit rating and as part of centrally stipulated limits. The necessary financial flexibility is guaranteed by means of central cash pooling with sufficient cash and confirmed credit lines with matching maturities. The financial stability of our suppliers and customers is continually checked; if necessary, measures are initiated to safeguard the supply chain or receivables.

Risks are also associated with the syndicated loan agreement of ZF Friedrichshafen AG. In addition to other obligations, this agreement also includes financial covenants, which must be complied with at all times. A breach of these financial indicators would mean that the creditor could demand immediate repayment of the syndicated loan. ZF Friedrichshafen AG has complied with the financial covenants at all times, including as of the reporting date. From a current perspective, ZF does not assume that these obligations will be breached in future.

Overall statement regarding the risk situation
As seen, an established risk management system is used to combat the aforementioned across-the-board potential risks at ZF. This should identify, assess and prevent risks as early as possible by taking suitable measures; the system also helps minimize the impact of such risks. Based on information available at present and the individual risks set out in this report, no additional market-related opportunities and risks can be identified which may substantially influence the ZF Group's results of operations, financial position and net assets, or jeopardize its continued existence in the fiscal year 2016. The Group's financial situation is stable; the need for financial means is currently covered by existing liquidity and available credit lines.

Forecast

2016 should see a noticeable increase in sales to between € 35 billion and € 36 billion.

ZF expects Group sales for 2016 of between € 35 billion and € 36 billion. The sharp increase in sales compared with 2015 is essentially due to the first-time inclusion of ZF TRW for the full year. Over the medium term, ZF expects overall to see growth of 7% for the ZF Group, which is above-average for the market as a whole. In this respect, the increase in sales is based on additional market penetration and stable market growth. While moderate growth is predicted for North America and solid performance forecast for Europe (apart from Russia), growth will be negligible in South America in the short run given the currently low market volumes due to the economic downturn. Market growth in China is, however, seen as moderate. The diversification strategy was driven further forward by means of the initiated integration of ZF TRW and the acquisition of the industrial drives business of Bosch Rexroth AG, which was completed at the end of 2015.

Substantial growth in sales is forecast for 2016 for the Active & Passive Safety Technology Division, which was incorporated for the first time for the full year in the ZF Group in 2016, as well as for the Car Powertrain Technology Division. Both divisions are outpacing growth in the automotive market. Products for adapting to new technology trends such as connected car and autonomous driving pave the way for sustainable, long-term growth opportunities. First joint projects are already in the implementation phase. The plug-in hybrid transmission based on the 8HP modular transmission system, which was launched in 2015, will boost success in reducing CO2 emissions and improve market opportunities. While the forecast for the Chassis Technology Division is for moderate growth in 2016, in the wake of a substantial increase in sales in 2015 associated with volume production starts, sales in the Commercial Vehicle Technology Division may increase slightly again, despite sustained market weakness in South America and Russia. The further ramp-up of production of the new modular TraXon transmission system should make a considerable contribution in this respect. This system also provides original equipment manufacturers with PreVision GPS, the anticipatory shifting strategy for automated truck transmissions. The integration of the industrial drive and wind turbine gearbox business acquired at the end of 2015 will, along with the good market positioning and development in the Wind Power Technology Business Unit, despite the downturn in the global construction machinery market affecting the Industrial Technology Division, lead to a substantial growth in sales. The activities bundled in the new E-Mobility Division will reinforce ZF's electronics expertise and further expand the position in relation to the future trends of e-mobility and efficiency improvement in the vehicle. Significant sales growth for the coming fiscal year is once again forecast, among other things due to the volume production ramp-up in hybrid production. The market development at ZF Services is characterized by slightly slower growth in Germany and Europe, albeit at a high level, as well as uncertainty in Eastern Europe and South America. The expansion of servicing for the 8HP/9HP transmissions in the USA and China will have a positive impact on further sales developments.

In 2016, ZF anticipates a slightly slower development of the investment ratio compared to 2015. With regard to employment, ZF expects a slight increase in the number of employees to more than 140,000 in 2016.

Material prices are likely to perform positively in 2016, both on account of market conditions and synergies generated from integrating ZF TRW. In addition to the targeted measures designed to improve price quality, productivity and personnel expenses development, lower material prices will contribute overall to improving operating performance. Adjusted for negative effects on earnings from the purchase price allocation, the adjusted EBIT margin should come in between 5% and 6%. ZF forecasts a figure of over 10% for the EBITDA margin.

With the incorporation of ZF TRW and based on the planned development of operating profit in conjunction with the sought improvements in working capital, it should be possible to generate sufficient cash flow to finance the planned investments and to increase free cash flow to a level above € 1 billion. In particular, the financial liabilities can thus be reduced further and the planned debt relief of the ZF Group, which is a priority, driven forward.

The challenges for ZF lie in the successful integration of ZF TRW and the implementation of numerous projects in various regional markets involving new customers and products in certain cases. In 2016, the focus will be on continuing the integration activities. In addition, the focus will also be placed on further improving operating profit quality and increasing free cash flow.

The focus is on integrating ZF TRW as well as improving operating profit quality and free cash flow.

Despite the different development of the regional markets and divisions, ZF demonstrates solid, above-average organic growth over the medium term when analyzing the overall picture. The Group is moving into new markets, continuing its diversification strategy, developing and rolling out new products and underpinning, among other things, its technology leadership through continued investment in research and development.

Taking into account the aforementioned factors, the trust of customers, suppliers and business partners in collaborating with ZF and the committed, qualified employees willing to deliver outstanding performance and embrace change, ZF can rise to the upcoming challenges and look to the future with optimism.

Friedrichshafen, February 23, 2016
ZF Friedrichshafen AG
The Board of Management

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

ZF Friedrichshafen AG for the period dating January 1 to December 31, 2015

in € million	Notes	2015	2014
Sales	1	29,154	18,415
Cost of sales	2	24,533	15,319
Gross profit on sales		**4,621**	**3,096**
Research and development costs	7	1,390	891
Selling expenses		1,081	700
General administrative expenses		1,099	734
Other income	3	653	279
Other expenses	4	623	153
Operating profit or loss		**1,081**	**897**
Result from associates	5	532	49
Net result from participations	5	–17	152
Interest income	5	46	35
Interest expenses	5	413	172
Other financial income	5	255	132
Other financial expenses	5	396	220
Net financial result		**7**	**–24**
Net profit or loss before income tax		**1,088**	**873**
Income taxes	6	69	201
Net profit or loss after tax		**1,019**	**672**
thereof shareholders of ZF Friedrichshafen AG		974	648
thereof non-controlling interests		45	24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ZF Friedrichshafen AG for the period dating January 1 to December 31, 2015

in € million	Notes	2015	2014
Net profit or loss after tax		**1,019**	**672**
Line items that will be reclassified in the consolidated statement of profit or loss			
Foreign currency translation differences		169	175
Amounts reclassified through profit or loss		0	−3
Mark-to-market of securities			
Gains arising during the year		30	25
Amounts reclassified through profit or loss		−18	−36
Mark-to-market of cash flow hedges			
Gains arising during the year		467	359
Amounts reclassified through profit or loss		20	−2
Amounts reclassified to acquisition costs through comprehensive income		−890	0
Income taxes		129	−110
Other comprehensive income from associates			
Losses arising during the year (2014: gains)		0	23
Amounts reclassified through profit or loss		−37	0
		−130	**431**
Line items that will not be reclassified in the consolidated statement of profit or loss			
Actuarial losses from pension obligations		532	−1,002
Income taxes		−145	278
		387	**−724**
Other comprehensive income after tax	23	**257**	**−293**
Total comprehensive income		**1,276**	**379**
thereof shareholders of ZF Friedrichshafen AG		1,243	348
thereof non-controlling interests		33	31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ZF Friedrichshafen AG as of December 31, 2015

Assets in € million	Notes	Dec. 31, 2015	Dec. 31, 2014
Current assets			
Cash		1,495	1,114
Financial assets	8	66	528
Trade receivables	9	4,777	2,403
Other assets	10	434	335
Income tax receivables		9	12
Inventories	11	2,879	1,870
		9,660	**6,262**
Assets held for sale and disposal groups	22	657	400
		10,317	**6,662**
Non-current assets			
Financial assets	12	1,809	1,148
Trade receivables	9	1	13
Other assets	10	184	85
Associates	13	308	23
Intangible assets	14	10,179	905
Property, plant and equipment	15	6,856	4,006
Investment property	17	5	5
Deferred taxes	6	673	541
		20,015	**6,726**
		30,332	**13,388**

Liabilities and equity **in € million**	Notes	Dec. 31, 2015	Dec. 31, 2014
Current liabilities			
Financial liabilities	18	436	492
Trade payables		4,987	2,440
Other liabilities	19	1,754	852
Income tax provisions		402	36
Other provisions	20	580	376
		8,159	**4,196**
Liabilities of disposal groups	22	244	0
		8,403	**4,196**
Non-current liabilities			
Financial liabilities	18	9,471	279
Trade payables		16	0
Other liabilities	19	444	233
Provisions for pensions	21	4,465	3,803
Other provisions	20	613	315
Deferred taxes	6	1,070	43
		16,079	**4,673**
Equity			
Subscribed capital	23	500	500
Capital reserve	23	386	386
Retained earnings [1]	23	4,667	3,474
Equity attributable to shareholders of ZF Friedrichshafen AG		**5,553**	**4,360**
Non-controlling interests		297	159
	24	**5,850**	**4,519**
		30,332	**13,388**

[1] Disposal groups and assets held for sale account for € 23 million (2014: € 37 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

ZF Friedrichshafen AG for the period dating January 1 to December 31, 2015

in € million	Notes	2015	2014
Net profit or loss before income tax		1,088	873
Depreciation/Reversal of impairments for intangible assets and property, plant and equipment		1,758	946
Changes in non-current provisions made through profit or loss		−63	16
Income taxes paid		−324	−235
Results from first-time consolidation and deconsolidation		−41	−129
Results from the disposal of intangible assets and property, plant and equipment		3	4
Net financial result		−7	24
Decrease (2014: increase) in inventories		90	−60
Decrease (2014: increase) in trade receivables		66	−152
Increase (2014: decrease) in other assets		−71	1
Increase in other liabilities		271	410
Cash flow from operating activities		**2,770**	**1,698**
Expenditures for investments in			
intangible assets		−353	−240
property, plant and equipment		−1,290	−1,005
associates		−17	0
participations		−4	−5
securities		0	−50
financial receivables		−11	−95
Proceeds from the disposal of			
intangible assets		2	12
property, plant and equipment		100	30
associates		892	0
securities		0	2
financial receivables		134	14
Cash inflow from the sale of consolidated companies	27	389	237
Cash outflow (2014: inflow) from the acquisition of consolidated companies	26	−9,444	12
Payments for hedging transactions in connection with future investments		0	−105
Dividends received		3	152
Interest received		27	39
Cash flow from investing activities		**−9,572**	**−1,002**

in € million	**Notes**	**2015**	**2014**
Dividends paid to ZF Friedrichshafen AG shareholders		−50	−30
Dividends paid to holders of non-controlling interests		−65	−19
Repayments of borrowings		−3,490	−491
Proceeds from borrowings		11,131	71
Proceeds from capital increases through holders of non-controlling interests		0	3
Interest paid and transaction costs		−349	−284
Cash flow from financing activities		**7,177**	**−750**
Net change in cash		**375**	**−54**
Cash position at the beginning of the fiscal year		1,114	1,143
Effects of changes in the basis of consolidation on cash		0	3
Effects of exchange rate changes on cash		6	22
Cash position at the end of the fiscal year	25	**1,495**	**1,114**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ZF Friedrichshafen AG for the period dating January 1, 2014 to December 31, 2015

in € million	Notes	Subscribed capital	Capital reserve
Jan. 1, 2014		**500**	**386**
Net profit or loss after tax			
Other comprehensive income after tax			
Total comprehensive income		**0**	**0**
Dividends paid			
Capital increase at subsidiaries			
Changes in the basis of consolidation			
Dec. 31, 2014		**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			
Dec. 31, 2015		**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**			
							23
3,552	**−37**	**43**	**10**	**−415**	**4,039**	**126**	**4,165**
648					648	24	672
	188	−8	244	−724	−300	7	−293
648	**188**	**−8**	**244**	**−724**	**348**	**31**	**379**
−30					−30	−19	−49
					0	3	3
−21	−2			26	3	18	21
4,149	**149**	**35**	**254**	**−1,113**	**4,360**	**159**	**4,519**
974					974	45	1,019
	148	5	−271	387	269	−12	257
974	**148**	**5**	**−271**	**387**	**1,243**	**33**	**1,276**
−50					−50	−65	−115
					0	170	170
5,073	**297**	**40**	**−17**	**−726**	**5,553**	**297**	**5,850**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
of ZF Friedrichshafen AG for 2015

Fundamental Principles

Corporate structure

ZF Friedrichshafen AG 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, Graf-von-Soden-Platz 1.

Further explanations on the corporate structure can be found in the management report.

General

The line items of the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity are broken down and explained in the notes to the consolidated financial statements.

The Group's currency is the euro. Unless otherwise stated, all amounts are reported in millions of euros (€ million).

The Board of Management of ZF Friedrichshafen AG approved these consolidated financial statements on February 23, 2016, and forwarded them to the Supervisory Board.

The consolidated financial statements, which were prepared as of December 31, 2015, as well as the group management report will be announced in the Electronic Federal Gazette.

The consolidated statement of financial position is broken down by maturities. The financial line items are divided into non-current and current assets and/or liabilities on the basis of whether they have a residual term of more than one year or up to one year, respectively.

Assets and liabilities included in a disposal group classified as held for sale as well as assets held for sale are presented separately from other assets and liabilities in the consolidated statement of financial position.

The recognition of assets and liabilities is carried out according to the historical cost principle. This does not include derivative financial instruments, securities and investments in participations that are recognized at fair value, as far as it can be determined reliably.

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 consolidated financial statements are in accordance with the standards and interpretations valid on the reporting date and issued by the International Accounting Standards Board (IASB), London (Great Britain), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a HGB.

The accounting of ZF TRW Automotive Holdings Corp. (ZF TRW) was previously based on the U.S. GAAP principles. As a result of the first-time inclusion of ZF TRW into the consolidated financial statements of ZF, the ZF TRW accounting was adjusted to conform with IFRS principles.

In the fiscal year 2015, the following amended and new standards and interpretations had to be taken into consideration for the first time:

- Amendment to IAS 19 "Employee Contributions"
- Improvements to IFRS 2010 – 2012
- Improvements to IFRS 2011 – 2013

The amendment to IAS 19 permits the recognition of contributions from employees or third parties to defined benefit plans as a reduction of the current service costs in the period in which the related service is rendered, if the contributions are independent of the number of years of service. If, in contrast, contributions by employees are dependent on the number of years of service, the projected unit credit method must be applied.

The improvements to IFRS 2010 – 2012 and IFRS 2011 – 2013 describe omnibus standards which were published in December 2013 and deal with amendments to various IFRS. The amendments are listed below:

- IFRS 3 and follow-up amendment to IFRS 9: Clarification that a company has to apply IAS 32 when it classifies contingent considerations in a business combination either as financial liabilities or equity. Subsequent changes to contingent considerations not classified as equity have to be measured at fair value. It is planned to introduce corresponding changes to IFRS 9 to ensure that contingent considerations cannot be measured at amortized cost. The disclosure requirements of IFRS 7 for contingent considerations have to be complied with, along with those set out in IFRS 3;
- IFRS 13: Clarification of the possibility to measure non-current receivables and liabilities without discounting, despite the follow-up amendments to IFRS 9 and IAS 39;
- IFRS 3: Clarification that all types of joint arrangements within the meaning of IFRS 11 are excluded from the scope of IFRS 3 and that this exclusion from the scope of IFRS 3 only applies to the financial statements of the joint venture or the joint operation itself;
- IFRS 13: Clarification that the portfolio exception set out in IFRS 13.52 has to be applied to all contracts that are within the scope of IAS 39 and IFRS 9, respectively, irrespective of whether or not these contracts meet the definitions of “financial assets” or “financial liabilities” in IAS 32.

The above-mentioned changed standards were applied for the first time in the current fiscal year and did not lead to any change in the ZF Group accounting.

The IASB has passed the following standards and interpretations that the European Union has already endorsed into European law but which are not yet mandatory. There was no early adoption.

- Amendment to IAS 27 “Separate Financial Statements” (mandatory adoption for fiscal years beginning on or after January 1, 2016)
- Amendment to IAS 1 “Presentation of Financial Statements” (mandatory adoption for fiscal years beginning on or after January 1, 2016)
- Improvements to IFRS 2012 – 2014 (mandatory adoption for fiscal years beginning on or after January 1, 2016)
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” (mandatory adoption for fiscal years beginning on or after January 1, 2016)
- Amendment to IFRS 11 “Joint Arrangements” (mandatory adoption for fiscal years beginning on or after January 1, 2016)
- Amendment to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” (mandatory adoption for fiscal years beginning on or after January 1, 2016)

The amendment to IAS 27 is designed to reintroduce the application of the equity method in the separate financial statements; this means that interests of an investor held in subsidiaries, joint ventures and associates have to be accounted for either at amortized cost in accordance with IAS 39 or IFRS 9, respectively, or using the equity method. The selected method has to be applied consistently for each category of interests. The amendment has to be applied retrospectively. The clarification does not lead to any change in the ZF Group accounting.

The amendments to IAS 1 are intended to improve financial reporting in relation to disclosures. A stronger focus is put on the materiality principle. The amendments introduce further subdivisions of the minimum components of the statement of financial position as well as the presentation of subtotals. In addition, there is now a greater flexibility as regards the order of disclosures. Moreover, the provisions set out in IAS 1 with respect to the identification of significant accounting policies as a component of the notes were abolished. The clarification does not lead to any change in the ZF Group accounting.

The improvements of IFRS 2012 – 2014 describe a collective standard which was published in June 2014 and deals with amendments to various IFRS. Below, the amendments are listed that have an effect on the consolidated ZF Group:

- IFRS 5: In relation to non-current assets (or disposal groups) classified as held for distribution to owners, it is clarified that when a company reclassifies an asset from the held-for-sale category to the held-for-distribution category – or vice versa –, such reclassification is considered a continuation of the original plan of disposal or distribution, provided this is conducted without time delay. This means that the accounting rules for assets (or disposal groups) held for sale or for distribution may be applied. If a company determines that an asset (or a disposal group) no longer meets the criteria for being held for distribution, the company shall cease to classify it as held for distribution – similarly to the rules applicable for the discontinuation of the classification as held for sale. A change in the classification does not result in an extension of the period required to complete a sale or distribution.
- IFRS 7: Clarification of disclosure requirements for fully transferred assets comprising a servicing contract that is subject to a servicing fee. Due to the retained right to service the asset, disclosures on continuing involvement have to be made when the company has an interest in the future performance of the transferred financial asset. In addition, the applicability of the amendments to IFRS 7 in relation to disclosures on offsetting financial assets and financial liabilities to condensed interim financial statements was specified.
- IAS 19: Clarification that, in connection with determining the discount rate for post-employment benefits, only high-quality corporate or government bonds that are denominated in the same currency as the payments to be made may be used. This has the effect that the depth of the market for high-quality corporate or government bonds has to be assessed on currency rather than at country level.
- IAS 34: Clarification that the selected explanatory notes required by IAS 34 in an interim financial report are not required to be disclosed in the notes, but may be reported elsewhere in the interim financial report.

The amendments to IAS 16 and IAS 38 provide further guidance to determine acceptable methods of depreciation and amortization. Accordingly, sales-based methods of depreciation or amortization of property, plant and equipment and intangible assets, respectively, are only appropriate in particular exceptions. The clarification does not lead to any change in the ZF Group accounting.

The amendments to IFRS 11 clarify that the acquisition of both the initial interest and additional interests in a joint operation which constitutes a business has to be accounted for based on the accounting provisions for business combinations set out in IFRS 3, unless there is a conflict with the guidance set out in IFRS 11. The disclosure requirements of IFRS 3 also have to be met. The clarification does not lead to any change in the ZF Group accounting.

The amendments to IAS 16 and IAS 41 clarified that plants that are used solely to grow agricultural produce (bearer plants) are accounted for in the same way as property, plant and equipment (in accordance with IAS 16 “Property, Plant and Equipment”) since their operation is similar to that of manufacturing. These amendments have no significance for the consolidated ZF Group since they concern biological assets.

Furthermore, the following standards and interpretations, which may be relevant in part for ZF Friedrichshafen AG, have already been passed by the IASB, but have not yet been endorsed by the European Union. ZF Friedrichshafen AG will not adopt any of these standards earlier:

- IFRS 9 “Financial Instruments” (mandatory adoption for fiscal years beginning on or after January 1, 2018)
- Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” (mandatory adoption for fiscal years beginning on or after January 1, 2016)
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” (the IASB resolved to defer the effective date for the first-time application of the amendments to a date to be determined by the IASB)
- IFRS 15 “Revenue from Contracts with Customers” (mandatory adoption for fiscal years beginning on or after January 1, 2018)
- Amendment to IAS 12 “Income Taxes” (mandatory adoption for fiscal years beginning on or after January 1, 2017)
- Amendment to IAS 7 “Consolidated Statement of Cash Flows” (mandatory adoption for fiscal years beginning on or after January 1, 2017)
- IFRS 16 “Leases” (mandatory adoption for fiscal years beginning on or after January 1, 2019)

IFRS 9 contains new provisions for the classification and measurement of financial assets and financial liabilities and is intended to replace IAS 39. According to this, financial assets are to be recognized depending on their respective characteristics and considering the business model or business models, either at amortized cost or at fair value through profit or loss. Contrary to the currently valid provisions, equity instruments are generally to be measured at fair value. Changes in the fair value of the equity instruments may also be recorded in equity without affecting profit or loss. In this case, only certain income from participations is recognized through profit or loss for equity instruments. The previous provisions of IAS 39 are adopted to a large extent with regard to the classification and measurement of financial liabilities. One change affects the accounting of financial liabilities which are designated as at fair value through profit or loss. In the future, the part of the fair value change resulting from the change of one’s own credit risk is to be recorded in other comprehensive income and not in the consolidated statement of profit or loss. Another change relates to liabilities from derivative financial instruments which are linked to equity instruments not listed on the stock exchange. In the future, these liabilities are always to be recognized at fair value, while the currently applicable provisions allow recognition at amortized cost. The initial adoption of IFRS 9 could have effects on the measurement of investments in participations. Until now, these have predominantly been recognized at cost because their fair values cannot be determined reliably. In addition, starting from the date of the first-time adoption, the unrealized fair value gains and losses from debt instruments that were previously recorded in equity are to be recognized in the consolidated statement of profit or loss. The implementation of the new accounting policies can lead to a higher volatility of the profit or loss after tax.

In addition, IFRS 9 comprises new rules for hedge accounting. Changes to the previous accounting principles mainly refer to new provisions regarding the designation of instruments and risks, requirements for hedge effectiveness, the adjustment and discontinuation of hedging relationships and some rules for the recognition of hedging relationships. The Group currently does not expect that the amendments will have a significant impact on the presentation of financial statements. IFRS 9 supersedes IFRIC 9 “Reassessment of Embedded Derivatives” and also changes a number of existing standards, including IFRS 7, which governs the disclosure requirements for financial instruments, and the provisions of IFRS 9 in the versions published in 2009 and 2010. IFRS 9 was revised in July 2014. The new version includes revised provisions regarding classification and measurement of financial assets and, for the first time, provisions in relation to the impairment of financial instruments; the new “expected loss model” uses a forward-looking approach for the recognition of losses by recognizing both losses already incurred and losses expected for the future. For this reason, it is expected that the implementation of the new accounting policy will lead to a higher volatility of the profit or loss after tax.

The amendment to IFRS 12 relates to the application of the consolidation exception in case the parent company meets the definition of an investment entity. The amendment is not significant for the consolidated ZF Group.

The amendments to IFRS 10 and IAS 28 address a known inconsistency between both standards as regards the sale or contribution of assets between an investor and its associate or joint venture. If the transaction affects a business as defined in IFRS 3, the investor recognizes the full gains or losses from that transaction; if the transaction is only a sale of assets that do not represent a business, only a portion of the gains or losses is recognized. The Group 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.

The objective of IFRS 15 is to aggregate the various revenue recognition rules included in several standards and interpretations and define uniform basic principles applicable to all industries and all types of sales transactions. IFRS 15 determines the timing and the amount of revenue recognition. The core principle is that revenue is recognized during the transfer of goods or services in an amount that reflects the expected consideration. IFRS 15 comprises, amongst other things, expanded guidance for multiple-element arrangements as well as new rules for the treatment of service contracts and contract modifications. In addition, the new standard requires the disclosure of a number of quantitative and qualitative information to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. IFRS 15 supersedes IAS 11 “Construction Contracts” and IAS 18 “Revenue” as well as the related interpretations. To implement the transition to the new standard, companies may adopt either a full retrospective approach (with optional practical expedients) or a modified retrospective approach. The latter permits the first-time adoption of the standard from the current reporting period without adjusting comparative periods, but requires additional disclosures. It is currently being investigated which effects the application of IFRS 15 will have on the consolidated financial statements.

The amendment to IAS 12 clarifies that deductible temporary differences may arise from devaluations of debt instruments down to fair value which result from changes in market interest rates.

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 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.

IFRS 16 in particular replaces and changes the previous provisions of IAS 17 in relation to the accounting for leases by lessees. The distinction previously made by the lessee pursuant to IAS 17 between recognized obligations from finance leases and unrecognized obligations from operating leases is revoked and replaced by an accounting model for lessees that introduces mandatory recognition. The procedure set out in IAS 17 for finance leases is largely followed. Accordingly, as per IFRS 16, an asset has to be recognized in form of a right-of-use asset in the amount of the present value of future lease payments and a corresponding liability from the right of use. Pursuant to IAS 17, the future obligations from operating leases were only subject to requirements as regards a disclosure in the notes. IFRS 16 only introduces exceptions for agreements with a term of up to one year and for assets that can be used independently and are of low value, in future do not affect the financial statements, similarly to the operating lease set out in IAS 17, and are recognized directly in profit or loss. Accordingly, depreciation expense for the asset has to be presented separately from the interest expense on the liability for the right of use, with interest expenses being recognized as a component of the net financial result. The Group expects that, in its capacity as lessee, a significant portion of its previously unrecognized operating leases will have to be recognized once IFRS 16 is adopted, which will result in an increase of its total assets. The presentation of the interest component in the net financial result is expected to have a positive effect on the Group's operating profit and EBIT, but not on the net profit or loss after tax. The Group does not expect that the adoption of the new standard will have effects on the agreements previously recognized as finance leases. In accordance with IFRS 16, in the context of the first-time application of the new standard, companies may select either a fully retrospective approach or a modified retrospective approach. Pursuant to the modified retrospective approach, lessees are not required to adjust comparative information for leases that were previously classified as operating leases. Instead, they have to recognize the cumulative effect from the first-time application of the new standard as an adjustment of the opening value of retained earnings (or other components of equity) in the statement of financial position at the date of first-time application. The consolidated ZF Group is currently analyzing which effects the application of the new standard will have in detail.

Basis of consolidation

In addition to ZF Friedrichshafen AG, 22 domestic and 276 foreign subsidiaries controlled by ZF Friedrichshafen AG are included in the consolidated financial statements.

The acquisition of ZF TRW led to the acquisition of 179 subsidiaries, 6 joint ventures and 6 associates.

The following table shows the composition of the consolidated ZF Group (without ZF Friedrichshafen AG):

	Jan. 1, 2015	First-time consolidations	Legal changes	Deconsolidations	Dec. 31, 2015
Subsidiaries	116	191	−3	6	298
of which domestic	6	16	0	0	22
of which foreign	110	175	−3	6	276
Joint ventures	4	6	0	1	9
Associates	1	6	0	0	7

Company acquisitions

On September 15, 2014, ZF entered into a binding agreement with ZF TRW Automotive Holdings Corp. (former TRW Automotive Holdings Corp.) to purchase 100% of the shares in ZF TRW by way of a cash transaction. The management and the supervisory bodies of both companies unanimously granted their consent to the agreement. The transaction was subject to various conditions precedent, in particular the majority approval by the Annual General Meeting of the ZF TRW shareholders and the approval from antitrust and regulatory bodies. At the extraordinary meeting on November 19, 2014, 79% of the ZF TRW shareholders voted in favor of the proposed acquisition.

After the approvals from the Committee on Foreign Investment in the United States (CFIUS) and the clearances under antitrust law were available, the acquisition of ZF TRW was completed on May 15, 2015.

ZF TRW is an automotive supplier of active and passive safety technology as well as state-of-the art advanced driver assistance systems. The acquisition strengthened the market position of the consolidated ZF Group and expanded the product portfolio in an attractive segment. The purchase price amounts to € 10,093 million and was paid in cash. The goodwill recognized based on the preliminary purchase price allocation represents synergy effects and amounts to € 4,109 million. It is not deductible for tax purposes. ZF TRW was integrated into the ZF Group as a separate Active & Passive Safety Technology Division.

The acquired assets and liabilities of ZF TRW and its subsidiaries were recognized at the date of acquisition with the following fair values which are based on a preliminary purchase price allocation:

in € million	100%
Cash	703
Financial assets	647
Trade receivables	2,383
Other assets	306
Inventories	1,009
Assets held for sale and disposal groups	485
Associates	274
Intangible assets	5,472
Property, plant and equipment	2,956
Financial liabilities	−1,481
Deferred taxes (balanced)	−1,208
Trade payables	−2,279
Other liabilities	−1,195
Income tax provisions	−309
Other provisions	−444
Liabilities of disposal groups	−104
Provisions for pensions	−1,061
Non-controlling interests	−170
Acquired net assets	**5,984**
Purchase price	10,093
Excess remaining after capital consolidation	**4,109**

Receivables at a fair value of € 2,689 million were acquired in the context of the business combination. This amount includes trade receivables of € 2,383 million as well as other assets in the amount of € 306 million. The gross amount of the receivables was € 2,710 million, of which € 21 million are expected to be non-recoverable. Since the acquisition date, ZF TRW has contributed sales of € 8,753 million, an amount of € 51 million to net profit after tax and € 94 million to the Group's other comprehensive income. If the acquisition had been effected as of January 1, 2015, the Group's sales would have amounted to approximately € 34,406 million and the Group's net profit after tax from continuing operations would have amounted to approximately € 1,039 million.

The purchase price allocation has not been completed since there are no final valuations of assets available. Adjustments may occur, above all, in relation to the valuation of customer relations, technologies, property, plant and equipment and the associated deferred taxes.

By way of a purchase contract dated May 13, 2015 and with effect from November 30, 2015, ZF acquired the industrial drive and wind turbine gearbox business of Bosch Rexroth AG within the context of an asset deal. The assets acquired and liabilities assumed were contributed to the newly founded companies ZF Industrieantriebe Witten GmbH, Witten (Germany) and ZF Powertrain Systems (Beijing) Co., Ltd., Beijing (China) and to the existing ZF Services, LLC, Vernon Hills (USA). The industrial drive and wind turbine gearbox business develops and produces industrial drives used in wind turbines as well as in the oil production and mining industry. The acquisition is intended to expand the Industrial Technology portfolio of ZF. The preliminary purchase price was € 54 million and was paid in cash. The income recognized on the basis of the preliminary purchase price allocation amounts to € 41 million. The negative goodwill is mainly attributable to the stronger market position compared to the seller and the associated ability to better use the acquired production capacities.

The acquired assets and liabilities of the industrial drive and wind gearbox segment were recognized at the date of acquisition with the following fair values which are based on a preliminary purchase price allocation:

in € million	**100%**
Trade receivables	43
Other assets	4
Inventories	77
Property, plant and equipment	65
Intangible assets	11
Deferred taxes	–13
Trade payables	–17
Other liabilities	–18
Provisions for pensions	–2
Other provisions	–55
Acquired net assets	**95**
Purchase price	54
Negative goodwill	**–41**

Within the context of the asset deal, receivables with a fair value of € 47 million were acquired. These receivables consist of trade receivables of € 43 million as well as other assets in the amount of € 4 million. There are no uncollectible receivables. Since the date of acquisition, the industrial drive and wind turbine gearbox business contributed sales of € 11 million, € –1 million to net profit or loss after tax as well as € –2 million to the Group's other comprehensive income. If the acquisition had been effected as of January 1, 2015, the Group's sales would have amounted to approximately € 29,423 million and the Group's net profit after tax from continuing operations would have amounted to approximately € 983 million.

The purchase price allocation has not been completed since there are no final valuations of assets available. Adjustments may occur, above all, in relation to the valuation of customer relations, technologies, property, plant and equipment, the associated deferred taxes as well as the negative goodwill recognized.

Disposals of companies

On September 15, 2014, an agreement was concluded with Robert Bosch GmbH to sell ZF Friedrichshafen AG's 50% shareholding in Robert Bosch Automotive Steering GmbH. Robert Bosch Automotive Steering GmbH develops and produces steering systems for passenger cars and commercial vehicles. The shareholding put up for sale has been presented as an asset held for sale in accordance with IFRS 5 and the equity method accounting was discontinued. The sale became legally effective on January 30, 2015. The sales price in the amount of € 879 million was paid in cash. The book profit from the sale in the amount of € 510 million is included in the result from associates.

On April 21, 2015, ZF TRW announced the signing of an agreement in relation to the sale of its linkage and suspension business to the Japanese company THK Co., Ltd. The business comprises three companies and has annual sales of around € 500 million. The transaction was successfully concluded on August 31, 2015.

Already in February 2015, ZF TRW had sold the major part of its engine valve business to the U.S. automotive supplier Federal-Mogul Holdings Corporation. On the basis of an agreement dated July 7, 2015, ZF TRW also disposed of the engine valve joint ventures still remaining at ZF TRW up to that date.

On November 27, 2015, ZF concluded an agreement with the co-owner Beiben Trucks Group Co., Ltd. about the sale of the shares held by ZF in ZF Beiben Drivetech (Chongqing) Co., Ltd. After all required approvals had been granted, the sale was completed on December 27, 2015.

All of the assets and liabilities disposed are disclosed in Note (27).

Other changes in the basis of consolidation

In addition to the above-mentioned company acquisitions, the following companies have been included in the consolidated financial statements of ZF Friedrichshafen AG for the first time in the fiscal year 2015:

in %	Share in capital
Cherry GmbH, Auerbach, Germany	100
ZF Middle East FZE, Dubai, United Arab Emirates	100
ZF Services Middle East Limited Liability Company, Dubai, United Arab Emirates	49
ZF Powertrain Modules (Shanghai) Co., Ltd., Shanghai, China	100
ZF North America Capital Inc., Wilmington, USA	100
SISTEMAS DE CHASSIS IRACEMÁPOLIS LTDA., Iracemápolis, Brazil	100
Zhuhai Cherry Electronics Co., Ltd., Zhuhai, China	100
ZF BAIC (Beijing) Chassis Systems Co., Ltd., Beijing, China	51
ZF Services (Shanghai) Co., Ltd., Shanghai, China	100
Cherry Americas, LLC, Wilmington, USA	100

Furthermore, the following companies were deconsolidated in 2015 as a result of liquidation or merger:

in %	Share in capital
ZF Marine Middle East LLC, Sharjah, United Arab Emirates	100
Pt. ZF Marine, Batam, Indonesia	100
ZF Sachs Suspension France S.A.S., Mouy, France	100
MSNA Inc., Wilmington, USA	100
ZF Components Investment Private Limited, Gurgaon, India	100

Consolidation principles

The consolidation of investments in subsidiaries is carried out according to the purchase method. When control was obtained, the revalued assets and liabilities of the subsidiary and contingent liabilities, if they do not depend on a future event, are offset against the fair value of the consideration paid for the shares. Contingent purchase price payments are recognized at the amount expected. Subsequent adjustments of contingent purchase price payments are recognized in profit or loss. Acquisition-related expenses are recognized in profit or loss when they are incurred.

Any excess remaining after capital consolidation is recognized as goodwill and recorded under intangible assets. The goodwill is tested for impairment as of the reporting date. An impairment test is performed during the year if there are any triggering events. Negative differences arising on the consolidation of investments in subsidiaries are recognized in profit or loss in the consolidated statement of profit or loss under other income.

If not all interests are acquired during an acquisition, the non-controlling interests can be recognized at the amount of the proportionally revalued net assets or at their proportional total company value including the applicable goodwill. This right of choice is applicable to every company acquisition. As of December 31, 2015, all non-controlling interests are reported at the proportional net assets.

In the case of a step acquisition, the already existing interests in the company to be consolidated are revalued at the fair value at the date when control is obtained. The difference to the carrying amount of the investment is recognized in profit or loss.

The acquisition of additional interests of already consolidated subsidiaries is recognized as an equity transaction. In this method, the difference between the cost of the investment acquired and the carrying amount of the non-controlling interest is recognized in retained earnings. The effects of a sale of interests, which does not lead to a loss of control over a subsidiary, are to be recognized in equity with no effect on profit or loss by offsetting the capital gain or loss against retained earnings and by increasing the non-controlling interests to the amount of the proportional net assets.

The deconsolidation of subsidiaries is carried out on the date of the loss of control or the date of liquidation. The gain or loss on deconsolidation is recognized in other income or expenses, respectively. Remaining interests are recognized at fair value under investments in participations.

Consolidation of receivables, liabilities, provisions, income and expenses as well as gains or losses is effected for the companies included in the basis of consolidation. Guarantees and warranties between consolidated companies are eliminated.

Foreign currency translation

The financial statements of consolidated group companies prepared in foreign currencies are translated on the basis of the concept of functional currency by the modified closing rate method. Since the subsidiaries operate independently from a financial, economic and organizational point of view, the functional currency is generally identical with the company's local currency. Accordingly, the income and expenses in the financial statements of subsidiaries drawn up in foreign currencies are translated in the consolidated financial statements applying average rates, and assets and liabilities at the closing rate. The exchange difference resulting from the translation of equity at historical rates and the exchange differences resulting from the translation of the consolidated statement of profit or loss at the average exchange rate are recognized in retained earnings without effect on profit or loss.

Upon initial recognition, foreign currency receivables and liabilities are measured at the rate valid on the day of transaction in the individual financial statements of ZF Friedrichshafen AG and its subsidiaries. The closing rate on the reporting date will be used for subsequent measurements. Foreign exchange gains and losses from the revaluation of trade receivables and trade payables on the reporting date are recognized in other income and expenses. Foreign exchange gains and losses from financial assets and liabilities are generally recognized within other financial income and financial expenses. To the extent that non-current financial receivables or liabilities denominated in foreign currency exist towards a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, any translation differences are not recognized in profit or loss in other financial income and expenses, but directly in equity as other comprehensive income. A transfer to the consolidated income statement only occurs upon repayment or sale of the foreign operation.

The translation of any goodwill carried in foreign currency is based on the closing rate as of the reporting date. The differences resulting from currency translation are recognized in equity through other comprehensive income as foreign currency translation differences.

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	
	Dec. 31, 2015	Dec. 31, 2014	2015	2014
U.S. dollar	1.0887	1.2141	1.1139	1.3283
British pound	0.734	0.7789	0.7286	0.8061
Chinese renminbi	7.0608	7.5358	6.9981	8.1837
Brazilian real	4.3117	3.2207	3.6699	3.1215
Mexican peso	18.9145	17.8679	17.6268	17.6578

Accounting policies

The financial statements of ZF Friedrichshafen AG and the companies included in the consolidated financial statements are drawn up as of December 31 of each fiscal year, applying uniform Group accounting principles.

Recognition of expenses and income

Sales from the sale of products are recognized at the time of transfer of ownership or the risk to the customer, when a price is agreed or can be determined and when payment is probable. Sales are reported net of cash discounts, price reductions, customer bonuses and rebates. Sales from services are recognized according to the stage of completion if the amount of sales can be reliably measured and an economic benefit from the business can be reasonably expected. Royalties are recognized on an accrual basis in accordance with the terms of the underlying contract.

Cost of sales comprises the cost of conversion of products sold as well as the purchase costs of sold merchandise. In addition to the directly attributable material and production costs, it also includes indirect production-related overheads, including depreciation on property, plant and equipment used and amortization of intangible assets. Cost of sales also includes write-downs of inventories to the lower net realizable value.

Research costs and non-capitalizable **development costs** are recognized in profit or loss when incurred.

Borrowing costs that are directly attributable to the acquisition or production of an asset which requires a considerable amount of time in order to be brought into the intended usable or sellable state are recognized as part of the cost of that asset. All other borrowing costs are recognized immediately as expenses.

Interest income is recognized in profit or loss when it is incurred.

Dividend income is recognized at the time the payout entitlement arises.

Hedging transactions

Derivative financial instruments are used at the consolidated ZF Group for hedging in order to reduce foreign currency and raw material price risks as well as interest rate and market price risks. In accordance with IAS 39, all derivative financial instruments are recognized at market value.

If the criteria for hedge accounting are met, they are accounted for as fair value hedge or cash flow hedge. If hedge accounting is not applicable, the derivative financial instruments are measured at their fair values and changes in fair value are reflected in profit or loss.

Fair value hedges are used to hedge risks of changes in the value of items recognized in the statement of financial position. If the criteria are met, the results from mark-to-market of derivative financial instruments and the underlying hedged items are reflected in profit or loss.

Cash flow hedges are used to hedge exposure to variability in future cash flows. If the market value of derivative financial instruments – used for cash flow hedges – changes, the unrealized gains and losses in the amount of the effective portion are initially recognized in the retained earnings without affecting profit or loss. Reclassification to the consolidated statement of profit or loss is effected in the same period during which the hedged transaction affects profit or loss. The ineffective part of market value changes is reflected directly in the consolidated statement of profit or loss.

Impacts on profit or loss resulting from hedging transactions that have been concluded in order to hedge risks relating to raw material price changes are shown under cost of sales. The profit and loss derived from foreign currency hedging transactions is recognized under other income and expenses or as part of acquisition cost. Gains and losses from derivative financial instruments used to hedge interest rate risks and market price risks related to securities are shown under other financial results.

Cash

Cash comprises cash on hand, bank deposits available any time and short-term overnight money.

Financial assets

Current and non-current financial assets are divided into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial assets at fair value through profit or loss
- Financial assets held for trading

The “Loans and receivables” category comprises cash, financial receivables as well as trade receivables. Loans as well as earmarked time deposit investments and bank deposits are shown under financial receivables. They are recognized at amortized cost using the effective interest method. Trade receivables are recognized at the original invoice amount.

If there are objective indications for an impairment of the loans and receivables, the impairment losses are calculated as the difference between the present value of the expected future cash flows and the carrying amount and recognized in profit or loss using a separate allowance account. In case they are expected to be uncollectible, a direct impairment is recognized.

The “Available-for-sale financial assets” category includes current or non-current securities as well as investments in participations. Following their initial recognition, available-for-sale financial assets are generally measured at fair value. Investments in participations for which there is no active market and fair values therefore cannot be reliably determined, are recognized at cost. Sale of these shares is currently not planned.

Gains and losses resulting from changes in the fair value of available-for-sale financial assets are recognized directly in equity within retained earnings. Reclassification to the consolidated statement of profit or loss is effected as soon as an impairment is recognized, but no later than the date of disposal of financial assets.

In the case of objective evidence for prolonged impairment, such as a continuous decrease of the financial assets’ fair values or a considerable decline of the issuer’s credit rating, the accumulated net loss is removed from equity and shown under the net financial result. The accumulated net loss is the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss. Subsequent reversals of impairments for equity instruments are recognized without affecting profit or loss. In the case of debt instruments, reversals of impairments made through profit or loss are at maximum effected at the level of previously recorded impairments. If there are indications for impairment of investments in participations which are valued at amortized cost, the impairment loss is recognized in profit or loss. There is no reversal of such impairment losses.

Securities which contain embedded derivatives are assigned to the “Financial assets at fair value through profit or loss” category, since the fair value of the embedded derivatives cannot be reliably determined. The unrealized fair value gains and losses are recorded in other financial results.

“Financial assets and liabilities held for trading” affect derivative financial instruments that do not meet the hedge accounting criteria. Changes in fair value of derivative financial instruments are recognized within other financial income and expenses.

As a rule, financial assets are capitalized as of the settlement date.

A financial asset is derecognized as of the settlement date when the contractual rights to receive cash flows from the asset have expired or substantially all risks and rewards have been transferred. A derecognition is performed ahead of the settlement date, once it is established that the trade receivables as well as financial receivables are uncollectible.

Financial assets and liabilities are offset and the resulting net amount is reported in the consolidated statement of financial position when the entity currently has a legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Inventories

As a general rule, raw materials and supplies as well as merchandise are measured at the lower of average cost and net realizable value. Work in progress and finished goods are recognized at cost of conversion, taking into account the lower net realizable value. The cost of conversion includes all costs directly attributable to the manufacturing process and appropriate portions of the production-related overheads. This includes production-related depreciation, prorated general administrative expenses and prorated social expenses.

Investments in associates and joint ventures

Investments in associates and joint ventures are generally recognized in accordance with the equity method with the proportionate equity. If, on the reporting date, there is objective evidence for the impairment of an investment, an impairment test is performed. The share of the ZF Group in the profit for the period of the associate or joint venture, respectively, is recognized separately in the consolidated statement of profit or loss as part of the financial result. Income and expenses that are directly recognized in the equity of the associate or joint venture are recognized in the consolidated ZF Group without effect on profit or loss as well and presented separately in the consolidated statement of comprehensive income.

Intangible assets

Purchased or internally generated intangible assets are capitalized if a future economic benefit can be expected from the use of the asset and the costs of the assets can be reliably determined.

For recognition and measurement of **goodwill,** please refer to the explanations on the consolidation principles.

Tooling subsidies to suppliers are capitalized when they represent a right granted by the supplier or a fee for a service still to be rendered by the supplier. Tooling subsidies paid are amortized over a period of one to six years.

Development costs are capitalized at cost if both technical feasibility and marketability are ensured. It must furthermore be sufficiently probable that the development activity will generate future economic benefits. Capitalized development costs comprise all costs directly attributable to the development process. Capitalized development costs are amortized from the start of production over an expected product life cycle of five years.

Other intangible assets are recognized at cost and amortized based on the following useful lives:

	in years
Software	3 to 5
Patents, trademarks and licenses	5
Customer relations	3 to 30

Intangible assets with indefinite useful lives affect trademarks and are not amortized.

Property, plant and equipment

The entire **property, plant and equipment** is used for business purposes and is measured at cost less depreciation for wear and tear. Depreciation on property, plant and equipment is recorded on the basis of the straight-line method in accordance with its utilization. Throughout the consolidated group, systematic depreciation is based on the following useful lives:

	in years
Buildings	9 to 33
Technical equipment and machines	2 to 14
Other eqiupment, factory and office equipment	2 to 13

The depreciation on machines used in multi-shift operations is increased accordingly by shift allowances.

The residual values, depreciation methods and useful lives of assets are reviewed annually and adapted, if necessary.

In accordance with the provisions on accounting for leases, economic ownership is attributed to the lessee if it bears substantially all of the risks and rewards associated with ownership. Lease agreements which meet these requirements are classified as **finance leases.** Leased assets are recognized at the commencement of the lease term at fair value or the lower present value of the minimum lease payments. The assets are depreciated on a straight-line basis over the expected useful life or the shorter term of the lease.

The discounted payment obligations resulting from the future leasing installments are recognized under financial liabilities.

In subsequent periods, leasing payments are divided into principal and interest payments. The interest portion is recognized in the net financial result. The principal payments reduce financial liabilities.

Lease and rent payments resulting from **operating lease** contracts are recognized as expenses in the consolidated statement of profit or loss on a straight-line basis over the duration of the lease term. The future burdens under operating lease relationships are disclosed under other financial obligations.

Investment properties

Property that is not owner-occupied, but held to earn rentals or for capital appreciation is reported separately in the statement of financial position under "Investment property." Land and buildings are recognized at amortized cost. Depreciation is based on the method used for buildings which are part of property, plant and equipment.

Government grants

Government grants are recognized only if there is reliable evidence that the related conditions are met and the subsidies are likely to be granted. Investment subsidies are deducted from property, plant and equipment in the period in which they were received. Expense subsidies are recognized as income during the same period in which the expenses, for which compensation was granted, are incurred.

Current market interest rates are used for the valuation of non-interest-bearing or low-interest-bearing government loans. The difference between the discounted value and the repayment value is deferred and recognized under other liabilities. The deferred amount is broken down over the duration of the loan contract and recognized in interest expenses.

Non-current assets held for sale and disposal groups

Assets and liabilities are reported as disposal groups when these are to be disposed of by sale together as a group in a single transaction which is highly probable. Individual assets are reported in the statement of financial position as assets held for sale. The affected assets and liabilities are presented separately in the statement of financial position in current assets and liabilities as "Assets held for sale and disposal groups" and "Liabilities of disposal groups," respectively. Income and expenses of the assets and liabilities affected are included in profit or loss from continuing operations until disposal.

The disposal group is measured upon initial recognition in accordance with the relevant IFRS standards. Subsequently, the disposal group is measured at the lower of its carrying amount or fair value less costs to sell.

Impairment tests

For **investments accounted** for using **the equity method, intangible assets** already in use as well as **property, plant and equipment,** it is verified as of the reporting date whether there are indications of potential impairment. If there are any indications, an impairment test must be performed. Intangible assets that are not yet ready to be used and intangible assets with indefinite useful lives are subject to an annual impairment test.

To perform the impairment test, the recoverable amount is determined. This is the higher amount of the asset's or the smallest cash-generating unit's fair value less costs to sell and their value in use. The recoverable amount is determined for the individual asset or a cash-generating unit, if no cash flows can be allocated to the individual asset. From fiscal year 2015, the cash-generating units underlying the impairment tests are no longer defined based on individual companies or parts of individual companies, but on the basis of the Group's business units or the regional organization of the Group. This adaption is mainly attributable to the changes in ZF's business model made in the meantime due to which a definition of individual companies or parts of individual companies is no longer considered appropriate since it can no longer be assumed that they are able to generate cash inflows independent from other organizational units. The Group's business units also represent the organizational level which is subject to regular review by the management.

The value in use is the net present value of future cash flows, which are expected from the continued use of the asset or the cash-generating unit and its disposal at the end of its useful life. The value in use is determined by the discounted cash flow method on the basis of the current corporate planning data which refers to a three-year planning horizon. The capital cost rate of the consolidated ZF Group, which is determined on the basis of the WACC (Weighted Average Cost of Capital) method, is used to discount the cash flows.

The forecast for cash flows is based on the current operational planning of the consolidated ZF Group, in which general economic data from external macroeconomic research as well as financial surveys is also taken into consideration. The assumptions made consider the country-specific rates of inflation for the period investigated. Cost of materials is forecast based on the individual premises at the level of each cash-generating unit. The development of personnel expenses is also forecast individually on the basis of the collective agreements in effect. Based on these cash flow predictions, the value in use of the cash-generating units is determined assuming a discount factor before tax of 12% to 14% (2014: 9% to 14%) and an unchanged growth rate of 1.5%. For perpetuity going beyond the three-year planning horizon, the cash flows are extrapolated taking into account the respective sustainable expected margin of the individual cash-generating units.

Fair values less costs to sell for property, plant and equipment are estimated on the basis of discounted cash flows as well as a cost-based approach for comparable assets that are generally not based on parameters observable on the market.

An impairment loss is recognized if the recoverable amount falls below the carrying amount of the asset or the cash-generating unit.

If the reason for an impairment loss recognized in an earlier period ceases to exist, the impairment loss is reversed, however up to a maximum of the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized. Impairment losses and reversals of impairment losses for intangible assets and property, plant and equipment are assigned to the functional areas of the consolidated statement of profit or loss.

Goodwill from business combinations is allocated to those groups of cash-generating units that derive benefit from the business combinations. In the consolidated ZF Group, these are the respective divisions and business units. An impairment test for goodwill is performed annually using the impairment test in accordance with the above-described methods. An impairment of goodwill is recognized if the recoverable amount of the corresponding cash-generating unit is below its carrying amount. Impairment losses for goodwill are reported under other expenses. Impairment losses recognized on goodwill are not reversed.

Financial liabilities and other liabilities

Financial liabilities and other liabilities are recognized initially at cost, which represents the fair value of the consideration received. The transaction costs are also taken into account here. In subsequent periods, the liabilities are measured at amortized cost based on the effective interest method. To the extent that financial liabilities have not been utilized, transaction costs are deferred within other assets. Recognition through profit or loss is made using the item "Other financial expenses." The derecognition of financial liabilities and other liabilities will take place as soon as the obligations they are based on have been fulfilled or terminated.

A best estimate is made for the risks of financial guarantee contracts issued by the Group as of the reporting date. To the extent that utilization is probable, a financial liability is recognized in the amount of the expected cash outflow.

The consolidated ZF Group basically dispenses with applying the fair value option to recognize financial liabilities upon first-time valuation under the category of "Financial liabilities at fair value through profit or loss."

Tooling subsidies received

Tooling subsidies received represent a consideration in exchange for services to be rendered or rights granted to the payer of the subsidy. The subsidies are deferred as tooling subsidies received under other liabilities. The reversal takes place during the project duration.

Provisions for pensions

Provisions for pensions are recognized in accordance with the projected unit credit method. Under this method, not only pensions and vested interests recognized as of the reporting date are taken into account, but also increases in pensions and current salaries and wages that are expected in the future. The calculation is based on actuarial reports, taking into account biometric calculation bases. Actuarial gains and losses are recognized in full in other comprehensive income in the period in which they occur. Expenses resulting from unwinding the discount and expected returns on plan assets are offset and recognized in interest expenses. All other expenses resulting from the addition to pension provisions are assigned to the affected functional areas within the consolidated statement of profit or loss.

Other provisions

Other provisions are recognized if an obligation to third parties exists, which will probably result in the outflow of resources, and if a reliable estimate can be made of the amount required.

As a general rule, all cost elements that are capitalized in inventories are reflected in the measurement of provisions relating to sales, in particular those for warranties and potential losses on pending transactions. The measurement takes place at the value of the best possible estimate of expenses which are necessary to fulfill the obligation on the reporting date. The measurement of provisions for warranty costs takes place on the basis of actual warranty expenses under consideration of warranty and goodwill periods as well as sales development over several years.

Personnel-related obligations affect long-service awards and semi-retirement obligations in particular. Provisions for employee long-service bonuses are calculated on an actuarial basis. The provisions for semi-retirement obligations comprise individual or pay-scale-related top-up benefits for pension insurance as well as the wages and salaries to be paid during the release phase. They are accrued on a pro-rata basis when the obligation arises.

Semi-retirement obligations are protected against insolvency using a trust model. For this purpose, shares held in a special fund are assigned to a trustee. The shares in the special fund are measured at fair value. The assets, which are solely used for satisfying the semi-retirement obligations and which are restricted from the access of all other creditors, are offset against provisions (plan assets). If these exceed the amount of provisions, such excess is reported under non-current other financial receivables. The return on plan assets is offset against expenses from the interest cost of provisions and reported in the statement of profit or loss.

Non-current provisions with a residual term of more than one year are recognized at the reporting date with their discounted settlement amount. They are discounted when the effect of the time value of money is material.

Income taxes

The **actual income tax receivables and provisions** for current and previous periods are measured using the amount for which reimbursement from or payment to tax authorities is expected. The amount is calculated using the tax rates and the tax laws that are in effect on the reporting date.

Deferred tax assets and liabilities are recognized via temporary differences between the tax basis and the IFRS carrying amounts. Deferred tax assets also include tax reductions that will result from the expected utilization of existing tax loss carryforwards and tax credits in the subsequent years. Deferred taxes are computed on the basis of the tax rates that will or are expected to apply on the realization date with sufficient probability in accordance with the current legal situation in the individual countries.

Deferred tax assets on temporary differences and on tax loss carryforwards are only recognized if there is sufficient probability that the tax reductions resulting from them will actually occur in future.

The carrying amount of deferred tax assets is reviewed on the reporting date and written down accordingly, if it is anticipated that there will not be enough taxable profit to offset the tax assets at least in part. Unrecognized deferred tax assets are reviewed on each reporting date and recognized to the extent that a future taxable income allows the utilization of deferred tax assets.

In addition, no deferred tax assets and liabilities are recognized if these result from the initial recognition of goodwill, an asset or a liability as part of a business transaction which is not a business combination, and if, through this initial recognition, neither the accounting net profit or loss before income tax nor the taxable profit is influenced.

Deferred taxes that refer to line items that are directly recognized in equity are also recognized in equity and not in the consolidated statement of profit or loss.

Deferred tax receivables and deferred tax liabilities are offset against each other, if the consolidated group has a recoverable right to offsetting the actual tax refunds against actual tax liabilities and if they apply to the income taxes of the same tax subject levied by the same tax authority.

Judgments and uncertainties in connection with estimates

Preparation of the consolidated financial statements requires assumptions to be made and estimates to be applied, which affect the reported amounts and disclosure of assets and liabilities, income and expenses, and contingent liabilities.

Essential assumptions and estimates as used in the recognition and measurement of the financial line items are explained below.

Management estimates as to technical and economic feasibility of development projects influence the decision to **capitalize development costs** (Note 14). The valuation of the capitalized development costs depends on the assumptions about amount and timing of expected future cash flows, as well as on the discount rates to be applied.

For the accounting of other **intangible assets** and **property, plant and equipment,** the assumptions and estimates essentially relate to the definition of useful lives.

Measurement as well as the determination of the useful lives of assets, liabilities and contingent liabilities to be recognized in the context of acquisitions were primarily made using cash-flow-based estimates. The allocation of purchased goodwill was subject to estimates as regards the amount and the timing of future cash flows resulting from synergies.

In the context of the **impairment tests** (Note 16), assumptions and estimates are used in determining the future cash flows to be expected as well as for defining discount rates. This may have an influence on the values of intangible assets and liabilities in particular.

The assessment of the recoverability of **trade receivables** (Note 9) is subject to judgement as regards the future solvency of the debtors.

The fair values of the **securities** (Note 31) which correspond to level 3 of the fair value hierarchy are determined on the basis of underlying data that is not observable on the market. The calculation according to the discounted cash flow method is based on estimates regarding the expected cash flow and used discounting rates.

In accounting the **deferred tax assets** (Note 6), the assumptions and estimates essentially relate to the likelihood of expected tax reductions actually occurring in the future.

The actuarial valuation of **provisions for pensions** (Note 21) is particularly based on assumption as to discount rates, future pension developments, age shifts and the development of the general cost of living.

Determination of **warranty provisions** (Note 20) is subject to assumptions and estimates which refer to the time period between delivery date and the occurrence of the warranty event, warranty and goodwill periods as well as future warranty burdens.

The determination of non-current **provisions for onerous contracts** (Note 20) is subject to judgement with respect to the interpretation of supply contracts. In this respect, the major decision criteria are to determine term, quantities and prices for delivery with binding effect.

The amount of impairment losses for the **available-for-sale financial assets** is impacted by the judgments relating to the estimate whether fair value losses are considered significant or prolonged, and in terms of the credit rating of the issuers.

No other major judgments were made.

In individual cases, actual amounts could differ from these assumptions and estimates. Changes are recognized in profit or loss as soon as better information is available.

When preparing the consolidated financial statements, the underlying estimates were not subject to any major risks; therefore, no major adjustments to the assets and liabilities recognized in the consolidated statement of financial position are expected during the subsequent fiscal year.

NOTES TO THE 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	2015	2014
Domestic	6,774	5,792
Western Europe	5,593	3,597
Eastern Europe	1,456	927
North America	8,115	3,745
South America	633	556
Asia-Pacific	6,363	3,621
Africa	220	177
	29,154	**18,415**

Sales include € 28,484 million (2014: € 17,864 million) from the sale of goods and € 611 million (2014: € 520 million) for the rendering of services as well as € 59 million (2014: € 31 million) for royalties.

2 Cost of sales

in € million	2015	2014
Cost of materials	17,572	10,880
Personnel expenses	4,163	2,839
Depreciation and amortization	1,481	846
Other	1,317	754
	24,533	**15,319**

Depreciation on property, plant and equipment comprises reversals of previously recognized impairment losses of € 5 million. Impairment losses in the cost of sales were not required to be recorded in the year under review.

3 Other income

in € million	2015	2014
Foreign exchange gains	501	89
Income from hedging	41	16
Compensation payment and reimbursement of costs	12	15
Income from the disposal of intangible assets and property, plant and equipment	8	7
Income from rentals and lease payments	3	2
Income from deconsolidations	0	104
Negative goodwill from company acquisition	41	25
Other income	47	21
	653	**279**

4 Other expenses

in € million	2015	2014
Foreign exchange losses	521	71
Expenses from hedging	59	16
Changes of allowances for receivables	– 9	35
Losses on the disposal of intangible assets and property, plant and equipment	9	11
Expenses from additions to provisions	1	0
Other expenses	42	20
	623	**153**

5 Net financial result

in € million	2015	2014
Income from deconsolidations	510	0
Current result	22	49
Result from associates	**532**	**49**
Income from participations	3	152
Write-downs of participations	2	0
Expenses from risks in participations	18	0
Net result from participations	**– 17**	**152**
Interest from current financial investments	29	16
Interest from non-current financial investments	17	19
Interest income	**46**	**35**
Interest on financial liabilities	306	62
Other interest	26	0
Interest from pension provisions	80	104
Unwinding the discount on other non-current items	1	6
Interest expenses	**413**	**172**
Foreign exchange gains	181	79
Income from derivative financial instruments	47	8
Income from the disposal of securities	27	40
Unrealized fair value gains from securities	0	5
Other financial income	**255**	**132**
Foreign exchange losses	135	66
Expenses from derivative financial instruments	55	111
Losses on disposal of securities	11	2
Unrealized fair value losses from securities	14	6
Transaction costs and incidental expenses	181	35
Other financial expenses	**396**	**220**
Net financial result	**7**	**– 24**

6 Income taxes

Income tax expenses were comprised of as follows:

in € million	2015	2014
Current taxes	409	242
Deferred taxes	−340	−41
Income tax expenses	69	201

Current income tax expenses include adjustments in the amount of € 163 million (2014: € 10 million) for current taxes of prior fiscal years. Deferred tax income includes tax income of € 218 million (2014: € 21 million) in connection with the development of temporary differences.

The current taxes in Germany were determined on the basis of an overall tax rate of 29%, derived from the corporate income tax rate of 15%, the solidarity surcharge of 5.5% and an average trade tax rate of 13.175%. The current taxes of foreign subsidiaries are determined on the basis of relevant national tax laws and the tax rate applicable in the country of incorporation. Deferred tax assets and liabilities are measured at the tax rates in Germany and abroad, respectively, which are expected to apply at the time of realizing the asset or discharging the liability.

The (current and deferred) income tax expenses expected on the basis of the German overall tax rate of 29% deviate from the reported amounts as set out below:

in € million	2015	2014
Expected income tax expenses	**316**	**253**
Increase/decrease of income taxes due to		
Tax effects due to different national tax rates and group taxation systems	−47	5
Effects of changes in tax laws	−61	−1
Tax effects due to non-recognition and write-down of deferred tax assets and their reversal	−96	−47
Tax effects due to permanent differences	−92	−20
Tax effects due to prior-period items	50	10
Other	−1	1
Reported income tax expenses	**69**	**201**

The gross amounts of deferred tax assets and liabilities result from the following line items:

in € million	2015	2014
Assets		
Non-current and current assets	183	143
Liabilities and provisions	906	600
Other	117	54
Tax loss carryforwards and tax credits	516	61
Netting	−1,049	−317
Deferred tax assets	**673**	**541**
Liabilities		
Non-current and current assets	1,888	342
Liabilities and provisions	189	14
Other	42	4
Netting	−1,049	−317
Deferred tax liabilities	**1,070**	**43**
Total deferred tax assets (+) / liabilities (−) (net)	**−397**	**498**

Based on mark-to-market of securities and cash flow hedges, deferred tax assets are recognized in equity in the amount of € 12 million (2014: deferred tax liabilities of € 116 million). The recognition of actuarial gains and losses for pension provisions in equity without affecting profit or loss leads to deferred tax assets in the amount of € 299 million (2014: € 429 million). As a result, equity is reduced by € 2 million (2014: increase of € 168 million). Another change of the deferred taxes of € 2 million (2014: € 3 million), recognized without effect on profit or loss, is the result of closing-date exchange rate differences. Beyond that, all other changes, except changes due to first-time consolidations and deconsolidations, have been recognized in profit or loss.

At the end of the fiscal year, the company reported tax loss carryforwards which were subject to offsetting restrictions. To that extent, no deferred tax assets were recognized for these since their utilization due to future positive taxable profit is not probable.

No deferred tax assets were recorded for the following matters (gross amounts):

in € million	2015	2014
Deductible temporary differences	339	230
Tax loss carryforwards and tax credits	898	649
	1,237	**879**

Of the unrecognized tax loss carryforwards, € 483 million (2014: € 406 million) had a limited expiration period of up to 20 years and € 415 million (2014: € 243 million) were unlimited.

The reduction in current tax expenses due to use of losses not yet taken into consideration, tax credits or as a result of a temporary difference from prior periods not yet recognized, amounts to € 24 million (2014: € 2 million). The decrease in deferred tax expenses due to use of losses not yet taken into consideration, tax credits or as a result of a temporary difference from prior periods not yet recognized, amounts to € 109 million (2014: increase of € 6 million).

The income resulting from non-recognition and the impairment of deferred taxes (or their reversal) in cases where it is no longer likely (or likely again) that sufficient taxable profit will be available to use the deferred tax asset, either in part or in full, amount to € 96 million (2014: tax income of € 47 million).

An amount of € 3 million (2014: € 32 million) of deferred tax assets is attributed to subsidiaries that generated losses in the current period or the previous period. This amount will presumably be realized within the next three years due to future taxable profit.

The increase in deferred tax assets due to business combinations amounts to € 159 million (2014: € 0 million).

Deferred taxes are to be recognized for temporary differences in relation to subsidiaries if their realization is probable. Deferred tax liabilities of € 143 million (2014: € 0 million) were recorded for reserves generated by subsidiaries. Apart from that, no deferred taxes have been recognized for the reserves generated by subsidiaries, as the profits are normally not subject to any considerable further taxation or are to be reinvested for an indefinite period of time. Furthermore, € 50 million (2014: € 5 million) of deferred tax liabilities were recorded in the reporting year for the future tax burden resulting from the sale of subsidiaries or joint ventures.

7 Other notes to the consolidated statement of profit or loss

The consolidated statement of profit or loss includes the following cost of materials:

in € million	2015	2014
Cost of raw materials, supplies and merchandise	17,757	10,739
Cost of purchased services	276	270
Other cost of materials	23	11
	18,056	**11,020**

The cost of raw materials, supplies and merchandise comprises costs amounting to € 0 million (2014: € 1 million) resulting from hedging against raw material price changes.

The breakdown of personnel expenses is as follows:

in € million	2015	2014
Wages and salaries	4,809	3,408
Social security and benefits expenses	923	684
Pension expenses	243	144
	5,975	**4,236**

Personnel expenses include expenses for defined contribution plans in the amount of € 353 million (2014: € 275 million). The expenses contained for the state plans amounting to € 274 million (2014: € 215 million) primarily comprise the employer's contribution to the state pension scheme, which is included in the social security expenses.

Termination benefits and other long-term employee benefits of € 25 million (2014: € 2 million) were recorded in the consolidated statement of profit or loss. They affect severance pay as well as expenses from additions to restructuring provisions.

Impairment losses on intangible assets in the amount of € 1 million (2014: € 4 million) are included in the research and development costs.

Impairment losses on property, plant and equipment in the amount of € 1 million (2014: € 4 million) are included under selling expenses (2014: cost of sales) in the consolidated statement of profit or loss.

Explanations on the impairments and the reversals of impairment losses are given under Note (16).

Amortization on intangible assets is included in the following consolidated statement of profit or loss items:

in € million	2015	2014
Cost of sales	461	170
Research and development costs	19	4
Selling expenses	149	7
General administrative expenses	17	13
	646	**194**

Depreciation on property, plant and equipment is included in the following consolidated statement of profit or loss items:

in € million	2015	2014
Cost of sales	1,025	672
Research and development costs	31	24
Selling expenses	9	8
General administrative expenses	50	40
	1,115	**744**

Research and development costs recorded in the fiscal year reached € 1,390 million (2014: € 891 million). This figure includes amortization for capitalized development costs of € 12 million (2014: € 1 million).

In the fiscal year, payments from operating leases or rental agreements in the amount of € 175 million (2014: € 105 million) were recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8 Current financial assets

in € million	Dec. 31, 2015	Dec. 31, 2014
Financial receivables	22	131
Derivative financial instruments	44	397
	66	**528**

The financial receivables do not include any overdue amounts that are not impaired. The financial receivables contain earmarked bank deposits of € 8 million (2014: € 5 million).

The allowances for the financial receivables have developed as follows:

in € million	2015	2014
Carrying amount as of Jan. 1	**4**	**4**
Net exchange differences	– 1	0
Utilization	1	0
Carrying amount as of Dec. 31	**2**	**4**

The gross value of the impaired financial receivables is € 2 million (2014: € 4 million).

As far as the financial receivables are concerned which are neither impaired nor overdue there have, as of the closing date, been no indications that the debtors would not meet their payment obligations.

9 Trade receivables

The trade receivables have the following age distribution:

in € million	Carrying amount	Thereof current	Neither impaired nor overdue	Not impaired and overdue for			
				1 to 30 days	31 to 60 days	61 to 360 days	more than 360 days
Dec. 31, 2015	4,778	4,777	4,521	171	54	2	29
Dec. 31, 2014	2,416	2,403	2,154	156	44	24	3

If payment plans have been agreed with customers, and provided that these are adhered to, these receivables are recognized as neither impaired nor overdue.

The allowances for current and non-current trade receivables have developed as follows:

in € million	2015	2014
Carrying amount as of Jan. 1	**56**	**26**
Net exchange differences	2	−1
Changes in the basis of consolidation	21	0
Additions	22	41
Utilization	25	3
Reversals	13	7
Carrying amount as of Dec. 31	**63**	**56**

The gross value of the impaired trade receivables is € 64 million (2014: € 91 million).

As far as the trade receivables are concerned which are neither impaired nor overdue there have, as of the closing date, been no indications that the debtors would not meet their payment obligations.

10 Other assets

in € million	Dec. 31, 2015		Dec. 31, 2014	
	Total	Thereof current	Total	Thereof current
Other tax receivables	358	316	140	137
Prepaid expenses	120	58	224	147
Receivables from employees	8	8	8	8
Sundry assets	132	52	48	43
	618	**434**	**420**	**335**

Other tax receivables are, for the most part, sales tax refund entitlements. Sundry assets comprise, in general, payments in advance, reimbursement claims and receivables from insurance companies.

The other assets do not include any overdue amounts that are not impaired.

The allowances for other current and non-current assets have developed as follows:

in € million	2015	2014
Carrying amount as of Jan. 1	**1**	**0**
Additions	0	1
Carrying amount as of Dec. 31	**1**	**1**

The gross value of the impaired receivables is € 1 million (2014: € 1 million).

11 Inventories

in € million	Dec. 31, 2015	Dec. 31, 2014
Raw materials and supplies	1,336	802
Work in progress	555	390
Finished goods and merchandise	975	666
Payments in advance	13	12
	2,879	**1,870**

Write-downs of inventories increased by € 48 million (2014: increase by € 23 million) to € 180 million (2014: € 132 million) in the fiscal year 2015.

12 Non-current financial assets

in € million	Dec. 31, 2015	Dec. 31, 2014
Investments in participations	71	69
Securities	958	959
Financial receivables	162	120
Net assets from defined benefit plans	600	0
Derivative financial instruments	18	0
	1,809	**1,148**

Investments in participations have developed as follows:

in € million	2015	2014
Carrying amount as of Jan. 1	**69**	**69**
Changes in the basis of consolidation	1	−2
Net exchange differences	0	2
Additions	4	5
Disposals	0	1
Write-downs	3	0
Reclassifications	0	−4
Carrying amount as of Dec. 31	**71**	**69**

Non-current financial assets include among other things the assets of special funds which serve to secure pension obligations to some extent. The assets of these special funds are shown under non-current securities and financial receivables.

The financial receivables contain non-current earmarked bank deposits and time deposit investments of € 77 million (2014: € 34 million). Of these, € 20 million is attributable to special funds (2014: € 30 million).

The financial receivables also include granted loans and direct insurance claims against life insurance policies of € 38 million (2014: € 39 million) as well as plan assets for other performance obligations exceeding the obligation toward employees in the amount of € 2 million (2014: € 12 million).

The financial receivables do not include any overdue amounts that are not impaired. No allowances on financial receivables are recorded as of the reporting date.

Concerning the non-current financial receivables, there are no indications that the debtors would not meet their payment obligations.

13 Associates

in € million	Dec. 31, 2015	Dec. 31, 2014
Investments in joint ventures	177	23
Investments in associates	131	0
	308	**23**

The joint ventures and associates, including the shareholding, are set out in the list of shares held.

ZF PWK Mécacentre S.A.S., St. Etienne, France, is classified as an associate despite the participation quota of 50%, as the company is not jointly controlled.

The total comprehensive income of the associates is as follows:

in € million	Investments in joint ventures		Investments in associates	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Net profit or loss after tax	8	49	14	0
Other comprehensive income	0	23	0	0
Total comprehensive income	8	72	14	0

14 Intangible assets

in € million	Goodwill	Patents, licenses, software and similar rights and assets	Development costs	Payments in advance	Total
Cost as of Jan. 1, 2014	**452**	**817**	**39**	**27**	**1,335**
Company acquisitions	0	21	0	0	21
Changes in the basis of consolidation	−6	1	0	0	−5
Net exchange differences	0	21	0	1	22
Additions	0	223	7	10	240
Reclassifications	0	32	0	−25	7
Disposals	0	141	0	0	141
Cost as of Dec. 31, 2014	**446**	**974**	**46**	**13**	**1,479**
Accumulated amortization as of Jan. 1, 2014	**47**	**407**	**25**	**0**	**479**
Changes in the basis of consolidation	−6	1	0	0	−5
Net exchange differences	0	15	0	0	15
Additions (amortization)	0	193	1	0	194
Additions (impairments)	0	4	0	0	4
Disposals	0	116	0	0	116
Reclassifications	0	3	0	0	3
Accumulated amortization as of Dec. 31, 2014	**41**	**507**	**26**	**0**	**574**
Carrying amount as of Dec. 31, 2014	**405**	**467**	**20**	**13**	**905**
Cost as of Jan. 1, 2015	**446**	**974**	**46**	**13**	**1,479**
Company acquisitions	4,109	5,310	173	0	9,592
Changes in the basis of consolidation	0	−1	0	0	−1
Net exchange differences	113	238	7	−1	357
Additions	0	285	11	57	353
Reclassifications	−216	−155	0	−9	−380
Disposals	0	83	7	1	91
Cost as of Dec. 31, 2015	**4,452**	**6,568**	**230**	**59**	**11,309**
Accumulated amortization as of Jan. 1, 2015	**41**	**507**	**26**	**0**	**574**
Changes in the basis of consolidation	0	−1	0	0	−1
Net exchange differences	0	11	0	0	11
Additions (amortization)	0	633	13	0	646
Additions (impairments)	0	1	0	0	1
Reclassifications	0	−17	0	0	−17
Disposals	0	77	7	0	84
Accumulated amortization as of Dec. 31, 2015	**41**	**1,057**	**32**	**0**	**1,130**
Carrying amount as of Dec. 31, 2015	**4,411**	**5,511**	**198**	**59**	**10,179**

In addition to EDP software acquired in return for payment, tooling subsidies paid to suppliers and capitalized development costs, intangible assets primarily comprise goodwill from the acquisition of companies.

Trademarks included at € 485 million (2014: € 10 million) are classified as intangible assets with indefinite useful lives since there is no foreseeable delimitation of the period during which the trademarks will presumably generate cash inflows. They are mainly allocated to the Active & Passive Safety Technology Division.

Goodwill

The goodwill arising on the acquisition of ZF TRW was partially allocated to the existing divisions of the consolidated ZF Group. The basis for determining the goodwill to be allocated to the existing divisions were the future expected synergies in the materials purchasing area and the administrative company organization. The synergy-based goodwill determined on this basis and allocated to the existing ZF divisions was allocated in line with the relative weight of the synergy potential attributable to these divisions. Accordingly, the goodwill arising from the TRW transaction was allocated to the existing ZF divisions as follows:

in € million	2015
Car Powertrain Technology	643
Car Chassis Technology	255
Commercial Vehicle Technology	214
Industrial Technology	174
Electronic Systems	54
	1,340

The goodwill remaining at the date of acquisition in the amount of € 2,769 million was allocated to the Active & Passive Safety Technology Division, which comprises the activities of the acquired ZF TRW.

Due to the higher relative weight of the activities of the existing ZF Group divisions in the eurozone, the goodwill allocated to these divisions is recognized in euro. I n contrast, the goodwill remaining for the new Active & Passive Safety Technology Division is recognized in U.S. dollar as a result of the higher relative weight of this division's activities in the U.S. dollar area.

An amount of € 216 million of the goodwill attributable to the Active & Passive Safety Technology Division was reclassified as of year-end to assets held for sale in connection with the proposed disposal of the Engineered Fasteners & Components business.

Accordingly, goodwill from the consolidation of investments in subsidiaries and from the individual financial statements is shown below:

in € million	Dec. 31, 2015	Dec. 31, 2014
Car Powertrain Technology	700	57
Car Chassis Technology	320	65
Commercial Vehicle Technology	354	139
Industrial Technology	186	12
Active & Passive Safety Technology	2,665	0
Electronic Systems	54	0
ZF Services	132	132
	4,411	**405**

15 Property, plant and equipment

in € million	Land and buildings	Technical equipment and machines	Other equipment, factory and office equipment	Payments in advance and con-struction in progress	Total
Cost as of Jan. 1, 2014	**1,818**	**5,709**	**2,034**	**495**	**10,056**
Company acquisitions	5	10	2	1	18
Changes in the basis of consolidation	3	1	1	0	5
Net exchange differences	31	110	28	17	186
Additions	57	344	163	441	1,005
Reclassifications	47	302	62	−403	8
Disposals	17	169	82	4	272
Cost as of Dec. 31, 2014	**1,944**	**6,307**	**2,208**	**547**	**11,006**
Accumulated depreciation as of Jan. 1, 2014	**779**	**4,109**	**1,498**	**0**	**6,386**
Changes in the basis of consolidation	1	1	1	0	3
Net exchange differences	7	70	18	0	95
Additions (depreciation)	54	516	174	0	744
Additions (impairments)	0	1	3	0	4
Reclassifications	0	2	1	0	3
Disposals	6	155	74	0	235
Accumulated depreciation as of Dec. 31, 2014	**835**	**4,544**	**1,621**	**0**	**7,000**
Carrying amount as of Dec. 31, 2014	**1,109**	**1,763**	**587**	**547**	**4,006**
Cost as of Jan. 1, 2015	**1,944**	**6,307**	**2,208**	**547**	**11,006**
Company acquisitions	580	1,799	250	392	3,021
Changes in the basis of consolidation	0	−9	−1	−2	−12
Net exchange differences	11	−77	−10	11	−65
Additions	29	331	237	693	1,290
Reclassifications	29	446	65	−708	−168
Disposals	4	175	81	0	260
Cost as of Dec. 31, 2015	**2,589**	**8,622**	**2,668**	**933**	**14,812**
Accumulated depreciation as of Jan. 1, 2015	**835**	**4,544**	**1,621**	**0**	**7,000**
Changes in the basis of consolidation	0	−4	−1	0	−5
Net exchange differences	3	14	0	0	17
Additions (depreciation)	79	762	274	0	1,115
Additions (impairments)	0	1	0	0	1
Reclassifications	−1	−2	−2	0	−5
Disposals	2	102	58	0	162
Reversals of impairments	0	3	2	0	5
Accumulated depreciation as of Dec. 31, 2015	**914**	**5,210**	**1,832**	**0**	**7,956**
Carrying amount as of Dec. 31, 2015	**1,675**	**3,412**	**836**	**933**	**6,856**

Assets from property, plant and equipment in the amount of € 21 million (2014: € 26 million) have been pledged as collateral for financial liabilities as well as for possible obligations from finance court cases. Property, plant and equipment includes rented buildings in the amount of € 12 million (2014: € 11 million) that, due to the content of the leasing contracts (finance lease), are considered the economic property of the Group. The leasing contracts for plant and office buildings include purchase options and pre-emption rights at the end of the term of the contracts.

The details on the minimum lease payments under the respective leasing contracts are as follows:

in € million	Dec. 31, 2015	Dec. 31, 2014
Total future minimum lease payments		
due within a year	6	3
due between one and five years	20	9
due after more than five years	15	20
	41	**32**
Interest portion included in the future minimum lease payments		
due within a year	2	1
due between one and five years	6	2
due after more than five years	7	12
	15	**15**
Present value of the future minimum lease payments		
due within a year	4	2
due between one and five years	14	7
due after more than five years	8	8
	26	**17**

16 Impairment tests

In the fourth quarter of 2015, the consolidated ZF Group performed impairment tests to assess the impairment of its assets. The reason for these impairment tests was a negative profit development in individual cash-generating units. The causes in this context were e.g. by unfavorable prices and a negative sales development due to an unfavorable development of macroeconomic factors in individual countries.

For technical equipment and machines, factory and office equipment as well as buildings, impairment losses were recorded in the following divisions:

in € million	2015	2014
Car Powertrain Technology	0	3
Car Chassis Technology	0	1
Active & Passive Safety Technology	1	0
	1	**4**

As part of the process, the assets of individual cash-generating units were measured at fair value less costs to sell.

The impairment losses are distributed by regions as follows:

in € million	2015	2014
Europe	1	3
Asia-Pacific	0	1
	1	**4**

In the previous year, no reversals of impairment losses were recorded. In the past fiscal year, the Car Powertrain Technology Division recorded reversals of impairment losses in the amount of € 2 million and reversals of impairment losses were recognized in the amount of € 3 million in the Industrial Technology Division.

For intangible assets, an impairment loss of € 1 million was recorded for capitalized software developments by the ZF Services Business Unit. In the previous year, an impairment loss of € 4 million was recorded for capitalized software developments by the Industrial Technology Division.

The annual impairment tests of goodwill and intangible assets with indefinite useful lives (trademark) led to no impairments as in the previous year. An increase of the discount rate by 10% would not have led to goodwill impairments.

Inter alia, assumptions were made with regard to the development of sales in order to calculate the impairment tests. The assumptions made for the average sales increase in the three-year planning period are as follows:

in %	2015	2014
Car Powertrain Technology	10	12
Car Chassis Technology	3	2
Commercial Vehicle Technology	4	5
Industrial Technology	6 to 12	9 to 11
Active & Passive Safety Technology	5	0
Electronic Systems	12	13
ZF Services	6	10

17 Investment property

The reclassification in the year under review results from leasing a property which is owned but no longer used by ZF.

An expert report on the determination of the fair value for the properties reported in this item was not obtained by the reporting date. It is assumed that the fair values are within a range of 10% compared to their carrying amount.

in € million	2015	2014
Cost as of Jan. 1	13	0
Additions	0	0
Reclassification	2	13
Disposals	0	0
Cost as of Dec. 31	**15**	**13**
Accumulated depreciation as of Jan. 1	8	0
Additions (depreciation)	0	0
Reclassification	2	8
Accumulated depreciation as of Dec. 31	**10**	**8**
Carrying amount as of Dec. 31	**5**	**5**

18 Financial liabilities

in € million	Carrying amount as of Dec. 31, 2015		Carrying amount as of Dec. 31, 2014	
	Total	Thereof current	Total	Thereof current
Bonds	5,592	63	0	0
Bonded loans	2,334	38	400	300
Liabilities to banks	1,836	237	291	131
Other financial liabilities	50	50	32	31
Liabilities from finance leases	26	4	17	2
Derivative financial instruments	69	44	31	28
	9,907	**436**	**771**	**492**

Under current financial liabilities, non-current loans are recognized with their redemption installments due within one year. Moreover, current liabilities which serve short-term financing purposes are included under this item. The country-specific interest rates on these short-term loans fluctuate between 0.6% (2014: 0.4%) and 8.9% (2014: 10.4%).

The country-specific interest rate on the loans reported in non-current financial liabilities is between 1.25% (2014: 0.6%) and 4.75% (2014: 10.0%). Approximately two thirds of these loans have a fixed interest rate. Most of the loans are due at the end of the contractual term.

For the purpose of financing the acquisition of ZF TRW, a syndicated loan agreement was entered into in 2014. Apart from other obligations, the loan agreement also includes financial covenants. One of the financial covenants is defined as the ratio of net financial debt to adjusted, consolidated EBITDA. This financial covenant provides for an upper limit of indebtedness of 2.75 as of December 31, 2015. The second financial covenant is calculated as the ratio between consolidated EBITDA and net interest expenses pursuant to which the ratio may not be lower than 5.5 as of December 31, 2015. The financial key figures are tested each quarter. ZF met the requirements at all test dates in the past and on the reporting date. In addition, the company issued bonds denominated in euro and U.S. dollar in a total amount of € 5,465 million and bonded loans of € 2,207 million to finance the acquisition of ZF TRW.

19 Other liabilities

in € million	Dec. 31, 2015		Dec. 31, 2014	
	Total	Thereof current	Total	Thereof current
Liabilities to employees	630	629	396	396
Social contributions	65	65	18	18
Other tax liabilities	266	265	82	80
Tooling subsidies received	640	271	279	107
Prepayments received	94	70	41	41
Professional association	6	6	6	6
Deferred income	27	6	33	12
Sundry liabilities	470	442	230	192
	2,198	**1,754**	**1,085**	**852**

Other tax liabilities are mainly sales tax liabilities. Sundry liabilities include, among others, outstanding charges, deferred liabilities for legal costs and costs of litigation as well as liabilities for licenses and commissions.

20 Other provisions

in € million	Dec. 31, 2015		Dec. 31, 2014	
	Total	Thereof current	Total	Thereof current
Obligations from sales	724	435	461	298
Obligations from personnel	190	30	149	12
Other obligations	279	115	81	66
	1,193	**580**	**691**	**376**

in € million	Jan. 1, 2015	Net exchange differences	Change of basis of consolidation	Addition	Unwinding of the discount	Reclassifications	Utilization	Reversals	Dec. 31, 2015
Obligations from sales	461	2	240	331	0	−1	240	69	724
Obligations from personnel	149	−4	48	37	2	0	32	10	190
Other obligations	81	−1	197	47	0	0	34	11	279
	691	**−3**	**485**	415	**2**	**−1**	**306**	**90**	**1,193**

The provisions for obligations from sales primarily include provisions for warranty, product liability and punitive damages as well as for potential losses from delivery obligations.

The provisions for obligations from personnel mainly include profit sharing, restructuring measures and long-service expenses. Provisions for restructuring measures, above all, contain expenses for severance pay which will arise within the context of plant closures and relocations.

Other obligations include, among other things, provisions for litigation risks and risks of participation, environmental protection measures, other punitive damages as well as other tax risks.

Utilization of all current provisions is expected for the following fiscal year.

Non-current obligations from sales are expected to be utilized at a rate of 98% within the next five years. Also, about 43% of the provisions contained in the non-current obligations from personnel and about 82% of other non-current obligations will presumably be utilized in the next five years.

Expected reimbursements as of December 31, 2015, amount to € 45 million (2014: € 7 million), of which € 44 million (2014: € 2 million) was capitalized as assets.

21 Provisions for pensions

Provisions for pensions are set up for obligations from vested benefits and current pensions for entitled current and former employees of the consolidated ZF Group and their surviving dependents. Various retirement pension fund systems exist that depend on the legal, economic and tax situation in the respective country, which – as a regular rule – are based on the length of service and emoluments of the employees. A distinction has to be made in connection with company pension schemes between defined contribution plans and defined benefit plans.

Under defined contribution plans, the consolidated ZF Group does not enter into any obligations apart from the payment of contributions into earmarked funds and private pension insurance carriers.

Under defined benefit plans, the obligation of the consolidated ZF Group consists of fulfilling promised benefits to current and former employees, whereby a distinction is made between unfunded and funded pension systems.

The following paragraphs describe the most significant pension and post-employment medical care plans of the consolidated ZF Group. The essential risks for the company lie with the actuarial parameters, in particular interest rate and pension trend, the longevity risk and the development of general cost of living (inflation).

Germany (D)

Until December 31, 1993, defined benefit obligations depending on time of service and salary were granted. These were frozen and since then, they have been further developed according to the cost of living index. As of January 1, 1997, so-called pension modules were promised to pay-scale employees; the amount depends on the pensionable income in relation to the social security contribution ceiling of the statutory pension insurance. Since January 1, 2005, the annual pension modules have been decoupled from the social security contribution ceiling. Since then, its determination has been dependent upon the salary, the respective classification of the position within the company hierarchy and the employee's age.

Within the scope of the acquisition of ZF TRW, ZF also acquired unfunded defined benefit plans in Germany. The plans are only open for new entries of executive managers. The plan benefits depend upon salary, length of service and the cost of living index.

In Germany, there are no legal or regulatory minimum funding requirements.

United States of America (USA)

Due to the acquisition of ZF TRW, ZF maintains defined benefit plans in the USA. These plans are closed for new entrants. Any vesting of further entitlements is also no longer possible. The plans are funded and comply with the provisions of the U.S. Employee Retirement Income Security Act (ERISA).

In addition, ZF finances several unfunded post-employment medical care plans. These plans are closed for new entrants. The level of the benefits and the contributions for pensioners differ depending on the location. The major risks for grants of medical care benefits are increasing medical care costs as well as a decreasing participation of the government in these costs. Moreover, these plans are subject to risks typical for defined-benefit grants, in particular the risk from changes in discount rates.

United Kingdom (GB)

ZF maintains funded defined benefit plans that have been closed. The major part of the defined benefit plans result from the acquisition of ZF TRW. The plans are maintained pursuant to legal provisions and are managed by trust companies. The necessary financing is determined every three years by technical valuations in compliance with local provisions.

Defined benefit plans

Changes in the present value of the defined benefit obligation and the fair value of the plan assets can be based on actuarial gains and losses. These can be caused, among other things, by changes in the calculation parameters, changes in estimates with regard to the risk trend of the pension obligations and differences between the actual and the expected return on plan assets.

The amount of the pension obligations (present value of the defined benefit obligation) was calculated in accordance with actuarial methods for which estimates are unavoidable. In addition to assumptions on life expectancy, fluctuation and expected salary increases, the following premises have a material effect on the amount of the obligation:

	2015			2014
in %	**D**	**USA**	**GB**	
Discount rate	2.6	4.5	3.9	2.1
Pension increases	1.3 – 1.8	0.0	2.0 – 3.0	1.3

The average maturity period of the defined benefit obligations is as follows:

	2015			2014
in years	**D**	**USA**	**GB**	
Average maturity	18	15	19	19

The pension obligations were measured using current mortality tables as of December 31 of the relevant fiscal year. The following mortality tables were used in the significant countries as of December 31, 2015:

D	Heubeck 2005 G
USA	RP2014, projected by MP2014
GB	S1PMA and S1PFA with CMI 2015

The pension obligations resulting under the projected unit credit method are netted in the case of a funded pension system with the plan assets measured at fair value. As soon as the plan assets exceed the pension obligations, an asset is created which is recognized under non-current financial assets.

The funding status of the pension obligations is as follows:

	2015				
in € million	**D**	**USA**	**GB**	**Other**	**Total**
Present value of unfunded defined benefit obligations	3,925	29	17	79	4,050
Present value of funded defined benefit obligations	80	292	1,344	88	1,804
Present value of the defined benefit obligations	**4,005**	**321**	**1,361**	**167**	**5,854**
Plan assets	54	231	1,934	73	2,292
Net liabilities	**3,951**	**90**	**−573**	**94**	**3,562**

	2014				
in € million	**D**	**USA**	**GB**	**Other**	**Total**
Present value of unfunded defined benefit obligations	3,651	0	0	56	3,707
Present value of funded defined benefit obligations	52	4	164	15	235
Present value of the defined benefit obligations	**3,703**	**4**	**164**	**71**	**3,942**
Plan assets	25	2	94	18	139
Net liabilities	**3,678**	**2**	**70**	**53**	**3,803**

In Germany, unfunded defined benefit obligations are financed in part via special funds. The fair value amounts to € 1,008 million (2014: € 987 million). The assets are mainly shown under non-current securities and financial receivables in the consolidated statement of financial position.

The development of the present value of the defined benefit obligations and the plan assets at fair value is presented as follows:

in € million	D	USA	GB	Other	Total
	2015				
Present value of the defined benefit obligations as of Jan. 1	**3,703**	**4**	**164**	**71**	**3,942**
Net exchange differences from plans abroad	2	15	29	−4	42
Company acquisitions	575	322	1,330	94	2,321
Current service costs	123	1	1	7	132
Past service costs	13	0	0	0	13
Settlements	0	0	0	10	10
Interest expenses	82	9	36	4	131
Contributions by plan participants	13	0	0	0	13
Actuarial gains (–) and losses (+) from the change in demographic assumptions	0	0	13	1	14
Actuarial gains (–) and losses (+) from the change in financial assumptions	−409	−25	−164	−5	−603
Actuarial gains (–) and losses (+) due to experience adjustments	29	−3	−18	2	10
Pension payments	126	2	30	13	171
Present value of the defined benefit obligations as of Dec. 31	**4,005**	**321**	**1,361**	**167**	**5,854**
Plan assets at fair value as of Jan. 1	**25**	**2**	**94**	**18**	**139**
Net exchange differences from plans abroad	0	10	32	−4	38
Company acquisitions	29	226	1,846	54	2,155
Settlements	0	0	0	−2	−2
Expected return on plan assets	4	6	46	3	59
Actuarial gains (–) and losses (+) from the change in financial assumptions	0	−16	−54	−1	−71
Employer contributions to the plan assets	10	9	2	9	30
Pension payments	14	2	30	4	50
Other changes	0	−4	−2	0	−6
Plan assets at fair value as of Dec. 31	**54**	**231**	**1,934**	**73**	**2,292**
Provisions for pensions as of Jan. 1	**3,678**	**2**	**70**	**53**	**3,803**
Provisions for pensions as of Dec. 31	**3,951**	**90**	**−573**	**94**	**3,562**

in € million	2014 D	USA	GB	Other	Total
Present value of the defined benefit obligations as of Jan. 1	**2,694**	**5**	**117**	**42**	**2,858**
Net exchange differences from plans abroad	0	0	0	7	7
Current service costs	64	0	1	5	70
Past service costs	16	0	0	0	16
Settlements	0	−3	0	0	−3
Interest expenses	102	0	4	3	109
Contributions by plan participants	15	0	0	0	15
Actuarial gains (−) and losses (+) from the change in demographic assumptions	1	0	0	2	3
Actuarial gains (−) and losses (+) from the change in financial assumptions	932	2	44	14	992
Actuarial gains (−) and losses (+) due to experience adjustments	9	0	0	0	9
Pension payments	130	0	2	2	134
Present value of the defined benefit obligations as of Dec. 31	**3,703**	**4**	**164**	**71**	**3,942**
Plan assets at fair value as of Jan. 1	**28**	**3**	**86**	**12**	**129**
Net exchange differences from plans abroad	0	0	6	1	7
Settlements	0	−1	0	0	−1
Expected return on plan assets	1	0	4	0	5
Actuarial gains (−) and losses (+) from the change in financial assumptions	0	0	−2	4	2
Employer contributions to the plan assets	1	0	2	2	5
Pension payments	5	0	2	1	8
Plan assets at fair value as of Dec. 31	**25**	**2**	**94**	**18**	**139**
Provisions for pensions as of Jan. 1	**2,666**	**2**	**31**	**30**	**2,729**
Provisions for pensions as of Dec. 31	**3,678**	**2**	**70**	**53**	**3,803**

The pension obligations result in expenses recognized through profit or loss of € 227 million (2014: € 188 million), which are made up of the following components:

in € million	2015				
	D	USA	GB	Other	Total
Current service costs	123	1	1	7	132
Past service costs	13	0	0	0	13
Curtailments and settlements	0	0	0	10	10
Unwinding the discount on net liabilities	78	3	−10	1	72
	214	**4**	**−9**	**18**	**227**

in € million	2014				
	D	USA	GB	Other	Total
Current service costs	64	0	1	5	70
Past service costs	16	0	0	0	16
Curtailments and settlements	0	−2	0	0	−2
Unwinding the discount on net liabilities	101	0	0	3	104
	181	**−2**	**1**	**8**	**188**

All components of the pension expenses recognized in profit or loss, with the exception of the interest portion, are reported in the functional areas.

The actuarial gains amounting to € 508 million (2014: losses of € 1,002 million) are recorded in retained earnings with no effect on profit or loss.

The plan assets consist of the following items:

in € million	2015	2014
Cash	167	47
Securities		
Equity instruments	88	28
Debt instruments	1,916	35
Fund shares	31	44
Land and buildings	73	0
Other	17	−15
	2,292	**139**

Securities are measured at prices quoted on active markets.

According to the best possible estimate, contributions to external pension funds will amount to € 60 million for the next year. The 2014 estimate for the fiscal year 2015 was € 3 million.

Pension payments until 2060 are as follows:

in € million	2015	2014
within the upcoming fiscal year	206	130
between 2 and 5 years	759	507
between 5 and 10 years	1,144	699
due after more than 10 years	10,297	6,193

The calculation presents the actual pension payments and not just the pension modules earned by employee service rendered as of the closing date, i.e. pension modules that are to be allocated in future are also considered. In addition, it was assumed that the number of active employees remains constant. For the other calculation assumptions, the same parameters were used as for the determination of the defined benefit obligations.

The effect of a change in significant assumptions on the defined benefit obligations is shown in the following:

Changes of the present value in € million	2015					2014
	D	USA	GB	Other	Total	Total
Discount rate						
−0.25%	+157	+11	+65	+14	+247	+174
0.25%	−146	−11	−60	−13	−230	−162
Pension increases						
−0.25%	−96	0	−45	−1	−142	−106
0.25%	+102	0	+48	+1	+151	+112
Life expectancy						
−1 Jahr	−146	−5	−31	−1	−183	−141
+1 Jahr	+145	+5	+30	+1	+181	+140

For the sensitivity analysis, pension obligations were re-measured. It was assumed that all other factors remain unchanged. For calculating the sensitivity of life expectancy, it was assumed that the average life expectancy of a 65-year-old individual will be increased and/or reduced by one year.

Disclosures on medical care benefits
Certain foreign subsidiaries, in particular in the USA and Canada, grant post-retirement benefits to their employees if specific conditions as to age and period of employment are met.

The average maturity period of the defined benefit obligations is nine years.

The development of the present value of the defined benefit obligations and the plan assets at fair value is presented as follows:

in € million	2015
Present value of the defined benefit obligations as of Jan. 1	**0**
Company acquisitions	339
Net exchange differences from plans abroad	3
Current service costs	1
Past service costs	−7
Interest expenses	8
Contributions by plan participants	1
Actuarial gains (−) and losses (+) from the change in demographic assumptions	−1
Actuarial gains (−) and losses (+) from the change in financial assumptions	−21
Actuarial gains (−) and losses (+) due to experience adjustments	−2
Pension payments	18
Present value of the defined benefit obligations as of Dec. 31	**303**
Plan assets at fair value as of Jan. 1	**0**
Employer contributions to the plan assets	17
Employee contributions	1
Pension payments	−18
Plan assets at fair value as of Dec. 31	**0**
Provisions for pensions as of Jan. 1	**0**
Provisions for pensions as of Dec. 31	**303**

The premises for discounting for the purpose of calculating the obligations for medical care benefits vary depending on the circumstances in the individual countries. As of December 31, 2015, the valuation factors for discounting were between 3.8% and 3.9%.

The net expenses of the obligations for medical care benefits are comprised of as follows:

in € million	2015
Current service costs	1
Past service costs	−7
Unwinding the discount on net liabilities	8
	2

The actuarial gains amounting to € 24 million are recorded in retained earnings with no effect on profit or loss.

The effect of a change in significant assumptions on the medical care obligations is shown in the following:

in € million	2015
Discount rate	
−0.25%	+7
0.25%	−6
Life expectancy	
−1 year	−4
+1 year	+4

22 Assets held for sale and disposal groups

On January 25, 2016, ZF TRW concluded an agreement with Illinois Tool Works (ITW) to sell its Engineered Fasteners & Components business activity after the Supervisory Board of ZF Friedrichshafen AG granted its consent in December. The full transfer of the business activity is expected to be completed in the first half of 2016. The sale is expected to generate disposal proceeds of around USD 450 million. The Engineered Fasteners & Components business activity, with its headquarters in Enkenbach-Alsenborn (Germany) employs 3,500 people worldwide at 13 locations in nine countries and manufactures fastening solutions, precision moldings from plastics, modules and components. In accordance with the rules set out in IFRS 5, the business activities put for sale qualify as assets held for sale and were reclassified accordingly as of year-end 2015.

in € million	2015
Current assets	
Cash	16
Trade receivables	70
Other assets	2
Inventories	19
Non-current assets	
Other assets	18
Intangible assets	408
Property, plant and equipment	118
Deferred taxes	6
Assets of disposal groups	**657**
Current liabilities	
Financial liabilities	4
Trade payables	89
Other liabilities	39
Income tax provisions	2
Other provisions	1
Non-current liabilities	
Other liabilities	39
Provisions for pensions	13
Other provisions	1
Deferred taxes	56
Liabilities of disposal groups	**244**

23 Equity

Subscribed capital

At the end of the fiscal year, the subscribed capital still amounts to € 500 million. As of December 31, 2015, the subscribed capital is divided into 500,000,000 registered shares. All shares are fully paid in.

Capital reserve

At the end of the fiscal year, the capital reserve still amounts to € 386 million. The capital reserve comprises the premium on the issuance of shares. It is subject to the restrictions of § 150 AktG (German Stock Corporation Law).

Other retained earnings

Other retained earnings contain the legal reserve of ZF Friedrichshafen AG and the accumulated earnings of the companies included in the consolidated financial statements to the extent not distributed. Asset and liability differences resulting from the capital consolidation in accordance with the book value method and the previously used accounting policies are also accounted for in this line item. Other components include the reserves from the first-time adoption of IFRS and the cumulative currency translation adjustments, which were reclassified when changing over to IFRS.

Foreign currency translation differences

The line item contains amounts not affecting profit or loss that result from the currency translation of the financial statements from foreign subsidiaries (non-euro area) recognized starting from the date of the first-time adoption of IFRS.

The change in equity resulting from foreign currency translation differences amounting to € 136 million (2014: € 195 million) is attributed to non-controlling interests with € – 12 million (2014: € 7 million).

Mark-to-market of securities and cash flow hedges

This line item includes the post-tax effects of the financial instruments valuation that do not affect profit or loss.

Actuarial gains and losses

This line item contains the actuarial gains and losses from employer pension plans after tax, with no effect on profit or loss.

Deferred taxes on equity items not affecting profit or loss

in € million	2015			2014		
	Before income tax	Income tax	After tax	Before income tax	Income tax	After tax
Foreign currency translation differences	169	0	169	172	0	172
Mark-to-market of securities	12	−3	9	−11	3	−8
Mark-to-market of cash flow hedges	−403	132	−271	357	−113	244
Actuarial gains and losses	532	−145	387	−1,002	278	−724
Other comprehensive income from associates	−37	0	−37	23	0	23
Other comprehensive income	**273**	**−16**	**257**	**−461**	**168**	**−293**

Dividends

ZF Friedrichshafen AG has proposed a dividend payout of € 50 million for the fiscal year 2015 (€ 0.10 per share). In the fiscal year, a dividend of € 50 million (€ 0.10 per share) for 2014 was paid.

24 Disclosures on capital management

The primary objective of capital management at the consolidated ZF Group is to ensure a sufficiently stable equity ratio in order to support the continued business activities, to protect shareholder interests and to maintain the ZF Group’s financial stability. To achieve this objective, ZF seeks a systematic redemption of the financial liabilities borrowed in connection with the acquisition of ZF TRW. Another goal of the Group’s capital management is to maintain a solid credit rating by the commissioned rating agencies.

In order to determine the equity ratio, the equity disclosed in the consolidated statement of financial position is used.

	Dec. 31, 2015	Dec. 31, 2014
Equity in € million	5,850	4,519
Equity ratio in %	19	34

ZF Friedrichshafen AG is not subject to by-laws-based capital requirements.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

25 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 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 is adjusted by the financial result in the cash flow from operating activities.

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.

26 Acquisitions of shares in consolidated companies

The assets and liabilities of consolidated companies received on the date of acquisition are composed as follows:

in € million	2015	2014
Current assets	4,979	46
thereof cash and cash equivalents	703	16
Non-current assets	9,726	38
Current liabilities	4,172	33
Non-current liabilities	4,284	8

The complete purchase price of € 10,147 million was paid in cash in the fiscal year.

27 Proceeds from the sale of consolidated companies

The divestments in assets and liabilities from the share deals in the period under review relate to the following:

in € million	2015	2014
Current assets	172	158
thereof cash and cash equivalents	7	24
Non-current assets	378	166
Current liabilities	144	98
Non-current liabilities	10	111

The purchase price amounted to € 396 million and was paid by the purchasers in cash in 2015.

OTHER DISCLOSURES

28 Contingent liabilities

No provisions were set up for the following contingent liabilities, which are recognized at nominal values, because the probability of a claim is deemed to be low:

in € million	Dec. 31, 2015	Dec. 31, 2014
Guarantees	66	40
thereof for participations	19	6
Other	106	98
	172	**138**

The guarantees are due within a year when fully utilized. The other contingent liabilities essentially refer to potential liabilities from procurement and personnel as well as from litigation and other taxes. There are collaterals for contingent liabilities amounting to € 0 million (2014: € 5 million).

29 Other financial obligations

In addition to liabilities, provisions and contingent liabilities, other financial obligations result in particular from rental and leasing agreements, investment projects launched and procurement agreements initiated.

in € million	Dec. 31, 2015	Dec. 31, 2014
Rental and leasing payments	631	292
Purchase commitments	768	594
Payment obligations on participations	2	6
	1,401	**892**

The purchase commitments account for € 187 million (2014: € 144 million) for intangible assets and € 581 million (2014: € 450 million) for property, plant and equipment.

The total future minimum lease payments from non-cancelable rental agreements and operating leases by maturities are as follows:

in € million	Dec. 31, 2015	Dec. 31, 2014
Nominal total future minimum lease payments		
due within a year	159	84
due between one and five years	351	156
due after more than five years	121	52
	631	**292**

The major rental agreements refer to production, warehousing and office buildings with terms of up to 30 years. Besides price adjustment clauses that provide for an annual fixed percentage increase, some contracts also contain agreements that are aligned with a change in the defined consumer price indexes. Most agreements include extension options or automatic contract extensions. For some leased objects, the option to acquire them is part of the agreement. Additional leasing contracts refer to fleet, machines, computer hardware and software as well as other factory and office equipment with terms of up to ten years.

For some of these contracts, extension options or automatic contract extensions are available, as well as options to acquire the object leased at the end of the contractual period at market value.

30 Litigation

For a pending antitrust case at ZF TRW, a provision for possible penalties in the amount of the expected risk 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 previous fiscal year 2014, the premises of a 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. ZF fully cooperated with the investigating authorities. The duration and outcome of the procedure are uncertain.

Apart from that, neither ZF Friedrichshafen AG 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. Adequate provisions have been set up by the respective Group companies for probable financial exposure from other court or arbitration proceedings.

31 Disclosures on 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	Dec. 31, 2015	Dec. 31, 2014
Assets		
Loans and receivables	6,457	3,797
Available-for-sale financial assets	1,019	934
Financial assets at fair value through profit or loss	10	78
Financial assets held for trading	6	11
Derivative financial instruments (hedge accounting) [1]	56	386
	7,548	**5,206**
Liabilities		
Financial liabilities at amortized cost	14,815	3,163
Liabilities from finance leases [1]	26	17
Financial liabilities held for trading	0	3
Derivative financial instruments (hedge accounting) [1]	69	28
	14,910	**3,211**

[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	Dec. 31, 2015		Dec. 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans and receivables				
Cash and cash equivalents	1,495	1,495	1,114	1,114
Financial receivables	160	160	251	251
Trade receivables	4,778	4,778	2,416	2,416
Securities	24	24	16	16
	6,457	**6,457**	**3,797**	**3,797**
Liabilities				
Financial liabilities at amortized cost				
Bonds	5,592	5,555	0	0
Bonded loans	2,334	2,373	402	411
Liabilities to banks	1,836	1,894	298	283
Other financial liabilities	50	50	23	23
Trade payables	5,003	5,003	2,440	2,440
Liabilities from finance leases[1)]	26	27	17	18
	14,841	**14,902**	**3,180**	**3,175**

[1)] No IAS 39 measurement categories.

The securities of € 24 million are shown in the consolidated statement of financial position under financial receivables from non-current financial assets.

The following table shows the allocation of the fair values of the financial instruments recognized at amortized cost to the three levels of the fair value hierarchy:

in € million	**Dec. 31, 2015**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Loans and receivables				
Cash and cash equivalents	0	1,495	0	1,495
Financial receivables	0	160	0	160
Trade receivables	0	4,778	0	4,778
Securities	0	0	24	24
	0	6,433	24	6,457
Liabilities				
Financial liabilities at amortized cost				
Bonds	5,555	0	0	5,555
Bonded loans	0	2,373	0	2,373
Liabilities to banks	0	1,894	0	1,894
Other financial liabilities	0	50	0	50
Trade payables	0	5,003	0	5,003
Liabilities from finance leases [1]	0	27	0	27
	5,555	9,347	0	14,902

[1] No IAS 39 measurement categories.

in € million	**Dec. 31, 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Loans and receivables				
Cash and cash equivalents	0	1,114	0	1,114
Financial receivables	0	251	0	251
Trade receivables	0	2,416	0	2,416
Securities	0	0	16	16
	0	3,781	16	3,797
Liabilities				
Financial liabilities at amortized cost				
Bonded loans	0	411	0	411
Liabilities to banks	0	283	0	283
Other financial liabilities	0	23	0	23
Trade payables	0	2,440	0	2,440
Liabilities from finance leases [1]	0	18	0	18
	0	3,175	0	3,175

[1] No IAS 39 measurement categories.

Except for bonds, the market values of assets and liabilities were calculated using the net present value method. Here, the future cash flows were discounted with the current risk-free interest rates matching the maturities plus a credit risk markup common in the industry. Bonds were calculated using the fair value on the market.

Financial liabilities from finance lease contracts are recognized considering the contractually agreed interest rate. The fair value was determined according to the standard market interest rate.

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 € 71 million, the amount of € 69 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.

in € million	Dec. 31, 2015	Dec. 31, 2014
Assets		
Available-for-sale financial assets		
Securities	948	865
Investments in participations	2	2
Financial assets at fair value through profit or loss		
Securities	10	78
Financial assets held for trading		
Derivative financial instruments	6	11
Derivative financial instruments (hedge accounting) [1]	56	386
	1,022	**1,342**
Liabilities		
Financial liabilities held for trading		
Derivative financial instruments	0	3
Derivative financial instruments (hedge accounting) [1]	69	28
	69	**31**

[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.

in € million	Dec. 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Securities				
Shares	132	0	0	132
Fixed-interest securities	296	13	0	309
Fund shares	386	0	2	388
Alternative investments	34	80	15	129
Investments in participations	2	0	0	2
Derivative financial instruments	2	60	0	62
	852	**153**	**17**	**1,022**
Liabilities				
Derivative financial instruments	1	68	0	69

in € million	Dec. 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Securities				
Shares	114	0	2	116
Fixed-interest securities	322	3	0	325
Fund shares	395	0	0	395
Alternative investments	35	57	15	107
Investments in participations	2	0	0	2
Derivative financial instruments	0	242	155	397
	868	**302**	**172**	**1,342**
Liabilities				
Derivative financial instruments	4	27	0	31

For level 1 securities, the fair value is recognized directly as the quoted price on an always active market. The active market is either the stock exchange of the respective country or a comparable trading platform offering the liquidity and transparency of the underlying asset. An active market is characterized by the fact that mainly homogeneous assets are traded at publicly available prices and that there are usually willing buyers and sellers at any time, e.g. stock exchanges or commodity exchanges.

Level 2 includes classes whose prices can be derived or modeled from parameters which can be observed on the market. This includes in particular observable interest rates, exchange rates or comparable instruments. Interest-bearing securities with slightly delayed direct quotation are also included in level 2. For real estate funds contained in level 2, the continued ability for redemption on an active market is contractually ensured.

From level 1 of the fair value hierarchy, securities amounting to € 59 million were reclassified to level 2 as a result of the deteriorated market liquidity of the relevant securities on the stock exchange during the current fiscal year compared to the prior year.

From level 2 of the fair value hierarchy, securities amounting to € 71 million were reclassified to level 1 as a result of the improved market liquidity of the relevant securities on the stock exchange during the current fiscal year compared to the prior year.

The level 3 securities involve interests in private equity funds. The private equity umbrella funds hold shares in non-listed companies. The market values of level 3 securities are determined on the basis of currently available information from the funds' managers. A significant change of the underlying future cash flows and the interest rate, which implies a change of the discount factor, would influence the fair values of these securities.

Investments in participations which are traded on an active market are recognized at share prices of the stock exchange of the respective country.

Derivative financial instruments of level 1 concern tradable derivatives, such as futures. Their fair value corresponds to the value traded on the futures exchange.

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 securities assigned to level 3 of the fair value hierarchy:

	Securities		Derivatives	
in € million	**2015**	**2014**	**2015**	**2014**
As of Jan. 1	**17**	**13**	**155**	**0**
Fair value changes recognized through other comprehensive income	0	1	209	155
Fair value gains/losses	0	2	0	0
Purchases	2	5	0	0
Sales	−2	0	0	0
Liquidation of derivative positions	0	0	−364	0
Reclassification of plan assets	0	−4	0	0
As of Dec. 31	**17**	**17**	**0**	**155**

Gains and losses recognized in profit or loss are recognized in other financial income and financial expenses. Gains not affecting profit or loss are recognized in the market valuation of securities or market valuation of cash flow hedges.

Net gains and losses by measurement categories

in € million	Interests	Impairments	Other net gains and losses	Total net gains and losses
2015				
Loans and receivables	32	−11	39	**60**
Available-for-sale financial assets				
recognized at fair value	14	−13	10	**11**
recognized at cost	0	−2	3	**1**
Financial assets at fair value through profit or loss	0	0	5	**5**
Financial instruments held for trading	0	0	16	**16**
Financial liabilities at amortized cost	−306	0	−26	**−332**
2014				
Loans and receivables	20	−41	56	**35**
Available-for-sale financial assets				
recognized at fair value	14	2	41	**57**
recognized at cost	0	0	152	**152**
Financial assets at fair value through profit or loss	1	0	2	**3**
Financial instruments held for trading	0	0	−109	**−109**
Financial liabilities at amortized cost	−62	0	−17	**−79**

Other net gains and losses related to “Loans and receivables” primarily contain exchange rate gains and losses from foreign currency receivables as well as income derived from reversals of impairments on trade receivables.

The other net gains and losses in the “Available-for-sale financial assets (recognized at fair value)” measurement category include exchange rate gains and losses. The gain or loss recognized in other comprehensive income during the reporting period as well as the amount reclassified from equity to profit or loss is shown in the consolidated statement of comprehensive income.

The other net gains and losses in the “Available-for-sale financial assets (recognized at cost)” measurement category essentially include the dividend income from participations.

The other net gains and losses of the “Financial assets recognized at fair value through profit or loss” measurement category include, in particular, the unrealized fair value gains and losses from securities in this category as well as exchange rate gains and losses.

The other net gains and losses of “Financial instruments held for trading” mainly include exchange rate gains and losses as well as unrealized income and expenses from the valuation of derivative financial instruments.

The other net gains and losses from the “Financial liabilities at amortized cost” measurement category primarily contain all exchange rate gains and losses from foreign currency liabilities as well as income from derecognized liabilities.

Offsetting financial assets and financial liabilities
Financial assets and liabilities which are subject to settlement agreements, enforceable master netting arrangements and similar agreements:

in € million	Dec. 31, 2015		
	Gross amount	Offsetting	Net amount
Offset items			
Trade receivables (current)	4,838	61	4,777
Trade payables	5,048	61	4,987
Eligible for offsetting in the event of insolvency			
Derivative financial instruments (assets)	62	12	50
Derivative financial instruments (liabilities)	69	12	57

in € million	Dec. 31, 2014		
	Gross amount	Offsetting	Net amount
Trade receivables (current)	2,446	43	2,403
Trade payables	2,483	43	2,440

The framework contracts concluded with our banks for financial futures regulate, among other things, that in the event of insolvency of a contracting party, existing contracts will have to be terminated and settled at the respective market value. Provided that several transactions are settled for a contracting party, positive and negative market values are offset and only the remaining difference is settled. As of December 31, 2015, no risk arises from this regulation due to the excellent credit rating of our banks.

32 Risks from financial instruments

Management of financial risks
The risk management system of ZF’s Finance Department covers counterparty and credit risks with customers and suppliers, liquidity and interest rate risks as well as currency and raw material price risks.

Reports on the essential risk positions of the consolidated ZF Group are presented to the Board of Management and the Supervisory Board on a regular basis. Compliance with the guidelines is audited by the internal auditors. The market price risk from securities as well as the foreign currency risk is measured based on a value-at-risk analysis. The value-at-risk indicates only the potential risk of loss, which with defined probability will not be exceeded within a specifically determined time frame (holding period). However, the method does not provide any information as to the time such a threshold might be crossed or the amount of the expected loss in case the value-at-risk is exceeded. As a result, the actual development may deviate from the result of the value-at-risk analysis.

The companies of the consolidated ZF Group hedge their interest rate, foreign currency and raw material price risks at prevailing market conditions either through ZF Cash Management at ZF Friedrichshafen AG or directly with banks. Derivative financial instruments with plain vanilla character are used. These are used exclusively to hedge existing underlying or forecast transactions.

Risk items of ZF Cash Management are hedged externally at banks with excellent credit rating taking into account prescribed risk limits. Hedging transactions are concluded in accordance with uniform corporate policies and in line with bank regulations on the operating of trading business. They are subject to stringent monitoring, which is ensured in particular by the strict separation of duties between trading, settlement and control.

Credit and counterparty risk

Credit risk is the risk that contractual partners in the areas of financial investments, financial receivables and trade receivables will not meet their payment obligations.

In order to reduce the counterparty risk for financial investments, all financial transactions are carried out only with banks with a first-class credit rating within the framework of defined limits.

The financial assets of the consolidated group lead to a maximum credit risk if one counterparty defaults, amounting to the carrying amount of the respective line item without considering collateral received (plus the maximum utilization for financial guarantees as well as loan commitments to third parties).

The amount of outstanding trade receivables mainly concerns passenger car, commercial vehicle and off-road machinery manufacturers worldwide.

In order to reduce the credit risk, the credit worthiness of customers with whom business is conducted on a credit basis as well as our receivables are subject to continuous monitoring. In some instances, credit risks are reduced by appropriate hedging measures such as trade credit insurances. The carrying amount of trade receivables covered by trade credit insurances is € 293 million (2014: € 301 million).

In the previous year, there were financial receivables that were collateralized by pledged machines and systems in the amount of € 7 million. These financial receivables were fully repaid in the fiscal year.

The creditworthiness of our strategic suppliers is constantly monitored in order to secure our value added chain. By concentrating new contract awarding decisions on creditworthy suppliers, the portfolio quality of our suppliers is continuously improved.

Liquidity risk

The expected future outflow of funds due to principal and interest payments for financial liabilities and trade payables is contained in the medium-term liquidity planning.

The following table lists the maturity structure of principal and interest payments for the financial liabilities and trade payables:

in € million	Carrying amount as of Dec. 31, 2015	Cash outflow		
	Total	2016	2017 to 2021	2022 and beyond
Bonds	5,592	207	2,993	3,837
Bonded loans	2,334	55	1,997	497
Liabilities to banks	1,836	266	1,681	20
Other financial liabilities	50	51	0	0
Trade payables	5,003	4,987	16	0
Liabilities from finance leases	26	6	20	15
	14,841	**5,572**	**6,707**	**4,369**

in € million	Carrying amount as of Dec. 31, 2014	Cash outflow		
	Total	2015	2016 to 2020	2021 and beyond
Bonded loans	400	305	107	0
Liabilities to banks	291	139	148	29
Trade payables	2,440	2,440	0	0
Other financial liabilities	32	32	1	0
Liabilities from finance leases	17	3	9	20
	3,180	**2,919**	**265**	**49**

In the context of the acquisition of TRW, syndicated financing of € 12.5 billion was agreed with 23 banks in September 2014. The overall financing is divided into bridge financing of € 7.5 billion with a maximum term of two years, term loans in a total amount of € 3.5 billion with terms of three and five years as well as a revolving credit line in a total amount of € 1.5 billion with a term of five years.

As of December 31, 2015, the term loans within the framework of the syndicated financing were utilized in an amount of € 1.5 billion. The remaining amount of the term loans (€ 2.0 billion) has been terminated or prepaid in the meantime and is no longer available. The revolving credit line was not utilized in the amount of € 1.5 billion.

The bridge financing was redeemed in full in 2015. In this context, ZF issued a bonded loan in January 2015 in a total amount of € 2.2 billion in various tranches with terms of three, five and seven years. The existing bonded loan of € 400 million was largely repaid with the proceeds from this new bonded loan. In April 2015, bonds denominated in euro and U.S. dollar were also issued. The euro bonds total € 2.25 billion and were issued in two tranches with terms of four (€ 1.15 billion) and eight (€ 1.1 billion) years. The U.S. dollar bonds have a total volume of USD 3.5 billion and were issued in tranches with terms of five (USD 1 billion), seven (USD 1 billion) and ten (USD 1.5 billion) years. The euro and U.S. dollar bonds were issued by the U.S. subsidiary ZF North America Capital Inc., while ZF Friedrichshafen AG issued a guarantee for the benefit of the bondholders.

In the context of a project, ZF assumed contingent financial commitments in the amount of € 25 million (2014: € 25 million) to the benefit of a business partner which in case of utilization would lead to an immediate cash outflow. We still rate the probability as very low that this results in financial claims which must be recognized in the consolidated statement of financial position.

Market price risk from securities

The market price risk is the risk that the fair value of securities decreases.

Securities investments are basically investments in interest-bearing securities, shares, fund shares and alternative investments. The alternative investments comprise shares in raw material and private equity funds as well as an open real estate fund and two direct lending funds. Diversification reduces risk, which constitutes the prerequisite for the best possible continuous increase in value resistant to fluctuation.

A sound optimization procedure was used for the generation of the strategic asset allocation to reliably achieve the strategic return targets even if the forecast is incorrect. In this context, besides the investment risk which is measured via the portfolio volatility, the forecasting risk with regard to expected returns is included in modeling the asset allocation. This procedure results in a significantly more diversified portfolio which, even in the case of an overestimation of the long-term return potential of the considered asset classes, can achieve the strategic return target.

A body (investment committee) created especially for this purpose is responsible for the final decision on the strategic asset allocation and for monitoring all investment results and risk budgets. The bases for investment decisions by external portfolio managers are the investment guidelines specified by the investor. In formulating these guidelines, the main focus is i.a. on a reliable credit rating of the issuer (rating minimum requirements), an appropriate funds benchmark, high marketability of the securities, a wide spread among industries as well as a selection of suitable segment currencies to achieve further risk reduction.

The investment committee is informed monthly about trends in current market values and about the performance of the individual asset classes. Performance is evaluated i.a. based on absolute and relative benchmark values, risk indicators and on-site visits by the portfolio managers.

In addition to qualitative management and controlling instruments for risk minimization, like diversification of investments in different asset classes, systematic selection process of the portfolio managers, risk-based arrangement of investment guidelines, analysis of investment results and evaluation of changes at the capital markets, mathematical-statistical models are used as quantitative management and controlling instruments, in particular, for reporting. The data validity is ensured by an independent, external data provider. Stress tests and defined risk limits are further management and controlling instruments. The non-current securities for hedging pension obligations contained in the special fund are classified in three risk categories depending on their volatility. In case of an assumed reduction in the fair values of the securities due to negative financial market data by 20% for high, 10% for medium and 2.5% for low volatility, the equity of the consolidated ZF Group would be reduced by € 99 million (2014: € 90 million) without accounting for income taxes. Thereof, € 97 million (2014: € 83 million) would be recognized under equity of the consolidated ZF Group with no effect on profit or loss and € 2 million (2014: € 7 million) under other financial results with effect on profit or loss.

Based on a value-at-risk calculation, however, it can be assumed that in 95% of the cases with a holding time of twelve months and an average market price volatility of 3.97% (2014: 3.7%), the market value reduction will not exceed € 16 million (2014: € 15 million). The calculations were drawn up under the assumption that asset allocation will not change and no additions are made during the fiscal year that would then have to be reallocated. The historical correlations of the corresponding funds and securities were considered. The maximum loss limit approved for 2015 was € 51 million (2014: € 48 million).

Foreign currency risk
The foreign currency risk is the risk that the fair values or future cash flows of monetary items are negatively influenced due to exchange rate changes.

Hedging measures for planned foreign currency sales from the volume production business are carried out in the consolidated ZF Group within the framework of prescribed hedging ranges and within defined maximum limits. The net principle applies to foreign currency hedging, i.e. hedging takes place for the net items from bilateral cash flows. Foreign currency hedging is carried out mainly via forward exchange options. At the end of the fiscal year 2014, 100% of the hedging volume was allocated to the U.S. dollar.

Individual hedging is carried out for the project business (gross principle).

The translation risk from the measurement of line items is not hedged – the risks thereof will be controlled and gradually reduced via consistent localization of our main activities.

The expected cash outflow from derivative financial instruments results from the following presentation:

in € million	Market value	Cash outflow		
		Total	Within a year	1 to 5 years
Dec. 31, 2015				
Foreign currency hedging contracts				
Assets	62	1,539	1,043	496
Liabilities	– 69	1,647	1,164	483
Dec. 31, 2014				
Foreign currency hedging contracts				
Assets	397	6,291	6,291	0
Liabilities	– 31	811	328	483

As of December 31, 2015, there have been derivative financial instruments held as assets in the amount of € 56 million and derivative financial instruments held as liabilities in the amount of € 64 million that are used to hedge future cash flows. The hedged cash flows will come into effect between 2016 and 2019. If the prerequisites of hedge accounting are met, market value changes recognized with no effect on profit or loss are reclassified to profit or loss for the period and/or are recognized in the acquisition costs.

For fair value hedges, changes in value from hedging transactions amount to € – 5 million (2014: € – 16 million) as well as changes in value from underlying transactions of € 5 million (2014: € 16 million).

As a result of its international orientation, the consolidated ZF Group carries out transactions in different currencies. From the viewpoint of the consolidated group, the exchange rate fluctuations of the U.S. dollar represent a substantial currency risk. In the ZF Group, the currency risk is currently monitored using a value-at-risk analysis, without taking into account ZF TRW.

With no change in relation to the prior year, the value-at-risk is calculated based on a variance-covariance method under the assumption of a confidence level of 84.1% with a holding period of twelve months.

Based on the analysis available as of the reporting date, the potential maximum risk of loss amounts to € 55 million (2014: € 39 million). The calculation was based on an average exchange rate volatility of 10.05% (2014: 9.5%). The method applied does not account for effects from favorable exchange rate changes and assumes a uniform open U.S. dollar position.

The maximum risk of loss is calculated taking into account the average exchange rate volatility of the past twelve months in relation to the open U.S. dollar position from operational business. The open U.S. dollar position is calculated based on the amount of cash and loans in U.S. dollars at the closing date that are administered by ZF Cash Management and net incoming payments expected to be received in the following twelve months based on current corporate planning, taking into account the hedged amounts. To limit the risk of loss, an upper limit was agreed upon with the Board of Management.

Since the open U.S. dollar positions include, as of the reporting date, the net incoming payments expected based on the current corporate planning, the analysis is not representative for the U.S. dollar balance as of the reporting date.

ZF TRW follows a central and systematic approach to hedge foreign currency sales using defined hedging targets based on a quarterly rolling 3-year forecast of foreign currency cash flows.

The following table shows the hypothetical effects on equity and profit or loss (in both cases excluding tax effects) if the U.S. dollar increases or decreases in value by 10% against the major currencies of ZF TRW:

in € million	Effect on equity	Effect on profit or loss
Appreciation of the U.S. dollar by +10%	–35	–2
Devaluation of the U.S. dollar by –10%	35	2

Raw material price risk

The raw material price risk is the risk that the acquisition cost from the purchase of production equipment and operational materials will change.

Derivative financial instruments are used to a minor extent at the consolidated ZF Group to reduce raw material price risks. The risk from these hedging transactions can be rated as insignificant for the fiscal year. Therefore, a sensitivity analysis for such derivative financial instruments is dispensed with.

Interest rate risk

The interest rate risk is the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in the market interest rate.

The interest rate risk is hedged on a case-by-case basis. The market values of the interest swaps can be rated as insignificant for the fiscal year.

An increase by 30 (2014: 10) base points in the average interest rate for financial liabilities on a floating rate basis, which are not supported by interest hedging transactions, would influence the net profit or loss before income tax in the amount of € –8 million (2014: € –1 million). In case of a reduction of the average interest rate by 30 base points, the interest rate for material financial liabilities would be below 0%. Therefore, the interest rate reduction would not have any material effect on net profit or loss before income tax due to the contractual arrangements.

An increase by 30 (2014: 10) base points of the average interest rate on financial investments would raise the net profit or loss before income tax by € 8 million (2014: € 1 million). A decrease by 30 (2014: 10) base points would have an effect on the net profit or loss before income tax of € –8 million (2014: € –1 million).

The sensitivity analysis was drawn up under the assumption that the amount of loans from banks and of financial investments as well as the ratio of fixed and variable interest rates will remain at the same level. The base points used for the calculation were increased over the previous year due to the most recent interest rate development.

33 Government grants

In the fiscal year 2015, € 28 million (2014: € 15 million) in government grants was received. They were divided as follows:

in € million	2015	2014
Investment grants	17	4
Expense subsidies	11	11

Investment grants were basically received for investments at various locations in the USA, Germany, Austria, the Czech Republic and Russia.

Expense subsidies mainly comprise reimbursements from pre-retirement part-time work, research subsidies and subsidies from regional growth stimulation programs.

34 Related party transactions

In accordance with IAS 24, persons or companies that control or are controlled by the consolidated ZF Group have to be disclosed to the extent that they are not already included in the consolidated financial statements of ZF Friedrichshafen AG as a consolidated company. Here, control is exercised if a shareholder holds more than half of the voting rights or is able, by virtue of terms in the by-laws or contractual agreements, to govern management's financial and operating policies. In addition, the disclosure obligations under IAS 24 extend to transactions with associates and transactions with persons who exercise a significant influence over the financial and operating policies, including close members of the family or interposed companies. A significant influence on the financial and operating policies of the consolidated ZF Group can be based on a shareholding of 20% or more in ZF Friedrichshafen AG, a seat on ZF Friedrichshafen AG's Board of Management or Supervisory Board or another key position in management.

Accordingly, the related parties of ZF Friedrichshafen AG include joint ventures, associates and enterprises in which ZF Friedrichshafen AG holds at least 20% of the shares, the Zeppelin Foundation as a special fund of the City of Friedrichshafen, the Dr. Jürgen and Irmgard Ulderup Foundation as well as the Luftschiffbau Zeppelin GmbH and its subsidiaries.

Transactions with related companies and the receivables and liabilities existing on the reporting date result without exception from the ordinary business activities and are displayed as follows:

in € million	Joint ventures	Associates	Other participations
2015			
Supplies and services rendered			
Sale of goods	5	3	99
Services	3	0	1
Other services	1	1	2
Supplies and services received			
Sale of goods	2	21	119
Services	0	0	37
Other services	0	0	0
Receivables	5	3	45
Liabilities	0	4	60

in € million	Joint ventures	Associates	Other participa-tions
2014			
Supplies and services rendered			
Sale of goods	54	2	27
Services	19	0	1
Other services	0	0	1
Supplies and services received			
Sale of goods	25	16	10
Services	1	0	34
Other services	0	0	0
Receivables	23	11	26
Liabilities	31	3	27

A transaction beyond ordinary business activities as of the reporting date includes a loan of € 8 million (2014: € 8 million) granted by ZF Friedrichshafen AG to Internationale Bodensee-Messe Friedrichshafen GmbH, Friedrichshafen (Germany). This loan bears an interest rate of 4.0% p.a. (2014: 4.0%).

35 Board of Management and Supervisory Board compensation

The current emoluments of the active members of the Board of Management for the fiscal year 2015 amount to € 9.5 million (2014: € 9.0 million). Payments for pensions rights acquired in the fiscal year for the active members of the Board of Management total € 2.2 million (2014: € 1.8 million). The claim to contingent other long-term benefits attributable to the fiscal year amounts to € 2.4 million (2014: € 7.1 million).

Total emoluments thus amount to € 14.1 million (2014: € 17.9 million).

The emoluments of former members of the Board of Management and their surviving dependents amount to € 6.7 million (2014: € 7.6 million). The pension provisions for former members of the Board of Management and their surviving dependents amount to € 57.9 million (2014: € 62.0 million).

The emoluments of the Supervisory Board for the fiscal year 2015 amount to € 1.2 million (2014: € 1.2 million).

Moreover, the companies of the consolidated ZF Group have not carried out any reportable transactions whatsoever with members of the Board of Management or the Supervisory Board of ZF Friedrichshafen AG and other members of management in key positions, or with companies in whose management or supervisory bodies these persons are represented. This also applies to close family members of this group of persons.

36 Personnel

The annual average number of employees was 121,253 (2014: 72,125), of whom 63,629 were direct employees (2014: 35,519) and 57,624 were indirect employees (2014: 36,606). At the end of the year, the consolidated ZF Group had 138,269 (2014: 71,402) employees. Direct employees are employees whose activities depend on the production volume and can be allocated directly to the products.

37 Appointed auditor fees

Fees of the consolidated group's auditing firm, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, recorded in the consolidated statement of profit or loss amount to € 4 million for auditing services. The total consolidated Group-wide fees of Ernst & Young amount to € 14 million for auditing services, € 3 million for other assurance services, € 3 million for tax advisory services, and € 1 million for other advisory services. Apart from Ernst & Young, other auditing companies work for the consolidated group.

38 Listing of the shares held as of December 31, 2015

Consolidated subsidiaries

Domestic	Share in capital in %
Cherry GmbH, Auerbach	100.0 1)
FTU Beteiligungsverwaltung GmbH, Auerbach	100.0 1)
GAT - Gesellschaft für Antriebstechnik mbH, Alsdorf	100.0
Lemförder Electronic GmbH, Espelkamp	100.0 1)
Lucas Automotive GmbH, Koblenz	100.0
Lucas Varity GmbH, Koblenz	100.0
TRW Airbag Systems GmbH, Laage	100.0
TRW Automotive Electronics and Components GmbH, Radolfzell	100.0
TRW Automotive GmbH, Alfdorf	100.0
TRW Automotive Holdings GmbH & Co. KG, Eschborn	100.0
TRW Automotive Holdings Verwaltungs GmbH, Eschborn	100.0
TRW Automotive Mexico GmbH,	100.0
TRW Automotive Safety Systems GmbH, Aschaffenburg	100.0
TRW Deutschland Holding GmbH, Eschborn	100.0
TRW Engineered Fasteneres & Components SELB GmbH, Selb	100.0
TRW KFZ Ausruestung GmbH, Neuwied	100.0
TRW Logistics Services GmbH, Neuwied	100.0
TRW Receivables Finance GmbH, Eschborn	100.0
ZF Gusstechnologie GmbH, Nuremberg	100.0 1) 2)
ZF Industrieantriebe Witten GmbH, Friedrichshafen	100.0 1) 2)
ZF Luftfahrttechnik GmbH, Calden	100.0 1) 2)
ZF RACE ENGINEERING GmbH, Schweinfurt	100.0 1) 2)

Foreign	Share in capital in %
Austrain Holdco LLC, New York, USA	100.0
Autocruise Limited, Solihull, Great Britain	100.0 4)
Autocruise S.A.S., Plouzane, France	100.0
Automotive Holdings (Korea) Ltd., Namdong-Ku, Korea (Republic)	100.0
Automotive Holdings (Spain) S.L.U. (ETVE), Pamplona, Spain	100.0
Automotive Holdings (UK) Limited, Solihull, Great Britain	100.0
Bryce Berger Limited, Solihull, Great Britain	100.0 4)
Cherry Americas, LLC, Wilmington, USA	100.0
Compagnie Financière de ZF S.A.S., Andrézieux-Bouthéon, France	100.0
Centro Tecnológico de Automoción de Galicia, Porrino, Spain	100.0
Cityday Limited, Solihull, Great Britain	100.0 4)
Dalphi Metal Brazil Ltda., Rio de Janeiro, Brazil	100.0
Dalphi Metal Espana. S.A., Boecillo, Spain	78.4

Foreign	Share in capital in %
Dalphi Metal International, S.A., Vigo, Spain	51.0
Dalphi Metal Portugal S.A., Vila Nova de Cerveira, Portugal	51.0
Dalphi Metal Seguridad S.A., Vigo, Spain	51.0
Dalphi-Metal France S.A.R.L., Paris la Défense, France	100.0
Dalphimetal Limited, Solihull, Great Britain	100.0
Dalphimetal Tunisia S.A.R.L., Ben Arous, Spain	100.0
Duly & Hansford Pty. Limited, Zetland, Australia	100.0
EnTire Solutions, LLC, Livonia, USA	100.0
Eurofren Investments S. de R.L. de C.V., Cienega de Flores, Mexico	100.0
Eurofren Systems S.L.U., Mutliva Baja, Spain	100.0
Fortuna Assurance Company, Burlington, USA	100.0
Frenos Y Mecanismos S. de R.L. de C.V., Santa Rosa de Jarequi, Mexico	100.0
Friction Materials Group North America Inc., Chicago, USA	100.0
Girling Limited, Solihull, Great Britain	100.0 [4)]
HANSEN DRIVES LIMITED, Hong Kong, China	100.0
HANSEN DRIVES Pte. Ltd., Singapore Central, Singapore	100.0
ID Information Systems Limited, Shirley, Great Britain	100.0
Joseph Lucas Limited, Solihull, Great Britain	100.0 [4)]
Kelsey-Hayes Company, Valley View, USA	100.0
Kelsey-Hayes Heerlen Inc., Livonia, USA	100.0
Kelsey-Hayes Holdings Inc., Livonia, USA	100.0
Kelsey-Hayes Mexico LLC, Reynosa, Mexico	100.0
Kelsey-Hayes Netherlands Inc., Livonia, USA	100.0
KH Holdings Inc., Valley View, USA	100.0
Lake Center Industries Transportation Inc., Winona, USA	100.0
Les Minquiers Limited, Solihull, Great Britain	100.0
Liuzhou ZF Machinery Co., Ltd., Liuzhou, China	51.0
Lucas Automotive Inc., Livonia, USA	100.0
Lucas Automotive Limited, Solihull, Great Britain	100.0 [4)]
Lucas Automotive Sdn. Bhd., Johor Baharu, Malaysia	100.0
Lucas Export Services Limited, Solihull, Great Britain	100.0 [4)]
Lucas Industries Limited, Shirley, Great Britain	100.0
Lucas Investments Limited, Solihull, Great Britain	100.0
Lucas Limited, Solihull, Great Britain	100.0 [4)]
Lucas Service UK Limited, Solihull, Great Britain	100.0 [4)]
Lucas Support Services Limited, Solihull, Great Britain	100.0 [4)]
Lucasvarity (M) Sdn. Bhd., Bukit Beruntung, Malaysia	100.0
Lucasvarity (Thailand) Co., Ltd., Rayong, Thailand	100.0
Lucasvarity Automotive Holding Company, Valley View, USA	100.0
Lucasvarity Langzhong Brake Company Limited, Langfang, China	70.0
Lucasvarity, Solihull, Great Britain	100.0
Mercant Comércio e Serviços Ltda., Sorocaba, Brazil	100.0
Midwest Lemförder Limited, Darlaston, Great Britain	100.0
No. 1 Deansgate (Residential) Limited, Solihull, Great Britain	100.0 [4)]

Foreign	Share in capital in %
OOO ZF Kama, Naberezhnye Chelny, Russia	51.0
OOO ZF Russija, Sankt Petersburg, Russia	100.0
Openmatics s.r.o., Plzeň, Czech Republic	100.0
Qingdao FMG Asia Pacific Co., Ltd., Qingdao, Shandong, China	100.0
Revestimientos Especiales de México S. de R.L. de C.V., Cienega de Flores, Nuevo León, Mexico	100.0
Roadster Automotive B.V., Amsterdam, Netherlands	100.0
Roadster Holdings GmbH, Bergheim, Austria	100.0
Roadster Holdings (Canada) Inc., Toronto, Canada	100.0
Sachs Automotive Components & Systems Shanghai Co., Ltd., Shanghai, China	100.0
Safebag-Indústria Componentes de Segurança Automóvel S.A., Ponte de Lima, Portugal	100.0
Safe-Life-Indústria de Componentes de Segurança Automóvel S.A., Portugal	100.0
Shanghai Sachs Huizhong Shock Absorber Co., Ltd., Shanghai, China	60.0
SISTEMAS DE CHASSIS IRACEMÁPOLIS LTDA., Iracemápolis, Brazil	100.0
Thompson Ramo Wooldridge Inc., Livonia, USA	100.0 [4)]
TRW (NINGBO) Components And Fastening Systems Co., Ltd., Ningbo, China	100.0
TRW (Suzhou) Automotive Electronics Co., Ltd., Suzhou, China	74.2
TRW Aftermarket Asia Pacific Pte. Ltd., Singapore, Singapore	100.0
TRW Aftermarket Japan Co., Ltd., Tokyo, Japan	100.0
TRW Airbag Systems S.r.l., Roman, Romania	100.0
TRW Asia Pacific Co., Ltd., Anting, China	100.0
TRW Asiatic (M) Sdn. Bhd., Kuala Lumpur, Malaysia	51.0
TRW Asiatic Co., Ltd., Bangkok, Thailand	51.0
TRW Australia Holdings Pty. Ltd., Zetland, Australia	100.0
TRW Australia Pty. Ltd., Valley View, Australia	100.0
TRW Auto B.V., Amsterdam, Netherlands	100.0
TRW Auto Holdings Inc., Valley View, USA	100.0
TRW Autoelektronika s.r.o., Benesov, Czech Republic	100.0
TRW Automotive (LV) Corp., Livonia, USA	100.0
TRW Automotive (Slovakia) s.r.o., Nove Mesto nad Vahom, Slovakia	100.0
TRW Automotive Australia Pty. Ltd., Melbourne, Australia	100.0
TRW Automotive Bonneval S.A.S., Bonneval, France	100.0
TRW Automotive China Holdings Ltd., Ebene, China	100.0
TRW Automotive Components (Shanghai) Co., Ltd., Anting, China	100.0
TRW Automotive Components (Suzhou) Co., Ltd., Suzhou, China	100.0
TRW Automotive Components Technical Service Shanghai Co., Ltd., Shanghai, China	100.0
TRW Automotive Components, Langfang, China	100.0
TRW Automotive Distribution France S.A.S., Paris La Défense, France	100.0
TRW Automotive Espana S.L.U., Alfaro, Spain	100.0
TRW Automotive Global Receivables LLC, Livonia, USA	100.0
TRW Automotive Holding Company, Chihuahua, USA	100.0
TRW Automotive Holdings (France) S.A.S., Paris La Défense, France	100.0

Foreign	Share in capital in %
TRW Automotive Holdings Italia S.r.l., Torino, Italy	100.0
TRW Automotive Holdings Mexico LLC, Reynosa, Mexico	100.0
TRW Automotive Inc., Livonia, USA	100.0
TRW Automotive India Private Limited, Haryana, India	100.0
TRW Automotive Italia S.r.l., San Giovanni di Ostellato, Italy	100.0
TRW Automotive J.V. LLC, Valley View, USA	100.0
TRW Automotive Japan Co., Ltd., Miyoshi, Japan	100.0
TRW Automotive Korea Co., Ltd., Seosan, Korea (Republic)	100.0
TRW Automotive LLC, Moscow, Russia	100.0
TRW Automotive Ltda., Limeira, Brazil	100.0
TRW Automotive Luxembourg Holdings S.A.R.L., Luxembourg, Luxembourg	100.0
TRW Automotive Portugal LDA, Lissabon, Portugal	100.0
TRW Automotive Receivables LLC, Livonia, USA	100.0
TRW Automotive Research And Development (Shanghai) Co., Ltd., Shanghai, China	100.0
TRW Automotive Safety Systems Arkansas Inc., Livonia, USA	100.0
TRW Automotive Safety Systems S.r.l., Timisoara, Romania	100.0
TRW Automotive Safety Systems TUNISIA Sarl, Tunis, Tunisia	100.0
TRW Automotive Safety Technologies (Zhangjiagang) Co., Ltd., Zhangjiagang, China	100.0
TRW Automotive Services Sdn. Bhd., Cyberjaya, Malaysia	100.0
TRW Automotive Services S.L.U., Madrid, Spain	100.0
TRW Automotive Sweden AB, Arvidsjaur, Sweden	100.0
TRW Automotive Technologies (Shanghai) Co., Ltd., Anting, China	100.0
TRW Automotive U.S. LLC, Valley View, USA	100.0
TRW Automotive, Jablonec nad Nisou, Czech Republic	100.0
TRW Braking Systems Polska SP. Z O.O., Gliwice, Poland	100.0
TRW Brazil LLC, Livonia, USA	100.0
TRW Canada Limited/TRW Canada Limitee, Woodstock, Canada	100.0
TRW CARR Finance S.A.S., Ingwiller, France	100.0
TRW China Holdings Ltd., Grand Cayman, Cayman Islands	100.0
TRW Controls & Fasteners Inc., Inchon, Korea (Republic)	100.0
TRW Cooperatief W.A., Amsterdam, Netherlands	100.0
TRW Delplas. S. de R.L. de C.V., El Marqués, Mexico	100.0
TRW Dongfang (XI'AN) Airbag Inflator Co., Ltd., Xi'an, China	90.0
TRW East Inc., Livonia, USA	100.0
TRW Electronica Ensambles, S. de R.L. de C.V., Reynosa, Mexico	100.0
TRW Employees Benefit Trust Limited, Solihull, Great Britain	100.0 [4)]
TRW Fawer Automobile Safety Systems (Changchun) Co., Ltd., Changchun, China	60.0
TRW FAWER Commercial Vehicle Steering (Changchun) Co., Ltd., Changchun, China	55.0
TRW France Holding S.A.S., Immeuble Le Linéa, France	100.0
TRW France S.A.S., Longvic, France	100.0
TRW Integrated Chassis Systems LLC, Saginaw, USA	100.0
TRW Intellectual Property Corp., Valley View, USA	100.0
TRW International Holdings B.V., Amsterdam, Netherlands	100.0

Foreign	Share in capital in %
TRW Investment Management Company Limited, Solihull, Great Britain	100.0 [4)]
TRW Limited, Shirley, Great Britain	100.0
TRW LucasVarity Electric Steering Limited, Solihull, Great Britain	100.0 [4)]
TRW Lucasvarity Limited, Solihull, Great Britain	100.0
TRW Management Co. LLC, Livonia, USA	100.0
TRW Occupant Restraints De Chihuahua S. de R.L. de C.V., Chihuahua, Mexico	100.0
TRW Occupant Restraints South Africa Inc., Atlantis, South Africa	100.0
TRW Odyssey Inc., El Marqués, USA	100.0
TRW Odyssey Mexico LLC, Reynosa, Mexico	100.0
TRW Otomotiv Dagitim VE Ticaret A.S., Kucukbakkalkoy-Atasehir, Turkey	99.7
TRW Overseas Inc., Valley View, USA	100.0
TRW Paris S.A.S., Immeuble Le Linéa, France	100.0
TRW Pensions Trust Limited, Solihull, Great Britain	100.0 [4)]
TRW Polska SP. Z O. O., Czestochowa, Poland	100.0
TRW Powder Metal Inc., Livonia, USA	100.0
TRW Safety Systems Inc., Chihuahua, USA	100.0
TRW Safety Systems Mexico LLC, Reynosa, Mexico	100.0
TRW Sistemas de Direcciones, S. de R.L. de C.V., El Marqués, Mexico	100.0
TRW Sistemas de Frenado S. de R.L. de C.V., El Marqués, Mexico	100.0
TRW Steering & Suspension Co., Ltd., Rayong, Thailand	100.0
TRW Steering Co., Ltd., Ansan, Korea (Republic)	71.0
TRW Steering Systems Limited, Solihull, Great Britain	100.0 [4)]
TRW Steering Systems Poland SP. Z O.O., Czechowice-Dziedzice, Poland	100.0
TRW Steering Wheel Systems de Chihuahua, S. de R.L. de C.V., Chihuahua, Mexico	100.0
TRW Systemas Limited, Neath, USA	100.0
TRW Systèmes de Freinage S.A.S., Bouzonville, France	100.0
TRW Technar Inc., Farmington Hills, USA	100.0
TRW U.K. Limited, Solihull, Great Britain	100.0
TRW Vehicle Safety Systems de Mexico S. de R.L. de C.V., Reynosa, Mexico	100.0
TRW Vehicle Safety Systems Inc., Washington, USA	100.0
TRW-CARR S.R.O., Stara Boleslav, Czech Republic	100.0
Varga Servicos Automotivos Ltda., Limeira, São Paulo, Brazil	100.0
Worldwide Distribution Centers Inc., Valley View, USA	100.0
ZF (China) Investment Co., Ltd., Shanghai, China	100.0
ZF (Thailand) Limited, Bangkok, Thailand	100.0
ZF ANSA Lemförder S.L. (Sociedad Unipersonal), Burgos, Spain	100.0
ZF Argentina S.A., San Francisco, Argentina	100.0
ZF Asia Pacific Pte. Ltd., Singapore Central, Singapore	100.0
ZF Axle Drives Marysville, LLC, Wilmington, USA	100.0
ZF BAIC (Beijing) Chassis Systems Co., Ltd., Beijing, China	51.0
ZF Boge Elastmetall Espana S.A. (Sociedad Unipersonal), Santa Perpètua de Mogoda, Spain	100.0
ZF Bouthéon S.A.S., Andrézieux-Bouthéon, France	100.0

Foreign	Share in capital in %
ZF Chassis Components Toluca, S.A. de C.V., Toluca, Mexico	100.0
ZF Chassis Components, LLC, Wilmington, USA	100.0
ZF Chassis Systems (Beijing) Co., Ltd., Beijing, China	100.0
ZF Chassis Systems Chicago, LLC, Wilmington, USA	100.0
ZF Chassis Systems Duncan, LLC, Duncan, USA	100.0
ZF Chassis Systems Sdn. Bhd., Padang Serai, Malaysia	100.0
ZF Chassis Systems Tuscaloosa, LLC, Tuscaloosa, USA	100.0
ZF Chassistech Commercial Vehicles (Shanghai) Co., Ltd., Shanghai, China	100.0
ZF do Brasil Ltda., Sorocaba, Brazil	100.0
ZF Dongfeng Shock Absorber Shiyan Co., Ltd., Shiyan, China	51.0
ZF Drivetech (Hangzhou) Co., Ltd., Hangzhou, China	100.0
ZF Drivetech (Suzhou) Co., Ltd., Suzhou, China	100.0
ZF Electronic Systems Juárez, S.A. de C.V., Juárez, Mexico	100.0
ZF Electronic Systems Pleasant Prairie, LLC, Pleasant Prairie, USA	100.0
ZF Electronics (Zhuhai) Co., Ltd., Zhuhai, China	100.0
ZF Electronics Asia Limited, Hong Kong, China	100.0
ZF Electronics Klášterec s.r.o., Klásterec nad Ohrí, Czech Republic	100.0
ZF Engineering Plzeň s.r.o., Plzeň, Czech Republic	100.0
ZF Faster Propulsion Systems Co., Ltd., Kaohsiung, Taiwan	100.0
ZF FAWER Chassis Technology (Changchun) Co., Ltd., Changchun, China	51.0
ZF Fonderie Lorraine S.A.S., Grosbliederstroff, France	100.0
ZF Gainesville, LLC, Wilmington, USA	100.0
ZF Holding Austria GmbH, Steyr, Austria	100.0
ZF Holding Dover Inc., Northville, USA	100.0
ZF Holdings Australia Pty. Ltd., Dingley Village, Australia	100.0
ZF Hungária Ipari és Kereskedelmi Korlátolt Felelösségú Társaság, Eger, Hungary	100.0
ZF India Pvt. Ltd., Pune, India	100.0
ZF Inmobilaria S.A. de C.V., Saltillo, Mexico	100.0
ZF International B.V., Den Haag, Netherlands	100.0
ZF Italia Holding S.p.A., Selvazzano Dentro, Italy	100.0
ZF Italia S.r.l., Assago, Italy	100.0
ZF Japan Co., Ltd., Tokyo, Japan	100.0
ZF Lemforder (Thailand) Co., Ltd., Rayong, Thailand	100.0
ZF Lemförder Achssysteme Ges.m.b.H., Lebring, Austria	100.0
ZF Lemförder Aks Modülleri Sanayi ve Ticaret Anonim Sirket, Izmir, Turkey	100.0
ZF Lemforder Australia Pty. Limited, Edinburgh, Australia	100.0
ZF Lemforder Automotive Systems (Shenyang) Co., Ltd., Shenyang, China	100.0
ZF Lemförder Chassis Technology Korea Co., Ltd., Gumi, Korea (Republic)	59.3
ZF Lemförder Métal France S.A.S., Florange, France	100.0
ZF Lemförder SA (Pty.) Ltd., Rosslyn, South Africa	100.0
ZF Lemforder Shanghai Chassistech Co., Ltd., Shanghai, China	76.0
ZF Lemförder Sverige AB, Trollhättan, Sweden	100.0

Foreign	Share in capital in %
ZF Lemförder TLM Dış Ticaret Limited Şirketi, Izmir, Turkey	100.0
ZF Lemförder TVA, S.A, Ermua, Spain	100.0
ZF Lemforder UK Limited, Darlaston, Great Britain	100.0
ZF Marine (Zhuhai) Co., Ltd., Zhuhai, China	100.0
ZF Marine Krimpen B.V., Krimpen aan de Lek, Netherlands	100.0
ZF Marine Propulsion Systems Miramar, LLC, Wilmington, USA	100.0
ZF México, S.A. de C.V., Guadalajara, Mexico	100.0
ZF Middle East FZE, Dubai, United Arab Emirates	100.0
ZF North America Capital Inc., Wilmington, USA	100.0
ZF North America Inc., Northville, USA	100.0
ZF Österreich Gesellschaft m.b.H., Vienna, Austria	100.0
ZF Padova S.r.l., Selvazzano Dentro, Italy	100.0
ZF Philippines Inc., Manila, Philippines	100.0
ZF Powertrain Modules (Shanghai) Co., Ltd., Shanghai, China	100.0
ZF Powertrain Modules Saltillo, S.A. de C.V., Ramos Arizpe, Mexico	100.0
ZF Powertrain Systems (Beijing) Co., Ltd., Beijing, China	100.0
ZF Sachs España S.A. (Sociedad Unipersonal), Bilbao, Spain	100.0
ZF Sachs Italia S.p.A., Candiolo, Italy	100.0
ZF Sachs Korea Co., Ltd., Changwon, Korea (Republic)	91.5
ZF Sachs South Africa Proprietary Limited, Alberton, South Africa	100.0
ZF Sachs Süspansiyon Sistemleri Sanayi ve Ticaret A.Ş., Gebze, Turkey	100.0
ZF Sales and Service (Malaysia) Sdn. Bhd., Petaling Jaya, Malaysia	100.0
ZF Services (China) Co., Ltd., Shanghai, China	100.0
ZF Services (Shanghai) Co., Ltd., Shanghai, China	100.0
ZF Services Australia Pty. Ltd., Arndell Park, Australia	100.0
ZF Services Belgium N.V. SA, Brussels, Belgium	100.0
ZF Services España S.L.U., Sant Cugat del Vallès, Spain	100.0
ZF Services France S.A.S., Antony, France	100.0
ZF Services Hong Kong Limited, Hong Kong, China	100.0
ZF Services Korea Co., Ltd., Incheon, Korea (Republic)	100.0
ZF Services Middle East Limited Liability Company, Dubai, United Arab Emirates	49.0 [3)]
ZF Services Nederland B.V., Delfgauw, Netherlands	100.0
ZF Services Schweiz AG, Volketswil, Switzerland	100.0
ZF Services South Africa (Proprietary) Ltd., Johannesburg, South Africa	100.0
ZF Services Türk San. ve Tic. A.Ş., Istanbul, Turkey	100.0
ZF Services UK Limited, Nottingham, Great Britain	100.0
ZF Services, LLC, Wilmington, USA	100.0
ZF Services, S.A. de C.V., Guadalajara, Mexico	100.0
ZF Slovakia a.s., Trnava, Slovakia	100.0
ZF Staňkov s.r.o., Stankov, Czech Republic	100.0
ZF Steyr Ges.m.b.H., Steyr, Austria	100.0
ZF Steyr Präzisionstechnik GmbH, Steyr, Austria	100.0
ZF Suspension Technology Guadalajara, S.A. de C.V., Guadalajara, Mexico	100.0

Foreign	**Share in capital in %**
ZF Transmissions Gray Court, LLC, Wilmington, USA	100.0
ZF Transmissions Shanghai Co., Ltd., Shanghai, China	51.0
ZF TRW Automotive Holdings Corp., Livonia, USA	100.0
ZF Wind Power (Tianjin) Co., Ltd., Tianjin, China	99.7
ZF Wind Power Antwerpen NV, Lommel, Belgium	100.0
ZF WIND POWER COIMBATORE LIMITED, Coimbatore, India	99.9
ZF YTO (Luoyang) Axle Co., Ltd., Luoyang, China	51.0
Zhuhai Cherry Electronics Co., Ltd., Zhuhai, China	100.0

Consolidated companies accounted for using the equity method

Foreign	**Share in capital in %**
ABC Sistemas e Modulos Ltda., São Bernardo do Campo, Brazil	33.3
Brakes India Private Limited, Madras, India	49.0
CSG TRW Chassis Systems Co., Ltd., Chongqing, Cina	50.0
Evercast, S.A. de C.V., Saltillo, Mexico	30.0
Exponentia S.A.S., Paris La Défense, France	50.0
Rane TRW Steering Systems Limited, Chennai, India	50.0
Shanghai Sachs Powertrain Components Systems Co., Ltd., Shanghai, China	50.0
Shanghai TRW Automotive Safety Systems Company Ltd., Shanghai, China	50.0
Shin Han Valve Industrial Company, Ltd., Hwaseong, Korea (Republic)	25.0
Shin-Han (Beijing) Automobile Parts System Co., Ltd., Beijing, China	30.0
SM-Sistemas Modulares Ltda., Taubate, Brazil	50.0
SOMIC ZF Components Limited, New Delhi, India	50.0
TH Braking Company S.A.S., Bouzonville, Frankreich	50.0
TRW Sun Steering Wheels Private Limited, Pune, India	49.0
ZF Liuzhou Axle Co., Ltd., Liuzhou, China	50.0
ZF PWK Mécacentre S.A.S., Saint-Étienne, France	50.0

1) The company lays claim to exemption from disclosing the annual financial statements according to § 264, Section 3, HGB (Commercial Code).
2) There is a profit and loss transfer agreement.
3) 100% voting rights.
4) Dormant company.

39 Company bodies

The members of the Supervisory Board and the Board of Management are listed on page 22.

Friedrichshafen, February 23, 2016

ZF Friedrichshafen AG
The Board of Management

Dr. Stefan Sommer

Michael Hankel

Jürgen Holeksa

Rolf Lutz

Wilhelm Rehm

Dr. Konstantin Sauer

Dr. Franz Kleiner

Peter Lake

AUDIT OPINION [1)]

We have audited the consolidated financial statements prepared by ZF Friedrichshafen AG, Friedrichshafen, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer e.V. (IDW)(Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 4, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Graf Waldersee	Bürkle
Wirtschaftsprüfer	Wirtschaftsprüfer

[1)] Translation of Audit Opinion issued on the consolidated financial statements in German language.

5-YEAR DEVELOPMENTS

Result structure, consolidated ZF Group

in € million	2011	2012 adjusted[1)]	2013	2014	2015
Sales development	15,509	15,526	16,837	18,415	29,154
Change from prior year in %	20.2	0.1	8.4	9.4	58.3
Employees at year's end[2), 3)]	71,488	68,406	68,236	71,402	138,269
Employees' annual average[2)]	68,164	67,561	71,091	72,125	121,253
Cost of materials	8,948	9,312	10,011	11,020	18,056
in % of sales	57.7	60.0	59.5	59.8	61.9
Personnel expenses	3,682	3,702	3,979	4,236	5,975
in % of sales	23.7	23.8	23.6	23.0	20.5
R & D expenses	754	770	836	891	1,390
in % of sales	4.9	5.0	5.0	4.8	4.8
Capital expenditure	1,058	1,025	954	1,005	1,290
in % of sales	6.8	6.6	5.7	5.5	4.4
Depreciation on property, plant and equipment	616	683	718	748	1,116
in % of sales	4.0	4.4	4.3	4.1	3.8
in % of capital expenditure	58.2	66.6	75.3	75.3	86.5
Free cash flow[4)]	−112	252	288	696	−6,802
in % of sales	−0.7	1.6	1.7	3.8	−23.3
Operating profit or loss	850	597	756	897	1,081
in % of sales	5.5	3.8	4.5	4.9	3.7
EBIT	847	643	807	1,098	1,596
in % of sales	5.5	4.1	4.8	6.0	5.5
Net profit or loss before income tax	715	530	683	873	1,088
in % of sales	4.6	3.4	4.1	4.7	3.7
Net profit or loss after tax	540	330	462	672	1,019
in % of sales	3.5	2.1	2.7	3.6	3.5
Dividends paid					
Normal dividend[5)]	30.0	30.0	30.0	50.0	50
in % of subscribed capital	10.0	10.0	6.0	10.0	10
Extra dividend	–	–	–	–	–

1) As of 2012 adjusted by ZF Lenksysteme.
2) Direct and indirect employees without temporary workers, apprentices and holiday workers; starting from 2009, changed calculation method to determine number of part-time employees.
3) Starting 2013 without employees of the Rubber & Plastics Business Unit and without AIBC employees.
4) Cash flow from operating activities less cash flow from investing activities.
5) Dividend to the shareholders of ZF Friedrichshafen AG.

Structure of the consolidated statement of financial position, consolidated ZF Group

in Mio. €	2011	2012 adjusted[1]	2013	2014	2015
Cash	826	888	1,143	1,114	1,495
Trade receivables	2,307	1,963	2,221	2,416	4,778
Inventories	1,745	1,596	1,800	1,870	2,879
Current assets	402	299	257	1,275	1,166
Intangible assets	843	814	856	905	10,179
Property, plant and equipment	3,695	3,670	3,670	4,006	6,856
Non-current assets	1,349	1,793	2,023	1,802	2,979
Financial liabilities	1,031	1,083	1,165	771	9,911
Trade payables	1,621	1,513	2,019	2,440	5,003
Provisions for pensions	2,211	2,612	2,785	3,803	4,465
Other liabilities	2,204	1,865	1,836	1,855	5,103
Subscribed capital	300	300	500	500	500
Reserves	3,645	3,535	3,539	3,860	5,053
Non-controlling interests	155	115	126	159	297
Equity	**4,100**	**3,950**	**4,165**	**4,519**	**5,850**
in % of balance sheet total	37	36	35	34	19
Balance sheet total	**11,167**	**11,023**	**11,970**	**13,388**	**30,332**

[1] As of 2012 adjusted by ZF Lenksysteme.

The Annual Report is available in English and German;
both versions can also be downloaded from the ZF Group website:
www.zf.com. On request, we would be delighted to provide
further ZF Group information material and additional copies of
the Annual Report.
E-mail: infodienst@zf.com

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