



# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF  
JUNE 30, 2021

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Consolidated Financial Statements



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## ZF Clearly Stays on Track in a Volatile Market Environment

- > Technology company achieves sales and profit targets.
- > ZF benefits from general market recovery and secures new orders.
- > Reduced financial liabilities, targeted investments, high level of cost awareness.
- > Integration of WABCO on the home stretch: Group becomes largest global systems supplier for commercial vehicle manufacturers.
- > Placement of green bonds and measures to reduce CO<sub>2</sub> emissions confirm sustainability strategy.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2021

in € million	Notes	2021 unaudited	2020 unaudited
Sales	①	19,342	13,509
Cost of sales	②	16,007	11,775
<b>Gross profit on sales</b>		<b>3,335</b>	<b>1,734</b>
Research and development costs		1,285	1,063
Selling expenses		724	550
General administrative expenses		736	646
Other operating income		273	320
Other operating expenses		172	342
Result from associates	③	104	4
Other net result from participations	③	0	-97
<b>EBIT</b>		<b>795</b>	<b>-640</b>
Financial income	④	211	484
Financial expenses	⑤	329	805
<b>Net profit or loss before tax</b>		<b>677</b>	<b>-961</b>
Income taxes		155	-50
<b>Net profit or loss after tax</b>		<b>522</b>	<b>-911</b>
thereof shareholders of ZF Friedrichshafen AG		443	-942
thereof non-controlling interests		79	31



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2021

in € million	Notes	2021 unaudited	2020 unaudited
<b>Net profit or loss after tax</b>		<b>522</b>	<b>-911</b>
<b>Line items that will be reclassified in the consolidated statement of profit or loss</b>			
Foreign currency translation differences			
Profits arising during the year		343	-252
Mark-to-market of cash flow hedges			
Gains arising during the year		21	82
Reclassification adjustments for gains/losses included in profit or loss		-16	15
Amounts reclassified to acquisition costs through comprehensive income		0	-271
Income taxes		-6	24
		<b>342</b>	<b>-402</b>
<b>Line items that will not be reclassified in the consolidated statement of profit or loss</b>			
Mark-to-market of securities		6	85
Actuarial gains from pension obligations		1,040	20
Income taxes		-314	-12
		<b>732</b>	<b>93</b>
<b>Other comprehensive income after tax</b>	<b>12</b>	<b>1,074</b>	<b>-309</b>
<b>Total comprehensive income</b>		<b>1,596</b>	<b>-1,220</b>
thereof shareholders of ZF Friedrichshafen AG		1,503	-1,245
thereof non-controlling interests		93	25

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ZF FRIEDRICHSHAFEN AG AS OF JUNE 30, 2021

<b>Assets</b> in € million	Notes	<b>Jun. 30, 2021</b> unaudited	Dec. 31, 2020	<b>Liabilities and equity</b> in € million	Notes	<b>Jun. 30, 2021</b> unaudited	Dec. 31, 2020
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents		1,843	2,341	Financial liabilities	10	1,318	549
Financial assets		142	144	Trade payables		5,464	5,598
Trade receivables	6	5,976	5,481	Contract liabilities		1,400	1,321
Contract assets		139	132	Other liabilities		1,875	1,627
Other assets		817	593	Income tax provisions		480	496
Income tax receivables		48	46	Other provisions		911	986
Inventories	7	4,932	4,171			<b>11,448</b>	<b>10,577</b>
		<b>13,897</b>	<b>12,908</b>	Liabilities of disposal groups	8	51	0
Assets held for sale and disposal groups	8	93	0			<b>11,499</b>	<b>10,577</b>
		<b>13,990</b>	<b>12,908</b>	<b>Non-current liabilities</b>			
<b>Non-current assets</b>				Financial liabilities	10	11,601	12,768
Financial assets		884	758	Trade payables		30	28
Associates		212	332	Contract liabilities		430	420
Contract assets		340	290	Other liabilities		164	134
Other assets		254	195	Income tax liabilities		107	100
Intangible assets		12,681	12,735	Provisions for pensions	11	5,819	6,735
Property, plant and equipment		7,752	7,910	Other provisions		921	845
Deferred taxes		1,317	1,602	Deferred taxes		661	680
		<b>23,440</b>	<b>23,822</b>			<b>19,733</b>	<b>21,710</b>
				<b>Equity</b>			
				Subscribed capital		500	500
				Capital reserve		386	386
				Retained earnings <sup>1)</sup>		4,896	3,218
				<b>Equity attributable to shareholders of ZF Friedrichshafen AG</b>		<b>5,782</b>	<b>4,104</b>
				Non-controlling interests		416	339
					12	<b>6,198</b>	<b>4,443</b>
		<b>37,430</b>	<b>36,730</b>			<b>37,430</b>	<b>36,730</b>

1) Assets held for sale and disposal groups account for €25 million



# CONSOLIDATED STATEMENT OF CASH FLOWS

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2021

in € million	Notes	2021 unaudited	2020 unaudited
Net profit or loss before income tax		677	-961
Depreciation/Reversal of impairments for intangible assets and property, plant and equipment		1,099	978
Net result from participations and net financial result		14	414
Results from the disposal of intangible assets and property, plant and equipment		-38	-1
Income taxes paid		-228	-29
Changes in non-current provisions made through profit or loss		159	57
Increase (2020: decrease) in inventories		-733	16
Increase (2020: decrease) in trade receivables		-394	783
Increase in other assets		-302	-25
Decrease in trade payables		-241	-1,668
Increase in other liabilities		195	40
<b>Cash flow from operating activities</b>		<b>208</b>	<b>-396</b>
Expenditures for investments in			
intangible assets		-40	-17
property, plant and equipment		-436	-438
associates and other participations		-14	-3
financial receivables		-8	-64
securities		-11	0
Proceeds from the disposal of			
intangible assets		3	1
property, plant and equipment		60	12
associates and other participations		239	37
financial receivables		4	26
securities		19	2,462

in € million	Notes	2021 unaudited	2020 unaudited
Cash inflow from the sale of consolidated companies	15	0	125
Cash inflow from the sale of shares in consolidated companies	12	206	0
Cash inflow/outflow from the acquisition of consolidated companies	14	6	-5,659
Dividends received		1	6
Interest received		9	7
<b>Cash flow from investing activities</b>		<b>38</b>	<b>-3,505</b>
Dividends paid to ZF Friedrichshafen AG shareholders		0	-4
Dividends paid to holders of non-controlling interests		-37	-37
Repayments of borrowings		-1,282	-1,362
Proceeds from borrowings		687	4,690
Interest paid and transaction costs		-158	-151
<b>Cash flow from financing activities</b>		<b>-790</b>	<b>3,136</b>
<b>Net change in cash</b>		<b>-544</b>	<b>-765</b>
Cash position at the beginning of the fiscal year		2,341	2,402
Effects of exchange rate changes on cash		46	-44
<b>Cash as of the closing date</b>	13	<b>1,843</b>	<b>1,593</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2021

in € million	Subscribed capital	Capital reserve	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			
<b>Jan. 1, 2020</b>	<b>500</b>	<b>386</b>	<b>7,752</b>	<b>-187</b>	<b>0</b>	<b>132</b>	<b>-1,762</b>	<b>6,821</b>	<b>285</b>	<b>7,106</b>
Net profit or loss after tax			-942					-942	31	-911
Other comprehensive income after tax				-246	67	-150	26	-303	-6	-309
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-942</b>	<b>-246</b>	<b>67</b>	<b>-150</b>	<b>26</b>	<b>-1,245</b>	<b>25</b>	<b>-1,220</b>
Changes in the basis of consolidation								0	83	83
Dividends paid			-63					-63	-37	-100
Other changes			-4					-4		-4
<b>June 30, 2020 (unaudited)</b>	<b>500</b>	<b>386</b>	<b>6,743</b>	<b>-433</b>	<b>67</b>	<b>-18</b>	<b>-1,736</b>	<b>5,509</b>	<b>356</b>	<b>5,865</b>
<b>Jan. 1, 2021</b>	<b>500</b>	<b>386</b>	<b>6,601</b>	<b>-1,007</b>	<b>-5</b>	<b>20</b>	<b>-2,391</b>	<b>4,104</b>	<b>339</b>	<b>4,443</b>
Net profit or loss after tax			443					443	79	522
Other comprehensive income after tax				326	5	2	727	1,060	14	1,074
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>443</b>	<b>326</b>	<b>5</b>	<b>2</b>	<b>727</b>	<b>1,503</b>	<b>93</b>	<b>1,596</b>
Dividends paid								0	-52	-52
Disposal of shares in consolidated companies			175					175	36	211
<b>June 30, 2021 (unaudited)</b>	<b>500</b>	<b>386</b>	<b>7,219</b>	<b>-681</b>	<b>0</b>	<b>22</b>	<b>-1,664</b>	<b>5,782</b>	<b>416</b>	<b>6,198</b>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ZF FRIEDRICHSHAFEN AG AS OF JUNE 30, 2021

## FUNDAMENTAL PRINCIPLES

### Corporate structure

ZF Friedrichshafen AG (ZF) is a corporation, of which 93.8% is owned by the Zeppelin Foundation and 6.2% by the Dr. Jürgen and Irmgard Ulderup Foundation. The company is headquartered in 88046 Friedrichshafen, Germany, Löwentaler Straße 20.

ZF is a globally leading technology company and supplies mobility systems for passenger cars, commercial vehicles and industrial technology. ZF is set up along the lines of a matrix organization which links the Group-wide competencies of the central functions with the global business responsibility of the divisions and business units. The business units are assigned to the following divisions: Active Safety Systems, Car Chassis Technology, Electrified Powertrain Technology, Electronics and ADAS, Passive Safety Systems, Commercial Vehicle Control Systems, Commercial Vehicle Technology, Industrial Technology as well as Aftermarket. Further explanations on the corporate structure can be found in the Group management report for the fiscal year 2020.

### General

The interim consolidated financial statements of ZF Friedrichshafen AG as of June 30, 2021, were prepared as a condensed interim financial report in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting," as adopted by the European Union. They include the following components:

- Consolidated statement of profit or loss from January 1 to June 30, 2021
- Consolidated statement of comprehensive income from January 1 to June 30, 2021
- Consolidated statement of financial position as of June 30, 2021
- Consolidated statement of cash flows from January 1 to June 30, 2021
- Consolidated statement of changes in equity from January 1 to June 30, 2021
- Notes to the condensed interim consolidated financial statements

The condensed interim consolidated financial statements do not include all the pieces of information and disclosures that are required for the consolidated financial statements at the end of a fiscal year and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2020.

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

The interim consolidated financial statements were not subject to any audit or review.

### Adoption of IFRS

As a company that is not publicly traded, ZF Friedrichshafen AG has chosen the option to draw up its consolidated financial statements on the basis of IFRS pursuant to Sec. 315e para. 3 HGB (German Commercial Code).

ZF has observed all standards and interpretations adopted by the International Accounting Standards Board (IASB), London (UK), and by the EU that are mandatory as of January 1, 2021. The following standards applied for the first time in fiscal year 2021 did not result in any effects on ZF Group accounting.

- Amendments to IFRS 9, IAS 39, IFRS 7 "Interest Rate Benchmark Reform – Phase 2"
- Amendments to IFRS 4 "Insurance Contracts"

The ZF Group did not apply early any of the following new or amended standards and interpretations whose application is not yet mandatory even though they have been published.





Standard/ interpretation	Title	Applicable pursuant to IFRS as of	Endorsement by EU	Expected impact
IFRS 17	Insurance Contracts	Jan. 1, 2023	No	None
IAS 1	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Jan. 1, 2023	No	Under review
IAS 1	Amendments to IAS 1 "Disclosure of Accounting policies"	Jan. 1, 2023	No	None
IAS 8	Amendments to IAS 8 "Definition of Accounting Estimates"	Jan. 1, 2023	No	None
IAS 12	Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	Jan. 1, 2023	No	None
IFRS 3	Amendments to IFRS 3 "References to the Conceptual Framework"	Jan. 1, 2022	Yes	None
IAS 16	Amendments to IAS 16 "Proceeds Before Intended Use"	Jan. 1, 2022	Yes	None
IAS 37	Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	Jan. 1, 2022	Yes	None
Diverse	Annual improvements to IFRS 2018-2020	Jan. 1, 2022	Yes	None
IFRS 16	Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	Apr. 1, 2021	No	None

## Basis of consolidation

In addition to ZF Friedrichshafen AG, 44 German and 309 international subsidiaries controlled by ZF Friedrichshafen AG are included in the interim consolidated financial statements.

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

	Jan. 1, 2021	First-time consolidations	Legal changes	Deconsolidation	June 30, 2021
Subsidiaries	347	7	-1	0	353
of which German	42	2	0	0	44
of which international	305	5	-1	0	309
Joint ventures	5	0	0	0	5
Associates	15	0	0	-2	13

Compared to the previous year, the basis of consolidation increased by seven companies due to acquisitions or newly founded companies. Three companies were deconsolidated in the first half of 2021 as a result of merger or sale.

## Company acquisitions

By way of a purchase contract dated November 20, 2020, the remaining 25% of the shares of Ing. Tsetinis Beratungs GmbH, Kuchl, Austria, were acquired, which led to an increase of the participation quota to 100% with effect from January 1, 2021. The purpose of the company is to provide management consultancy services, including product cost optimization. The company was included in the ZF Group's basis of consolidation at the beginning of fiscal year 2021, as the majority of business activities prior to the acquisition were performed with companies of the ZF Group as customers. With the acquisition of all shares by ZF, the consulting company will focus more on external customers and expand the non-automotive business.

The purchase price of the shares acquired in 2021 amounted to €10 million and was paid in cash. The goodwill recognized based on the preliminary purchase price allocation amounts to €5 million. The excess remaining after capital consolidation results in particular from the positive profit contributions expected for the company in the future.

The acquired assets and liabilities of the company have been recognized at the date of acquisition with the following fair values, which are based on a preliminary purchase price allocation:

### in € million

Cash and cash equivalents	16
Financial assets	1
Trade receivables	9
Inventories	1
Property, plant and equipment	1
Trade payables	-1
Other liabilities	-7
Income tax provisions	-2
<b>Acquired total net assets</b>	<b>18</b>
Fair value of shares already held	13
Purchase price	10
<b>Excess remaining after capital consolidation</b>	<b>5</b>

In connection with the share deal, ZF acquired receivables at a fair value of €9 million. These are trade receivables. There are no uncollectible receivables. Since the acquisition date, the consulting company has contributed sales of €1 million and €-5 million to net profit after tax.

## Company acquisitions in the prior-year period

On May 29, 2020, ZF completed the purchase of 100% of the shares in WABCO Holdings Inc. by way of a cash transaction. WABCO is a leading global supplier of brake control systems, technologies and services for the improvement of the safety, efficiency and connectivity of trucks, buses and trailers. With its acquisition, ZF strengthened its position as an integrated systems supplier of commercial vehicle technology and expanded its product portfolio with the commercial vehicle control systems segment.

The finalization of the purchase price allocation particularly resulted in effects on other provisions in the medium double-digit million range as well as on income tax provisions and deferred taxes in a high one-digit million range each for the period from January 1 to May 28, 2021.

With a purchase contract dated August 10, 2020, assets and liabilities of Veoneer US, Inc. and Veoneer Brake Systems LLP were acquired as part of an asset deal. With this acquisition, the ZF Group expanded its activities in the field of braking systems and enhanced its position as a leading supplier of integrated braking control systems in the global truck and SUV market.

The purchase price allocation, which has not changed compared to December 31, 2020, has not been completed since there are no final valuations of assets available. Adjustments may arise in particular when measuring property, plant and equipment.

## Consolidation principles and foreign currency translation

The consolidation methods and the methods for foreign currency translation have not changed compared to the consolidated financial statements as of December 31, 2020.

The exchange rates used for foreign currency translation with a significant influence on the consolidated financial statements changed as follows in relation to one euro:

	Closing rate		Average rate	
	June 30, 2021	Dec. 31, 2020	Jan. – June 2021	Jan. – June 2020
US dollar	1.1884	1.2271	1.2061	1.1015
British pound	0.8581	0.8990	0.8588	0.8735
Chinese renminbi	7.6742	8.0225	7.7435	7.7447
Brazilian real	5.9050	6.3735	6.0895	5.3593
Mexican peso	23.5784	24.4160	24.1386	23.6734

## Accounting policies

The condensed interim consolidated financial statements were prepared on the basis of the accounting policies applied for the preparation of the consolidated financial statements as of December 31, 2020, with the following exceptions:

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

## Material events until June 30, 2021

The global semiconductor shortage resulting from the coronavirus pandemic has affected several industry sectors including the automotive industry. ZF and some of its customers have also been affected, resulting in some production shortfalls or delays. These might continue until 2022.

## 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.

Since control over WABCO Holdings Inc. was obtained as of May 29, 2020, and WABCO was included for the first time in the interim consolidated financial statements as of June 1, 2020, the Group's results of operations are only partly comparable to the previous year.

### 1 Sales

The increase in sales can be traced back to a low sales level in the previous year due to the COVID-19 pandemic.

In the following, sales based on contracts with customers are broken down into sales categories and geographical regions:

in € million	Jan. – June 2021	Jan. – June 2020
Volume production business sales	16,547	11,607
Aftermarket and service sales	2,030	1,362
Other sales	765	540
	<b>19,342</b>	<b>13,509</b>

in € million	Jan. – June 2021	Jan. – June 2020
Germany	3,774	2,663
Western Europe	3,648	2,474
Eastern Europe	1,562	1,043
North America	5,005	3,461
South America	491	292
Asia-Pacific	4,659	3,439
Africa	203	137
	<b>19,342</b>	<b>13,509</b>

## 2 Cost of sales

in € million	Jan. – June 2021	Jan. – June 2020
Cost of materials	11,924	8,504
Personnel expenses	2,524	2,047
Depreciation, amortization and impairment	755	705
Other	804	519
	<b>16,007</b>	<b>11,775</b>

The cost of sales also increased due to the low cost level influenced by COVID-19 in the previous year.

In the second half of fiscal year 2020, expenses relating to inventory changes of development and tooling costs capitalized in inventories were allocated to the cost of materials. Previously, these were included in other expenses. For better comparability, the prior-year period was adjusted (€150 million).

## 3 Net result from participations

in € million	Jan. – June 2021	Jan. – June 2020
Result from at-equity valuation	5	– 12
Result from disposal of associates	99	16
<b>Result from associates</b>	<b>104</b>	<b>4</b>
Write-ups and write-downs on participations	0	– 97
<b>Other net result from participations</b>	<b>0</b>	<b>– 97</b>
	<b>104</b>	<b>– 93</b>
<b>Net result from participations</b>	<b>104</b>	<b>– 93</b>

## 4 Financial income

in € million	Jan. – June 2021	Jan. – June 2020
Interest on financial assets	5	10
Other interest	60	5
Return on plan assets	12	0
<b>Interest income</b>	<b>77</b>	<b>15</b>
Foreign exchange gains	48	347
Income from derivative financial instruments	80	105
Income from securities	6	17
<b>Other financial income</b>	<b>134</b>	<b>469</b>
	<b>211</b>	<b>484</b>
<b>Financial income</b>	<b>211</b>	<b>484</b>

**5 Financial expenses**

in € million	Jan. – June 2021	Jan. – June 2020
Interest from financial liabilities	155	124
Interest on lease liabilities	14	12
Other interest	10	6
Interest cost on pension provisions	16	18
Unwinding the discount on other non-current items	0	15
<b>Interest expenses</b>	<b>195</b>	<b>175</b>
Foreign exchange losses	27	430
Expenses from derivative financial instruments	86	105
Expenses from securities	0	28
Valuation of financial receivables	-1	51
Transaction costs and incidental expenses	22	16
<b>Other financial expenses</b>	<b>134</b>	<b>630</b>
<b>Financial expenses</b>	<b>329</b>	<b>805</b>

**NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****6 Trade receivables**

The increase in trade receivables is primarily related to the increase in business volume in the current fiscal year.

**7 Inventories**

The increase in inventories is mainly a result of the increase in safety stock as well as the generally higher material purchase prices.

**8 Assets held for sale and liabilities of disposal groups**

The assets and liabilities reported under these items are the Aviation Technology business unit for sale, headquartered in Calden, Germany. The sale of the business unit to Airbus Helicopters is expected to be completed in the second half of 2021. The assets held for sale and disposal groups contain goodwill of €10 million.

**9 Impairment tests**

As of June 30, 2021, there were no indications for required impairment in the cash-generating units of ZF. Both in the first half of 2021 and the comparative period, neither impairments nor reversals of impairments were recognized.

**10 Financial liabilities**

Due to the reclassification of a US dollar bond due in April 2022 in the amount of €523 million as well as a bonded loan in the amount of €345 million, the current financial liabilities were increased. The repayment of bonded loans that were taken over within the context of acquiring WABCO, however, had an opposed effect. In total, current financial liabilities increased by €769 million.

The decrease of non-current financial liabilities results from the reclassification mentioned above, and the early repayment of a bonded loan amounting to €325.5 million due in October 2022 as well as the remaining €500 million from a loan with planned final maturity in March 2022 which was agreed as part of the WABCO acquisition.

In May 2021, ZF issued a green bond in the amount of €500 million with a maturity period of 6.5 years as part of the EMTN program and on the basis of a Green Finance Framework.

ZF's essential bank loans include a financial covenant that ZF is obliged to comply with. It is defined as the ratio of net debt to adjusted, consolidated EBITDA. This financial covenant is tested each quarter. ZF met the requirement on all test dates in the past and on the reporting date.

## 11 Provisions for pensions

The decrease in provisions for pensions is mainly due to the interest rate adaptation in Germany.

The following discount rates were applied as of June 30, 2021:

in % June 30, 2021	GER	USA	UK
Discount rate	1.2	2.9	1.9
<b>Dec. 31, 2020</b>			
Discount rate	0.7	2.5	1.4

## 12 Equity

### Deferred taxes on equity items not affecting profit or loss

in € million June 30, 2021	Before income tax	Income tax	After tax
Foreign currency translation differences	343	-3	340
Mark-to-market of securities	6	-1	5
Mark-to-market of cash flow hedges	5	-3	2
Actuarial gains and losses	1,040	-313	727
<b>Other comprehensive income</b>	<b>1,394</b>	<b>-320</b>	<b>1,074</b>
<b>June 30, 2020</b>			
Foreign currency translation differences	-252	0	-252
Mark-to-market of securities	85	-18	67
Mark-to-market of cash flow hedges	-174	24	-150
Actuarial gains and losses	20	6	26
<b>Other comprehensive income</b>	<b>-321</b>	<b>12</b>	<b>-309</b>

### Sale of shares in consolidated companies without loss of control

In the fiscal year, 16.1% of the shares in WABCO India Limited were sold for a sales price of €206 million. The difference between the sales price and the carrying amount of the non-controlling interests received of €170 million was offset with retained earnings.

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### 13 General

The consolidated statement of cash flows shows how the cash position of the consolidated ZF Group changed during the fiscal year due to the inflow and outflow of funds. A distinction is drawn between cash flows from operating, investing and financing activities.

The cash position presented in the consolidated statement of cash flows covers all cash and cash equivalents reported in the consolidated statement of financial position, i.e., cash on hand and cash at banks, available at any time for use by the consolidated ZF Group. In addition, the cash position comprises highly liquid financial investments that have a maturity of less than three months and that are subject to small fluctuations in value.

Cash is comprised as follows:

in € million	June 30, 2021	Dec. 31, 2020
Cash and cash equivalents	1,843	2,341

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 including lease liabilities are displayed in cash flow from financing activities. To this end, the net profit or loss before income tax in the cash flow from operating activities is adjusted by the net result from participations and the financial result.

As part of the indirect calculation, the changes in financial line items taken into account in conjunction with the operating activities are adjusted for effects from the translation of foreign currencies and changes in the basis of consolidation. Changes in the respective financial line items can therefore not be reconciled to the corresponding values on the basis of the published consolidated statement of financial position.

### 14 Acquisition of consolidated companies

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

in € million	2021	2020
Current assets	26	1,770
thereof cash and cash equivalents	16	439
Non-current assets	2	4,262
Current liabilities	10	809
Non-current liabilities	0	2,955

The purchase price of €10 million for the acquisition in the fiscal year 2021 was paid in cash.

### 15 Sale of consolidated companies

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

in € million	2021	2020
Current assets	0	53
thereof cash and cash equivalents	0	12
Non-current assets	0	113
Current liabilities	0	7
Non-current liabilities	0	22

## OTHER DISCLOSURES

### 16 Litigation

ZF continues to be in close contact with the National Highway Traffic Safety Administration (NHTSA) in the USA in relation to the latter's investigation regarding certain vehicles that are equipped with ZF airbag control units and of which a few were subject to recalls by Toyota, FCA and HKMC. Based on the currently available investigation results, ZF does not believe to have culpably caused the recalls and is defending itself against lawsuits pending in the USA and Canada.

In 2014, the Brazilian antitrust authority, Conselho Administrativo de Defesa Economica (CADE), searched the premises of one of our Brazilian subsidiaries to investigate the suspected violation of antitrust provisions in connection with the sale of specific vehicle components. The proceedings were recently concluded. There were no major effects on the ZF Group.

In general, claims for damages may be asserted even in connection with completed proceedings. Neither ZF nor any of its Group companies are involved in current or foreseeable court or arbitration proceedings which, based on facts known today, have had in the past or could have a significant impact on the economic situation of the consolidated ZF Group.

### 17 Financial instruments

#### Carrying amounts of the financial instruments by category

The following table shows the recognized financial assets and liabilities by measurement category:

in € million	June 30, 2021	Dec. 31, 2020
<b>Assets</b>		
At amortized cost	7,701	7,644
At fair value through other comprehensive income		
Debt instruments	255	297
Equity instruments	21	17
At fair value through profit or loss	146	159
Derivative financial instruments (hedge accounting) <sup>1)</sup>	44	36
	<b>8,167</b>	<b>8,153</b>
<b>Liabilities</b>		
At amortized cost	17,554	18,089
At fair value through profit or loss	28	21
Lease liabilities <sup>1)</sup>	815	820
Derivative financial instruments (hedge accounting) <sup>1)</sup>	16	13
	<b>18,413</b>	<b>18,943</b>

1) No measurement category in accordance with IFRS 9

#### Fair values

The fair values of the financial assets and liabilities are presented below. Provided that financial assets and liabilities are recognized at amortized cost, the fair value is compared to the carrying amount.



The following table shows the carrying amounts and the fair values of the financial assets and liabilities recognized at amortized cost. Due to short maturities, the carrying amounts of the current financial instruments recognized at cost approximate the fair values.

in € million	June 30, 2021		Dec. 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
At amortized cost				
Cash and cash equivalents	1,843	1,843	2,341	2,341
Financial receivables	137	137	119	119
Trade receivables	5,721	5,721	5,184	5,184
	<b>7,701</b>	<b>7,701</b>	<b>7,644</b>	<b>7,644</b>
<b>Liabilities</b>				
At amortized cost				
Bonds	7,731	8,142	7,171	7,319
Bonded loans	2,130	2,184	2,647	2,719
Liabilities to banks	2,152	2,173	2,607	2,678
Other financial liabilities	47	47	38	38
Trade payables	5,494	5,494	5,626	5,626
Lease liabilities <sup>1)</sup>	815	-	820	-
	<b>18,369</b>	<b>18,040</b>	<b>18,909</b>	<b>18,380</b>

1) No measurement category in accordance with IFRS 9

The following table shows the financial instruments recognized at fair value:

in € million	June 30, 2021	Dec. 31, 2020
<b>Assets</b>		
At fair value through other comprehensive income		
Securities	19	15
Investments in participations	2	2
Trade receivables	255	297
At fair value through profit or loss		
Securities	83	85
Investments in participations	56	60
Derivative financial instruments	7	14
Derivative financial instruments (hedge accounting) <sup>1)</sup>	44	36
	<b>466</b>	<b>509</b>
<b>Liabilities</b>		
At fair value through profit or loss		
Derivative financial instruments	28	21
Derivative financial instruments (hedge accounting) <sup>1)</sup>	16	13
	<b>44</b>	<b>34</b>

1) No measurement category in accordance with IFRS 9

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 used for the measurement. 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 used for the measurement of financial instruments that are directly (e.g. prices) or indirectly (e.g. derived from prices) observable on the market.

Financial instruments whose valuation is based on information that is not observable on the market are reported in level 3.

in € million	Level 1	Level 2	Level 3	June 30, 2020 Total
<b>Assets</b>				
Securities	87	14	0	101
Investments in participations	6	7	45	58
Trade receivables	0	255	0	255
Derivative financial instruments	0	52	0	52
	<b>93</b>	<b>328</b>	<b>45</b>	<b>466</b>
<b>Liabilities</b>				
Derivative financial instruments	0	44	0	44

in € million	Level 1	Level 2	Level 3	Dec. 31, 2020 Total
<b>Assets</b>				
Securities	91	9	0	100
Investments in participations	6	0	56	62
Trade receivables	0	297	0	297
Derivative financial instruments	0	50	0	50
	<b>97</b>	<b>356</b>	<b>56</b>	<b>509</b>
<b>Liabilities</b>				
Derivative financial instruments	0	34	0	34

For level 1 securities, the fair value is recognized directly as the quoted price on an always active market. An 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.

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.

Investments in participations included in level 1 and traded on an active market are recognized at share prices of the stock exchange of the respective country. With level 2 investments in participations measured at fair value, measurement is based on transactions that can be observed in the market. The level 3 investments in participations concern investments in companies that are not listed on the stock exchange. In case of these investments recognized at fair value through profit or loss, there is either not enough information available or only a vast range of possible values can be determined for the fair value by using a multiplier method. The acquisition costs are therefore used to appropriately estimate the fair value. In case of changes in the environment of the participations or in case of proof due to external transactions, the estimate is adjusted accordingly. A significant change regarding the future results and multipliers used for the multiplier method would affect the fair value of these investments in the amount of €-6 million to €+27 million.

The trade receivables measured at fair value are allocated to level 2 since measurement can be derived from parameters observable on the market.

The level 2 derivative financial instruments concern non-tradable derivatives. Fair values are determined on the basis of fixed prices quoted on approved stock exchanges discounted for the remaining term (foreign currency exchange rates, interest rates and raw material price indexes).

The following table illustrates the development of financial instruments assigned to level 3 of the fair value hierarchy:

<b>Securities in € million</b>	<b>2021</b>	2020
As of Jan. 1	0	140
Sales	0	-104
Reclassifications to level 3 from level 2	0	54
Reclassifications from level 3 to level 2	0	-90
<b>As of June 30/Dec. 31</b>	<b>0</b>	<b>0</b>

<b>Investments in participations in € million</b>	<b>2021</b>	2020
As of Jan. 1	56	159
Changes in the basis of consolidation	-12	9
Fair value changes recognized through profit or loss	-1	-81
Acquisitions	2	1
Sales	0	-28
Transfers	0	-4
<b>As of June 30/Dec. 31</b>	<b>45</b>	<b>56</b>

The losses recognized through profit or loss are contained in other net results from participations.

<b>Derivative financial instruments (assets) in € million</b>	<b>2021</b>	2020
As of Jan. 1	0	79
Fair value changes recognized through profit or loss	0	3
Fair value changes recognized through other comprehensive income	0	165
Liquidation of derivative positions	0	-247
<b>As of June 30</b>	<b>0</b>	<b>0</b>

The fair value changes of the previous year recognized through other comprehensive income in relation to derivative financial instruments were included in the item "Mark-to-market of cash flow hedges." The fair value changes recognized through profit or loss in relation to derivative financial instruments were reported in other financial income and other financial expenses, respectively.

### 18 Relationship to related parties

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


### 19 Material events after June 30, 2021

In Germany, the flood disaster in July affected the ZF production location in Ahrweiler. Following flooding in the production hall, production will not be possible in the foreseeable future. The plant is the sole supplier of certain products. Current work is focusing on restoring the plant's ability to deliver. The financial impact on the ZF Group cannot yet be assessed.

Friedrichshafen, July 26, 2021

ZF Friedrichshafen AG

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(CEO)


  
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In cases of doubt, the German version of this Report is binding.

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