



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF
JUNE 30, 2022

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Condensed Interim Consolidated Financial Statements as of June 30, 2022

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ZF Stands its Ground in a Challenging Environment

- Technology company increases sales in the first half of 2022
- Financial key figures impacted by inflation, consequences of pandemic-related lockdowns and the Russia-Ukraine war
- Equity base further strengthened
- New Commercial Vehicle Solutions Division with a good start
- Substantial new orders for future technologies
- Consistent implementation of the sustainability strategy



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2022

in € million	Notes	2022 unaudited	2021 unaudited
Sales	①	21,221	19,342
Cost of sales	②	17,962	16,007
Gross profit on sales		3,259	3,335
Research and development costs		1,409	1,285
Selling expenses		805	724
General administrative expenses		743	736
Other operating income		374	273
Other operating expenses		302	172
Result from associates	③	0	104
Other net result from participations	③	-2	0
EBIT		372	795
Financial income	④	450	215
Financial expenses	⑤	721	333
Net profit or loss before tax		101	677
Income taxes		43	155
Net profit or loss after tax		58	522
thereof shareholders of ZF Friedrichshafen AG		-25	443
thereof non-controlling interests		83	79



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2022

in € million	Notes	2022 unaudited	2021 unaudited
Net profit or loss after tax		58	522
Items that will be reclassified to profit or loss			
Currency translation differences		683	343
Fair value adjustment on cash flow hedges			
Fair value adjustment		-53	21
Reclassification to profit and loss		3	-16
Income taxes		-2	-6
		631	342
Items that will not be reclassified to profit or loss			
Fair value adjustment on securities		-6	6
Revaluation of net liability from defined benefit plans (asset)		2,415	1,040
Income taxes		-736	-314
		1,673	732
Other comprehensive income after tax	12	2,304	1,074
Total comprehensive income		2,362	1,596
thereof shareholders of ZF Friedrichshafen AG		2,255	1,503
thereof non-controlling interests		107	93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ZF FRIEDRICHSHAFEN AG AS OF JUNE 30, 2022

Assets in € million	Notes	Jun. 30, 2022 unaudited	Dec. 31, 2021	Liabilities and equity in € million	Notes	Jun. 30, 2022 unaudited	Dec. 31, 2021
Current assets				Current liabilities			
Cash and cash equivalents		1,973	2,332	Financial liabilities	10	2,621	1,092
Financial assets		156	148	Trade payables		6,433	5,855
Trade receivables	6	6,495	5,617	Contract liabilities		1,494	1,506
Contract assets		438	235	Other liabilities		1,966	1,837
Other assets		941	767	Income tax provisions		355	459
Income tax receivables		78	74	Other provisions		789	824
Inventories	7	5,478	4,993			13,658	11,573
		15,559	14,166	Liabilities of disposal groups	8	113	59
Assets held for sale and disposal groups	8	218	88			13,771	11,632
		15,777	14,254	Non-current liabilities			
Non-current assets				Financial liabilities	10	10,680	11,499
Financial assets		882	970	Trade payables		24	30
Associates		201	199	Contract liabilities		439	560
Contract assets		397	355	Other liabilities		187	204
Other assets		263	263	Income tax liabilities		86	80
Intangible assets		12,902	12,768	Provisions for pensions	11	3,146	5,680
Property, plant and equipment		8,147	8,191	Other provisions		926	865
Deferred taxes		646	1,359	Deferred taxes		631	686
		23,438	24,105			16,119	19,604
				Equity			
				Subscribed capital		500	500
				Capital reserve		386	386
				Retained earnings ¹⁾		7,877	5,741
				Equity attributable to shareholders of ZF Friedrichshafen AG		8,763	6,627
				Non-controlling interests		562	496
					12	9,325	7,123
		39,215	38,359			39,215	38,359

1) Assets held for sale and disposal groups account for –€34 million (2021: –€16 million)



CONSOLIDATED STATEMENT OF CASH FLOWS

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2022

in € million	Notes	2022 unaudited	2021 unaudited
Net profit or loss before income tax		101	677
Depreciation and amortization/impairments		1,165	1,099
Results from first-time consolidation and deconsolidation		25	0
Net result from participations and net financial result		273	14
Results from the disposal of intangible assets and property, plant and equipment		-12	-38
Other non-cash changes		-73	0
Income taxes paid		-236	-228
Changes in non-current provisions made through profit or loss		-2	159
Increase in inventories		-438	-733
Increase in trade receivables		-854	-394
Increase in other assets		-374	-302
Increase (2021: decrease) in trade payables		537	-241
Decrease (2021: increase) in other liabilities		-211	195
Cash flow from operating activities		-99	208
Expenditures for investments in			
intangible assets		-30	-40
property, plant and equipment		-563	-436
associates and other participations		-8	-14
financial receivables		-6	-8
securities		-94	-11
Proceeds from the disposal of			
intangible assets		1	3
property, plant and equipment		48	60
associates and other participations		0	239
financial receivables		1	4
securities		132	19

in € million	Notes	2022 unaudited	2021 unaudited
Cash inflow from the sale of shares in consolidated companies	12	0	206
Cash inflow/outflow from the acquisition of consolidated companies	14	0	6
Dividends received		3	1
Interest received		15	9
Cash flow from investing activities		-501	38
Dividends paid to ZF Friedrichshafen AG shareholders		-119	0
Dividends paid to non-controlling interests		-16	-37
Repayments of borrowings		-556	-1,282
Proceeds from borrowings		981	687
Interest paid and transaction costs		-152	-158
Cash flow from financing activities		138	-790
Net change in cash		-462	-544
Cash position at the beginning of the fiscal year		2,332	2,341
Effects of exchange rate changes on cash		103	46
Cash as of the closing date	13	1,973	1,843

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2022

in € million	Retained earnings							Equity attributable to shareholders of ZF Friedrichshafen AG	Non-controlling interests	Group equity
	Subscribed capital	Capital reserve	Other retained earnings	Currency translation differences	Fair value adjustment on securities	Fair value adjustment on cash flow hedges	Revaluation of net liability from defined benefit plans (asset)			
Jan. 1, 2021	500	386	6,601	-1,007	-5	20	-2,391	4,104	339	4,443
Net profit or loss after tax			443					443	79	522
Other comprehensive income after tax				326	5	2	727	1,060	14	1,074
Total comprehensive income	0	0	443	326	5	2	727	1,503	93	1,596
Dividends paid								0	-52	-52
Disposal of shares in consolidated companies			175					175	36	211
Jun. 30, 2021 (unaudited)	500	386	7,219	-681	0	22	-1,664	5,782	416	6,198
Jan. 1, 2022	500	386	7,457	-231	-3	-5	-1,477	6,627	496	7,123
Net profit or loss after tax			-25					-25	83	58
Other comprehensive income after tax				644	-5	-37	1,678	2,280	24	2,304
Total comprehensive income	0	0	-25	644	-5	-37	1,678	2,255	107	2,362
Changes in the basis of consolidation								0	-24	-24
Dividends paid			-119					-119	-17	-136
Jun. 30, 2022 (unaudited)	500	386	7,313	413	-8	-42	201	8,763	562	9,325

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ZF FRIEDRICHSHAFEN AG AS OF JUNE 30, 2022

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 Active Safety Systems, Car Chassis Technology, Electrified Powertrain Technology, Electronics and ADAS, Passive Safety Systems, Commercial Vehicle Solutions, Industrial Technology, and Aftermarket divisions. Further explanations on the corporate structure can be found in the Group management report for the fiscal year 2021.

General

The interim consolidated financial statements of ZF Friedrichshafen AG as of June 30, 2022 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, 2022
- Consolidated statement of comprehensive income from January 1 to June 30, 2022
- Consolidated statement of financial position as of June 30, 2022
- Consolidated statement of cash flows from January 1 to June 30, 2022
- Consolidated statement of changes in equity from January 1 to June 30, 2022
- 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, 2021.

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, 2022. The following standards, applied for the first time in fiscal year 2022, did not result in any changes in ZF Group's accounting:

- Amendments to IFRS 3 "Reference to the Framework"
- Amendments to IAS 16 "Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Improvements to IFRS 2018–2020

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



Standard	Title	Applicable pursuant to IFRS as of	Endorsement by EU	Expected impact
IAS 1	Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	Jan. 1, 2023	No	None
IAS 1	Amendments to IAS 1 "Disclosure of Accounting Policies"	Jan. 1, 2023	Yes	None
IAS 8	Amendments to IAS 8 "Definition of Accounting Estimates"	Jan. 1, 2023	Yes	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 17	Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	Jan. 1, 2023	No	None
IFRS 17	Insurance Contracts	Jan. 1, 2023	Yes	None

Basis of consolidation

In addition to ZF Friedrichshafen AG, 42 German and 304 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, 2022	First-time consolidations	Legal changes	Deconsolidations	Jun. 30, 2022
Subsidiaries	344	8	-1	-5	346
of which German	40	3	0	-1	42
of which international	304	5	-1	-4	304
Joint ventures	4	0	0	0	4
Associates	14	0	0	0	14

Compared to the previous year, the basis of consolidation increased by eight companies due to new company formations. Six companies were deconsolidated in the first half of 2022 as a result of merger, liquidation or loss of control.

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, 2021.

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	
	Jun. 30, 2022	Dec. 31, 2021	Jan.–Jun. 2022	Jan.–Jun. 2021
U.S. dollar	1.0387	1.1326	1.0940	1.2057
British pound	0.8582	0.8403	0.8422	0.8684
Chinese renminbi	6.9624	7.1947	7.0846	7.7994
Brazilian real	5.4229	6.3101	5.5644	6.4989
Mexican peso	20.9641	23.1438	22.1882	24.3389

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, 2021, with the following exceptions:

Based on empirical values from 2020 and 2021, the expected probabilities of default for trade receivables were adjusted, which resulted in a reduction in credit-based loss allowances by €22 million.

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

Significant events until June 30, 2022

As a result of the Russia-Ukraine war, international sanctions have been imposed on Russia, which have significant political, social and economic implications, and which also affect ZF's business activities. In March 2022, ZF management decided to suspend all business activities with Belarus, Russia and the Ukrainian regions of Donetsk, Luhansk, Crimea and Sevastopol until further notice. This resulted in an impairment of non-financial assets in the amount of €14 million, mainly with regard to inventories. The sanctions also affect the execution of bank transactions and thus the possibility of transferring funds within the Group. Bank deposits amounting to €73 million were therefore reclassified from cash and cash equivalents to restricted cash under financial receivables, and impairments of financial assets amounting to €29 million were performed. A provision amounting to €10 million has been recognized for the risk of any claim being made against the ZF Group arising from financial guarantees issued to Russian subsidiaries.

Furthermore, two Russian subsidiaries were deconsolidated due to the loss of control and the participations remaining in the ZF Group were recognized at a fair value of €0 each. The resulting deconsolidation loss of €25 million is included in other operating expenses. As a result of the deconsolidation, the Group's assets have been reduced by €85 million and liabilities by €60 million.

In order to adequately take account of the risk of possible gas supply cuts on the part of Russia and the consequently limited supply to ZF locations in Europe, Group-wide and local, plant-level task forces have been established. They make it possible to analyze potential impacts within the scope of scenario analysis and to derive corresponding measures along the value-added chain. After the identification and evaluation of the financial and strategic impacts, preventive measures, including gas savings or switching to alternative energy sources, have been implemented, while reactive measures have been prepared on the basis of contingency plans. These scenarios did not result in any direct effects on the interim consolidated financial statements as of June 30, 2022.

The global material and, in particular, semiconductor shortage resulting from the coronavirus pandemic has worsened because of the zero-Covid strategy in China and the Russia-Ukraine war, which has occasionally led to production downtimes and postponements. In addition, the material bottleneck has been reflected in significant material price increases that negatively influence market development and pose enormous challenges to the entire industry.

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

in € million	Jan. – Jun. 2022	Jan. – Jun. 2021
Volume production business sales	17,937	16,547
Aftermarket and service sales	2,246	2,030
Other sales	1,038	765
	21,221	19,342

in € million	Jan. – Jun. 2022	Jan. – Jun. 2021
Germany	4,247	3,774
Western Europe	3,830	3,648
Eastern Europe	1,486	1,562
North America	5,952	5,005
South America	696	491
Asia-Pacific	4,770	4,659
Africa	240	203
	21,221	19,342

2 Cost of sales

in € million	Jan. – Jun. 2022	Jan. – Jun. 2021
Cost of materials	13,742	11,924
Personnel expenses	2,585	2,524
Depreciation, amortization and impairment	793	755
Other	842	804
	17,962	16,007

The increase in the cost of sales compared to the previous year can be traced back to the continued general material price increases.

3 Net result from participations

in € million	Jan. – Jun. 2022	Jan. – Jun. 2021
Result from at-equity valuation	0	5
Result from disposal of associates	0	99
Result from associates	0	104
Valuation of participations	-2	0
Other net result from participations	-2	0
Net result from participations	-2	104

4 Financial income

in € million	Jan. – Jun. 2022	Jan. – Jun. 2021
Interest from financial assets	10	5
Other interest	7	60
Return on plan assets	0	16
Interest income	17	81
Foreign exchange gains	359	48
Income from derivative financial instruments	72	80
Income from securities	2	6
Other financial income	433	134
Financial income	450	215

5 Financial expenses

in € million	Jan. – Jun. 2022	Jan. – Jun. 2021
Interest from financial liabilities	140	155
Interest on lease liabilities	14	14
Other interest	8	11
Interest cost on pension provisions	28	19
Unwinding the discount on other non-current items	26	0
Interest expenses	216	199
Foreign exchange losses	333	27
Expenses from derivative financial instruments	109	86
Expenses from securities	2	0
Valuation of financial receivables	8	-1
Transaction costs and other financial expenses	53	22
Other financial expenses	505	134
Financial expenses	721	333

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 this item as of June 30, 2022 relate to the Aviation Technology Business Unit held for sale and headquartered in Calden, Germany. The sale to Airbus Helicopters Deutschland GmbH is highly likely to go ahead and its completion is expected at the end of 2022. The Aviation Technology Business Unit is a leading global manufacturer of dynamic components for light- and medium-weight helicopters, including related services such as maintenance, repair and overhaul. This business unit currently has around 400 employees.

This item also includes the assets and liabilities held for sale of the Electronic Interfaces product line, headquartered in Diepholz, Germany. An agreement was reached on the sale with AEQUITA SE & Co. KGaA in March 2022. The closing of the transaction is considered highly probable and is expected at the end of 2022. The Electronics Interfaces product line develops and produces shift lever systems, actuators and haptic control systems for the automotive industry with approximately 750 employees in Germany, China, Mexico and the USA.

9 Impairment tests

Apart from the impairments related to the Russia-Ukraine war, which have already been explained under Significant events until June 30, 2022, there were no indications that any impairment was necessary in the cash-generating units of ZF.

10 Financial liabilities

The increase in current financial liabilities mainly results from the utilization of a credit line (bridge financing) concluded in June for more than €500 million with maturity until June 2023 and the reclassification of individual financial instruments from non-current to current financial liabilities. This includes a eurobond of over €1,075 million due in April 2023 that was issued to finance the TRW acquisition in 2015. The on-schedule repayment of a bonded loan in the amount of €345 million in January 2022 had an opposite effect.

Non-current financial liabilities decreased due to the above reclassification. Taking out a loan from the European Investment Bank of more than €225 million with a maturity period of six years in April 2022 had an opposite effect.

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 key figure is tested each quarter. ZF met the requirement on all test dates in the past and on the reporting date.

In July 2022, ZF refinanced the existing syndicated financing from 2016. The new ESG-linked revolving credit facility (RCF) has been increased to the amount of €3.5 billion and has a maximum term of five years, including two renewal options to extend the term in each case by one year based on a corresponding agreement with the financing banks.

11 Provisions for pensions

The decrease in provisions for pensions is mainly due to the increase in the discount rate in Germany.

The following discount rates were applied as of June 30, 2022:

in % Jun. 30, 2022	GER	USA	UK
Discount rate	3.3	4.7	3.8
Dec. 31, 2021			
Discount rate	1.2	2.9	2.0

12 Equity

Deferred taxes on equity items not affecting profit or loss

in € million Jun. 30, 2022	Before income tax	Income tax	After tax
Currency translation differences	683	-15	668
Fair value adjustment on securities	-6	1	-5
Fair value adjustment on cash flow hedges	-50	13	-37
Revaluation of net liability from defined benefit plans (asset)	2,415	-737	1,678
Other comprehensive income	3,042	-738	2,304
Jun. 30, 2021			
Currency translation differences	343	-3	340
Fair value adjustment on securities	6	-1	5
Fair value adjustment on cash flow hedges	5	-3	2
Revaluation of net liability from defined benefit plans (asset)	1,040	-313	727
Other comprehensive income	1,394	-320	1,074

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	Jun. 30, 2022	Dec. 31, 2021
Cash and cash equivalents	1,973	2,332

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 included in cash flow from financing activities. To this end, the net profit or loss before income tax in the cash flow from operating activities is adjusted by the 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	Jan. – Jun. 2022	Jan. – Jun. 2021
Current assets	0	26
thereof cash and cash equivalents	0	16
Non-current assets	0	2
Current liabilities	0	10

OTHER DISCLOSURES

15 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 principle, 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.

16 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	Jun. 30, 2022	Dec. 31, 2021
	Assets	
At amortized cost	8,437	7,938
At fair value through other comprehensive income		
Debt instruments	239	145
Equity instruments	37	40
At fair value through profit or loss	119	160
Derivative financial instruments (hedge accounting) ¹⁾	23	25
	8,855	8,308
Liabilities		
At amortized cost	18,799	17,607
At fair value through profit or loss	35	16
Lease liabilities ¹⁾	834	809
Derivative financial instruments (hedge accounting) ¹⁾	90	44
	19,758	18,476

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	Jun. 30, 2022		Dec. 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
At amortized cost				
Cash and cash equivalents	1,973	1,973	2,332	2,332
Financial receivables	208	208	134	134
Trade receivables	6,256	6,256	5,472	5,472
	8,437	8,437	7,938	7,938
Liabilities				
At amortized cost				
Bonds	7,851	6,733	7,745	8,078
Bonded loans	1,703	1,677	2,062	2,071
Liabilities to banks	2,759	2,766	1,878	1,885
Other financial liabilities	29	29	37	37
Trade payables	6,457	6,457	5,885	5,885
Lease liabilities ¹⁾	834	–	809	–
	19,633	17,662	18,416	17,956

1) No measurement category in accordance with IFRS 9

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

in € million	Jun. 30, 2022	Dec. 31, 2021
Assets		
At fair value through other comprehensive income		
Securities	6	11
Investments in participations	31	29
Trade receivables	239	145
At fair value through profit or loss		
Securities	42	81
Investments in participations	53	48
Derivative financial instruments	24	31
Derivative financial instruments (hedge accounting) ¹⁾	23	25
	418	370
Liabilities		
At fair value through profit or loss		
Derivative financial instruments	35	16
Derivative financial instruments (hedge accounting) ¹⁾	90	44
	125	60

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 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	Jun. 30, 2022 Total
Assets				
Securities	15	30	3	48
Investments in participations	6	29	49	84
Trade receivables	0	239	0	239
Derivative financial instruments	0	47	0	47
	21	345	52	418
Liabilities				
Derivative financial instruments	0	125	0	125
in € million	Level 1	Level 2	Level 3	Dec. 31, 2021 Total
Assets				
Securities	74	18	0	92
Investments in participations	8	27	42	77
Trade receivables	0	145	0	145
Derivative financial instruments	0	56	0	56
	82	246	42	370
Liabilities				
Derivative financial instruments	0	60	0	60

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. Level 3 securities are equity instruments that are not traded at a stock exchange and for which there is no sufficient information on how to measure their fair values. The acquisition costs are therefore used to appropriately estimate the fair value.

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 participations in the amount of –€11 million to +€3 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:

Securities in € million	2022	2021
As of Jan. 1	0	0
Purchases	3	0
Reclassifications to level 3 from level 2	0	0
Reclassifications from level 3 to level 2	0	0
As of Jun. 30 / Dec. 31	3	0

Investments in participations in € million	2022	2021
As of Jan. 1	42	56
Changes in the basis of consolidation	0	–15
Acquisitions	7	1
As of Jun. 30 / Dec. 31	49	42

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

17 Related party transactions

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

Friedrichshafen, July 25, 2022

ZF Friedrichshafen AG

The Board of Management



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(CEO)



Dr. Konstantin Sauer



Dr. Martin Fischer



Sabine Jaskula



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