



# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF  
JUNE 30, 2023



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## ZF Defies Economic Uncertainties

- > **Technology company with double-digit organic sales growth**
- > **Result within target range despite challenging environment**
- > **Forecast for full year 2023 confirmed**
- > **Two divisions will be merged into the Chassis Solutions Division by January 2024**
- > **Ongoing industrialization of important future products**
- > **Stable equity base**



# Consolidated Statement of Profit or Loss

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2023

in € million	Notes	2023 unaudited	2022 unaudited
Sales	1	23,292	21,221
Cost of sales	2	19,576	17,962
<b>Gross profit on sales</b>		<b>3,716</b>	<b>3,259</b>
Research and development costs		1,466	1,409
Selling expenses		853	805
General administrative expenses		827	743
Other operating income		424	374
Other operating expenses		461	302
Result from associates	3	13	0
Other net result from participations	3	9	-2
<b>EBIT</b>		<b>555</b>	<b>372</b>
Financial income	4	470	450
Financial expenses	5	816	721
<b>Net profit or loss before tax</b>		<b>209</b>	<b>101</b>
Income taxes		83	43
<b>Net profit or loss after tax</b>		<b>126</b>	<b>58</b>
thereof shareholders of ZF Friedrichshafen AG		34	-25
thereof non-controlling interests		92	83



# Consolidated Statement of Comprehensive Income

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2023

in € million	Notes	2023 unaudited	2022 unaudited
<b>Net profit or loss after tax</b>		<b>126</b>	<b>58</b>
<b>Line items that will be reclassified in the consolidated statement of profit or loss</b>			
Foreign currency translation differences		-272	683
Fair value adjustment on cash flow hedges			
Gains arising during the year (2022: losses)		79	-53
Reclassification adjustments for gains/losses included in profit or loss		-24	3
Income taxes		-16	-2
		<b>-233</b>	<b>631</b>
<b>Line items that will not be reclassified in the consolidated statement of profit or loss</b>			
Fair value adjustment on securities		-6	-6
Actuarial losses from pension obligations (2022: gains)		-85	2,415
Income taxes		26	-736
		<b>-65</b>	<b>1,673</b>
<b>Other comprehensive income after tax</b>	<b>12</b>	<b>-298</b>	<b>2,304</b>
<b>Total comprehensive income</b>		<b>-172</b>	<b>2,362</b>
thereof shareholders of ZF Friedrichshafen AG		-233	2,255
thereof non-controlling interests		61	107



# Consolidated Statement of Financial Position

ZF FRIEDRICHSHAFEN AG AS OF JUNE 30, 2023

Assets in € million	Notes	Jun. 30, 2023 unaudited	Dec. 31, 2022	Liabilities and equity in € million	Notes	Jun. 30, 2023 unaudited	Dec. 31, 2022
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents		2,234	2,518	Financial liabilities	10	2,766	2,238
Financial assets		190	156	Trade payables		6,825	7,010
Trade receivables	6	6,587	5,967	Contract liabilities		1,619	1,581
Contract assets		569	421	Other liabilities		1,976	1,761
Other assets		927	847	Income tax provisions		405	438
Income tax receivables		34	37	Other provisions		788	849
Inventories	7	5,909	5,597			14,379	13,877
		16,450	15,543	Liabilities of disposal groups	8	88	90
Assets held for sale and disposal groups	8	289	168			14,467	13,967
		16,739	15,711	<b>Non-current liabilities</b>			
<b>Non-current assets</b>				Financial liabilities	10	11,064	10,798
Financial assets		589	590	Trade payables		8	14
Associates		152	116	Contract liabilities		440	434
Contract assets		433	431	Other liabilities		145	155
Other assets		241	277	Income tax liabilities		44	46
Intangible assets		11,963	12,396	Provisions for pensions	11	3,588	3,551
Property, plant and equipment		8,361	8,456	Other provisions		831	757
Deferred taxes		995	967	Deferred taxes		538	627
		22,734	23,233			16,658	16,382
				<b>Equity</b>			
				Subscribed capital		500	500
				Capital reserve		386	386
				Retained earnings <sup>1)</sup>		6,894	7,167
				<b>Equity attributable to shareholders of ZF Friedrichshafen AG</b>		7,780	8,053
				Non-controlling interests		568	542
					12	8,348	8,595
		39,473	38,944			39,473	38,944

1) Assets held for sale and disposal groups account for €1 million (2022: €1 million)



# Consolidated Statement of Cash Flows

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2023

in € million	Notes	2023 unaudited	2022 unaudited
Net profit or loss before income tax		209	101
Depreciation and amortization/impairments		1,161	1,165
Results from first-time consolidation and deconsolidation		20	25
Net result from participations and net financial result		324	273
Results from the disposal of intangible assets and property, plant and equipment		-14	-12
Other non-cash changes		0	-73
Income taxes paid		-202	-236
Changes in non-current provisions made through profit or loss		11	-2
Increase in inventories		-385	-438
Increase in trade receivables		-781	-854
Increase in other assets		-209	-374
Decrease (2022: increase) in trade payables		-82	537
Increase (2022: decrease) in other liabilities		160	-211
<b>Cash flow from operating activities</b>		<b>212</b>	<b>-99</b>
Expenditures for investments in			
intangible assets		-68	-30
property, plant and equipment		-759	-563
associates and other participations		-13	-8
financial receivables		-4	-6
securities		-82	-94
Proceeds from the disposal of			
intangible assets		9	1
property, plant and equipment		47	48
associates and other participations		8	0
financial receivables		10	1
securities		81	132

in € million	Notes	2023 unaudited	2022 unaudited
Cash inflow from the sale of consolidated companies	14	50	0
Dividends received		2	3
Interest received		27	15
<b>Cash flow from investing activities</b>		<b>-692</b>	<b>-501</b>
Dividends paid to ZF Friedrichshafen AG shareholders		-41	-119
Dividends paid to non-controlling interests		-10	-16
Repayments of borrowings		-1,432	-556
Proceeds from borrowings		2,051	981
Interest paid and transaction costs		-216	-152
<b>Cash flow from financing activities</b>		<b>352</b>	<b>138</b>
<b>Net change in cash position</b>		<b>-128</b>	<b>-462</b>
Cash position at the beginning of the fiscal year		2,530	2,332
Effects of exchange rate changes on cash		-76	103
<b>Cash position as of the closing date</b>	13	<b>2,326</b>	<b>1,973</b>



# Consolidated Statement of Changes in Equity

ZF FRIEDRICHSHAFEN AG FOR THE PERIOD DATING JANUARY 1 TO JUNE 30, 2023

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	Fair value adjustment on securities	Fair value adjustment on cash flow hedges	Actuarial gains and losses			
<b>Jan. 1, 2022</b>	<b>500</b>	<b>386</b>	<b>7,457</b>	<b>-231</b>	<b>-3</b>	<b>-5</b>	<b>-1,477</b>	<b>6,627</b>	<b>496</b>	<b>7,123</b>
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
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-25</b>	<b>644</b>	<b>-5</b>	<b>-37</b>	<b>1,678</b>	<b>2,255</b>	<b>107</b>	<b>2,362</b>
Changes in the basis of consolidation								0	-24	-24
Dividends paid			-119					-119	-17	-136
<b>June 30, 2022 (unaudited)</b>	<b>500</b>	<b>386</b>	<b>7,313</b>	<b>413</b>	<b>-8</b>	<b>-42</b>	<b>201</b>	<b>8,763</b>	<b>562</b>	<b>9,325</b>
<b>Jan. 1, 2023</b>	<b>500</b>	<b>386</b>	<b>7,567</b>	<b>-47</b>	<b>9</b>	<b>25</b>	<b>-387</b>	<b>8,053</b>	<b>542</b>	<b>8,595</b>
Net profit or loss after tax			34					34	92	126
Other comprehensive income after tax				-242	-4	40	-61	-267	-31	-298
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>-242</b>	<b>-4</b>	<b>40</b>	<b>-61</b>	<b>-233</b>	<b>61</b>	<b>-172</b>
Changes in the basis of consolidation			4	-3				1		1
Dividends paid			-41					-41	-35	-76
<b>June 30, 2023 (unaudited)</b>	<b>500</b>	<b>386</b>	<b>7,564</b>	<b>-292</b>	<b>5</b>	<b>65</b>	<b>-448</b>	<b>7,780</b>	<b>568</b>	<b>8,348</b>



# Notes to the Condensed Interim Consolidated Financial Statements

ZF FRIEDRICHSHAFEN AG AS OF JUNE 30, 2023

## 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 corporate 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 2022.

### General

The interim consolidated financial statements of ZF Friedrichshafen AG as of June 30, 2023 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, 2023
- Consolidated statement of comprehensive income from January 1 to June 30, 2023
- Consolidated statement of financial position as of June 30, 2023
- Consolidated statement of cash flows from January 1 to June 30, 2023
- Consolidated statement of changes in equity from January 1 to June 30, 2023
- 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, 2022.

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, 2023. The following standards, applied for the first time in fiscal year 2023, did not result in any changes in ZF Group's accounting:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Taxes Relating to Assets and Liabilities arising from a Single Transaction"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- IFRS 17 "Insurance Contracts"





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/ Interpretation	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, 2024	No	None
IAS 16	Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	Jan. 1, 2024	No	None

## Basis of consolidation

In addition to ZF Friedrichshafen AG, 42 German and 307 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, 2023	First-time consolidations	Legal changes	Deconsoli- dations	Jun. 30, 2023
Subsidiaries	348	8	-2	-5	349
of which German	41	1	0	0	42
of which international	307	7	-2	-5	307
Joint ventures	4	0	0	0	4
Associates	14	2	0	0	16

Compared to the previous year, the basis of consolidation increased by eight companies due to new company formations or a change in the type of consolidation. Seven companies were deconsolidated in the first half of 2023 as a result of disposal, merger, liquidation or loss of control.



## Company disposals

As a result of the Russia-Ukraine war, the two Russian subsidiaries WABCO Vostok LLC and WABCO RUS LLC, each headquartered in Moscow (Russia), were deconsolidated in January due to the loss of control, and the participations remaining in the ZF Group were consolidated with a fair value of €0 each. The resulting deconsolidation loss of €4 million is included in other operating expenses. Effective May 19, 2023, the shares in WABCO Vostok LLC and WABCO RUS LLC were sold.

With the contract dated March 15, 2023, 60% of the shares in Ing. Tsetinis Beratungs GmbH, headquartered in Kuchl (Austria), were sold to a third party. The purpose of the company is management consultancy. The disposal led to a deconsolidation income of €35 million that was recognized under other operating income. The remaining 40% of the shares have been included in the consolidated financial statements according to the at-equity method. The revaluation of the at-equity participation resulted in an income of €24 million, which was recognized in the result from associates.

## 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, 2022.

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, 2023	Dec. 31, 2022	Jan.–Jun. 2023	Jan.–Jun. 2022
U.S. dollar	1.0866	1.0666	1.0804	1.0940
British pound	0.8583	0.8869	0.8767	0.8422
Chinese renminbi	7.8983	7.3582	7.4852	7.0846
Brazilian real	5.2788	5.6386	5.4863	5.5644
Mexican peso	18.5614	20.8560	19.6674	22.1882

## 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, 2022, 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.

Possible effects that could result from the implementation of the global minimum taxation, in particular insofar as it has been transposed into national law, are currently being analyzed. Deferred taxes were not recognized in accordance with the temporary exemption in the adjusted IAS 12.

## 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. 2023	Jan.–Jun. 2022
Volume production business sales	20,125	17,937
Aftermarket and service sales	2,321	2,246
Other sales	846	1,038
	<b>23,292</b>	<b>21,221</b>

  

in € million	Jan.–Jun. 2023	Jan.–Jun. 2022
Germany	4,409	4,247
Western Europe	4,270	3,830
Eastern Europe	1,741	1,486
North America	6,631	5,952
South America	701	696
Asia-Pacific	5,276	4,770
Africa	264	240
	<b>23,292</b>	<b>21,221</b>

### 2 Cost of sales

in € million	Jan.–Jun. 2023	Jan.–Jun. 2022
Cost of materials	14,981	13,742
Personnel expenses	2,783	2,585
Depreciation, amortization and impairment	788	793
Other	1,024	842
	<b>19,576</b>	<b>17,962</b>

The increase in the cost of sales compared to the previous year is mainly attributable to higher sales.

### 3 Net result from participations

in € million	Jan.–Jun. 2023	Jan.–Jun. 2022
Result from at-equity valuation	5	0
Other income and expenses	8	0
<b>Result from associates</b>	<b>13</b>	<b>0</b>
Result from disposal of participations	7	0
Valuation of participations	2	–2
<b>Other net result from participations</b>	<b>9</b>	<b>–2</b>
<b>Net result from participations</b>	<b>22</b>	<b>–2</b>



#### 4 Financial income

in € million	Jan.–Jun. 2023	Jan.–Jun. 2022
Interest from financial assets	15	10
Other interest	16	7
Income from derivative financial instruments	8	0
<b>Interest income</b>	<b>39</b>	<b>17</b>
Foreign exchange gains	316	359
Income from derivative financial instruments	109	72
Income from securities	5	2
Others	1	0
<b>Other financial income</b>	<b>431</b>	<b>433</b>
<b>Financial income</b>	<b>470</b>	<b>450</b>

#### 5 Financial expenses

in € million	Jan.–Jun. 2023	Jan.–Jun. 2022
Interest from financial liabilities	244	140
Interest on lease liabilities	16	14
Other interest	22	8
Interest cost on pension provisions	62	28
Unwinding the discount on other non-current items	0	26
Expenses from derivative financial instruments	1	0
<b>Interest expenses</b>	<b>345</b>	<b>216</b>
Foreign exchange losses	302	333
Expenses from derivative financial instruments	146	109
Expenses from securities	1	2
Valuation of financial receivables	3	8
Expenses from financial guarantees	0	40
Transaction costs and incidental expenses	19	13
<b>Other financial expenses</b>	<b>471</b>	<b>505</b>
<b>Financial expenses</b>	<b>816</b>	<b>721</b>

The increase in interest from financial liabilities is due in particular to a higher interest rate level and to newly issued financing instruments.



## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 6 Trade receivables

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

### 7 Inventories

The increase in inventories is mainly a result of 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, 2023, relate to the Electronic Interfaces product line held for sale and headquartered in Diepholz (Germany). An agreement was reached on the sale with AEQUITA SE & Co. KGaA in March 2022. The closing of the transaction remains highly probable despite minor delays and is expected in the second half of 2023. The Electronic 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.

Furthermore, this item includes the assets and liabilities held for sale of ZF Bouthéon SAS, headquartered in Andrézieux-Bouthéon (France). A decision on the sale of the company was made in the first quarter of 2023 and the transaction is expected to be concluded in the second half of 2023. The company with around 350 employees produces transmissions for the commercial vehicle sector. As part of the measurement of the expected fair value less costs to sell, impairment losses on assets amounting to €50 million were recognized in other operating expenses.

In addition, this item contains the 50% share held for sale in CSG TRW Chassis Systems Co., Ltd in the amount of €20 million. CSG TRW Chassis Systems Co., Ltd., headquartered in Chongqing (China), is a joint venture that develops and produces brake and steering systems for the Chinese automotive market. The transaction is expected to be concluded in the second half of 2023.

### 9 Impairment test

As of June 30, 2023, there were no indications for essential impairment in the cash-generating units of ZF.

### 10 Financial liabilities

The increase in current financial liabilities mainly results from the reclassification of individual financing instruments from non-current to current financial liabilities. This includes a loan of €1,200 million due in March 2024, which was issued in 2020 to finance the WABCO acquisition, as well as the reclassification of a €500 million loan with the European Investment Bank due in June 2024. This was offset by the planned redemption of a euro bond in the amount of €1,075 million in April 2023, which was taken up as part of the TRW acquisition, as well as the planned repayment of bonded loans in the amount of €96 million in January and March 2023.

The increase in non-current financial liabilities mainly results from a €650 million green euro bond issued under the EMTN program in February 2023 with a maturity period of 3.5 years as well as a \$1,200 million green US dollar bond issued in April 2023 with a maturity period of 5 and 7 years. Furthermore, ZF took out a loan of €225 million with KfW-IPEX in June 2023. The loan has a term of 5 years from the conclusion of the financing in August 2022. The aforementioned reclassifications had a reducing 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 2023, ZF exercised the first of the two extension options under the syndicated financing refinanced in July 2022 after consultation with the financing banks. The Revolving Credit Facility (RCF) now has a term of 6 years, with the renewal option to extend the term for another year after consultation with the financing banks.



## 11 Provisions for pensions

The following discount rates were applied as of June 30, 2023:

in %	Jun. 30, 2023			Dec. 31, 2022		
	GER	USA	UK	GER	USA	UK
Discount rate	3.6	4.9	5.2	3.7	4.9	4.8

## 12 Equity

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

in € million Jun. 30, 2023	Before income tax	Income tax	After tax
Foreign currency translation differences	-272	-1	-273
Fair value adjustment on securities	-6	2	-4
Fair value adjustment on cash flow hedges	55	-15	40
Actuarial gains and losses	-85	24	-61
<b>Other comprehensive income</b>	<b>-308</b>	<b>10</b>	<b>-298</b>
<b>Jun. 30, 2022</b>			
Foreign currency translation differences	683	-15	668
Fair value adjustment on securities	-6	1	-5
Fair value adjustment on cash flow hedges	-50	13	-37
Actuarial gains and losses	2,415	-737	1,678
<b>Other comprehensive income</b>	<b>3,042</b>	<b>-738</b>	<b>2,304</b>

## 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.

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.

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.

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 includes highly liquid financial investments that have a maturity of less than three months and that are subject to small fluctuations in value.



The cash position is comprised as follows:

in € million	Jun. 30, 2023	Dec. 31, 2022
Cash and cash equivalents	2,234	2,518
Cash and cash equivalents of disposal groups	92	12
<b>Total</b>	<b>2,326</b>	<b>2,530</b>

## 14 Sale of consolidated companies

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

in € million	Jan.–Jun. 2023	Jan.–Jun. 2022
Current assets	12	0
Non-current assets	7	0
Current liabilities	2	0

The full sales price in the amount of €50 million was paid in cash.

## 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 connection with already concluded antitrust proceedings, ZF is dealing with customers with regard to possible claims for damages.

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, 2023	Dec. 31, 2022
<b>Assets</b>		
At amortized cost	8,575	7,739
At fair value through other comprehensive income		
Debt instruments	389	937
Equity instruments	57	57
At fair value through profit or loss	179	179
Derivative financial instruments (hedge accounting) <sup>1)</sup>	125	63
	<b>9,325</b>	<b>8,975</b>
<b>Liabilities</b>		
At amortized cost	19,801	19,181
At fair value through profit or loss	61	39
Lease liabilities <sup>1)</sup>	780	797
Derivative financial instruments (hedge accounting) <sup>1)</sup>	21	43
	<b>20,663</b>	<b>20,060</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	Jun. 30, 2023		Dec. 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
At amortized cost				
Cash and cash equivalents	2,234	2,234	2,518	2,518
Financial receivables	143	143	160	160
Trade receivables	6,198	6,198	5,030	5,030
Other receivables	0	0	31	31
	<b>8,575</b>	<b>8,575</b>	<b>7,739</b>	<b>7,739</b>
<b>Liabilities</b>				
At amortized cost				
Bonds	8,511	7,881	7,826	6,882
Bonded loans	2,086	2,076	2,166	2,238
Liabilities to banks	2,274	2,274	2,099	2,105
Other financial liabilities	97	97	66	66
Trade payables	6,833	6,833	7,024	7,024
Lease liabilities <sup>1)</sup>	780	–	797	–
	<b>20,581</b>	<b>19,161</b>	<b>19,978</b>	<b>18,315</b>

1) No measurement category in accordance with IFRS 9





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

in € million	Jun. 30, 2023	Dec. 31, 2022
Assets		
At fair value through other comprehensive income		
Securities	2	2
Investments in participations	55	55
Trade receivables	389	937
At fair value through profit or loss		
Securities	54	56
Investments in participations	53	56
Derivative financial instruments	64	62
Other receivables	8	5
Derivative financial instruments (hedge accounting) <sup>1)</sup>	125	63
	<b>750</b>	<b>1,236</b>
Liabilities		
At fair value through profit or loss		
Derivative financial instruments	61	39
Derivative financial instruments (hedge accounting) <sup>1)</sup>	21	43
	<b>82</b>	<b>82</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 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 (for example, prices) or indirectly (for example, 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, 2023 Total
Assets				
Securities	18	21	17	56
Investments in participations	2	36	70	108
Trade receivables	0	389	0	389
Derivative financial instruments	0	189	0	189
Other receivables	0	8	0	8
	<b>20</b>	<b>643</b>	<b>87</b>	<b>750</b>
Liabilities				
Derivative financial instruments	0	82	0	82
in € million	Level 1	Level 2	Level 3	Dec. 31, 2022 Total
Assets				
Securities	17	27	14	58
Investments in participations	5	36	70	111
Trade receivables	0	937	0	937
Derivative financial instruments	0	125	0	125
Other receivables	0	5	0	5
	<b>22</b>	<b>1,130</b>	<b>84</b>	<b>1,236</b>
Liabilities				
Derivative financial instruments	0	82	0	82

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. The level 3 securities are fund shares for which no active market exists. 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 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 in participations recognized at fair value, 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 –€1 million to +€17 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:

in € million	Investments in participations		Securities	
	2023	2022	2023	2022
As of Jan. 1	70	42	14	0
Fair value changes – recognized through profit or loss	0	0	–1	0
Fair value changes – recognized through other comprehensive income	–6	0	0	0
Purchases	7	7	1	3
Sales	–1	0	0	0
Realization	0	0	–1	0
Reclassifications from level 2 to level 3	0	21	4	11
<b>As of Jun. 30 / Dec. 31</b>	<b>70</b>	<b>70</b>	<b>17</b>	<b>14</b>

## 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.



## 18 Material events after June 30, 2023

By contract dated July 12, 2023, an agreement was concluded on the sale of 35% of the shares in ASAP Holding GmbH, Gaimersheim (Germany), to the Indian stock corporation HCL Technologies. The company provides engineering services in the field of autonomous driving, electric mobility and connectivity and has around 1,600 employees at nine locations in Germany. The transaction is expected to be concluded in the second half of 2023. The transaction is subject to approval by the relevant authorities.

On July 24, 2023, ZF concluded an agreement with the Hon Hai Technology Group on the sale of 50% of the shares in the ZF Car Chassis Systems product line and its continuation as part of a joint venture. The Car Chassis Systems and Modules product line of the Car Chassis Technology Division supplies global premium and volume manufacturers and is represented at 25 locations worldwide. It has a workforce of approximately 3,300 employees; thereof, 100 employees are working in Germany. ZF expects that the agreement on the sale of a 50% share and the continuation as a joint venture will enter into force within six to nine months after signing and approval by the supervisory authorities.

Friedrichshafen, July 24, 2023

ZF Friedrichshafen AG

The Board of Management

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(CEO)

Dr. Martin Fischer

Michael Frick

Sabine Jaskula

Dr. Peter Laier

Stephan von Schuckmann



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In case of doubt, the German version shall prevail.

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