



ZF North America Capital, Inc.

(Northville, Michigan, United States of America)

EUR 1,150,000,000 2.25% fixed rate notes due 2019, issue price: 99.529%,

EUR 1,100,000,000 2.75% fixed rate notes due 2023, issue price: 99.118%,

each with an unconditional and irrevocable guarantee as to payment of principal and interest from

ZF Friedrichshafen AG

(Friedrichshafen, Federal Republic of Germany)

ZF North America Capital, Inc., Northville, Michigan, United States of America (the "**Issuer**"), will issue on or about April 27, 2015 (the "**Issue Date**") EUR 1,150,000,000 2.25% fixed rate notes in bearer form due 2019 with a denomination of EUR 100,000 (the "**2019 Notes**") and EUR 1,100,000,000 2.75% fixed rate notes in bearer form due 2023 with a denomination of EUR 100,000 (the "**2023 Notes**", and together with the 2019 Notes, the "**Notes**", and each of the 2019 Notes and the 2023 Notes also referred to as a "**Tranche of Notes**"). Each Tranche of Notes will be unconditionally and irrevocably guaranteed by ZF Friedrichshafen AG, Graf-von-Soden-Platz 1, 88046 Friedrichshafen, Federal Republic of Germany (the "**Guarantor**" or "**ZF**", and together with its consolidated subsidiaries, but, for the avoidance of doubt, excluding TRW Automotive Holding Corp. and its subsidiaries, the "**ZF Group**", "**we**", "**us**", "**our**", or the "**Group**") pursuant to an unconditional and irrevocable guarantee (each of these guarantees, a "**Guarantee**", and collectively, the "**Guarantees**"). The Notes and the Guarantees will be governed by the laws of the Federal Republic of Germany ("**Germany**").

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5 para. 3 of the Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 (as amended, *inter alia*, by Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010) (the "**Prospectus Directive**") and has been drafted in accordance with the law of the Grand Duchy of Luxembourg ("**Luxembourg**") on prospectuses for securities of July 10, 2005, as amended, (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive into Luxembourg law.

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), in its capacity as competent authority under the Luxembourg Prospectus Law, and will be published in electronic form on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). By approving this Prospectus, the CSSF does not give any undertaking as to the economical and financial soundness of the operation or the quality or solvency of the Issuer or the Guarantor pursuant to Article 7 para. 7 of the Luxembourg Prospectus Law.

Application has been made to list the Notes on the official list (the "**Official List**") of the Luxembourg Stock Exchange and to admit the Notes to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*), a market appearing on the list of regulated markets issued by the European Commission pursuant to Directive 2004/39/EC of April 21, 2004 on markets in financial instruments, as amended.

It is expected that delivery of the Notes will be made upon instruction of the Joint Lead Managers (as defined in the section "Notice to Investors") through the facilities of Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**"), Clearstream Banking SA, Luxembourg and Euroclear Bank SA/NV on or about April 27, 2015. Each Tranche of Notes will be represented by a global certificate to be held permanently by Clearstream Frankfurt in its book-entry system, with a register of noteholders.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 13.

The Notes have been assigned the following securities codes:

2019 Notes: ISIN DE000A14J7F8, Common Code 122315339, WKN A14J7F

2023 Notes: ISIN DE000A14J7G6, Common Code 122315363, WKN A14J7G

The Notes and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes may not be offered or sold within the United States of America (the "**United States**" or "**U.S.**") or to, for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). See "Notice to Investors" for additional information about eligible offerees and transfer restrictions.

Joint Lead Managers and Joint Bookrunners

Barclays	BNP PARIBAS	Commerzbank	Deutsche Bank
Banca IMI	BayernLB	BofA Merrill Lynch	Citigroup
Crédit Agricole CIB	Helaba	HSBC	ING
J.P. Morgan	Landesbank Baden-Württemberg	Mizuho Securities	MUFG
RBC Capital Markets	Santander Global Banking & Markets	SEB	SMBC Nikko
The Royal Bank of Scotland	UBS Investment Bank		UniCredit Bank

The date of this Prospectus is April 23, 2015.

RESPONSIBILITY STATEMENT

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus (including any documents incorporated by reference) and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus (including any documents incorporated by reference) is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer and the Guarantor further confirm that (i) this Prospectus contains all information with respect to the Issuer, the Guarantor, the ZF Group, the Notes and the Guarantees which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer, the Guarantor, the Notes and the Guarantees is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor, the ZF Group and of the rights attached to the Notes and the Guarantees; (ii) the information contained in this Prospectus relating to the Issuer, the Guarantor, the ZF Group, the Notes and the Guarantees is accurate and complete in all material respects and not misleading; (iii) that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the ZF Group, the Notes or the Guarantees the omission of which would, in the context of the issue and offering of the Notes, make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading; and (v) reasonable enquiries have been made by the Issuer and the Guarantor to ascertain all such facts for the purposes aforesaid.

NOTICE TO INVESTORS

No person is authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Issuer, the Guarantor, Barclays Bank PLC, BNP Paribas, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Banca IMI S.p.A., Banco Santander, S.A., Bayerische Landesbank, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Landesbank Baden-Württemberg, Landesbank Hessen-Thüringen Girozentrale, Merrill Lynch International, Mitsubishi UFJ Securities International plc, Mizuho International plc, RBC Europe Limited, Skandinaviska Enskilda Banken AB (publ), SMBC Nikko Capital Markets Limited, The Royal Bank of Scotland plc, UBS Limited and UniCredit Bank AG (together, the "**Joint Lead Managers**"). Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes made hereunder shall, under any circumstances, create any implication that (i) the information in this Prospectus is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Prospectus has been most recently supplemented; (ii) there has been no adverse change in the financial situation of the Issuer or the Guarantor which is material in the context of the issue and sale of the Notes since the date of this Prospectus or, as the case may be, the date on which this Prospectus has been most recently supplemented, or the balance sheet date of the most recent consolidated financial statements which are deemed to be incorporated into this Prospectus by reference; or (iii) any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus contains certain forward-looking statements, including statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "*Information about the Guarantor and the ZF Group*" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the businesses of the Issuer and the Guarantor. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer or the Guarantor, to be materially different from or worse than those expressed or implied by these forward-looking statements. Neither the Issuer nor the Guarantor assumes any obligation to update such forward-looking statements or to adapt them to future events or developments.

In accordance with commercial accounting, some numerical figures (including percentages) in this Prospectus have been rounded to the nearest whole number. As a result, figures shown as totals in some tables may not be the exact arithmetic aggregation of the rounded figures that precede them. Percentages cited in the text, however, were calculated using the actual values rather than the rounded values. Accordingly, in certain cases it is possible that the percentages in the text differ from percentages based on the rounded values.

Furthermore, this Prospectus contains industry related data taken or derived from industry and market research reports published by third parties ("**External Data**"). Commercial publications generally state that the information they contain originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on a series of assumptions. The External Data have neither been independently verified by the Issuer nor the Guarantor.

The External Data was reproduced accurately by the Issuer in the Prospectus, and as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced External Data inaccurate or misleading. Neither the Issuer nor the Guarantor have access to the underlying facts and assumptions of numerical and market data and other information contained in publicly available sources. Consequently, such numerical and market data or other information can neither be verified by the Issuer nor the Guarantor.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any documents incorporated herein by reference.

Neither the Joint Lead Managers nor any other person mentioned in this Prospectus, except for the Issuer and the Guarantor, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and the Guarantor. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer, the Guarantor or the Joint Lead Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, the Notes and the Guarantees have not been, and

will not be, registered under the Securities Act. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "*Subscription and Sale of the Notes—Selling Restrictions*."

The legally binding language of this Prospectus is English. Any part of the Prospectus in German language constitutes a translation, except for the terms and conditions of the Notes (the "**Terms and Conditions**") in respect of which German is the legally binding language.

In this Prospectus, unless otherwise specified, all references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended, references to "\$" or "USD" or "US Dollar" refer to the legal currency of the United States.

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT DEUTSCHE BANK AG, LONDON BRANCH (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

This Prospectus may only be used for the purpose for which it has been published.

This Prospectus does not constitute, and may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General Information

Our audited consolidated financial statements as of and for the fiscal years ended December 31, 2013 and 2014, each prepared in accordance with the International Financial Reporting Standards as adopted in the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to section 315(1) of the German Commercial Code (*Handelsgesetzbuch*), are incorporated by reference into this Prospectus. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany ("**EY**") audited our consolidated financial statements as of and for the fiscal years ended December 31, 2013 and 2014. Unless otherwise indicated, the financial information as of and for the fiscal year ended December 31, 2012 is extracted or derived from the adjusted prior-year comparative financial information as of and for the fiscal year ended December 31, 2012 of our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013.

In addition, the audited consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three fiscal years in the period ended

December 31, 2014 and the consolidated balance sheets as of December 31, 2014 and 2013 and the valuation and qualifying accounts for the years ended December 31, 2014, 2013 and 2012 of TRW Automotive Holdings Corp. ("**TRW Holding**", and together with its subsidiaries, "**TRW Group**"), prepared in accordance with United States generally accepted accounting principles (the "**U.S. GAAP**"), (the "**U.S. GAAP Consolidated Financial Statements of TRW Holding**"), are incorporated by reference into this Prospectus. Ernst & Young LLP, Detroit, Michigan, United States, audited the U.S. GAAP Consolidated Financial Statements of TRW Holding.

These consolidated financial statements and other financial information of TRW Holding or TRW Group, except for the historical IFRS consolidated financial information of TRW Holding underlying the unaudited pro forma consolidated financial information of ZF as of and for the fiscal year ended December 31, 2014, included in, or incorporated by reference into, this Prospectus have been extracted from publicly available sources and have not been verified by us.

In connection with the consolidated financial statements and other financial information included in, or incorporated by reference into, this Prospectus, investors have to consider that IFRS differs in various respects from U.S. GAAP. For this reason, consolidated financial statements and other financial information prepared in accordance with IFRS are not necessarily comparable to, and could differ materially from, consolidated financial statements and other financial information prepared in accordance with U.S. GAAP.

Where financial information in the tables in this Prospectus is labeled "audited", this means that it has been extracted from our audited consolidated financial statements mentioned above. The label "unaudited" is used in the tables in this Prospectus to indicate financial information that has not been extracted from our audited consolidated financial statements or our audited group management reports mentioned above but rather was extracted or derived from our internal accounting records or management reporting systems, or has been calculated on the basis of financial information from the above mentioned sources.

Changes in Accounting Policies

In our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, the method for accounting of the joint venture ZF Lenksysteme GmbH, Schwäbisch Gmünd, Federal Republic of Germany, ("**ZF Lenksysteme**") in the consolidated financial statements changed with the first-time adoption of IFRS 11 "Joint Arrangements". ZF Lenksysteme and its subsidiaries had been previously included by way of proportionate consolidation, but have been included in accordance with the equity method since January 1, 2013. In addition, based on the change in IAS 19 "Employee Benefits", the expected returns on plan assets were offset with the interest costs on defined benefit obligations in our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. As a result, the respective prior-year comparative financial information as of and for the fiscal year ended December 31, 2012 was adjusted retrospectively. For further explanations see Note "Changes in accounting policies" to our consolidated financial statements as of and for the fiscal year ended December 31, 2013.

In our audited consolidated financial statements as of and for the fiscal year ended December 31, 2014, derivative financial instruments were allocated consistently to financial assets and liabilities in order to enhance the meaningfulness of the consolidated statement of financial position. In addition, a separate item in the consolidated statement of financial position was introduced for non-financial other non-current assets. In order to improve the comparability, the prior-year comparative financial information as of December 31, 2013 was adjusted accordingly. Furthermore, the net profit or loss before income tax was adjusted by the net financial result (in our audited consolidated financial statements as of and for the fiscal

year ended December 31, 2013: net interest result and net result from participations) in the cash flow from operating activities and the prior-year comparative financial information for the fiscal year December 31, 2013 was adjusted accordingly. For further explanations see the Notes to our consolidated financial statements as of and for the fiscal year ended December 31, 2014. To facilitate comparability we have included the relevant adjusted prior-year comparative financial information for the fiscal year ended December 31, 2013 as contained in our audited consolidated financial statements as of and for the year ended December 31, 2014 in addition to the comparative financial information as for the fiscal year ended December 31, 2013 as contained in our audited consolidated financial statements as of and for the year ended December 31, 2013.

Unaudited Pro Forma Consolidated Financial Information

For illustrative purposes only, we have also prepared and included in this Prospectus unaudited pro forma consolidated financial information (the "**Unaudited Pro Forma Consolidated Financial Information**") to present the material effects of our contemplated merger with TRW Group (the "**Merger**") and the sale of ZF's stake in ZF Lenksysteme would have had on our historical consolidated financial statements as of and for the fiscal year ended December 31, 2014 if the Merger and the sale of ZF's stake in ZF Lenksysteme had occurred as of January 1, 2014 with respect to the pro forma consolidated statement of profit or loss and as of December 31, 2014 with respect to the pro forma consolidated statement of financial position (see "*Unaudited Pro Forma Consolidated Financial Information of ZF Group for the Fiscal Year Ended December 31, 2014*"). The Unaudited Pro Forma Consolidated Financial Information is based on available information, estimates and certain assumptions. Due to its nature, the Unaudited Pro Forma Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual results of operations or financial position of ZF Group would have been had the Merger and the sale of ZF's stake in ZF Lenksysteme occurred on the dates assumed, nor is it necessarily indicative of ZF Group's results of operations or financial position after completion of the Merger and the sale of ZF's stake in ZF Lenksysteme, nor it is necessarily indicative of ZF Group's future results of operations or financial position. Therefore, the actual results of operations and financial position of ZF Group after completion of the Merger and the sale of ZF's stake in ZF Lenksysteme may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, the Unaudited Pro Forma Consolidated Financial Information is only meaningful in conjunction with our historical consolidated financial statements as of and for the fiscal year ended December 31, 2014. Neither the Issuer nor the Guarantor assume any obligation to update the Unaudited Pro Forma Consolidated Financial Information or to adapt it to future events or developments. Accordingly, in making any investment decision, investors must rely on their own examination of our and TRW Group's financial information.

Non-IFRS Financial Measures

This Prospectus contains non-IFRS financial measures and ratios, including EBIT, EBITDA, EBITDA margin, free cash flow, capital expenditure and net financial position that are not required by, or presented in accordance with, IFRS. We present non-IFRS financial measures because some investors may find it helpful. The definitions of the non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBIT, EBITDA, EBITDA margin, free cash flow, capital expenditure and net financial position should not be considered as alternatives to operating profit or loss, net profit after tax, cash flow from operating activities or any other performance or liquidity measures derived in accordance with IFRS.

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OVERVIEW OF THE TERMS AND CONDITIONS

The following overview contains basic information about the Notes and the Guarantees and is not intended to be complete. It does not contain all the information that is important for making a decision to invest in the Notes. For a more complete description of the Notes and the Guarantees, please refer to the section "Terms and Conditions" of this Prospectus and to the section "Form of Guarantee" of this Prospectus. For more information on the Issuer and the Guarantor, their business and their financial condition and results of operations, please refer to sections "Information about the Issuer" and "Information about the Guarantor and the ZF Group", respectively, of this Prospectus. Terms used in this overview and not otherwise defined have the meanings given to them in the Terms and Conditions.

Issuer	ZF North America Capital, Inc.
Guarantor	ZF Friedrichshafen AG
Notes	<p>The Notes consist of:</p> <ul style="list-style-type: none">• EUR 1,150,000,000 2.25% fixed rate notes in bearer form due 2019 (the "2019 Notes"); and• EUR 1,100,000,000 2.75% fixed rate notes in bearer form due 2023 (the "2023 Notes" and together with the 2019 Notes, the "Notes", and each of the 2019 Notes and the 2023 Notes also referred to as a "Tranche of Notes"), <p>each with a denomination of EUR 100,000.</p> <p>The Notes have been assigned the following securities codes:</p> <ul style="list-style-type: none">• 2019 Notes: ISIN DE000A14J7F8 Common Code 122315339 WKN A14J7F• 2023 Notes: ISIN DE000A14J7G6 Common Code 122315363 WKN A14J7G
Joint Lead Managers and Joint Bookrunners	<p>Barclays Bank PLC BNP Paribas Commerzbank Aktiengesellschaft Deutsche Bank AG, London Branch Banca IMI S.p.A. Banco Santander, S.A. Bayerische Landesbank Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank HSBC Bank plc ING Bank N.V. J.P. Morgan Securities plc Landesbank Baden-Württemberg Landesbank Hessen-Thüringen Girozentrale Merrill Lynch International</p>

	Mitsubishi UFJ Securities International plc Mizuho International plc RBC Europe Limited Skandinaviska Enskilda Banken AB (publ) SMBC Nikko Capital Markets Limited The Royal Bank of Scotland plc UBS Limited UniCredit Bank AG
Principal Paying Agent	Deutsche Bank Aktiengesellschaft
Principal Amount	2019 Notes: EUR 1,150,000,000 2023 Notes: EUR 1,100,000,000
Issue Price	2019 Notes: 99.529% 2023 Notes: 99.118%
Issue Date of the Notes	April 27, 2015
Specified Denomination	EUR 100,000
Form of Notes	Each Tranche of Notes will be in bearer form represented by one permanent global note to be held permanently by Clearstream Banking AG in its book-entry system, with a register of noteholders. No definitive notes or interest coupons will be issued.
Status of the Notes	The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking <i>pari passu</i> without any preference among themselves and at least <i>pari passu</i> with all other unsubordinated and unsecured obligations of the Issuer, present or future, save for certain mandatory exceptions provided by law.
Guarantee and Status of the Guarantee	<p>The Guarantor will give unconditional and irrevocable guarantees for the due and punctual payment of principal of, and interest on, and any other amounts payable under each Tranche of Notes. Each Guarantee constitutes a contract for the benefit of the holders of the relevant Tranche of Notes (the "Noteholders") from time to time as third party beneficiaries in accordance with section 328 paragraph 1 of the German Civil Code (<i>Bürgerliches Gesetzbuch</i>), giving rise to the right of each Noteholder to require performance of the relating Guarantee directly from the Guarantor and to enforce such Guarantee directly against the Guarantor.</p> <p>The obligations of the Guarantor under each Guarantee rank at least <i>pari passu</i> with all other unsubordinated and unsecured obligations of the Guarantor, present or future, save for certain mandatory exceptions provided by law.</p>

Interest on the Notes	<p>2019 Notes will bear interest from and including April 27, 2015 to, but excluding, April 26, 2019 (short first coupon) at a rate of 2.25% <i>per annum</i>, payable annually in arrears on April 26, in each year, commencing on April 27, 2015.</p> <p>2023 Notes will bear interest from and including April 27, 2015 to, but excluding, April 27, 2023 at a rate of 2.75% <i>per annum</i>, payable annually in arrears on April 27, in each year, commencing on April 27, 2015.</p>
Maturity	<p>Unless previously redeemed or repurchased, the 2019 Notes will be redeemed at par on April 26, 2019.</p> <p>Unless previously redeemed or repurchased, the 2023 Notes will be redeemed at par on April 27, 2023.</p>
Redemption following a Gross-up, an Acquisition Event or a Clean-up Call Event	<p>If either the Issuer or the Guarantor becomes obligated to pay Additional Amounts (as defined in the Terms and Conditions) or upon occurrence of an Acquisition Event or a Clean-up Call Event, the Issuer may call each Tranche of Notes for redemption (in whole but not in part).</p> <p>In the case such call notice is given due to the obligation of the Issuer or the Guarantor to pay Additional Amounts or following a Clean-up Call Event the Issuer (failing which the Guarantor) shall redeem the remaining Notes of the relevant Tranche of Notes on the specified redemption date at an amount per Note equal to the principal amount plus any accrued and unpaid interest on the Notes to but excluding the date of redemption.</p> <p>In the case such call notice is given following an Acquisition Event, the Issuer shall redeem the remaining Notes of the relevant Tranche of Notes on the specified redemption date at an amount per Note equal to 101% of the principal amount plus any accrued and unpaid interest on the Notes to but excluding the date of redemption.</p>
Redemption at the Option of the Issuer	<p>The Issuer may redeem the Notes of the relevant Tranche of Notes (in whole but not in part) at an amount per Note equal to the principal amount plus any accrued and unpaid interest on the Note to but excluding the date of redemption but yet unpaid plus a make whole premium, if any, upon giving not less than 30 and not more than 60 days' prior notice to the Noteholders.</p>
Special Mandatory Redemption	<p>If a closing certificate regarding the Merger has not been filed on or before January 4, 2016, the Issuer shall redeem all outstanding Notes on January 14, 2016 at an amount for each Note equal to 101% of the principal amount per Note outstanding plus any accrued and unpaid interest accrued to, but excluding, January 14, 2016.</p>

Change of Control	The Notes provide for a change of control provision. Each Noteholder is entitled to request the Issuer to redeem the Notes of each such requesting Noteholder at their principal amount together with any accrued and unpaid interest on the Notes upon the occurrence of a change of control.
Events of Default	The Notes provide for events of default entitling Noteholders to demand immediate redemption of the Notes. However, the Notes provide that the effectiveness of such right of a Noteholder in some cases is subject to the receipt of default notices from Noteholders representing at least 10 per cent of the aggregate principal amount of the relevant tranche of Notes then outstanding.
Negative Pledge	The Notes contain a negative pledge provision that is subject to exceptions and carve-outs. See <i>“Risk Factors—Risks relating to the Notes—The Notes and the Guarantees will be effectively subordinated to the debt of the Guarantor or any of its subsidiaries to the extent such debt is secured by assets or guaranteed by subsidiaries of the Guarantor that are not also securing the Notes.”</i>
Taxation	All payments of principal and interest in respect of the Notes (including payments by the Guarantor under a Guarantee) will be made free and clear of, and without withholding or deduction for, or on account of, any taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or in or for the account of the United States or Germany (as the case may be), or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer or the Guarantor is required by law to make such withholding or deduction. In the case that such withholding or deduction by the Issuer or the Guarantor is required by law, the Issuer or the Guarantor will pay such additional amounts as will result in receipt by the Noteholders or a third party acting on their behalf of the same amounts that the Noteholders would have received if no such withholding or deduction had been required, subject to exceptions set out in the Terms and Conditions.
German Act on Issues of Debt Securities (Schuldverschreibungsgesetz)	Each Tranche of Notes will be subject to the German Act on Issues of Debt Securities (<i>Gesetz über Schuldverschreibungen aus Gesamtemissionen</i> , " SchVG "), which, <i>inter alia</i> , provides for the possibility of the Issuer to amend the terms and conditions of the relevant Tranche of Notes and provides for the possibility of the Guarantor to amend the terms of the relating Guarantee with the consent by majority vote of the relevant Noteholders and to appoint a joint representative (<i>gemeinsamer Vertreter</i>) for the preservation of their rights.

Governing Law	The Notes and the Guarantees will be governed by German law.
Jurisdiction	To the extent legally permissible, the exclusive place of jurisdiction for any legal proceedings arising under the Notes is Frankfurt am Main.
Listing and admission to trading	Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List.
Selling Restrictions	The offer and the sale of the Notes and the distribution of offering materials are subject to specific restrictions. The relevant restrictions applicable in the United States and to U.S. persons, and in the United Kingdom are set out under "Subscription and Sale" of the Prospectus.
Availability of Documents	The Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).
Risk Factors	Investing in the Notes involves risks. Investors should carefully consider the information under the caption "Risk Factors" relating to the ZF Group and its business, the Merger, the Issuer, the Guarantor and the Notes set forth on pages 13 through 47 of this Prospectus.

RISK FACTORS

Before deciding to purchase the Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus (including any document incorporated by reference) or any supplement to the Prospectus. Should one or more of the risks described below materialize, this may have a material adverse effect on the business, financial condition and results of operations of the Issuer, the Guarantor and the ZF Group. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer and the Guarantor will be in a position to fulfill their respective payment obligations under the Notes and the Guarantees may decrease, in which case the Noteholders could lose all or part of their investments. Additional risks and uncertainties, which are not currently known to the Issuer or the Guarantor, or which the Issuer and the Guarantor currently believe are immaterial, could impair the business operations of the Issuer, the Guarantor or the ZF Group and have a material adverse effect on their business, financial condition and results of operations. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the business, financial condition and results of the operations of the ZF Group.

Words and expressions defined in the Terms and Conditions below shall have the same meanings in this section of the Prospectus.

Risks relating to ZF Group and its business

Adverse developments in the global economic environment could have an adverse impact on our business, financial condition and results of operations.

We are exposed to substantial risks associated with the performance of the global economy. In general, demand for automotive products and services as well as for the industrial sectors is highly cyclical and directly related to the strength of the global economy. Therefore, our income and results of operations have been, and will continue to be, influenced by the general state and the performance of the global economy.

Recently, global markets and economic conditions have been negatively affected by concerns regarding the ability of certain member states of the European Union ("EU") and other countries to service their sovereign debt obligations. The significant economic stagnation in certain countries in the Eurozone, including Cyprus, Greece, Italy, Ireland, Spain and Portugal, in part due to the effects of the sovereign debt crisis and austerity measures implemented to address the crisis in these markets, has, together with the risk of contagion to other, more stable, countries, particularly France and Germany, also raised a number of uncertainties regarding the stability and overall standing of the European Monetary Union. Concerns that the Eurozone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more Eurozone countries or, in particularly dire circumstances, the abandonment of the Euro. The departure or risk of departure from the Euro by one or more Eurozone countries and/or the abandonment of the Euro as a currency could have major negative effects on both existing contractual relations and the fulfillment of obligations by us and/or our customers, which would have a material adverse effect on our business, financial condition and results of operations.

A renewed downturn in the European and global economies could cause demand in our relevant market segments to decline which would have a material adverse effect on our business, financial condition and results of operations.

Any material future deterioration in economic conditions could materially and adversely affect our financial position and results of operations, which could in turn (in particular in the event of a significant and sudden decline of our sales) adversely affect our ability to meet our financial covenants and other obligations under our borrowing facilities, and to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Political, social or economic conditions and changes in countries in which we and our customers operate could have an adverse impact on our business, financial condition and results of operations.

We and our customers have significant international operations. In 2014, our sales to customers from countries outside of Germany already accounted for 69% of our sales. In the emerging markets of Eastern Europe, South America, Africa and the Asia-Pacific, we generated 26% of our sales in 2014, with China being the most important single market. Recently, we enhanced our strong global footprint by initiating the acquisition of TRW Group. As a result, we expect the percentage of our sales outside of Germany to increase significantly after the completion of the Merger. In addition, we are further expanding our capacities in emerging markets as we expect emerging markets to continue to record more than proportionate growth in future.

In some of the countries in which we and our customers operate, the general economic, political and legal environment is less stable than in Western Europe or North America. Far-reaching changes in the political, social and economic environment of such countries can never be ruled out. Our international operations and those of our customers are, therefore, exposed to a number of factors, over which we and our customers have little to no control. These factors include, but are not limited to, the following:

- political, social, economic, financial or market-related instability or volatility;
- foreign currency control regulations and other regulations or government interventions or the negative impacts related to exchange rates, foreign currencies and taxation;
- restrictions on capital transfer;
- absence of independent and experienced judiciary and inability to enforce contracts, as well as corruption;
- reimbursement rates and services covered by government reimbursement programs;
- trade restrictions and sanctions regimes; and
- restrictions on repatriation of earnings.

Any material deterioration in any of the factors named above, in particular any material deterioration of the economic situation in one or more of the countries in which we operate, such as the economic downturn in Russia as a result of the sanctions imposed in 2014 by the United States and the European Union due to the ongoing Ukraine crisis, could, directly or indirectly, have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are subject to material location and country-specific risks.

We operate production companies in 26 countries worldwide. In 2014, we already generated 49.0% of our sales outside our traditional markets in Western Europe (including Germany), in particular in North and South America as well as the Asia-Pacific region, with China as the core market, and we expect this percentage to increase further as a result of the Merger. As an internationally operating group, we are subject to material location and country-specific risks, such as logistical risks, risks related to international deliveries, risks of order processing and fulfillment, and risks arising from different legal and tax systems. The locations policy is determined by customers' needs but also by the continuing price and cost pressure.

In several countries in which we operate we are exposed to political risks (e.g. the risk of political unrest, war and the risk of terrorist attacks). In addition, some countries may lack infrastructure which may give rise to logistical risks. Furthermore, there is a risk that we may lose some or all of our investments in buildings and production sites due to political unrest, war, terrorist attacks or natural disasters in a country in which we operate or in neighbouring countries. Should such force majeure event occur, the production capacities of large sites could not be replaced on short notice. This could impair our ability to fulfil our obligations towards our customers, give rise to temporary suspensions of production at the customers and result in substantial claims for damages against our Group.

In addition, when we commence operations in a new country, we must comply with that country's legal system, which may differ significantly from the legal systems which we are currently accustomed to. Therefore, we may be unable to obtain the franchise licences, other licences and permits required for the operation of our sites in the new country or such franchise licences, other licences and permits may be revoked. As a result, there is a risk that the production sites in a new country will be unable to commence operations or to continue operations for a certain period or will have to be closed.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Natural disasters could disrupt our supply of products to our customers which could have a material adverse effect on our operations and profitability.

Our manufacturing facilities as well as manufacturing facilities in our supply chain are subject to risks associated with natural disasters, including fires, floods, hurricanes and earthquakes. The occurrence of any of these disasters could cause the total or partial destruction of a manufacturing facility, thus preventing us from supplying products to our customers and disrupting production at their facilities for an indeterminate period of time. The inability to promptly resume the supply of products following a natural disaster at a manufacturing facility could have a material adverse effect on our operations and profitability.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We operate in a highly cyclical industry and our business could be adversely impacted by periodic downturns in target markets, in particular within the automotive industry.

Sales to our customers in the automotive industry of our Car Powertrain Technology, Car Chassis Technology and Commercial Vehicle Technology divisions (which generated 78% of our sales in 2014 on an unconsolidated basis) are cyclical and depend, among other things, on general economic conditions as well as on consumer spending and preferences, which can be affected by a number of factors, including employment, consumer confidence and income, energy costs, regulatory requirements, interest rate levels, inflation and the availability of consumer financing. Sales to our customers of our Industrial Technology division (which generated 10% of our sales in 2014 on an unconsolidated basis), primarily depend, among other things, on fiscal policies, infrastructure programs or consumer behavior in general in certain countries or industry sectors. Due to this wide variety of factors influencing our markets, the demand for our products is characterized by volatility. In addition, automotive and industrial original equipment manufacturers ("OEMs") generally do not commit to purchasing minimum quantities from their suppliers. These uncertainties make it difficult for us to accurately estimate the ideal level of production capacity or reliably predict our future working capital requirements.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

The demand for our products is subject to fluctuations. If our production capacities do not meet the actual demand for our products, this could affect our results of operations.

If markets do not grow or shrink faster than we have anticipated, we risk underutilization of our production facilities. Market developments and industry overcapacity may lead to underutilization of our production facilities, which may result in idle capacity costs, write-offs of inventories and fixed assets as well as losses on products due to falling average selling prices. Fluctuations in the rate at which industry capacity grows relative to the growth rate in demand for our products may in the future put pressure on our average selling prices and negatively affect our results of operations. On the other hand, during periods of increased demand, we may not have sufficient capacity to meet customer orders. For example, we are currently experiencing demand by our OEM customers for our 8HP automatic transmission at, and at times above, our current production capacity. This has recently resulted, and may in the future result, in deliveries to certain customers in smaller quantities and/or later than anticipated. In the past, we have responded to increased demand by opening new production facilities, providing for additional capacities in existing production facilities or entering into strategic alliances, which in many cases resulted in significant expenditures. If we are unable to meet rapidly increasing customer demand, we may lose customers, resulting in a loss of market share.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

The industry in which we operate is characterized by intense competition and commoditization of products, which could reduce our sales or put continued pressure on our sales prices.

The markets in which we operate are competitive and have been characterized by changes in market penetration, increased price competition, and the development and introduction of new products, product designs and technologies by significant existing and new competitors. We compete primarily on the basis of price, quality, timeliness of delivery and design as well as the ability to provide engineering support and service on a global basis. Should we fail to secure the quality of our products and the reliability of our supply in the future, then our customers could decide to procure products from our competitors.

The automotive industry, in particular, has been characterized by rapid technological change, high capital expenditures, intense pricing pressure from major OEM customers, periods of oversupply and continuous advancements in process technologies and manufacturing facilities. We compete with other international suppliers and, to a lesser extent, regional companies. Increasing pricing-pressure in a more competitive market environment, combined with increased requirements concerning product performance and enhanced functionalities may create a challenge to offset effects from a price and cost perspective. If we became unable to offset price reductions through improved operating efficiencies and the realization of synergies, price reductions could negatively impact our profit margins.

Furthermore, establishing a strong position in the Asian market is a key component of our global growth strategy. While the automotive supply market in Asia is already highly competitive, as the size of the Asian market (in particular in the People's Republic of China ("China")) continues to increase, additional competitors may seek to enter the Asian market, and may act aggressively to establish their market share, increasing competition further. Competition can lead to price reductions, reduced margins and an inability to gain or maintain market share. If we are unable to compete successfully, our sales, profitability and financial condition could be adversely affected.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

A substantial portion of our sales is generated from a limited number of customers. The loss of, or a significant reduction in purchases by, such key customers could adversely affect our results significantly.

We generate a substantial portion of our sales from a limited number of customers, predominantly from OEMs in the automotive sector. In 2014, our top ten customers accounted for 67% of our sales. If one or more of our major customers ceases to do business with us, this would significantly reduce volumes, sales and earnings and worsen our cost situation, in particular the coverage of fixed costs. In addition, the original investments made by us to provide such services or products, or outstanding claims against such customers, could be wholly or partially lost. Furthermore, our customers in the automotive industry have a powerful bargaining position and are therefore able to exert a high degree of influence on the terms and conditions of contracts. This may lead to disadvantageous conditions for us in these contracts. Additionally, we may suffer losses in the event that one or more of our larger customers should become unable to fulfill its or their contractual obligations vis-à-vis our Group or should become insolvent.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

A reduction in outsourcing activities or the insourcing of activities by our customers, or the loss of any material production or assembly programs, combined with a failure to secure sufficient alternative programs, could have a material adverse effect on our profitability.

We depend on the outsourcing of components, modules and assemblies by automobile manufacturers. The extent of automobile manufacturer outsourcing is influenced by a number of factors, including: relative cost, quality and timeliness of production by suppliers as compared to automobile manufacturers; capacity utilization; automobile manufacturers' perceptions regarding the strategic importance of certain components/modules to them; labour relations among automobile manufacturers, their employees and unions; and other considerations. A reduction in outsourcing activities or the insourcing of activities by automobile manufacturers, or the loss of any material production or assembly programs combined with the failure to secure alternative programs with sufficient volumes and margins, could have a material adverse effect on our profitability.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We rely on a limited number of suppliers of products, manufacturing equipment and materials and could suffer shortages if these suppliers were to interrupt the supply or increase their prices.

We require substantial amounts of raw materials and electric power. We are subject to the risk that any or all of these materials may become in short supply or be unavailable. Although our general policy is to source raw materials from a number of different suppliers, reliance on a single supplier cannot always be avoided and, consequently, we are dependent on certain suppliers. Furthermore, our procurement logistics may experience supply delays, cancellations, strikes, insufficient quantities or inadequate quality which would result in interruptions in production and, therefore, have a negative impact on our production capacity and lead to underutilization of our production sites. This in turn may cause delays in the delivery of products to our customers in these areas. If any one of our suppliers becomes unable to meet our delivery requirements for any reason (for example, due to insolvency, force majeure, subcontractor default or refusal to perform following a change in control), we might be unable to source input products from other suppliers on short notice and/ or at the required volume or we might be required to pay higher prices for these products, which would reduce our operating margin.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Products that do not meet customer specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on us, including from warranty and product liability claims. In addition, quality risks could also damage our reputation.

As a manufacturer, we are subject to product liability lawsuits and other proceedings alleging violations of due care, violations of warranty obligations, treatment errors and claims arising from breaches of contract, recall actions or fines imposed by government or regulatory authorities. Any such lawsuits, proceedings and other claims could result in increased costs for us. In addition, defective products could result in loss of sales, loss of customers, and loss of market acceptance, in particular against the background that many of our products are mission-critical components which often have a major impact on the overall safety, durability and performance of our customers' end-product. The risks arising from such warranty and product liability lawsuits, proceedings and other claims are insured up to levels we consider economically reasonable, but the insurance coverage could prove insufficient in individual cases. Additionally, any major defect in one of our products could also have a material adverse effect on our reputation and market perception, which in turn could have a significant adverse effect on our business, financial condition and results of operations.

In addition, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims and we have been subject to continuing efforts by our customers to change contract terms and conditions concerning warranty and recall participation.

Furthermore, we manufacture many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by us do not meet the requirements stipulated by our OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Furthermore, our OEM customers could potentially bring claims for damages on the basis of breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of our other products and our market reputation in various market segments.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our business could suffer if we are not able to develop new technologies or if we cannot keep pace with the technology development of our competitors.

Our customers demand increasingly complex and innovative solutions to meet their needs. The ability to anticipate technological trends and respond to customer needs by developing innovative solutions in a timely manner is crucial to major parts of our business. For example, the markets for automotive vehicles and, as a result, our business with OEM customers, are currently subject to a number of market trends and technical developments to which we are required to respond.

In addition, innovative and increasingly complex products and solutions are particularly exposed to the risk of yet unknown and/or undetected defects and errors which in turn may expose us to increased risk from warranty and product liability claims (see also –“Products

that do not meet customer specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on us, including from warranty and product liability claims. In addition, quality risks could also damage our reputation.”). For example, in connection with the market introduction of our highly innovative 9HP automatic transmission, we have experienced, and continue to experience quality issues often associated with new product generations. These problems have resulted in the rejection of products by customers and we have taken steps and made investments to remedy such problems. However, if we are unable to fully remedy such problems, we may incur significant additional cost, and will not be able to increase revenues through the sale of the 9HP automatic transmission and our reputation as a leader in technology innovation may suffer.

If we fail to innovate and develop new solutions, fail to develop enough new solutions to generate sufficient sales, or if our future solutions fail to receive regulatory approval, or if we fail to introduce new products of sufficient quality or are otherwise unsuccessful, this failure could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Shifts in market shares among vehicles or vehicle segments or shifts away from vehicles for which we supply significant parts could have a material adverse effect on our profitability.

While we supply parts for a wide variety of vehicles produced globally, we do not supply parts for all vehicles produced, nor is the number or value of parts we supply evenly distributed among the vehicles for which we do supply parts. Shifts in market shares among vehicles or vehicle segments, particularly shifts away from vehicles for which we supply significant parts and shifts away from vehicle segments in which our sales may be more heavily concentrated, could have a material adverse effect on our profitability.

We may be unable to successfully integrate or achieve the expected benefits from current or future acquisitions or joint ventures. In addition, we face the risk of potential guarantee or liability claims resulting from the disposal of former business units or joint ventures.

We have completed or established a number of significant acquisitions or joint ventures in the past and may continue to pursue selected acquisitions or enter into new joint ventures in the future. To the extent we are successful in making acquisitions or establishing joint ventures, we may need to expend substantial amounts of cash, incur additional debt or assume loss-making divisions. Future acquisitions or joint ventures may also involve a number of other risks, including unexpected losses of key employees of the acquired or established operations; extraordinary or unexpected legal, regulatory, contractual and other costs; difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the acquired or established businesses with those of our existing operations; challenges in managing the increased scope, geographic diversity and complexity of our operations; mitigating contingent and/or assumed liabilities; the possible loss of customers and/or suppliers; and control issues in relation to acquisitions through joint ventures and other arrangements where we do not exercise sole control.

We may not realize the anticipated cost savings, synergies, future earnings or other benefits that we intend to achieve from acquisitions or joint ventures. We cannot guarantee that any future acquisition or joint venture will yield benefits that are sufficient to justify the expenses

we have incurred or will incur in completing such acquisition or joint venture. Furthermore, any future acquisition or joint venture may not be as successful as the acquisitions or joint ventures that we have completed in the past. We could also take on additional risks as a result of acquisitions or joint ventures, including the risk of potential guarantee or liability claims resulting from the disposal of former business units or joint ventures such as the sale of the former Car Chassis Technology division's business unit Rubber & Plastics or the divestment of ZF's 50-percent stake in the former joint venture ZF Lenksysteme.

The realization of any of these risks, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may be unable to protect our intellectual property rights effectively.

Our products and services are highly dependent upon our technological know-how and the scope and limitations of our proprietary rights therein. We have obtained or applied for a large number of intellectual property rights, such as patents, that are of considerable importance to our business.

The process of seeking patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide us with meaningful protection or commercial advantage. In addition, while there is a presumption that patents are valid, the granting of a patent does not necessarily imply that it is effective or that possible patent claims can be enforced to the degree necessary or desired. Furthermore, a major part of our know-how and industrial secrets is not patented or cannot be protected through intellectual property rights. Consequently, there is a risk that certain parts of our know-how and trade secrets are transferred to collaboration partners, customers or suppliers. Granted patents for important products may also expire before these products are replaced by new products. This poses a risk that competitors will copy our know-how without incurring any expenses of their own.

Moreover, we have concluded a number of license, cross-license, and cooperation and development agreements with our customers, competitors and other third parties under which our Group is granted rights in industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated, for example, in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change-of-control in either party, leaving our Group with reduced access to intellectual property rights to commercialize its own technologies.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

There is a risk that we may infringe intellectual property rights of third parties.

There is a risk that we may infringe intellectual property rights of third parties, since our competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether processes, methods or applications we use are subject to intellectual property rights of third parties. Therefore, third parties could assert infringements of intellectual property rights (including illegitimate ones) against the ZF Group. As a result, we could be required to cease

manufacturing, using or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes and/or products. In addition, we could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may not have validly acquired employee inventions or could fail to validly acquire them in the future.

There is a risk that we have failed or will fail to properly claim inventions of our employees. Present or former employees who made or make employee inventions may continue to be the owners of the rights to inventions if we fail to claim the invention in a timely manner. If this should be the case and we nevertheless registered an employee invention with us as the owner of a patent or utility model and/or used an employee invention as such, then the employee who made the invention may have a claim for transfer of the patent/of the utility model against us, and may be able to assert claims for damages for the unauthorized use of his or her invention (e.g., disgorgement of profits or notional license fees). In addition, a claim could be asserted against us to enjoin our use of the invention, or we could be forced to enter into a license agreement providing for the payment of royalties in order to use the invention in the future, or we may have to acquire the invention. Furthermore, there is a risk that employees may have claims for employee invention compensation which have not yet been fully satisfied. Should we have failed to validly acquire employee inventions or should we potentially fail to validly acquire them in the future or should employees have claims for employee invention compensation which have not been fully satisfied, this could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to the risk of product-related crime and industrial espionage.

As a manufacturer and supplier of high-quality products, we face certain crime risks. These include, among others, theft, misuse and counterfeiting of products (including attempts at these crimes). This is often accompanied by an infringement of trademark rights. The risk resulting from illegal trading of counterfeit products by criminal third parties relates to the fact, that in most cases, the quality of counterfeit products is inferior to that of the original products. Products originating from illegal third-party manufacturing not only endanger users and the environment, but also jeopardize our reputation and that of our products and therefore undermine our competitiveness. The sophistication and complexity of product-related crime has increased significantly in recent years. The material damage cannot easily be estimated, in particular, because, an exact number or cases of product related crimes is not available. The impact of product related crimes on business activities differs by case and is influenced by factors specific to regions and products.

Furthermore, there is a risk of loss of sensitive business information, other data or the tangible and intangible expertise due to an ineffective protection of confidential information, in particular as a result of any possible form of offence such as industrial espionage. Our key employees and officers have access to sensitive confidential information relating to our business such as insights about strategic developments, business case planning and core technology. We have implemented various measures to protect such confidential data.

However, in the event that competitors, third parties or the general public gain access to such confidential information in spite of our protective measures, be it on purpose or by accident, our market position could be materially weakened.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We rely on strategic partners and other third-party contractors, and our business could be harmed if they fail to perform as expected or relationships with them were to be terminated.

Many of our OEM customers reserve the right to approve the suppliers we use. Our ability to source input products from additional or alternate suppliers on short notice may be limited if the relevant OEM customer needs time to approve the additional or alternate supplier. If approved suppliers fail to perform as expected or the relationships with them were terminated, this could lead to order cancellations or even damages and could harm our long-term relationships with OEM customers, who may choose to select another supplier. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may be adversely affected by rising raw material and energy prices.

In our production processes, we are heavily dependent on the availability and cost of numerous commodities and raw materials (in particular, steel and aluminum), which account for a significant portion of our cost base. Commodities, raw materials and energy are subject to substantial price fluctuations. These price fluctuations may give rise to material earnings risks. Due to the strong competition on the markets relevant for our Group, it is often not possible to pass on these price fluctuations to our customers. We only hedge ourselves against these price risks to a limited extent and there is no assurance that we can hedge ourselves at all. Consequently, a continued rise in the cost of the commodities and raw materials we use could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are subject to export controls that could subject us to liability or impair our ability to compete in international markets.

We are subject to export control laws that may limit where and to whom we may sell certain of our products and with whom we conduct business. We are subject to routine foreign trade audits by competent German authorities. Moreover, export licenses are required from government agencies for some of our products in accordance with various statutory and regulatory authorities and in some cases we are not allowed to conduct any business. Failure to obtain these necessary licenses or to comply with applicable export controls, or the termination or significant limitation on our ability to export certain of our products, could result in a material adverse effect on our business, financial condition and/or results of operations and individual penalties/sanctions for each involved employee.

Governmental regulations or taxes could increase our costs and could adversely affect our business and results of operations.

We must observe a large number of different regulatory systems across the world that change frequently and are continuously evolving and becoming more stringent, in particular with respect to environmental regulations, chemicals and hazardous materials, as well as workers' health regulations. This applies also to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, in particular in the European Union and the United States. For instance, all our plants across the world are certified according to ISO 14001 Standard and, currently still on a voluntary basis, 12 of our plants are certified according to the British Standard for Occupational Health and Safety Assessment Series 18001 ("**OHSAS**"). The number of OHSAS certified plants is steadily increasing. In addition, for our sites and operations, we require various permits and we have to comply with the requirements specified therein. In the past, adjusting to new requirements has required significant investments and we assume that further significant investments in this regard will be required in the future. Furthermore, any additional regulation restricting or limiting car traffic with an aim at reducing carbon emissions could lead to a material decrease in car sales and consequently adversely affect demand for our products and services.

In addition, any change in legislation concerning corporate income tax and other future changes in tax law in Germany or other countries in which we are subject to taxation could lead to higher tax expenses. In addition, increasing taxes reducing the income available for consumption may also weaken the global demand in the automotive markets. Tax increases are a likely reaction of the national governments (especially of the EU member states) to the increase of national debt resulting from the various bailout programs set out for banks or, most recently, the stabilization package for EU member states.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We face environmental risks associated with soil, water, or groundwater contamination or for risks related to hazardous materials.

Many of the sites at which we operate have been used for industrial purposes for many years, leading to risks of contamination and the resulting site restoration obligations. In addition, we could be held responsible for the remediation of areas adjacent to our sites if these areas were contaminated due to our activities. Furthermore, soil, water or groundwater contamination has been discovered at sites operated by us in the past.

The competent authorities could assert claims against us, as the owner or tenant of the affected plots for the examination or remediation of such soil or groundwater contamination, or order us to dispose of or treat contaminated soil excavated in the course of construction. We could also be required to indemnify the owners of plots leased by us or of other properties, if the authorities were to pursue claims against the relevant owner of the property and if we caused the contamination. On several of the sites where contaminations have been discovered, remediation activities have already taken place upon order by or agreement with the competent authorities. Costs typically incurred in connection with such claims are generally difficult to predict. Also, if any contamination were to become a subject of public discussion, there is a risk that our reputation or relations with our customers could be harmed.

Furthermore, at some of the sites at which we operate, hazardous materials were used in the past, such as asbestos-containing building materials used for heat insulation. The health and safety of third parties (such as former employees) may have been affected due to the use of such hazardous materials and we could therefore be exposed to related damage claims in the future. We face similar risks with respect to former sites which we sold in the past. Even if we have contractually excluded or limited our liability in connection with the sale of such properties, we could be held responsible for currently unknown contamination on properties which we previously owned or used.

In addition, manufacturers of clutch lining materials are sometimes defendants in suits brought by individuals claiming personal injuries as a result of alleged exposure to asbestos or asbestos-containing products. Claims of this nature have been filed against certain of our subsidiaries in various jurisdictions (including the United States) as a result of sales of clutch lining material containing asbestos made until the end of the 1980s.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

The financial resources available to us may be insufficient to meet our capital needs.

Our cash from operating activities, current cash resources, existing sources of external financing and the proceeds from the issue and sale of the Notes could be insufficient to meet our further capital needs.

Furthermore, future disruptions in the financial markets, including the bankruptcy, insolvency or restructuring of a number of financial institutions, and further changes in the regulatory environment affecting financial institutions could adversely impact the availability and cost of additional financing for us and could adversely affect the availability of financing already arranged or committed. Our liquidity could also be adversely impacted if our suppliers tighten terms of payment as the result of any decline in our financial condition or if our customers were to extend their normal payment terms.

Moreover, due to the fact that the shares of the Guarantor are not publicly listed but held by two foundations, the access to raise additional equity from outside the Group is limited.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may be adversely affected by increases in exchange rates.

Our earnings are exposed to exchange rate fluctuations. This could lead to the value of our production costs not matching the value of the consideration received in transactions, because income and expenditure arise in different currencies. Exchange rate fluctuations affect the levels of proceeds and receivables in particular.

Furthermore, currency effects arise at subsidiaries whose functional currency is not the Euro, since on the one hand the earnings of these companies determined in a foreign currency are translated at average rates and recognized in profit or loss, and on the other hand the net assets are translated into Euro at spot rates and result in currency-related fluctuations in the equity of our Group.

There is no assurance that these fluctuations in currency exchange rates can be compensated by other means. Any uncompensated fluctuations may have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may be adversely affected by changes in our borrowing costs.

The costs at which we can obtain financing depend on general market conditions, particularly on the development of interest rates and our (perceived) creditworthiness and ratings. In the case of deteriorating general market conditions, only debt financing with comparatively higher interest rates may be available. In addition, a substantial part of our financing arrangements contains variable interest rates. There is no assurance that increased interest rates may be compensated by other means. In this case, a rise of interest rates would have an adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

A decrease in interest rates, on the other hand, would adversely impact our interest income on our interest-earning financial investments.

Our pension and other postretirement benefits obligations are significant and the related expense and funding requirements of our pension plans could materially increase.

We provide defined benefit pension plans in Germany, the United States, the United Kingdom and certain other countries. As of December 31, 2014, the present value of our defined benefit obligations amounted to EUR 3,942 million (as of December 31, 2013: EUR 2,858 million) and our net liabilities for defined benefit obligations shown in our consolidated statement of financial position as provisions for pensions (present value of the defined benefit obligations less plan assets) amounted to EUR 3,803 million (as of December 31, 2013: EUR 2,729 million).

Our externally invested pension plan assets are funded through externally managed investment funds. In addition to the external plan assets, pension plan assets include shares in a timber company amounting to EUR 11 million and non-current financial assets including assets of special funds which, to some extent, serve to secure pension obligations amounting to EUR 987 million as of December 31, 2014 (as of December 31, 2013: EUR 1,008 million). However from a legal perspective these special funds are neither restricted nor limited to a whatsoever designated use. While we prescribe the general investment asset allocation applied for these funds, we do not determine their individual investment securities. The plan assets and special funds are invested in different asset classes including stocks, fixed-income securities and real estate. The values attributable to the externally invested pension plan assets and the aforementioned special funds included in non-current financial assets are subject to fluctuations in the capital markets that are beyond our influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in an increase in our net liabilities for defined benefit obligations. In order to minimize potential volatility risks a risk management system has been implemented. The key content of this risk management system is a yearly risk budget approved by board members. In addition, typical risk management tools have been implemented. Any such increase in our net liabilities for defined benefit obligations could

adversely affect our financial condition due to an increased additional outflow of funds to finance the pension obligations.

Also, we are exposed to risks associated with longevity and interest rate changes in connection with our pension commitments as an interest rate decrease could have an adverse effect on our liabilities under these pension schemes.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We could have difficulties in hiring and retaining qualified employees, in particular engineers and IT specialists.

Our success depends largely on our executives and employees in key functions. The loss of executives or key employees could have a material adverse effect on our market position and prospects. Considerable expertise could be lost or access thereto gained by competitors. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. There is no guarantee that we will be successful in retaining our executives and the employees in key positions or in attracting new employees with corresponding qualifications. Although we try to retain the commitment of our executives and key employees through performance-based remuneration systems, there is a risk that any such individuals would leave the ZF Group.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Work stoppages or other labor issues at our facilities or the facilities of our customers or those in our supply chain could have a material adverse effect on our business.

Our relationships with our employees and our unions could deteriorate in the future and we could experience additional strikes, unionization efforts or other types of conflicts with labor unions or our employees. In addition, many of our customers and our suppliers also have unionized workforces. Refusals to work or work downtime experienced by our customers or our suppliers could result in decreased or delayed demand for our products (in case of work stoppages affecting our customers) or could require us to slow or shut down our production (in case of supply delays). This could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We may incur additional costs as a result of industry collective bargaining agreements applicable to our German employees or any other country where collective bargaining agreements are in place.

If the conditions of employment of individuals entitled to the benefits of industry collective bargaining agreements fall below the standard of industry collective bargaining agreements in Germany, an employee, the union or relevant social insurance institutions may object to these conditions. If they are successful, we could incur higher employment costs. If employment

contracts fall below the standard of applicable collective bargaining agreements, we could also incur higher social security contributions for the past and future with regard to our German employees. Similar risks exist in other countries where collective bargaining agreements are in place.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are subject to risks from legal, administrative and arbitration proceedings.

We are, or may become, involved in a number of legal, administrative and arbitration proceedings. These proceedings or potential proceedings could involve substantial claims for damages or other payments. Based on a judgment or a settlement agreement, we could be obligated to pay substantial damages or fines. Our litigation costs and those of third parties (in relation to which we may have to indemnify such third parties) could also be significant.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We could be subject to tax risks attributable to previous tax assessment periods.

We could accrue unanticipated tax expenses in relation to previous tax assessment periods which have not yet been subject to a tax audit or are currently subject to a tax audit.

Many of our German and foreign companies, including the Guarantor, are subject to a routine tax audit by German or foreign tax authorities. The German tax authorities are at present performing a tax audit at ZF (and its German operating facilities) for the assessment periods 2008 through 2011. In ongoing or future tax audits, the tax laws or relevant facts could be interpreted by the tax authorities in a manner deviating from the relevant company's view. As a result, the tax authorities could revise original tax assessments and substantially increase the tax burden (including interest and penalty payments) of the relevant company.

Our companies, so far, have not been made aware by any tax auditor of any significant findings which would not be covered by the tax provisions and liabilities the respective company has accounted for. Nevertheless, it cannot be ruled out that ongoing and/or future tax audits may lead to an additional tax expense and/or payment, which may have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are subject to antitrust investigations, the outcome of which could lead to fines and related damage claims.

On September 17, 2014, the Brazilian competition authority, *Conselho Administrativo de Defesa Econômica* ("**CADE**"), conducted an on-site inspection at our offices in Sorocaba and Sao Bernardo, Brazil, investigating suspected infringements of competition law in the automotive sector. Our offices were searched and copies of a number of documents were taken. CADE is now further investigating the matter and we expect further procedural steps in 2015. We have initiated an internal investigation into allegations of wrongdoings in the auto parts market. We have not been notified of the initiation of a formal investigation by CADE

yet. If CADE concludes that we were involved in anti-competitive behavior, CADE may impose a fine. However, at this stage it is not possible to provide a reliable estimate of the amount of any fine or to conclude with certainty if and when fines would be imposed. Furthermore, if there is evidence of anti-competitive behavior, we may also face follow-on damage claims by both direct and indirect purchasers of our products.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our leverage and debt service obligations could have a material adverse effect on our business.

We have incurred substantial indebtedness. On top of our existing indebtedness, we are able to borrow additional funds subject to compliance with certain covenants and other conditions. Increasing our level of indebtedness could have important consequences for investors in the Notes. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash flow from operating activities to payments on our existing indebtedness, which could reduce the availability of cash flow to fund capital expenditures, future acquisitions and other general corporate needs;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors with less debt; and
- limit our ability to borrow additional funds.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to a number of risks associated with our existing indebtedness.

Our 2014 Senior Facilities Agreement contains a number of covenants that require us to maintain specified financial ratios regarding the maximum level of net indebtedness (leverage) and financing expenses (interest cover). Other credit facilities that we may enter into in the future may include similar financial covenants.

In light of the cyclical nature of our business and the possible effects on our business activities and results of operations as well as the other market and business-related risks described herein, we may not be able to maintain our current sales and profitability at the levels required for meeting the EBITDA related financial ratios. Hence, we cannot assure you that we will continue to comply with these financial covenants in the future. A breach of any of these covenants, in particular the inability to comply with the required financial ratios, could result in a default under the 2014 Senior Facilities Agreement unless we can obtain waivers for the breach of any of the financial obligations thereunder. We cannot assure you that such

waivers will be granted. In the event of any default under the 2014 Senior Facilities Agreement, the respective lenders will not be required to lend any additional amounts to us and could elect to declare all outstanding borrowings, together with accrued interest, fees and other amounts due, to be immediately due and payable. In addition, indebtedness under other instruments that contain cross-default or cross-acceleration provisions also may be accelerated and become due and payable. If our debt under our 2014 Senior Facilities Agreement or the Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay such debt in full.

Furthermore, in addition to the compliance with specific covenants, the 2014 Senior Facilities Agreement provides for covenants and undertakings that limit our operations as well as a change of control provision. If we fail to comply with any of these covenants or undertakings, a change of control occurs, or if a cross default or cross acceleration provision is triggered, and we are unable to obtain a waiver from the respective lenders, a default or mandatory redemption could result under the relevant debt instrument, which then could be declared to be immediately due and payable and/or would then become immediately due and payable.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Existing debt obligations contain, and future debt obligations are likely to contain, financial and other covenants and change of control provisions.

In addition to the risks related to our 2014 Senior Facilities Agreement (see "*We are exposed to a number of risks associated with our Indebtedness.*"), we may be subject to risks related to other existing and future debt obligations, including the Notes offered hereby. The Terms and Conditions contain a number of restrictive covenants, as well as a "change of control" provision. Any debt financing we incur in the future may contain similar financial and other covenants, undertakings and "change of control" provisions. If we fail to comply with any of these covenants or undertakings or if a "change of control" occurs, and we are unable to obtain a waiver from the respective lenders, a default could result under the relevant debt instrument, which then could be declared to be immediately due and payable and/or would become immediately due and payable.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We are exposed to compliance risks.

We are exposed to a large variety of business and compliance risks. Since our domestic and foreign managers retain a certain amount of operational and decision-making flexibility we cannot guarantee that our domestic and foreign managers will not take actions, or, in particular cases, take fraudulent actions against us or third parties, or experience problems or conflicts of interests that could be detrimental to our business, financial condition and results of operations or damage our reputation. Individual employees of the ZF Group could violate applicable laws, for example in the areas of antitrust law as well as anticorruption laws. This could have a material adverse effect on our business, financial condition and results of

operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantee or cause the market price of the Notes to decline.

We may experience failures of or other malfunctions in our IT systems.

The increasing reliance on IT systems and the necessity of their permanent availability impose high demands on the information technology used. Our IT systems support almost all functions of our Group, including all business units and geographic locations. Although we have taken precautions to manage our risks related to system and network disruptions, an extended outage in a data center or telecommunications network utilized by our systems, any malfunction, fault or security breach in our IT systems and software, including possible attacks by outsiders, for instance by criminal hackers or computer viruses, or any similar event could lead to an extended unanticipated interruption of our systems or networks. In such a case, we may have to expend substantial amounts of money and resources on the prevention and fixing of potential or existing security breaches and their consequences. The realization of any risks related to our IT system and network disruptions could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our business could suffer if the reputation of our brands is damaged.

Our business depends to a significant extent on our reputation and the reputation of the brands under which we market our products. Actual or alleged instances of inferior service or product quality or of damage caused or allegedly caused by our services or products, could damage our reputation in the markets in which we operate and could lead to customers becoming less willing to work with the relevant company of our Group. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Our consolidated statement of financial position includes significant intangible assets, which could become impaired.

We carry significant intangible assets on our consolidated statement of financial position. As of December 31, 2014, the carrying amount of intangible assets on our consolidated statement of financial position was EUR 905 million, representing 6.8% of our total assets. This carrying amount includes EUR 405 million in goodwill resulting from the consolidation of investments in subsidiaries which is carried out according to the purchase method. This goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. In 2014, we recorded no impairments as in 2013. However, there is no guarantee that additional impairments will not occur, particularly in the event of a substantial deterioration of our future prospects or general economic conditions. A significant impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

We do not control certain of our joint ventures.

We have, and will continue to have, a number of strategic partnerships and joint ventures and alliances in which we hold a non-controlling interest. For example, we hold a 50% ownership stake in each of ZF Electronics TVS (India) Pvt. Ltd. and Shanghai Sachs Powertrain Component Systems Co. Ltd. and a 33.3% ownership stake in Alltrucks GmbH & Co. KG.

There can be no assurance that the arrangements will be successful and/or achieve their planned objectives. The performance of all such operations in which we do not have a controlling interest will depend on the financial and strategic support of the other shareholders. Such other shareholders may make ill-informed or inadequate management decisions, or may fail to supply or be unwilling to supply the required operational, strategic and financial resources, which could materially adversely affect these operations. If any of our strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these strategic partnerships, joint ventures and alliances, our business, financial condition and results of operations could be materially adversely affected. Moreover, in some of these businesses, we may not have the power to control the payment of dividends or other distributions. As a result even if the business is performing well, we may not receive payment of our share of any profits. Finally, there could be circumstances in which we may wish or be required to acquire the ownership interests of our partners, and there can be no assurance that we will have access to the funds necessary to do so, on commercially reasonable terms or at all.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Changes in accounting standards could have a material adverse effect on our financial condition and result of operations.

Our consolidated financial statements are prepared in accordance with IFRS. New or changed accounting standards may lead to adjustments in the relevant accounting positions of our Group which could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Risks relating to the Merger

We are exposed to risks relating to the Merger and other future acquisitions and divestments.

On September 15, 2014, ZF, TRW Holding and MSNA, Inc. ("**MSNA**"), a wholly owned U.S. subsidiary of ZF held indirectly through ZF North America Inc. ("**ZFNA**"), entered into a definitive agreement (the "**Merger Agreement**") under which ZF will, subject to certain closing conditions, acquire 100% of TRW Holding's outstanding share capital in an all-cash transaction for USD 105.60 per share through a merger of MSNA into TRW Holding, with TRW Holding surviving the Merger as a subsidiary of ZF. The transaction has already been unanimously approved by the relevant corporate bodies of both ZF and TRW Holding. Based on the agreed price per share the purchase price is expected to amount to approximately USD 12.4 billion.

The transaction is subject to customary closing conditions, including antitrust clearances and certain termination rights for each of ZF and TRW Holding. Should those or other conditions precedent for the Merger not be fulfilled and/or obtained and/or the Merger Agreement be terminated otherwise, the Merger will fail. For ZF, a failure of the Merger may entail reputational damage due to the failure of the transaction and financial disadvantages caused,

inter alia, by the time lost and costs incurred in connection with the transaction. For example, on September 15, 2014, ZF signed the 2014 Senior Facilities Agreement in connection with the acquisition of all shares in TRW Holding under which ZF had and has to pay upfront and commitment fees to the lenders regardless of whether the acquisition is successful or not.

The implementation of the Merger involves risks. For instance, the price paid as consideration for TRW Holding's shares may be considered too high, the Merger may prove to be less successful than anticipated, TRW Group's financial or operational performance may not develop as expected, or sales, earnings and cash flow goals pursued by way of the Merger may not be met. In addition, the Merger, as any other acquisition, is subject to a number of risks, including unexpected losses of key employees; extraordinary or unexpected legal, regulatory, contractual and other costs; difficulties in integrating the financial, technological and management standards, processes, procedures and controls of TRW Holding and its subsidiaries with those of our existing operations; challenges in managing the increased scope, geographic diversity and complexity of our operations; mitigating contingent and/or assumed liabilities; the possible loss of customers and/or suppliers; and control issues in relation to joint ventures and other arrangements where we do not exercise sole control. Hence, we may not be able to integrate TRW Group into our Group as planned or only at a higher cost than originally planned, and/or any intended synergy effects may not be realized to the extent planned or at all.

In addition, the Merger may expose us to the following risks:

- *Commitment of management capacity:* The integration of TRW Group into ZF Group will require a large amount of the time and attention of both companies' management. If integration issues significantly divert management's attention from other responsibilities, our and TRW Group's business could be adversely affected.
- *Increased Indebtedness:* As a result of the Merger, our indebtedness will increase considerably as a result of the financing we obtain to fund the acquisition.
- *Risks arising from the 2014 Senior Facilities Agreement:* The 2014 Senior Facilities Agreement contains certain undertakings, restrictions and covenants that restrict our operating flexibility. The 2014 Senior Facilities Agreement furthermore contains certain market-standard provisions, pursuant to which the lenders may terminate the 2014 Senior Facilities Agreement and accelerate all borrowings.
- *Possible loss of key employees:* Both we and TRW Group depend on our respective key employees for the successful integration and implementation of a common strategy. If either of the companies were to lose key employees due to their combination or other reasons, a rapid integration and leveraging of the respective strengths of each company could be more difficult.

In addition to the Merger, we continue to examine possibilities to expand our business through acquisitions. We may thus grow further through additional acquisitions. No guarantee can be given that additional suitable acquisition targets can be found or that further acquisitions that are identified as strategically important can be realized. The consummation of such further acquisitions may involve risks similar to those described above with regard to the Merger. Divestments, on the other side, bear risks arising from the sale contract with the purchaser and that the achieved sale price is too low in the view of the market.

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to

fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

If unexpected difficulties were to arise in the course of the integration of TRW Group, or if TRW Group's business failed to develop as expected, we could be forced in the future to recognize impairment losses on the tangible or intangible assets and/or goodwill of TRW Group.

Following the completion of the Merger, we will have to recognize a substantial portion of the difference between the amount paid for the Merger and the book value of TRW Group's equity as tangible and intangible assets and/or goodwill of TRW Group. IFRS and the International Accounting Standard 36 (Impairment of Assets) ("**IAS 36**") require us to test goodwill and intangible assets with indefinite lives at least annually, or more frequently if there is an indication of impairment, by using a single-step quantitative test performed at the level of a cash-generating unit ("**CGU**") or group of CGUs which compares the carrying amount of a CGU or group of CGUs with its recoverable amount. The excess of the carrying amount over the recoverable amount has to be recorded as an impairment loss. Tangible and intangible assets with definite lives are not tested annually, but rather when there are indicators of impairment. As a result, we may be forced to recognize an impairment loss on the tangible and intangible assets and/or goodwill of TRW Group in accordance with IFRS and IAS 36 if unexpected difficulties were to arise in the course of the integration of TRW Group into the ZF Group, if TRW Group's business were to fail to develop as expected or if any other unexpected development were to occur affecting the performance or sustainability of TRW Group's business.

Any such impairment losses could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Following the completion of the Merger, we will be exposed to risks associated with the business of TRW Group, some of which we may not presently be aware of, and in general we will not have warranty claims against TRW Holding or its shareholders for any such risks.

We derived the information about TRW Group that is contained in this Prospectus, including the financial information about TRW Group, except for the historical IFRS consolidated financial information of TRW Holding underlying the unaudited pro forma consolidated financial information of ZF as of and for the fiscal year ended December 31, 2014, from publicly available information. We were not involved in the preparation of the relevant information or consolidated financial statements of TRW Group and therefore could not examine whether or not such information or financial statements are accurate and complete, or whether they represent TRW Group in a comprehensive manner. In preparing the acquisition offer and its terms, we relied on publicly available information about TRW Group. We believe that we may, following the completion of Merger, face the following specific risks associated with the business of TRW Group and that exist in addition to the risks described in this section "Risk Factors" with regard to our business generally:

- *Dependency on developments of customers:* Many products of TRW Group are used in the manufacturing processes of its customers. It is important for TRW Group to have its products incorporated in its customers' manufacturing processes early in the manufacturing design phase; otherwise, TRW Group may permanently lose the

opportunity to participate in the relevant customer's production of the product. Furthermore, any decline in sales of, economic difficulties of or regulatory measures affecting a customer, or any voluntary or involuntary suspension or termination by a customer of its production of a product, may simultaneously affect the sales of TRW Group to that customer as it may curtail or stop delivery of TRW Group's products to it.

In addition, sales of several products of TRW Group depend on a small number of customers, the loss of any of which may harm the business of TRW Group. Finally, for many customers, TRW Group is presently the single source supplier for one or several critical components used in their production lines; increasingly, customers are seeking to implement a second sourcing of products which may result in existing customers becoming able to choose another supplier to supply components that are presently supplied by TRW Group, which may result in a loss of future business opportunities or future sales for TRW Group. Furthermore, the combination of our and TRW Group's sales with certain customers could result in additional pricing pressure from such customers which could result in an adverse impact on our profitability of the business.

- *Dependency on key suppliers:* Certain critical raw materials and supplies required for some of TRW Group's principal products, as well as several products that TRW Group distributes, are only available from a single supplier. If any such suppliers were to limit or terminate production or otherwise fail to supply these materials or products for any reason, such failure could have an adverse impact on TRW Group's product sales and business.
- *Increased exposure to Product Liability Claims and Product Recalls:* As TRW Group's products and services are further integrated into its customers' production processes, TRW Group may increasingly become exposed to product liability claims and product recalls, such as the recent recall of cars on behalf of the National Highway Traffic Safety Administration (the "**NHTSA**") in the United States due to the replacement of airbag electronic control units.
- *Antitrust investigations:* Antitrust authorities, including those in the United States and Europe, are investigating possible violations of competition (antitrust) laws by automotive parts suppliers which includes, among others, TRW Holding and its subsidiaries. The U.S. Department of Justice (the "**DOJ**") initiated an investigation into TRW Group's Occupant Safety Systems business in June 2011, which was concluded in 2012 when the court approved a plea agreement between one of TRW Holding's German subsidiaries and the DOJ. Also in June 2011 the European Commission initiated an antitrust investigation which includes TRW Group, among others, and which is ongoing. While the duration and outcome of the European Commission's investigation is uncertain, a determination that TRW Group has violated European competition laws could result in significant penalties in some cases, for violations at other companies, which, following the completion of the Merger, could have a material adverse effect on our business, financial condition and results of operations, as well as our reputation. European competition law investigations often continue for several years and, in some cases for other companies, have resulted in the imposition of significant fines by the European Commission.

- *Change of control:* Certain of TRW Group's suppliers and customers may be able to invoke a right to terminate, or to request a change to the terms of, the relevant agreement in the event of a change of control occurring in respect of TRW Holding, or may otherwise seek to terminate, or to reduce the scope or volume of, their business relationship with TRW Group as a result of the Merger. If, following the completion of the Merger, a significant number of suppliers or customers invokes such termination rights or otherwise sought to reduce the scope or volume of their business with TRW Group, or if significant and material supplier or customer agreements will thus be terminated or reduced in scope or volume, this could adversely affect TRW Group's product sales and business.
- *Potential termination of joint ventures:* TRW Group has established joint ventures with a number of companies. The contracts underlying such joint ventures often contain change of control, right of first refusal, non-competition or similar provisions, which are likely to be triggered by the Merger and could therefore result in termination or tender rights arising in connection with these joint ventures. In addition, several products that TRW Group distributes are available through existing joint ventures. If any such joint ventures were to terminate production of these products, such failure could have an adverse impact on TRW Group's product sales and business.
- *Legal, administrative and arbitration proceedings:* TRW Group is, or may become, involved in legal and regulatory proceedings that may, from time to time, be significant. These proceedings typically involve claims that arise in the normal course of business, including commercial or contractual disputes, intellectual property matters, product liability claims including asbestos claims, environmental issues, tax matters and employment matters. TRW Group's litigation costs and those of third parties for which TRW Group may have an indemnification obligation could be significant. Historically, TRW Group has been required to participate in product recalls, and is likely to do so in the future. Possibly as a result of an enhanced level of scrutiny given to vehicle safety issues, with new attention being given to the suppliers whose products could be involved in recall related issues, vehicle manufacturers have experienced a higher level of recall campaigns in recent years, reaching an all-time record of about 63.8 million vehicles recalled in the United States in 2014. Given the increased scrutiny around automotive safety issues, it is possible that NHTSA will require additional recalls and that, likewise, vehicle manufacturers may also be inclined to initiate more recalls than they have in the past. Vehicle manufacturers often seek contribution from their suppliers when faced with product liability, warranty and recall claims. In addition, TRW Group has been subject to continuing efforts by its customers to change contract terms and conditions concerning warranty and recall participation. Further, recalls or other investigations involving TRW Group's products can, following the completion of the Merger, harm our reputation and cause us to lose business, particularly if they cause our customers to lose confidence in the safety of TRW Group's products. Also, as vehicle manufacturers lengthen their warranty commitments to consumers and the affected vehicles age, warranty claims may increase. Finally, costs to defend certain product liability cases have increased due to the bankruptcies of Chrysler LLC and General Motors Corporation.

Certain of TRW Holding's subsidiaries have been subject in recent years to asbestos-related claims which, in general, seek damages for illnesses alleged to have resulted

from exposure to asbestos used in certain components sold in the past by TRW Holding's subsidiaries.

TRW Group's recorded liabilities and estimates of reasonably possible losses for its contingent liabilities are based on its assessment of potential liability using the information available to TRW Group at the time and, as applicable, any past experience and trends with respect to similar matters. However, litigation is inherently uncertain, and such claims could, following the completion of the Merger, have a material adverse effect on our business, financial condition and results of operations.

- *Adverse changes to profitability and financial outlook:* Adverse changes in the underlying profitability and financial outlook of TRW Group's operations in many jurisdictions could lead to changes in its valuation allowances against deferred tax assets. Additionally, changes in tax laws in the U.S. or in other countries where TRW Group has operations could adversely affect deferred tax assets and liabilities and the overall provision for income taxes. Further, TRW Group is subject to tax audits by governmental authorities in the U.S. and numerous international jurisdictions, which are inherently uncertain. Negative or unexpected results from one or more such tax audits or changes to tax laws governing the jurisdictions in which TRW Group operates could, following the completion of the Merger, adversely affect our business, our results of operations and financial condition.
- *Pension and other postretirement obligations:* TRW Group faces the continuing burden of significant pension and other postretirement liabilities. A significant number of TRW Group's employees and former employees remain entitled to benefits under defined benefit pension plans or retirement/termination indemnity plans. The obligations and expenses recognized in TRW Group's financial statements for these plans are actuarially determined based on certain assumptions which are driven by market conditions, including interest rates. Additionally, market conditions impact the underlying value of the assets held by the plans for settlement of these obligations. Further declines in interest rates or the market values of the securities held by the plans, or certain other changes, could negatively affect the funded status of these plans and the level and timing of future contributions. Additionally, these factors could significantly increase TRW Group's pension expense and reduce TRW Group's profitability.

TRW Group also sponsors other postretirement employee benefits ("**OPEB**"), primarily in the United States and Canada. TRW Group funds its OPEB costs on a pay-as-you-go basis; accordingly, the related plans have no assets. TRW Group is subject to increased OPEB cash outlays and costs due to increasing health care costs, among other factors. Increases in the expected costs of health care in excess of current assumptions could increase TRW Group's actuarially determined obligations and its related OPEB expense along with future cash outlays.

In addition, all other risk factors described in this section "Risk Factors" generally also apply to the business of TRW Group. TRW Group's business may also be subject to additional risks that we may not be aware of and that may only emerge after the Merger has been consummated or during the integration process.

The Merger Agreement underlying the acquisition of TRW Group provides, in line with market practice for acquisitions of public companies, that warranties and representations made by TRW Group shall not survive the closing of the acquisition. No warranties and representations

are made by the shareholders of TRW Holding. We are therefore not in a position to assert claims against TRW Holding or its shareholders based on risks, defects, losses and damages that may be identified following the completion of the Merger.

If any of the business risks of TRW Group proved to be more severe or if any unknown risks emerge, this could have a material adverse effect on our business, financial condition and results of operations, which could in turn adversely affect our ability to fulfill our obligations under the Notes and the Guarantees or cause the market price of the Notes to decline.

Risks relating to the Issuer

The Issuer is a financing vehicle for the ZF Group and has no material assets or sources of sales except for claims against certain subsidiaries of ZF resulting from intercompany loans and relies on distributions from such subsidiaries to service and repay the Notes.

The Issuer is a subsidiary indirectly wholly owned by the Guarantor with limited assets which concentrates on financing activities for the ZF Group. The Issuer will on-lend the proceeds from the sale of the Notes by way of intercompany loans to ZF and certain subsidiaries of ZF to pay the Merger consideration. The Issuer intends to service and repay the Notes out of the payments it receives under these intercompany loans. Other than the receivables under these intercompany loans and any other proceeds that may be made in connection with potential other financing transactions by the Issuer, the Issuer has no material assets or sources of sales. The Issuer's ability to service and repay the Notes therefore depends on the ability of members of the ZF Group to service in full any intercompany loans extended to them by the Issuer. In the event that any members of the ZF Group were to fail to make payments under intercompany loans extended to them by the Issuer, the Issuer may not be able to meet its obligations under the Notes when due. In meeting its payment obligations under the Notes, the Issuer is therefore wholly dependent on the profitability and cash flow of ZF and its subsidiaries.

Risks relating to the Guarantor

As the Guarantor operates in part through its subsidiaries and participations, its ability to meet its payment obligations under the Guarantee also depends – to a certain extent – on the receipt of funds from its subsidiaries and participations.

The Guarantor acts as the main operating and holding company for the ZF Group and, following the Merger, for TRW Group and performs group-wide functions as a management company. In its holding function, the Guarantor's ability to serve its payment obligations also depends on the receipt of funds from its subsidiaries and participations. Therefore, the Guarantor's cash flow and its ability to meet its cash requirements, including its obligations as Guarantor under each Guarantee, is – to a certain extent – subject to the profitability and cash flow of its subsidiaries and payments by such subsidiaries to it in the form of loans, dividends, fees, or otherwise, as well as upon the Guarantor's own business and credit arrangements. The ability of the Guarantor's subsidiaries to make payments to the Guarantor may be restricted by, among other things, applicable corporate and other laws and regulations and by the terms of covenants and restrictions contained in financing agreements to which such subsidiaries are or will be a party. In addition to any limitations on payment to the Guarantor contained in such agreements, any failure to comply with the covenants and

restrictions contained in such agreements could trigger defaults under those agreements which could delay or preclude the distribution of dividend payments or any other similar payments to the Guarantor.

Risks relating to the Notes

Any investment in the Notes involves certain risks associated with the characteristics, specification and type of Notes which could lead to substantial losses that Noteholders may have to bear in the event of selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Notes comprise, *inter alia*, the following risks:

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement to the Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the investment in the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's functional currency;
- understand thoroughly the terms of the Notes and be familiar with the financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers prior to investing in the Notes to determine whether and to what extent (i) the Notes are permitted investments for it, (ii) where relevant, the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. Each investor should also consider the tax consequences of investing in the Notes and consult its own tax advisers with respect to the acquisition, sale and redemption of the Notes in light of its personal situation.

The Notes do not have an established trading market and an active trading market for the Notes may not develop.

The Notes represent a new issue of securities for which there is currently no established trading market. Although the Issuer intends to obtain admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange, there can be no assurance that a

market for the Notes will develop or, if it does develop, continue, or that it will be liquid, thereby enabling investors to sell their Notes when desired, or at all, or at prices they find acceptable.

The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors including the creditworthiness of the Issuer and the Guarantor as well as other factors such as the time remaining to maturity of the Notes, the outstanding amount of the Notes and the redemption features of the Notes. Such factors will also affect the market value of the Notes.

Investors may not be able to sell Notes readily or at prices that will enable investors to realize their anticipated yield. No investor should purchase Notes unless the investor understands and is able to bear the risk that the Notes may not be readily saleable, that the value of the Notes will fluctuate over time and that such fluctuations may be significant.

The Notes and the Guarantees will be structurally subordinated to the indebtedness of the Guarantor's subsidiaries (other than the Issuer).

ZF, as Guarantor, will provide a guarantee in favor of each Tranche of Notes. The Notes will not be guaranteed by any subsidiary of the Guarantor. In the event of a liquidation, winding-up, or dissolution, bankruptcy, administration, reorganization, insolvency, receivership or similar proceeding of a subsidiary of the Guarantor (other than the Issuer), such subsidiary will pay the holders of its own debt (including holders of debt which such subsidiaries have guaranteed, such as the 2014 Senior Facilities Agreement which will be guaranteed by certain subsidiaries of the Guarantor, and, following the Merger, general debt instruments issued by TRW Holding and guaranteed by certain of TRW Holding's subsidiaries) before they would be able to distribute any of their assets to the Guarantor. In such case, the Guarantor may not have sufficient assets to make payments on the Guarantees or to service in full any intercompany loans extended to it by the Issuer. As a result, the Issuer may not be able to meet its obligations under the Notes when due.

The Notes and the Guarantees will be effectively subordinated to the debt of the Guarantor or any of its subsidiaries to the extent such debt is secured by assets of the Guarantor or such subsidiaries.

The Notes and the Guarantees will be effectively subordinated to the debt of the Guarantor or any of its subsidiaries to the extent such debt is secured by assets of the Guarantor or its subsidiaries that are not also securing the Notes. Although the Terms and Conditions and the Guarantees require the Issuer and the Guarantor to secure the Notes equally if they provide security for the benefit of Capital Markets Indebtedness (as defined in the Terms and Conditions), the requirement to provide equal security to the Notes is subject to a number of significant exceptions and carve-outs as set out in detail in the Terms and Conditions included in this Prospectus. To the extent the Guarantor or any of its subsidiaries provides security interest over its assets for the benefit of debt without also securing the Notes or the Guarantees, the Notes and/or the Guarantees will be effectively junior to such debt to the extent of such assets. As a result, the holders of (present or future) secured debt of the Issuer or the Guarantor may recover disproportionately more on their claims than the Noteholders in case of an insolvency, bankruptcy or similar proceeding of the Guarantor or any of its subsidiaries.

The proceeds from the enforcement of the Guarantees may not be sufficient to satisfy the obligations under the Notes.

The Notes will be guaranteed by the Guarantor as specified in the Terms and Conditions. No appraisal of the value of the assets of the Guarantor has been made in connection with the issue of the Notes. In addition, the Terms and Conditions permit the incurrence of financial indebtedness in the future that is secured by the Guarantors' assets. The amount to be received upon an enforcement of each Guarantee would depend on numerous factors affecting the financial situation of the Guarantor at the time of its enforcement. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the payments under the Guarantees may not be sufficient to repay the obligations under the Notes.

The Notes are subject to a risk of early redemption.

The Issuer will have the right to redeem each Tranche of Notes as set out in the Terms and Conditions. If the Issuer redeems any Tranche of Notes prior to their maturity or if any Tranche of Notes is subject to early redemption, the respective Noteholders are exposed to the risk that due to such early redemption their investment may have a lower yield than expected. Additionally, such Noteholders may only be able to reinvest on less favorable conditions as compared to the original investment.

Although the occurrence of specific change of control events will permit the Noteholders to require redemption of the Notes, the Issuer may not be able to redeem such Notes.

Upon the occurrence of specific change of control events, the Noteholders will have the right to require the redemption of their Notes at the principal amount, plus accrued and unpaid interest. The Issuer's or the Guarantor's ability to redeem the Notes upon such a change of control event will be limited by their access to funds at the time of the redemption or repurchase. Upon a change of control event, the Guarantor may be required to immediately repay the outstanding principal, any accrued interest on and any other amounts owed by it under other debt outstanding. The source of funds for these repayments would be the available cash or cash generated from other sources. However, there can be no assurance that there will be sufficient funds available upon a change of control event to make these repayments and any required redemption of the Notes.

The terms and conditions of each Tranche of Notes and the terms of the relating Guarantee, including the terms of payment of principal and interest, can be amended by a Noteholders' resolution and any such resolution will be binding for all holders of the relevant Tranche of Notes. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of the relevant Tranche of Notes outstanding.

According to the Terms and Conditions and the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*; the "**SchVG**"), holders of each Tranche of Notes can, by resolution, consent to amendments of the terms and conditions of such Tranche of Notes and the terms of the relating Guarantee. Accordingly, although no obligation to make any payment or render any other performance may be imposed on any Noteholder, the holders of each Tranche of Notes may, by resolution, among other things agree to, with respect to the relevant Tranche of Notes:

- change the due date for payment of interest and reduce, or cancel interest;

- change the maturity date of the Notes or reduce the principal amount payable on the Notes;
- convert the Notes into, or exchange the Notes for, shares or other securities or obligations;
- change the currency of the Notes;
- waive or restrict Noteholders' rights to accelerate the Notes; or
- subordinate some or all of the claims under the Notes in an insolvency proceeding.

Under the SchVG and the Terms and Conditions, such amendments require a resolution of Noteholders holding in the aggregate at least 75% of the votes cast in respect of the relevant Tranche of Notes. Subject to contestation in court, any such resolution will be binding on all holders of the relevant Tranche of Notes.

The voting process under the Terms and Conditions will be governed in accordance with the SchVG, pursuant to which the required participation of Noteholder votes (quorum) is principally set at 50% of the aggregate principal amount of outstanding notes in the first Noteholders' meeting or a vote without meeting. In the event there is not a sufficient quorum in the first voting process, there is no minimum quorum requirement in a second meeting for voting on the same resolution (unless the resolution to be passed requires a qualified majority, in which case Noteholders representing at least 25% of outstanding notes by principal amount must participate in the meeting to constitute a quorum). As the relevant majority for Noteholders' resolutions is generally based on votes cast, rather than on principal amount of notes outstanding, the aggregate principal amount of notes required to vote in favor of an amendment will vary based on the Noteholders' votes participating. As a result, any Noteholder is subject to the risk of being outvoted and losing rights towards the Issuer and/or the Guarantor against its will in the event that Noteholders holding a sufficient aggregate principal amount of the relevant Tranche of Notes participate in the vote and agree to amend the terms and conditions of such Tranche of Notes or the terms of the relating Guarantee by majority vote in accordance with the Terms and Conditions and the SchVG.

In the event of certain events of default, each Tranche of Notes will only be redeemable if the holders of at least 10% of the aggregate principal amount of such Tranche of Notes then outstanding declare such Tranche of Notes due and payable. Such declaration of acceleration may be rescinded by majority resolution of the Noteholders of such Tranche of Notes.

The terms and conditions of each Tranche of Notes provide that, in the event of certain events of default, any notice declaring such Tranche of Notes due and payable shall become effective only when the Principal Paying Agent has received such default notices from Noteholders representing at least 10% of the aggregate principal amount of Notes then outstanding. In addition, under the SchVG, even if a default notice is given by a sufficient number of holders of the relevant Tranche of Notes, such acceleration could be rescinded by majority resolution of such Noteholders within three months. A simple majority of votes would be sufficient for a resolution on the rescission of such acceleration but, in any event, more Noteholders would have to consent to such rescission than those who have delivered the relevant default notice.

Noteholders should be aware that, as a result, they may not be able to accelerate their Notes upon the occurrence of certain events of default, unless the required quorum of Noteholders

delivers a default notice and such acceleration is not rescinded by majority resolution of such Noteholders.

Since no Noteholders' Representative will be appointed as from the issue date of the Notes, it will be more difficult for Noteholders to take collective action with respect to the Notes.

No initial Noteholders' Representative will be appointed under the Terms and Conditions. Any appointment of a Noteholders' Representative following the issuance of the Notes will, therefore, require a majority resolution of Noteholders. If the appointment of a Noteholders' Representative is delayed or does not occur, this will make it more difficult for Noteholders to take collective action to enforce their rights under the Notes and the Guarantees, respectively.

It is possible that a Noteholder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions if such right is passed to a Noteholders' Representative.

If a Noteholders' Representative is appointed, it is possible that a Noteholder may be deprived of its individual right to pursue and enforce its rights against the Issuer under the Terms and Conditions, because the Noteholders' Representative will then have the exclusive responsibility to claim and enforce the rights of all holders of the relevant Tranche of Notes.

The market value of the Notes could decrease if the creditworthiness of the Issuer or the Guarantor worsens or is perceived to worsen.

If, for example, because of the materialization of any of the risks regarding the ZF Group, the Issuer or the Guarantor is less likely to be in a position to fully perform all of their obligations under the Notes or the Guarantees, respectively, when they come due, the market value of the Notes may suffer. Even if the Issuer or the Guarantor is not actually less likely to be in a position to fully perform all such obligations when they come due, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business areas as the ZF Group could adversely change. Also, changes in accounting standards may lead to adjustments in the relevant accounting positions of the ZF Group which could have a material adverse effect on the presentation of the ZF Group's financial condition and could impact the market value of the Notes.

If any of these risks occurs, the market value of the Notes could decrease, potentially by a significant amount.

Credit ratings may not reflect all risks and are subject to change.

Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and Moody's Deutschland GmbH ("**Moody's**") have assigned a credit rating to the Guarantor and are expected to assign a credit rating to the Notes. The market value of the Notes is likely to be dependent upon the level of such credit ratings assigned. However, such credit ratings only reflect the assessment by the aforementioned rating agencies of the credit risks associated with the ZF Group or the Notes. They may not reflect the potential impact of all risks related to the structure, market and additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold the Notes and may be revised, suspended or withdrawn by the respective rating agency at any time. In the event of a change, suspension or withdrawal of a credit rating the price and the market value of the

Notes may be affected. As a result, an investor may incur financial losses as he may only be able to sell the Notes at a lower price.

The Notes bear specific risks typical for fixed rate notes.

The Notes are fixed rate notes. Therefore, each Noteholder is exposed to the risk that the price of the Notes may fall as a result of changes in market interest rates. While the nominal interest rate of the Notes is fixed during the term of the Notes, as specified in the Terms and Conditions, market interest rates typically change on a daily basis. As the market interest rates change, the price of fixed rate notes also changes, but in the opposite direction. If the market interest rate increases, the price of fixed rate notes typically decreases, until the yield of such notes is approximately equal to the market interest rate of comparable issues. If the market interest rate decreases, the price of fixed rate notes typically increases, until the yield of such notes is approximately equal to the market interest rate of comparable issuances. Noteholders should be aware that movements of market interest rate can adversely affect the market price of the Notes and can lead to losses for Noteholders if they sell their Notes.

The trading market for the Notes may be volatile and may be adversely impacted by many events.

The market for the Notes issued by the Issuer is influenced by a number of interrelated factors, including economic, financial and political conditions and events in Germany, the United States and other jurisdictions in which the ZF Group is active as well as economic conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialized countries. There can be no assurance that events in Germany, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the market price of the Notes or that economic and market conditions will not have any other material adverse effect. The liquidity of, and the trading market for, the Notes may also be adversely affected by a decline in the market for similar debt securities generally. Such a decline may affect the liquidity and trading of the Notes independently of our financial performance and prospects. Accordingly, the price at which an investor in the Notes will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price of the Notes or the purchase price paid by such investor.

No assurance can be given as to the impact of any possible judicial decision or change of laws or administrative practices after the date of this Prospectus.

The Terms and Conditions are based on the laws of Germany in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Germany or administrative practice or the official application or interpretation of German law after the date of this Prospectus. Any such decision, change, application or interpretation could have a material adverse impact on the market value of the Notes.

The Notes are subject to exchange rate risks.

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An

appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes are subject to inflation risks.

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on a Note. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

The Notes are subject to transaction costs and charges.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions generally charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the value of the order. To the extent that additional parties are involved in the execution of an order, including domestic dealers or brokers in foreign markets, Noteholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third-party costs). In addition to such costs directly related to the purchase of securities (direct costs), potential investors must also take into account any follow-up costs (such as custody fees). Potential investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

Noteholders are subject to tax risks.

Potential purchasers of the Notes should be aware that stamp duty and other taxes and/or charges may be levied in accordance with the laws and practices in the countries where the Notes are transferred and other relevant jurisdictions. The summaries set out under the heading "*Taxation*" discuss only specific tax considerations and do not purport to be a comprehensive description of all tax considerations in any particular jurisdiction which may be relevant for potential purchaser of the Notes. Potential purchasers of the Notes should be aware that (i) the tax treatment of payments in respect of the Notes may be different (and in some cases significantly different) from that set out in those summaries, and (ii) tax regulations and their application by the relevant taxation authorities may change from time to time (see "*— There may be withholding from payments under the Notes under the EU Savings Directive.*"). Accordingly, it is not possible to predict the precise tax treatment of the Notes which will apply at any given time. As a result, potential purchasers of the Notes who are in any doubt as to their tax position should consult their own independent tax advisers.

There may be withholding from payments under the Notes under the EU Savings Directive.

Under the EU Savings Directive (EU Council Directive 2003/48/EC dated June 3, 2003 the "**EU Savings Directive**") on the taxation of savings income in the form of interest payments, each EU member state must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of such EU member state

details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity named Residual Entities (within the meaning of Article 4 (2) of the EU Savings Directive) established in another EU member state. The competent authority of the EU member state of the paying agent is then required to communicate this information to the competent authority of the EU member state of which the beneficial owner of the interest is a resident.

For a transitional period, Austria instead applies a withholding system in relation to such payments, deducting tax at a rate of meanwhile 35%; however, Austria has undertaken to implement an automatic exchange of information as of September 2017. Luxembourg has recently ceased to apply the withholding tax system and participates since January 1, 2015 in the automatic exchange of information system.

The European Council formally adopted a Council Directive amending the EU Savings Directive on March 24, 2014 (the "**Amending Directive**"). EU member states are given a timeframe until January 1, 2016 to adopt their national legislation necessary to comply with the Amending Directive with such national legislation being applicable as from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. They will also broaden the definition of "interest payment" to cover income that is equivalent to interest. The Directive will also expand the circumstances in which payments that will be indirectly made to the benefit of an individual resident in an EU member state must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

On 18 March 2015, the European Commission proposed to repeal the EU Savings Directive as restated by the Amending Directive. According to the European Commission, the repeal is appropriate because the automatic exchange of information between the EU member states is sufficiently provided for by the EU Council directive 2014/107/EU dated 9 December 2014 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation (the "**Cooperation Directive**"). As a consequence of the proposed repeal, the EU member states would no longer be obliged to implement the Amending Directive but would still be required to implement an automatic exchange of information as provided for by Cooperation Directive.

A number of non-EU countries and certain dependent or associated territories of certain EU member states have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain Residual Entities established in an EU member state. In addition, the EU member states have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in an EU member state to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On May 14, 2013, the EU Council gave a mandate to the EU Commission to negotiate equivalent measures to those contained in the proposal of an updated EU Savings Directive with Switzerland, Liechtenstein, Monaco, Andorra and San Marino. The aim is to ensure that the five countries continue to apply measures that are equivalent to the EU Savings Directive, which is being updated.

If a payment were to be made or collected through an EU member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Guarantor nor the Principal Paying Agent (as defined in the Terms and Conditions) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a paying agent in an EU member state that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Payments on the Notes may be subject to U.S. withholding under FATCA.

Whilst the Notes are in global form and held within Clearstream Frankfurt it is not expected that the reporting regime and potential withholding tax imposed by Sections 1471 through 1474 (including any agreements under Section 1471(b)) of the U.S. Internal Revenue Code of 1986 (the "**Code**"), certain intergovernmental agreements relating thereto (each, an "**IGA**"), or laws implementing any of the foregoing (collectively, the U.S. Foreign Account Tax Compliance Act, "**FATCA**") will affect the amount of any payment received by Clearstream Frankfurt. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary is not entitled (or has failed to establish its eligibility) to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the amounts to Clearstream Frankfurt or to its order and the Issuer has therefore no responsibility for any amount thereafter transmitted through Clearstream Frankfurt and subsequent custodians or intermediaries.

USE OF PROCEEDS

In connection with the offering of the Notes, the Issuer will receive aggregate net proceeds of approximately EUR 2,216,881,500. The Issuer intends to use these net proceeds to pay a portion of the Merger consideration.

For more detail on the funding and sourcing of the Merger, see “*Unaudited Pro Forma Consolidated Financial Information of ZF Group As of and for the Fiscal Year Ended December 31, 2014—Basis of Preparation—Acquisition of TRW Group—Financing the Merger*”.

INFORMATION ABOUT THE ISSUER

General Information

Incorporation, Registered Office, Duration, Name

The Issuer's legal and commercial name is ZF North America Capital, Inc.

The Issuer was incorporated on February 11, 2015 (certificate of incorporation dated February 12, 2015), under the laws of the State of Delaware, United States, for an indefinite period of time under the name "ZF North America Investments, Inc.". It adopted its present name on February 13, 2015 and is registered with the Secretary of State of the State of Delaware, United States. The file number under which the Issuer's incorporation information can be found is 5692102.

The Issuer's registered office is located at 1209 Orange Street, Wilmington 19801, United States. Its main place of business is at 15811 Centennial Drive, Northville, Michigan 48168, United States (telephone number is: +1 (734) 416 6200).

The legal form of the Issuer is a corporation, and it operates under the general corporation law of the State of Delaware.

There have been no relevant recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

Corporate Purpose

Pursuant to Article 3 of the Issuer's by-laws dated February 20, 2015, it is the Issuer's purpose to engage in any lawful act or activity for which corporations are formed under the General Corporation Law of the State of Delaware.

Fiscal Year

The Issuer's fiscal year corresponds to the calendar year.

Auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**EY**"), Mittlerer Pfad 15, 70499 Stuttgart, Germany, has audited the opening statement of financial position as of February 11, 2015 and issued an independent auditor's report (*Prüfungsvermerk des Wirtschaftsprüfers*). EY is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, Germany.

Share Capital

The issued capital of the Issuer amounts to USD 10,000.00, divided into 1,000 shares of common stock with no par value which are all fully issued and paid-up. The Issuer does not have authorized but unissued capital.

Major Shareholder

ZF North America, Inc. is the sole shareholder of the Issuer.

Organizational structure

The Issuer is a wholly owned subsidiary of ZF North America, Inc., which is a wholly owned subsidiary of ZF, and belongs to the ZF Group. For more information on the organizational

structure of ZF Group, see "*Information about the Guarantor and the ZF Group—General Information—Organizational structure*".

The Issuer does not have any subsidiaries of its own and is dependent upon administrative and management services provided by the Guarantor and certain subsidiaries of the Guarantor.

Rating

No ratings have been assigned to the Issuer.

Business Overview

Principal Activities

The main purpose of the Issuer is the financing of ZF's subsidiaries. Beside these operations, the Issuer has no further material activities.

Material Contracts

The Issuer has not entered into any material contracts in the ordinary course of its business that are material to its ability to meet its obligations to the Noteholders.

Legal and Arbitration Proceedings

There are currently no, and the Issuer has not been involved in any, governmental, legal or arbitration proceedings during the last twelve months against or affecting the Issuer, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the financial position or profitability or results of operations of the Issuer.

Management of the Issuer

Board of Directors

The Issuer's board of directors ("**Board of Directors**") consists of the following directors:

- Julio Caspari; and
- Holger Rosenbaum.

Julio Caspari is also President of ZFNA and board member of the OESA (Original Equipment Supplier Association). Holger Rosenbaum is also Director of Finance of ZFNA. In addition, Julio Caspari and Holger Rosenbaum hold further positions in the ZF Group.

In accordance with the by-laws of the Issuer, the Board of Directors has delegated certain responsibilities of the Board of Directors to officers. The officers of the Issuer are:

- Julio Caspari (President);
- Holger Rosenbaum (Director of Finance);
- Richard VanderHagen (Tax Officer);
- Jennifer Hubbard (Treasurer); and
- Thomas Schank (Secretary).

The directors are obliged to comply with the instructions issued by the Issuer's shareholder.

The current members of the Board of Directors can be contacted at the address of the registered office of the Issuer. The Issuer has no supervisory board or committees.

Conflicts of Interest

None of the members of the Issuer's Board of Directors has declared that there are actual or potential conflicts of interest between any of their duties to the Issuer and their private interests and/or other duties.

Board Practices

The Issuer is a privately held company and is therefore not subject to public corporate governance standards. It does not have an audit committee.

Financial Information for the Issuer

The Issuer has not issued any financial statements since its incorporation. However, the Issuer has prepared an opening statement of financial position as of February 11, 2015. The opening statement of financial position has been prepared in accordance with the IFRS as accounting framework as described in the basis of preparation in the annex to the opening statement of financial position.

Opening Statement of Financial Position

(in USD)	As of February 11, 2015 (audited)
Cash.....	0
Total assets	0
Subscribed Capital.....	0
Total liabilities and equity	0

Significant Changes in Financial or Trading Position

Other than the initial capital contribution in the amount of USD 10,000.00 there has been no significant change in the financial or trading position of the Issuer since the date of its incorporation.

Recent Developments

Since February 11, 2015, there are no recent events particular to the Issuer which are material to evaluate the solvency of the Issuer, other than the initial capital contribution in the amount of USD 10,000.00.

Trend Information

There has not been a material adverse change in the prospects of the Issuer since the date of its incorporation.

INFORMATION ABOUT THE GUARANTOR AND THE ZF GROUP

General Information

Incorporation, Registered Office, Duration, Name

The Guarantor was incorporated on May 27, 1921 under the laws of Germany as a stock corporation (*Aktiengesellschaft*). It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Ulm under registration number HRB 630206 and has its registered office at Graf-von-Soden-Platz 1, 88046 Friedrichshafen, Germany (telephone number is: +49 7541 77-0). The duration of the Guarantor is indefinite.

The Guarantor's legal and commercial name is "ZF Friedrichshafen AG".

History and Development

ZF's history stretches back to its foundation as a gearwheel factory named Zahnradfabrik GmbH in 1915 with the objective to produce gears and transmissions for aircraft, motor vehicles, and motorboats. In 1921, the company's legal form was changed to a German stock corporation (*Aktiengesellschaft*) named Zahnradfabrik Aktiengesellschaft. In 2011, the major German ZF subsidiaries were merged into ZF. As of today, ZF is ZF Group's main operating entity and acts as the management and holding company for production companies in 26 countries.

From the very beginning, ZF's aim was to create innovative products designed for optimum mobility. ZF has continuously developed from its early days, producing gearwheels and transmissions for the Zeppelin airships, to become the present-day international group supplying driveline and chassis technology to the automotive industry. Some of the key milestones of the Group's development in recent years were:

- the takeover of Mannesmann Sachs AG with its powertrain, chassis, rubber-metal and aftermarket trading business units in 2001;
- the acquisition of the Cherry Corporation in 2008 in order to reinforce our competence profile in the fields of mechatronics and electronics;
- the acquisition of Hansen Transmissions International N.V. in 2011 in order to further diversify our product portfolio in the area of wind turbine gearboxes;
- the entering into a definitive agreement with TRW Holding in 2014 under which we will acquire 100% of TRW Holding's outstanding shares of common stock through the Merger (see "*Information about the Guarantor and the ZF Group—Material Contracts—Merger Agreement with TRW Holding*"); and
- the recent disposal of our entire 50-percent stake in ZF Lenksysteme (see "*Information about the Guarantor and the ZF Group—Material Contracts—Share Purchase and Transfer Agreement regarding the divestment of ZF's stake in ZF Lenksysteme*").

Corporate Purpose

Pursuant to Article 2 of ZF's articles of association (the "**Articles of Association**"), the corporate purpose of the Guarantor is the development, manufacture, and sale of technical products and systems for automotive, mechanical, and apparatus engineering, especially for Chassis and Driveline Technology, the sale of engineering services, and all associated activities. To achieve this objective, the company may own holdings in other companies, set

up branch offices, and enter into joint-venture agreements or similar agreements that seem relevant to the company purpose.

Fiscal Year

The Guarantor's fiscal year corresponds to the calendar year.

Auditor

The independent auditor of the Guarantor is EY, a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, Germany.

EY audited the consolidated financial statements of the Guarantor as of and for the fiscal years ended December 31, 2013 and 2014, each prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315a(1) of the German Commercial Code (*Handelsgesetzbuch*), and in each case issued an unqualified audit opinion (*Bestätigungsvermerk*). EY conducted its audits of the German language versions of these consolidated financial statements in accordance with section 317 German Commercial Code (*Handelsgesetzbuch*) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V., IDW*).

Share Capital

As of December 31, 2014, the Guarantor had a registered share capital of EUR 500,000,000.00, divided into 500,000,000 no-par value registered shares, each of which represents one vote in the general shareholders' meeting of the Guarantor. All shares have been fully paid up.

Organizational Structure

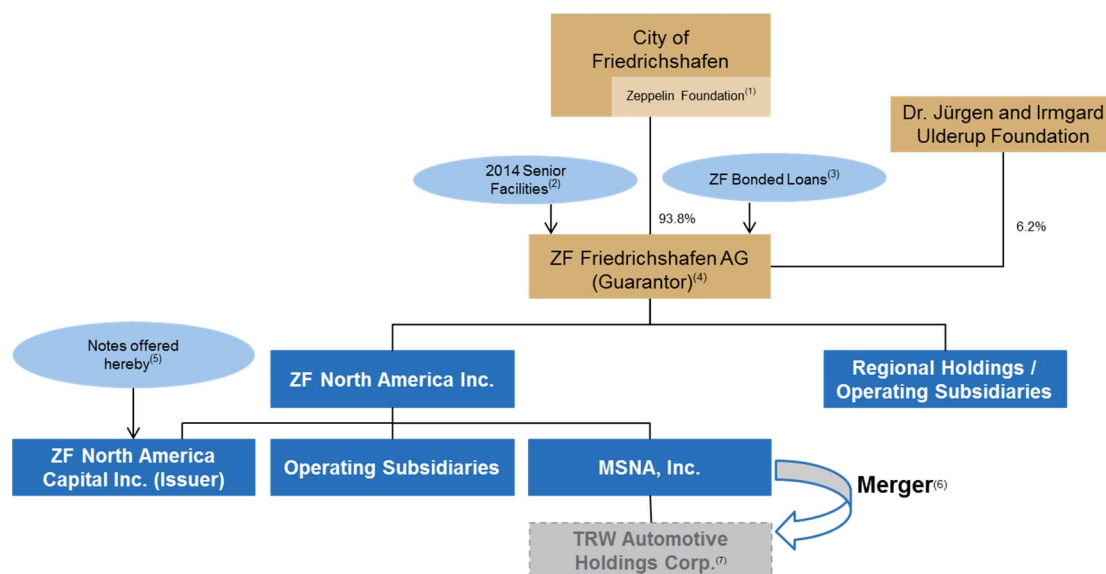
After the merger of most of our German entities into ZF in 2011, ZF acts as the main operating and holding company for the ZF Group and performs group-wide functions as a management company. These include, for example, financing, group controlling and accounting, as well as legal affairs, internal auditing, corporate communication, and human resources management.

Our Group is set up as 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 central departments of our Group are headed by members of the Board of Management. ZF Group's four business divisions, Car Powertrain Technology, Car Chassis Technology, Commercial Vehicle Technology, and Industrial Technology, and the Group's two independent business units, Electronic Systems and ZF Services are assigned directly to members of the Board of Management. The same applies to the responsibilities with regard to the North America, South America, and Asia-Pacific regions. All foreign companies are operationally assigned to their respective division.

The Group's organizational structure is set forth in the following chart which shows the departmental and divisional responsibilities of the individual members of the Board of Management:

	Car Powertrain Technology	Car Chassis Technology	Commercial Vehicle Technology	Industrial Technology
CEO Corporate Market Corporate R&D	Automatic Transmissions	Chassis Systems	Truck & Van Driveline Technology	Off-Highway Systems
Corporate Finance, IT, M&A	Manual Transmissions / Dual Clutch Transmissions	Chassis Components	Axle & Transmission Systems for Buses & Coaches	Test Systems
Corporate Human Resources Corporate Governance	Axle Drives	Suspension Technology	CV Chassis Modules	Special Driveline Technology
Corporate Production	Powertrain Modules		CV Damper Technology	Marine Propulsion Systems
Corporate Materials Management	Electric Drive Technology		CV Powertrain Modules	Aviation Technology
Corporate Quality	Die Casting Technology			Wind Power Technology
Electronic Systems				
ZF Services				

The following simplified chart sets forth certain aspects of our corporate and financing structure before giving effect to the Merger:



- (1) Trust administration; foundation without legal capacity.
- (2) Original borrowers under the 2014 Senior Facilities are ZF, ZFNA and MSNA. The 2014 Senior Facilities are guaranteed by various subsidiaries of ZF. In addition to the 2014 Senior Facilities, we and certain of our subsidiaries have entered into bilateral loan agreements with certain banks or other financial institutions. For details on our financing arrangements see "Our Business—Material Contracts—Financing Agreements".
- (3) For details on our ZF Bonded Loans (*Schuldscheindarlehen*) see "Our Business—Material Contracts—Financing Agreements ZF Bonded Loans (*Schuldscheindarlehen*)".
- (4) The Guarantor will provide an unconditional and irrevocable senior guarantee for the benefit of the Notes.
- (5) The Issuer intends to use the net proceeds from this offering to pay a portion of the Merger consideration. The Issuer, which is a finance vehicle that has no revenue-generating operations of its own, will therefore need to rely on other sources of cash flow, such as existing receivables under intercompany loans or capital contributions from ZF Group companies, to make interest and principal payments on the Notes. For more detail on the use of proceeds, see "Use of Proceeds". For more detail on the funding and sourcing of the Merger, see "Unaudited Pro Forma Consolidated Financial Information of ZF Group As of and for the Fiscal Year Ended December 31, 2014—Basis of Preparation—Acquisition of TRW Group—Financing the Merger".
- (6) For details on the Merger see "Risk Factors—Risks relating to the Merger" and "Rationale for the Merger".
- (7) For details on TRW Group see "Description of TRW Group". For further information on TRW Group's material indebtedness see "Description of TRW Group—Material Indebtedness".

Certain Financial Information

The following tables set out certain financial information relating to the ZF Group. The information has been extracted or derived from the Guarantor's audited consolidated financial statements as of and for the fiscal year ended December 31, 2012, 2013 and 2014, all of them prepared in accordance with IFRS as well as from the Guarantor's internal accounting records or management reporting system.

Certain Consolidated Statement of Profit or Loss Information

	For the fiscal year ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
			(adjusted)⁽¹⁾
	(in EUR million)		
	(audited)		
Sales	18,415	16,837	15,526
Gross profit on sales	3,096	2,925	2,645
Operating profit or loss	897	756	597
Net financial result	(24)	(73)	(67)
Net profit or loss before income tax	873	683	530
Net profit or loss after tax	672	462	330
thereof shareholders of ZF Friedrichshafen AG	648	437	305
non-controlling interests	24	25	25

(1) 2012 figures adjusted. For detail see "Presentation of Financial and other Information".

Certain Consolidated Statement of Financial Position Information

	<u>2014</u>	<u>As of December 31,</u>		<u>2012</u>
		<u>2013</u>	<u>2013</u>	<u>2012</u>
		(adjusted)⁽¹⁾		(adjusted)⁽²⁾
	(in EUR million)			
	(audited)			
Current assets.....	6,662	5,528	5,528	4,746
Cash	1,114	1,143	1,143	888
Trade receivables	2,403	2,132	2,132	1,963
Inventories.....	1,870	1,735	1,735	1,596
Non-current assets.....	6,726	6,442	6,442	6,277
Financial assets.....	1,148	1,178	1,199	1,132
Property, plant and equipment.....	4,006	3,670	3,670	3,670
Total assets.....	13,388	11,970	11,970	11,023
Current liabilities.....	4,196	3,547	3,547	2,937
Trade payables.....	2,440	1,975	1,975	1,513
Non-current liabilities.....	4,673	4,258	4,258	4,136
Financial liabilities.....	279	971	971	908
Provisions for pensions.....	3,803	2,729	2,729	2,612
Equity	4,519	4,165	4,165	3,950
Retained earnings ⁽³⁾	3,474	3,153	3,153	2,949
Total liabilities and equity.....	13,388	11,970	11,970	11,023

(1) 2013 figures adjusted. For detail see "Presentation of Financial and other Information".

(2) 2012 figures adjusted. For detail see "Presentation of Financial and other Information".

(3) Disposal groups and assets held for sale account for EUR 37 million as of December 31, 2014 and EUR 2 million as of December 31, 2013.

Certain Consolidated Statement of Cash Flows Information

	For the fiscal year ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
			(adjusted)⁽¹⁾
	(in EUR million)		
	(audited)		
Cash flow from operating activities	1,698	1,440	1,416
Cash flow from investing activities	(1,002)	(1,152)	(1,164)
Dividends paid to ZF Friedrichshafen AG shareholders.....	(30)	(30)	(30)
Cash flow from financing activities.....	(750)	(13)	(54)
Net change in cash	(54)	275	198
Cash position at the end of the fiscal year.....	1,114	1,143	888

(1) 2012 figures adjusted. For detail see "Presentation of Financial and other Information".

Certain Geographic and Operational Information

	For the fiscal year ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
			(adjusted)⁽¹⁾
	(in EUR million)		
	(audited, unless otherwise indicated)		
Sales.....	18,415	16,837	15,526
<i>By geographic market:</i>			
Western Europe (including domestic) ⁽²⁾	9,389	8,907	8,275
thereof: Domestic	5,792	5,607	5,275
Eastern Europe.....	927	920	806
North America.....	3,745	3,095	2,935
South America.....	556	704	692
Asia-Pacific.....	3,621	2,998	2,604
Africa.....	177	213	214
<i>By division and business unit:⁽²⁾</i>			
Car Powertrain Technology ⁽³⁾	6,742	5,704	4,902
Car Chassis Technology	5,885	5,509	4,969
Commercial Vehicle Technology	3,036	3,249	3,043
Industrial Technology ⁽⁴⁾	2,052	1,903	2,648
Electronic Systems	640	582	—
ZF Services	1,630	1,456	1,375
Corporate R&D, Corporate Headquarters, and Service Companies.....	152	136	118
– Internal Sales.....	(1,722)	(1,702)	(1,529)

(1) 2012 figures adjusted. For detail see "Presentation of Financial and other Information".

(2) Unaudited.

(3) 2012 figures excluding the sales of the former independent business unit Die Casting Technology which was integrated into the Car Powertrain Technology division at the beginning of 2013. In 2012, Die Casting Technology was an independent business unit and generated EUR 261 million of our sales which were reported separately.

(4) 2012 figures including the business unit Electronic Systems which was until 2012 part of the Industrial Technology division. At the beginning of 2013 Electronic Systems was segregated as independent business and has been reported separately for the first-time in 2013.

Certain Other Consolidated Financial Information

	<u>As of and for the fiscal year ended</u> <u>December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012⁽¹⁾</u>
	(in EUR million, unless otherwise indicated)		
	(unaudited)		
EBITDA^{(2),(3)}	2,044	1,703	1,531
EBITDA margin (in %)^{(2),(4)}	11.1	10.1	9.9
Free cash flow^{(2),(5)}	696	288	252
in % of sales	3.8	1.7	1.6
Capital expenditure^{(2),(6)}	1,005	954	1,025
in % of sales	5.5	5.7	6.6
Net financial position^{(2),(7)}	1,400	1,022	786

(1) 2012 figures adjusted. For detail see "Presentation of Financial and other Information".

(2) Non-IFRS financial measures. For detail see "Presentation of Financial and other Information".

(3) EBITDA means earnings before interest, taxes, depreciation and amortization. We define EBITDA as follows:

	<u>For the fiscal year ended</u> <u>December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in EUR million)		
	(audited, unless otherwise indicated)		
Operating profit or loss	897	756	597
+ Result from associates	49	43	41
+ Net result from participations	152	8	5
EBIT^(a)	1,098	807	643
+/- Impairment of goodwill	—	—	15
+/- Depreciation / Reversal of impairments for intangible assets and property, plant, and equipment	946	894	867
+/- Write-down of participations	0	2	6
EBITDA^(a)	2,044	1,703	1,531

(a) Unaudited.

(4) EBITDA margin means EBITDA as a percentage of sales.

(5) We define Free cash flow as cash flow from operating activities and cash flow from investing activities.

(6) We define Capital expenditure as expenditures for investments in property plant and equipment as shown in our consolidated statements of cash flows.

(7) We define Net financial position as follows:

	<u>As of December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in EUR million)		
	(audited, unless otherwise indicated)		
Cash	1,114	1,143	888
+ Securities (current financial assets)	0	2	3
+ Earmarked bank deposits (financial receivables)	5	1	22
- Liabilities to banks	691	1,123	1,038
- Liabilities from finance lease	17	12 ^{(a),(b)}	14
- Miscellaneous other current financial liabilities ^(a)	6	2	10
+ Securities (non-current financial assets)	959	948	814
+ Non-current earmarked bank deposits and time deposits investments (financial receivables)	34	65	118
+ Miscellaneous other non-current financial receivables ^(a)	1	0	3
Net financial position^(a)	1,400	1,022	786

(a) Unaudited.

(b) Including liabilities from finance lease of disposal groups.

Financial Information relating to ZF Group's assets and liabilities, financial position and profits and losses

The English language translation of the German language audited consolidated financial statements of the Guarantor as of and for the fiscal years ended December 31, 2013 and 2014, as contained in the respective annual report of the Guarantor, are incorporated by reference into this Prospectus (see "*Incorporation by Reference—ZF Group—ZF Friedrichshafen AG*").

Trend Information

There has been no material adverse change in the prospects of the Guarantor since the date of its last published consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Significant Changes in Financial or Trading Position

Except for the Merger, the issuance of the ZF Bonded Loans and the divestment of ZF Lenksysteme described below, there has been no significant change in the financial or trading position of the Guarantor since the date of its last published financial statements for and as of the fiscal year ended December 31, 2014.

Management's Discussion and Analysis of Our Financial Condition and Results of Operations of the ZF Group

The following discussion and analysis of our financial condition and results of operation are based on our audited consolidated financial statements as of and for the fiscal years ended December 31, 2014 and 2013, which are incorporated by reference into this Prospectus and should be consulted when reading the information presented below, as well as on our internal accounting records or management reporting systems. We have not prepared segment reporting information and in accordance with IFRS we are not required to do so. In our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013, the method for accounting of the joint venture ZF Lenksysteme changed with the first-time adoption of IFRS 11 "Joint Arrangements". ZF Lenksysteme and its subsidiaries had been previously included by way of proportionate consolidation, but have been included in accordance with the equity method since January 1, 2013. In addition, based on the change in IAS 19 "Employee Benefits", the expected returns on plan assets were offset with the interest costs on defined benefit obligations in our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. As a result, the respective prior-year comparative financial information as of and for the fiscal year ended December 31, 2012 was adjusted retrospectively. Unless otherwise indicated, the financial information as of and for the fiscal year ended December 31, 2012 is extracted or derived from the adjusted prior-year comparative financial information as of and for the fiscal year ended December 31, 2012 of our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013. In our audited consolidated financial statements as of and for the fiscal year ended December 31, 2014, we adjusted the cash flow from operating activities by the net financial result. In our audited consolidated financial statements as of and for the year ended December 31, 2013, only the net interest result and net result from participations was eliminated in the cash flow from operating activities. As a result the respective prior-year comparative financial information in the consolidated statement of cash flows for the fiscal year ended December 31, 2013 was adjusted retrospectively. To facilitate comparability we have included the relevant adjusted prior-year comparative financial information for the fiscal year ended December 31, 2013 as contained in our audited consolidated financial statements as of and for the year ended December 31, 2014 in addition to the comparative financial information for the fiscal year ended December 31, 2013 as contained in our audited consolidated financial statements as of and for the year ended December 31, 2013. Our consolidated financial statements as of and for the fiscal years ended December 31, 2013 and 2014, each prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315a(1) of the German Commercial Code (Handelsgesetzbuch), were audited by EY, who issued an unqualified audit opinion in each case. Some of the statements below relate to future sales, costs, capital expenditures, acquisitions and financial condition and include forward-looking statements. Because such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. A discussion of such uncertainties can be found in "Notice to Investors". In addition, investing in the Notes involves risks. Such risks are discussed in "Risk Factors".

Overview

Founded in 1915 to produce gears and transmissions for aircraft, motor vehicles, and motorboats, we are today a global leader in the design, manufacturing and sale of driveline and chassis technology for the automotive industry and certain industrial sectors. We have production companies in 26 countries and are headquartered in Friedrichshafen, Germany. As of December 31, 2014 we employed 71,402 people worldwide and maintain seven major development locations in Europe, North America, and Asia.

We are primarily active in the automotive industry, in particular as a supplier to passenger car and commercial vehicle manufacturers. However, our activities also include other market segments such as electronic systems, wind power, marine propulsion, aviation technology, rail drives, special drives and test systems, transmission systems, units and components, as well as chassis systems and components.

Our strong presence in the world's largest automotive markets is complemented by a significant footprint in key emerging markets as we are continually expanding our global market presence. In recent years, particularly our operations outside of Western Europe have become increasingly important with not only the established markets in North and South America, but also the new markets in the Asia-Pacific region, Eastern Europe and India playing a major role.

In addition to our primary product offering, we offer a wide range of services that are mainly marketed by our ZF Services organization. Our international service network of 36 wholly-owned service companies and more than 570 service partners offers our customers an extensive range of services globally. These services primarily involve the spare-parts business for driveline and chassis technology as well as maintenance and repair services.

Our operating activities are organized into four divisions:

- *Car Powertrain Technology;*
- *Car Chassis Technology;*
- *Commercial Vehicle Technology; and*
- *Industrial Technology.*

In addition, we have two independent business units:

- *Electronic Systems; and*
- *ZF Services.*

In 2014, we had reported sales of EUR 18,415 million (2013: EUR 16,837 million; 2012: EUR 15,526 million) and an operating profit of EUR 897 million (2013: EUR 756 million; 2012: EUR 597 million).

Material Factors affecting Financial Condition and Results of Operations

Our financial condition, results of operations, and liquidity have been influenced in the fiscal years ended December 31, 2012, 2013 and 2014 by the following events, facts, developments and market characteristics. We believe that these factors will continue to influence our operations in the future.

Development of the industries and markets in which we are active

Our business is characterized by high fixed costs and therefore we risk underutilization of our facilities or having insufficient capacity to meet customer demand if the markets in which we are active either decline or grow faster than we have anticipated. An underutilization of our facilities could result in idle capacity costs, write-offs of inventories and losses on products due to falling average sale prices. Furthermore, falling production volumes cause declines in sales and income.

In 2014, on an unconsolidated basis, 70% of our sales were in the sector of cars and light commercial vehicles below six tons, 18% in the sector of commercial vehicles over six tons,

and 12% in the sector of construction and agricultural machinery, marine craft, aircraft, special and rail vehicles, as well as wind power. Sales to our customers in the automotive industry of our Car Powertrain Technology, Car Chassis Technology and Commercial Vehicle Technology divisions (which generated in aggregate 78% of our sales in 2014 on an unconsolidated basis) are cyclical and depend, among other things, on general economic conditions affecting the automotive industry as well as on consumer spending and preferences, which can be affected by a number of factors, including employment, consumer confidence and income, energy costs, interest rate levels, inflation and the availability of consumer financing. Given the variety of economic factors influencing global automotive demand, the volume of automotive production has historically been, and will continue to be, characterized by volatility, making it difficult for us to accurately predict demand levels for our products aimed at the automotive sector. In addition, OEMs generally do not commit to purchasing minimum quantities from their suppliers. Further information on the global automotive industry can be found in *“Market Environment and Competition”*.

Sales to customers of our Industrial Technology division (which generated 10% of our sales in 2014 on an unconsolidated basis), depend to a large extent on the development of industrial production. Due to the high diversification within this division, various factors, such as government fiscal policies, infrastructure programs, prices for agricultural commodities and consumer behavior in general in certain countries or industry sectors, influence demand for our products. For example, the phasing-out of governmental incentives to support wind-power led to a decline in sales in wind-power related products of our Industrial Technology division. The variety of factors makes it difficult for us to estimate requirements for production capacity and to reliably predict future working capital requirements. Further information on the relevant industrial production can be found in *“Market Environment and Competition”*.

We have significant international operations. Sales to our customers from countries other than Germany accounted for 69% of our sales in 2014. In addition, we depend to a high degree on the development of emerging markets, including in South America, Eastern Europe, Africa and the Asia-Pacific. In 2014, we generated 26% of our sales in such markets, with China being the most important single market with a share of 14% of our sales in 2014. Because we believe that emerging markets will continue to grow at a rate faster than developed markets, we are further expanding our capacities in such markets and are thereby increasing our exposure in these emerging markets.

Competition in the industries in which we operate

Competition in the markets in which we operate significantly affects our results of operations. The markets in which we operate are competitive and have been characterized by changes in market penetration, increased price competition, and the development and introduction of new products, product designs and technologies by significant existing and new competitors. We compete primarily on the basis of technology, price, quality, timeliness of delivery and design as well as the ability to provide engineering support and service on a global basis. If we are not able to fulfill the requirements of our customers and to ensure the quality and timely delivery of our products in the future, then our customers could decide to procure products from our competitors.

The automotive industry, in particular, has been characterized by continuous technological change, high capital expenditures, intense pricing pressure from major OEM customers, periods of oversupply and continuous advancements in process technologies and manufacturing facilities. We compete with other international suppliers and, to a lesser extent, regional companies. Increasing pricing-pressure in a more competitive market environment, combined with increased requirements concerning product performance and enhanced functionalities may create a challenge to offset effects from a price and cost perspective. If we

became unable to offset price reductions through improved operating efficiencies and the realization of synergies, price reductions could negatively impact our profit margins.

Furthermore, establishing a strong, balanced global position and especially improving our position in the Asian market is a key component of our global growth strategy. While the automotive supply market in Asia is already highly competitive, as the size of the Asian market (in particular China) continues to increase, additional competitors may seek to enter the Asian market, and may act aggressively to establish their market share, increasing competition further. Competition can lead to price reductions, reduced margins and an inability to gain or maintain market share.

Merger with TRW Group

With the contemplated Merger, we expect to further improve our position as a strong and trusted partner for OEMs in the automotive industry by offering innovative new technologies that minimize emissions, increase safety, improve automotive performance and allow for advanced driving systems – and by this benefit from the commonly referred to "megatrends" of the automotive industry on a global basis. The new ZF Group, including TRW Group as a fifth business division will, based on our estimates, be the third-largest automotive supplier in the world in terms of sales, offering a comprehensive, regionally-balanced and complementary product portfolio in the areas of driveline and chassis technology, safety and electronic systems in both the volume and the premium segments. The acquisition of TRW Group will have a material impact on our financial conditions, results of operations and cash flows. For more information on the contemplated Merger, see *"Information about the Guarantor and the ZF Group—Outlook and Recent Events—Recent Events—Merger with TRW Group"* and *"Rational for the Merger"*.

Prices for production materials and energy

Our results of operations are significantly affected by fluctuations in the prices for production materials and energy, both of which are important cost drivers for the ZF Group.

Our material costs as a percentage of our sales were approximately 60% in recent years. Our material costs are subject to significant price fluctuations. These price fluctuations may give rise to material earnings risks. Due to the strong competition we face, it is often not possible for us to pass on increasing material costs to our customers or for us to maintain our prices when material costs decrease. There is also no assurance that we can hedge ourselves against these price risks.

Energy prices are another major factor for our cost structure because our production processes require large quantities of energy. Energy prices are frequently subject to sharp fluctuations and could in the future significantly rise compared to the current price level. When energy prices continue to rise, we are, in many cases, not able to hedge ourselves against energy market risks or to offset or pass on our increased energy costs to our customers.

Foreign currency exchange effects and hedging transactions

As we operate worldwide, our results of operations are affected by fluctuations in exchange rates. Currency exchange rate fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in foreign exchange rates could exacerbate or mitigate fluctuations in the prices of commodities and other raw materials, since we purchase a considerable portion of our commodity and raw material requirements in currencies other than the Euro, our functional currency. Although we hedge foreign currency exposures on a case-by-case basis using appropriate derivative financial instruments, particularly currency forwards, currency swaps and currency options with a term of up to 18 months, such transactions only mitigate, but do not eliminate, such

risks. The objective of our hedging policy is to help ensure that we will meet our business-plan goals. We evaluate our net-exposure to major currencies on a group level and hedge these exposures in part. With respect to the USD, we seek to hedge the majority of our exposure on a rolling basis with a maturity of 18 months. At the end of the fiscal year 2014, more than 95% of our total hedging volume related to USD hedging.

Furthermore, external and internal transactions involving the delivery of products and services with third parties and Group companies result in cash inflows and outflows which are denominated in currencies other than the functional currency of the respective member of the ZF Group. To the extent that cash outflows of the respective member of the ZF Group in a foreign currency are not offset by cash inflows resulting from operational business in such currency or otherwise hedged, the remaining net foreign currency exposure may have a significant impact on our results of operations.

Moreover, we are exposed to foreign exchange risks arising from external and internal loan agreements, which result from cash in- and outflows in currencies other than the functional currency of the respective member of the ZF Group. While we seek to hedge most of these foreign exchange risks by using appropriate derivative financial instruments, to the extent we do not, or are not able to, so hedge, foreign exchange fluctuations may have a significant impact on our results of operations and financial condition.

We generally do not hedge our net foreign investments against exchange rate fluctuations. In addition, a number of our consolidated companies report their results in currencies other than the EUR, which requires us to convert the relevant items into EUR when preparing our consolidated financial statements. We also generally do not hedge these translation risks. As a result, our results of operations and financial condition can be impacted significantly by changes in foreign currencies.

Trend towards stricter regulatory standards

The trend towards stricter regulatory standards for the automotive industry has an impact on our results of operations. The automotive industry to which we act as a supplier is subject to a large number of safety and environmental standards. In the past, these standards have become stricter by regulatory initiatives in a number of jurisdictions (including the EU and the United States). As a consequence, the demand for active and passive vehicle safety components has increased. Similarly, increasingly stringent consumption and emission standards (see "*Regulatory Framework*") aiming at a reduction of CO₂ emissions have increased the demand for environmentally-friendly technologies. We expect to benefit from the continuation of this trend, as we believe that environmentally-friendly technologies and active and passive vehicle safety components are some of our acknowledged strengths in the market.

Trend towards higher vehicle efficiency, safety, comfort and convenience

Our results of operations are influenced by the trends towards higher vehicle efficiency, safety, comfort and convenience which we refer to as the "megatrends" in the automotive industry. OEMs are integrating more safety oriented technologies into their vehicles such as air bags, anti-lock brakes, traction control, and adaptive driver visibility enhancing lighting and driver awareness capabilities. Digital and portable technologies have dramatically influenced the lifestyle of today's consumers who expect products that enable such a lifestyle. Consumer and regulatory requirements in Europe and the United States for improved automotive safety and environmental performance, as well as consumer demand for increased vehicle performance and functionality at lower cost, have largely driven the increase in electronic content. Electronics integration generally refers to replacing mechanical with electronic components and integrating mechanical and electrical functions within the vehicle. This allows OEMs to achieve a reduction in the weight of vehicles and the number of mechanical parts,

resulting in simplified assembly, enhanced fuel economy, improved emissions control, increased safety and better vehicle performance. For example, we experienced an increase in sales of transmissions for heavy trucks in the second half of 2013 due to preemptive purchases caused by the introduction of stricter CO₂ emissions regulations (the Euro 6 standard, which entered into force on January 1, 2015), requiring OEMs to find innovative solutions to make passenger and commercial vehicles more efficient and/or to reduce the emissions from such products.

Divestments of the AIBC Group in South Africa, the former business unit Rubber & Plastics and our stake in ZF Lenksysteme

The disposals of the AIBC Group in South Africa and the Rubber & Plastics business unit, whose assets and liabilities were reported separately as disposal groups in our consolidated statement of financial position as of December 31, 2013, were completed in February and September 2014, respectively. AIBC Group in South Africa and the Rubber & Plastics business unit accounted for an aggregate sales contribution of EUR 511 million in 2014 (2013: EUR 755 million).

On September 15, 2014, we entered into an agreement with Robert Bosch GmbH, Stuttgart (Germany) to sell ZF's 50% shareholding in ZF Lenksysteme GmbH, Schwäbisch Gmünd (Germany). The sale became legally effective on January 30, 2015. We had been accounting for the shareholding using the equity method since January 1, 2013 and it is presented in our consolidated financial statements for the fiscal year ended December 31, 2014 as an asset held for sale. We stopped accounting for the shareholding pursuant to the equity method when we signed the agreement for the sale in September 2014.

For more information on our recent divestments, see *"Information about the Guarantor and the ZF Group—Our Business—Material Contracts—Master Purchase Agreement regarding former business unit Rubber & Plastics"*, *"Information about the Guarantor and the ZF Group—Our Business—Material Contracts—Share Purchase and Transfer Agreement regarding the divestment of AIBC Group"* and *"Information about the Guarantor and the ZF Group—Our Business—Material Contracts—Share Purchase and Transfer Agreement regarding the divestment of ZF's stake in ZF Lenksysteme"*.

Results of Operations

Overview

The following table shows our operating results for the fiscal years ended December 31, 2012, 2013 and 2014:

	Fiscal year ended December 31,		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited unless otherwise indicated)		
Sales	15,526	16,837	18,415
Cost of sales	12,881	13,912	15,319
Gross profit on sales	2,645	2,925	3,096
Research and development costs	770	836	891
Selling expenses	659	667	700
General administrative expenses	623	675	734
Other income.....	123	130	279
Other expenses	119	121	153
Operating profit or loss	597	756	897
Result from associates (up to and including 2013: at-equity participations)	41	43	49
Net result from participations.....	5	8	152
EBIT	643⁽¹⁾	807⁽¹⁾	1,098⁽¹⁾
Interest income.....	36	36	35
Interest expense	168	154	172
Other financial income	88	86	132
Other financial expenses	69	92	220
Net financial result	(67)	(73)	(24)
Net profit or loss before income tax	530	683	873
Income taxes.....	200	221	201
Net profit or loss after tax	330	462	672
Thereof shareholders of ZF Friedrichshafen AG	305	437	648
thereof non-controlling interests	25	25	24

⁽¹⁾ Unaudited

Period-to-period analysis of the fiscal years ended December 31, 2012, 2013 and 2014

Sales

Sales constitutes primarily sales of goods and to a lesser extent sales from rendering services.

The following table shows the sales contributions by divisions and business units for the fiscal years ended December 31, 2012, 2013, and 2014.

	<u>Fiscal year ended</u> <u>December 31,</u>			<u>Increase/Decrease</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012/2013</u>	<u>2013/2014</u>
	(adjusted)				
	(in EUR million)			(in %)	
	(unaudited)			(unaudited)	
Car Powertrain Technology ⁽¹⁾	4,902	5,704	6,742	16	18
Car Chassis Technology	4,969	5,509	5,885	11	7
Commercial Vehicle Technology	3,043	3,249	3,036	7	-7
Industrial Technology ⁽²⁾	2,648	1,903	2,052	-28	8
Electronic Systems	—	582	640	—	10
ZF Services	1,375	1,456	1,630	6	12
Corporate R&D, Corporate Headquarters, and Service Companies	118	136	152	15	12
Internal Sales	(1,529)	(1,702)	(1,722)	11	1
Sales	15,526	16,837	18,415	8	9

(1) 2012 figures excluding the sales of the former independent business unit Die Casting Technology which was integrated into the Car Powertrain Technology division at the beginning of 2013. In 2012, Die Casting Technology was an independent business unit and generated EUR 261 million of our sales which were reported separately.

(2) 2012 figures including the business unit Electronic Systems which was until 2012 part of the Industrial Technology division. At the beginning of 2013 Electronic Systems was segregated as independent business and has been reported separately for the first-time in 2013.

Regional distribution

The regional distribution of our sales in the fiscal years ended December 31, 2012, 2013, and 2014 and the year-to-year changes in these fiscal years are shown below.

	<u>Fiscal year ended</u> <u>December 31,</u>			<u>Increase/Decrease</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012/2013</u>	<u>2013/2014</u>
	(adjusted)				
	(in EUR million)			(in %)	
	(audited)			(unaudited)	
Domestic	5,275	5,607	5,792	6.3	3.3
Western Europe	3,000	3,300	3,597	10.0	9.0
Eastern Europe	806	920	927	14.1	0.8
North America	2,935	3,095	3,745	5.5	21.0
South America	692	704	556	1.7	-21.0
Asia Pacific	2,604	2,998	3,621	15.1	20.8
Africa	214	213	177	-0.5	-16.9
Group Total	15,526	16,837	18,415	8.4	9.4

Sales rose by 8.4%, or EUR 1,311 million, from EUR 15,526 million in 2012 to EUR 16,837 million in 2013. The overall increase in sales was driven primarily by an increase in sales volume in our Car Powertrain Technology and Car Chassis Technology divisions. Growth was also attributable to a new production plant for automatic passenger car transmissions in Gray Court, South Carolina (United States) in July 2013 and the start of volume production of torque converters and electronic control units for these transmissions in Mexico. In addition, we experienced an increase in sales in the Commercial Vehicle Technology division due to preemptive purchases in the second half of 2013 caused by the introduction of the Euro 6 standard which came into force on January 1, 2015 and increased sales of axle systems.

These sales increases were partially offset by a decline in sales from the Industrial Technology division caused by a continued downturn in the wind-power business and a weak period in the construction machinery industry. Regionally, the Asia-Pacific region recorded the largest percentage growth in sales with an increase in sales of 15.1% in 2013 compared to 2012, attributable in part to strong growth momentum in China's automotive sector.

In 2014, sales increased by 9.4%, or EUR 1,578 million, from EUR 16,837 million in 2013 to EUR 18,415 million. The overall increase in sales was driven primarily by our Car Powertrain Technology division. The main drivers were high sales in the upper mid-size and luxury vehicle segments, especially in the Asian and U.S. markets. In addition, the ramp-up of our new automatic transmission plant in Gray Court, South Carolina (United States), had a positive impact. Sales in our Car Chassis Technology division also increased due to, among other things, volume production starts in Europe, the United States and China. The decline in sales in the Commercial Vehicle Technology division was driven by continued market weakness in Brazil and sales declines in Russia as a result of the Ukraine crisis as well as negative exchange rate effects in South America. The sales growth in our Industrial Technology division was mainly attributable to the Wind Power Technology business unit in addition to the Construction Machinery Systems and Special Driveline Technology business units due to generally improved market conditions. In contrast, the agricultural machinery business suffered severely from weak markets in Europe, Brazil and China. Regionally, the North America region recorded the largest percentage growth in sales, which was mainly due to the robust demand for automatic transmissions and axle drives in the United States and Mexico.

Cost of sales

Cost of sales is comprised of cost of materials, personnel expense, depreciation and amortization and other, which includes services for repairs, other services, warranty related expenses, temporary workers and rental payments.

The following table shows a break-down of our cost of sales for the fiscal years ended December 31, 2012, 2013 and 2014.

	<u>Fiscal year ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>(adjusted)</u>		
	(in EUR million)		
	(audited)		
Cost of materials	9,161	9,857	10,880
Personnel expenses	2,513	2,686	2,839
Depreciation and amortization	748	807	846
Other	459	562	754
Cost of sales	12,881	13,912	15,319

In 2013, cost of sales increased by 8.0%, or EUR 1,031 million, from EUR 12,881 million in 2012 to EUR 13,912 million, amounting to 82.6% of sales (2012: 83%). Cost of sales increased in 2013 at a rate lower than the rate of increase in sales due primarily to the 7.6% increase in cost of materials and the 6.9% increase in personnel expenses. Cost of materials increased at a rate lower than sales primarily due to our increased bargaining power, which enabled us to negotiate lower prices for purchased materials. In addition, we benefitted from a price decrease on the worldwide raw material markets while the continuous improvement of our production processes further led to a reduction of material usage. Personnel expenses increased at a rate lower than sales since not all personnel expenses are fully variable. Therefore increasing sales volumes can to some extent be processed with a constant workforce level. This was accompanied by improvements in productivity which also supported

a decrease in personnel costs relative to sales. The increase in depreciation and amortization of 7.9%, or EUR 59 million, from EUR 748 million in 2012 to EUR 807 million in 2013 and the increase in other cost of sales of 22.4%, or EUR 103 million, from EUR 459 million in 2012 to EUR 562 million in 2013 was mainly due to the start-up of production in a number of major plants which had required high investments in previous years.

In 2014, cost of sales increased by 10.1%, or EUR 1,407 million, from EUR 13,912 million in 2013 to EUR 15,319 million, amounting to 83% of sales (2013: 82%). Cost of sales increased in 2014 at nearly the same rate as sales and was due primarily to the 10% increase in cost of materials and the 5.6% increase in personnel expenses. Personnel expenses increased again at a rate lower than sales because increasing sales volumes can to some extent be processed with a constant workforce level. This was again accompanied by improvements in productivity which also contributed personnel expenses increasing at a rate slower than sales. The increase in other cost of sales of 34.1%, or EUR 192 million, from EUR 562 million in 2013 to EUR 754 million in 2014 was mainly due to costs arising from the ramp-up of production at the plant in Gray Court, South Carolina (United States).

Gross profit on sales / Gross margin

In 2013, gross profit on sales increased by 10.6%, or EUR 280 million, from EUR 2,645 million in 2012 to EUR 2,925 million. Our gross margin (gross profits on sales as a percentage of sales) was 17.4% in 2013 compared to 17.0% in 2012, resulting mainly from improvements in production and positive effects from improved purchasing conditions for raw materials which more than offset the start-up costs for new plants that continue to remain high in China and the United States as well as negative impacts from underutilization and restructuring in the wind turbine gearbox sector.

In 2014, gross profit on sales increased by 5.8%, or EUR 171 million, from EUR 2,925 million in 2013 to EUR 3,096 million. The decline in our gross margin from 17.4% in 2013 to 16.8% in 2014 was primarily due to the higher increase in cost of sales as compared to 2013 which mainly resulted from charges arising from the ramp-up of production at the plant in Gray Court, South Carolina, United States.

Research and development costs

In 2013, research and development costs rose 8.6%, or EUR 66 million, from EUR 770 million in 2012 to EUR 836 million, amounting to 5.0% (2012: 5.0%) of sales. This development is in line with our intention to spend approximately 5% of sales on research and development.

In 2014, research and development costs rose 6.6%, or EUR 55 million, from EUR 836 million in 2013 to 891 million, amounting to 4.8% of sales.

Selling expenses

In 2013, selling expenses, which are comprised of personnel, freight cost, materials, services, marketing, travel expenses, depreciation and amortization, increased by 1.2%, or EUR 8 million from EUR 659 million in 2012 to EUR 667 million, amounting to 4.0% (2012: 4.2%) of sales. Selling expenses as a percentage of sales decreased because the current sales organization has a relatively high amount of fixed costs and therefore selling expenses do not proportionally increase with higher sales.

In 2014, selling expenses increased by 4.9%, or EUR 33 million, from EUR 667 million in 2013 to EUR 700 million, amounting to 3.8% of sales. Selling expenses as a percentage of sales decreased slightly from 4.0% to 3.8% due primarily to benefits from economies of scale.

General administrative expenses

In 2013, general administrative expenses, which are comprised of personnel costs, services, depreciation and amortization, consulting fees and travel expenses, increased by 8.3%, or EUR 52 million, from EUR 623 million in 2012 to EUR 675 million, amounting to 4.0% of sales in 2013 as well as in 2012. This increase is in line with the overall increase in sales.

In 2014, general administrative expenses increased by 8.1%, or EUR 59 million, from EUR 675 million in 2013 to EUR 734 million, amounting to 4.0% of sales. This increase is again in line with the overall increase in sales.

Other income and other expenses

The following table shows our other income and other expenses for the fiscal years ended December 31, 2012, 2013 and 2014.

	<u>Fiscal year ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Other income	123	130	279
Other expenses	119	121	153

In the sub-sections below, the other income and other expenses incurred by us in the fiscal years indicated are broken down in more detail.

Other income

Our other income in the fiscal years ended December 31, 2012, 2013 and 2014 were comprised of the following parts:

	<u>Fiscal year ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Foreign exchange gains	57	61	89
Income from hedging	4	7	16
Compensation payment and reimbursement of costs	11	29	15
Income from the disposal of intangible assets and property, plant, and equipment	6	7	7
Income from rentals and lease payments	3	2	2
Income from deconsolidations	10	1	104
Negative goodwill from company acquisitions	—	—	25
Other income	32	23	21
Total other income	123	130	279

In 2013, other income increased by EUR 7 million, from EUR 123 million in 2012 to EUR 130 million. The increase was due primarily to the increase in compensation payments and reimbursement of costs which rose by EUR 18 million, from EUR 11 million in 2012 to EUR 29 million in 2013. These costs are comprised primarily of costs related to reimbursements from insurance companies.

In 2014, other income increased by EUR 149 million, from EUR 130 million to EUR 279 million. The increase was due primarily to the increase in income from deconsolidations which contributed EUR 103 million to the overall increase reflecting the effect from the deconsolidation of the Rubber & Plastics business unit and the AIBC Group in South Africa.

Other expenses

Our other expenses in the fiscal years ended December 31, 2012, 2013 and 2014 comprised the following:

	<u>Fiscal Year ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Foreign exchange losses.....	68	60	71
Expenses from hedging.....	10	4	16
Impairment of goodwill	15	0	–
Changes for allowances for receivables.....	15	3	35
Losses on the disposal of intangible assets and property, plant, and equipment.....	2	8	11
Expenses from additions to provisions.....	0	22	0
Other expenses	9	24	20
Total other expenses	119	121	153

In 2013, other expenses increased by EUR 2 million, from EUR 119 million in 2012 to EUR 121 million. The increase was due primarily to the EUR 22 million in expenses from additions to provisions and the EUR 15 million increase in other expenses which were largely offset by the EUR 15 million decrease in goodwill impairment and the EUR 12 million decrease in changes for allowances for receivables.

In 2014, other expenses increased by EUR 32 million, from EUR 121 million to EUR 153 million. The increase was due primarily to the increase of EUR 32 million in changes for allowances for receivables, which, among other things, included additions to specific allowances in relation to receivables from an Indian customer, EUR 11 million in foreign exchange losses and EUR 12 million in expenses from hedging. The increase in such expenses was partially offset by the EUR 22 million decrease in expenses from additions to provisions.

Operating profit or loss

In 2013, our operating profit increased by 26.6%, or EUR 159 million, from EUR 597 million in 2012 to EUR 756 million. As a percentage of sales, our operating profit improved from 3.8% in 2012 to 4.5% in 2013. This improvement was primarily due to an improved gross margin (gross profit on sales as a percentage of sales).

In 2014, our operating profit increased by 18.6%, or EUR 141 million, from EUR 756 million in 2013 to EUR 897 million. As a percentage of sales, our operating profit improved from 4.5% in 2013 to 4.9% in 2014. This improvement was primarily due to the effect from the deconsolidation of the Rubber & Plastics business unit and the AIBC Group in South Africa which, in aggregate, led to non-recurring income of EUR 104 million and a decline in our gross margin in 2014.

Earnings before interest and taxes (EBIT)

In 2013, our EBIT increased by 25.5%, or EUR 164 million, from EUR 643 million in 2012 to EUR 807 million. This increase was due primarily to sales increasing at a rate greater than cost of sales and most other costs, as described above.

In 2014, our EBIT increased by 36%, or EUR 291 million, from EUR 807 million in 2013 to EUR 1,098 million. This increase was due primarily to an increase in the net result from participations of EUR 144 million which is mainly attributable to a distribution made by a

company in which we hold an equity stake that received a payment for the settlement of a lawsuit in the United States and the increase in operating profit, as described above.

Interest income

The following table contains a break-down of our interest income for the fiscal years ended December 31, 2012, 2013 and 2014.

	<u>Fiscal year ended</u>		
	<u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Interest from current financial investments	21	25	16
Interest from non-current financial investments	15	11	19
Interest income	36	36	35

In 2013, interest income remained at EUR 36 million, the same level as in 2012. This was due to the EUR 4 million increase in interest from current financial instruments being offset by a decrease in interest from non-current financial investments.

In 2014, interest income amounted to EUR 35 million, a decrease of EUR 1 million compared to the interest income of EUR 36 million in 2013. This decrease was due to a EUR 8 million increase in interest from non-current financial investments being more than offset by a decrease in interest from current financial instruments of EUR 9 million.

Interest expenses

The following table contains a break-down of our interest expenses for the fiscal years ended December 31, 2012, 2013 and 2014.

	<u>Fiscal year ended</u>		
	<u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Interest on financial liabilities	50	46	62
Interest from pension provisions	108	101	104
Unwinding (up to and including 2013: compounding) of other non-current items	10	7	6
Interest expenses	168	154	172

In 2013, interest expenses decreased 8.3%, or EUR 14 million, from EUR 168 million in 2012 to EUR 154 million. This decrease is due to a decline in interest from pension provisions, interest on financial liabilities and in unwinding of other non-current items. This decline is due primarily to less expensive loan conditions resulting mainly from the prevailing low interest rate environment.

In 2014, the net interest expense increased by 11.7%, or EUR 18 million, from EUR 154 million in 2013 to EUR 172 million. This increase is mainly due to an increase in interest and related fees on financial liabilities which is mainly driven by the financing steps taken in preparation for the planned Merger, in particular the early repayment of one tranche of our 2011 Senior Facilities which incurred breakage fees and the commitment fees on our 2014 Senior Facilities.

Other financial income

The following table contains a break-down of our other financial income for the fiscal years ended December 31, 2012, 2013 and 2014.

	<u>Fiscal year ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Foreign exchange gains	53	41	79
Income from hedging.....	3	18	8
Income from disposal of securities	24	18	40
Unrealized fair value gains from securities	8	8	5
Reversal of impairments for financial receivables	0	1	0
Other financial income.....	88	86	132

In 2013, other financial income decreased by EUR 2 million from EUR 88 million to EUR 86 million. This decrease is primarily due a decline in foreign exchange gains and a decline in income from disposal of securities offset in part by an increase in income from hedging.

In 2014, other financial income increased by EUR 46 million, from EUR 86 million in 2013 to EUR 132 million. The increase was primarily due to an increase in foreign exchange gains and an increase in income from disposal of securities.

Other financial expenses

	<u>Fiscal year ended</u> <u>December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(adjusted)		
	(in EUR million)		
	(audited)		
Foreign exchange losses.....	57	70	66
Expenses from hedging.....	8	10	111
Losses on disposal of securities	2	2	2
Unrealized fair value losses from securities	1	3	6
Write-downs of financial receivables	0	1	0
Transaction cost and incidental expenses	1	6	35
Other financial expenses	69	92	220

In 2013, other financial expenses increased by EUR 23 million, from EUR 69 million in 2012 to EUR 92 million. This increase was primarily due to an increase in foreign exchange losses.

In 2014, other financial expenses increased by EUR 128 million, from EUR 92 million in 2013 to EUR 220 million. This increase was primarily due to an increase in expenses from hedging and an increase in transaction cost and incidental expenses, both relating primarily to the preparation for the Merger.

Income taxes

The following table contains a break-down of our income tax expenses for the fiscal years ended December 31, 2012, 2013 and 2014.

	Fiscal year ended		
	December 31,		
	2012	2013	2014
	(adjusted)		
	(in EUR million)		
	(audited)		
Current tax expenses	154	206	232
Tax refunds from prior years.....	(4)	(2)	0
Payment of taxes from prior years	1	3	10
Deferred taxes on temporary differences.....	16	19	(21)
Deferred taxes on tax loss carryforwards and tax credits	33	(5)	(20)
Income taxes	200	221	201

In 2013, our income taxes increased by 10.5%, or EUR 21 million, from EUR 200 million in 2012 to EUR 221 million. The increase in income taxes was primarily due to the increase in net profit before income tax, while our average tax rate decreased from 37.7% in 2012 to 32.4% in 2013. In 2012 and 2013, a German corporate tax rate of 15% (plus 5.5% solidarity surcharge thereon), together with an average German trade tax rate of 13.51% (2013) and 13.48% (2012), respectively, resulted in an aggregate income tax rate of approximately 29% (2013) and 29% (2012) applied to our German companies.

In 2014, our income taxes decreased 9.9%, or EUR 20 million, from EUR 221 million in 2013 to EUR 201 million. The decrease in income taxes was primarily due to deferred taxes on temporary differences and deferred taxes on tax loss carryforwards which were only partially offset by our current tax expenses. In 2014, a German corporate tax rate of 15% (plus 5.5% solidarity surcharge thereon), together with an average German trade tax rate of 13.62%, resulted in an aggregate income tax rate of 29% applied to our German companies. ZF Group's global average tax rate in 2014 was 23% (based on net profit before income tax of EUR 873 million).

The tax rates that applied abroad during the fiscal years 2014, 2013 and 2012 are between 0% and 40%.

Liquidity and Capital Resources

Our main uses of cash are our capital expenditures and working capital requirements. We have financed these cash requirements primarily with cash from operating activities and through existing credit lines. See *"Information about the Guarantor and the ZF Group—Outlook and Recent Events—Recent Events—Merger with TRW Group"* and *"Rationale for the Merger"* for a description of the manner in which we have provided for the financing for the acquisition of TRW Group.

Cash flows

In our discussion of the cash flows for the fiscal years ended December 31, 2012, 2013 and 2014 below, we refer to the unadjusted figures for the fiscal year ended December 31, 2013 taken or derived from our audited consolidated financial statements as of and for the fiscal year ended December 31, 2013 when discussing the development of such figures for the fiscal years ended December 31, 2012 and 2013 while we refer to the adjusted figures for the fiscal year ended December 31, 2013 taken or derived from our audited consolidated financial statements as of and for the fiscal year ended December 31, 2014 when discussing the development of such figures for the fiscal years ended December 31, 2013 and 2014. For further information please refer to the explanation of the adjustments at the beginning of this section.

The consolidated statement of cash flows below shows how our cash position at the end of the fiscal year changed in the fiscal years ended December 31, 2012, 2013 and 2014 by cash inflows and outflows.

	Fiscal year ended			
	December 31,			
	2012	2013	2013	2014
	(adjusted)		(adjusted)	
	(in EUR million)			
	(audited unless otherwise indicated)			
Net profit or loss before income tax	530	683	683	873
Depreciation/Reversal of impairments for intangible assets and property, plant, and equipment	883	894	894	946
Changes in non-current provisions made through profit and loss	(78)	(81)	(81)	16
Income taxes paid	(132)	(187)	(187)	(235)
Results from first-time consolidation and deconsolidation	–	–	0	(129)
Results from the disposal of intangible assets and property, plant, and equipment	(4)	1	1	4
Net interest result and net result from participations	86	67	–	–
Net financial result	–	–	73	24
Increase (2012: decrease) in inventories	30	(195)	(195)	(60)
Increase (2012: decrease) in trade receivables	65	(258)	(258)	(152)
Decrease in other assets	5	3	3	1
Increase in other liabilities	31	513	507	410
Cash flow from operating activities	1,416	1,440	1,440	1,698
Expenditures for investments in				
intangible assets	(207)	(232)	(232)	(240)
property, plant, and equipment	(1,025)	(954)	(954)	(1,005)
participations	(6)	(2)	(2)	(5)
securities	(8)	(50)	(50)	(50)
financial receivables	(75)	(10)	(10)	(95)
Proceeds from the disposal of				
intangible assets	8	8	8	12
property, plant, and equipment	39	28	28	30
participations	4	2	2	0
securities	8	1	1	2
financial receivables	39	0	0	14
Proceeds from the sale of consolidated companies	17	0	–	–
Cash inflow from the sale of consolidated companies	–	–	0	237
Cash inflow from the acquisition of consolidated companies	–	–	0	12
Payments for hedging transactions in connection with future investments	–	–	0	(105)
Dividends received	7	25	25	152
Interest received	35	32	32	39
Cash flow from investing activities	(1,164)	(1,152)	(1,152)	(1,002)
Free cash flow⁽²⁾	252⁽¹⁾	288⁽¹⁾	288⁽¹⁾	696⁽¹⁾
Dividends paid to ZF Friedrichshafen AG shareholders	(30)	(30)	(30)	(30)
Dividends paid to holders of non-controlling interest	(25)	(20)	(20)	(19)
Repayments of borrowings	(611)	(161)	(161)	(491)
Proceeds from borrowings	667	243	243	71
Proceeds from capital increase through holders of non-controlling interests	0	3	3	3
Interest paid	(55)	(48)	(48)	(284)
Cash flow from financing activities	(54)	(13)	(13)	(750)
Net change in cash	198	275	275	(54)
Cash position at the beginning of the fiscal year	693	888	888	1,143
Effect of changes consolidated group on cash	3	13	13	3
Effects of exchange rate changes on cash	(6)	(33)	(33)	22
Cash position at the end of the fiscal year	888	1,143	1,143	1,114

⁽¹⁾ Unaudited

⁽²⁾ We define Free cash flow as cash flow from operating activities and cash flow from investing activities.

Cash flow from operating activities

Cash flow from operating activities increased by EUR 24 million, from EUR 1,416 million in 2012 to EUR 1,440 million in 2013. This increase was primarily due to cash generated by movements in other liabilities and the EUR 153 million increase in net profit before income tax, which were largely offset cash outflows in 2013, compared to cash inflows in 2012, from movements in working capital. The higher working capital needs were primarily due to the increase in sales.

Cash flow from operating activities increased by EUR 258 million, from EUR 1,440 million in 2013 to EUR 1,698 million in 2014. This increase was primarily due to the EUR 190 million increase in net profit before income tax and a decrease in cash used by the movement of working capital which were primarily due to improvements in inventory management and first-time consolidation and deconsolidation.

Cash flow from investing activities

Cash flow used in investing activities was EUR 1,164 million in 2012, EUR 1,152 million in 2013 and EUR 1,002 million in 2014. Our cash flow from investing activities in all these years is mainly related to capital expenditures. See “*Capital Expenditures*” below. In 2014, we had one-time cash inflows of EUR 237 million from the disposal of our Rubber & Plastics business unit and the AIBC Group in South Africa and cash outflows of EUR 105 million in payments for hedging transactions in connection with future investments relating to the hedging of our exposure to the US Dollar in connection with the contemplated Merger.

Dividends received were higher in 2014 than in prior years, mainly as a result of a dividend from a company that received payments from a litigation settlement.

Cash flow from financing activities

Cash flow from financing activities amounted to outflows of EUR 54 million in 2012, EUR 13 million in 2013 and EUR 750 million in 2014. In 2012, our net cash flow received from borrowings was EUR 56 million as we repaid in aggregate EUR 611 million in borrowings as part of our ordinary course of debt repayment and received an additional EUR 667 million in proceeds from borrowings. The cash outflow from financing activities in 2012 was due to the aggregate dividend and interest payments exceeding the net cash flow received from borrowings. Similarly, in 2013 we repaid EUR 161 million in borrowings as part of our ordinary course of debt repayment and received an additional EUR 243 million in proceeds from borrowings. As in 2012, the cash outflow from financing activities in 2013 was due to dividend and interest payments exceeding the net cash flow received from borrowings.

In 2014, we repaid a net amount of EUR 420 million in borrowings to adjust our financing structure for future requirements in light of the contemplated Merger. The significant increase in interest paid in 2014 compared to prior years was primarily due to commitment fees and transaction costs incurred in connection with our entering into the 2014 Senior Facilities Agreement in connection with the planned Merger.

Indebtedness

Our outstanding financial indebtedness primarily consists of financial debt incurred from borrowing money. Our main sources of financing are described below:

2011 Senior Facilities Agreement

One part of our indebtedness resulted from drawdowns under the 2011 Senior Facilities Agreement in the original amount of EUR 1 billion. As of December 31, 2014 an amount of EUR 30 million was utilized by one of our subsidiaries by way of a guaranteed bilateral credit line under the 2011 Senior Facilities. All amounts of these drawdowns have been fully repaid and the 2011 Senior Facilities Agreement was terminated in March, 2015.

2014 Senior Facilities Agreement

Our most significant source of financing is a syndicated credit facilities agreement entered into with Citibank N.A. London Branch and Deutsche Bank, Luxembourg branch in the original amount of EUR 12.5 billion. The 2014 Senior Facilities Agreement is mainly designed as a facility to finance the amounts immediately due once the Merger closes. As of December 31, 2014 no amounts were outstanding under the 2014 Senior Facilities Agreement. For a description of the 2014 Senior Facilities Agreement please see “*Material Contracts — Financing Agreements — 2014 Senior Facilities Agreement*”.

ZF Bonded Loans

As of December 31, 2014 we had euro-denominated bonded loans (*Schuldscheindarlehen*) outstanding in an aggregate amount of EUR 400 million outstanding. We issued these bonded loans in 2012. In January 2015, we issued six tranches of euro-denominated bonded loans with fixed and variable interest rates in the aggregate amount of EUR 2,206.5 million. A portion of the proceeds from the newly issued bonded loans was used to repay EUR 245 million of the outstanding bonded loans issued in 2012. For a detailed description of the ZF Bonded Loans please see “*Material Contracts — Financing Agreements — ZF Bonded Loans*”.

Bilateral loan agreements

In addition to the financing instruments above, ZF and certain of its subsidiaries have entered into bilateral loan agreements with certain banks or other financial institutions. As of December 31, 2014, our financial liabilities relating to such agreements amounted to EUR 261 million.

Overview of indebtedness and maturity profile

The following table shows the maturity structure of principal and interest of our financial liabilities as of December 31, 2014:

	<u>Carrying amount as of December 31, 2014</u>	<u>Cash outflow</u> (in EUR million) (audited)		
	<u>Total</u>	<u>2015</u>	<u>2016 to 2020</u>	<u>2021 and beyond</u>
Liabilities to banks.....	691	444	255	29
Liabilities from finance leases	17	3	9	20
Other financial liabilities.....	32	32	1	0
Financial liabilities	740	479	265	49

For further information on utilization under the 2014 Senior Facility Agreement see “*Material Contracts — Financing Agreements — 2014 Senior Facilities Agreement*”.

Contingent liabilities

As of December 31, 2014, we have the following contingent liabilities which were not reflected in our consolidated statement of financial position:

	<u>As of December 31,</u> <u>2014</u> (in EUR million) (audited)
Guarantees	40
Thereof for participations	6
Other	98
Contingent liabilities	138

The guarantees are due within one year when fully utilized. The other contingent liabilities essentially refer to potential liabilities from procurement and personnel as well as from litigation and other taxes. There is collateral for contingent liabilities, in particular a fixed-term deposit account which serves as collateral and is dissolved on a pro rata basis, amounting to EUR 5 million as of December 31, 2014 which, when fully utilized, are due within a year.

Capital expenditures

We had capital expenditures of EUR 1,025 million in 2012, of EUR 954 million in 2013 and EUR 1,005 million in 2014. Our main investment projects in 2012 were investments in technical equipment and machines, including advance payments and construction in progress while our main investment projects in 2013 were related to our new plant in Gray Court, South Carolina (United States) and product projects at our Saarbrücken (Germany) location for the 8-speed automatic transmission.

In 2014, 78% of our investment funds were spent on technical equipment and machines, including advance payments and construction in progress, while 17% was spent on other equipment, factory and office equipment, and 5% on land and buildings. Our main investment projects in 2014 were the ramp-up of new products and the expansion of capacities for existing products.

In 2015, we again expect our capital expenditures to amount to over EUR 1 billion primarily for investments in property, plant, and equipment.

Pension obligations

As of December 31, 2014 the present value of our defined benefit obligations amounted to EUR 3,942 million. The following table sets forth the funding status of our pension obligations:

	<u>As of December 31, 2014</u> (in EUR million) (audited)
Present value of unfunded defined benefit obligations	3,707
Present value of funded defined obligations	235
Present value of the defined benefit obligations	3,942
Plan assets	139
Net liabilities	3,803

Qualitative disclosure of financial risk

We are exposed to a number of financial risks arising from the ordinary course of business, such as credit risks and counterparty risk, liquidity risk, market price risk from securities, foreign currency risk, raw material price risk and interest rate risk. See also Note 32 to our audited consolidated financial statements as of and for the fiscal year ended December 31, 2014.

Credit and counterparty risk

In order to reduce counterparty risks within finance, we carry out all transactions only with banks having a first-class credit rating. Financial investments are only made with these banks within the framework of defined limits. In terms of borrowings, for instance in connection with the Merger, we also seek to ensure that creditors have a high credit rating and to avoid dependence on individual banks.

The development of the level of trade receivables and the credit rating of our counterparties are also monitored on a continuous basis. We seek to mitigate credit risk relating to our customers and suppliers through the implementation of appropriate payment terms as well as, on a case-by-case basis, trade credit insurance.

Liquidity risk

In order to ensure the solvency and, at the same time, high financial flexibility on the basis of medium and long-term financial and liquidity planning, we aim to have sufficient cash as well as credit lines committed to match maturities. Cash is managed within the context of central cash pooling and provided to the subsidiaries as needed. For purposes of financing the contemplated Merger we entered into the 2014 Senior Facilities Agreement with 23 banks, providing for drawings of up to EUR 12.5 billion.

Foreign currency risk

In order to manage foreign currency risks, we have implemented a Group-wide uniform currency management. Only hedges that relate to a specific underlying transaction are allowed. Planned foreign currency sales are hedged within the framework of prescribed hedging ranges and within defined maximum limits. Individual project-specific hedging is also possible.

Material portions of the USD-denominated purchase price payment for the Merger were hedged through deal-based forward contracts and currency options.

As of December 31, 2014, derivative financial instruments were held with positive market values in the amount of EUR 397 million and a nominal volume of EUR 6,291 million, and derivative financial instruments with negative market value in the amount of EUR 31 million with a nominal volume (total cash outflow) of EUR 811 million.

Translation risks that arise from the translation of various currencies in the context of measuring financial line items are not hedged.

Interest rate risk

This risk mainly results from changes in market interest rates and their impact on the fair value of or future cash flows for financial liabilities or financial investments, the development of which is closely monitored. Potential interest rate risks are hedged on a case by case basis in part by fixed interest rate swaps.

Market price risk from securities

The market price risk is the risk that the fair value of securities decreases. Our securities investments constitute primarily investments in interest-bearing securities, shares, and alternative investments. We seek to diversify our investments to reduce risk and volatility while seeking to increase the value of such investments.

Raw material price risk

The raw material price risk is the risk that the acquisition cost from the purchase of production equipment and operational materials will change. We use derivative financial instruments to a minor extent in the Group in order to reduce raw material price risk.

Critical Accounting Principles

Our reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis for our consolidated financial statements. The critical accounting policies, the judgments made in the creation and application of these policies, and the sensitivities of reported results to changes in accounting policies, assumptions and estimates are factors to be considered along with our consolidated financial statements. For additional information see “Fundamental principles” in the notes to our audited consolidated financial statements as of and for the fiscal year ended December 31, 2014.

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

Capitalized development costs

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

Intangible assets and Property, plant, and equipment

For the accounting of other intangible assets and property, plant, and equipment, management’s assumptions and estimates essentially relate to the duration of useful lives.

Impairment tests

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

Trade receivables

The assessment of the recoverability of trade receivables is subject to management judgment as regards the future solvency of the debtors.

Deferred tax assets

In accounting for the deferred tax assets, management’s assumptions and estimates essentially relate to the likelihood of expected tax reductions actually occurring in the future.

Provisions for pensions

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

Warranty provisions

Determination of warranty provisions is subject to management's assumptions and estimates relating to the time period between delivery date and the occurrence of the warranty event, warranty and goodwill periods, as well as future warranty burdens.

Provisions for onerous contracts

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

Available-for-sale financial assets

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

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

Capitalization

The following table provides an overview of the unaudited consolidated capitalization of the ZF Group (i) on an actual basis and (ii) as adjusted to reflect the issuance of the Notes. The information in the table is given as of February 28, 2015, except that equity attributable to shareholders of ZF is shown as of December 31, 2014 and total capitalization is the sum of net financial liabilities as of February 28, 2015 and equity attributable to shareholders of ZF as of December 31, 2014. Information in the column "Actual" has been extracted from ZF's audited consolidated financial statements as of and for the fiscal year ended December 31, 2014 and derived from ZF Group's internal accounting records.

The information set out below should be read in conjunction with the consolidated financial statements of ZF incorporated by reference into this Prospectus. All values shown are carrying amounts (unless otherwise stated).

(in EUR million)	As of February 28, 2015	
	(unless otherwise indicated)	
	Actual	As Adjusted ⁽⁵⁾
	(unaudited, unless otherwise indicated)	
Current financial liabilities⁽¹⁾	338	338
2014 Senior Facilities Agreement	0	0
ZF Bonded Loans	58	58
Non-current financial liabilities	2,473	4,685
2014 Senior Facilities Agreement	0	0 ⁽⁶⁾
ZF Bonded Loans	2,304	2,304
Notes.....	0	2,212 ⁽⁷⁾
Total financial liabilities	2,811	5,023
Cash.....	3,804	6,017 ⁽⁸⁾
Net financial liabilities ⁽²⁾	(993)	(994)
Equity attributable to shareholders of ZF^{(3)(3a)}	4,360	4,360
Total capitalization⁽⁴⁾	5,353	5,354

(1) Short-term indebtedness is indebtedness with a term of up to one year.

(2) We define net financial liabilities as total financial liabilities minus cash. Net financial liabilities as defined by us may not be comparable to net indebtedness or other measures with similar names as defined by other companies. Net financial liabilities is not a performance indicator recognized under IFRS.

(3) As of December 31, 2014; audited.

(3a) Not including non-controlling interests which amounted to EUR 159 million as of December 31, 2014.

(4) Sum of net financial liabilities as of February 28, 2015 and equity attributable to shareholders of ZF as of December 31, 2014.

(5) For illustrative purposes only, considering net proceeds (including commissions and other expenses related to the offering of the Notes) from the issuance of the Notes of approximately EUR 2,212 million (for simplification purposes without calculating any effects on related taxes).

(6) The adjusted figure does not reflect the utilization of an ancillary facility by one of ZF's Indian subsidiaries in the amount of EUR 22 million in March 2015.

(7) Adjusted for expected carrying amount based on estimated gross proceeds from the issuance of the Notes of approximately EUR 2,235 million and commissions and other expenses related to the offering of the Notes of approximately EUR 23 million.

(8) Adjusted for expected gross proceeds from the issuance of the Notes of approximately EUR 2,235 million less commissions and other expenses related to the offering of the Notes of approximately 22 EUR million which were not already paid as of February 28, 2015. The net proceeds will be used to partially fund the Merger consideration, as discussed under "Use of Proceeds".

For further information relating to the debt instruments described above, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Information about the Guarantor and the ZF Group—Material Contracts—Financing Agreements".

Market Environment and Competition

We are one of the ten largest automotive suppliers worldwide¹ and offer our products and services to a broad range of automotive customers. These include OEMs and their suppliers (Tier 1 and Tier 2) as well as companies focusing on the automotive aftermarket.

We are primarily active in the automotive industry and, in particular, design and manufacture transmission systems, units and components, as well as chassis systems and components for passenger car and commercial vehicle manufacturers. We believe that we have been one of the fastest-growing companies in the automotive supply sector in recent years. Our activities also cover other market segments such as industrial technology (agricultural tractors and construction machinery), electronic systems, wind power, marine propulsion, aviation technology, rail drives, special drives and test systems. Besides our sales to automotive and industrial OEMs, we also supply the aftermarket through ZF Services.

Market Environment

The Automotive Industry

Definition and Structure

The global automotive industry designs, develops, manufactures, sells and services light vehicles and heavy commercial vehicles. The light vehicle segment consists of passenger cars, vans and light trucks (all weighing less than six tons), while the heavy vehicle segment is generally defined as the market for vehicles with an allowable weight of more than six tons.

The automotive production value chain is divided into OEMs, such as Daimler, Ford, Toyota and Volkswagen, and automotive suppliers, such as us, BorgWarner, Continental and Schaeffler. Automotive suppliers can be further segmented into three different tiers: Tier 1 automotive suppliers sell their products directly to OEMs. Tier 2 suppliers sell products to Tier 1 suppliers, and in turn are supplied by Tier 3 suppliers. In general, automotive suppliers develop components and systems on the basis of agreements with OEMs to meet their technological and regulatory requirements.

In addition to sales to OEMs, some components are sold directly to the aftermarket, representing a smaller but typically more profitable and stable revenue source for many automotive suppliers. The term "aftermarket" refers to the market of spare parts that are used in the maintenance and repair of passenger cars and commercial vehicles. Such spare parts include mechanical parts, electrical parts and electronics, body parts (including headlights), assembly parts, tires, oils and lubricants, car paint, other chemical products, accessories and windows. The same products supplied to OEMs are generally also distributed in the aftermarket sector.

Size

The demand in the automotive supplier industry is generally a function of the number of new vehicles produced. After experiencing significant downturns 2008 and 2009 due to the global financial crisis, vehicle sales and production have recently been in a period of recovery and growth. The timing, duration and magnitude of these two trends, however, have been, and are, forecasted to vary by region. During 2014, the global automotive industry continued to recover, as evidenced by production volume increases for most OEMs. In particular, the

¹ Source: Automotive News, Top Suppliers, June 17, 2013.

production of light vehicles increased by 3% in 2014 compared to 2013, with China as the most important geographical market leading the way. The automotive manufacturers are expected to produce 104.3 million light vehicles by 2020 worldwide, up from 86.1 million units in 2014, representing a compounded annual growth rate ("**CAGR**") of 3.25%.² The production of heavy commercial vehicles, on the contrary, declined in 2014 by 2% compared to 2013, suffering from the only gradually improving macroeconomic environment. However, going forward the production of heavy commercial vehicles is expected to grow again, from 3.1 million units in 2014, to 3.7 million by 2020 worldwide, representing a CAGR of 2.83%.³

Trends Affecting the Automotive Industry

Key Growth Trends

In our view, the automotive industry is affected by the following key growth trends:

- *Increasing level of standardization due to further globalization.* The automotive industry continues to become more global and both OEMs and suppliers must balance resources and production capacity to efficiently address diverse consumer needs and preferences as well as unique market dynamics. Developing automotive markets such as China and India represent significant growth opportunities. However, vehicle affordability remains a challenge in these markets, highlighting the need for OEMs and suppliers to meet differing requirements of consumers in both mature and emerging markets.

Automotive OEMs are continuing to increase the number of vehicles built from a single platform primarily in an effort to reduce the total time and cost spent on research and development for new platforms. The continued globalization of the automotive industry is pushing OEMs and suppliers to move to a more collaborative approach, where innovative solutions are applied to technology available in current products resulting in a much simpler variant with a lower cost, while ensuring safety and performance. Vehicle platform-sharing allows OEMs to build a greater variety of vehicles from one basic set of engineered components at a lower cost because development expenses are spread over a greater number of units produced. Platform-sharing also increases flexibility among manufacturing plants, creating the possibility of smoothly transferring production from one facility to another given the standardization of design. By implementing this strategy globally, OEMs are able to realize significant economies of scale. Despite the standardization of the underlying platform, OEMs try to maintain the ability to customize certain design elements to address regional specific requirements.

To support this platform globalization strategy, OEMs require suppliers to match the size, scale and geographic footprints of these platforms. To lower costs, OEMs continue to shift their production facilities from high-cost regions such as the United States, Canada, and Western Europe to low-cost regions such as China, Eastern Europe, and Mexico. Through these localization efforts, labor and transportation costs can be lowered, while positioning operations in markets with the highest potential for future growth. Suppliers with a global footprint, a broad product offering and the requisite manufacturing expertise are well-positioned to benefit because they are not restricted by these high industry barriers to entry and are able to efficiently respond to customers' local needs. In addition, higher production volumes across fewer platforms

² Source: ZF Group vehicle build forecast (based on IHS forecasts adjusted with ZF internal information) ("**ZF Procast**"), November 2014.

³ Source: ZF Procast, November 2014.

are expected to result in cost savings for suppliers as they further standardize and optimize their operations.

- *Tighter emissions regulations and growing environmental awareness.* Consumers, and therefore OEMs, are increasingly focused on, and governments are increasingly requiring, improved fuel efficiency and reduced greenhouse gas emissions from vehicles. Recent policy-making and *regulatory* efforts have resulted in more stringent automobile emissions standards in North America and Western Europe, and increasingly in emerging markets, requiring smaller and lighter vehicles and steering innovation efforts toward cleaner energy sources. In 2012, the United States Environmental Protection Agency (the "**EPA**") and the National Highway Traffic Safety Administration (the NHTSA) jointly approved a rule requiring model year 2017 through 2025 passenger cars, light-duty trucks and medium-duty passenger vehicles to reduce greenhouse gas emissions and improve fuel economy. These standards require those vehicles to meet a specified average emission level in model year 2025, equivalent to 54.5 miles per gallon, if achieved exclusively through fuel efficiency improvements. These standards include miles per gallon requirements under the NHTSA's Corporate Average Fuel Economy Standards ("**CAFE**") program. In the same year, also the European Commission proposed regulations to reduce the average CO₂ emissions of all new passenger cars sold in Europe by 30% to 95 grams per kilometer by 2020; and for light trucks and vans by 19% to 147 grams per kilometer by 2020. In 2013, the United States announced it will provide assistance to China in drafting stricter emissions standards. As such, the EPA and the U.S. Department of Energy will assist China with its VI standards which, along with its China V standards, will reduce allowable sulfur content by 80% by 2017.

In addition, the desire to lessen environmental impact and reduce oil dependence is also spurring interest in green technologies and alternative fuels. As such, there is an increased focus on production of advanced powertrain, direct injection and start/stop technologies and hybrid and electric vehicles because of their fuel efficiency, and developing ethanol, hydrogen, natural gas and other clean burning fuel sources for vehicles.

- *Increasing demand for higher vehicle safety.* OEMs are integrating more safety oriented technologies into their vehicles such as air bags, anti-lock brakes, traction control, adaptive and driver visibility enhancing lighting and driver awareness capabilities. Consumer and regulatory requirements in Europe and the United States for improved automotive safety and environmental performance have increased significantly over the last few years. We believe that these trends will help drive growth in advanced safety and fuel efficient products and systems, which include: electronic stability control systems, brake controls for regenerative brake systems, electric park brake and electrically assisted power steering systems, curtain and side airbag systems, active seat belt pretensioning and retractor systems, occupant sensing systems, front and side crash sensors, vehicle rollover sensors, tire pressure monitoring systems, and driver assistance systems. We aim to benefit from these trends by achieve a technological leadership in the fields of active and passive safety through the Merger. By way of the Merger, we intend to establish a cross-functional cooperation for driver assistance systems, autonomous driving, and platform solutions, benefitting from a callable modular construction system and focusing on innovations of electric drives.
- *Increasing electronic content and electronics integration.* Digital and portable technologies have dramatically influenced the lifestyle of today's consumers who expect products that enable such a lifestyle. As a result, the consumer demands for

increased vehicle performance and functionality at lower cost, together with the consumer and regulatory requirements in Europe and the United States for improved automotive safety and environmental performance, have largely driven the increase in electronic content of vehicles in recent years. In addition, also electronic integration, i.e. replacing mechanical with electronic components and integrating mechanical and electrical functions within the vehicle, is expected to play an increasingly important role. Electronic integration allows OEMs to achieve a reduction in the weight of vehicles and the number of mechanical parts, resulting in easier assembly, enhanced fuel economy, improved emissions control, increased safety and better vehicle performance. We believe that electronic content per vehicle will continue to increase as consumers seek more competitively-priced ride and handling performance, safety, security and convenience options in vehicles, such as electronic stability control, electric power steering, airbags, active seat belts, keyless and passive entry, tire pressure monitoring, and driver assistance systems.

- *Factors influencing the product mix.* Product mix tends to be influenced by a variety of factors such as gasoline prices, consumer income and wealth and governmental regulations, for example, more stringent fuel economy standards lead to higher volumes of small car production. For example in Europe, consumers have traditionally preferred smaller, more fuel efficient vehicles, particularly due to the comparatively high fuel taxes resulting in higher fuel costs. In North America, consumer demand tends to be more influenced by short-term fluctuations in the price of gasoline and the general level of disposable income, resulting in alternating preferences for sport utility vehicles/light trucks or more economical passenger cars. Recent improvements in the North American housing market have led to a higher level of light duty pickup truck production in 2013. In general, sport utility vehicles and light duty pickup trucks tend to be more profitable for OEMs and suppliers, while smaller, more fuel efficient vehicles tend to be less profitable for OEMs and suppliers.
- *Increasing cost pressure and raw material costs due to competition.* The highly competitive nature of the automotive industry drives a focus on cost and price throughout the entire automotive supply chain. Overall commodity volatility is an ongoing concern in the industry. As production levels rise, commodity inflationary pressures may increase, both in the automotive industry and in the broader economy. When costs increase, it is generally difficult to pass the full extent of increased prices for manufactured components and raw materials through to customers in the form of price increases and, even if passed through to some extent, the recovery is typically on a delayed basis. Virtually all OEMs have policies of seeking price reductions each year. Historically, suppliers have taken steps to reduce costs and minimize or resist price reductions.
- *Increasing capital expenditure requirements for suppliers.* As production levels fluctuate and overall economic concerns remain, Tier 2 and Tier 3 suppliers face the challenges of managing through increased working capital and capital expenditure requirements. There are concerns about suppliers' viability stemming from broader industry restructuring actions in Europe. Further, in some cases, capacity constraints, limited availability of raw materials or components or financial instability of the Tier 2 and Tier 3 supply bases pose a risk of supply disruption. Suppliers have experienced additional costs due to such factors and may continue to incur such costs in the future. Suppliers have dedicated resources and systems to closely monitor the viability and performance of its supply base and are constantly evaluating opportunities to mitigate the risk and/or effects of any supplier disruption.

Geographic Trends

The several geographic market regions experienced different macroeconomic trends:

- *North America.* Since suffering the most dramatic adverse effects of the downturn in 2008 and 2009, the North American market has led the recovery, with light vehicle production growing at a CAGR of 14.6% from 2009 to 2014. Production of light vehicles in 2014 eclipsed pre-crisis levels, growing by 5% in 2014 compared to 2013,⁴ as consumer demand continued to push sales of new vehicles higher while domestic OEMs' operational performance continued to improve. The recovery in the housing market, decline in unemployment, new plants in the United States and Mexico, comparatively low fuel prices and increased consumer confidence along with the above average age of light vehicles on the road, enhanced fuel economy and technology offered on new vehicles have created a backdrop for continued strength in the North American automotive market. This growth trend is expected to continue with a 3.0% CAGR from 2013 to 2018.⁵
- *Europe.* Although not experiencing as large of a decline as North America during the global slowdown, Europe has not yet recovered as quickly as North America, with economic and automotive performance varying largely intra-region with countries such as Germany and the United Kingdom strongly outperforming Spain, France and Italy. Factors such as the sovereign debt crises of multiple countries and the associated austerity programs have constrained the broader region's overall recent economic performance. Throughout Europe, however, reduced light vehicle inventory levels, increasing average vehicle age and the elimination of capacity are expected to drive growth and increase profitability within the automotive supplier industry. In 2014, light vehicle production in Europe (14.3 million units) was still well below pre-crisis levels in 2007 (17.2 million units). However, production strength returned to Europe in 2014 as light vehicle production in Western Europe experienced a growth by 3% compared to 2013.⁶ In particular, the demand for passenger cars in Spain, Great Britain, and Italy rebounded strongly after years of weakness. This recovery is expected to continue.⁷ In contrast, light vehicle production in Russia had to be cut by a sizeable 13% in 2014 compared to 2013 due to the Ukraine crisis.
- *Asia-Pacific.* Asia-Pacific (excluding Japan and Korea) continued to experience growth, with light vehicle production increasing at a CAGR of 12% between 2009 and 2014, and China and India increasing at CAGRs of 13% and 9%, respectively, during that time.⁸ In 2014, China again made a disproportionately high contribution to the total growth of the production of passenger cars and light vehicles worldwide as the production of light vehicles in China grew by 7% compared to 2013.⁹ As a result, China continued to be the world's largest light vehicle producing country with nearly 23 million manufactured passenger cars and light vehicles (26% of the worldwide production).¹⁰ China is expected to continue its high growth, helped by an array of stimulus measures and robust demand in smaller inland cities. The production volume in China is expected to reach 31 million units in 2020, up 10 million units from 2013, representing a 7-year CAGR of 6%. Over the next five years, Asia-Pacific (excluding Japan and Korea) regional production is expected to increase 37%,

⁴ Source: ZF Procast, November 2014.

⁵ Source: ZF Procast, November 2014.

⁶ Source: ZF Procast, November 2014.

⁷ Source: ZF Procast, November 2014.

⁸ Source: ZF Procast, November 2014.

⁹ Source: ZF Procast, November 2014.

¹⁰ Source: ZF Procast, November 2014.

representing a CAGR of 6.5%.¹¹ Factors such as increased population, modernization, urban migration, infrastructure improvement and overall wealth creation across this region have continued to fuel demand and increase the need for light vehicles.

Other Relevant Markets

In the Industrial Technology division, the ZF Group pools its activities for “off-road” applications. With its heterogeneous product range, it is active in many markets, including construction machinery, wind power technology, marine propulsion, aviation technology and rail drives.

Construction Machinery Systems

In the global market for construction machinery industry operators manufacture construction machinery and equipment for use in residential, nonresidential, highway, street and other infrastructure construction, which includes for example excavators, wheel loaders, pavers and concrete mixers. Construction machinery manufacturers sell their equipment to customers in the private as well as the public segment, the latter one being highly dependent on investment efforts undertaken by political decision makers. During the 2008 financial crisis, many politicians delayed the continued renewal of their countries’ infrastructure, resulting in a stark decline in market volume particularly in mature economies such as Japan. The global market for construction machinery is expected to grow at a CAGR of 7.3% from around USD 102.3 billion in 2010 to about USD 145.3 billion in 2015,¹² with China to represent the largest market with estimated USD 43.9 billion.¹³

In 2013, the global construction machinery market was characterized by weak development. Sales were significantly lower than expected, especially in China and India. In contrast, the global agricultural machinery market experienced a slight upswing with further growth prospects. This can primarily be attributed to the increasing mechanization of agriculture in Asia.

The year 2014 was characterized by a 3% decline in the construction machinery segment in ZF’s markets, primarily caused by the weak markets of South America, Russia, China, and India. These four regions account for approximately 50% of global construction machinery production. In China, the world’s largest construction machinery market, production had to be cut by 9%. Slower economic growth, reduced earnings expectations, as well as the marked rise of wage costs, social security expenses, and location-related costs depressed capital expenditure. The situation was further aggravated by sustained high inventories of new construction machinery as well as excess capacities. The crisis also hit South America. As the economy weakened and industrial production fell in the context of high inflation, construction machinery production had to be cut by 7%. India, another large market, recorded a further decrease of 5%. Positive news in relation to infrastructure investments made by the new government did not result in a noticeable recovery in 2014. In Europe, however, production rose slightly by 2% after two years of declining volume. Growth was driven primarily by Germany, while the recovery in Southern Europe was weaker than anticipated. North America continued to develop positively, recording another 5% increase in construction machinery production.

¹¹ Source: ZF Procast, November 2014.

¹² Source: Statista 2015, <http://www.statista.com/statistics/280344/size-of-the-global-construction-machinery-market/>.

¹³ Source: Statista 2015, <http://www.statista.com/statistics/280345/global-construction-machinery-market-size-by-region/>.

Wind Power Technology

Wind power technology involves the design, manufacture, construction, and maintenance of wind power equipment. The global market for wind power technology is estimated to reach a value of around USD 94 billion by 2023.¹⁴

In 2013, the European market for wind power technology did not present a uniform picture in the individual countries. While the offshore segment gained momentum, the total market for wind turbines declined significantly with corresponding negative impact on our wind power technology business unit.

In 2014, the market for wind power technology enjoyed considerable gains. There was once again increased investor interest in wind turbines stimulated by subsidies in the USA. In India, the weak economy, high interest rates, delays in infrastructure projects, as well as the devaluation of the rupee dampened willingness to invest.

Competitive Landscape

We compete with a large number of other companies in our several business divisions and independent business units.

Our key competitors in the automotive supply business are worldwide active suppliers of mechanical or electronic components, such as Robert Bosch GmbH (Stuttgart, Germany) ("**Bosch**"), Continental AG (Hanover, Germany), Denso Corp. (Aichi, Japan), Delphi Corp. (Troy, Michigan, United States), and Magna International Inc. (Aurora, Ontario, Canada). In addition to these large suppliers, we also compete with a wide number of other companies in certain product areas, such as Aisin AW Co., Ltd. (Anja, Aichi, Japan), Jatco Ltd. (Shizuoka, Japan) and GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG (Untergruppenbach, Germany) in the fields of car automatic transmissions; and Valeo Group (Paris, France), LuK GmbH & Co. KG (Bühl, Germany) and Exedy Corp. (Osaka, Japan) in the fields of starting devices (e.g. clutches).

We also compete with Eaton Corporation Plc (Dublin, Ireland), Allison Transmission, Inc. (Indianapolis, Indiana, United States), Voith GmbH (Heidenheim, Germany) and Shaanxi Fast Gear Co., Ltd. (Xi'an, Shaanxi, China) with regard to heavy commercial vehicle transmissions; KYB Corporation (Tokyo, Japan), Tenneco, Inc. (Lake Forest, Illinois, United States), Hitachi Automotive Systems, Ltd. (Tokyo, Japan), Showa Corp. (Gyoda, Saitama, Japan) for shock absorbers; and Dana Holding Corp. (Maumee, Ohio, United States), CTR (Sinheung-Dong, Korea), Musashi Seimitsu Industry Co., Ltd. (Toyohashi-shi, Aichi, Japan), THK Co., Ltd. (Tokyo, Japan) in chassis components.

Our competitors in the industrial technology division depend on the specific industry. Mainly, we compete with inhouse production at the big OEM's. In addition, our further main competitors are Dana, Carraro, Kordel, TwinDisc, Reintjes, Renk, Schottel, Winergy, Moventas, Bosch Rexroth, China High Speed, Voith, Flender and Watteeuw.

¹⁴ Source: Statista 2015, <http://www.statista.com/statistics/217174/global-projected-growth-of-wind-power-by-2020/>.

Our Business

Overview

Founded in 1915 to produce gears and transmissions for aircraft, motor vehicles, and motorboats, we are today a global leader in the design, manufacturing and sale of driveline and chassis technology for the automotive industry and certain industrial sectors, with production companies in 26 countries. Headquartered in Friedrichshafen, Germany, we maintain seven major development locations in Europe, North America, and Asia. With total sales of EUR 18.4 billion in 2014 and a portfolio of several thousands of products in approximately 80 different product groups, we rank among the world's ten largest automotive suppliers.¹⁵

We are primarily active in the automotive industry, in particular in the areas of transmission systems, units and components, as well as chassis systems and components for passenger car and commercial vehicle manufacturers, and we believe we have been one of the fastest-growing companies in the automotive supply sector in recent years. However, our activities also cover other market segments such as industrial technology (agricultural tractors and construction machinery), electronic systems, wind power, marine propulsion, aviation technology, rail drives, special drives and test systems and transmission systems. In addition to our business with OEMs we are also active in the aftermarket through our business unit ZF Services. In 2014, on an unconsolidated basis, 70% of our sales were in the field of cars and light commercial vehicles below six tons, 18% in the field of commercial vehicles over six tons, and 12% in the field of construction and agricultural machinery, marine craft, aircraft, special and rail vehicles, as well as wind power.

Our strong presence in the world's largest automotive markets is complemented by a significant footprint in key emerging markets as we are continually expanding our global market presence. In recent years, particularly our operations outside of Western Europe have become increasingly important with not only the established markets in North and South America, but also the new markets in the Asia-Pacific region, Eastern Europe and India playing a major role. We are expanding our global presence by adapting our products to specific customers and market requirements while considering the most cost effective country for production and procurement. We support the international expansion of our existing customers while also servicing new customers in the markets which we enter. In 2014, we already generated 49.0% of our sales outside our traditional markets in Western Europe (including Germany), in particular in North and South America as well as the Asia-Pacific region, with China as the core market.

In addition to our primary product offering, we offer a wide range of services that are mainly marketed by our ZF Services organization. Our international service network of 36 wholly owned service companies and more than 570 service partners offers our customers an extensive range of services globally. These services primarily involve the spare-parts business for driveline and chassis technology as well as maintenance and repair services.

Our operating activities are organized into four divisions:

- the *Car Powertrain Technology* division pools our activities for passenger car driveline technology, in particular the development, production, and sale of transmissions, axle drives, traction modules, driveline components, as well as light metal die cast components;

¹⁵ Source: Automotive News, Top Suppliers, June 17, 2013.

- the *Car Chassis Technology* division has the overall responsibility for complete front and rear axle systems for vehicles of up to 6 tons, including chassis components, dampers, electronic damper and chassis systems for vehicles from all renowned global manufacturers;
- the *Commercial Vehicle Technology* division is responsible for our international business of powertrain and chassis technology for vehicles over 6 tons, including automated and manual transmissions, powershift transmissions, and powertrain components such as clutches, and electric drives as well as chassis components, shock absorbers, cabin dampers and axle systems for trucks and buses; and
- the *Industrial Technology* division bundles our activities for “Off-Road” applications. It focuses on the development and production of transmissions and axles for agricultural- and construction machinery as well as driveline technology for material handling systems, rail- and special vehicles as well as marine transmissions, aviation technology, wind turbine transmissions and test systems.

In addition, we have two independent business units:

- the *Electronic Systems* business unit develops and produces sensor systems, control units and power electronics as well as gearshift systems for automatic and manual transmissions in passenger cars and commercial vehicles for the automotive industry. It also produces computer input devices such as keyboards, mice and card readers and components for industrial and household applications; and
- the *ZF Services* business unit combines our aftersales business as well as the global offering of the ZF group in retail, services and customer service.

In 2014, ZF Group had reported sales of EUR 18,415 million (2013: EUR 16,837 million) and an EBITDA of EUR 2,044 million (2013: EUR 1,703 million). As of December 31, 2014, we had 71,402 employees (as of December 31, 2013: 68,236 employees).

Our Strengths

We believe we distinguish ourselves by the following key competitive strengths:

We have a leading market position in driveline and chassis technology.

Based on our reported sales in 2014, we ranked among the 10 largest automotive suppliers worldwide. Within the highly fragmented global automotive industry, we are a global leader in the design, manufacturing and sale of driveline and chassis technology. We believe that, in recent years, we have been one of the fastest-growing players in the automotive supply sector, achieving above average growth by benefiting from specific investments in the last 12 years as well as the installation of new plants e.g. for automatic transmissions in Gray Court, United States. We believe that the breadth of our product portfolio in driveline and chassis technology as well as electronics is unparalleled and, by acquiring TRW Group, we intend to further enhance this offering with regard to safety, braking, steering and automotive components. As our customers' end products become increasingly complex, our technology and innovation leadership in driveline and chassis technology is and will continue to be a decisive factor in enabling us to generate recognizable added value for our customers. To provide innovative products which generate the greatest possible added value for vehicle manufacturers and end customers, we invest about 5% of our sales in research and development (“**R&D**”) every year. In 2014, our R&D costs amounted to EUR 891 million (2013: EUR 836 million), and we expect to continue to invest significantly in the years to come in order to further strengthen and expand the Group's position. Along with our size and broad global footprint in terms of regional presence, the breadth of our product offerings and

applications as a global leader in the design, manufacturing and sale of driveline and chassis technology gives us significant advantage in scale and scope compared to our competitors.

We have a proven track record of strategic growth.

In the past, we achieved our leading position in the global automotive industry mainly through organic growth and several acquisitions that were completed over the past decade. In particular, we acquired numerous automotive suppliers such as (i) Mannesmann Sachs AG with its powertrain, chassis, rubber-metal and aftermarket trading business units in 2001, (ii) Cherry Corporation in 2008 to reinforce the Group's competence profile in the fields of mechatronics and electronics, and (iii) Hansen Transmissions International N.V. in 2011 to further diversify the Group's product portfolio in the area of wind turbine gearboxes. The Merger, when completed, will further enhance our position, as TRW Group is a significant supplier of active and passive safety systems with a strong position in driver assistance systems and collision avoidance (see "*Rationale for the Merger*"). Based on 2014 sales, the combined group represents the third largest global automotive supplier and has a strong portfolio mix, combining leading technologies in segments with excellent growth prospects and offers all the relevant technologies for a fully autonomous driving chassis under one roof.

We are strongly positioned to benefit from global megatrends of sustainability and efficiency.

We believe that the market for driveline and chassis technology will benefit from various global megatrends, such as growing environmental awareness, tighter emission regulations (such as the Euro 6 standard, which entered into force on January 1, 2015), increasing fuel costs, safety and convenience requirements and cost pressure for producers, and corresponding changing customer requirements. Due to our global leadership in the design, manufacturing and sale of driveline and chassis technology we believe we are in a strong position to take advantage of the especially attractive growth opportunities. For example, due to the increasing need for efficient transmissions, we expect higher demand for our automatic transmissions, hybrid solutions, electric drives, axle drives and drive components in the next few years. We are planning to double our sales of efficient 8HP and 9HP automatic transmissions between 2013 and 2017 and we expect to see a strong medium-term growth in hybrid applications and also in e-mobility solutions.

We have a true global footprint.

Our business is strongly diversified across products, markets and regions, allowing us to participate in a wide range of different growth trends and enhancing our resilience to cyclicity in particular industries and regions. With our own global network, including seven major development locations, 36 wholly owned service companies, 570 service partners and production companies in 26 countries, we are present in the largest automotive markets and also have a strong foothold in the key emerging markets. In 2014, we already generated 49% of our sales outside our traditional markets in Western Europe (including Germany), which contributed about 51% to our sales. We believe this true global footprint enables us to be close and responsive to our customers while offering products that meet both global and local standards and have a competitive price/performance ratio. We plan to further diversify our Group's geographic footprint and to significantly enhance our presence in the markets with the largest growth prospects. For example, we have recently opened two new plants for our Car Chassis Technology division in Beijing (China) and Malaysia and added a third location to our plant in Shenyang (China) in 2013 to capture the expected growth potential in this growing market. In addition, the Merger will further leverage our opportunities beyond our domestic Western European markets. The combined group has an even more balanced regional and customer portfolio in both volume and premium segments, including a further

improved footprint in our most significant growth regions such as China and the United States.

We have strong customer relationships.

We serve leading global OEMs and have particularly strong relationships with German premium OEMs such as BMW, VW (including Audi and Porsche), and Daimler, which have remained stable over decades. As a result, our business and international footprint has become highly correlated with our top OEM customers. For example, we operate 14 passenger car axle assembly locations on four continents, with all of them within 40 kilometers of one of our customer's plants. Our engineering expertise and products have become integral for our top OEM customers' business, in particular those customers without any in-house automatic transmission capabilities. The ongoing relationships with our top OEMs include regular senior management meetings, development dialogues at the board level and organization of technology days and regular information exchanges. We expect the envisaged combination with TRW Group to further enhance our ability to meet the increasing demand from OEMs for new technology solutions from their suppliers.

We have a proven track record of sustainable financing.

Sustainable financing is a critical competitive factor in the highly competitive automotive supply industry. We benefit from a high level of financial independence as our Group's strong cash flow generation and our traditionally modest dividend payouts have allowed us to maintain a minimal financial leverage even through the economic downturn in 2008/09 resulting from the global financial crisis. We and our main shareholder, the Zeppelin Foundation, are committed to maintain this conservative financial approach going forward. As part of our Group's financial strategy, we strive to continue to generate positive and growing free cash flows in the future.

Our Strategy

We believe that globalization leads to globally operating customers and competitors. As a result, we expect that fewer OEMs, mega platforms and conglomerates will dominate future markets. The related increasing purchasing power is likely to put additional cost pressure on us. In addition, the results of failures in components will multiply tremendously in mega platform concepts, highlighting the further increasing importance of quality management. Global megatrends such as the demographic change, increasing urbanization, tighter emission regulations, higher fuel costs, shifting values and the ongoing climate change are driving our core market towards new vehicle and mobility concepts. The progression of digitalization (electrification), while opening up new potential for products, system solutions and services, will further raise the complexity of our business to be managed by us. To address and benefit from these future challenges, we plan to implement the following five strategic goals which form the core of our strategy "ZF 2025".

The following is an overview of the key elements of this business strategy:

Innovation and Cost Leadership

We believe that innovation and cost leadership are key elements of our future competitiveness and success. As a leading global technology company, we have committed to the task of responding to global megatrends such as population growth, a shortage of resources, climate change and demographic changes. "Innovation Leadership" is principally implemented by our business divisions and our business units by addressing new and future mobility with integrated solutions and systems to ensure our leading market position in driveline and chassis technology.

Strong cost management is a decisive factor in the automotive supply industry. We have adopted a high level of cost awareness across our entire value chain from the design and technical features of products, the selection of procurement sources for raw materials, components and the production process to sales and general management. In addition, we have made our global presence more efficient and productive in recent years by shifting production to locations that provide clear cost advantages. We believe that "cost leadership" is a result of process excellence, business flexibility and quality leadership. Process excellence strives for benchmark and best practice processes while excellent processes are characterized as robust, flexible, fast, digitalized and standardized. Volatile markets can be encountered by business flexibility, e.g., in terms of adaptive organization. Zero defects or robust design as an expression of quality leadership support cost leadership by cost reduction or even avoidance. We aim to pursue this policy in the future systematically. By focusing on growth, efficiency and productivity as well as on cost discipline throughout we intend to counteract pricing pressure on our products, rises in personnel expenses and inflation effects.

Balanced Market Penetration

Our proposed reaction to new global purchasing power of our customers is a "Balanced Market Penetration", as we aim to grow with those automotive OEMs who are best positioned today and in the future (so-called global stars) and those OEMs who have the potential to develop from a local player into a global player in the future (so-called local stars). As one of the technology leaders in driveline and chassis technology, we have a clear objective to provide our customers around the globe with products and services that offer a noticeable added value. We strive to expand our sales and sourcing markets beyond our core European markets, in particular in the regions of Asia-Pacific, North America, and South America. TRW Group is one of the leading suppliers of automotive systems, modules and components to global automotive OEMs and related aftermarkets and it will complement our portfolio by increasing our customer base, product range and market reach. Furthermore, we intend to significantly strengthen our competence in electronics, its integration into our products and systems, as well as lightweight design to achieve and maintain a leadership position in both technology and costs.

To strengthen our electronics competence we intend to leverage the joint know-how of ZF Group and TRW Group for e-mobility or hybrid solutions in order to provide integrated solutions for our customers with fewer interfaces.

Diversified for Profit

Customer orientation in this respect means to develop and implement differentiated customer strategies. The top-goal "Diversified for Profit" stands for a group portfolio minimizing risks, enhancing flexibility, and creating sustainable value. Currently, we generate approximately 78% of our sales from OEMs, in particular through our Car Powertrain Technology, Car Chassis Technology and Commercial Vehicle Technology divisions. In order to mitigate the impact of the cyclicity in the automotive industry, we plan to increase the share of our sales to non-automotive customers by establishing and expanding new competence and market segments, such as in the fields of industrial technology, electronics, or service. In the fields of industrial technology, we expect growth potential especially for agricultural tractors and construction machinery. The steadily increasing world population and a decrease in arable farm land intensifies the necessity of efficient farming and therefore the demand for related farming machinery as agricultural tractors which in turn would lead to an increasing demand for our transmission and axle technology. The same trends apply to construction machinery. Investments into infrastructure, especially in the emerging markets, grow permanently which leads to a rising demand in machines. We already supply specific applications and markets in both segments. However, there remain several markets in which we are not active but in which we could enter with our existing technology portfolio, e.g. forestry and mining.

Aftermarket is also a sector for potential growth: with ZF Group and TRW Group acting together in the aftermarket we expect further growth potential.

Financial Independence

Our intended growth in combination with the maintenance of our "Financial Independence" requires the adjustment of our business model (e.g., make or buy ratio to be challenged, dealing at arm's length to be replaced by the cost plus principle). We are planning to continue our steady growth. Supporting this growth, while securing our financial independence, is the focal point of our financial strategy. In light of the limitations that our ownership structure imposes on the availability of external financing sources, our financing strategy focuses on the creation of value with the so called Value Based Management concept (VBA) and the generation of cash with free cash flow as a main performance indicator. Internal cost performance by ways of comprehensive cost engineering and external profit focus are cornerstones of our strategy to maintain our self-financing capability for investments in new products, technologies, and markets. Besides other strategic directions we feel ourselves committed to become eligible for an investment grade rating in the future.

Globally Attractive Employer

As a "Globally Attractive Employer" we try to succeed in the increasing competition for highly-qualified personnel, which is key for our sustainable success. Therefore, another of our objectives is to become a preferred global employer. In this respect, attracting and retaining talented and highly-skilled personnel and providing continuous further development opportunities are major challenges we face and key strategic targets. We have developed and launched Group wide leadership principles aimed at establishing a common understanding of common corporate culture. In addition, talent management and qualifications are supported and developed by promoting initiatives such as international training, the establishment of functional academy concepts, study and PhD program funding. In addition, we invite former ZF experts and executive managers to continue to offer us their valuable expertise and skills so that this knowledge can be retained. With this holistic approach to management, we monitor and anticipate systematic aspects of the workforce structure which allows us to sustain the employment of our employees and to confidently respond to the challenges of demographic change. We strive to be a fair and reliable employer that provides attractive career opportunities, that offers individual development opportunities, and that values the reconciliation of work and family by offering a variety of arrangements such as flexible working time models and remote working.

Our International Footprint

The focus of our international business activities has traditionally been in Western Europe, primarily in our domestic market of Germany. Here, we have large-scale locations in Schweinfurt, Saarbrücken, Passau, and in the Dielingen region in addition to our corporate headquarters in Friedrichshafen. These locations accommodate both production and development capacities. We have additional production facilities throughout Germany as well as in Austria, Belgium, the Czech Republic, France, Great Britain, Hungary, Italy, Russia, Slovakia, Spain, The Netherlands and Turkey. In 2014, we generated sales amounting to EUR 10,316 million in Europe, corresponding to a share of 56.0% of our total sales.

With 16 production companies in the United States and Mexico, we generated sales amounting to EUR 3,745 million in North America in 2014, corresponding to a share of 20.3% of our total sales. In South America, we have six locations throughout Argentina, Brazil, and

Columbia. Our sales in South America amounted to EUR 556 million in 2014, corresponding to a share of 3.0% of our total sales.

The Asia-Pacific region is becoming increasingly more important for us. We have 35 production locations in China, India, Japan, South Korea, Australia, Malaysia, Philippines, Singapore, Taiwan, Thailand, and United Arab Emirates. In addition, there are also development centers located in Shanghai (China) and Tokyo (Japan). In 2014, we generated sales amounting to EUR 3,621 million in the Asia-Pacific, corresponding to a share of 19.7% of our total sales. Within the Asia-Pacific region, the Chinese market experienced the greatest growth momentum, especially in the automotive sector. We invested in new production locations for passenger car axle systems in Beijing (China) and the expansion for passenger car axle assembly in Shenyang (China).

In Africa, we operate three production companies. In 2014, we generated sales amounting to EUR 177 million in Africa, corresponding to a share of 1.0% of our total sales.

In 2014, we spent EUR 891 million of R&D costs on our R&D activities. Our R&D departments are mainly located in our seven major development locations in Friedrichshafen, Dielingen, Passau, Schweinfurt, Northville (United States), Pilsen (Czech Republic), and Shanghai (China).

Our Principal Activities

Our operating activities are organized into four divisions, Car Powertrain Technology, Car Chassis Technology, Commercial Vehicle Technology, Industrial Technology, as well as two independent business units, Electronic Systems and ZF Services.

Divisions

Car Powertrain Technology

The Car Powertrain Technology division pools our operating activities for passenger car driveline technology, including the development, production, and sale of transmissions, axle drives, traction modules, driveline components, as well as light metal die cast components. The division focusses on innovation in the area of light vehicle transmissions and works closely with its strategic partners like BMW, the VW group, Jaguar, Land Rover, Fiat Chrysler Automobiles and Honda.

Due to the increasing significance of e-mobility we established our new Electric Drive Technology business unit in mid-2014 to pool our activities related to driveline electrification. The new business unit started operating within the Car Powertrain Technology division on January 1, 2015.

The division consists of the following six business units:

Business Units	Product Portfolio
Automatic Transmission	Automatic transmissions, hybrid transmissions
Manual Transmission/ Dual Clutch Transmission	Manual transmissions, dual clutch transmissions
Axle Drives	Front and rear axle drives, power take offs, bevel gear wheels, E-axis drives
Powertrain Modules	Active starting systems, electric drives, clutches and actuation systems, dual mass flywheels, torsional dampers, forming technique
Electric Drive Technology	Driveline electrification
Die Casting Technology	Gearbox housing, housings for control units, gearbox internal parts

Key products of the division in terms of sales and technology leadership are the 8- and 9-speed automatic transmissions with focus on high efficiency and minimization of fuel consumption as well as agility paired with comfort and superior driving pleasure. We have been the first transmission manufacturer worldwide to develop a modern passenger car automatic transmission with 9 gears. It has been designed for front or four-wheel drive vehicles with transverse engines and thus could theoretically be installed in 73% of all cars produced worldwide since 73% of all light vehicle produced Worldwide have front transverse installed engines.¹⁶

In 2014, the Car Powertrain Technology division had reported sales of EUR 6,742 million (2013: EUR 5,704 million). As of December 31, 2014, the division had 23,646 employees (as of December 31, 2013: 20,190 employees).

Car Chassis Technology

The Car Chassis Technology division combines our expertise in chassis technology for passenger cars and light commercial vehicles into one division with overall responsibility for complete front and rear axle systems for vehicles of up to 6 tons. Its portfolio includes chassis components, dampers, electronic damper and chassis systems for vehicles from all renowned global automotive OEMs.

With its seven development locations and 50 production sites located throughout the world, the division offers its customers complete chassis expertise from one supplier anywhere in the world. These worldwide capabilities also allows the division to develop innovative and multifunctional solutions by maintaining close cooperation with its customers and strategic partners worldwide.

¹⁶ Source: IHS, Global Insight database, own research.

The division consists of the following three business units:

Business Unit	Product Portfolio
Chassis Systems	Systems for front and rear axles, corner modules, AKC active kinematics control
Chassis Components	Lightweight design of chassis components, tie rods, stabilizer links, control arms, suspension joints, cross-axis joints, knuckles and hubs,
Suspension Technology	Conventional dampers, controlled damping systems, suspension struts, shock absorbers

In 2014, the Car Chassis Technology division had reported sales of EUR 5,885 million (2013: EUR 5,509 million). As of December 31, 2014, the division had 15,598 employees (as of December 31, 2013: 20,684 employees).

Commercial Vehicle Technology

Our Commercial Vehicle Technology division is responsible for our international powertrain and chassis technology business for heavy commercial vehicles (trucks and buses) over 6 tons. The product portfolio includes automatic and manual transmissions, powershift transmissions, and powertrain components such as clutches and electric drives for trucks and buses. The portfolio also comprises complete axle systems, shock absorbers and chassis components for vehicles of many renowned major vehicle manufacturers worldwide.

The division consists of the following five business units:

Business Unit	Product Portfolio
Truck & Van Driveline Technology	Manual and automatic transmissions designed for fuel-efficient driving and low-noise operation, hybrid technology
Axle & Transmission Systems for Buses & Coaches	Independent suspension and portal front- and rear axle systems, manual and automatic transmissions, electric drive technology for buses
CV Chassis Modules	Torque rods, tie rods, drag links, V-links, stabilizer links, suspension ball joints, driver's cabin anti roll bars, innovative lightweight design concepts
CV Damper Technology	Damper modules and damping systems, continuous damping control, horizontal damper, air spring / damper modules
CV Powertrain Modules	Single and double-disk clutches, dual-clutch modules, dual mass flywheels

In 2014, the Commercial Vehicle Technology division had reported sales of EUR 3,036 million (2013: EUR 3,249 million). As of December 31, 2014, the division had 13,146 employees (as of December 31, 2013: 14,369 employees).

Industrial Technology

The Industrial Technology division combines the ZF Group's activities for "Off-Road" applications. It comprises the development and production of transmissions and axles for agricultural- and construction machinery as well as driveline technology for material handling systems, rail- and special vehicles. The division is also responsible for the worldwide marine propulsion systems and aviation technology businesses as well as the gearbox development and production business. The division's portfolio includes test systems for a large variety of applications in driveline and chassis technology and the open telematics platform Openmatics. Our Industrial Technology division mainly services OEMs for agricultural and construction machinery as well as the wind power and marine industry.

The division consists of the following six business units:

Business Unit	Product Portfolio
Off-Highway Systems	Axles and transmissions for Construction vehicles, agricultural machinery, lift trucks, electric drives
Test Systems	Test rigs for brakes, tires and wheels, transmissions, transmission components, axles, wind power gearboxes
Special Driveline Technology	Transmissions for mobile cranes, rail- and special vehicles, protected vehicles, industrial drives, telematics platform (openmatics)
Marine Propulsion Systems	Transmissions for commercial vessels, fast craft , pleasure boats, remote control systems
Aviation Technology	Transmission manufacturing for helicopters, test stand technology
Wind Power Technology	Gearboxes for multi-MW wind turbines, wind energy services

In 2014, the Industrial Technology division had reported sales of EUR 2,052 million (2013: EUR 1,903 million). As of December 31, 2014, the division had 8,759 employees (as of December 31, 2013: 8,509 employees).

Independent Business Units

Electronic Systems

The Electronic Systems business unit develops and produces sensor systems, control units and power electronics as well as gearshift systems for automatic and manual transmissions in passenger cars and commercial vehicles. Computer input devices such as keyboards, mice and card readers and components for industrial and household applications are developed and produced under the brand name “Cherry”. The sales in our Electronic Systems business unit mainly go to OEMs in the automotive and motorbike industry.

The following table provides an overview of the four product lines of the business unit:




Product Line	Product Portfolio
Human Machine Interface	Gearshift systems for automatic, dual-clutch and automated manual transmissions, mechanical gearshift systems for automatic and manual transmissions
Body Chassis Driveline	Control units (incl. software), power electronics, sensors and mechatronic systems
Industrial Solutions	Electromechanical components such as snap-action switches, electronic controls, power electronic modules, sensors
Computer Input Devices	Keyboards, mice and card readers

In 2014, the Electronic Systems business unit had reported sales of EUR 640 million (2013: EUR 582 million). As of December 31, 2014, the division had 3,546 employees (as of December 31, 2013: 3,055 employees).

ZF Services

ZF Services combines SACHS, LEMFÖRDER and ZF Parts product brands and pools the worldwide product range of our retail, services and customer services. The business unit aims to strengthen international customer service with 36 wholly owned service companies and to expand the aftersales business with new products and services. Thereby, ZF Services focusses on large aftermarket wholesalers and distributors.

The following table contains an overview of the services/product brands provided by the business unit:

Service/Product Brand		Product Portfolio
ZF Services		Spare-parts business, maintenance and repairs, remanufacturing, services for fleet operators and workshops, technical information, non-automotive services
SACHS		Clutches, dampers and shock absorbers for passenger cars, trucks, buses and coaches, light commercial vehicles, and agricultural machinery
LEMFÖRDER		Steering and chassis components, precision products for passenger cars and commercial vehicles
ZF Parts		Transmission oils, oil change kits

In 2014, the ZF Services business unit had reported sales of EUR 1,630 million (2013: EUR 1,456 million). As of December 31, 2014, the division had 3,512 employees (as of December 31, 2013: 3,070 employees).

Our Functions

Marketing and Sales Activities

Market developments are heterogeneous and vary from region to region, while the customers increasingly operate on a global level. The markets, in turn, are subject to cyclical developments. Overall, this volatile environment diminishes the ability to plan ahead and requires flexible organizational structures that allow fast response times.

Adjusting to globalization and the increasing specialization of our customers, we have therefore improved our international coordination of customer-specific workflows. For this reason, we also introduced a global key account management in 2014 which streamlines all activities related to individual customers across different business units and divisions and ensures efficient customer care. Full transparency of all material business transactions and customer strategies is key for our customer relations performance. While the global key account management avoids redundancies and unites customers' concerns, it also provides our customers with contact persons below the management level who are able to address cross-divisional questions. Such customer relations benefit us as well as the customers.

Market intelligence gains more and more importance for us. In order to identify new trends, a cross-divisional and cross-regional team gathers and assesses relevant information and derives appropriate recommendations and courses of action. Such early identification and assessment of customer-specific, regional and technological trends, patterns, risk assessments, competition analyses and even the portfolio assessment of our own product categories often form the basis of management decisions.

With regard to our OEM sales, each of our business units has a dedicated sales organization which is in direct contact with our customers worldwide. Each sales force is responsible for the sales performance of the relevant business unit. In countries with only a small customer base or in which a local representative office is needed, the sales forces are supported by local representatives.

Our aftermarket activities, in particular for automotive, off-highway and industrial products, are handled by ZF Services. These activities include the spare parts distribution as well as the service and maintenance for all kind of ZF Group's products. In order to serve the markets and provide the workshop level with the right part at the right time we are working with leading wholesalers and distributors worldwide. Furthermore, our other divisions and sales forces in all major automotive markets are also able to perform service and maintenance work for their complex products. Our own service capacities are complemented by our more than 570 independent service partners worldwide, which are trained on our products and audited on regular basis.

Research and Development

We conduct R&D activities on a large scale, focusing on key growth technologies. We have established an innovation and R&D management system to develop new products, technologies, processes and methods for market-driven products. Our R&D costs amounted to EUR 891 million in 2014 (2013: EUR 836 million), corresponding to 4.8% of our sales, as in previous years.

As of December 31, 2014, 6,539 employees worked for ZF Research and Development worldwide. Of these, about 1,000 engineers and technicians worked at our ZF Group's corporate R&D departments in Friedrichshafen (Germany) and an additional 350 in Pilsen (Czech Republic), Shanghai (China) and Tokyo (Japan).

Our R&D centers work in close cooperation in all key areas of product development with customers of the automotive industry and with customers with demands for non-automotive drive technology. We use tools, such as simulation and rapid prototyping, for developing increasingly complex products that involve mechatronics. From individual bearing systems to complete vehicles and machine systems, all necessary tests can be carried out on testing facilities. This increases the operating safety of our products and we gain valuable insights for developing and improving our products further. Technological changes such as raising electrification, driver assistant systems, or light weight design open potentials for new products, system solutions and services. Due to the high technological bandwidth mastered, ranging from mechanics via hydraulics, pneumatics and electro mechanics up to highly complex electronics and mechatronics systems, we are capable of realizing large-scale systems integration projects in-house.

Purchasing of Raw Materials and Supplies

In the fiscal year ended December 31, 2014, our expenses for raw materials, supplies, and merchandise comprised EUR 10,739 million (2013: EUR 9,720 million).

Steel and aluminum are the principal raw materials used in many of our products. We purchase raw materials from global sources with whom we work closely to assure steel quality. Other important production materials include castings, turned parts and forgings. We obtain raw materials from a variety of sources and in general from more than one supplier. Prices of raw materials and energy resources are subject to curtailment or change due to, among other things, new laws or regulations, changes in demand levels, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels.

For a detailed description of the risks associated with raw materials and energy supply, please see *"Risk Factors—Risks relating to ZF Group and its business—We may be adversely affected by rising raw material and energy prices."*

IT Systems

Over the course of a two-year IT Innovation Initiative, we have intensified investments in future information technologies. As one of the results, ZF Search, a company-wide search application for our employees, went live. Via a simple access, it is possible to search through information and documents in multidisciplinary systems and quickly find data. The subject of unified communications was also examined. This term refers to the integration of all communication media (audio, video, and web conferences, instant messaging, and presence management) into the PC work environment. The objective of this technology is to make the collaboration, communication, and implementation of virtual meetings with internal and external participants significantly more efficient.

We reorganized our Sourcing and Vendor Management activities to support our global growth. This involves the extended use of external services for IT business applications. Future projects will be increasingly based on contracts with strategic IT providers.

As is the case with many other companies, we are also confronted with a growing number of cyber-attacks. They are becoming increasingly professional and aim at accessing our know-how. A new and comprehensive security program was implemented comprising a set of both organizational and technical measures which are combined with awareness campaigns for employees in order to ensure the highest possible protection. For a detailed description of the risks associated with our IT, please see *"Risk Factors—Risks relating to ZF Group and its business—We may experience failures of or other malfunctions in our computer systems"*.

Property, Plant and Equipment

As of December 31, 2014, the carrying amount of our property, plant, and equipment amounted to EUR 4,006 million (as of December 31, 2013: EUR 3,670 million). This included land and buildings in the amount of EUR 1,109 million (as of December 31, 2013: EUR 1,039 million), technical equipment and machines in the amount of EUR 1,763 million (as of December 31, 2013: EUR 1,600 million), other equipment, factory and office equipment in the amount of EUR 587 million (as of December 31, 2013: EUR 536 million) as well as payments in advance and construction in progress in the amount of EUR 547 million (as of December 31, 2013: EUR 495 million).

We operate production companies in 26 countries all over the world as well as many service and aftersales locations. These sites and locations are either owned by members of ZF Group or leased from third parties outside the ZF Group.

ZF's headquarters are situated at Graf-von-Soden-Platz 1, 88046 Friedrichshafen, Germany. The real property owned by ZF in Friedrichshafen cumulates to 753,264 sqm and comprises buildings with a total floor space of 502,598 sqm. For historical reasons, e.g. the acquisition of Sachs, ZF has four other big locations in Germany which are located in the areas of Schweinfurt, Saarbrücken, Passau and Lemförde.

The following table provides an overview of the most important locations of ZF Group:

Location	Size of Property (in sqm)	Owned/Leased	Primary Use
Friedrichshafen/Kressbronn, Germany	753,264	Mainly owned, partially leased	Headquarters, Production, R&D, Testing
Saarbrücken/Neunkirchen, Germany	620,061	Mainly owned, partially leased	Production
Schweinfurt, Germany	689,689	Mainly owned, partially leased	Production, R&D, testing
Passau/Thyrnau, Germany	768,183	Owned	Production, R&D, testing
Lemförde/Dielingen, Germany	503,898	Mainly owned, partially leased	Production, R&D
Graycourt, USA	542,279	Owned	Production
Northville, USA	197,534	Owned	North America headquarters, R&D
Tuscaloosa, USA	131,297	Mainly owned, partially leased	Production
Shanghai, China	220,402	Mainly owned ⁽¹⁾ , partially leased	Asia-Pacific headquarters, Production, R&D
Shenyang, China	61,751	Mainly leased, partially owned ⁽¹⁾	Production
Changung, China	24,263	Leased	Production
Pilsen, Czech Republic	13,971	Mainly owned, partially leased	R&D
Sorocaba, Brazil	679,620	Owned	South America headquarters, Production, R&D
Lommel, Belgium	185,726	Owned	Production, R&D
Tnava/Levice, Slovakia	280,354	Mainly owned, partially leased	Production

(1) The term "owned" in respect of property in China refers to long term usage rights (mostly 50 years) by virtue of land contracts.

Employees

Overview

As of December 31, 2014, we had 71,402 (as of December 31, 2013: 68,236) employees (in headcounts; excluding temporary workforce) in 26 countries worldwide.

The table below shows our headcount as of December 31, 2012, 2013 and 2014:

	As of December 31,		
	2014	2013	2012
Total ⁽¹⁾	71,402	68,236 ⁽²⁾	68,406

⁽¹⁾ Direct and indirect employees without temporary workers, apprentices, and holiday workers; starting from 2009.

⁽²⁾ Starting 2013, without employees of the Rubber & Plastics business unit and without AIBC employees.

Relationships with unions and works councils

Our employees in Germany are represented by unions, along with many of the employees in other countries. Furthermore, our employees in Germany are represented by works councils.

In Germany, we are a member of several regional employer associations (pertaining to the metal and electrical industry). We are therefore subject to various collective bargaining agreements of the association.

According to German law, our German employees established a company works council (*Gesamtbetriebsrat*) for all our primary German plants and separate works councils (*Betriebsräte*) for each German plant.

We have a close and constructive relationship with our German works councils and our German unions, evidenced by the fact that we have not experienced any disruptions from strikes or work stoppages in recent years.

Outside Germany, there are several other countries where our employees are represented by unions.

Pensions

We provide defined benefit pension plans in Germany, the United States, the United Kingdom and certain other countries. As of December 31, 2014, the total present value of our defined benefit obligations amounted to EUR 3,942 million (as of December 31, 2013: EUR 2,858 million). As of December 31, 2014, our net liabilities for defined benefit obligations shown in our consolidated statement of financial position as provisions for pensions (present value of the defined benefit obligation less plan assets) amounted to EUR 3,803 million (as of December 31, 2013: EUR 2,729 million).

Our externally invested pension plan assets are funded through externally managed investment funds. While we prescribe the general investment strategies applied by these funds, we do not determine their individual investment securities or alternatives. The pension plan assets are invested in different asset classes including equity, fixed-income securities, real estate and other investment vehicles.

Environment and Pollution

Our operations are subject to a wide range of environmental laws and regulations in various jurisdictions, including those governing the management and disposal of hazardous materials, the clean-up of contaminated sites and occupational health and safety.

Hazardous material, soil and groundwater contamination

Our operations include the use and storage of hazardous materials and can otherwise have an impact on soil and groundwater. Other environmentally sensitive substances required for the operation of sites, such as fuel and heating and lubricating oil, are used and stored at our sites. In addition, many of the sites at which we operate have been used for various industrial purposes for many years. As a result, some of our sites could be affected by soil and groundwater contamination. In some cases, we are obligated to perform further investigation or clean-up operations.

At some of our sites, asbestos was used in the construction of buildings. At present, asbestos used at these sites is usually bound in other materials, such as asbestos-containing cement boards used for heat insulation. The replacement of bound asbestos is usually not required under environmental laws. If a building is refurbished or demolished, however, or if asbestos containing materials are in a condition that could cause asbestos to become airborne, precautions for the protection of employees must be taken and the material must be properly disposed of. At some of our sites, asbestos-containing structures will have to be demolished and such materials disposed of in the future.

For a detailed description of the risks associated with the use of hazardous material and possible soil, water and groundwater contamination, please see "*Risk factors—Risk relating to ZF Group and its business—We face environmental risks associated with soil, water, or groundwater contamination or for risks related to hazardous materials*".

Compliance

All countries in which we operate have adopted complex laws, regulations, technical rules and standards concerning environmental protection. We are required to obtain and maintain permits from governmental authorities for many of our operations. These laws, regulations and permits are subject to change over time and require the ongoing improvement and retrofitting of plants, equipment and operations, which can, at times, require substantial investments. According to the ZF standard, all our plants are currently certified under ISO 14001 or in the process to seek certification for their environmental management system. Furthermore, on a voluntary basis, 12 of our plants are already certified according to OHSAS. The number of OHSAS certified plants is steadily increasing.

Insurance coverage

We believe that we have economically reasonable insurance coverage with respect to product and environmental liability, property insurance, business interruption insurance and other insurance (e.g., automobile, credit and freight insurance). Furthermore, we consider the insurance coverage level relating to our directors and officers (D&O insurance) to be economically reasonable.

Patents, Trademarks and Licenses

We have obtained many patents and licenses to cover our products, their design and our manufacturing processes and are continuously seeking to secure further patents on our developments.

Industrial intellectual property is high on ZF's list of priorities. As in previous years, ZF was able to maintain its position among the top patent applicants in Germany in 2014.

In 2014, we applied for 927 (2013: 724) new patents, which makes us one of the top 10 innovative companies in Germany based on number of applications submitted. We exceeded the high level set in the previous year with 1,201 (2013: 1,000) internal invention disclosures. Our inventions focused on transmission system technology. New, up-and-coming areas are electronic control systems for transmissions, electric drives, and axle systems. With regard to brand and domain rights, ZF has reinforced the protection of its valuable assets worldwide. The brand and domain inventory consists of more than 3,800 (2013: 3,300) individual brands and more than 1,200 (2013: 1,000) domains.

We consider our intellectual property a competitive advantage of our business. Hence, we devote significant resources to the filing and monitoring of our patents and other intellectual property rights, to the prosecution of infringements thereof and to the protection of our proprietary information. For example, we conduct intensive market studies regarding product counterfeits and, consequently, enforce our claims by legal action. In addition, we examine patent studies with regards to the competitive situation of our developments. For a detailed description of the risks associated with intellectual property rights, please see "*Risk factors—Risks relating to ZF Group and its business—We may be unable to effectively protect our intellectual property rights.*" and "*Risk factors—Risks relating to ZF Group and its business—There is a risk that we may infringe intellectual property rights of third parties.*"

Legal and Arbitration Proceedings

The members of the ZF Group are regularly parties to legal disputes in the course of their business activities, none of which is either individually or as a whole material with regard to the financial situation or profitability of our Group. Except for the investigation described below, there are currently no, and no member of the ZF Group has been involved in any, governmental, legal or arbitration proceedings during the last twelve months against or affecting any member of the ZF Group, nor is the Guarantor aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the financial position or profitability or results of operations of the ZF Group.

On September 17, 2014, the *Conselho Administrativo de Defesa Econômica* (CADE) conducted an on-site inspection at our offices in Sorocaba and Sao Bernardo, Brazil, investigating suspected infringements of competition law in the automotive sector. Our offices were searched and copies of a number of documents were taken. CADE is now further investigating the matter and we expect further procedural steps in 2015. We have initiated an internal investigation into allegations of wrongdoings in the auto parts market. We have not been notified of the initiation of a formal investigation by CADE yet. If CADE concludes that we were involved in anti-competitive behavior, CADE may impose a fine. However, at this stage it is not possible to provide a reliable estimate of the amount of any fine or to conclude with certainty if and when fines would be imposed. Further, if there is evidence of anti-

competitive behavior, we may also face follow-on damage claims by both direct and indirect purchasers of our products.

Major Shareholders

As of the date of this Prospectus, the Zeppelin Foundation, Friedrichshafen, Germany, is the main shareholder of our Group holding 93.8% of our shares. The Zeppelin foundation is managed by the City of Friedrichshafen and dedicated mainly to promoting science and research, the arts and culture, and the welfare of children and young people. The financial resources of Zeppelin Foundation may only be used to fund non-profit charitable or social projects.

Our other shareholder is the Dr. Jürgen and Irmgard Ulderup Foundation, Lemförde, Germany, which holds 6.2% of our shares. We have not issued employee stocks.

Certain Relationships and Related Parties Transactions

In accordance with IAS 24, persons or companies that control or are controlled by the ZF Group have to be disclosed to the extent that they are not already included in the consolidated financial statements of ZF as a consolidated company. Control exists if a shareholder owns more than one half of the voting rights in ZF or, by virtue of an agreement, has the power to control the financial and operating policies of our management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on our financial and operating policies, including close family members and intermediate entities. A significant influence on the financial and operating policies of ZF Group can be based on a shareholding of 20% or more in ZF, a seat on the Board of Management or the Supervisory Board, or another key position in management. This includes all joint ventures, associates, and enterprises in which ZF holds at least 20% of the shares, and the Zeppelin Foundation as a special fund of the City of Friedrichshafen, the Dr. Jürgen and Irmgard Ulderup Foundation as shareholder of the Guarantor, as well as the Luftschiffbau Zeppelin GmbH, and its subsidiaries as well as all members of the Board of Management and Supervisory Board and close members of their families, as well as those entities over which the members of the Board of Management and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Set forth below is an overview of such transactions with related parties as of and for the fiscal years ended December 31, 2012, 2013 and 2014. Further information, including quantitative amounts, of related party transactions are contained in the notes to our audited consolidated financial statements as of and for the fiscal years ended December 31, 2013 and 2014.

General

We had business transactions with related parties in the ordinary course of business in the fiscal years ended December 31, 2012, 2013 and 2014. All such related party transactions were in our view carried out in accordance with the arm's length principle.

The following table contains an overview of all related party transactions in the fiscal years ended December 31, 2012, 2013 and 2014:

In EUR million	Joint ventures	Associates	Other participations
As of and for the fiscal year ended December 31, 2014 (audited)			
Supplies and services rendered			
- Sale of goods	54	2	27
- Services	19	0	1
- Other services	0	0	1
Supplies and services received			
- Sale of goods	25	16	10
- Services	1	0	34
- Other services	0	0	0
Receivables	23	11	26
Liabilities	31	3	27
As of and for the fiscal year ended December 31, 2013 (audited)			
Supplies and services rendered			
- Sale of goods	63	1	44
- Services	16	2	2
- Other services	0	0	1
Supplies and services received			
- Sale of goods	28	30	15
- Services	1	0	36
- Other services	0	0	0
Receivables	19	9	22
Liabilities	30	2	45
As of and for the fiscal year ended December 31, 2012 (audited)			
Supplies and services rendered			
- Sale of goods	56	3	132
- Services	14	1	7
- Other services	0	0	1
Supplies and services received			
- Sale of goods	25	31	11
- Services	0	0	33
- Other services	0	0	1
Receivables	16	8	54
Liabilities	10	2	68

Relationships with our Shareholders

As of December 31, 2014, we had one business transaction with a related party outside the ordinary course of business where ZF granted a loan of EUR 8 million (as of December 31, 2013: EUR 9 million) at an interest rate of 4.0% p.a. (as of December 31, 2013: 4.0%) to Bodensee-Messe Friedrichshafen GmbH, Friedrichshafen, Germany, an entity in which ZF holds 2% of the shares and the City of Friedrichshafen holds 50% of the shares.

Relationship with Members of the Management Board and Supervisory Board

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

Material Contracts

Merger Agreement with TRW Holding

On September 15, 2014, ZF, TRW Holding and MSNA, a wholly owned U.S. subsidiary of ZF held indirectly through ZFNA, entered into the Merger Agreement under which ZF will, subject to certain closing conditions, acquire 100% of TRW Holding's outstanding share capital in an all-cash transaction for USD 105.60 per share through a merger of MSNA into TRW Holding, with TRW Holding surviving the Merger as a subsidiary of ZF. The transaction has already been unanimously approved by the relevant corporate bodies of both ZF and TRW Holding. Based on the agreed price per share the purchase price is expected to amount to approximately USD 12.4 billion.

The Merger Agreement contains customary representations and warranties that TRW Holding on the one hand, and ZF and MSNA, on the other hand, have made to one another (in some cases, as of specific dates) relating to their respective businesses. The assertions embodied in those representations and warranties were made solely for purposes of the Merger Agreement, and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating the terms of the Merger Agreement.

In addition, the Merger Agreement is subject to customary closing conditions, including antitrust clearance in the United States, the European Union and certain other jurisdictions such as Mexico and China, as well as the adoption of the Merger Agreement by the holders of a majority of all of the outstanding shares of common stock of TRW Holding at a special meeting of TRW Holding's shareholders. On November 14, 2014, ZF and TRW Holding received notice from the Committee on Foreign Investment in the United States ("CFIUS") that CFIUS had concluded its review of the transaction and determined that there are no unresolved national security concerns with respect to the proposed Merger. On November 19, 2014, the Merger Agreement was also approved by the majority of the shareholders of TRW Holding at an extraordinary shareholders' meeting held, representing 79% of TRW Holding's shares outstanding, with shareholders' representing 81% of TRW Holding's shares casting their votes. In addition, antitrust clearance was obtained in all jurisdictions except for Mexico and the United States. The timing of the remaining antitrust clearances cannot be predicted. However, ZF has currently no indication that required antitrust approvals will not be granted or that other conditions for the closing of the Merger will not be met. Accordingly, ZF expects the closing of the Merger to occur in the first half of 2015. However, there can be no assurance that the closing of the Merger will occur or as to its timing.

The Merger Agreement also contains certain termination rights for each of ZF and TRW Holding, including the right for TRW Holding to terminate in the event of a superior acquisition proposal for TRW Holding (subject to certain conditions), the right for ZF to terminate in case TRW Holding's Board of Directors changes its recommendation to its shareholders that they vote in favor of approval of the transaction and the right of either party to terminate upon certain material breaches of the other party, in case closing has not occurred on or before September 15, 2015 or in case the required shareholder approval cannot be obtained at TRW Holding's special shareholders meeting (or any adjournment or postponement thereof). Upon certain terminations, ZF or TRW Holding, as applicable, may owe a termination fee of USD 450 million to the respective other party. In such case, TRW Holding would have to pay for ZF's expenses in the amount of up to USD 20 million.

Until the closing of the Merger, the TRW Group is subject to certain interim operating restrictions on its operations. Following the closing of the Merger, TRW Holding will be delisted from the New York Stock Exchange.

Master Purchase Agreement regarding former business unit Rubber & Plastics

Pursuant to a Master Purchase Agreement dated December 10/11, 2013 (the "**MPA**"), Zhuzhou Times New Material Technology Co., Ltd. ("**TMT**") acquired, via subsidiaries, from ZF all its tangible and intangible assets, contracts, liabilities and employment relationships pertaining to ZF Group's former Rubber & Plastics business unit in Germany, as well as the shares of certain subsidiaries of ZF outside of Germany (the "**Share Deal Entities**") for cash consideration of EUR 290 million, subject to further adjustment for the aggregate amounts of financial debt, cash and trade working capital (the "**Purchase Price**"). The transaction was completed on September 1, 2014.

In the MPA, ZF made certain representations and warranties to TMT. Most of these representations and warranties will expire to the extent that no claim for indemnification for losses or expenses arising from a breach of such representations and warranties has been made on or prior to March 1, 2016, except for certain representations and warranties relating to, *inter alia*, the power and authority of ZF and former shareholders of the Share Deal Entities, organization, non-contravention, ownership of purchased shares, taxes, environmental compliance and employee benefits, which have varying expiration dates later than March 1, 2016. ZF's maximum aggregate liability for breaches of representations and warranties under the MPA is limited to an amount of 15% of the Purchase Price.

TMT has agreed to indemnify ZF for losses and expenses relating to a breach by TMT of its representations, warranties, covenants or other contractual obligations under the MPA. This indemnity expires on March 1, 2016 to the extent that no claim has been made thereunder on or prior to that date, except for claims relating to breaches of covenants of TMT, which will expire 12 months after ZF has obtained actual knowledge of such breach.

Share Purchase and Transfer Agreement regarding the divestment of ZF's stake in ZF Lenksysteme

Pursuant to a share purchase and transfer agreement dated September 14/15, 2014 (the "**Divestment SPA**"), Bosch acquired from ZF its 50-percent stake in ZF Lenksysteme for a cash consideration. The transaction was completed on January 30, 2015 with Bosch becoming the sole owner of ZF Lenksysteme. The former joint venture was renamed Robert Bosch Automotive Steering GmbH in order to also emphasize the new ownership structure in the name.

In the Divestment SPA, ZF made certain representations and warranties to Bosch. Most of these representations and warranties will expire to the extent that no claim for indemnification

for losses or expenses arising from a breach of such representations and warranties has been made on or prior to February 1, 2018, except for certain representations and warranties relating to, *inter alia*, the power and authority of ZF, organization, ownership of purchased shares, competitive constraints, compliance, business permissions, which expire either on February 1, 2020 or February 1, 2025. ZF's maximum aggregate liability for breaches of representations and warranties under the Divestment SPA is limited to the amount of the cash consideration received.

Financing Agreements

The following table depicts our major financial liabilities outstanding as of March 31, 2015 as well as of December 31, 2012, 2013 and 2014:

	<u>As of March 31, 2015</u>	<u>As of December 31,</u>		
		<u>2014</u>	<u>2013</u>	<u>2012</u>
		(in EUR million)		
		(unaudited)		
2011 Senior Facilities Agreement	–	30	400	400
2014 Senior Facilities Agreement	22 ⁽¹⁾	0	—	—
ZF Bonded Loans (<i>Schuldscheindarlehen</i>).....	2,362	400	400	400

⁽¹⁾ Refers to an ancillary facility utilized by one of ZF's Indian subsidiaries in the amount of EUR 22 million in March 2015.

2011 Senior Facilities Agreement

In connection with the refinancing of a syndicated credit agreement with KfW dated November 9, 2009, ZF entered into a syndicated term loan and revolving credit facilities agreement (the "**2011 Senior Facilities Agreement**") with Deutsche Bank AG, Filiale Deutschlandgeschäft, Commerzbank Aktiengesellschaft, Bayerische Landesbank, Landesbank Baden-Württemberg, BNP Paribas S.A. Niederlassung Frankfurt am Main, Citigroup Global Markets Limited, Citigroup Global Markets Deutschland AG, DZ BANK AG Zentral-Genossenschaftsbank, Frankfurt am Main, WestLB AG and Deutsche Bank Luxembourg S.A. as original lenders in the original amount of EUR 1 billion on September 23, 2011. As of December 31, 2014 an amount of EUR 30 million was utilized by one of our subsidiaries by way of a guaranteed bilateral credit line under the 2011 Senior Facilities. The 2011 Senior Facilities Agreement has been terminated and all relating loans have been repaid in March 2015.

2014 Senior Facilities Agreement

Description of the Facilities

In connection with the Merger and the refinancing of the 2011 Senior Facilities Agreement, ZF, ZFNA and MSNA, a wholly owned U.S. subsidiary of ZF held indirectly through ZFNA, as original borrowers (together with any additional borrowers, the "**2014 Borrowers**") and original guarantors (together with any additional guarantors, the "**2014 Guarantors**") entered into an unsecured syndicated multicurrency term loan and revolving credit facilities agreement (the "**2014 Senior Facilities Agreement**") with Citigroup Global Markets Limited and Deutsche Bank AG, Filiale Luxembourg as mandated lead arrangers and bookrunners, Citibank N.A., London Branch, Deutsche Bank AG, Filiale Luxemburg as original lenders and Citibank International plc as facility agent in the original aggregate amount of EUR 12.5 billion (equivalent) on September 15, 2014. The 2014 Senior Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

The 2014 Senior Facilities Agreement comprises the following facilities (the "**Facilities**");

- a Euro bridge term loan facility in the aggregate amount of EUR 4,787 million ("**Facility A1**") which matures on September 15, 2015, such maturity date however being subject to two extension options for six months each which itself (together with the maturity date of Facility A2 (as defined below) is subject to further conditions (the "**Facility A Extension Option**");
- a US Dollar bridge term loan facility in the aggregate amount of USD 3,500 million ("**Facility A2**") which matures on September 15, 2015 such maturity date however being subject to the Facility A Extension Option;
- a Euro term loan facility in the aggregate amount of approximately EUR 1,337 million ("**Facility B1**") which matures on September 15, 2017;
- a US Dollar term loan facility in the aggregate amount of USD 1,500 million ("**Facility B2**") which matures on September 15, 2017;
- a euro term loan facility in the aggregate amount of approximately EUR 612 million ("**Facility C1**") which matures on September 15, 2019;
- a US Dollar term loan facility in the aggregate amount of USD 500 million ("**Facility C2**") which matures on September 15, 2019;

(Facility A1, Facility A2, Facility B1, Facility B2, Facility C1 and Facility C2, together the "**Term Facilities**"); and

- a multicurrency revolving credit facility in an aggregate amount of EUR 1,500 million (the "**Revolving Credit Facility**" or "**RCF**") which matures on September 15, 2019 (the "**Final Maturity Date – 2014 Revolver**"). The RCF can also be made available as ancillary facilities by way of, *inter alia*, overdraft facilities, guarantees, derivatives facilities and foreign exchange facilities. Each loan made available under the RCF must be repaid on the last day of its interest period and all amounts outstanding under the RCF must be repaid on the Final Maturity Date – 2014 Revolver or such earlier date as the relevant loan is reduced to zero.

Each 2014 Borrower must apply all amounts borrowed under the Term Facilities towards:

- financing the aggregate per share consideration for the Merger pursuant to the terms of the Merger Agreement (for further details on the Merger, see "*Information about the Guarantor and the ZF Group—Material Contracts—Merger Agreement with TRW Holding*") and any fees, costs and expenses in connection with the Merger;
- refinancing of the existing debt of TRW Group, including related breakage costs, early repayments and redemption premiums and other fees, costs and expenses relating to such refinancing;
- any fees, costs and expenses payable in connection with the Facilities and the Merger; and
- refinancing any existing debt of the Group including related breakage costs, early repayments and redemption premiums and other fees, costs and expenses relating to such financing.

The available currency for drawdowns under the Term Facilities is the currency in which the relevant facility is denominated. The RCF can be utilized in Euro but also provides for optional currencies.

The 2014 Guarantors irrevocably and unconditionally, jointly and severally guarantee, among other things, to each finance party as defined under the 2014 Senior Facilities Agreement

punctual payment by each borrower of all that borrower's obligations under the finance documents as defined under the 2014 Senior Facilities Agreement.

Events of Default

The 2014 Senior Facilities Agreement contains customary events of default, the occurrence of which would allow for, among other things, the cancellation of creditors' commitments, a declaration that all or part of the loans together with accrued interest and all other amounts outstanding under the finance documents are immediately due and payable or that they are payable on demand or a declaration that all or part of the amounts outstanding under any ancillary facility are immediately due and payable. These events of default, subject to certain agreed grace/clean-up periods and exceptions, include:

- failure to make payments of amounts due and payable at the place and in the currency in which they are expressed to be payable in connection with the 2014 Senior Facilities Agreement and any related finance documents;
- failure to comply with the financial covenants;
- failure to comply with provisions of the finance documents (other than those referred to above);
- misrepresentations in material aspects;
- a cross default with respect to other financial indebtedness of any member of the ZF Group (including TRW Group), subject to a threshold of EUR 30 million (or its equivalent in any other currency or currencies);
- certain insolvency events or proceedings of (i) an obligor (a guarantor or a borrower under the 2014 Senior Facilities Agreement, "**Obligor**") or (ii) a subsidiary of ZF that individually represents 2% or more of the aggregate of the unconsolidated EBITDA, gross assets or turnover of all members of the ZF Group (including TRW Group) (a "**2014 Material Subsidiary**");
- certain creditors' processes, including attachments, sequestration, distress, execution or enforcement of a security or an analogous event affecting any asset or assets of an Obligor or a 2014 Material Subsidiary in respect of an aggregate amount of indebtedness of EUR 30 million or more which is not discharged within 30 days;
- an Obligor repudiates a finance document or evidences an intention to repudiate a finance document; or
- a material adverse effect occurs on (i) the business, financial condition, operations or assets of ZF and/or the Group taken as a whole, (ii) the ability of the Obligors (taken as a whole) to perform their payment obligations under the finance documents or (iii) the validity or enforceability of (any of) the finance documents.

Additionally, the 2014 Senior Facilities Agreement contains a mandatory redemption event and termination right of a lender's commitment in case of a change of control with regard to ZF. A change of control occurs if any person or group of persons, acting in concert (other than the Zeppelin Foundation), gains control of ZF or if there is a sale of all or substantially all of the assets and businesses of the ZF Group (including TRW Group).

Furthermore, the 2014 Senior Facilities Agreement contains a mandatory redemption event with respect to a creditor's commitment if such creditor's respective participation in a loan becomes unlawful.

The 2014 Senior Facilities Agreement furthermore requires mandatory redemptions/cancellations of the Facilities from net proceeds received from (i) the disposal of assets

(subject to certain thresholds and conditions) or (ii) certain types of debt or capital raisings, such as equity instruments or initial public offerings of shares in any member of the ZF Group (other than ZF and including TRW Group).

With regard to the RCF, all amounts repaid before the Final Maturity Date – 2014 Revolver may be re-borrowed, while any other amounts under the 2014 Senior Facilities Agreement cannot be borrowed again once they have been repaid.

Interest and Fees

The Facilities bear interest in the aggregate of (a) the applicable margin and (b) IBOR, which includes (i) LIBOR in relation to any loan denominated in any currency other than euro or (ii) EURIBOR (which cannot fall below zero) in relation to any loan denominated in euro. Interest is due at the end of every interest period and if such period is longer than six months, six months after the beginning of an interest period.

The applicable margin is variable and depends on the type of facility. The initial margin for Facility A is 2.25% per annum, 2.50% per annum for Facility B, 2.75% per annum for Facility C and 2.25% per annum for a loan under the RCF. Every three months, the margin for Facility A will increase by 25 bps per annum starting three months after the conclusion of the 2014 Senior Facilities Agreement. All other margins will be adjusted in case ZF receives a public long-term rating from certain rating agencies, increasing or decreasing dependent on such rating. The margin ranges from (i) 1.00 (Facility B1 and B2), 1.25 (Facility C and C2) and 0.75 (RCF) for a rating of Baa2 (or higher) from Moody's and BBB (or higher) from S&P to (ii) 3.50 (Facility B1 and B2), 3.75 (Facility C1 and C2) and 3.25 (RCF) for a rating of Ba3 (or lower) from Moody's and BB- (or lower) from S&P.

On the available but undrawn commitment under the Facilities, ZF must pay a commitment fee to the creditors, the amount of which increases over time. Within the first two months of the date of the 2014 Senior Facilities Agreement, however, the creditors are not entitled to such a fee. Within the subsequent two months, ZF must pay a commitment fee of 15% of the applicable margin. Four to six months after the date of the 2014 Senior Facilities Agreement, the creditors are entitled to 22.50% in case of loans under the Term Facilities and to 25.00% in case of loans under the RCF. Thereafter, the creditors are entitled to 30.00% in case of loans under the Term Facilities and to 35.00% in case of loans under RCF.

Undertakings

The 2014 Senior Facilities Agreement contains a number of customary affirmative and negative covenants customary for this type of financing which are subject to certain specified exceptions. These covenants include, among others, the obligation to provide financial statements and management accounts as well as business plans and also comprise certain other customary information obligations.

Covenants

The restrictive covenants include, but are not limited to, restrictions on the incurrence of financial indebtedness, asset disposals, the granting of security (so called 'negative pledge'), corporate restructurings, change of business, acquisitions and investments and substantial change of the general nature of the business of the ZF Group (including TRW Group).

In relation to the payment of dividends or share redemptions, please note that the payment of dividends may be permitted within the limits of certain baskets.

Financial Covenants

Furthermore, the 2014 Senior Facilities Agreement contains certain financial covenants, with which the Group must comply. These are (i) consolidated total net borrowings to adjusted

consolidated EBITDA (calculated in accordance with certain parameters stipulated by the 2014 Senior Facilities Agreement) and (ii) consolidated EBITDA (calculated in accordance with certain parameters stipulated by the 2014 Senior Facilities Agreement) to consolidated net finance costs.

Leverage

ZF must ensure that the ratio of its consolidated total net borrowings to its adjusted consolidated EBITDA (calculated in accordance with certain parameters stipulated by the 2014 Senior Facilities Agreement) does not exceed as of each date specified below, the ratio set forth opposite that date:

- 31 December 2014 - 3.25:1;
- 31 March 2015 - 3.25:1;
- 30 June 2015 - 3.00:1;
- 30 September 2015 - 2.75:1;
- 31 December 2015 - 2.75:1;
- 31 March 2016 - 2.50:1;
- 30 June 2016 - 2.50:1;
- 30 September 2016 - 2.25:1;
- 31 December 2016 - 2.25:1; and
- 31 March 2017 and thereafter - 2.00:1.

Interest Cover

ZF must also ensure that the ratio of its consolidated EBITDA (calculated in accordance with certain parameters stipulated by the 2014 Senior Facilities Agreement) to its consolidated net finance costs is not less than:

- 5.50:1 in the fiscal years 2015 and 2016;
- 6.00:1 in the fiscal year 2017; and
- 6.50:1 in the fiscal year 2018 and thereafter.

Guarantors / Security

The 2014 Senior Facilities Agreement is unsecured. However, ZF has to ensure that TRW Holding and all other 2014 Material Subsidiaries accede to the 2014 Facilities Agreement as guarantors within 60 days of the completion of the Merger.

Furthermore, ZF must ensure that

- the aggregate unconsolidated EBITDA (calculated in accordance with certain parameters stipulated by the 2014 Senior Facilities Agreement) of the guarantors represents not less than 65% of the sum of the unconsolidated EBITDA of all members of the ZF Group (including TRW Group);
- the aggregate unconsolidated gross assets of the guarantors represent not less than 65% of the sum of the unconsolidated gross assets of all members of the ZF Group (including TRW Group); and
- the aggregate unconsolidated sales of the guarantors represents not less than 40% of the sum of the unconsolidated turnover of all members of the ZF Group (including TRW Group).

Available and Outstanding Amounts

As of March 31, 2015, the amounts available and outstanding under the 2014 Senior Facilities Agreement were:

<u>Facility</u>	<u>Maximum amount available</u>		<u>Balance outstanding</u>	
	(in EUR million)	(in USD million)	(in EUR million)	(in USD million)
		(unaudited)		
Facility A1.....	1,812	—	0	0
Facility A2.....	—	3,500	0	0
Facility B1.....	1,337	—	0	0
Facility B2.....	—	1,500	0	0
Facility C1.....	612	—	0	0
Facility C1.....		500	0	0
RCF.....	1,500	—	22 ⁽¹⁾	0
Total	5,261	5,500	22	0

⁽¹⁾ Refers to an ancillary facility utilized by one of ZF's Indian subsidiaries in the amount of EUR 22 million in March 2015.

ZF Bonded Loans (*Schuldscheindarlehen*)

As of the date of this Prospectus, the outstanding tranches of euro-denominated bonded loans (*Schuldscheindarlehen*) issued by the Guarantor (the "**ZF Bonded Loans**") consist of:

<u>Tranche</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Carrying amount//</u>
			<u>nominal value</u> <u>(in EUR million)</u> (unaudited)
ZF 2012-2015.....	October 2015	1.78%	11.0
ZF 2012-2015.....	April 2015	variable	20.5
ZF 2012-2017.....	October 2017	2.432%	55.5
ZF 2012-2017.....	April 2015	variable	19.0
ZF 2012-2019.....	October 2019	3.117%	42.0
ZF 2012-2019.....	April 2015	variable	7.0
ZF 2015-2018.....	January 2018	2.110%	334.5
ZF 2015-2018.....	January 2018	variable	454.0
ZF 2015-2020.....	January 2020	2.500%	536.5
ZF 2015-2020.....	January 2020	variable	410.5
ZF 2015-2022.....	January 2022	2.910%	345.0
ZF 2015-2022.....	January 2022	variable	126.0
Total			2,361.5

2012 ZF Bonded Loans

In 2012, we issued six tranches of euro-denominated bonded loans (*Schuldscheindarlehen*) with fixed and variable interest rates in the aggregate amount of EUR 400 million (the "**2012 ZF Bonded Loans**"). In December 2014, we offered the lenders under these 2012 ZF Bonded Loans to become lenders under the newly issued 2015 ZF Bonded Loans (as described below). Most of the lenders under the 2012 ZF Bonded Loans accepted this offer whereas others agreed to an amendment of certain conditions of the 2012 ZF Bonded Loans. As a result, the 2012 ZF Bonded Loans were replaced by the 2015 ZF Bonded Loans proportionally. In addition, we terminated the 2012 ZF Bonded Loans with variable interest

rates with effect as of April 25, 2015. The 2012 ZF Bonded Loans with fixed interest rates are planned to be repaid on their respective maturity dates.

2015 ZF Bonded Loans

In January 2015, we issued six tranches of euro-denominated bonded loans with fixed and variable interest rates in the aggregate amount of EUR 2,206.5 million (the “**2015 ZF Bonded Loans**”).

The principal loan amount under each of the 2015 ZF Bonded Loans is repayable in full at the maturity date indicated in the table above. Interest under the 2015 ZF Bonded Loans with variable interest rate is payable semi-annually, interest under the 2015 ZF Bonded Loans with a fixed interest rate is payable on an annual basis.

The variable interest rate for the 2015 ZF Bonded Loans due 2018 is 1.90% per annum plus the six-month EURIBOR, variable interest rate for the 2015 ZF Bonded Loans due 2018 is 2.15% per annum plus the six-month EURIBOR and variable interest rate for the 2015 ZF Bonded Loans due 2022 is 2.40% per annum plus the six-month EURIBOR.

The 2015 ZF Bonded Loans provide for an increase of the relevant margin or fixed interest rate (as the case may be) by 75 basis points per year if our net debt is equal to or more than three times of our EBITDA; such ratio is tested for the first time as of December 31, 2015 with the provision that any EBITDA contributed by the TRW Group is taken into account on a pro-forma annualized basis. The 2015 ZF Bonded Loans do not include any financial covenants.

The 2015 ZF Bonded Loans contain certain undertakings of ZF such as a negative pledge (including certain customary exemptions) as well as a restriction on disposals with regard to ZF and its material subsidiaries (including certain exemptions which include a general exemption in relation to disposal in an aggregate amount of not more than EUR 500,000,000 for each year as well as an exemption with respect to disposal proceeds which are re-invested in the ZF Group).

Each of the 2015 ZF Bonded Loans also includes a termination right for the relevant lender if ZF is liquidated, merged with another entity or if any encumbrance or disposal of shares in ZF results in a change of control. Such change of control is defined as a case in which Zeppelin Foundation Friedrichshafen ceases to hold more than 50% of the voting rights in ZF or ceases to control ZF. Each lender may also terminate any of the 2015 ZF Bonded Loans if the financial indebtedness of ZF or its material subsidiaries (owed to any entity which is not a member of ZF Group) has been declared due and payable by the relevant third party before the scheduled maturity due to a default of ZF or the relevant material subsidiary provided, however, that the aggregate amount of such indebtedness exceeds EUR 60 million.

The obligations represented by the 2015 ZF Bonded Loans rank pari passu with all other senior unsecured obligations of ZF.

Bilateral loan agreements

In addition to the financing instruments above, we and certain of our subsidiaries have entered into bilateral loan agreements with certain banks or other financial institutions. As of December 31, 2014 the financial liabilities relating to such agreements amounted to EUR 261 million.

Other than the aforementioned, we have not entered into material contracts outside the ordinary course of its business, which could result in any group member being under an obligation or entitlement that is material to our ability to meet the obligations to the Holders in respect of the Notes being issued.

Regulatory Framework

We are subject to environmental and regulatory laws governing our business activities in the countries in which we operate. This includes, *inter alia*, provisions on (i) air emissions, (ii) water protection, (iii) waste treatment, (iv) soil and groundwater contamination, (v) handling, storage and transport of hazardous goods and (vi) chemical substances. Further, we are subject to requirements on product safety, occupational health and safety as well as export control regulations. Application of the various regulations depends on the specific facilities, installations and activities at the business locations and the type and use of the products manufactured by us. For example, the permits and notifications required for a specific facility depend on many individual factors, including the specific purpose of the facility, its capacity and physical structure, the emissions produced by the facility, and the existence of any auxiliary facilities.

Moreover, the products manufactured by us have to comply with various legal requirements.

The provisions under environmental and regulatory law applicable to us and our products are subject to change. They are continuously being adapted, at the national and international levels (especially by the European Union), to the level of technical sophistication, the increased need for safety and recognition of environmental aspects in political decisions.

Since a large number of our subsidiaries and/or production sites are located in member states of the European Union and since we generate a significant portion of our turnover within the European Union, the following description of particularly relevant legal provisions focuses on acts adopted by European institutions. These acts may be complemented by implementing additional (stricter) requirements established by specific EU member states. In addition, this section comprises summaries of the regulatory framework for our products in the United States, a market outside the European Union that is important for us from a sales perspective.

Regulatory framework for our operations in the European Union

The industrial sites operated by us have to comply with several environmental and regulatory requirements, which can be enforced by the authorities, by competitors (e.g., via the competition laws) or by environmental NGOs based on their broader access and action rights. In addition, environmental liabilities can occur due to public or civil environmental laws. In the following, the main legal sources in the European Union for such obligations or liabilities are summarized. The regulations applicable within the single EU member states may have specific characteristics, e.g., due to leeway with regard to the implementation of EU regulations into EU member state's legal system or within areas of law that have not yet been harmonized fully or in parts on EU's level.

Permits and compliance

General

For the construction, operation and alteration of industrial facilities, such as production plants, we generally need emission control permits or, alternatively, building permits and permits under water laws. In the application process for such permits, the authority assesses whether the specific facility the permit has been applied for will be in compliance with applicable provisions of environmental and regulatory law, in particular, with regard to emissions, building planning and building regulations law, waste disposal, nature protection, occupational health and safety and, in the case of permits under water law, use and disposal of water are

examined. As a general rule, the permits cover most of additional environmental and regulatory requirements that have to be met (e.g., with respect to emissions and occupational health and safety). Some application procedures include public participation, e.g., the application procedure for an emission control permit may include a public participation not limited to specific stakeholders. As a result of the public participation objections may be raised and thereby complicate and delay procedures. Moreover, permits may be subject to legal proceedings initiated by third parties, namely neighbors and environmental non-governmental organizations whose participation rights have been expanded by the EU public participation directive (Directive 2003/35/EC, as last amended by Directive 2011/92/EU of the European Parliament and of the Council of December 13, 2011) and its interpretation by the European Court of Justice.

Non-compliance with the requirements set out in specific permits and their ancillary conditions may trigger administrative fines, the responsible individuals may also be subject to criminal prosecution. Furthermore, as a worst case scenario the authority may order a (partial) shutdown of the facility and, under certain circumstances, revoke the permit.

Industrial emissions control

Directive 2010/75/EU on industrial emissions (the Industrial Emissions Directive, "**IED**"), successor of Directive 2008/1/EC of the European Parliament and of the Council concerning integrated pollution prevention and control (the IPPC Directive) stipulates that certain industrial installations, including installations for the production and processing of metals, are generally required to have a permit. This permit can only be issued by the competent authority if specified environmental conditions are met, e.g., if the operator takes appropriate preventive measures against pollution and if the installation does not cause significant pollution.

The IED includes, *inter alia*, a regular authority review and update of permits in view of new technical standards and enforcement. In addition, activities subject to a permit requirement under the IED have to reach the standard of the "best available techniques" ("**BAT**"). The EU Commission will draw up, review and, where necessary, have updated the BAT standards and issue the binding BAT conclusions for the application of BAT in practice (e.g., specific thresholds, monitoring measures, consumption levels). These binding BAT conclusions are published in best available technique reference documents ("**BREF**"). As an example, the Commission is in the process of preparing a new BREF related to the processing of ferrous metals.

The IED requires a periodical review of the ancillary conditions in existing permits and, if necessary, amendments of these conditions to ensure compliance with the IED. For example, this is a novelty in the German system where permits under the Federal Emission Control Act (*Bundes-Immissionsschutzgesetz*) are as a rule unlimited in time and only subject to subsequent amendments to the extent they are proportionate. The requirement of iterative amendments of existing permits may also apply to the installations operated by us as a few of our installations fall within the scope of the IED.

For certain installations subject to IED, there is a new requirement relating to the status of the soil and (ground) water. This new requirement applies not only to new installations, but also to existing installations if a permit is updated. For these installations, since January 7, 2013, the operator must prepare and submit a baseline report on soil and groundwater contamination to the authorities in order to establish a reference situation for the case that installations later on

are decommissioned and the operator then will be required to restore the environmental status of the baseline report. Also, there will be public access to these reports, enforcement and other environmental information. This is expected to increase perception and costs of operating industrial plants subject to the IED requirements.

In Germany, for example, the provisions of the IED were implemented into German law through amendments to the Federal Emission Control Act (*Bundes-Immissionsschutzgesetz*), the Water Management Act (*Wasserhaushaltsgesetz*) and other environmental laws and ordinances.

Waste from production processes

General

As of December 12, 2010, Directive 2008/98/EC of the European Parliament and of the Council of November 19, 2008, as last amended by Commission Regulation (EU) No 1357/2014 of December 18, 2014 (the "**Waste Framework Directive**") redefined the legal framework on waste treatment within the European Union. We have to comply with the requirements of the Waste Framework Directive as implemented by the national laws. This relates in particular to the disposal of waste from production processes. The measures provided for in the Waste Framework Directive apply to all substances or objects which the holder discards or intends or is required to discard. They do not apply to gaseous effluents, waste waters and some other types of waste which are subject to specific EU rules.

The Waste Framework Directive introduced a new waste hierarchy, i.e., the members states have to take the following measures for the treatment of their waste (listed in order of priority): (i) prevention, (ii) preparing for reuse, (iii) recycling, (iv) other recovery including, notably, energy recovery and (v) disposal. Yet, as regards specific waste streams, EU member states may depart from the hierarchy where this is justified by life-cycle thinking on the overall impacts of the generation and management of such waste.

EU member states must prohibit the abandonment, dumping or uncontrolled disposal of waste. EU member states must ensure that any holder of waste has it handled himself (according to the requirements of the Waste Directive on waste handling) or by a (i) private or public waste collector, (ii) broker or (iii) disposal undertaking or establishment. Undertakings or establishments treating, storing or tipping waste on behalf of third parties must obtain a permit from the competent authority relating, in particular, to the types and quantities of waste to be treated, the general technical requirements and the precautions to be taken. The competent authorities may periodically check that the conditions of the permit are complied with. They also monitor undertakings which transport, collect, store, tip or treat their own waste or third parties' waste. Waste treatment facilities and undertakings disposing of their own waste also require a permit. In accordance with the "polluter pays" principle, the cost of waste disposal must be borne by the holder who has waste handled by a waste collector or an undertaking and/or by previous holders or the producer of the product giving rise to the waste.

Further, the Waste Framework Directive strengthens waste prevention through the instruments of producer responsibility and waste prevention programs. It also supports the recovery of waste by stating obligations to separate waste and recycling targets for certain types of waste. The Waste Framework Directive establishes a procedure to define criteria for by-products and the end of waste status for specific production processes and waste streams,

which will ensure legal certainty and improve the acceptance of quality recycling products. It also clarifies the distinction between energy recovery and disposal of waste by introducing energy efficiency criteria. On July 2, 2014 the European Commission initiated a legislative process with its proposal to review recycling and other waste targets in the Waste Framework Directive (COM/2014/0397 final). The main elements of the proposal aim to improve recycling and the re-use of municipal and packaging waste. Moreover, the disposal of waste by means of landfilling shall be reduced.

Soil and groundwater contamination

We are liable for soil and groundwater contamination present on currently used sites. We may further be liable for soil and groundwater contamination on former sites as well as adjacent sites. We cannot exclude that remediation measures related to these sites may be required in the future. In addition, we cannot exclude that soil and groundwater contamination may be identified on further currently used sites.

On the European level, liability for contamination of soil and groundwater has not, to date, been subject to specific regulations or a protection policy. Some soil protection aspects can be found scattered in various legal documents, hence different EU policies can contribute to protect soil. This is the case with many provisions in the existing environmental EU legislation in areas such as water, waste, chemicals, industrial emissions, nature protection and pesticides. However, these provisions do not establish a comprehensive soil protection regime including liability for soil and groundwater contamination. The European Commission therefore strives to establish a common framework to protect soil on the basis of the principles of preservation of soil functions, prevention of soil degradation, mitigation of its effects, restoration of degraded soils and integration in other sectoral policies. It published a proposal for a directive on soil protection in 2006 (COM (2006) 232 final dated September 22, 2006).

However, this proposal was withdrawn by the Commission via a so called obsolete proposal on May 21, 2014. A new proposal has not been submitted yet. On February 13, 2012, the European Commission has published a report on ongoing activities in the field of soil protection (COM (2012) 46 final) according to which no progress has been made on the implementation of the proposed European directive on soil protection. The Committee of the Regions has published an opinion of November 29 - 30, 2012 (OJ C 17, January 19, 2013, p. 37), which recommends implementing a soil framework directive without limit thresholds. Hence, it is rather unlikely that this framework directive, if it comes into force, includes stricter requirements than the current national provisions. However, as the sustainable land management and the remediation of contaminated sites is part of the priority objectives of the General Union Environment Action Programme to 2020 of November 20, 2013 (Decision No 1386/2013/EU of the European Parliament and of the Council) further measures at EU level can be expected.

In Germany, for example, liability for soil and groundwater contamination is laid down in the Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*) in conjunction with the Federal Soil Protection and Contamination Regulation (*Bundes-Bodenschutz- und Altlastenverordnung*). Both require specific measures if certain thresholds of hazardous substances are exceeded. These measures include that contamination of soil and groundwater must be explored, removed, reduced or, at least, prevented from spreading onto adjacent sites or that its spreading is mitigated in the long term. If there is reasonable suspicion that contamination of soil and groundwater may be present on a site, the authority may order investigation

measures to explore the contamination. If the suspicion is confirmed, the authority may order remediation or containment measures.

Under the German Federal Soil Protection Regime, both the present owner and the party currently having control of the premises may be held liable by the authorities to undertake such measures which often imply significant costs. The same applies to the party who caused the contamination as well as to the former owner if it transferred ownership after March 1, 1999, and was or must have been aware of the harmful changes to the soil or groundwater contamination. Further, if a legal entity is liable for soil and groundwater contamination under the aforementioned provisions, it cannot be ruled out that the shareholders in this entity may be held liable (piercing of the corporate veil) in evident cases of circumvention of liability for soil and groundwater contamination. In all cases of liability for soil and groundwater contamination, it may be subject to controversy that actually caused an existing contamination. Although the competent authorities are allowed to address remediation orders against all parties mentioned before, they usually aim for the most efficient remediation by addressing such order to the party with the largest financial resources. The "polluter pays principle" is taken into consideration but will be disregarded if approaching the polluter may endanger an efficient and quick execution of the ordered measures. If a party is held liable by the authorities for soil and groundwater contamination, it may be indemnified by other liable parties under the Federal Soil Protection Act. Yet, contractual agreements under civil law (e.g., guarantees and indemnities) do not protect against authority action. Such agreements may only provide reimbursement. Further, contractual agreements may protect from compensation claims of other liable persons under the Federal Soil Protection Act.

Water use and protection and waste water treatment

We are subject to the regulations on water use and protection and waste water treatment (implemented by the applicable national laws) as we extract water (e.g., from groundwater wells), use and dispose of it in the course of our production processes.

Directive 2000/60/EC of the European Parliament and of the Council of October 23, 2000, as last amended by Commission Directive 2014/101/EU of October 30, 2014 (the "**Water Framework Directive**"), includes a comprehensive approach to water protection. By means of this Directive, the European Union provides for the management of inland surface waters, groundwater, transitional waters and coastal waters in order to prevent and reduce pollution, promote sustainable water use, protect the aquatic environment, improve the status of aquatic ecosystems and mitigate the effects of floods and droughts. EU member states must ensure that water pricing policies provide adequate incentives for users to use water resources efficiently and that the various economic sectors contribute to the recovery of the costs of water services, including those relating to the environment and resources. Moreover, EU member states must introduce arrangements to ensure that effective, proportionate and dissuasive penalties are imposed in the event of breaches of the provisions of this Water Framework Directive. A list of priority substances selected from among the ones which present a significant risk to or via the aquatic environment has been drawn up using a combined monitoring-based and modeling-based procedure.

The list of 45 priority substances in the field of water policy is laid down in Annex X of the Water Framework Directive. Twenty-one of the identified priority substances were classified as priority hazardous substances and the EU member states are, as a rule, obliged to implement measures with the aim of cessation or phasing out of emissions, discharges and losses of the relevant substances. Further, EU member states must apply environmental

quality standards to all priority substances. This is set out in Directive 2008/105/EC of the European Parliament and the Council of December 16, 2008, last amended by Directive 2013/39/EU of the European Parliament and the Council of August 12, 2013, which is a daughter directive to the Water Framework Directive.

Groundwater is protected by both the Water Framework Directive and Directive 2006/118/EC of the European Parliament and of the Council of December 12, 2006, last amended by Commission Directive 2014/80/EU of June 20, 2014 ("**Groundwater Daughter Directive**"), which is another daughter directive to the Water Framework Directive. In particular, the Groundwater Daughter Directive lays down detailed quality criteria for the assessment of the groundwater's chemical status including standards set at EU level and requirements for threshold values to be set at the EU member state level.

The Groundwater Daughter Directive contains criteria for the identification and reversal of pollution trends and requires EU member states to establish measures to prevent the input of hazardous substances into the groundwater and limit the introduction of other pollutants.

Discharge of waste water and its treatment is regulated by Council Directive 91/271/EEC of May 21, 1991, last amended by Council Directive 2013/64/EU of December 17, 2013. The Directive governs the collection, treatment and discharge of urban waste water and the treatment and discharge of waste water from certain industrial sectors. In particular, the Directive provides that the discharge of industrial waste water into collective sewage water systems is subject to specific requirements (e.g., with regard to stipulations on limit values or approval prerequisites).

Control of major-accident hazards involving dangerous substances

Directive 2012/18/EU of the European Parliament and the Council of July 4, 2012, successor of Council Directive 96/82/EC lays down rules for the prevention of major accidents which involve dangerous substances, and the limitation of their consequences for human health and the environment, with a view to ensuring a high level of protection.

According to this directive, the operator is obliged to take all necessary measures to prevent major accidents and to limit their consequences for human health and the environment. The operator has to send a notification to the competent authority, including information such as the immediate environment of the establishment, and factors likely to cause a major accident or to aggravate the consequences thereof including, where available, details of neighboring establishments, of sites that fall outside the scope of this Directive, areas and developments that could be the source of or increase the risk or consequences of a major accident and of domino effects.

The operator is required to draw up a document in writing setting out the major-accident prevention policy ("**MAPP**") and to ensure that it is properly implemented. The operator shall periodically review and where necessary update the MAPP, at least every five years. The operator of an upper-tier establishment has to produce a safety report for the purpose of demonstrating that a MAPP and a safety management system for implementing it have been put into effect. The operator also has to draw up an internal emergency plan for the measures to be taken inside the establishment and to supply the necessary information to the competent authority, to enable the latter to draw up external emergency plans.

For upper-tier establishments it has to be ensured that all persons likely to be affected by a major accident receive regularly and in the most appropriate form, without having to request

it, clear and intelligible information on safety measures and requisite behavior in the event of a major accident.

According to Art. 13 (2) of the Directive 2012/18/EU the EU member states shall ensure to maintain appropriate safety distances between establishments covered by this Directive and residential areas, buildings and areas of public use, recreational areas, and, as far as possible, major transport routes. This may lead to restrictions, in particular, where a plant shall be amended and/or extended.

The provisions of this directive were implemented into German law through the Federal Hazardous Incident Regulation (*Störfall-Verordnung*).

Directive 2004/35/EC of the European Parliament and of the Council of April 21, 2004, on environmental liability with regard to the prevention and remedying of environmental damage (ELD), as last amended by Directive 2013/30/EC of the European Parliament and of the Council of June 12, 2013, establishes a framework of environmental liability based on the 'polluter-pays' principle. Directive 2004/35/EC provides, in particular, that operators carrying out dangerous activities or specific activities listed in the Directive's annexes are liable for fault-based damage (restricted to damages to protected species and natural habitats, damage to water and damage to soil).

Chemicals and hazardous substances

REACH

"**REACH**" is the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 of the European Parliament and of the Council of December 18, 2006, as last amended by Commission Regulation (EU) No 895/2014 of August 14, 2014). As we use several chemical substances and mixtures in the course of our production processes, we are subject to REACH as importer or downstream user. REACH entered into force in stages, firstly on June 1, 2007, to streamline and improve the former legislative framework on chemicals of the European Union. Its main objectives include improving the protection of human health and the environment from the risks that can be posed by chemicals and ensuring the free circulation of substances on the internal market of the European Union.

REACH places greater responsibility on the industry to manage the risks that chemicals may pose to the health and the environment. Other legislation regulating chemicals (for example, on cosmetics, detergents) or related legislation (e.g., on health and safety of workers handling chemicals, product safety, construction products) not replaced by REACH continue to apply.

REACH applies to all chemical substances, however, under certain conditions substances are exempted from all or a part of the obligations under REACH. In principle, all manufacturers and importers of chemicals must identify and manage risks linked to the substances they manufacture and market. For substances produced or imported in quantities of one ton or more per year per company, manufacturers and importers need to demonstrate that they have appropriately done so by means of a registration dossier, which shall be submitted to the European Chemicals Agency ("**ECHA**"). ECHA may then check that the dossier is compliant with the Regulation and will evaluate testing proposals to ensure that the assessment of the chemical substances will not result in unnecessary testing, especially on animals. Where appropriate, authorities may also select substances for a broader substance evaluation to further investigate substances of concern.

REACH also provides for an authorization system aiming to ensure that substances of very high concern are adequately controlled and progressively substituted by safer substances or technologies or only used where society benefits overall from using the substance. These substances are prioritized and gradually included in Annex XIV to REACH. Once they are included, the industry has to submit applications to ECHA on authorization for continued use of these substances which are otherwise prohibited. In addition, EU authorities can impose restrictions on the manufacture, use or placing on the market of substances causing an unacceptable risk to human health or the environment.

Manufacturers and importers must provide their downstream users with the risk information they need to be able to use the substance safely. This is done via the classification and labeling system and Safety Data Sheets (SDS), where needed.

Handling and transport of hazardous goods

We are involved in the carriage of hazardous goods, e.g., as loader and unloader of such goods and are therefore subject to specific requirements related to such carriage. For example, at the international level the European Agreement concerning the International Carriage of Dangerous Goods by Road as of September 30, 1957 (*Accord européen relatif au transport international des marchandises Dangereuses par Route*, “**ADR**”), as amended on January 1, 2015 (ECE/TRANS/242 Vol. I and Vol. II), includes provisions applicable to the carriage of dangerous goods on roads. Pursuant to ADR, dangerous goods, as a general rule, may be carried internationally in road vehicles subject to compliance with a number of conditions, such as packaging and labeling requirements. Specific dangerous goods (e.g., goods which are poisonous and explosive at the same time) are excluded from carriage on the road. The ADR has been implemented and supplemented by many EU member states (such as Germany). Directive 2008/68/EC of the European Parliament and of the Council of September 24, 2008 on the inland transport of dangerous goods, as last amended by Commission Directive 2014/103/EU, establishes a common regime for all aspects of the inland transport of dangerous goods, by road, rail and inland waterways within the European Union and incorporates, in particular, the ADR into European law.

Employee health and safety

According to national and international provisions we are in most jurisdictions obliged to take measures related to health and safety at work. In general, compliance with employment safety regulations is subject to regulatory supervision.

Laws on state aid

Within the European Union, state aid may be granted by the European Union, the EU member states or state authorities in various forms, including subsidies, loans or guarantees at favorable conditions, or infrastructure measures realized specifically for one company. Pursuant to Article 107 of the Treaty on the Functioning of the European Union (“**TFEU**”), state aid or aid granted through state resources, in any form whatsoever, that distorts or threatens to distort competition by favoring certain businesses or manufacturing sectors, is incompatible with the internal market of the European Union insofar as it affects trade between member states.

The European Commission verifies on an ongoing basis whether member states are in compliance with the existing rules on state aid (e.g., on the basis of notifications required by

Art. 108 TFEU prior to grant state aid). If the European Commission classifies a state aid scheme or single subsidies as prohibited aid, it may order that various measures be taken by the relevant EU member state. In particular, the European Commission could require the aid to be clawed back. In this case, the aid beneficiary will be obliged to return or refund any payments received to the institution that granted the aid. If the prohibited aid was granted under ongoing contracts, the beneficiary will have to repay the subsidy equivalent (i.e., the difference between the fair market price of the performance and the aid granted) or, in certain circumstances, the respective contracts will have to be rescinded. Rescission could entail the premature termination of important contracts. Depending on the law of the relevant EU member state (e.g., Germany) contracts that entail state aid but have not been notified to the Commission in advance may be considered, in a worst case scenario, null and void.

A part of our investment requirements for developing and expanding our production capacity is covered by state aid, such as subsidies, loans at favorable conditions or tax reductions or exemptions. The respective decisions on granting public aid received by us contain various conditions, e.g., regarding the creation of jobs or specific R&D activities. Concerning R&D activities, the Commission has recently published a Communication (Communication from the Commission, OJ 2014 C 198/1, 27.6.2014), generally facilitating public support of such activities. In case of a breach of the conditions set out, the aid may be clawed back by the institution that granted the aid.

Road safety and technical standards

Our products for the automotive sector have to comply with road safety and technical standards and requirements.

For the purpose of (passenger) safety and to ensure the proper functioning of the internal market of the European Union, vehicle components and technical units have to comply with various requirements stipulated in a large number of European legal acts. For instance, Directive 2007/46/EC of the European Parliament and of the Council of September 5, 2007 (last amended by Commission Regulation (EU) No 1171/2014 of October 31, 2014) established a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles which EU member states were required to transpose into national law. In Annex IV, the Directive lists about 70 separate regulatory requirements for the purpose of EU type-approval of various models of vehicles, a further requirement currently being in the legislative process (cf. proposal of the European Commission COM (2013) 316 final of June 13, 2013, for a regulation of the European Parliament and of the Council concerning type-approval requirements for the deployment of the eCall in-vehicle system and amending Directive 2007/46/EC on which the Council has found a political agreement on its 1st reading position). Commission Regulations (EU) No 143/2013 of February 19, 2013 and (EU) No 195/2013 of March 7, 2013 have included additional requirements for the EC type-approval procedure in Directive 2007/46/EC, aiming at an efficient monitoring of carbon dioxide emissions of vehicles.

A further example is Regulation (EC) No 661/2009 of the European Parliament and of the Council of July 13, 2009 (last amended by Commission Regulation (EU) No 523/2012 of June 20, 2012), which establishes requirements for the type-approval of motor vehicles and their trailers including systems, components and separate technical units intended therefor with regard to their safety. It includes, *inter alia*, requirements related to steering, braking and electronic stability and, with respect to fuel efficiency and CO₂ emissions, for gear shift indicators. As a general rule, this Regulation shall apply from November 1, 2011.

As part of "**CARS 2020**", an action plan of the European Commission for a competitive and sustainable automotive industry in Europe of November 8, 2012 (COM (2012) 636 final), the Commission will carry out an extensive in-depth-evaluation of the vehicle type-approval framework. This may, in particular, lead to stricter provisions on market surveillance of automotive products. The Commission issued a first working document on the evaluation of the type-approval framework on November 12, 2013 (SWD(2013) 466 final).

Emissions from vehicles

Regulatory requirements related to emissions from vehicles as set out below do not apply to us or our products directly but to our customers in the automotive industry. We assist these customers to fulfill the regulatory requirements relating to both noise and pollutants emissions by continuously developing our products according to the needs of our customers.

Noise emissions

Noise emissions are regulated by the Council Directive 70/157/EEC of February 6, 1970 as last amended by Council Directive 2013/15/EU of May 13, 2013. The Directive lays down limits for the noise level of the mechanical parts and exhaust systems of the vehicles concerned. The limits range from 74 dB(A) for motor cars to 80 dB(A) for high-powered goods vehicles. On April 16, 2014 the European Parliament and the Council adopted the Regulation (EU) No 540/2014 which amends Directive 2007/46/EC and repeals Council Directive 70/157/EEC with effect from July 1, 2027. The Regulation (EU) No 540/2014 establishes the administrative and technical requirements for the EU type-approval of new vehicles of specific categories with regard to their sound level and of replacement silencing systems and components. According to Annex III of the Regulation (EU) No 540/2014 the limit values will be lowered in three steps of each 2 db(A) for vehicles used for the carriage of passengers and for vehicles used for the carriage of goods the reduction will be 1 db(A) or 2 db(A) depending on the technically permissible maximum laden mass.

Furthermore, the old test method of the vehicle noise Directive (70/157/EEC) will be replaced by a new test method recognized internationally and better reflecting present driving behavior. It was developed under the auspice of the Economic Commission for Europe of the United Nations (UNECE). The Commission shall carry out and publish a detailed study on sound level limits by July 1, 2021. In addition, manufactures shall install Acoustic Vehicle Alerting System (AVAS) in new hybrid electric and pure electric vehicles by July 1, 2021.

Pollutant emissions

With regard to carbon dioxide emissions of new passenger cars, Regulation (EC) No 443/2009 of the European Parliament and of the Council of April 23, 2009 (last amended by Commission Regulation (EU) No 333/2014 of March 11, 2014) ("**Regulation 443/2009**") limits the average carbon dioxide emissions of the new car fleet in the EU from 2012 at 130g of carbon dioxide per km by means of improvement in vehicle engine technology. From 2020 onwards, this Regulation sets a target of 95g of carbon dioxide per km for the new car fleet in the European Union. The emission limits set by Regulation 443/2009 applies to new passenger cars registered in the European Union and is calculated as a function of their mass. Manufacturers may form a pool in order to meet their targets. Where two or more manufacturers form a pool, the pool will be treated as if it were one manufacturer for the purposes of determining its compliance with the targets. From 2012 onwards, manufacturers who do not meet their targets must pay an excess emissions premium.

With regard to carbon dioxide emissions of light commercial vehicles (class N1), Regulation (EU) No 510/2011 of the European Parliament and of the Council of May 11, 2011 (last amended by Regulation (EU) No 253/2014 of February 26, 2014 and Commission Delegated Regulation (EU) No 404/2014 of February 17, 2014) ("**Regulation 510/2011**") limits the average emissions of the fleet of new vehicles in the European Union at 175g of carbon dioxide per km. From 2020 onwards, a target of 147g of carbon dioxide per km for new light commercial vehicles applies. Corresponding to Regulation 443/2009, each manufacturer has to fulfill an individual emissions target calculated on the basis of the individual manufacturer's fleet. Manufacturers may form a pool in order to meet their targets. Further, from 2014 onwards, manufacturers exceeding their individual target have to pay an excess emissions premium.

Both Regulations 443/2009 and 510/2011 provide for a review of the emission targets set out in those regulations by the end of 2015 in order to establish carbon dioxide emission targets for new vehicles for the period beyond 2020.

Other pollutant emissions (in particular nitrogen oxides and particulate matter) are regulated separately for (i) light passenger and commercial vehicles (Regulation (EC) No 715/2007 of the European Parliament and of the Council of June 20, 2007 (last amended by Commission Regulation (EU) No 459/2012 of May 29, 2012)) ("**Regulation 715/2007**") and (ii) heavy duty vehicles (Regulation (EC) No 595/2009 of the European Parliament and of the Council of June 18, 2009 (last amended by Commission Regulation (EU) No 133/2014 of January 31, 2014). Under these regulations, both categories of vehicles must comply with specific emissions thresholds. Further, Regulation (EU) No 168/2013 of the European Parliament and of the Council of January 15, 2013 includes specific emission thresholds for two- and three-wheelers and quadricycles. In case of powered cycles, mopeds and light quadricycles, these thresholds apply as of January 1, 2017, for new vehicles and as of January 1, 2018, for existing vehicles. In case of motorcycles, tricycles and heavy quadricycles, these thresholds apply as of January 1, 2016, for new vehicles and as of January 1, 2017, for existing vehicles. A proposal for the amendment of Directives 715/2007 and 595/2009 has been introduced by the Commission on January 31, 2014 (Proposal of the European Commission COM/2014/028 final – 2014/0012 (COD)). With regard to heavy-duty vehicles (HDVs) the Commission has issued a "strategy to curb CO₂ emissions from trucks, buses and coaches" on May 21, 2014, which is focused on short-term action to certify, report and monitor HDV emissions. The strategy is addressed to the European Parliament and the Council, which are invited to endorse it and help deliver the actions outlined.

Moreover, the European Union aims to promote the use of biofuels as a replacement for diesel or gas in order to reduce greenhouse gas emissions. Directive 2009/28/EC of the European Parliament and of the Council of April 23, 2009 on the promotion of the use of energy from renewable sources, as last amended by Council Directive 2013/18/EU of May 13, 2013, requires the member states to ensure that, as from 2020, the share of energy from renewable sources in all forms of transport is at least 10% of the final consumption of energy in transport in that member state. Renewable sources are defined by the Directive as energy from renewable non-fossil sources, namely wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases (biofuels including liquid or gaseous fuels used for transport and produced from biomass, i.e., biodegradable waste and residue from, for example, agriculture and forestry). These legal requirements necessitate the use of modern components. Currently, amendments to Directive 2009/28/EC are subject to the legislative process (cf. proposal of

the European Commission COM (2012) 595 final of October 17, 2012), *inter alia*, limiting the contribution of biofuels and bioliquids produced from food crops and increasing the minimum greenhouse gas saving threshold for biofuels and bioliquids produced in new installations. The amendments have not yet been adopted.

As part of CARS 2020, the European Commission intends to include new driving cycle and test procedures into the regulatory framework, allowing to measure fuel consumption and emissions based on real-world driving behavior (cf. CARS 2020 Report on the state of play of the outcome of the work of the High Level Group of October 2014. However, a binding obligation has not yet been adopted.

Disposal, reuse, recycling and recovery of motor vehicles

Regulatory requirements related to disposal, reuse, recycling and recovery of motor vehicles as set out below apply to our customers in the automotive industry. Further, we are legally obliged to support our customers in fulfilling such requirements. We therefore assist our customers by continuously developing our products according to the needs of our customers.

Directive 2000/53/EC of the European Parliament and of the Council of September 18, 2000, last amended by Commission Directive 2013/28/EU of May 17, 2013 ("**Directive 2000/53/EC**"), stipulates measures to prevent waste arising from end-of-life vehicles and to promote the collection, re-use and recycling of vehicle components. Waste prevention is the priority objective of the Directive. To this end, it stipulates that vehicle manufacturers supported by material and equipment manufacturers like us must (i) endeavor to reduce the use of hazardous substances when designing vehicles; (ii) design and produce vehicles which facilitate the dismantling, re-use, recovery and recycling of end-of-life vehicles; (iii) increase the use of recycled materials in vehicle manufacture; and (iv) ensure that components of vehicles placed on the market after July 1, 2003, do not contain mercury, hexavalent chromium, cadmium or lead, except in a limited number of applications.

On July 2, 2014, the European Commission adopted a legislative proposal concerning, *inter alia*, the amendment of Directive 2000/53/EC (European Commission Proposal COM(2014) 397 final), and including elements of simplification of reporting requirements.

Product safety and liability

Product safety

We have to comply with requirements on product safety unless specific provisions apply (e.g., as regards automotive products).

Directive 2001/95/EC of the European Parliament and the Council of December 3, 2001, as last amended by Regulation (EC) No 596/2009 of the European Parliament and of the Council of June 18, 2009, on general product safety applies in the absence of specific provisions among the EU regulations governing the safety of products concerned, or if sectoral legislation is insufficient. Under this Directive, manufacturers must put on the market only products which comply with the general safety requirement. A safe product is one which presents no risk or only a reduced risk in accordance with the nature of its use and which is acceptable in view of maintaining a high level of protection for the health and safety of persons. In addition to compliance with the safety requirement, manufacturers must provide consumers with the necessary information in order to assess a product's inherent threat, particularly when this is not directly obvious, and take the necessary measures to avoid such

threats (for example, withdraw products from the market, inform consumers, recall products which have already been supplied to consumers, etc.). Distributors are also obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the manufacturers or the distributors discover that a product is dangerous, they must notify the competent authorities and, if necessary, cooperate with them. Unsafe products may be listed in an EU-wide publicly accessible database.

As part of the Product Safety and Market Surveillance Package of the Commission, a draft regulation intended to replace Directive 2001/95/EC and imposing more obligations on manufacturers (e.g., as regards documentation) is currently in the legislative process (cf. proposal of the European Commission COM (2013) 78 final of February 13, 2013). Further, a regulation on market surveillance of products amending, *inter alia*, Directive 2001/95/EC and closing gaps in market surveillance is in the process of being adopted (cf. proposal of the European Commission COM (2013) 75 final of February 13, 2013). The European Parliament approved two proposals with amendments on April 15, 2014.

Product liability

We are subject to provisions on product liability and may therefore be held liable in cases of damage caused by a defective product manufactured by us.

Council Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of the European Parliament and of the Council of May 10, 1999 (the "**Product Liability Directive**"), applies to movables which have been industrially produced, whether or not incorporated into another movable or into an immovable. It establishes the principle of objective liability, i.e., liability without fault of the producer, in cases of damage caused by a defective product. "**Producer**" means any participant in the production process, the importer of the defective product, any person putting the name, trade mark or other distinguishing feature on the product, and any person supplying a product the actual producer of which cannot be identified. "Defectiveness" means lack of the safety which the general public is entitled to expect given, *inter alia*, the presentation of the product and the use to which it could reasonably be put. The Product Liability Directive applies to damage caused by death or by personal injuries and damage to an item of property intended for private use or consumption other than the defective product, with a lower threshold of a EUR 500 damage caused by defective products. The Product Liability Directive does not in any way restrict compensation for non-material damage under national legislation.

Regulatory framework for our operations in the United States

There are numerous regulations that govern the automotive, aviation and railway sectors in the United States. Vehicles and their components have to comply with numerous standards that were enacted for safety and environmental reasons. Many of our products must conform to these standards and regulations. Changes in regulations and standards could result in increased costs for our business.

Road safety and technical standards

The NHTSA issues Federal Motor Vehicle Safety Standards ("**FMVSS**"), per the authority delegated to it by the U.S. Congress, applicable to all manufacturers of vehicle equipment.

The first standard became effective on March 1, 1967, and NHTSA issues new standards and amends existing standards on a regular basis.

The NHTSA regulations relate primarily to safety, crash avoidance and crashworthiness and cover a wide variety of automotive products and systems, including windshield wipers, brakes, hydraulic systems, tires, mirrors, seat belts, head restraints and fuel systems. In general, the regulations are written in terms of minimum safety performance requirements for motor vehicles or items of motor vehicle equipment. These regulations protect the public from unreasonable risk of crashes occurring as a result of the design, construction, or performance of motor vehicles and from unreasonable risk of death or injury in the event a crash does occur.

NHTSA regularly revises existing standards for the purpose of accelerating the introduction of new automotive technologies. In 2007, a final rule established FMVSS No. 126, which required the installation of electronic stability control ("**ESC**") systems on passenger cars, multipurpose passenger vehicles, trucks and buses with a gross vehicle weight rating of 10,000 pounds or less. FMVSS No. 126 specifies that ESC systems use automatic computer-controlled braking of individual wheels to assist the driver in maintaining control in critical driving situations in which the vehicle is beginning to lose directional stability at the rear wheels (spin out) or directional control at the front wheels (plow out). With certain exceptions, 100% of model year 2012 vehicles covered by the standard must have an ESC system. In May 2012, NHTSA proposed FMVSS No. 136, a rule requiring ESC systems on large commercial trucks, motorcoaches and large buses with a gross vehicle weight rating of greater than 26,000 pounds. FMVSS No. 136 is not yet final.

In 2009, a final rule established FMVSS No. 121, a new air braking standard for vehicles including truck tractors. The standard requires that a tractor-trailer travelling at 60 miles per hour come to a complete stop in 250 feet. The old standard required a complete stop within 355 feet. This revised standard requires manufacturers to incorporate advanced brake technology into new truck tractors equipped with air brakes.

NHTSA also responds to legislative mandates. In 2000, the U.S. Congress passed the Transportation Recall Enhancement, Accountability, and Documentation Act ("**TREAD Act**") that directed NHTSA to adopt a new regulation requiring vehicle and tire manufacturers to provide periodic reports to NHTSA of data related to death and injury claims arising from alleged defects in vehicles or equipment. In 2002, NHTSA adopted regulations requiring vehicle and vehicle equipment manufacturers to submit quarterly reports summarizing the number of death and injury claims, property damage claims, consumer complaints, warranty claims, and field reports received by those manufacturers about all motor vehicles and tires sold by them in the ten years prior to the report. These rules were adopted by NHTSA in 2002.

The TREAD Act also required NHTSA to adopt new standards improving the safety performance of passenger vehicle tires. As a result of this latter mandate, in 2003, NHTSA issued a final rule to improve tire safety, concentrating particularly on tire endurance and speed performance to reduce failure. The TREAD Act also required NHTSA to adopt new standards related to tire pressure monitoring systems, which became effective in 2003. All new light duty vehicles sold in the United States must be equipped with tire pressure monitoring systems that comply with the NHTSA standard.

In 2010, following a series of high-profile recalls by Toyota relating to an unintended acceleration defect, the House of Representatives and the Senate each introduced slightly

different versions of a bill to require motor vehicle safety standards relating to vehicle electronics. The draft "Motor Vehicle Safety Act 2010" would have required NHTSA to initiate rule-making proceedings aiming at the adoption of additional new motor vehicle safety standards, including mandating brake stopping distance performance standards implemented through brake override features, specifying minimum distances related to floor pedals, and electronic systems performance requirements, as well as enhanced NHTSA authority to respond to "imminent hazards" and consumer notice provisions. Although this legislation died in Congress, NHTSA has pursued key elements of the proposal, including considering rule-making on topics such as brake override systems, keyless ignition systems, pedal placement, and crash event data recorders.

In January 2013, NHTSA proposed FMVSS No. 141, which would require hybrid and electric vehicles to meet minimum sound standards to make pedestrians more aware of approaching vehicles.

On November 20, 2013, NHTSA issued a final rule mandating lap and shoulder belts for each passenger and the driver's seat on new motorcoaches (over-the-road buses) and other new large buses that weigh 26,000 pounds or more. The rule amended FMVSS No. 208 which applies to occupant crash protection.

On March 31, 2014, NHTSA finalized modifications to FMVSS No. 111, the rearview mirror standard, requiring rear visibility technology in all new vehicles under 10,000 pounds by May 2018. The agency anticipates that the performance test put in place by the standard would be met by backup cameras, but it does not mandate a specific technology to meet the test. The promulgation of this rule was mandated by the Cameron Gulbransen Kids Transportation Safety Act of 2007.

Among NHTSA's other stated vehicle safety objectives for the near future are research and potential rule-making on advanced technologies for fuel economy, collision avoidance, automatic braking, vehicle communications, lane departure prevention, blind spot and pedestrian detection, as well as additional occupant protection measures.

There are also U.S. state laws dealing with product safety and liability that apply to vehicles and vehicle parts. The exact standards can differ across jurisdictions.

Emissions from Vehicles

NHTSA regulates fuel economy through the Corporate Average Fuel Economy ("**CAFE**") standards that apply to passenger vehicles and light trucks. The CAFE regulations were enacted in 1975 and were first used to set fuel economy standards in 1978. The CAFE fuel economy standards, which take into account technological feasibility, economic practicality, the effect of other standards on fuel economy and the need of the nation to conserve energy, are set years in advance of production to allow manufacturers time to comply with the standards. The standards apply to the average of a manufacturer's fleet of vehicles, rather than to each individual vehicle.

Fuel economy standards were dramatically impacted by the Energy Independence and Security Act of 2007 ("**EISA**"). The Act, which amended the Energy Policy and Conservation Act ("**EPCA**"). EISA set a goal for national fuel economy of 35 miles per gallon for both cars and light trucks by 2020. Thus, NHTSA must periodically raise CAFE standards to meet this goal, and recent developments indicate that more ambitious goals may still be evolving within government and the industry.

On April 1, 2010, NHTSA and the U.S. Environmental Protection Agency ("**EPA**") finalized a joint rule entitled "Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards". The joint final rule sets CAFE standards for passenger cars, light-duty trucks and medium-duty passenger vehicles in model years 2012-2016. They require these vehicles to meet an estimated combined average emissions level of 250 grams of carbon dioxide per mile, or 35.5 miles per gallon, if the automakers were to meet this carbon dioxide level solely through fuel economy improvements.

Furthermore, on August 9, 2011, the NHTSA and the EPA established similar fuel efficiency and greenhouse gas emissions rules for medium and heavy duty trucks with model years 2014 through 2018. CAFE and greenhouse gas emissions standards for light duty vehicles in model years 2017 through 2025 was finalized in August 2012, pursuant to which fuel economy will be increased to 54.5 miles per gallon for cars and light duty trucks by model year 2025.

Export control & sanctions regulations

European Union

We may manufacture products (e.g., bearings and power transmissions) which can be used for both civil and military purposes. Some products are defined as dual use goods under Council Regulation (EC) No. 428/2009 of May 5, 2009, as last amended by Regulation (EU) No 599/2014 of the European Parliament and Council of April 16, 2014 ("**Dual-Use-Regulation**"), which sets forth an EU wide regime for the control of exports, transfer, brokering and transit of dual-use items. Annex I of the Dual-Use-Regulation includes a comprehensive list of dual-use goods. As of July 2, 2014, it lies within the power of the Commission to update the list in Annex I. Respective updates will have to be taken into account. The export of such goods to destinations outside the European Union requires a permit. The competent national authority may exercise a certain degree of discretion as regards the granting of such permit.

Further, we also manufacture products for military purposes. We therefore have to observe export control regulations relating to military products on the national as well as on the EU level. Such export control regulations may require notifications of or permits for exports. Basically, the relevant authorities have wide discretion when deciding to grant or not to grant on the necessary export permits.

Export Control regulations may also limit or prohibit the export of our products if specific countries, entities or individuals are the destination of such exports. On EU level, such restrictions are set out in specific regulations on sanctioned countries or individuals.

In addition, export control and sanctions regulations of specific countries may have an impact on our customer or supply relationships even if these relationships do not relate directly to such countries.

United States

U.S. export controls regulating items designed for a commercial purpose which could also have military applications ("dual-use items") are administered by the Bureau of Industry and Security ("**BIS**") within the U.S. Department of Commerce, and control the export, reexport and transfer of a broad range of goods, software and technology of U.S. origin, or containing U.S. content. U.S. export controls restrict the export or reexport without a license to various

countries, including Iran, by any person of controlled goods, technology and software. U.S. export controls also restrict the export or reexport without a license to Syria of essentially all goods, technology and software that originated in the United States or contain U.S. components or U.S. content. Additionally, certain U.S. export and import controls relating to military and defense items and services are administered by the U.S. State Department's Directorate of Defense Trade Controls ("**DDTC**") in accordance with the International Traffic in Arms Regulations ("**ITAR**"). The ITAR impose various registration and licensing requirements with regards to the import and export of certain goods and services.

The Office of Foreign Assets Control ("**OFAC**"), within the U.S. Treasury Department, and the U.S. Department of State, administer broad sanctions programs that may also affect us. For example, various U.S. statutes, regulations and executive orders provide for a range of penalties for non-U.S. entities and persons engaging in certain specified activities, including activities involving Iran's energy, military or nuclear sectors and Iranian persons identified on OFAC's list of Specially Designated Nationals and Blocked Persons ("**SDN List**"). These penalties can be applicable even if no U.S. person or entity is engaged in such delivery and the delivery does not touch U.S. territory.

Further, OFAC administers (1) broad sanctions programs against countries including Cuba, Iran, Sudan and Syria; (2) limited sanctions programs against countries including Belarus, Myanmar, North Korea, and Russia; and (3) specific sanctions targeting entities and persons designated on OFAC's sanctions lists, including the SDN List. All "U.S. persons", including persons located within or operating from the United States, U.S. citizens or permanent resident aliens, wherever located, and any entities organized under U.S. law, as well as persons taking or causing action within the U.S., must comply with U.S. sanctions programs. Non-U.S. persons may also violate U.S. sanctions by taking or causing action in the U.S. in violation of such sanctions, or causing a person subject to U.S. jurisdiction to violate such sanctions.

Management of the Guarantor

Introduction

The governing bodies of ZF are the Board of Management (*Vorstand*) (the "**Board of Management**"), the Supervisory Board (*Aufsichtsrat*) (the "**Supervisory Board**") and the general shareholders' meeting (*Hauptversammlung*). The powers of these bodies are set forth in the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association (*Satzung*) and the rules of procedure (*Geschäftsordnungen*) of the Board of Management and the Supervisory Board and its committees. The Board of Management and Supervisory Board work independently of each other. No person may serve on both boards at the same time.

The Board of Management is responsible for managing the ZF Group's day-to-day business and for representing ZF in dealings with third parties. The Supervisory Board appoints and may dismiss members of the Board of Management. The Supervisory Board supervises and advises the Board of Management in its management of ZF Group and represents ZF in transactions between a member of the Board of Management and ZF. In general, the Supervisory Board is not directly involved in the day-to-day management of ZF Group. However, pursuant to the Articles of Association, certain transactions require the consent of the Supervisory Board.

In performing their duties, members of both the Board of Management and Supervisory Board must exercise the duties of care expected of a reasonable business person. Members of the Board of Management and the Supervisory Board must consider a broad range of interests, including those of ZF and its shareholders and employees.

The members of the Board of Management and the Supervisory Board may be held personally liable to ZF for breaches of their duties of loyalty and care. ZF must bring an action for breach of duty against the Board of Management or Supervisory Board upon a resolution of the shareholders passed at a general shareholders' meeting by a simple majority of votes cast. Furthermore, minority shareholders representing at least 1% of ZF's share capital or shares with a nominal value of EUR 100,000 can file an application in court requesting an action to be admitted against members of either of ZF's boards on behalf of the company or in their own name.

With the exception of shareholders of companies that (unlike ZF) are under the control of another company, individual shareholders of German companies cannot sue directors on behalf of the company in a manner analogous to a shareholder's derivative action under U.S. law. Under German law, directors may be liable for a breach of duty to shareholders (as opposed to a duty to the company itself) only where a breach of duty to the company also constitutes a breach of a statutory provision enacted specifically for the protection of shareholders. As a practical matter, shareholders are able to assert liability against directors for breaches of this sort only in unusual circumstances.

Board of Management

General

The Board of Management conducts ZF's business in accordance with the law, the Articles of Association and the Board of Management's rules of procedure. It sets ZF Group's policy in consultation with the Supervisory Board and defines the strategic as well as qualitative and quantitative framework and the corporate and organizational group structures for the entire ZF Group. In doing so, the Board of Management has to follow the recommendations of the ZF Corporate Governance Code (see "*—Corporate Governance*") and to work together faithfully with the other governing bodies of ZF for the benefit of the Group.

Pursuant to the Articles of Association, the Board of Management must have at least two members. The Supervisory Board determines the number of members of the Board of Management. Currently, the Board of Management consists of seven members. The responsibilities of the individual members of Board of Management is set forth in the business distribution scheme (*Geschäftsverteilungsplan*) (see “—Organizational Structure”). Any two members of the Board of Management or any individual Board of Management member together with an authorized signatory with statutory power of attorney (*Prokurist*) may legally represent ZF.

The members of the Board of Management are generally appointed by the Supervisory Board for a term of up to five years, only the first appointment of a member of the Board of Management is limited to a term of three years. Extensions of the term of office are permitted. In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board may determine a chairman of the Board of Management.

If not otherwise required by law, the Board of Management decides with a simple majority of the votes cast. In case of deadlock, the vote of the chairman of the Board of Management is the relevant vote.

The Board of Management keeps the Supervisory Board informed about the state of ZF and ZF Group and the course of business within the statutory reporting requirements. In particular, the Board of Management has to inform the Supervisory Board regularly, promptly and comprehensively about all the ZF and ZF Group issues concerning planning, business development, the risk situation and risk management, as well as on any deviations of the actual business development from previously formulated plans and targets, indicating the reasons.

Under certain circumstances, such as a serious breach of duty or a vote of no confidence by the shareholders in a general shareholders' meeting, a member of the Board of Management may be removed by the Supervisory Board prior to the expiration of his term. A member of the Board of Management may not deal with, or vote on, matters relating to proposals, arrangements or contracts between himself and ZF.

Members

As at the date of this Prospectus, the members of the Board of Management, their respective responsibilities and their principal activities outside the ZF Group to the extent those activities are significant with respect to the ZF Group, are:

Name	Member since	Responsibilities	Principal activities outside ZF Group/ Membership on other supervisory boards and comparable bodies
Dr. Stefan Sommer (Chief Executive Officer)	2012	Corporate Market, Corporate Research & Development, ZF Services	<ul style="list-style-type: none"> • Chairman of the foundation board of Zeppelin University • Member of the management board of Landesverband der Baden-Württembergischen Industrie e.V. • Member of the advisory board of Baden-Württembergische Bank • Member of the advisory board of Allianz Global Corporate & Specialty SE • Member of the management of the German Association of the Automotive Industry (VDA) • Member of the senate of acatech

Dr. Konstantin Sauer (Member)	2010	Corporate Finance, IT, M&A	<ul style="list-style-type: none"> • Vice chairman of the supervisory board of SupplyOn AG • Chairman of the supervisory board of Flughafen Friedrichshafen GmbH • Member of the advisory board South West of Deutsche Bank • Member of the advisory board of T-City
Jürgen Holeksa (Member)	2011	Corporate Human Resources and Industrial Relations, Corporate Governance, Service Companies, Region Asia Pacific	Member of the management board of Employers Federation Südwestmetall and of the Employers Federation bayme vbm
Michael Hankel (Member)	2013	Corporate Production, Car Powertrain Technology, Car Chassis Technology, Electronic Systems	None
Dr. Franz Kleiner (Member)	2015	North America	None
Wilhelm Rehm (Member)	2012	Corporate Materials Management, Industrial Technology	Member of the main management board of the German Engineering Federation (<i>Verband Deutscher Maschinen- und Anlagenbau, VDMA</i>)
Rolf Lutz (Member)	2011	Corporate Quality, Commercial Vehicle Technology, South America	None

Subject to completion of the Merger, Peter Lake, who is currently responsible for sales at TRW Group, will join the Board of Management and be responsible for Corporate Market as of October 1, 2015. ZF's CEO, Dr. Stefan Sommer, will continue to be responsible for Services and Aftermarket.

The following description provides summaries of the curricula vitae of the current members of the Board of Management:

Stefan Sommer

Stefan Sommer was born on January 7, 1963 in Münster, Germany. He holds a degree in mechanical engineering from the Ruhr University Bochum, where he also obtained a doctoral degree. From 1994 to 1997, Mr. Sommer worked at ITT Automotive Europe GmbH before joining Continental Automotive Systems as a director of electronics & sensor development. In 2001, he became vice president of engineering for electronic airspring before changing to Continental Temic in 2003 for two years. After returning to Continental Automotive Systems in 2005 as vice president of Profit Center EBS Systems he became senior vice president in 2007 but left the company to join ZF Sachs AG as a member of the management board in 2008. Mr. Sommer became Chief Executive Officer and a member of the Board of Management in 2010. From January 2012 until May 2012, he was acting as deputy executive vice president. Since May 2012 he has been acting as Chief Executive Officer of ZF.

Konstantin Sauer

Konstantin Sauer is a member of the Board of Management. As Chief Financial Officer he is responsible for Corporate Functions such as Finance, IT and M&A. Mr. Sauer was born in 1959 in Heilbronn, Germany. He graduated from Technical University of Karlsruhe, Germany, in Industrial Engineering and Management and received a doctorate in economics from University of St. Gallen (HSG), Switzerland. He started his career at ZF in 1990. He filled

various positions in different Divisions and Regions, e.g. as President of ZF South America, as Head of Corporate Controlling and as Executive Vice President for the Division Car Chassis Technology. As of May 2010, Mr. Sauer has been Chief Financial Officer of the ZF Group.

Jürgen Holeksa

Jürgen Holeksa was born on October 7, 1965 in Dinslaken, Germany. He served with the German Army for four years and holds a master degree in business administration from the Gerhard Mercator University of Duisburg. In 1996, he started working in Human Resources Management at Thyssen AG before joining British Steel plc, Duesseldorf, as a human resources specialist in 1997. Mr. Holeksa changed to Corus plc, Duesseldorf as human resources manager in 2000 before joining SAS Autosystemtechnik Verwaltungs GmbH as corporate chief human resources officer in the same year. From 2007 to 2011, Mr. Holeksa worked at the Behr Group as chief human resources officer and as a member of the board of management of Behr GmbH & Co. KG. Since 2011, he has been serving as a member of the Board of Management.

Michael Hankel

Michael Hankel was born on May 23, 1957 in Bad Wildungen, Germany. He holds a degree in mechanical engineering from the Braunschweig University of Technology. From 1984 to 1998, Mr. Hankel worked at ITT Automotive Europe GmbH (Teves), first as product line manager and then as head of global operations Wheel Brakes and as a manager Commercial Brakes and Chassis. In 1998, he changed to Continental Teves AG & Co. oHG as division manager wheel brakes before becoming a member of the board of management of FAG Kugelfischer AG, FAG Automobiltechnik AG and FAG Komponenten AG in 2001. In 2003, he joined the board of management of ZF Sachs AG and became CEO of ZF Lenksysteme GmbH in 2007. Since 2013, Mr. Hankel has been serving as a member of the Board of Management.

Franz Kleiner

Franz Kleiner was born on October 16, 1959 in Wangen im Allgäu, Germany. He holds a degree in business administration from the University of Stuttgart and also received a doctoral degree at the University of Stuttgart's Management, Economics and Social Sciences Faculty. From 1984 Mr. Kleiner worked as a personal assistant to the rector of the University of Stuttgart until joining Daimler-Benz AG in 1989. At Daimler-Benz AG he held various positions, last serving as head of budget planning and controlling of passenger car development. In 1997, Mr. Kleiner switched to Nortel Networks Germany in Immenstaad as director of corporate finance and transferred to Nortel Networks Germany in Frankfurt as CFO in 2002. Mr. Kleiner joined the Group in 2006 when he became CFO at the ZF Lemforder Corporation in Northville, United States. In 2010, he was appointed head of finance, controlling, IT, materials management, legal and insurances and the car chassis technology division at ZF Lemförder GmbH in Dielingen, and in 2011, he transferred to Passau as head of HR, finance, controlling IT, process management and the industrial technology division at ZF. Since 2013, Mr. Kleiner has been head of the industrial technology division and he has been acting as a member of the Board of Management since 2015.

Wilhelm Rehm

Wilhelm Rehm was born on July 12, 1958 in Heidenheim/Brenz, Germany. He holds a degree in mechanical engineering from the Fachhochschule Augsburg. From 1982 to 1984, he worked as an assistant to the managing director of Lokoma GmbH before becoming head of assembly and paint department at X. Fendt GmbH & Co. KG where he became technical manager and plant manager at Kemptener Maschinenfabrik in 1995 and executive manager

at AGCO GmbH & Co. KG (formerly X. Fendt GmbH & Co. KG) in 1997. In 2003, Mr. Rehm joined the board of management of ZF Passau GmbH. Additionally, he became a member of the executive management, ZF Group off-road driveline technology and axle systems division in 2010 and president off-highway business and head of location Passau/Thyrnau in 2011. Since 2012, Mr. Rehm has been acting as a member of the Board of Management.

Rolf Lutz

Rolf Lutz was born on August 9, 1952 in Tuebingen, Germany. He trained as a precision mechanic and holds a degree in mechanical engineering from the Fachhochschule Konstanz. Mr. Lutz started working at the testing lab of ZF in 1980 and became testing department manager, LCV transmissions, in 1986. In 1992, he was promoted to manager distribution and technical applications for the Far East and Asia before gaining the position as group vice president for ZF North American operations in 1999. From 2002 to 2006, Mr. Lutz was head of the truck driveline technology business unit and head of engineering services before becoming a member of the division board of management of the commercial vehicle and special driveline technology division. In 2008, Mr. Lutz was promoted to the executive management, as a member of which he was responsible for the commercial vehicle and special driveline technology division and as of 2009 for the region South America. Mr. Lutz has been serving as a member of the Board of Management since 2011.

The members of the Board of Management may be contacted at the business address of the Guarantor: Graf-von-Soden-Platz 1, 88046 Friedrichshafen, Germany.

Compensation

The total emoluments of the active members of the Board of Management for the fiscal year ended December 31, 2014 amounted to EUR 9.0 million (2013: EUR 8.3 million). Payments for pensions rights acquired in the fiscal year ended December 31, 2014 for the active members of the Board of Management totaled EUR 1.8 million (2013: EUR 1.2 million). The claim to contingent other long-term benefits attributable to the fiscal year ended December 31, 2014 amounted to EUR 7.1 million (2013: EUR 4.8 million).

The emoluments of former members of the Board of Management and their surviving dependents amounted to EUR 7.6 million in the fiscal year ended December 31, 2014 (2013: EUR 7.8 million). The pension provisions for former members of the Board of Management and their surviving dependents amounted to EUR 62.0 million (2013: EUR 51.9 million).

Supervisory Board

General

The Supervisory Board monitors and advises the Board of Management. It conducts its business in accordance with German law, the Articles of Association and the Supervisory Board's rules of procedure (*Geschäftsordnung des Aufsichtsrats*). In addition, it has to observe the recommendations of the ZF Corporate Governance Code, including the annual efficiency audit (see "*—Corporate Governance*").

The Supervisory Board consists of 20 members, including ten members elected by the shareholders at a shareholders' meeting in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*) and ten members selected by the ZF employees, in accordance with the provisions of the German Codetermination Act (*Mitbestimmungsgesetz*). The Supervisory Board members are usually elected for a fixed term of five years. Each term expires at the end of the annual general meeting in the fourth fiscal year after the year in

which such Supervisory Board member was elected. Supervisory Board members may be re-elected.

The Supervisory Board meets at least four times per year. Its main functions are:

- to supervise and advise the Board of Management in its management of ZF;
- to appoint the members of the Board of Management; and
- to consent to matters that are subject to the Supervisory Board's consent under German law or the Articles of Association, and to other matters which the Supervisory Board has made subject to its prior approval.

Unless otherwise provided by law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In case of any deadlock, the relevant resolution may be voted on again. If the deadlock remains after the second vote, the chairman of the Supervisory Board is entitled to cast two votes during a third vote. The chairman of the Supervisory Board is usually a shareholder representative elected by the members of the Supervisory Board.

The Supervisory Board may form committees from among its members and establish their duties and powers. To the extent permitted by law, the Supervisory Board may delegate to such committees decision-making powers of the Supervisory Board.

The term of the members of the Supervisory Board representing the shareholders expires upon completion of the general shareholders' meeting of the Guarantor which decides on the discharge (*Entlastung*) for the fourth fiscal year after the commencement of the term. Thereby, the fiscal year in which the term of office begins is not counted. The term of the employee representatives expires upon new election of these representatives in the same year.

Members

As at the date of this Prospectus, the members of the Supervisory Board and their principal activities outside the ZF Group to the extent those activities are significant with respect to the ZF Group, are:

Name	Function	Principal activities outside ZF Group/ Membership on other supervisory boards and comparable bodies
Prof. Dr. Giorgio Behr	Chairman	CEO and President of the board of directors of Behr Deflandre & Snozzi BDS AG (Holding company of the Behr Bircher Cellpack BBC AG, the BBC Group), Buchberg, Switzerland
Ernst Baumann	Member	<ul style="list-style-type: none"> • Chairman of the supervisory board of KRONES AG • Chairman of the supervisory board of the University of Regensburg

Andreas Brand	Member	<ul style="list-style-type: none"> • Lord Mayor of the City of Friedrichshafen • Chairman of the supervisory board of ZEPPELIN GmbH • Member of the supervisory board of Zeppelin Baumaschinen GmbH • Chairman of the supervisory board of Luftschiffbau Zeppelin GmbH • Member of the supervisory board of Zeppelin Systems GmbH • Chairman of the supervisory board of the Zeppelin Foundation • Chairman of the supervisory board of Technical Works Friedrichshafen GmbH • Chairman of the supervisory board of STADTWERK AM SEE GmbH & Co. KG • Chairman of the supervisory board of Friedrichshafen Exhibition GmbH • Member of the advisory board of Katamaran Reederei Bodensee GmbH & Co. KG • Chairman of the supervisory board of Friedrichshafen Clinical Center • Chairman of the board of trustees of ZF Cultural Foundation • Chairman of the board of trustees of Hospice Foundation Friedrichshafen • Member of the board of trustees of Zeppelin University
Prof. Dr. habil. Dr. rer.nat. Claudia Eckert	Member	<ul style="list-style-type: none"> • Professor at TU München • Managing director of Fraunhofer Institute for Applied and Integrated Security
Dr. Margarete Haase	Member	<ul style="list-style-type: none"> • Member of the board of management of Deutz AG, responsible for Finance, Human Resources and Investor Relations • Member of the supervisory board of Fraport AG • Member of the supervisory board of ElringKlinger AG
Hans-Georg Härter	Member	<ul style="list-style-type: none"> • Member of the supervisory board of Kiekert GmbH • Member of the supervisory board of Knorr-Bremse AG • Chairman of the supervisory board of Deutz AG • Member of the board of directors of Klingelberg AG, Zurich, Switzerland • Member of the board of directors of Saurer AG, Wattwil, Switzerland • Member of the board of directors of Faurecia S.A., Nanterre, France • Member of the board of directors of Altran S.A., Paris, France
Dr. Joachim Meinecke	Member	Lawyer, Freiburg im Breisgau
Jürgen Otto	Member	<ul style="list-style-type: none"> • CEO of Brose GmbH, Coburg • Member of the supervisory board of Projektgesellschaft Verkehrslandplatz Coburg, mbH
Dr.-Ing. Franz-Josef Paefgen	Member	<ul style="list-style-type: none"> • Member of the supervisory board of Mahle GmbH und Mahle-Behr Verwaltungs GmbH • Member of the supervisory board of Valmet Automotive Inc • Member of the board of directors of Automobile Lamborghini S.p.A.

Weidong Xu	Member	Vice General Manager at Shanghai PRIME (HK) Investment Management Co. LTD
Frank Iwer*	Deputy Chairman	Trade Union Secretary of IG Metall District Management Baden-Württemberg
Jörg Ammon*	Member	Manager of Gears and Shafts Production at ZF, Friedrichshafen
Jürgen Bunge*	Member	Chairman of the Lemförde Location Works Council of ZF, Friedrichshafen Dielingen/Lemförde location
Peter Kippes*	Member	<ul style="list-style-type: none"> • First Representative of IG Metall Administration Center Schweinfurt • Member of the supervisory board of Bosch Rexroth AG
Oliver Moll*	Member	Chairman of the Works Council of ZF, Friedrichshafen Schweinfurt location
Matthias Beuerlein*	Member	Member of the Works Council of ZF, Friedrichshafen Schweinfurt location
Vincenzo Savarino*	Member	First Representative of IG Metall Administration Center Friedrichshafen - Upper Swabia and Singen
Achim Dietrich-Stephan*	Member	Chairman of the Group Works Council of ZF, Friedrichshafen
Wolfgang Schuler*	Member	Chairman of the Works Council of ZF, Friedrichshafen Saarbrücken location
Hermann Sicklinger*	Member	Chairman of the Works Council of ZF, Friedrichshafen Passau location

(*) Employee Representative

The following description provides summaries of the *curricula vitae* of the current members of the Supervisory Board:

Giorgio Behr

Giorgio Behr was born on September 18, 1948 in Schaffhausen, Switzerland. He holds a doctoral degree in law from the University of Zurich. From 1972 to 1982, Mr. Behr worked at KPMG before joining the Industrial Group Hesta. From 1984 to 1991, he was a senior partner of Behr Deflandre & Snozzi BDS AG. Since 1991, Mr. Behr has engaged in the build-up, restructuring and acquisition of various industrial companies into the Behr Bircher Cellpack AG, the BBC Group. Furthermore, starting in 1989 he held a position as professor at the University of St. Gallen for 16 years. Mr. Behr is currently honorary professor and chairman of the Institute of Accounting Controlling and Audit ACA. Since 1992, he has also been a member of the board of management (*Verwaltungsrat*) of Hilti AG. From 1995 to 2007, Mr. Behr was vice-chairman and chairman respectively of the board of management (*Verwaltungsrat*) of Saurer AG. Since 2008, he has been serving as chairman of the Supervisory Board.

Ernst Baumann

Ernst Baumann was born on November 7, 1948 in Bretten, Germany. He holds a degree in mechanical engineering from the Technical University Karlsruhe. Mr. Baumann joined BMW

in 1973, where he stayed until 2008 and held various positions, starting with manager of the Munich plant to the position of product line manager. From 1999 to 2008, he served as a member of the BMW AG's management board. Since 2012, Mr. Baumann has been acting as a member of the Supervisory Board.

Andreas Brand

Andreas Brand was born on May 11, 1964 in Esslingen, Germany. He received a diploma in upper administrative service. From 1988 to 1992, Mr. Brand was deputy chief officer at the municipality of Neuhausen auf den Fildern before becoming mayor of the municipality of Weil im Schoenbuch. In 2004, he was elected as deputy mayor of the major district city of Boeblingen and in 2009 as lord mayor of the major district city of Friedrichshafen. Since 2009, Mr. Brand has been serving as a member of the Supervisory Board.

Claudia Eckert

Claudia Eckert was born on July 14, 1959 in Duisburg, Germany. She holds a degree in computer science from the University of Bonn as well as a doctoral degree in computer science from the Technical University of Munich (TUM). Since 2001, Ms. Eckert has served as director of the Fraunhofer Institute of Applied and Integrated Security (AISEC) in Munich. From 2008 to 2010, she was incorporator and vice director of CASEAD (Center for Advanced Security Research Darmstadt). Since 2009, Ms. Eckert has been a professor at the TUM and now holds the chair in IT Security in the faculty of computer science. She is also a professor at the Technical University of Darmstadt and a member of various national and international industrial and scientific advisory and expert committees.

Margarete Haase

Margarete Haase was born on April 16, 1953 in Neunkirchen, Austria. She holds a master as well as a doctoral degree in business administration from the University of Vienna. From 1998 to 1999, Ms. Haase attended Harvard Business School in Boston. From 1979 to 1983, she worked as an analyst at Kapitalbeteiligungs AG before changing to Raiffeisen Zentralbank in Vienna as head of leasing and structured finance. In 1987, Ms. Haase joined Daimler-Benz AG, where she held various positions until 2009, starting as head of controlling in Stuttgart and finishing as board member of Daimler Financial Services AG. Since 2009, Ms. Haase has been a member of the management board of DEUTZ AG, responsible for finance, human resources and financial relations. Additionally, she has been a member of the supervisory boards of Fraport AG and ElringKlinger AG since 2011. Since 2012, Ms. Haase has been acting as a member of the Supervisory Board.

Hans-Georg Härter

Hans-Georg Härter was born on May 2, 1945 in Bensheim, Germany. He holds a degree in engineering from the Meersburg Academy. From 1964 to 1973, Mr. Härter worked at various enterprises before joining ZF Passau GmbH in 1973, where he was section chief and division manager from 1982 to 1990 before becoming a member of the board of management in 1991. In 1994, Mr. Härter became a member of the board of corporate management of ZF as well as director of the processing machine drive and axial systems corporate division and CEO of ZF Passau GmbH and had various other responsibilities until becoming CEO of ZF Sachs AG in 2002. In 2006, Mr. Härter was appointed member of the Board of Management and served as CEO of ZF from 2007 until his retirement in 2012. Since 2013, Mr. Härter has been acting as a member of the Supervisory Board.

Joachim Wolfgang Eberhard Meinecke

Joachim Meinecke was born on December 18, 1943 in Danzig, (now Poland). He holds a doctoral degree in law from the University of Freiburg and a master in comparative law from

the University of Illinois. Mr. Meinecke was admitted to the German bar in 1974 and became an officially recognized expert lawyer for tax law in 1983. He has been acting as a member of the Supervisory Board since 2009.

Jürgen Otto

Jürgen Otto was born on August 15, 1964 in Würzburg, Germany. He holds a master in business administration from the University of Würzburg. Mr. Otto joined the Brose Group in 1990, where he held various positions until he became CEO of the Brose Group in 2006. Since 2013, Mr. Otto has been serving as a member of the Supervisory Board.

Franz-Josef Paefgen

Franz-Josef Paefgen was born on May 10, 1946 in Buettgen, Germany. He holds a doctoral degree in engineering. From 1976 to 1980, Mr. Paefgen worked at Ford before joining Audi in Neckarsulm and later transferring to Audi in Ingolstadt in 1987, where he held various positions until becoming a member of the management board in 1995. In 1997, Mr. Paefgen was appointed spokesman of the management board and from 1998 to 2002 he served as chairman of the management board of Audi. Additionally, he was named president of Lamborghini in 1998. From 2002 to 2011, Mr. Paefgen was chairman and chief executive of Bentley Motors Ltd. and was responsible for the Volkswagen Group research and all group motorsport activities. Additionally, he was head of management of Bugatti Engineering GmbH from 2003 to 2005 and became president of Bugatti SAS in 2006 until his retirement in 2011. Mr. Paefgen has been serving as a member of the Supervisory Board since 2008.

Weidong Xu

Weidong Xu was born on June 22, 1970 in Shanghai, China. She holds a degree in engineering from the University of Dortmund. From 1998 to 2001, she worked in various functions at Continental AG. From 2001 to 2011, Ms. Xu worked at GEA Saturn GmbH, GEA Luftkühler GmbH, GEA Group and GEA Heat Exchange, where she held different positions. In 2012, she became general manager and spokeswoman of the board directors of Bilfinger Gerber GmbH respectively. Since 2015 she is Vice General Manager at Shanghai PRIME (HK) Investment Management Co. LTD. Since 2013, Ms. Xu has been serving as a member of the Supervisory Board.

Frank Iwer

Frank Iwer was born on November 3, 1959 in Essen, Germany. He holds a degree in economics from the Universities of Trier and Dortmund. Mr. Iwer is a regional representative of the workers' union IG Metall and has been serving on the Supervisory Board since 2009.

Jörg Ammon

Jörg Ammon was born on April 23, 1952 in Saarbrücken, Germany. He holds a diploma in engineering. From 1969 to 1983, Mr. Ammon worked at AEG Telefunken with a break from 1974 to 1978 for studying electrical engineering. He joined ZF Getriebe GmbH in 1984 and held various positions before changing to ZF Luftfahrt as senior manager in 1998. Since 1999, Mr. Ammon has been a senior manager in gears & shafts at ZF. He has been serving as a member of the Supervisory Board since 2013.

Jürgen Bunge

Jürgen Bunge was born on July 15, 1957 in Brockhausen, Germany. He holds a degree in CNC engineering from the professional school. From 1974 to 1977, Mr. Bunge trained as a technical draughtsman at Lemförder Metallwaren AG and worked in this profession until 1992. Since 1992, he has been chairman of the works committee at ZF and since 2006, he has been serving as a member of the Supervisory Board.

Peter Kippes

Peter Kippes was born on May 25, 1962 in Hammelburg, Germany. He holds a degree as a certified social pedagogue from the Fachhochschule Nuremberg. Mr. Kippes joined IG Metall Schweinfurt in 1993 as administration secretary and has held several positions until becoming first commissioner of IG Metall Schweinfurt in 2010. He has been serving as a member of the Supervisory Board since 2013.

Oliver Moll

Oliver Moll was born on August 8, 1968 in Aschaffenburg, Germany. He worked at Fichtel & Sachs AG before attending profession school in mechanical engineering. Additionally, he graduated as a computer scientist in 1998. Since 2013, Mr. Moll has been serving as a member of the Supervisory Board.

Matthias Beuerlein

Matthias Beuerlein was born on April 4, 1975 in Wuerzburg, Germany. He started working for Fichtel & Sachs AG in 1992 as an apprentice as an industrial mechanic. Additionally, he holds a diploma in industrial engineering and a degree as a mechanical engineering technician. In 2012, Mr. Beuerlein joined the works council Schweinfurt. Since 2015, he has been serving as a member of the Supervisory Board.

Vincenzo Savarino

Vincenzo Savarino was born on July 1, 1956 in Sarandi, Argentina. He holds a degree from the Academy of Work in Frankfurt. Mr. Savarino is first commissioner of IG Metall Friedrichshafen – Upper Swabia and Singen and has been serving as a member of the Supervisory Board since 2013.

Achim Dietrich-Stephan

Achim Dietrich-Stephan was born on May 19, 1968 in Weingarten, Germany. He holds a degree from the Professional School of Mechanical Engineering. Mr. Dietrich-Stephan trained as a mechanic at ZF from 1987 to 1990 and fulfilled his community service from 1991 to 1993 before rejoining ZF. He has been a member of the works council since 1994, chairman since 2012 and chairman of the Group's works council since 2014. Additionally, Mr. Stephan-Dietrich has been serving as a member of the Supervisory Board since 2014.

Wolfgang Schuler

Wolfgang Schuler was born on July 5, 1954 in Voelklingen, Germany. He holds a degree as a social economist. Mr. Schuler joined ZF Getriebe GmbH as a mechanic in 1974 and became a member of the works council in the same year and chairman in 1992. In 1978, he was appointed member of the supervisory board of ZF Getriebe GmbH and has also been a member of the Supervisory Board since 1988, serving as vice chairman in 1992. Furthermore, Mr. Schuler was appointed member of the Group's works council in 1992 and deputy chairman since 1994. Additionally, he acted as deputy chairman of the European works council from 1999 to 2004.

Hermann Sicklinger

Hermann Sicklinger was born on October 8, 1969 in Windpassing (now Hauzenberg), Germany. He holds a degree from the Professional School in CNC engineering. From 1989 to 2003, Mr. Sicklinger worked as a machine operator in the central division casting. In 2003, he became a member of the works council Passau and has been chairman since 2009. Furthermore, he has been acting as a member of the general works council and of the Supervisory Board since 2009.

The members of the Supervisory Board may be contacted at the business address of the Guarantor: Graf-von-Soden-Platz 1, 88046 Friedrichshafen, Germany.

Committees

In accordance with the Supervisory Board's rules of procedure, the Supervisory Board has established two committees:

- *Executive Committee (Präsidialausschuss)*. The Executive Committee is responsible for discussing any fundamental issues of the ZF Group and its strategic alignment with key aspects of acquisitions, restructurings and other extraordinary, complex or extremely important matters of the Group. If necessary, the Executive Committee shall, together with the CEO and, depending on the matter, other members of the Board of Management nominated, with the aforementioned aspects.

In addition, the Committee also performs the duties of the Personnel Committee, in particular the preparation and implementation of the Supervisory Board's decision in the following personnel matters: (i) the conclusion, amendment, suspension and termination of service contracts with ZF's board members; (ii) the approval of the conclusion of service agreements with the chairman of the Board of Management or the management of affiliated companies with more than 1000 employees, insofar as there is no co-determined; (iii) contracts with Supervisory Board members pursuant to section 114 of the German Stock Corporation Act (*Aktiengesetz*); and (iv) loans granted to the directors, authorized officers, general managers or members of the management or supervisory board of ZF and its subsidiaries pursuant to section 89 and 115 of the German Stock Corporation Act (*Aktiengesetz*).

The Executive Committee consists of the Supervisory Board's chairman and vice chairman as well as six other members of the Supervisory Board (of which three representing the shareholders and three representing the employees). The chairman of the Supervisory Board is simultaneously the chairman of the Executive Committee. As of the date of this Prospectus, the members of the Executive Committee are: Prof. Dr. Giorgio Behr, Andreas Brand, Dr.-Ing. Franz-Josef Paefgen, Jürgen Otto, Jürgen Bunge, Achim Dietrich-Stephan, Frank Iwer and Wolfgang Schuler.

- *Audit Committee (Prüfungsausschuss)*. The Audit Committee's tasks relate to the aspects of accounting, internal control systems, internal audit, corporate governance, compliance, and the annual audit. For this purpose, the Audit Committee shall deal with the (i) accounting process, (ii) the effectiveness and adequacy of the internal control system, (iii) the risk management and the internal audit system, (iv) the corporate governance and compliance management, (v) the audit of the annual and consolidated financial statements, and (vi) the appointment of the independent auditor to be treated.

The Audit Committee consists of four members, namely of two representatives of the shareholders and two representatives of the employees, which are elected by the Supervisory Board with a majority of the votes cast. The chairman of the Audit Committee shall be a representative of the shareholders and a financial expert. The chairman of the Supervisory Board may not act as chairman of the Audit Committee. Former members of the Board of Management may be elected at the earliest two years after the end of their appointment as members of the Audit Committee. In case of a representative of the employees it has to be ensured that there exists no incompatibility of this function with respect to its activity for ZF. As of the date of this Prospectus, the members of the Audit Committee are: Andreas Brand, Dr. Margarete Haase, Peter Kippes and Hermann Sicklinger.

In addition, the Supervisory Board has a *Standing Committee (Ständiger Ausschuss)* pursuant to sections 27 para. 3, 31 para. 3 sentence 1 German Codetermination Act (*Mitbestimmungsgesetz*). The Standing Committee is comprised of the Supervisory Board's chairman, vice chairman, and the two additional members of the Supervisory Board. As of the date of this Prospectus, the four members of the Standing Committee are: Prof. Dr. Giorgio Behr, Andreas Brand, Frank Iwer and Wolfgang Schuler.

Compensation

The emoluments of the members of the Supervisory Board for the fiscal year ended December 31, 2014 amounted to EUR 1.2 million (2013: EUR 1.3 million).

Conflicts of Interest

As of the date of this Prospectus, there are no potential conflicts of interests between any duties to the Issuer or the Guarantor of the above mentioned members of the Board of Management or the Supervisory Board and their private interests.

Corporate Governance

The German Corporate Governance Code (*Deutscher Corporate Governance Kodex*), as last amended on June 24, 2014, (the "**Code**") contains recommendations and suggestions for the management and supervisory boards of German stock corporations listed on a stock exchange with regard to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing, incorporating nationally and internationally recognized standards of good and responsible corporate governance. There is no legal obligation to comply with the recommendations or suggestions of the Code. However, section 161 of the German Stock Corporation Act (*Aktiengesetz*) requires that the management board and supervisory board of a German listed stock corporation declare, every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the management board and the supervisory board do not/will not apply the recommendations that have not been or will not be applied in an annual comprehensive statement. This annual statement is to be made permanently accessible to shareholders on the company's website.

Since the shares of the Guarantor are not listed on a stock exchange, the recommendations and suggestions of the Code are not applicable to the Guarantor. However, the Guarantor has issued its own corporate governance code in 2007 (the "**ZF Code**") which is closely aligned to the provisions of the Code while taking the specific features of ZF as a non-listed foundation company into account. In addition, the Guarantor constantly checks the further developments of the Code with regard to their transferability to the ZF Code.

Recent Developments and Outlook

Recent Developments

Merger with TRW Group

On September 15, 2014, ZF, TRW Holding and MSNA, a wholly owned U.S. subsidiary of ZF held indirectly through ZFNA, entered into the Merger Agreement under which ZF will, subject to certain closing conditions, acquire 100% of TRW Holding's outstanding share capital in an all-cash transaction for USD 105.60 per share through a merger of MSNA into TRW Holding, with TRW Holding surviving the Merger and becoming a subsidiary of ZF. The transaction has already been unanimously approved by the relevant corporate bodies of both ZF and TRW Holding. Based on the agreed price per share the purchase price is expected to amount to approximately USD 12.4 billion.

The Merger Agreement contains customary representations and warranties that ZF, TRW Holding and MSNA have made to one another (in some cases, as of specific dates) relating to their respective businesses. The assertions embodied in those representations and warranties were made solely for purposes of the Merger Agreement, and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating the terms of the Merger Agreement.

Following the closing of the Merger, TRW Holding will be delisted from the New York Stock Exchange. For further details see *"Information about the Guarantor and the ZF Group—Material Contracts—Merger Agreement with TRW Holding"*.

On March 12, 2015 the European Commission approved the Merger. The European Commission's approval is subject to certain conditions, which we have agreed to undertake following completion of the Merger. In particular, we have agreed to sell TRW Group's linkage and suspension business, which had sales of approximately USD 550 million in 2014. In order to oversee the completion of our post-closing obligations, particularly the disposal of the TRW Group's linkage and suspension business, we have appointed a monitoring trustee. On April 21, 2015, TRW Holding announced that it signed a definitive agreement for the sale of its linkage and suspension business for USD 400 million in cash, subject to working capital and other adjustments to THK Co., LTD. The divestiture is subject to customary conditions, including regulatory approvals, and is expected to close by September 30, 2015.

Divestment of ZF's stake in ZF Lenksysteme

Pursuant to the share purchase and transfer agreement dated September 14/15, 2014, Bosch acquired our entire 50-percent stake in ZF Lenksysteme for a cash consideration. The transaction was completed on January 30, 2015 with Bosch becoming the sole owner of ZF Lenksysteme. The former joint venture was renamed Robert Bosch Automotive Steering GmbH in order to also emphasize the new ownership structure in the name. See *"Information about the Guarantor and the ZF Group—Our Business—Material Contracts—Share Purchase and Transfer Agreement regarding the divestment of ZF's stake in ZF Lenksysteme"*.

ZF Bonded Loans

On January 12, 2015, ZF issued bonded loans in a total amount of EUR 2.2 billion. The funds were used to repay part of the Merger financing. The bonded loans have maturity periods of three, five and seven years, with the interest margins on all tranches set at the lower end of the marketing range. See *"Information about the Guarantor and the ZF Group—Our Business—Material Contracts—Financing Agreements—ZF Bonded Loans (Schuldscheindarlehen)"*.

Offering of USD denominated notes

On April 20, 2015, we began to offer USD denominated notes to qualified institutional buyers in the United States and to qualified investors outside the United States. We currently expect to issue these USD denominated notes by beginning of May 2015.

Outlook

Following a growth in global economic output of about 3.3% in 2014, we expect the global economy to grow in 2015 on a similar level as in 2014. It is expected that once again the developed economies will account for most of the increase, while the developing and transitional economies will only grow at a modest pace. However, the Russia/Ukraine crisis, the economic situation in Russia itself, and the situation in the Middle East continue to pose a significant risk factor for economic development for the EU in particular. By contrast, the United States is expected to remain the powerhouse of the global economy.

Following the 3% increase in production of passenger cars and light vehicles in 2014, similar growth of 3% is expected for 2015. In this respect, China should once again be able to post the highest growth. In an overall economic environment characterized essentially by a sluggish recovery, growth expectations for the commercial vehicle sector are only modestly optimistic. Following the 2% decline in global production of heavy commercial vehicles last year, 2015 should see figures recover to at least the 2013 level. A weak positive trend is forecast worldwide for the offroad machinery segments; in the case of agricultural machinery, an increase of 1% is predicted, while construction machinery will see growth of 2%.¹⁷

Overall, we expect solid organic sales growth for the fiscal year 2015 on a level similar to 2014, with overall moderate growth of the markets. We expect the strongest growth in North America and Asia-Pacific, while Germany and the rest of Europe will see slightly weaker growth. Challenges will arise from the upcoming integration of TRW Group. However, the Merger offers a unique strategic opportunity to combine our highly efficient hybrid drive technology with TRW Group's future technologies for active and passive safety to a compelling and extensive overall product portfolio.

In 2015, we will continue to focus on the further improvement of our gross margin and the ensuring stable free cash flow. Excluding the Merger, we plan investments in property, plant, and equipment of more than EUR 1,000 million within the next year and hence above the expected annual depreciation and the ratio of operating profit to sales is expected to be on a par with the previous year. In conjunction with the targeted improvements in working capital, free cash flow should be maintained at a level of around EUR 400 million in 2015. Headcount developments are positive, with a planned increase to slightly over 80,000 employees.

¹⁷ Source: ZF Procast, November 2014.

DESCRIPTION OF TRW GROUP

Business

TRW Holding is a Delaware corporation formed in 2002 with a business history stretching back to the turn of the twentieth century. It is a diversified supplier of automotive systems, modules and components to global automotive OEMs and related aftermarkets with sales of USD 17,539 million in 2014 (2013: USD 17,435 million).

In 2014, 42% of TRW Group's sales were in Europe, 33% were in North America, 21% were in Asia, and 4% were in the rest of the world.

The following table presents certain information concerning principal geographic areas:

	<u>United States</u>	<u>China</u>	<u>Germany</u> (USD in million)	<u>Rest of World</u>	<u>Total</u>
Sales to external customers:.....					
Year Ended December 31, 2014.....	4,496	3,131	2,097	7,815	17,539

(1) Sales are attributable to geographic areas based on the location of the assets generating the sales. Inter-area sales are not significant to the total sales of any geographic area.

TRW Group is primarily a Tier 1 original equipment supplier, with 82% of its end-customer sales in 2014 made to major OEMs customers across the world's major vehicle producing regions. It also sells products to the global aftermarket as replacement parts for current production and older vehicles, through both OEM service organizations and independent distribution networks.

TRW Group conducts substantially all of its operations through subsidiaries. These operations primarily encompass the design, manufacture and sale of active and passive safety related products and systems. Active safety related products and systems principally refer to vehicle dynamic controls (primarily braking and steering) and electronics (primarily driver assistance systems), and passive safety related products and systems principally refer to occupant restraints (primarily airbags and seat belts) and electronics (primarily airbag electronic control units, and crash and occupant weight sensors).

As of December 31, 2014, TRW Group had approximately 66,900 full-time employees and approximately 12,000 temporary or contract employees (excluding employees who were on approved forms of leave).

Financial Results

For the year ended December 31, 2014 TRW Group's net sales were USD 17,539 million, which represents an increase of USD 104 million from the year ended December 31, 2013. The increase in sales was driven primarily by higher demand for active and passive safety products and growth in vehicle production in TRW Group's major markets, which more than offset the impact of lower sales of USD 801 million related to exiting certain of TRW Group's brake component and modules businesses in North America and the negative effects of foreign currency exchange. During 2014, the positive effects of foreign currency exchange during the first nine months were more than offset by the strengthening of the US Dollar during the fourth quarter.

In the year ended December 31, 2014, TRW Group's operating income was USD 501 million compared to USD 1,227 million in the year ended December 31, 2013. The decrease in operating income of USD 726 million resulted primarily from significant pension settlement actions in 2014 within the U.K., U.S., and Canadian pension plans which totaled USD 790 million, as well as merger and transaction fees, an increase in restructuring costs, and

planned cost increases to support future growth. These items were partially offset by the positive impact of the higher level of sales.

Net earnings attributable to TRW Group in 2014 were USD 293 million compared to USD 970 million in 2013. This decrease of USD 677 million was primarily the result of lower operating income, partially offset by a decrease in interest expense, lower income tax expense, and lower losses recognized on the retirement of debt.

TRW Group generated positive operating cash flow of USD 954 million in 2014 compared to USD 1,126 million in 2013, while capital expenditures were USD 694 million in 2014 compared to USD 735 million in 2013. The decrease in positive operating cash flow of USD 172 million resulted primarily from higher pension contributions, increased working capital requirements, higher outflows related to withholding taxes on certain equity awards, and higher cash paid for taxes, partially offset by higher inflows for value added taxes and higher cash earnings.

TRW Group's cash on hand at the end of 2014 was USD 1,031 million, a decrease of USD 698 million from the year end of 2013. During the year 2014, TRW Group utilized USD 400 million of cash on hand to repurchase approximately 4.6 million shares of common stock under its share repurchase programs. In addition, upon maturity of its 6.375% Senior Notes and 7.00% Senior Notes, TRW Group repaid the outstanding principal amount totaling USD 469 million in 2014.

Further Financial Information relating to TRW Group's Assets and Liabilities, Financial Position and Profits and Losses

The audited consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 2014 and the consolidated balance sheets as of December 31, 2014 and 2013 and the valuation and qualifying accounts for the years ended December 31, 2014, 2013 and 2012 of TRW Holding, prepared in accordance with U.S. GAAP, are incorporated by reference into this Prospectus (see "*Incorporation by Reference—TRW Holding*").

Segments and Products of TRW Group

TRW Group operates its business along four segments: Chassis Systems, Occupant Safety Systems, Electronics and Automotive Components.

Chassis Systems

The Chassis Systems segment focuses on the design, manufacture and sale of products and systems relating to braking, steering, modules, and linkage and suspension. TRW Group sells its Chassis Systems products and systems primarily to OEMs and other Tier 1 suppliers. It also sells these products and systems to the global aftermarket through both OEM service organizations and independent distribution networks.

Occupant Safety Systems

The Occupant Safety Systems segment focuses on the design, manufacture and sale of products and systems relating to airbags, seat belts, and steering wheels. TRW Group sells its Occupant Safety Systems products and systems primarily to OEMs and other Tier 1 suppliers and also sells these products and systems to OEM service organizations.

Electronics

The Electronics segment focuses on the design, manufacture and sale of electronics components and systems in the areas of safety, chassis, radio frequency, powertrain, and driver assistance systems, including cameras and radars. TRW Group sells its Electronics products and systems primarily to OEMs and to its Chassis Systems segment (braking and steering applications) but also sells these products and systems to OEM service organizations.

Automotive Components

The Automotive Components segment focuses on the design, manufacture and sale of body controls, engine valves, and engineered fasteners and components. TRW Group sells its Automotive Components products primarily to OEMs and other Tier 1 suppliers, and to certain nonautomotive markets and customers. It also sells these products to OEM service organizations and in addition, some engine valve and body control products are sold to independent distributors for the automotive aftermarket. On February 6, 2015, TRW Group closed the sale of its wholly-owned engine valve subsidiaries which represented the material portion of the business to be divested. The closing did not include the transfer of several of TRW Group's joint ventures involved in the business. See "*Description of TRW Group—Recent Events*".

The following tables present certain financial information of TRW Group by segment for the year ended December 31, 2014:

	(USD in million)
Sales to external customers	
Chassis Systems	11,354
Occupant Safety Systems	3,357
Electronics	937
Automotive Components	1,891
Total sales to external customers.....	<u>17,539</u>
Earnings before taxes	
Chassis Systems	831
Occupant Safety Systems	282
Electronics	144
Automotive Components	168
Segment earnings before taxes	<u>1,425</u>
Earnings before income taxes	<u>430</u>

Joint Ventures

Joint ventures represent an important part of TRW Group's business, both operationally and strategically. TRW Group has used joint ventures to enter into geographic markets, to gain new customers, strengthen positions with existing customers, and develop new technologies. However, certain risks exist or are increased in joint ventures when compared to conducting operations through wholly-owned entities. See "*Risk Factors—We may be unable to successfully integrate or achieve the expected benefits from current or future acquisitions or joint ventures.*" and "*Risk Factors—We do not control certain of our joint ventures.*"

The following table shows TRW Holding's significant unconsolidated joint ventures in which it has a 49% or greater interest that are accounted for under the equity method:

<u>Country</u>	<u>Name</u>	<u>TRW Holding's Ownership Percentage</u>	<u>Products</u>	<u>2014 Sales (USD in million)</u>
Brazil	SM-Sistemas Modulares Ltda.	50.0%	Brake modules	13,5
	Shanghai TRW Automotive Safety Systems Company Ltd.	50.0%	Seat belt systems, airbags and steering wheels	253,7
China	CSG TRW Chassis Systems Co., Ltd.	50.0%	Foundation brakes	361,9
	Brakes India Limited	49.0%	Foundation brakes, anti-lock braking systems, actuation brakes, valves and hoses	571,7
India	Rane TRW Steering Systems Limited	50.0%	Steering gears, systems and components and seat belt systems	97,2
	TRW Sun Steering Wheels Private Limited	49.0%	Steering wheels and injection molded seats	15,0

Competition

The automotive supply industry is extremely competitive. As it is the case for the ZF Group, OEMs also rigorously evaluate TRW Group and other suppliers based on many criteria such as quality, price/cost competitiveness, product and system performance, reliability and timeliness of delivery, new product and system technology development capability, excellence and flexibility in operations, degree of global and local presence, effectiveness of customer service and overall management capability. In particular, within each of its product segments, TRW Group faces significant competition. TRW Group's principal competitors in the Chassis Systems segment include Advics, Bosch, Continental, JTEKT, Nexteer and ZF, in the Occupant Safety Systems segment; Autoliv, Key Safety, and Takata, in the Electronics Safety Systems segment, Autoliv, Bosch, Continental, Delphi, Denso, and Magna; and in the Automotive Components segment, Delphi, Eaton, ITW, Kostal, Nifco, Raymond, Tokai Rika, and Valeo.

Intellectual Property

TRW Group owns a significant quantity of intellectual property, including a large number of patents, trademarks, copyrights and trade secrets, and is involved in numerous licensing arrangements. Its intellectual property plays an important role in maintaining its competitive position in a number of the markets that TRW Group serves. While no single patent, copyright, trade secret or license, or group of related patents, copyrights, trade secrets or licenses, is, in our opinion, of such value to TRW Group that its business would be materially affected by the expiration or termination thereof, taken in the aggregate, these intellectual property rights provide meaningful protection for TRW Group's products and technical innovations. However, we view the name "TRW Automotive" and primary mark "TRW" as material to TRW Group's business as a whole. In addition, TRW Group owns a number of secondary trade names and trademarks applicable to certain of its businesses and products that we view as important to such businesses and products as well.

TRW Group has entered into numerous technology license agreements that either strategically capitalize on its intellectual property rights or provide a conduit for TRW Group

into third-party intellectual property rights useful in its businesses. In many of the agreements, TRW Group licenses technology to its suppliers, joint venture companies and other local manufacturers in support of product production for its customers and itself. In other agreements, TRW Group licenses the technology to other companies to obtain royalty income.

Research, Development and Engineering

TRW Group operates a global network of technical centers worldwide where it employs and contracts several thousand engineers, researchers, designers, technicians and their supporting functions. This global network allows TRW Group to develop active and passive automotive safety technologies while improving existing products and systems.

We believe that continued research, development and engineering activities are critical to maintaining TRW Group's leadership position in the industry and will provide it with a competitive advantage as it seeks additional business with new and existing customers. TRW Group's research and development costs were USD 230 million for the year ended December 31, 2014 while total company-funded engineering expenses including research and development costs were USD 957 million for the year ended December 31, 2014. Excluding TRW Group's modules and aftermarket sales, which do not directly benefit from such activities, its total company-funded research, development and engineering expenses were 6.6% of sales for the years ended December 31, 2014.

Properties

TRW Group's principal executive offices are located in Livonia, Michigan. Its operations include numerous manufacturing, research and development, warehousing facilities and offices. TRW Group owns or leases principal facilities located in 12 states in the United States and in 23 other countries. Approximately 53% of its principal facilities are used by the Chassis Systems segment, 22% are used by the Occupant Safety Systems segment, 4% are used by the Electronics segment and 21% are used by the Automotive Components segment. Of the total number of principal facilities operated by TRW Group, approximately 58% of such facilities are owned and 42% are leased.

Environmental Matters

Governmental requirements relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment, have had, and will continue to have, an effect on both, TRW Group's operations and TRW Group. TRW Group is conducting a number of environmental investigations and remedial actions at current and former locations to comply with applicable requirements and, along with other companies, has been named a potentially responsible party for certain waste management sites. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably to TRW Group.

In addition, certain subsidiaries of TRW Holding have been subject in recent years to asbestos-related claims. In general, these claims seek damages for illnesses alleged to have resulted from exposure to asbestos used in certain components sold in the past by these subsidiaries. TRW Holding believes that the majority of the claimants were vehicle mechanics. The vast majority of these claims name as defendants numerous manufacturers and suppliers of a variety of products allegedly containing asbestos. TRW Holding believes that, to the extent any of the products sold by the TRW Holding's subsidiaries and at issue in these cases contained asbestos, the asbestos was encapsulated. Based upon several years

of experience with such claims, TRW Holding believes that only a small proportion of the claimants has or will ever develop any asbestos-related illness.

These claims are strongly disputed by TRW Holding and it has been its policy to defend against them aggressively. Neither settlement costs in connection with asbestos claims nor annual legal fees to defend these claims have been material in the past.

Legal Proceedings

Various claims, lawsuits and administrative proceedings are pending or threatened against TRW Holding or its subsidiaries, covering a wide range of matters that arise in the ordinary course of TRW Group's business activities including commercial, patent, product liability, retirement benefits, tax, environmental and occupational safety and health law matters.

Antitrust Matters

Antitrust authorities, including those in the United States and Europe, are investigating possible violations of competition (antitrust) laws by automotive parts suppliers (referred to herein as the "**Antitrust Investigations**"). The DOJ initiated an investigation into TRW Group's Occupant Safety Systems business in June 2011, which was concluded in 2012 when the court approved a plea agreement between one of its German subsidiaries and the DOJ.

TRW Group has settled certain purported class action lawsuits filed on behalf of vehicle purchasers, lessors, dealers and direct purchasers alleging that TRW Group and certain of its competitors conspired to fix and raise prices for Occupant Safety Systems products. These lawsuits were filed on various dates from June 2012 through May 2014 in, or were consolidated in, the United States District Court for the Eastern District of Michigan. Once the court approves the settlements, those cases will be dismissed. TRW Group has also settled similar cases filed in various courts in Canada on behalf of vehicle purchasers, lessors, dealers and direct purchasers.

Also in June 2011, the European Commission initiated an Antitrust Investigation which includes TRW Group, among others, and which is ongoing. While the duration and outcome of the European Commission's investigation is uncertain, a determination that TRW Group has violated European competition (antitrust) laws could result in significant penalties, in some cases, for violations at other companies, which could have a material adverse effect on its financial condition, results of operations and cash flows, as well as its reputation. We cannot estimate the ultimate financial impact resulting from the European investigation.

Transaction Litigation

Following the announcement of the execution of the Merger Agreement on September 15, 2014, seven purported stockholders of TRW Holding initiated legal actions against TRW Holding, ZF, ZFNA, MSNA, and the members of TRW Holding's board of directors challenging the Merger by filing putative class action complaints. The complaints include claims for breach of fiduciary duty against the individual directors, alleging that the directors violated the duties of loyalty, good faith and due care owed to TRW Holding's stockholders. The complaints also include claims for aiding and abetting breaches of fiduciary duty. The plaintiffs seek, among other forms of relief, an order enjoining the transaction, rescinding the Merger Agreement to the extent it has already been implemented, and awarding attorneys' fees and costs.

On November 12, 2014, plaintiffs, TRW Holding and other named defendants entered into a memorandum of understanding (the "**MOU**") agreeing in principle to settle all pending actions

in exchange for TRW Holding's agreement to make certain supplemental disclosures, which were filed on the same date in a supplement to TRW Holding's October 20, 2014 definitive proxy statement. Pursuant to the MOU, the parties intend to settle, subject to court approval, certain claims, while the other pending litigation will be dismissed. The settlement contemplated by the MOU is not, and should not be construed as, an admission of wrongdoing or liability by any defendant.

Material Indebtedness

As at December 31, 2014, the material indebtedness of TRW Group consists of the following:

Senior Notes

4.45% Senior Notes

In November 2013, TRW Automotive Inc. ("**TAI**"), a wholly owned subsidiary of TRW Holding, issued USD 400 million in aggregate principal amount of 4.45% senior unsecured notes due 2023 (the "**4.45% Senior Notes**") in a private placement. Interest of 4.45% per annum is payable semi-annually on December 1 and June 1 of each year.

4.50% Senior Notes

In February 2013, TAI issued USD 400 million in aggregate principal amount of 4.50% senior unsecured notes due 2021 (the "**4.50% Senior Notes**") in a private placement. Interest of 4.50% per annum is payable semi-annually on March 1 and September 1 of each year.

7.25% Senior Notes

In March 2007, TAI issued USD 600 million in aggregate principal amount of 7.25% senior unsecured notes due 2017 (the "**7.25% Senior Notes**") in a private placement. Interest of 7.25% per annum is payable semi-annually on March 15 and September 15 of each year.

Senior Note Repurchases.

During 2013 and 2012, TAI repurchased portions of its 7.25% Senior Notes totaling USD 48 million in principal amount. The repurchased notes were retired upon settlement.

Exchangeable Senior Notes

In November 2009, TAI issued USD 259 million in aggregate principal amount of 3.50% exchangeable senior unsecured notes due 2015 (the "**Exchangeable Senior Notes**") in a private placement. The notes were exchangeable only upon specified events or conditions being met and, thereafter, at any time. The initial exchange rate was 33.8392 shares of TRW Holding's common stock per USD 1,000 principal amount of notes. Interest of 3.50% per annum was payable on June 1 and December 1 of each year. As of December 31, 2014, Exchangeable Senior Notes in an aggregate amount of USD 30 million were outstanding. TRW Group has called the remaining outstanding Exchangeable Senior Notes for redemption in the meantime.

Senior Credit Facilities

During the third quarter of 2012, TRW Holding and other entities of the TRW Group entered into their eighth amended and restated credit agreement (the "**Eighth Credit Agreement**") with the lenders party thereto. The Eighth Credit Agreement provides for senior credit facilities consisting of (i) a revolving credit facility in the amount of USD 1.4 billion which matures in

September 2017, subject to certain conditions described below (the "**TRW Revolving Credit Facility**"), and (ii) additional availability which may be used in the future for one or more term loans or additional revolving facilities (together with the TRW Revolving Credit Facility, the "**TRW Facilities**"). All of the TRW Facilities are undrawn.

The TRW Revolving Credit Facility will mature on September 28, 2017; provided that if, as of the last fiscal day of October 2016, an aggregate amount of the 7.25% Senior Notes in excess of USD 100 million remains outstanding and the amount of available liquidity does not exceed the aggregate amount of cash necessary to redeem the 7.25% Senior Notes by at least USD 500 million, then the maturity date of the TRW Revolving Credit Facility will be 20 business days after such date.

The commitment fee and the applicable margin for borrowing on the TRW Revolving Credit Facility are subject to a ratings-based grid. The applicable margin in effect as of December 31, 2014 was 0.25% with respect to base rate borrowings, 1.25% with respect to euro-currency borrowings, and the commitment fee on the undrawn amounts under the TRW Revolving Credit Facility was 0.25%.

TAI received an investment grade corporate credit rating with a stable outlook from Standard & Poor's Rating Services in the third quarter of 2013. Due to such investment grade rating, under the terms of the TRW Revolving Credit Facility, TAI gave notice which automatically released the collateral securing the obligations under the facility. TAI may be required to reinstate the released collateral if it no longer has an investment grade corporate credit rating with a stable outlook from at least one of the required rating agencies.

Other Borrowings

TRW Group has borrowings under uncommitted credit agreements in several of the countries in which it operates. The borrowings are from various individual banks at quoted market interest rates. As of December 31, 2014, such short-term borrowings under uncommitted credit facilities totaled USD 221 million.

Debt Covenants

Senior Notes

The indentures governing the 7.25% Senior Notes, 4.50% Senior Notes and 4.45% Senior Notes contain covenants that impose significant restrictions on the TRW Group's business. The indenture for the 7.25% Senior Notes and the 4.50% Senior Notes contain covenants that restrict, subject to a number of qualifications and limitations, the ability of TAI and its subsidiaries to pay certain dividends and distributions, or repurchase equity interests of TRW Holding and certain of its subsidiaries (unless certain conditions are met). All the indentures contain covenants that, among other things, restrict, subject to a number of qualifications and limitations, the ability of TAI and its subsidiaries to incur liens, engage in mergers or consolidations, and enter into sale and leaseback transactions. The indentures for each of TAI's outstanding notes also contain customary events of default.

Senior Credit Facilities

The Eighth Credit Agreement contains various customary covenants that, among other things, could restrict, subject to certain exceptions, the ability of TRW Holding and its subsidiaries to incur additional indebtedness or issue preferred stock; repurchase or repay other indebtedness; repurchase capital stock; pay dividends; create liens on assets; make investments, loans or advances; make certain acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in certain transactions with

affiliates; amend certain material agreements; and change the business conducted by the TRW Group.

As of December 31, 2014, the TRW Group was in compliance with all of its debt covenants.

Impact of the Merger

The Merger will be a change of control event as defined, in the Senior Note indentures and the TRW Facilities. In general, upon the occurrence of a change of control event under the Senior Note indentures, TAI is required to offer to repurchase the Senior Notes, for a certain period of time, at a price of 101% of par, plus accrued and unpaid interest.

Recent Events

On September 10, 2014, TRW Holding announced that it had entered into a definitive agreement to divest its engine valve business to Federal-Mogul Holdings Corporation for a purchase price of USD 385 million in cash, which is subject to adjustment in accordance with the agreement. The business to be divested had sales of USD 592 million in 2014. On February 6, 2015, TRW Holding closed the sale of its wholly-owned engine valve subsidiaries which represented the material portion of the business to be divested. The closing did not include the transfer of several of TRW Group's joint ventures involved in the business. The engine valve business was reported within the Automotive Components segment of TRW Group. The divestiture qualified for held-for-sale accounting treatment, and as such, the assets and liabilities associated with the transaction are separately classified as held-for-sale in TRW Holding's consolidated balance sheet as of December 31, 2014 and depreciation of long-lived assets has ceased.

For the envisaged disposal of TRW Group's linkage and suspension business following the closing of the Merger see *"Information about the Guarantor and the ZF Group—Recent Developments and Outlook—Recent Developments—Merger with TRW"*.

RATIONALE FOR THE MERGER

Overview

With the Merger, we plan to further improve our position as a strong and trusted partner for OEMs in the automotive industry by offering innovative new technologies that minimize emission, increase safety, improve automotive performance and allow for advanced driving systems – and by this benefit from the automotive industry megatrends on a global basis. The new ZF Group, including the TRW Group as a fifth business division, will represent the third-largest automotive supplier in the world in terms of sales with combined sales of approximately over EUR 30 billion (USD 41 billion) and about 138,000 employees,¹⁸ offering a comprehensive, regionally-balanced and complementary product portfolio in the areas of driveline and chassis technology, safety and electronic systems in both the volume and the premium segments.

	Car Powertrain Technology	Car Chassis Technology	Commercial Vehicle Technology	Industrial Technology	TRW
CEO	Automatic Transmissions	Chassis Systems	Truck & Van Driveline Technology	Off-Highway Systems	Chassis Systems
Corporate Market	Manual Transmissions / Dual Clutch Transmissions	Chassis Components	Axle & Transmission Systems for Buses & Coaches	Test Systems	Occupant Safety Systems
Corporate R&D	Axle Drives	Suspension Technology	CV Chassis Modules	Special Driveline Technology	Electronics
Corporate Finance, IT, M&A	Powertrain Modules		CV Damper Technology	Marine Propulsion Systems	Automotive Components
Corporate Human Resources	Electronic Drive Technology		CV Powertrain Modules	Aviation Technology	
Corporate Governance	Die Casting Technology			Wind Power Technology	
Corporate Production					
Corporate Materials Management					
Corporate Quality					
Electronic Systems					
ZF Services					

Strategic Advantages resulting from the Merger

In particular, we expect the Merger to offer the following strategic advantages:

Highly Complementary Product Portfolio and Technologies

We believe that the TRW Group is a highly strategic asset with a global market position and global scale in the chassis, brake and safety market. The product and technology portfolios of both companies are highly complementary. We are a global leader in driveline and chassis technologies, whereas the TRW Group is a global leader in active and passive safety related technologies.

We believe that together, ZF and the TRW Group will become a truly global automotive supplier in R&D with a future oriented product range and the core competencies of both companies combined will substantially strengthen their ability to address prevailing megatrends in the automotive industry. Both companies have acknowledged technology positions in high-growth market segments that profit from the megatrends towards emission reduction, increased safety requirements and autonomous driving. ZF and the TRW Group have demonstrated a strong track record based on high product quality and continued innovation for their customers.

¹⁸ Source: Based on company information and ZF's estimates.

We provide efficient driveline and lightweight offerings that significantly decrease fuel consumption and enable emission reduction. The TRW Group has a strong position in active and passive safety related technologies including driver-assistance systems and collision avoidance. We expect a significant expansion of the driver-assistance market by the end of the decade. Also, in response to the trend away from semi-automated cars towards self-driving cars, we expect to have, together with the TRW Group, all the technologies necessary for a fully autonomous driving chassis in the one combined company. The combined company is able to provide a complete driving chassis: from electrical drivelines or (hybrid) transmissions, ZF electronics/control units and power electronics to chassis components and systems, steering plus brakes (including electronic stability controls (ESC)) and sensors (camera and radar) including safety systems – all controlled by advanced driver assistance systems (ADAS).

Balanced Portfolio of Customers

ZF has a strong position with premium OEMs like Audi, BMW, Daimler, Jaguar and Land Rover, while the TRW Group has a strong sales share at OEM-Groups positioned in the volume segment like VW and Detroit 3. Through the combination with TRW, ZF would be able to provide a broad range of vehicle parts (excluding combustion engines), and ZF would strengthen its Tier 1 position as valuable partner in the automotive value chain. The combined company will be able to meet the increasing demand from OEMs for complete offerings from their suppliers and could be a strong and trusted partner for important OEMs around the globe.

Leading Supplier in Most Relevant Markets

With the acquisition of the TRW Group, we will significantly strengthen our presence in the two largest automotive markets in the world: China and the United States. We have been present in the United States since 1979 and currently operate 12 sites, including a newly opened production site for automatic transmission systems in South Carolina, United States. Through the transaction, we expect to significantly increase our annual sales volume in North America by roughly EUR 3.7 billion to EUR 6.5 billion (based on 2014 figures). In the Chinese market, the world's largest automotive market, the TRW Group and we may be able to achieve annual sales of approximately EUR 4 billion (based on 2014 figures).

With the acquisition of the TRW Group, we more than double our presence in these two markets. The combined group could also retain its strong foothold in Europe and Asia Pacific would remain field of action for further growth with joint forces.

Financing of the Transaction

We plan to finance the Merger with the 2014 Senior Facilities Agreement and by issuing these Notes and, possibly, further debt capital instruments and other sources of funds. For the details see “*Use of Proceeds*” and “*Information about the Guarantor and the ZF Group—Our Business—Material Contracts—Financing Agreements—2014 Senior Facilities Agreement*”.

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF ZF GROUP
AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

1. Introduction

On September 15, 2014, ZF Friedrichshafen AG ("**ZF**", and together with its consolidated subsidiaries, the "**ZF Group**" or the "**Group**"), TRW Automotive Holdings Corp. ("**TRW Holding**", and together with its subsidiaries, "**TRW Group**") and MSNA, Inc. ("**MSNA**", a wholly owned U.S. subsidiary of ZF held indirectly through ZF North America Inc. ("**ZFNA**") entered into an Agreement and Plan of Merger (the "**Merger Agreement**"), under which ZF will, subject to certain conditions, acquire 100% of TRW Holding's outstanding share capital in an all-cash transaction through a merger of MSNA into TRW Holding, with TRW Holding surviving the merger ("**Merger**" or "**Acquisition**") as a subsidiary of ZF. Under the Merger Agreement, each outstanding share of TRW Holding common shares shall be converted into the right to receive USD 105.60 in cash, without interest.

In connection with the Merger, on September 14/15, 2014 ZF entered into an agreement with Robert Bosch GmbH ("**Bosch**") to sell ZF's stake in ZF Lenksysteme GmbH (now Robert Bosch Automotive Steering GmbH, "**ZF Lenksysteme**") in order to avoid potential antitrust violations in connection with the Merger. The sale of ZF's stake in ZF Lenksysteme was completed on January 30, 2015 with Bosch becoming the sole owner of ZF Lenksysteme.

The closing of the Merger is subject to antitrust clearance in the United States, European Union and certain other jurisdictions such as Mexico and China. Currently, regulatory clearance from Mexico and the United States are outstanding. The required regulatory approvals are expected to be obtained, and the Merger is expected to close during the first half of 2015. Following the closing of the Merger, TRW Holding is expected to be delisted from the New York Stock Exchange.

Since the Merger together with the sale of ZF's stake in ZF Lenksysteme are expected to have a material impact on the financial position and results of operations of ZF, the following unaudited pro forma consolidated financial information was prepared by ZF, comprising a pro forma consolidated statement of profit or loss for the period from January 1, 2014 to December 31, 2014, a pro forma consolidated statement of financial position as of December 31, 2014 and pro forma notes (together, the "**Unaudited Pro Forma Consolidated Financial Information**").

The purpose of the Unaudited Pro Forma Consolidated Financial Information is to show the material effects the Merger and the sale of ZF's stake in ZF Lenksysteme would have had on the historical consolidated financial statements of ZF if the ZF Group had already existed in the structure created by the Merger and the sale of ZF's stake in ZF Lenksysteme as of January 1, 2014 with respect to the unaudited pro forma consolidated statement of profit or loss and as of December 31, 2014 with respect to the unaudited pro forma consolidated statement of financial position.

The following Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only. Due to its nature, the Unaudited Pro Forma Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual consolidated results of operations or consolidated financial position of ZF would have been had the Merger and the sale of ZF's stake in ZF Lenksysteme occurred on the dates assumed, nor is it necessarily indicative of ZF's consolidated results of operations or consolidated financial position after the completion of the Merger and the sale of ZF's stake in ZF Lenksysteme, nor is it necessarily indicative of future consolidated operating results or consolidated financial position of ZF. Therefore, actual consolidated results of operations and the consolidated financial position of ZF after the Merger and the sale of ZF's

stake in ZF Lenksysteme may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information. Furthermore, the Unaudited Pro Forma Consolidated Financial Information is only meaningful in conjunction with the historical consolidated financial statements of ZF as of and for the fiscal year ended December 31, 2014.

The Unaudited Pro Forma Consolidated Financial Information has been prepared by ZF as of April 2, 2015.

Unless otherwise stated, all amounts are stated in millions of Euros (EUR million).

2. Historical Financial Information

2.1 Historical Financial Information Used

The Unaudited Pro Forma Consolidated Financial Information is based on the following historical financial information:

- The audited and publicly available consolidated financial statements of ZF as of and for the fiscal year ended December 31, 2014, prepared on the basis of the International Financial Reporting Standards, as adopted by the EU ("**IFRS**"), and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("*Handelsgesetzbuch*": "German Commercial Code").
- The unaudited and not publicly available IFRS consolidated statement of financial position of TRW Holding as of December 31, 2014 and the unaudited and not publicly available IFRS consolidated statement of profit and loss of TRW Holding for the period from January 1, 2014 to December 31, 2014, which was derived from the audited and publicly available consolidated financial statements of TRW Holding as of and for the fiscal year ended December 31, 2014, prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"). For purposes of the Unaudited Pro Forma Consolidated Financial Information, the consolidated balance sheet and the consolidated statement of earnings of the TRW Holding's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014 have been adjusted to conform to IFRS and the accounting policies of ZF.

The historical financial information included within the Unaudited Pro Forma Consolidated Financial Information was prepared on the basis of IFRS and the accounting policies consistently applied by ZF as described in the notes to its IFRS consolidated financial statements as of and for the fiscal year ended December 31, 2014.

2.2 Adoption of IFRS and ZF's Accounting Policies in the TRW Group Historical Financial Information

TRW Holding's audited consolidated financial statements have been prepared in accordance with U.S. GAAP, which differs in certain material respects from IFRS. ZF performed procedures for the purpose of identifying material differences in significant accounting policies between ZF and TRW, and accounting adjustments that would be required in connection with adopting IFRS and uniform accounting policies. In order to identify material adjustments, procedures performed by ZF involved reviewing and analyzing TRW Holding's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014, as well as reviewing, analyzing and discussing significant accounting policies with TRW Group's management. The adoption of IFRS and ZF's accounting policies in the TRW Holding's historical consolidated financial information comprise the adjustments necessary to align the

presentation as required by IFRS and ZF's accounting policies as well as the recognition and measurement of assets and liabilities as well as income and expenses to be in accordance with IFRS and ZF's accounting policies. These IFRS and accounting policy adjustments are presented as follows:

- As long as total line items as presented separately in the TRW Holding's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014 can clearly be allocated to line items as presented by ZF and required by IFRS, such allocations are disclosed as footnotes to column "TRW Group Historical U.S. GAAP Financial Information".
- Additional reclassifications required by IFRS and ZF's accounting policies which refer only to a part of a line item are disclosed separately in the column "Presentation Adjustments".
- Adjustments relating to the recognition and measurement of assets and liabilities as well as income and expenses are disclosed separately in the column "Recognition and Measurement Adjustments".

To conform to the ZF reporting currency, the historical IFRS converted TRW Holding's consolidated financial statement of financial position and consolidated statement of profit or loss, after taking effect to these IFRS and accounting policy adjustments, have been converted from U.S. Dollars ("**USD**") to Euros ("**Euro**" or "**EUR**") at the applicable rates seen below.

2.2.1 Reconciliation of the TRW Holding Historical Consolidated Statement of Financial Position as of December 31, 2014

in millions	TRW Group Historical U.S. GAAP Financial Information	IFRS and Accounting Policy Adjustments		TRW Group Historical IFRS Financial Information	TRW Group Historical IFRS Financial Information – Converted to Euros*
		Presentation Adjustments 2.2.1.1	Recognition and Measurement Adjustments 2.2.1.2		
	USD	USD	USD	USD	EUR
Current assets					
Cash	1,031 (a)	-	-	1,031	849
Financial assets	-	-	-	-	-
Trade receivables	2,432 (b)	(49) (A)	-	2,383	1,962
Other assets	187 (c)	49 (A)	-	236	195
Income tax receivables	-	-	-	-	-
Inventories	972 (d)	-	81	1,053	867
	4,622	-	81	4,703	3,874
Assets held for sale and disposal groups	252 (e)	-	-	252	208
	4,874	-	81	4,955	4,081
Non-current assets					
Financial assets	-	-	-	-	-
Trade receivables	-	-	-	-	-
Other assets	1,173 (f)	(231) (B)	(121)	821	676
Associates and joint ventures	-	231 (B)	14	245	202
Intangible assets	2,040 (g)	24 (C)	379	2,443	2,012
Property, plant and equipment	2,645 (h)	(24) (C)	134	2,755	2,269
Investment property	-	-	-	-	-
Deferred taxes	562 (i)	-	28	590	486
	6,420	-	434	6,854	5,645
Total Assets	11,294	-	515	11,809	9,727
Current liabilities					
Financial liabilities	294 (j)	-	-	294	242
Trade payables	2,423 (k)	-	-	2,423	1,996
Other liabilities	1,512 (l)	(373) (D)	115	1,254	1,033
Income tax provisions	11 (m)	-	-	11	9
Other provisions	-	373 (D)	-	373	307
	4,240	-	115	4,355	3,587
Liabilities of disposal groups	104 (n)	-	-	104	86
	4,344	-	115	4,459	3,673
Non-current liabilities					
Financial liabilities	1,284 (o)	-	77	1,361	1,121
Other liabilities	461 (p)	(423) (E)	251	289	238
Provisions for pensions	1,120 (q)	-	(9)	1,111	915
Other provisions	-	423 (E)	100	523	431
Deferred taxes	47 (r)	-	12	59	49
	2,912	-	431	3,343	2,753
Equity					
Subscribed capital	1 (s)	-	-	1	1
Capital reserve	1,829 (t)	-	318	2,147	1,768
Retained earnings	2,012 (u)	-	(349)	1,663	1,370
Equity attributable to shareholders	3,842	-	(31)	3,811	3,139
Non-controlling interests	196	-	-	196	161
	4,038	-	(31)	4,007	3,300
Total Liabilities and Equity	11,294	-	515	11,809	9,727

(*) The historical IFRS consolidated statement of financial position of TRW Holding has been converted from USD to EUR using the December 31, 2014 spot exchange rate of USD 1.21410 per EUR 1.

- (a) Consists of cash and cash equivalents of USD 1,031 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (b) Consists of accounts receivable-net of USD 2,432 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.

- (c) Consists of prepaid expenses and other current assets of USD 187 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (d) Consists of inventories of USD 972 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (e) Consists of assets held-for-sale of USD 252 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (f) Consists of other assets of USD 510 million and pension assets of USD 663 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (g) Consists of goodwill of USD 1,749 million and intangible assets—net of USD 291 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (h) Consists of property, plant and equipment-net of USD 2,645 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (i) Consists of current deferred income taxes of USD 226 million and long-term deferred income taxes of USD 336 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (j) Consists of short-term debt of USD 222 million and current portion of long-term debt of USD 72 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (k) Consists of trade accounts payable of USD 2,423 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (l) Consists of accrued compensation of USD 253 million and other current liabilities of USD 1,259 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (m) Consists of income taxes of USD 11 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (n) Consists of liabilities related to assets held-for-sale of USD 104 million as reported in TRW Holding's audited US GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (o) Consists of long-term debt of USD 1,284 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (p) Consists of long-term liabilities of USD 461 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (q) Consists of pension benefits of USD 774 million and postretirement benefits other than pensions of USD 346 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.

- (r) Consists of deferred income taxes of USD 47 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (s) Consists of capital stock of USD 1 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (t) Consists of paid-in-capital of USD 1,829 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (u) Consists of retained earnings of USD 2,751 million and accumulated other comprehensive losses of USD 739 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.

2.2.1.1 Presentation Adjustments to the TRW Holding Historical Consolidated Statement of Financial Position as of December 31, 2014

- (A) In accordance with ZF's presentation policies, receivables from tooling of USD 37 million and other miscellaneous accounts receivables of USD 12 million were reclassified from trade receivables to other assets.
- (B) In accordance with the presentation requirements of IAS 1, at equity investments must be presented separately in the statement of financial position. As such at equity accounted investments of USD 231 million were reclassified from non-current other assets to the position associates and joint ventures.
- (C) In accordance with ZF's presentation policies, capitalized software of USD 24 million was reclassified from property, plant and equipment to intangible assets.
- (D) In accordance with ZF's presentation policies, other current provisions of USD 373 million were reclassified from current other liabilities to current other provisions.
- (E) In accordance with ZF's presentation policies, other non-current provisions of USD 423 million were reclassified from non-current other liabilities to non-current other provisions.

2.2.1.2 Explanation of Recognition and Measurement Adjustments to the TRW Holding Historical Consolidated Statement of Financial Position as of December 31, 2014

<i>in USD millions</i>											Recognition and Measurement Adjustments
	Joint venture	Provisions	Inventories	Tooling	Share based payments	Property, plant and equipment	Pensions	Financial instruments	Deferred taxes		
Explanation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
Current Assets											
Cash	-	-	-	-	-	-	-	-	-	-	-
Financial assets	-	-	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
Income tax receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	81	-	-	-	-	-	-	-	81
	-	-	81	-	-	-	-	-	-	-	81
Assets held for sale and disposal groups	-	-	-	-	-	-	-	-	-	-	-
	-	-	81	-	-	-	-	-	-	-	81
Non-current assets											
Financial assets	-	-	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	(121)	-	-	-	-	-	-	(121)
Associates and joint ventures	14	-	-	-	-	-	-	-	-	-	14
Intangible assets	-	-	-	379	-	-	-	-	-	-	379
Property, plant and equipment	(46)	-	-	95	-	85	-	-	-	-	134
Investment property	-	-	-	-	-	-	-	-	-	-	-
Deferred taxes	-	-	-	-	28	-	-	-	-	-	28
	(32)	-	-	353	28	85	-	-	-	-	434
Total assets	(32)	-	81	353	28	85	-	-	-	-	515
Current liabilities											
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	94	21	-	-	-	-	-	115
Income tax provisions	-	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	94	21	-	-	-	-	-	115
Liabilities of disposal groups	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	94	21	-	-	-	-	-	115
Non-current liabilities											
Financial liabilities	-	-	-	-	-	-	-	77	-	-	77
Other liabilities	(32)	-	-	283	-	-	-	-	-	-	251
Provisions for pensions	-	-	-	-	-	-	(9)	-	-	-	(9)
Other provisions	-	100	-	-	-	-	-	-	-	-	100
Deferred taxes	-	-	-	-	-	-	-	-	12	-	12
	(32)	100	-	283	-	-	(9)	77	12	-	431
Equity											
Subscribed capital	-	-	-	-	-	-	-	-	-	-	-
Capital reserve	-	-	-	-	4	-	-	314	-	-	318
Retained earnings	-	(100)	81	(24)	3	85	9	(391)	(12)	-	(349)
Equity attributable to shareholders	-	(100)	81	(24)	7	85	9	(77)	(12)	-	(31)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
	-	(100)	81	(24)	7	85	9	(77)	(12)	-	(31)
Total equity and liabilities	(32)	-	81	353	28	85	-	-	-	-	515

The following recognition and measurement adjustments were applied to the TRW Holding's historical consolidated balance sheet:

- (1) In the fiscal year ended December 31, 2014, TRW Holding made equity and working capital contributions into a joint venture of which TRW Group owns a 30% share. The joint venture will construct and operate a casting foundry to supply castings to TRW Group's North America Braking operations through a long-term supply arrangement, which is deemed to contain an embedded lease arrangement. For U.S. GAAP accounting purposes only, TRW Group is deemed to be the owner of the casting foundry during the construction period and as of December 31, 2014, TRW Group recognized USD 46 million of construction-in-process and USD 32 million of a long-term liability. Such amounts were reversed for IFRS purposes as TRW Group does not bear a risk in respect of the casting foundry nor an obligation for financing. Instead, for IFRS purposes, TRW Group's investment in the joint venture reflects the cash contributions made to the joint venture by TRW Group. Therefore, the associates balance increased by USD 14 million.
- (2) According to U.S. GAAP, TRW Group has reported a contingent liability relating to regulatory risks. Due to a lower recognition threshold for provisions under IFRS an additional provision based on ZF's best estimate was recorded.
- (3) Applying ZF accounting policies with respect to inventory valuation, including reserve methodologies, resulted in an USD 81 million increase to TRW Group's inventory balances under IFRS.
- (4) According to U.S. GAAP, TRW Group recognizes tools based on the legal title of the tools as assets, whereas according to IFRS ZF capitalizes tools as assets based on the beneficial ownership of the tools. This different accounting treatment for customer-owned tools, which are not capitalized in TRW Holding's audited U.S. GAAP consolidated financial statements, but which are used either by TRW Group itself or by TRW Group's suppliers, resulted in an increase of TRW Group's intangible assets and property, plant, and equipment in accordance with IFRS. Any tooling related reimbursements are deferred by ZF and released over the useful lives of the tools, for which the reimbursements are received. As a result, property, plant and equipment and intangible assets increased by USD 116 million and USD 237 million respectively with a corresponding increase in other liabilities related to deferred revenue in the amount of USD 377 million as of December 31, 2014. The difference between the increase of property, plant and equipment and intangible assets and deferred revenue of USD 24 million represents unamortized gains and losses from customer-owned tools, TRW Group has realized in its historical audited U.S. GAAP consolidated financial statements until December 31, 2014 and which decreased retained earnings by USD 24 million for the purpose of the IFRS conversion.

The current portion of deferred revenue balance was disclosed as current other liabilities in amount of USD 94 million and the non-current portion was disclosed as non-current other liabilities in amount of USD 283 million.

As TRW Group recognizes customer-owned tooling costs as long-term receivables under other assets when TRW Group receives either a contractual guaranty for a reimbursement of the tooling costs or a non-cancelable right to use the tool, the alignment of the accounting policies resulted in an additional reclassification from non-current other assets for a total amount of USD 121 million, of which USD 40 million was reclassified to property, plant and equipment, if the tools are going to be used by TRW Group itself, and USD 81 million to intangible assets, if the tools are going to be used by TRW Group's suppliers, because any incurred costs not yet billed to the customers represent from the perspective of ZF construction in progress tooling assets.

If tools are legally owned by TRW Group, such tools are capitalized as property, plant and equipment, regardless of whether the tool is physically located at a TRW Group plant or at a supplier. Applying ZF's accounting policies, which follows the beneficial ownership

concept, offsite tools, which are not used by ZF, should be presented as intangible assets representing a right-to-use. As such, for the purpose of aligning the accounting policies of ZF and TRW Group offsite located tools of USD 61 million had to be reclassified from property, plant and equipment to intangible assets as of December 31, 2014.

- (5) There was no effect of the Merger Agreement on the U.S. GAAP accounting for share-based payments. The Merger Agreement states share-based awards, whether vested or unvested, will be cash-settled immediately prior to the effective time of the Merger, instead of equity-settled. For IFRS purposes, the approval of the Merger Agreement by TRW Holding's shareholders on November 19, 2014 was treated as a modification of unvested share-based payment awards that would remain unvested as of the Merger closing date. For these modified share-based payment awards, IFRS 2 requires recognition of a liability for the estimated cash payment to the holders of the equity awards concerned. Based on the services rendered by the employees through December 31, 2014, current other liabilities of USD 21 million were recognized which were charged by USD 16 million against retained earnings and by USD 5 million against capital reserves.

In connection with the accounting of the share-based payments IAS 12 requires the recognition of the tax benefit resulting from the share-based payments when exercising the awards into shares based on the estimated future tax deduction as of December 31, 2014, taking into account the services rendered as well as the fair value of the shares as of December 31, 2014. This treatment is different to U.S. GAAP, whereby under U.S. GAAP, the tax benefit is calculated only based on the accumulated share-based compensation expense and realized tax benefits in excess of compensation expenses recognized upon exercise of share-based payments. This accounting difference resulted in the recognition of an additional deferred tax asset of USD 28 million as of December 31, 2014 with an increase of retained earnings of USD 19 million and an increase in capital reserve of USD 9 million.

- (6) Due to differences in the useful lives for the depreciation of property, plant and equipment between TRW Group and ZF and the requirement of aligning the accounting policies to ZF's accounting policies, the carrying amount of property, plant, and equipment was increased by USD 85 million compared to U.S. GAAP as on average, TRW Group applies rather shorter useful lives than ZF. Therefore, retained earnings also increased by USD 85 million.
- (7) The remeasurement of the TRW Group's benefit plan obligations in Germany applying the same discount rates utilized by ZF in the measurement of its benefit plan obligations in Germany resulted in a decrease of provisions for pensions by USD 9 million as well as a corresponding increase in retained earnings of USD 9 million.
- (8) TRW Group's long-term debt as reported in its U.S. GAAP consolidated financial statements included 3.50% exchangeable senior notes due on September 1, 2015 with a principal amount outstanding amount of USD 30 million as of December 31, 2014 (allocated to non-current financial liabilities within ZF's presentation policies). Under U.S. GAAP, the exchange option is recognized as an equity derivative which is not subject to subsequent measurement. Under IFRS, the exchange option is separated from the host liability contract and recognized as derivative financial liability which is subsequently measured at fair value through profit or loss. For IFRS conversion purposes of the consolidated statement of financial position of TRW Group as of December 31, 2014, the effect of the alignment of the accounting policies resulted in an increase of derivative financial liability in the amount of USD 77 million (fair value of the exchange option as of December 31, 2014). As a result of this adjustment, retained earnings decreased in the amount of USD 391 million, which comprises the effects from the fair value measurement

of the exchange option after its initial recognition until December 31, 2014. For the fiscal year ended December 31, 2014, the consolidated statement of profit or loss was therefore debited by an additional expense of USD 134 million. Furthermore, due to the exchange and repurchase of the exchangeable notes during 2014 an increase to the capital reserve in an amount of USD 314 million was necessary to eliminate the related accounting effects recognized under U.S. GAAP since according to IFRS the impacts from the subsequent accounting for exchange options to be classified as financial liabilities must be reflected in the consolidated statement of profit or loss.

- (9) The adoption of IFRS and alignment of the accounting policies of ZF and TRW Group resulted in a total adjustment to deferred tax liabilities of USD 12 million as of December 31, 2014 with a corresponding net decrease in retained earnings.

2.2.2 Reconciliation of the TRW Holding Historical Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2014

in millions	TRW Group Historical U.S. GAAP Financial Information	IFRS and Accounting Policy Adjustments		TRW Group Historical IFRS Financial Information	TRW Group Historical IFRS Financial Information – Converted to Euros*
		Presentation Adjustments 2.2.2.1	Recognition and Measurement Adjustments 2.2.2.2		
		USD	USD		
	USD	USD	USD	USD	EUR
Sales	17,539	305 (A)	202	18,046	13,586
Cost of sales	(15,557) (a)	660 (B)	(321)	(15,218)	(11,457)
Gross profit on sales	1,982	965	(119)	2,828	2,129
Research and development costs	-	(957) (C)	-	(957)	(720)
Selling expenses	-	(129) (D)	-	(129)	(97)
General administrative expenses	(689) (b)	121 (E)	(76)	(644)	(485)
Loss on pension benefit and curtailment	(790) (c)	-	17	(773)	(582)
Other income	-	43 (F)	-	43	33
Other expenses	(2) (d)	(43) (F)	-	(45)	(34)
Operating profit or loss	501	-	(178)	323	243
Result from associates and joint ventures	45 (e)	-	-	45	34
Net result from participations	-	-	-	-	-
Interest income	-	8 (G)	299	307	231
Interest expenses	(109) (f)	(8) (G)	(294)	(411)	(309)
Other financial income	-	-	-	-	-
Other financial expenses	(7) (g)	-	(134)	(141)	(106)
Net financial result	(71)	-	(129)	(200)	(151)
Net profit or loss before income tax	430	-	(307)	123	93
Income taxes	(96)	-	14	(82)	(62)
Net profit or loss after tax	334	-	(293)	41	31
thereof shareholders of TRW	293	-	(293)	(0)	0
thereof non-controlling interests	41	-	-	41	31

(*) The historical IFRS consolidated statement of profit or loss of TRW Holding has been converted from USD to EUR using the average annual exchange rate for the fiscal year ended December 31, 2014 of USD 1.32825 per EUR 1.

- (a) Consists of costs of sales of USD 15,473 million and restructuring charges and asset impairments of USD 84 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.

- (b) Consists of administrative and selling expenses of USD 669 million and transaction costs of USD 20 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (c) Consists of pension and postretirement benefit settlement and curtailment expenses of USD 790 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (d) Consists of other expenses (income)-net of USD 2 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (e) Consists of equity in earnings of affiliates, net of tax of USD 45 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (f) Consists of interest expense-net of USD 109 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.
- (g) Consists of loss on retirement of debt-net of USD 7 million as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014.

2.2.2.1 Presentation Adjustments to the TRW Holding Historical Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2014

- (A) As ZF presents recoveries from third parties in sales, whereas TRW Group presents recoveries from third parties as a reduction of costs of sales as well as general administrative expenses a reclassification adjustment was necessary. As such sales were increased by USD 305 million, costs of sales were increased by USD 293 million and general administrative expenses were increased by USD 12 million, mainly due to recoveries from customers for research and development activities of the TRW Group.
- (B) Costs of sales were decreased by USD 660 million to conform the following matters to ZF's presentation policies:
 - USD 957 million reduction in cost of sales due to the reclassification of research and development costs to a separate line item in the consolidated statement of profit or loss (see (C));
 - USD 293 million increase in cost of sales due to the reclassification of customer recoveries to sales (see (A)); and
 - USD 4 million increase in cost of sales due to the reclassification of amortization expenses from general administrative expenses (see (E)).
- (C) According to ZF's presentation policies costs for research and development are presented separately. As such the separate line item research and development costs was increased by USD 957 million by an opposed reduction of costs of sales.
- (D) According to ZF's policy selling expenses are presented separately. Accordingly, general administrative expenses decreased by USD 129 million to reclassify selling related expenses from general administrative expenses.
- (E) General administrative expenses were reduced USD 121 million to conform the following matters to ZF's presentation policies:

- USD 129 million reduction to reclassify selling-related expenses to selling expenses (see (D));
 - USD 4 million reduction to reclassify amortization expenses from general administrative expenses to cost of sales (see (B)); and
 - USD 12 million increase to reclassify recoveries from third parties to sales (see (A)).
- (F) To present other income and other expenses on a gross basis, USD 43 million of other income was reclassified from other expense to the separate line item other income.
- (G) To present interest income and interest expenses on a gross basis, USD 8 million of interest income was reclassified from interest expenses to the separate line item interest income.

2.2.2.2 Explanation of Recognition and Measurement Adjustments to the TRW Holding Historical Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2014

<i>in USD millions</i>									Recognition and Measurement Adjustments
Explanation	Inventories (1)	Tooling (2)	Share based payments (3)	Property, plant and equipment (4)	Pensions (5)	Financial instruments (6)	Deferred taxes (7)		
Sales	-	202	-	-	-	-	-		202
Cost of Sales	(5)	(200)	-	2	(118)	-	-		(321)
Gross Profit on sales	(5)	2	-	2	(118)	-	-		(119)
Research and development costs	-	-	-	-	-	-	-		-
Selling expenses	-	-	-	-	-	-	-		-
General administrative expenses	-	-	(16)	-	(60)	-	-		(76)
Loss on pension benefit settlement and curtailment	-	-	-	-	17	-	-		17
Other income	-	-	-	-	-	-	-		-
Other expenses	-	-	-	-	-	-	-		-
Operating profit or loss	(5)	2	(16)	2	(161)	-	-		(178)
Result from associates and joint ventures	-	-	-	-	-	-	-		-
Net result from participations	-	-	-	-	-	-	-		-
Interest income	-	-	-	-	299	-	-		299
Interest expenses	-	-	-	-	(294)	-	-		(294)
Other financial income	-	-	-	-	-	-	-		-
Other financial expenses	-	-	-	-	-	(134)	-		(134)
Net financial result	-	-	-	-	5	(134)	-		(129)
Net profit or loss before income tax	(5)	2	(16)	2	(156)	(134)	-		(307)
Income taxes	-	-	(5)	-	-	-	19		14
Net profit or loss after tax	(5)	2	(21)	2	(156)	(134)	19		(293)
thereof shareholders of TRW	(5)	2	(21)	2	(156)	(134)	19		(293)
thereof non-controlling interests	-	-	-	-	-	-	-		-

The following recognition and measurement adjustments were applied to the TRW Holding's historical consolidated statement of earnings:

- (1) Costs of sales increased by USD 5 million due to the alignment of TRW Group's inventory reserve with ZF's accounting policies.
- (2) According to ZF's accounting policies customer reimbursements for tooling costs are first deferred and then released over the useful lives of the tools, for which the reimbursements are received and secondly presented in sales instead of costs of sales. In contrast, TRW Group neither defers customer reimbursements for customer-owned tools and nor recognizes such reimbursements as sales. In order to align to ZF's

accounting policies sales were increased in the amount of USD 202 million and costs of sales were increased by USD 200 million. The difference of USD 2 million represents the change of the unamortized net gains from customer-owned tools from January 1, 2014 to December 31, 2014.

- (3) As described above, the Merger results in a partial modification of accounting for the equity awards issued to employees from equity-settled to cash-settled under IFRS 2. Following the modification accounting principles of IFRS 2 this resulted in the recognition of the remaining grant date fair value over the modified vesting period, which is, due to the Merger, shortened to the date ZF expects the Merger to close.

According to IFRS 2, the grant date fair value has to be recognized in the statement of profit or loss over the shortened vesting period, resulting in a catch-up adjustment, which refers to the period until modification and which is recognized immediately in the consolidated statement of profit or loss. The remaining grant date fair value has to be recognized over the period from modification until the expected Merger closing date.

Any incremental fair value (excess of fair value of equity-settled awards prior to shareholder vote and cash-settled awards after shareholder vote) must also be recognized over the remaining (shortened) vesting period in the income statement and is treated the same way as the recognition of the unamortized grant date fair value, i.e. catch-up adjustment at modification for the incremental fair value immediately in the consolidated statement of profit or loss and the remaining incremental fair value recognized in the consolidated statement of profit or loss over the period from modification until the expected Merger closing date.

As a result of the modification of the accounting for the equity awards and the requirements of recognizing the remaining grant date fair value as well as any incremental fair value over the shortened vesting period, general administrative expenses increased in total by USD 16 million and corresponding deferred income tax expenses of USD 5 million were recognized.

- (4) The alignment of the useful lives utilized by TRW Group to conform to ZF's accounting policies resulted in a reduction of costs of sales of USD 2 million for the fiscal year ended December 31, 2014.
- (5) Differences exist between U.S. GAAP and IFRS in determining the amount of the settlement gain or loss to be recognized. According to IAS 19, the settlement gain or loss is measured as the difference between the benefit obligation recorded and the settlement price. According to U.S. GAAP, the settlement gain or loss includes the change in the benefit obligation being settled plus a portion of unrecognized actuarial gains or losses. Moreover, in compliance with IFRS past service costs must be recognized immediately, regardless of whether the benefits are vested or unvested.

For purposes of converting TRW Holding's consolidated statement of earnings to IFRS, the conceptual differences between IFRS and U.S. GAAP in recognizing settlements and past service costs resulted in the recognition of additional service costs in cost of sales amounting to USD 8 million, general administrative expenses amounting to USD 60 million, interest expenses amounting to USD 3 million, as well as in a derecognition of interest income amounting to EUR 106 million, and the loss on pension benefits and curtailment in the amount of USD 17 million. These adjustments led to a corresponding increase of other comprehensive income in amount of USD 160 million.

Due to the difference in the discount rate for the pension obligations relating to the German plan, costs of sales decreased by USD 4 million. The accounting policy alignment furthermore resulted in a reclassification of interest income and interest

expenses from the pension plans and other post-employment benefits from cost of sales in the amount of USD 405 million and USD 291 million respectively and resulting in an increase of costs of sales of USD 114 million.

- (6) TRW Group's long-term debt as reported in its U.S. GAAP consolidated financial statements included 3.50% exchangeable senior notes due on September 1, 2015 with a principal amount outstanding of USD 30 million as of December 31, 2014 (allocated to non-current financial liabilities within ZF's presentation policies). Under U.S. GAAP the exchange option is recognized as an equity derivative which is not subject to subsequent fair value adjustments through the consolidated statement of earnings. Under IFRS the exchange option is separated from the host liability contract and recognized as derivative financial liability which is subsequently measured at fair value through profit or loss. To consider the income effects resulting from the fair value measurement of the exchange option for the fiscal year ended December 31, 2014, other financial expenses of USD 134 million has to be recognized in the consolidated statement of profit or loss.
- (7) The adoption of IFRS and alignment of the accounting policies of ZF and TRW resulted in an additional deferred income tax income of USD 19 million for the fiscal year ended December 31, 2014, which is attributable to the tax effects of the adjustments to IFRS recognized in the TRW Holding historical consolidated statement of profit or loss for the fiscal year ended December 31, 2014.

3. Basis of Preparation

3.1 Preparation Principles

The Unaudited Pro Forma Consolidated Financial Information was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (*IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)*), as promulgated by the Institute of Public Auditors in Germany (IDW, *Institut der Wirtschaftsprüfer in Deutschland e.V.*).

The Unaudited Pro Forma Consolidated Financial Information presents the pro forma financial position and results of operations of the consolidated companies based upon the historical consolidated financial information after giving effect to the Merger and the sale of ZF's stake in ZF Lenksysteme, based on certain pro forma assumptions as described in these pro forma notes.

The historical consolidated financial information of ZF has been adjusted to give effect to pro forma adjustments that are (1) directly attributable to the Merger and sale of ZF's stake in ZF Lenksysteme and (2) supported by facts. The Unaudited Pro Forma Consolidated Financial Information does not reflect anticipated operating efficiencies, cost savings, sales or income enhancements or other synergies that may be achieved by the Merger.

The Unaudited Pro Forma Consolidated Financial Information is based upon currently available information and estimates and pro forma assumptions that ZF believes are reasonable as of the date hereof. Any of the factors underlying these estimates and pro forma assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the consummation of the Merger.

All of the financial data presented in the Unaudited Pro Forma Consolidated Financial information is shown in millions of Euro, rounded to the nearest 1 million. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

3.2 Acquisition of TRW Group

3.2.1 Terms and conditions of the Merger Agreement

On September 15, 2014, ZF and TRW Holding entered into the Merger Agreement among ZF, TRW Holding and MSNA. Under the terms of the Merger Agreement, (i) MSNA shall be merged with and into TRW Holding and the separate corporate existence of MSNA shall thereupon cease. TRW Holding shall be the surviving corporation in the Merger, and a wholly owned subsidiary of ZF.

Upon closing of the Acquisition, (a) each share of TRW Holding's common shares shall be converted into the right to receive USD 105.60 in cash (the "Per Share Merger Consideration"), without interest; and (b) TRW Holding equity awards will be treated as set forth in the Merger Agreement, such that:

- (i) each outstanding option to purchase shares (an "Option") under any TRW Holding stock plan, whether vested or unvested, shall, automatically and without any required action on the part of the holder thereof, be cancelled and shall only entitle the holder of such Option to receive (without interest) an amount in cash equal to the product of (x) the total number of shares subject to the Option multiplied by (y) the excess, if any, of the Per Share Merger Consideration over the exercise price per share under such Option, less applicable taxes required to be withheld with respect to such payment.
- (ii) each outstanding stock appreciation right (a "SAR") relating to shares under any TRW Holding stock plan, whether vested or unvested, shall, automatically and without any required action on the part of the holder thereof, be cancelled and shall only entitle the holder of such SAR to receive (without interest) an amount in cash equal to the product of (x) the total number of shares subject to the SAR multiplied by (y) the excess, if any, of the Per Share Merger Consideration (or the "maximum value" of any SAR, if less than the Per Share Merger Consideration) over the per share fair market value on the date of the relevant grant under such SAR, less applicable taxes required to be withheld with respect to such payment.
- (iii) any vesting conditions applicable to each outstanding restricted stock unit, phantom stock unit or similar stock right (any such arrangement, other than a PSU, a "Stock Unit") under any TRW Holding stock plan shall accelerate in full, and each Stock Unit shall be cancelled and shall only entitle the holder of such Stock Unit to receive (without interest) an amount in cash equal to the product of (x) the total number of shares subject to such Stock Unit immediately prior to the Merger multiplied by (y) the Per Share Merger Consideration, less applicable taxes required to be withheld with respect to such payment.
- (iv) each outstanding performance share unit ("PSU") under any TRW Holding stock plan shall become immediately vested at the maximum level of performance (150% of the target level, reflecting the level of total stockholder return performance as of the date hereof), and each PSU shall be cancelled and shall only entitle the holder of such PSU to receive (without interest) an amount in cash equal to the product of (x) the total number of shares subject to such PSU immediately prior to the Merger multiplied by (y) the Per Share Merger consideration, less applicable taxes required to be withheld with respect to such payment.

On November 19, 2014, the Merger Agreement was approved by the majority of the shareholders of TRW Holding at an extraordinary shareholders' meeting held, representing 79% of TRW Holding's shares outstanding, with shareholders' representing 81% of TRW Holding's shares casting their votes.

The closing of the Merger is subject to antitrust clearance in the United States, European Union and certain other jurisdictions such as Mexico and China. Antitrust clearance has been obtained in all jurisdictions except for Mexico and the United States.

The required regulatory approvals expected to be obtained, and the Merger is expected to close during the first half of 2015. Following the closing of the Merger, TRW Holding is expected to be delisted from the New York Stock Exchange.

3.2.2 Additional agreements potentially affected by the Merger

TRW Senior Notes Repurchase Offers

As of December 31, 2014, TRW Group had senior notes with outstanding principal amounts as follows:

- USD 444 million of 7.25% senior unsecured notes due 2017;
- USD 400 million of 4.50% senior unsecured notes due 2021; and
- USD 400 million of 4.45% senior unsecured notes due 2023.

(together, the “**TRW Senior Notes**”)

The Merger will cause a change in control triggering event as defined in the respective TRW Senior Notes indentures. In general, upon the occurrence of a change in control triggering event under the TRW Senior Notes indentures, TRW is required to make an offer to repurchase the outstanding senior notes, for a certain period of time, at a price of 101% of par, plus accrued and unpaid interest. Based on market data, ZF does not expect the acceptance of the repurchase offers. Therefore, a potential repurchase of the TRW Senior Notes was not considered in the Unaudited Pro Forma Consolidated Financial Information.

TRW Exchangeable Senior Notes

As of December 31, 2014, TRW Group had USD 30 million in principal amount outstanding, net of unamortized debt issuance costs, related to its 3.50% exchangeable senior notes due on September 1, 2015 (“**TRW Exchangeable Senior Notes**”). As of December 31, 2014, the notes are exchangeable at a rate of 33.8392 shares of TRW Holding’s common shares per USD 1,000 principal amount of notes. Therefore, as of December 31, 2014, TRW Exchangeable Senior Notes outstanding are exchangeable for 1,060,791 TRW Holding common shares, based on the nominal amount outstanding of EUR 31 million as of December 31, 2014. At the Per Share Merger Consideration value of USD 105.60, the value of the TRW Exchangeable Senior Notes, if exchanged for common shares prior to the Merger, would be approximately USD 112 million, or EUR 92 million. As a result, it is expected that all TRW Exchangeable Senior Notes outstanding as of December 31, 2014 will be exchanged for common shares prior to the Merger.

TRW Holding Employee Compensation

Certain TRW Holding employees have employment agreements with TRW Holding that include change in control clauses entitling them to receive additional payments and benefits as a result of the Merger. In anticipation of the Merger, all such TRW Holding executives have negotiated, or are in the process of negotiating new employment contracts with ZF that become effective at the time of Merger closing. These new employment agreements include terms which provide for cash severance payments and other termination benefits to be paid at the time of Merger. Additionally, upon Merger, ZF is obligated to provide cash payments for all

account balances under the TRW Automotive Benefits Plan, which amount to USD 24 million (EUR 20 million) as of December 31, 2014.

At this time, negotiations between certain TRW Holding executives and ZF have not been finalized. Therefore, for purposes of the Unaudited Consolidated Pro Forma Financial Information, pro forma adjustments related to severance payments for TRW Holding executives are based on new employment agreements for which the terms have been finalized and agreed, as well as terms that have not been finalized and agreed with certain executives. For those terms which have not yet been finalized, pro forma adjustments have been made based on ZF management's best estimates.

3.2.3 Financing the Merger

2014 Senior Facilities Agreement

In connection with the refinancing of a syndicated credit agreement with KfW dated November 9, 2009, ZF entered into a syndicated term loan and revolving credit facilities agreement (the "**2011 Senior Facilities Agreement**") in the original amount of EUR 1 billion on September 23, 2011. As of December 31, 2014 an amount of EUR 30 million was utilized by one of ZF's subsidiaries by way of a guaranteed bilateral credit line under the 2011 Senior Facilities. The 2011 Senior Facilities Agreement has been terminated and all relating loans have been repaid in March 2015.

In connection with the Merger and the refinancing of the 2011 Senior Facilities Agreement, ZF entered into a syndicated credit facilities agreement (the "**2014 Senior Facilities Agreement**") with Citigroup Global Markets Limited and Deutsche Bank AG, Filiale Luxembourg as mandated lead arrangers and bookrunners, Citibank N.A., London Branch, Deutsche Bank AG, Filiale Luxemburg as original lenders and Citibank International plc as facility agent in the original amount of EUR 12,500 million (equivalent) on September 15, 2014. ZF, ZFNA and MSNA also act as guarantors under the 2014 Senior Facilities Agreement in case a subsidiary of ZF becomes an additional borrower under the 2014 Senior Facilities Agreement.

The 2014 Senior Facilities Agreement is made available either as term facilities or as revolving credit facilities and comprises the following facilities (the "**Facilities**"):

- a Euro bridge term loan facility in the aggregate amount of approximately EUR 4,787 million ("**Facility A1**") with a maturity of one year and two six-month extension options **exercisable at ZF's option for a fee**;
 - a USD bridge term loan facility in the aggregate amount of USD 3,500 million ("**Facility A2**") with a maturity of one year and two six-month extension options exercisable at ZF's option for a fee;
 - a Euro term loan facility in the aggregate amount of approximately EUR 1,337 million ("**Facility B1**") with a maturity of three years and of about EUR 612 million ("**Facility C1**") with a maturity of five years;
 - a USD term loan facility in the aggregate amount of USD 1,500 million ("**Facility B2**") with a maturity of three years and of USD 500 million ("**Facility C2**") with a maturity of five years;
- (together, the "**Term Facilities**") and
- a multicurrency revolving credit facility in an aggregate amount EUR 1,500 million (the "**Revolving Credit Facility**" or "**RCF**") with a maturity of five years. The RCF may also be provided as ancillary facility (as defined in the 2014 Senior Facilities

Agreement) which includes, inter alia, overdraft facilities, guarantees, derivatives facilities and foreign exchange facilities. The terms of such ancillary facilities must be based upon normal commercial terms at the time and the provision of such ancillary facilities is subject to limitations. Each individual RCF must be repaid on the last day of the agreed upon interest period.

Each borrower under the 2014 Senior Facilities Agreement must apply all amounts borrowed under the Term Facilities towards:

- financing the aggregate Per Share Merger Consideration pursuant to the terms of the Merger Agreement and any fees, costs and expenses in connection with the Merger;
- refinancing the existing debt of the target group under the Merger Agreement, including related breakage costs, early repayment and redemption premiums and other fees, costs and expenses relating to such financing;
- any fees, costs and expenses payable in connection with the Facilities and the Merger; and
- refinancing any existing debt of the Group including related breakage costs, early repayment and redemption premiums and other fees, costs and expenses relating to such financing.

Amounts borrowed under the RCF may also be applied for working capital and general corporate purposes after having been used for the refinancing of the 2011 Senior Facilities Agreement.

The currency of the borrowed amounts under the 2014 Senior Facilities Agreement in case of the Term Facilities is the currency in which the relevant facility is denominated, i.e. either Euro or USD, and, in case of the RCF, either Euro or an optional currency.

The 2014 Senior Facilities Agreement must be terminated early in case the fulfillment of the creditor's obligations under the agreement is unlawful or in case of a change in control with regard to ZF. Furthermore, the 2014 Senior Facilities Agreement provides for mandatory redemptions/cancellations in case of certain disposals or certain types of capital raisings. ZF may also voluntarily cancel an available facility and each borrower under the 2014 Senior Facilities Agreement may make voluntary redemptions/cancellations of its utilized loan. With regard to RCF, all amounts paid back voluntarily may be made available again, while amounts paid back regarding Term Facilities cannot be utilized again.

The interest rate on each loan under the 2014 Senior Facilities Agreement is the aggregate of (a) the applicable margin and (b) IBOR, which includes LIBOR in relation to any loan denominated in any currency other than Euro or EURIBOR in relation to any loan denominated in Euro. Interest is due at the end of every interest period and six months after the beginning of an interest period if such period is longer than six months (each RCF has one interest period).

The applicable margin is variable and depends on the type of facility. The margin for Facility A is 2.25% per annum, while it is 2.50% per annum for Facility B, 2.75% per annum for Facility C and 2.25% per annum for an RCF. The margin for Facility A will increase by 0.25% per annum starting three months after the conclusion of the 2014 Senior Facilities Agreement and all other margins will be adjusted in case ZF receives a public long-term rating from certain rating agencies.

ZF must pay a commitment fee to the creditors, the amount of which increases over time. Within the first two months of the date of the 2014 Senior Facilities Agreement, however, the creditors are not entitled to such a fee. Within the subsequent two months, ZF must pay a commitment fee of 15% of the applicable margin. Four to six months after the date of the 2014 Senior Facilities Agreement, the creditors are entitled to 22.50% in case of the Term Facilities and to 25.00% in case of an RCF. Thereafter, the creditors are entitled to 30.00% in case of the Term Facilities and to 35.00% in case of an RCF.

As of December 31, 2014, there were no amounts borrowed under the 2014 Senior Facilities Agreement. Therefore, all amounts needed from the 2014 Senior Facilities Agreement to finance the Merger are to be drawn subsequent to December 31, 2014, and prior to Merger closing.

Transaction costs directly attributable to the 2014 Senior Facilities Agreement of EUR 230 million were capitalized and amortized over the life of the loans, or expensed immediately for tranches not expected to be drawn upon to fund the Per Share Merger Consideration as a result of the proceeds raised through other disposals and capital raisings.

ZF Bonded Loans

On January 20, 2015, in connection with the Merger, ZF refinanced and partially amended its existing bonded loans (*Schuldscheindarlehen*), and issued EUR 335 million 2.11% fixed rate notes due 2018 ("**3 Year Fixed Bonded Loan**"), EUR 454 million variable rate notes due in 2018 ("**3 Year Variable Bonded Loan**"), EUR 537 million 2.50% fixed rate notes due 2020 ("**5 Year Fixed Bonded Loan**"), EUR 411 million variable rate notes due 2020 ("**5 Year Variable Bonded Loan**"), EUR 345 million 2.91% fixed rate notes due 2022 ("**7 Year Fixed Bonded Loan**") and EUR 126 million variable rate notes due 2022 ("**7 Year Variable Bonded Loan**") and together, the "**ZF Bonded Loans**". The interest rates for the 2018, 2020 and 2022 variable rate notes are equal to the six month Euribor, plus 1.90%, 2.15% and 2.40%, respectively. In total, EUR 2,207 million in notes were issued in connection with the ZF Bonded Loans.

In connection with the ZF Bonded Loans, EUR 245 million of the existing bonded loans were cancelled and repaid during January 2015.

Under the 2014 Senior Facilities Agreement, the issuance of the ZF Bonded Loan triggers a mandatory cancellation of amounts available under the Facilities A1 and A2.

Transaction costs directly attributable to the ZF Bonded Loans of EUR 11 million incurred during January 2015 shall be capitalized and amortized over the life of the bonded loans.

Euro Notes Offering

ZF North America Capital, Inc., Northville, Michigan, United States of America (the "**ZF NAC**"), a wholly owned indirectly held U.S. subsidiary of ZF, expects to issue EUR 1,500 million of fixed rate notes (the "**Euro Notes**") for financing the Merger. The tranches of the Euro Notes are expected to have a weighted average maturity life of 5 years.

Transaction costs directly attributable to the Euro Notes offering of EUR 17 million are expected to be incurred during 2015 and shall be capitalized and amortized over the life of the notes.

USD Notes Offering

ZF NAC expects to issue USD 3,500 million, or EUR 2,883 million using the December 31, 2014 spot exchange rate of USD 1.21410 per EUR 1, of fixed rate notes (the "**USD Notes**")

for financing the Merger. The tranches of the USD Notes are expected to have a weighted average maturity life of 8 years.

Transaction costs directly attributable to the USD Notes of EUR 30 million are expected to be incurred during 2015 and shall be capitalized and amortized over the life of the notes.

Hedge Arrangements

In connection with the Merger, ZF entered into contingent forward currency contracts and foreign currency call options with Citibank N.A. and Deutsche Bank AG in order to hedge the risk of fluctuations between the Euro and USD between the date of the Merger Agreement and the closing of the Merger. The contractual hedge arrangements entered into in connection with the Merger are as follows:

- forward currency contracts, which upon the settlement date, ZF will receive USD 3,500 million in exchange for a payment of EUR 2,754 million.
- forward currency call options, which upon the settlement date, ZF will receive USD 4,500 million in exchange for a payment of EUR 3,473 million. In connection with the forward currency call options, ZF incurred premiums of EUR 105 million, which are recorded as a derivative financial instrument at fair value within the ZF's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014.

(together, the “**Hedge Arrangements**”)

The forward currency contracts are contingent upon closing of the Merger, and have settlement dates between June 16, 2015 and June 17, 2015. The forward currency call options are not contingent upon closing of the Merger, and have settlement dates between June 17, 2015 and June 18, 2015.

Sale of ZF's Stake in ZF Lenksysteme

As further described below, ZF sold its 50% stake in ZF Lenksysteme for a total cash consideration of EUR 882 million on January 30, 2015. Upon completion of the ZF Lenksysteme sale, EUR 792 million was paid to ZF. Under the 2014 Senior Facilities Agreement, the disposal of a business triggers a mandatory cancellation of amounts available under the Facilities A1 and A2.

Intended use of proceeds

In accordance with the 2014 Senior Facilities Agreement, borrowings under the Facilities are to be used for funding the Per Share Merger Consideration.

In accordance with the 2014 Senior Facilities Agreement, net proceeds received from the ZF Bonded Loan issuance and the sale of ZF's stake in ZF Lenksysteme, both of which were completed in January 2015, were applied as pro rata reductions to the available borrowings under Facility A1 and A2.

Additionally, in accordance with the 2014 Senior Facilities Agreement, net proceeds to be received from the Euro Notes and USD Notes must be used to make mandatory redemptions/cancellations of amounts drawn under Facilities A1 and A2 with any balance obliged to be applied to reduce Facilities B1 and B2. Therefore, the net proceeds received from the ZF Bonded Loans, the sale of ZF's stake in ZF Lenksysteme, the Euro Note and the USD Notes have a direct impact on amounts available under the 2014 Senior Facilities agreement to fund the Per Share Merger Consideration.

Net proceeds received from the settlement of contingent forward currency contracts and foreign currency call options will be used for funding the Per Share Merger Consideration.

Total net proceeds received from the financing arrangements above will be used by ZF to fund the Per Share Merger Consideration as follows:

<i>in EUR millions</i>	Note Ref.	As of December 31, 2014
Uses of funds		
Cash consideration to be transferred to TRW Holding common shareholders as of December 31, 2014	4.1(1)	9,963
Cash consideration to be paid to TRW Holding shareholders for exchangeable senior notes exchanged for common shares subsequent to December 31, 2014	4.1(1)	92
Cash to be paid for vested and unvested Options, SARs, Stock Units, and PSU's	4.1(7)	156
Debt issuance costs	4.1(4)	288
Merger related transaction costs	4.1(9)	58
Repayment of existing bonded loans	4.1(4)	245
TRW Holding employee severance due upon Merger closing	4.1(8)	66
Total uses of funds		10,869
Sources of funds		
ZF cash on hand (a)	4	1,204
Proceeds from the sale of ZF's stake in ZF Lenksysteme	4.1(2)	792
Net proceeds from the settlement of Hedge Arrangements	4.1(5)	396
ZF Bonded Loans	4.1(4)	2,207
Euro Notes Offering	4.1(4)	1,500
USD Notes Offering	4.1(4)	2,883
2014 Senior Facilities Agreement	4.1(4)	1,887
Total gross proceeds from financing		10,869

- (a) Consists of cash of EUR 1,114 per the ZF historical consolidated statement of financial position as of December 31, 2014, plus the EUR 90 million adjustment to cash related to the sale of ZF Lenksysteme.

3.3 Sale of ZF's stake in ZF Lenksysteme

Pursuant to a Share Purchase and Transfer Agreement dated September 14/15, 2014 (the "Divestment SPA"), Bosch acquired from ZF its 50% stake in ZF Lenksysteme for a total cash consideration of EUR 882 million. The sale of ZF's stake in ZF Lenksysteme was completed on January 30, 2015 with Bosch becoming the sole owner of ZF Lenksysteme. In accordance with the Divestment SPA, EUR 792 million was paid to ZF upon completion of the ZF Lenksysteme sale, and the remaining EUR 90 million will be paid upon completion of an unrelated asset purchase. In connection with the Divestment SPA, ZF agreed to acquire assets from Bosch that are unrelated to the sale of ZF's stake in ZF Lenksysteme. In connection with the overall arrangement, ZF remitted to Bosch a reimbursable deposit of EUR 90 million during the fiscal year ended December 31, 2014, for which ZF has recognized a financial asset of EUR 90 million. This deposit was paid back by Bosch in January 2015 and withheld again at the completion of the sale of ZF's stake in ZF Lenksysteme on January 30, 2015.

The purpose of the sale of ZF's stake in ZF Lenksysteme was to avoid potential antitrust violations in connection with the Merger. Additionally, in accordance with the 2014 Senior Facilities Agreement, proceeds received by ZF from the disposal of a business are to be applied as a pro rata reduction or repayment to the available borrowings of Facility A1 and Facility A2 and as a result, the proceeds from the sale of ZF's stake in ZF Lenksysteme will be used to fund the Per Share Merger Consideration. Therefore, the sale of ZF's stake in ZF Lenksysteme is considered to be directly attributable to the Merger.

3.4 Sale of TRW Linkage and Suspension Business

In order to allow for regulatory approval of the Merger from the European Commission, ZF has committed to sell the TRW Linkage and Suspension business ("TRW Linkage and

Suspension Business"). Therefore, the sale is considered to be directly attributable to the Merger. However, the sales process of TRW Linkage and Suspension Business is currently ongoing and has not yet been finalized. Therefore, the effects of the sale have not been reflected within the Unaudited Pro Forma Consolidated Financial Information.

3.5 Pro Forma Assumptions

The following pro forma assumptions were applied when preparing the pro forma adjustments.

Assumption: Date of the Merger

For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed that closing of the Merger occurred as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that closing of the Merger occurred as of December 31, 2014.

Assumption: Date of sale of ZF's stake in ZF Lenksysteme

For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed that closing of the sale of ZF's stake in ZF Lenksysteme occurred as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that closing of the sale of ZF's stake in ZF Lenksysteme occurred as of December 31, 2014.

Assumption: Date of proceeds received from financing transactions

For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed the proceeds from the 2014 Senior Facilities Agreement, ZF Bonded Loans, Euro Notes and USD Notes were received as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that the proceeds were received as of December 31, 2014.

Assumption: Date of settlement of the Hedge Arrangements

For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed the Hedge Arrangements were settled, and net proceeds were received as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that the Hedge Arrangements were settled, and net proceeds were received as of December 31, 2014.

Assumption: TRW Exchangeable Senior Notes

For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed the USD 30 million (EUR 25 million) in TRW Exchangeable Senior Notes were exchanged for common shares as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that the USD 30 million (EUR 25 million) in TRW Exchangeable Senior Notes outstanding as of December 31, 2014 were exchanged into common shares as of December 31, 2014.

Assumption: TRW Holding's common shares acquired

As it relates to the acquisition of TRW Holding's outstanding common shares, it is assumed that the common shares acquired upon Merger closing are calculated as the common shares outstanding as of December 31, 2014 of 114,547,079, adjusted for 1,060,791 of additional common shares expected to be issued in connection with the conversion of all USD 30 million, or EUR 25 million, of outstanding TRW Exchangeable Senior Notes as of December 31, 2014, resulting in the acquisition of 115,607,870 common shares for the Per Share Merger Consideration of USD 105.60.

Assumption: Equity awards settled immediately prior to Merger closing

In accordance with the Merger Agreement, Options, SARs, Stock Units and PSUs shall be converted into the right to receive the Per Share Merger Consideration immediately prior to the effective time of the Merger closing. For purposes of the Unaudited Pro Forma Consolidated Financial Information, it is assumed that all of the awards outstanding as of December 31, 2014, are converted into the right to receive the Per Share Merger Consideration, and that no such awards are converted to TRW common shares prior to the Merger.

Assumption: TRW Senior Notes repurchase offers

As described above, for purposes of the Unaudited Pro Forma Consolidated Financial Information, it is assumed that the repurchase offers required for the TRW Senior Notes upon a change in control will not be accepted by all note holders and all outstanding financial liabilities relating to the TRW Senior Notes will be assumed by ZF at time of Merger closing.

Assumption: Nominal amounts borrowed under new financing arrangements

As it relates to the 2014 Senior Facilities Agreement, of the EUR 7,500 million in available borrowings as of December 31, 2014, nominal amounts of EUR 1,887 million were assumed to be borrowed in aggregate.

As it relates to the Euro Notes, nominal amounts of EUR 1,500 million are assumed to be raised in aggregate.

As it relates to the USD Notes, nominal amounts of USD 3,500 million, or EUR 2,883 million are assumed to be raised in aggregate.

Assumption: Interest rates relating to variable rate Term Facilities

In accordance with the 2014 Senior Facilities Agreement, margins will be adjusted in case ZF receives a long-term credit rating from certain rating agencies. Therefore, the effective interest rates for the Term Facilities were calculated based on the expected long-term credit rating to be obtained prior to Merger closing, which was derived from publicly available credit ratings of ZF's peer group, in accordance with the 2014 Senior Facilities Agreement.

For purposes of calculating the pro forma interest expenses related to the variable rate Term Facilities drawn under the 2014 Senior Facilities Agreement, a weighted average interest rate of 3.55% was assumed.

Assumption: Interest rates relating to fixed rate Euro Notes and USD Notes

For purposes of calculating the pro forma interest expenses related to the fixed rate Euro Notes issued, a weighted average interest rate of 2.80% was assumed.

For purposes of calculating the pro forma interest expenses related to the fixed rate USD Notes issued, a weighted average interest rate of 5.38% was assumed.

Assumption: Exchange rates for the settlement of Hedge Arrangements

In order to use the net proceeds from the Hedge Arrangements to fund the Per Share Merger Consideration, the forward currency contracts and forward currency call options are expected to be settled prior to the Merger and the agreed upon settlement dates, which range between June 16, 2015 and June 18, 2015. For purposes of the unaudited pro forma consolidated statement of financial position, it is assumed the Hedge Arrangements are settled at the fair value as of December 31, 2014 of EUR 396 million, as stated within the ZF historical consolidated financial statements.

Assumption: Merger related transaction costs

As it relates to ZF, in connection with the Merger, total legal, consulting and other fees directly related to the Merger of EUR 54 million are assumed, of which EUR 29 million were incurred and recorded within ZF's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014, and EUR 25 million of which are expected to be incurred subsequent to December 31, 2014. For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed the transaction costs were incurred as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed all Merger related transaction costs were incurred as of December 31, 2014.

As it relates to TRW, total legal, consulting and other fees directly related to the Merger of EUR 48 million are assumed, of which EUR 15 million were incurred and recorded within the TRW Holding historical consolidated financial statements as of and for the fiscal year ended December 31, 2014, and EUR 33 million of which are expected to be incurred subsequent to December 31, 2014 and prior to the Merger closing. For purposes of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of financial position, it is assumed the transaction costs were incurred by TRW Group prior to Merger closing and therefore have been reflected as a reduction to TRW Group's net assets acquired.

These Merger related costs do not comprise transaction costs directly attributable to the financing. All Merger related costs are considered to be tax deductible.

Assumption: Debt issuance costs

Debt issuance costs incurred in connection with obtaining the financing arrangements used to fund the Per Share Merger consideration are assumed to be EUR 288 million. For purposes of the unaudited pro forma consolidated statement of financial position, it is assumed all debt issuance costs were incurred as of December 31, 2014 and for the unaudited pro forma consolidated statement of profit or loss, it is assumed the debt issuance costs were incurred as of January 1, 2014. Based on a preliminary analysis, it is expected that the directly attributable transactions costs related to the 2014 Senior Facilities Agreement and ZF Bonded Loans are expected to be entirely tax deductible at a German jurisdictional tax rate of 26% considering the limited tax deductibility of interests and other financing related expenses for trade tax purposes, which would result in an income tax benefit. Directly attributable transactions costs related to the Euro Notes and USD Notes are expected to be entirely tax deductible at a U.S. jurisdictional tax rate of 35%, which would result in an income tax benefit. Tax rates were applied based on the jurisdiction in which the activity, and related adjustment, is expected to incur.

Assumption: TRW Group employee severance payments

For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed that TRW Group employee severance payments due upon closing of the Merger were paid as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that employee severance payments due upon closing of the Merger were paid as of December 31, 2014.

For purposes of the Unaudited Consolidated Pro Forma Financial Information, adjustments related to severance payments for TRW Holding executives include adjustments based on employment agreements for which the terms are still under negotiation and may not be finalized. For such agreements, pro forma adjustments have been reflected based on assumptions made by ZF management which reflect their best estimates.

Assumption: TRW Holding employee severance payments subject to repayment

As it relates to certain severance payments made upon Merger closing that are contingent upon completion of a transitional employment period, for purposes of the unaudited pro forma consolidated statement of profit or loss it is assumed the employees remain employed through the completion of their transitional employment period, which begins on January 1, 2014 for purposes of the unaudited pro forma consolidated statement of profit or loss, and on December 31, 2014 for purposes of the unaudited pro forma consolidated statement of financial position.

Assumption: Executive employment agreements under negotiation

Certain TRW Holding executives are currently negotiating employment terms and severance payments with ZF. For purposes of the Unaudited Pro Forma Consolidated Financial Information, it is assumed that ZF management's current expectations will reflect the agreed and finalized terms of the newly negotiated agreements.

3.6 Pro Forma Presentation

3.6.1 Accounting for the Merger

The Merger is accounted for as a business combination in accordance with IFRS 3. According to IFRS 3, the actual initial consolidation of a business combination takes place at the time of Merger, i.e. the time at which the acquiring company takes control of the acquired company or acquired business operation.

For purposes of the unaudited pro forma consolidated statement of profit or loss, the pro forma initial consolidation of TRW Group was performed as of January 1, 2014, and for purposes of the unaudited pro forma consolidated statement of financial position, the pro forma consolidation of TRW Group was performed as of December 31, 2014.

3.6.2 Provisional purchase price allocation

Due to the accounting for the Merger as a business combination in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of TRW Group are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the Unaudited Pro Forma Consolidated Financial Information, the purchase price allocation of TRW Group was undertaken on the basis of a provisional valuation of the acquired net assets at fair value as of December 31, 2014 (the "**Provisional PPA**").

The Provisional PPA was performed using the most current available financial information of TRW Group as of December 31, 2014. The release of the adjustments due to the Provisional PPA were recognized in the pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014.

The final purchase price allocation will be carried out based on the actual total consideration transferred and the fair values of the acquired net assets as of the actual Merger date. Therefore, the final purchase price allocation of TRW Group will differ and might differ significantly from the Provisional PPA performed for purposes of the Unaudited Pro Forma Consolidated Financial Information.

3.6.3 Merger related transaction costs

Legal, consulting and other fees incurred by ZF in connection with the Merger were classified as acquisition related costs in accordance with IFRS 3.53 recognized as expenses in the unaudited pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014.

3.6.4 Debt issuance costs

Debt issuance costs attributable to the financing arrangements used to fund the Per Share Merger Consideration were capitalized and amortized over the respective life of the financing arrangement. For debt issuance costs attributable to financing arrangements that are not expected to be drawn upon to fund the Per Share Merger Consideration, as the amounts available for borrowing are subject to mandatory redemptions/cancellations from proceeds raised through other disposals and capital raisings, such debt issuance costs are expensed immediately.

4. Unaudited Pro Forma Consolidated Statement of Financial Position as of December 31, 2014

in EUR millions	Historical Financial Information			Total	Pro Forma Note	Pro Forma Adjustments	Pro Forma Consolidated Statement of Financial Position
	ZF Group Historical	TRW Group Historical (2.2.1)*	Sale of ZF Lenksysteme Historical (3.3)				
Current assets							
Cash	1,114	849	90	2,053	4.1	(817)	1,236
Financial assets	528	-	(90)	438	4.1	(306)	132
Trade receivables	2,403	1,962	-	4,365	4.1	(44)	4,322
Other assets	335	195	-	530	4.1	(116)	414
Income tax receivables	12	-	-	12	4.1	60	72
Inventories	1,870	867	-	2,737	4.1	65	2,802
	6,262	3,874	-	10,136		(1,159)	8,977
Assets held for sale and disposal groups	400	208	(400)	208	4.1	195	403
	6,662	4,081	(400)	10,343		(963)	9,380
Non-current assets							
Financial assets	1,148	-	-	1,148			1,148
Trade receivables	13	-	-	13			13
Other assets	85	676	-	761	4.1	(39)	721
Associates and joint ventures	23	202	-	225	4.1	169	394
Intangible assets	905	2,012	-	2,917	4.1	7,423	10,341
Property, plant and equipment	4,006	2,269	-	6,275	4.1	402	6,677
Investment Property	5	-	-	5		-	5
Deferred taxes	541	486	-	1,027	4.1	(62)	965
	6,726	5,645	-	12,371		7,893	20,265
Total Assets	13,388	9,727	(400)	22,715		6,930	29,645
Current liabilities							
Financial liabilities	492	242	-	734		-	734
Trade payables	2,440	1,996	-	4,436	4.1	(44)	4,392
Other liabilities	852	1,033	-	1,885	4.1	140	2,024
Income tax provisions	36	9	-	45	4.1	12	57
Other provisions	376	307	-	683		-	683
	4,196	3,587	-	7,783		108	7,891
Liabilities of disposal groups	-	86	-	86		-	86
	4,196	3,673	-	7,869		108	7,977
Non-current liabilities							
Financial liabilities	279	1,121	-	1,400	4.1	8,059	9,459
Other liabilities	233	238	-	471	4.1	(20)	451
Provisions for pensions	3,803	915	-	4,718	0	-	4,718
Other provisions	315	431	-	746	0	-	746
Deferred taxes	43	49	(5)	87	4.1	1,500	1,586
	4,673	2,753	(5)	7,421		9,539	16,960
Equity							
Subscribed capital	500	1	-	501	4.1	(1)	500
Capital reserve	386	1,768	-	2,154	4.1	(1,768)	386
Retained earnings	3,474	1,370	(395)	4,449	4.1	(948)	3,501
Equity attributable to shareholders	4,360	3,139	(395)	7,104		(2,717)	4,387
Non-controlling interests	159	161	-	320		-	320
	4,519	3,300	(395)	7,424		(2,717)	4,707
Total Liabilities and Equity	13,388	9,727	(400)	22,715		6,930	29,645

(*) The TRW Group historical financial information under IFRS has been converted from the audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014. The TRW Group historical financial information has also been converted from USD to Euro to conform to the ZF reporting currency. See section “2.2 Adoption of IFRS and ZF’s Accounting Policies in the TRW Group Historical Financial Information” for details.

4.1 Explanation of pro forma adjustments to the Unaudited Pro Forma Consolidated Statement of Financial Position as of December 31, 2014

<i>in EUR millions</i>	Provisional PPA and Goodwill Calculation	Sale of ZF Lenk- systeme	Inter- company Elimination	Financing	Hedges	Conversion of TRW Exchange- able Senior Notes	Share- based Payments	TRW Group Employee Severance	Transaction Costs	Total Pro Forma Adjustments
Pro Forma Explanation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Current assets										
Cash	(10,055)	792	-	8,173	396	-	-	(66)	(58)	(817)
Financial assets	-	90	-	-	(396)	-	-	-	-	(306)
Trade receivables	-	-	(44)	-	-	-	-	-	-	(44)
Other assets	-	-	-	(126)	-	-	-	10	-	(116)
Income tax receivables	-	-	-	-	-	-	41	-	19	60
Inventories	65	-	-	-	-	-	-	-	-	65
	(9,990)	882	(44)	8,048	-	-	41	(56)	(39)	(1,159)
Assets held for sale and disposal groups	195	-	-	-	-	-	-	-	-	195
	(9,795)	882	(44)	8,048	-	-	41	(56)	(39)	(963)
Non-current assets										
Financial assets	-	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	(39)	-	-	-	-	-	(39)
Associates and joint ventures	169	-	-	-	-	-	-	-	-	169
Intangible assets	7,808	-	-	-	(385)	-	-	-	-	7,423
Property, plant and equipment	402	-	-	-	-	-	-	-	-	402
Investment property	-	-	-	-	-	-	-	-	-	-
Deferred taxes	-	-	-	-	(27)	-	(34)	-	-	(62)
	8,379	-	-	(39)	(412)	-	(34)	-	-	7,893
Total Assets	(1,416)	882	(44)	8,008	(412)	-	7	(56)	(39)	6,930
Current liabilities										
Financial liabilities	-	-	-	-	-	-	-	-	-	-
Trade payables	-	-	(44)	-	-	-	-	-	-	(44)
Other liabilities	-	-	-	-	-	-	139	-	-	140
Income tax provisions	-	12	-	-	-	-	-	-	-	12
Other provisions	-	-	-	-	-	-	-	-	-	-
	-	12	(44)	-	-	-	139	-	-	108
Liabilities of disposal groups	-	-	-	-	-	-	-	-	-	-
	-	12	(44)	-	-	-	139	-	-	108
Non-current liabilities										
Financial liabilities	45	-	-	8,102	-	(88)	-	-	-	8,059
Other liabilities	-	-	-	-	-	-	-	(20)	-	(20)
Provisions for pensions	-	-	-	-	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-	-	-	-
Deferred taxes	1,611	-	-	-	(112)	-	-	-	-	1,500
	1,656	-	-	8,102	(112)	(88)	-	(20)	-	9,539
Equity										
Subscribed capital	(1)	-	-	-	-	-	-	-	-	(1)
Capital reserve	(1,736)	-	-	-	-	92	(125)	-	-	(1,769)
Retained earnings	(1,336)	870	-	(94)	(301)	(4)	(8)	(37)	(39)	(948)
Equity attributable to shareholders	(3,072)	870	-	(94)	(301)	88	(133)	(37)	(39)	(2,717)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
	(3,072)	870	-	(94)	(301)	88	(133)	(37)	(39)	(2,717)
Total Liabilities and Equity	(1,416)	882	(44)	8,008	(412)	(0)	7	(57)	(39)	6,930

(1) Provisional PPA and Goodwill Calculation

The provisional consideration to be transferred and the estimated fair values of TRW Group's assets acquired and liabilities assumed as if the Merger date was December 31, 2014 as well as the resulting Goodwill are presented as follows:

<i>in EUR millions</i>	Note Ref.	As of December 31, 2014
Calculation of consideration estimated to be transferred (USD 105.60 per share)		
Cash consideration to be paid to TRW Holding shareholders for common shares outstanding as of December 31, 2014	(a)	9,963
Cash consideration to be paid to TRW Holding shareholders for TRW Exchangeable Senior Notes exchanged for common shares subsequent to December 31, 2014	(b)	92
Total consideration to be transferred		10,055
TRW Group's non-controlling interests	(c)	161
Total purchase consideration (equity level)		10,216
Identifiable assets acquired and liabilities assumed		
Carrying amount of TRW Group's net assets acquired	(d)	3,300
Plus: Conversion of TRW Exchangeable Senior Notes	(e)	88
Less: Settlement of equity awards to be incurred by TRW Group, net of taxes	(f)	(133)
Less: Transaction costs expected to be incurred by TRW Group, net of taxes	(g)	(22)
Adjusted carrying amount of TRW Group's net assets acquired	(h)	3,234
Less: Elimination of pre-existing TRW Group's goodwill	(i)	(1,441)
Plus: Fair value adjustments:		-
Identifiable intangible assets	(j)	4,616
Property, plant, and equipment	(k)	402
Inventory	(l)	65
Other fair value adjustments, net	(m)	319
Deferred tax liability impact of fair value adjustments	(n)	(1,627)
Deferred tax asset impact of fair value adjustments		16
Total net assets acquired at fair value		5,583
Goodwill resulting from the acquisition of TRW Group	(o)	4,633

- (a) Represents anticipated cash consideration to be transferred of USD 105.60 per outstanding TRW common share based on 114,547,079 TRW Holding common shares outstanding as of December 31, 2014, converted to Euro using the December 31, 2014 exchange rate of USD 1.21410 per EUR 1.
- (b) As of December 31, 2014, the TRW Group has USD 30 million in principal outstanding related to its 3.50% TRW Exchangeable Senior Notes due in September 2015. As of December 31, 2014, these notes are exchangeable at a rate of 33.8392 common shares per USD 1,000 principal amount of notes. Therefore, as of December 31, 2014, TRW Exchangeable Senior Notes are exchangeable for 1,060,791 TRW Holding common shares. This represents the anticipated cash consideration to be transferred of USD 105.60 per common share issued pursuant to the TRW Exchangeable Senior Notes assumed to be exchanged into common shares subsequent to December 31, 2014 and prior to the Merger closing, converted to Euro using the December 31, 2014 exchange rate of USD 1.21410 per EUR 1.
- (c) Represents the non-controlling interests TRW Holding's non-wholly owned subsidiaries, measured as the non-controlling interest's proportionate share of the TRW Group's identifiable net assets.
- (d) Represents the carrying amount of TRW Group's net assets as of December 31, 2014, as adjusted to conform to IFRS (see section 2.2.1).

- (e) Represents the pro forma adjustment to reclassify EUR 88 million (see section 4.1(6)) of financial liabilities relating to the TRW Exchangeable Senior Notes as of December 31, 2014, to equity. This adjustment reflects the assumed conversion of outstanding TRW Exchangeable Senior Notes into TRW Holding common shares prior to the Merger closing, and the resulting increase to TRW Group's net assets.
- (f) Represents the pro forma adjustment to recognize additional financial liabilities of EUR 139 million, net of the recognition of an additional tax benefit of EUR 6 million relating to Options, SARs, Stock Units and PSUs that are assumed to be converted into the right to receive a cash payment based on the Per Share Merger Consideration immediately prior to the effective time of the Merger closing, and therefore reduce TRW Group's net assets acquired (see 4.1(7)). This pro forma adjustment reflects the assumed vesting of equity classified awards upon Merger closing, and the resulting reclassification to TRW Group's financial liabilities and decrease to TRW Group's net assets.
- (g) Represents EUR 33 million of estimated transaction costs to be incurred and paid in cash by TRW Group concurrently with the consummation of the Merger, net of income tax receivables of EUR 11 million. This adjustment reflects the assumed cash payment of transaction costs by TRW Group upon Merger closing, and the resulting decrease to TRW Group net assets (see 4.1(9)).
- (h) Represents the adjusted carrying amount of TRW Group's net assets acquired, after considering the effects of the pro forma adjustments described in (e), (f), and (g). The adjusted carrying amount of TRW Group's net assets acquired is eliminated upon acquisition of TRW Holding's common shares.
- (i) Represents the carrying amount of TRW Group's pre-existing goodwill as of December 31, 2014, as recorded in TRW Holding's historical consolidated financial statements.
- (j) Reflects the fair value adjustments to identified intangible assets acquired, which represents the difference between their carrying amount in TRW Holding's IFRS consolidated statement of financial position and its estimated fair value. The fair value adjustments related to identified intangible assets are comprised of the following:

<i>in EUR millions</i>	As of December 31, 2014
Identified intangible assets	
Customer relationships	2,403
Technologies	1,772
In-process research and development ("IPR&D")	125
Trade names	237
Supplier tooling	78
Estimated fair value adjustments of acquired identifiable intangible assets	4,616

- (k) Represents the estimated fair value adjustment to recognize TRW Group's property, plant, and equipment at fair value.
- (l) Represents the fair value adjustment to recognize TRW Group's inventories at fair value.
- (m) Represents the sum of the estimated EUR 169 million increase to recognize TRW Group's investments in joint ventures at fair value, the estimated EUR 195 million increase to recognize TRW Group's assets held-for-sale and disposal groups at fair

value, and less the estimated EUR 45 million increase to recognize TRW Group's financial liabilities to be assumed by ZF at fair value.

- (n) Reflects the pro forma adjustment to deferred income tax assets and liabilities resulting from pro forma fair value adjustments for the identifiable net assets to be acquired, disclosed on a net basis. The statutory tax rate was applied, as appropriate, to each adjustment based on the jurisdiction in which the adjustment is expected to occur. In situations where jurisdictional detail was not available, TRW Group's weighted average tax rate for the fiscal year ended December 31, 2014 of 30.6% was applied to the pro forma adjustment.
- (o) The pro forma adjustment to goodwill, together with the pro forma adjustment to the identifiable intangible assets result in the following total pro forma adjustments to intangible assets:

<i>in EUR millions</i>	As of December 31, 2014
Goodwill	4,633
Less: Pre-existing TRW Group goodwill	(1,441)
Pro forma adjustment to goodwill	3,192
Pro forma adjustment for estimated fair value of identifiable intangible assets	4,616
Total Pro forma adjustment to intangible assets	7,808

(2) Sale of ZF's stake in ZF Lenksysteme

To reflect the sale of ZF's stake in ZF Lenksysteme as of December 31, 2014, the unaudited pro forma consolidated statement of financial position includes an adjustment to cash of EUR 792 million, representing proceeds received upon sale, as well as a financial asset of EUR 90 million, reflecting the sale amount to be received from Bosch upon the closing of the unrelated asset purchase, which has not yet occurred but is considered to be highly probable. Additionally, an income tax liability of EUR 12 million was recognized, calculated by applying the German jurisdictional tax rate of 29% to the taxable portion of the gain from the sale of EUR 42 million. The pro forma adjustments resulted in a net increase to retained earnings of EUR 870 million.

(3) Intercompany elimination

The effects of transactions between ZF Group and TRW Group were eliminated for purposes of the Unaudited Pro Forma Consolidated Financial Information. Receivables and payables between ZF Group and TRW Group were mainly generated from sales related to products used in the normal course of business. As of December 31, 2014, trade receivables amounting to EUR 44 million and trade payables amounting to EUR 44 million were eliminated for purposes of the unaudited pro forma consolidated statement of financial position.

(4) Financing adjustments

In connection with the Merger, ZF raised an aggregate of EUR 8,476 million in proceeds from its 2014 Senior Facilities Agreement, ZF Bonded Loans, Euro Notes and USD Notes.

For purposes of the unaudited pro forma consolidated statement of financial position, it is assumed the proceeds from these financing arrangements were received on December 31, 2014. As a result, the pro forma adjustments relating to these financing arrangements are as follows:

<i>in EUR millions</i>	2014 Senior Facilities	ZF Bonded Loans	Euro Notes	USD Notes	Total Pro Forma Adjustment
	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
Explanation	(a)	(b)	(c)	(d)	
Cash	1,887	1,950	1,483	2,853	8,173
Current other assets	(126)	-	-	-	(126)
Non-current other assets	(39)	-	-	-	(39)
Non-current financial liabilities	(1,816)	(1,950)	(1,483)	(2,853)	(8,102)
Retained earnings	94	-	-	-	94

- (a) The pro forma adjustment to cash represents the total borrowings under the 2014 Senior Facilities Agreement of EUR 1,887 million. The pro forma adjustment to non-current financial liabilities of EUR 1,816 million represents the total borrowings of EUR 1,887 million, net of debt issuance costs of EUR 71 million related to facilities for which proceeds are borrowed to fund the Per Share Merger Consideration. The pro forma adjustments to current and non-current other assets represent the elimination of EUR 191 million recorded on the ZF historical consolidated financial statements, less EUR 27 million of debt issuance costs relating to tranches that will not be drawn upon to fund the Per Share Merger Consideration, but have to be capitalized as an other asset. Debt issuance costs of EUR 132 million were incurred relating to Facilities not expected to be drawn upon to fund the Per Share Merger Consideration. As a result, such debt issuance costs are reflected as being fully amortized on December 31, 2014 for purposes of the unaudited pro forma consolidated statement of financial position.
- (b) In connection with the ZF Bonded Loan issuance, EUR 245 million of its existing bonded loans were cancelled and repaid in January 2015. As a result, for purposes of the unaudited pro forma consolidated statement of financial position as of December 31, 2014, the pro forma adjustments to cash and non-current financial liabilities of EUR 1,950 million reflect the cash proceeds raised from the ZF Bonded Loans in the amount of EUR 2,207 million, net of debt issuance costs of EUR 11 million, and the EUR 245 million in cash payments related to existing bonded loans cancelled upon refinancing.
- (c) Pro forma adjustments to cash and non-current financial liabilities of EUR 1,483 million represent the assumed proceeds raised from Euro Notes offering of EUR 1,500 million, less debt issuance costs of EUR 17 million.
- (d) Pro forma adjustments to cash and non-current financial liabilities of EUR 2,853 million represent the assumed proceeds raised from the USD Notes offering of EUR 2,883 million, less debt issuance costs of EUR 30 million.

In total, the pro forma adjustments to cash of EUR 8,173 million are calculated as the total proceeds received of EUR 8,476 million, less the EUR 245 million in repayment of the existing bonded loans, less EUR 58 million in debt issuance costs expected to be incurred during 2015 related to the ZF Bonded Loans, Euro Notes and USD Notes.

(5) Hedge arrangement adjustments

As stated within the ZF historical consolidated financial statements, the value of the contingent forward currency contracts and forward currency call options were determined in line with market standards from parameters observable in the market. The value of the call option premium was determined on the basis of the future prices observable in the market at the time of conclusion and the tender price agreed on with the contracting party at the time of maturity of the Merger. Changes in the intrinsic fair value of the contingent forward currency contracts and forward currency call options are recorded within other comprehensive income.

The call option premium is recognized and consequently amortized over the maturity period to the statement of profit or loss.

The ZF historical consolidated statement of financial position as of December 31, 2014 reflects total financial assets relating to the Hedge Arrangements of EUR 396 million, of which EUR 155 million relates to the contingent forward currency contracts, EUR 230 million relates to the forward currency call options and EUR 11 million relates to the call option premium as of December 31, 2014.

Additionally, the historical consolidated statement of financial position reflects a deferred tax asset of EUR 27 million and a deferred tax liability of EUR 112 million. This deferred tax asset is attributable to EUR 94 million of other financial expenses recorded relating to the amortization of the call option premium. The deferred tax liability is attributable to the deferred taxes on changes in the derivative asset fair value recorded to other comprehensive income of EUR 385 million.

Pro forma adjustments reflect an increase to cash of EUR 396 million, to be received upon settlement of the Hedge Arrangements, as well as the elimination of financial assets of EUR 396 million recorded within the ZF historical consolidated statement of financial position. Additionally, pro forma adjustments are recognized to remove the other comprehensive income balance of EUR 385 million recorded within the ZF historical consolidated statement of financial position, offset by a reduction to goodwill in the same amount.

The pro forma adjustments also reflected the elimination of deferred tax assets of EUR 27 million and deferred tax liabilities of EUR 112 million recorded in the ZF historical consolidated statement of financial position, resulting in a corresponding increase to retained earnings.

(6) Conversion of TRW Exchangeable Senior Notes

As seen within section 2.2.1 in order to convert the TRW Holding's historical consolidated balance sheet to IFRS, an adjustment was made to record a derivative financial liability associated with the exchange option TRW Exchangeable Senior Notes as of December 31, 2014, which is subsequently measured at fair value through profit or loss. As a result, as of December 31, 2014, in addition to the EUR 24 million in principal outstanding recorded within the TRW Holding's historical consolidated financial statements, the TRW Holding's historical consolidated balance sheet under IFRS reflects a derivative financial liability of EUR 64 million related to this exchange option, resulting in a total financial liability of EUR 88 million related to the TRW Exchangeable Senior Notes, as of December 31, 2014, after converting to IFRS.

For purposes of the unaudited pro forma consolidated statement of financial position, the assumption that all TRW Exchangeable Senior Notes will be converted to common shares just prior to the Merger closing results in a pro forma adjustment to reduce financial liabilities in the amount of EUR 88 million, and a corresponding increase to capital reserve of EUR 88 million.

Additionally, a pro forma adjustment is made to increase capital reserves by an additional EUR 4 million, with a corresponding decrease to retained earnings. This adjustment represents the additional mark to market increase in the fair value of the option liability, which is assumed to be exchanged to common shares in the same amount just prior the Merger closing.

The decrease to financial liabilities as a result of this pro forma adjustment represents a reduction to TRW Group's liabilities just prior to Merger closing, and an increase to TRW Group's net assets acquired. The effects of these pro forma adjustments have been considered in the calculation of goodwill acquired and in the elimination of TRW Group's equity upon Merger. See section 4.1(1) for details.

(7) Share based compensation

As seen within section 2.2.1, in order to convert TRW Holding's historical consolidated balance sheet to IFRS, an adjustment was made to record a liability of USD 21 million, or EUR 17 million, for unvested share based payment awards that would remain unvested as of the Merger closing and thus are considered to be cash settled awards requiring liability classification. For purposes of the unaudited pro forma consolidated statement of financial position, it is assumed that all options outstanding (vested and unvested) as of December 31, 2014 will be cash settled based on the Per Share Merger Consideration immediately prior to Merger closing. Under this assumption, the expected total cash payments for such awards would be USD 190 million, or EUR 156 million. Such amounts represent a TRW Group liability to be recognized immediately prior to the Merger closing. For purposes of the unaudited pro forma consolidated statement of financial position, a pro forma adjustment was recognized to increase current other liabilities by EUR 139 million, resulting in a total pro forma liability for these cash settled awards of EUR 157 million. This pro forma adjustment was recognized as a reduction of capital reserve of EUR 125 million and a reduction of the retained earnings of EUR 14 million reflecting the vesting of all unvested awards outstanding as of December 31, 2014.

Furthermore, the pro forma adjustment represents the elimination of deferred tax assets recognized in TRW Holding's IFRS consolidated statement of financial position as of December 31, 2014 in the amount of EUR 34 million in relation to these share based compensation awards and the recognition of income tax receivables in the amount of EUR 41 million to reflect the total tax benefit from the assumed cash settlement of these equity awards as derived by applying the respective jurisdictional tax rate between 20% and 35% by the tax deductible expenses expected upon settlement of the equity awards. The difference between the income tax receivables and the deferred tax assets represents the additional tax benefit until the Merger closing, recognized as an increase in retained earnings.

The pro forma adjustment represents an increase to TRW Group's liabilities incurred just prior to the Merger, and a corresponding reduction to TRW Group's net assets acquired. The effects of this entry have been considered in the calculation of goodwill acquired and in the elimination of TRW Group's equity upon Merger. See section 4.1(1) for details.

(8) TRW Group employee severance

In anticipation of the Merger, certain TRW Holding executives have negotiated new employment contracts with ZF that become effective at the time of Merger closing, and certain executives are currently negotiating their employment contracts with ZF. In accordance with these new employment contracts, and based on management's expectations for employment contracts that have not yet been finalized, ZF will be required to make severance payments to certain executives upon Merger closing. As a result, a pro forma adjustment to reduce cash by EUR 66 million was recognized. Additionally, of the EUR 66 million that is to be paid upon Merger closing, EUR 10 million of these severance payments are contingent upon the completion of a transition employment period by certain TRW Holding executives. In case of the executive not completing the required transition period, they are required to repay an amount based on a pro rata portion of the transition employment period not completed. Therefore, cash payments potentially subject to repayment were offset by a pro forma adjustment to increase other assets, which are to be amortized over the employment transition period.

Additionally, of the EUR 66 million in expected cash payments, EUR 20 million relates to payments under the TRW Holding's Benefits Equalization Plan, for which non-current other liabilities have been recorded within TRW Holding's IFRS historical consolidated statement of financial position as of December 31, 2014. Therefore, this EUR 20 million in non-current other liabilities was eliminated through a pro forma adjustment, and offset by the adjustment to reduce cash. The net result of these adjustments is a decrease to retained earnings of EUR 37 million.

(9) Transaction costs

Total Merger related costs incurred and expected to be incurred amount to EUR 54 million for ZF. Of these Merger related costs, EUR 29 million were already incurred and reflected in the ZF historical consolidated financial statements as of and for the fiscal year ended December 31, 2014. As a result, a pro forma adjustment of EUR 25 million was reflected as a reduction of cash to recognize additional Merger related costs in the unaudited pro forma consolidated statement of financial position as of December 31, 2014. Related income tax receivables were recognized based on applying the German jurisdictional tax rate of 29% to the transaction costs incurred by ZF and amount to EUR 7 million, resulting in an adjustment to decrease retained earnings of EUR 18 million.

Total Merger related costs incurred and expected to be incurred amount to EUR 48 million for TRW Group. Of these Merger related costs, EUR 14 million were already incurred and reflected in TRW Holding's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014. As a result, a pro forma adjustment of EUR 33 million was reflected as a reduction of cash to recognize additional Merger related costs in the unaudited pro forma consolidated statement of financial position as of December 31, 2014, which, according to the Merger Agreement, must be reimbursed by ZF to TRW. Related income tax receivables were recognized based on applying the U.S. jurisdictional tax rate of 35% to the transaction costs incurred by TRW Holding and amount to EUR 11 million, resulting in an adjustment to decrease retained earnings of EUR 21 million.

The decrease in TRW Group's cash as a result of this pro forma adjustment represents a reduction to TRW Group's net assets acquired. The effects of these pro forma adjustments have been considered in the calculation of goodwill acquired and in the elimination of TRW Group's equity upon Merger. See section 4.1(1) for details.

5. Unaudited Pro Forma Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2014

in EUR millions	Historical Financial Information			Total	Pro Forma Note	Pro Forma Adjustments	Pro Forma Consolidated Statement of Profit or Loss
	ZF Group Historical	TRW Group Historical (2.2.2)*	Sale of ZF Lenksysteme Historical (3.3)				
Sales	18,415	13,586	-	32,001	5.1	(353)	31,648
Cost of sales	(15,319)	(11,457)	-	(26,776)	5.1	(56)	(26,832)
Gross profit on sales	3,096	2,129	-	5,225		(409)	4,815
Research and development costs	(891)	(720)	-	(1,611)		-	(1,611)
Selling expenses	(700)	(97)	-	(797)	5.1	(222)	(1,019)
General administrative expenses	(734)	(485)	-	(1,219)	5.1	(43)	(1,262)
Loss on pension benefit curtailment	-	(582)	-	(582)		-	(582)
Other income	279	33	-	312		-	312
Other expenses	(153)	(34)	-	(187)	5.1	(25)	(212)
Operating profit or loss	897	243	-	1,140		(699)	441
Result from associates and joint ventures	49	34	(47)	35	5.1	519	554
Net result from participations	152	-	-	152		-	152
Interest income	35	231	-	266		-	266
Interest expenses	(172)	(309)	-	(481)	5.1	(304)	(786)
Other financial income	132	-	-	132		-	132
Other financial expenses	(220)	(106)	-	(326)	5.1	(5)	(331)
Net financial result	(24)	(151)	(47)	(222)		209	(13)
Net profit or loss before income tax	873	93	(47)	918		(490)	428
Income taxes	(201)	(62)	5	(258)	5.1	326	69
Net profit or loss after tax	672	31	(42)	660		(163)	497
thereof shareholders	648	(0)	(42)	605		(163)	442
thereof non-controlling interests	24	31	-	55		-	55

(*) The TRW Group historical financial information under IFRS has been converted from the audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014. The TRW Group historical financial information has also been converted from USD to Euro to conform to the ZF reporting currency. See Section "2.2 Adoption of IFRS and ZF's Accounting Policies in the TRW Group Historical Financial Information" for details.

5.1 Explanation of pro forma adjustments to the Unaudited Pro Forma Statement of Profit or Loss for the fiscal year ended December 31, 2014

<i>in EUR millions</i>	Provisional PPA and Goodwill Calculation	Sale of ZF Lenk-systeme	Inter-company Elimination	Financing	Conversion of TRW Exchange-able Senior Notes	TRW Group Employee Severance	Transaction Costs	Total Pro Forma Adjustments
Pro Forma Explanation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Sales	-	-	(353)	-	-	-	-	(353)
Cost of sales	(409)	-	353	-	-	-	-	(56)
Gross profit on sales	(409)	-	-	-	-	-	-	(409)
Research and development costs	-	-	-	-	-	-	-	-
Selling expenses	(222)	-	-	-	-	-	-	(222)
General administrative expenses	-	-	-	-	-	(43)	-	(43)
Loss on pension benefit settlement and curtailment	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	(25)	(25)
Operating profit or loss	(632)	-	-	-	-	(43)	(25)	(699)
Result from associates and joint ventures	-	519	-	-	-	-	-	519
Net result from participations	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Interest expenses	-	-	-	(309)	5	-	-	(304)
Other financial income	-	-	-	-	-	-	-	-
Other financial expenses	18	-	-	(130)	106	-	-	(5)
Net financial result	18	519	-	(439)	111	-	-	209
Net profit or loss before income tax	(613)	519	-	(439)	111	(43)	(25)	(490)
Income taxes	187	(12)	-	132	-	12	7	326
Net profit or loss after tax	(426)	507	-	(307)	111	(30)	(17)	(163)
thereof shareholders	(426)	507	-	(307)	111	(30)	(17)	(163)
thereof non-controlling interests	-	-	-	-	-	-	-	-

(1) Provisional PPA and Goodwill Calculation

To recognize estimated pro forma depreciation and amortization expenses on the pro forma adjustments to definite lived intangible assets and property, plant and equipment, pro forma depreciation and amortization has been estimated on a provisional basis, using the straight-line method over the estimated remaining useful life and is as follows:

			For the year ended December 31, 2014	
<i>in EUR millions</i>	Fair value adjustments	Useful life (years)	Pro Forma Adjustment to Cost of sales	Pro Forma Adjustment to Selling expenses
Customer relationships	2,403	9 to 14 years	-	222
Technologies & IPR&D	1,897	3 to 13 years	270	-
Supplier tooling	78	3 years	24	-
Buildings	56	18 to 24 years	2	-
Machinery & Equipment	294	6 to 8 years	38	-
Other fixed assets	59	3 to 4 years	15	-
Pro forma adjustment to depreciation and amortization			350	222

Trade names have an indefinite useful and therefore are not amortized. Additionally, land is not depreciated.

The pro forma adjustment to cost of sales is comprised of amortization and depreciation expenses relating to the provisional PPA in the amount of EUR 350 million and EUR 59

million relating to the fair value adjustment recognized on inventories which is assumed to be sold and expensed within the first year after Merger.

As a result of the pro forma adjustment to increase the fair value of the TRW Senior Note liabilities, a pro forma adjustment in other financial expenses in the amount of EUR 18 million was recognized, reflecting the amortization of the fair value step ups over the remaining life of the notes, which are due between 2017 and 2023.

(2) Sale of ZF's stake in ZF Lenksysteme

To reflect the sale of ZF's stake in ZF Lenksysteme as of January 1, 2014, the unaudited pro forma consolidated statement of profit or loss includes a pro forma adjustment to increase the result from associates and joint ventures for EUR 519 million. This pro forma adjustment is comprised of the net effects of the total purchase price of EUR 882 million, unrealized gains of EUR 37 million recorded within other comprehensive income in ZF's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014 which are reclassified to profit or loss upon sale, less the carrying amount of ZF's stake in ZF Lenksysteme presented as assets held for sale of EUR 400 million. Related tax expenses of EUR 12 million were recognized based on the German jurisdictional tax rate of 29% to the taxable portion of the gain from the sale of EUR 42 million.

(3) Intercompany elimination

The effects of transactions between ZF Group and TRW Group were eliminated for purposes of the Unaudited Pro Forma Consolidated Financial Information. Sales between ZF Group and TRW Group were mainly generated from sales related to products used in the normal course of business. For the fiscal year ended December 31, 2014, total intercompany sales of EUR 353 million and the corresponding cost of sales of EUR 353 million were eliminated for purposes of the pro forma consolidated statement of profit or loss.

(4) Financing adjustments

ZF is expected to incur additional interest expenses and amortization of debt issuance costs resulting from the financing arrangements entered into in connection with the Merger. In addition, ZF incurred EUR 5 million in interest expenses related to the EUR 245 million in existing bonded loans that were cancelled and repaid in January 2015 in connection with the issuance of the ZF Bonded Loans, and EUR 4 million in commitment fees paid to the banks based on the available borrowings under the 2014 Senior Facilities Agreement. As a result, the unaudited pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014 was adjusted to reflect additional interest expenses relating to the new financing arrangements, offset by a reduction to the interest expenses relating to the repaid existing bonded loans and the commitment fees incurred and recorded within ZF's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014, as it is assumed the date of proceeds received from the financing arrangements and the repayment of the existing bonded loans occurred on January 1, 2014 for purposes of the unaudited pro forma consolidated statement of profit or loss. The pro forma adjustments to interest expenses are calculated as follows:

<i>in EUR millions</i>	Note Ref.	For the year ended December 31, 2014
Interest expenses on the ZF Bonded Loans	(a)	54
Interest expenses on the 2014 Senior Facilities Agreement	(b)	67
Interest expenses on the Euro Notes	(c)	42
Interest expenses on the USD Notes	(d)	155
Total interest expenses		318
Less: Elimination of interest expenses on existing bonded loans	(e)	(5)
Less: Elimination of commitment fees paid and expensed	(f)	(4)
Pro forma adjustment to interest expenses		309

- (a) Reflects the incremental interest expenses on the EUR 2,207 million principal amount borrowed under the ZF Bonded Loan, at an assumed weighted average interest rate of 2.45%.
- (b) Reflects the incremental interest expenses on the EUR 1,887 million assumed principal amount borrowed under the 2014 Senior Facilities Agreement, at an assumed weighted average interest rate of 3.55%.
- (c) Reflects the incremental interest expenses on the EUR 1,500 million assumed principal amount borrowed under the Euro Notes offering, at an assumed weighted average interest rate of 2.80%.
- (d) Reflects the incremental interest expenses on the EUR 2,883 million assumed principal amount borrowed under the USD Notes offering, at an assumed weighted average interest rate of 5.38%.
- (e) Reflects the pro forma adjustment to eliminate interest expenses on the EUR 245 million principal amount of the existing bonded loans cancelled and repaid in connection with the ZF Bonded Loans issuance, reflected on ZF's historical financial information for the fiscal year ended December 31, 2014.
- (f) Reflects the adjustment to eliminate commitment fees for the borrowings available under the 2014 Senior Facilities Agreement that were incurred and recorded during the fiscal year ended December 31, 2014, which are eliminated for purposes of the unaudited pro forma consolidated statement of profit or loss.

Amortization of debt issuance costs for financing arrangements with fixed interest rates are recognized within interest expenses. Amortization of debt issuance costs for financing arrangements with variable rate interest rates are amortized on a straight line basis and recognized within other financial expenses. For purposes of the unaudited pro forma consolidated statement of profit or loss, it is assumed debt issuance costs are incurred as of January 1, 2014. Therefore, the pro forma adjustment reflects an increase to other financial expenses for EUR 130 million relating to the ZF Bonded Loans and 2014 Senior Facilities Agreement to recognize the amortization of such debt issuance costs in the fiscal year ended December 31, 2014.

A German jurisdictional tax rate of 26% was applied to the pro forma adjustments to interest expenses and other financial expenses relating to the 2014 Senior Facilities Agreement and ZF Bonded Loans. The 26% German jurisdictional tax rate considers the limited tax deductibility of interests and other financing related expenses for trade tax purposes. Therefore, as it was assumed that all interest expenses and other financial expenses relating to the ZF Bonded Loans and the 2014 Senior Facilities Agreement are to be incurred in Germany and are tax deductible in Germany a related tax benefit of EUR 64 million was recognized. For the Euro Notes and the USD Notes a related tax benefit of EUR 68 million was recognized as it was assumed that all related interest expenses and other financial

expenses are to be incurred in the U.S. and are tax deductible in the U.S. For the calculation of this tax benefit, the U.S. jurisdictional tax rate of 35% was applied. In total, a related tax benefit of EUR 132 million was recognized.

(5) Conversion of TRW Exchangeable Senior Notes

As seen within section 2.2.1, in order to convert TRW Holding's historical consolidated balance sheet to IFRS, an adjustment was made to record a liability for the exchange option associated with the note holder's rights to convert the TRW Exchangeable Senior Notes. Additionally, the TRW Holding's historical consolidated statement of earnings for the fiscal year ended December 31, 2014 reflected an adjustment to record to other financial expenses for the mark to market measure of the exchange option. The TRW Holding's historical consolidated statement of earnings also reflected EUR 5 million of interest expenses recognized in the fiscal year ended December 31, 2014.

For purposes of the unaudited pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014, all TRW Exchangeable Senior Notes are assumed to have been converted to common shares as of January 1, 2014. Therefore, a pro forma adjustment was recognized to eliminate the EUR 5 million of interest expenses incurred in the fiscal year ended December 31, 2014, and the EUR 106 million of other financial expenses related to the elimination of the mark to market measure of the exchange option. The related income tax impact of EUR 39 million was also eliminated for purposes of the unaudited pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014.

(6) TRW Group employee severance

As seen within section 4.1(8), upon Merger closing, ZF is expected to make severance payments in the amount of EUR 66 million, of which EUR 46 million relates to severance payments for TRW Holding executives under employment agreements with ZF, and EUR 20 million relates to the TRW Group Benefits Equalization Plan recorded as a liability on the TRW Holding's IFRS historical consolidated financial information as of December 31, 2014. It is assumed that for all severance payments made upon Merger closing that will not be subject to repayment, a pro forma adjustment was reflected to recognize the general and administrative expenses for those severance payments made upon Merger closing, and not including the payments related to the TRW Group Benefits Equalization Plan already recognized within the TRW Holding historical consolidated financial statements.

Based on the terms of the newly negotiated executive employment agreements and ZF's best estimate, a pro forma adjustment was recognized to increase general administrative expenses of EUR 43 million, and an income tax benefit of EUR 12 million based on the German jurisdiction of tax rate of 29%, applied to the entire adjustment as such expenses are expected to be fully tax deductible in Germany, as such costs are to be incurred in Germany.

(7) Transaction costs

Total Merger related transaction costs incurred by ZF amount to EUR 54 million. Of these Merger related costs, EUR 29 million were already incurred and reflected in the ZF historical consolidated statement of profit or loss for the fiscal year ended December 31, 2014. As a result, additional Merger related costs of EUR 25 million were recognized in other expenses within the unaudited pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014.

Related income tax benefits in the amount of EUR 7 million were recognized based on the German statutory tax rate of 29% to the ZF Merger related transaction costs. All Merger related transaction costs are expected to be tax-deductible.

Merger related transaction costs incurred by TRW Group are assumed to be paid just prior to the Merger and therefore have been reflected as a reduction to the TRW Group's net assets acquired in the Unaudited Pro Forma Consolidated Financial Information. Therefore,

additional transaction costs of TRW Group expected to be incurred prior to Merger closing were not reflected in the unaudited pro forma consolidated statement of profit or loss for the fiscal year ended December 31, 2014.

Pro Forma adjustments with a one-off effect

Pro forma adjustments with a one-off effect to the unaudited pro forma consolidated statement of profit or loss include the following:

- The Provisional PPA pro forma adjustment of EUR 59 million relating to the fair value adjustment recognized on inventories, which is assumed to be sold and expensed within the first year after the Merger. Refer to section 5.1(1).
- The pro forma adjustment to reflect the sale of ZF's stake in ZF Lenksysteme as of January 1, 2014. Refer to section 5.1(2).
- The pro forma adjustment to reflect the conversion of TRW Exchangeable Senior Notes into TRW Holding common shares assumed to be incurred on January 1, 2014. Refer to section 5.1(5).
- The pro forma adjustment to reflect the severance payments to TRW Group employees assumed to be paid by ZF on January 1, 2014. Refer to section 5.1(6).
- The pro forma adjustment to reflect the Merger related transaction costs assumed to be incurred on January 1, 2014. Refer to section 5.1(7).

Pro Forma adjustments with a continuing effect

Pro forma adjustments with a continuing effect to the unaudited pro forma consolidated statement of profit or loss include the following:

- The Provisional PPA pro forma adjustments relating to the fair value adjustments recognized on customer relationships, technologies and IPR&D, supplier tooling, buildings, machinery and equipment and other fixed assets, all of which are depreciated or amortized over their respective useful lives. Refer to section 5.1(1).
- The adjustment to eliminate the effects of transactions between ZF Group and TRW Group reflected within the historical consolidated financial statements. Refer to section 5.1(3).
- The pro forma adjustment to reflect the effects of the ZF Bonded Loans, 2014 Senior Facilities Agreement, Euro Notes and USD Notes. Adjustments relating to these financing arrangements include adjustments to recognize additional interest expenses and the amortization of debt issuance costs recognized within other financial expenses, both of which are expected to be incurred through the maturity dates of each of these arrangements. Refer to section 5.1(4).

6. Additional Pro Forma Consolidated Financial Information

The following is a breakdown of pro forma consolidated EBITDA and pro forma consolidated adjusted EBITDA for the period from January 1, 2014 to December 31, 2014. Pro forma consolidated EBITDA and pro forma consolidated adjusted EBITDA for the period from January 1, 2014 to December 31, 2014 are calculated as follows:

in EUR millions	Historical Financial Information			Total	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	ZF Group Historical	TRW Group Historical (2.2.2)*	Sale of ZF's stake in ZF Lenksysteme (3.3)				
Net profit or loss before income tax	873	93	(47)	918	(d)	(490)	428
Other financial income	(132)	-	-	(132)		-	(132)
Other financial expenses	220	106	-	326	(d)	5	331
Interest income	(35)	(231)	-	(266)		-	(266)
Interest expenses	172	309	-	481	(d)	304	786
Depreciation and amortization	946 (a)	336 (b)	-	1,282 (e)		572	1,854
EBITDA	2,044	613	(47)	2,609		392	3,001
Loss (gain) on pension benefit settlement and curtailment	(2) (c)	582	-	580		-	580
Adjusted EBITDA	2,042	1,195	(47)	3,189		392	3,581

(*) The TRW Group's historical financial information under IFRS has been converted from the audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014. The TRW Group historical financial information has also been converted from USD to Euro to conform to the ZF reporting currency (see section "2.2 Adoption of IFRS and ZF's Accounting Policies in the TRW Group Historical Financial Information").

- (a) Represents ZF Group's historical depreciation and amortization expenses as reported in the ZF's historical consolidated financial statements as of and for the fiscal year ended December 31, 2014 (within the consolidated statement of cash flows; line item "depreciation/reversal of impairments for intangible assets and property, plant and equipment").
- (b) TRW Group's historical depreciation and amortization expenses are comprised of amortization and depreciation expense in the amount of USD 444 million (EUR 334 million converted at exchange rate of USD 1.32825 per EUR 1) as reported in TRW Holding's audited U.S. GAAP consolidated financial statements as of and for the fiscal year ended December 31, 2014 (within the consolidated statement of cash flows; line item "depreciation and amortization") as well as USD 2 million (EUR 2 million converted at exchange rate of USD 1.32825 per EUR 1) in additional depreciation expense recognized relating to the IFRS conversion adjustment relating to the alignment of useful lives (see section 2.2.2.2 (4) above).
- (c) Represents ZF Group's gain on pension benefit settlement and curtailment as reported in the ZF historical consolidated financial statements as of and for the fiscal year ended December 31, 2014 (note 21 "provisions for pensions").
- (d) For detailed explanations of pro forma adjustments, refer to section 5 above.
- (e) Represents additional amortization and depreciation expense relating to the pro forma adjustment to recognize the fair value step up on property plant and equipment and intangible assets resulting from the provisional purchase price allocation. For further details refer to section 5.1(1).

Pro forma consolidated adjusted EBITDA is defined as pro forma consolidated EBITDA for the period after making an adjustment for losses (gains) on pensions benefit settlement and curtailment. We present pro forma consolidated adjusted EBITDA as additional pro forma consolidated financial information given the magnitude of the curtailment and settlement loss recognized in the TRW Holding IFRS historical consolidated statement of profit or loss for the fiscal year ended December 31, 2014. This underlying definition of adjusted EBITDA may not be comparable to the definitions of other companies.

AUDITOR'S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF ZF GROUP AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

The following auditor's report is a translation of the German-language auditor's report (Bescheinigung) on the Pro Forma Consolidated Financial Information of ZF Friedrichshafen AG

AUDITOR'S REPORT TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

To ZF Friedrichshafen AG, Friedrichshafen

We have audited whether the pro forma consolidated financial information as of December 31, 2014 of ZF Friedrichshafen AG, Friedrichshafen, (the "Company") has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma consolidated financial information comprises a pro forma consolidated statement of profit or loss for the period from January 1, 2014 to December 31, 2014, a pro forma consolidated statement of financial position as of December 31, 2014 as well as pro forma notes.

The purpose of the pro forma consolidated financial information is to present the material effects the transactions described in the pro forma notes would have had on the historical consolidated financial statements if the group had existed in the structure created by the transactions throughout the entire reporting period (pro forma consolidated statement of profit or loss) or since December 31, 2014 (pro forma consolidated statement of financial position). As pro forma consolidated financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period or at December 31, 2014.

The compilation of the pro forma consolidated financial information is the responsibility of the Company's management.

Our responsibility is, based on our audit, to express an opinion whether the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The subject matter of this engagement does neither include an audit of the basic figures including their adjustments to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the *IDW Auditing Practice Statement: Audit of Pro Forma financial information (IDWAUPS 9.960.1)* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma consolidated financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma consolidated financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Stuttgart, April 2, 2015

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Bürkle
Wirtschaftsprüfer
(German Public Auditor)

Boelcke
Wirtschaftsprüfer
(German Public Auditor)

TERMS AND CONDITIONS

Anleihebedingungen

Nachfolgend ist der Text der Anleihebedingungen (die "**Anleihebedingungen**") für die Schuldverschreibungen abgedruckt. Die endgültigen Anleihebedingungen werden Bestandteil der Globalurkunde, welche die Schuldverschreibungen verbrieft.

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer englischen Übersetzung versehen. Der deutsche Wortlaut ist rechtsverbindlich. Die englische Übersetzung dient nur Informationszwecken.

§ 1

Form und Nennbetrag

- (a) *Währung, Stückelung, Form.* Die von der ZF North America Capital, Inc., Northville, Michigan, Vereinigte Staaten von Amerika (die "**Emittentin**"), begebene Anleihe im Gesamtnennbetrag (vorbehaltlich § 1(d)) von **[im Fall der 2019 Schuldverschreibungen einzufügen: EUR 1.150.000.000 (in Worten: Euro eine Milliarde einhundertfünfzig Millionen) ist eingeteilt in 11.500] [im Fall der 2023 Schuldverschreibungen einzufügen: EUR 1.100.000.000 (in Worten: Euro eine Milliarde einhundert Millionen) ist eingeteilt in 11.000]** auf den Inhaber lautende Teilschuldverschreibungen (die "**Schuldverschreibungen**") in einer Stückelung von je EUR 100.000 (der "**Nennbetrag**").
- (b) *Verbriefung und Girosammelverwahrung.* Die Schuldverschreibungen werden durch eine auf den Inhaber lautende Globalurkunde (die "**Globalurkunde**") ohne Zinsscheine verbrieft. Die Globalurkunde wird von Clearstream Banking AG, Frankfurt am Main, Bundesrepublik Deutschland ("**Clearstream Frankfurt**") verwahrt, bis sämtliche Verpflichtungen der

Terms and Conditions

The following is the text of the terms and conditions of the notes (the "**Terms and Conditions**"). The final version of the Terms and Conditions will be part of the global note representing the notes.

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the legally binding version. The English language translation is provided for convenience purposes only.

§ 1

Form and Denomination

- (a) *Currency, Denomination, Form.* The notes issued by ZF North America Capital, Inc., Northville, Michigan, United States (the "**Issuer**"), in the aggregate principal amount (subject to § 1(d)) of **[in case of the 2019 Notes insert: EUR 1,150,000,000 (in words: Euro one billion one hundred and fifty million) are divided into 11,500] [in case of the 2023 Notes insert: EUR 1,100,000,000 (in words: Euro one billion one hundred million) are divided into 11,000]** notes in bearer form (the "**Notes**") in the denomination of EUR 100,000 each (the "**Principal Amount**").
- (b) *Global Bond and Custody.* The Notes are represented by a global note (the "**Global Note**") in bearer form without interest coupons. The Global Note will be deposited with Clearstream Banking AG, Frankfurt am Main, Federal Republic of Germany ("**Clearstream Frankfurt**") and will be kept in custody with Clearstream Frankfurt until all obligations of the Issuer under the Notes

Emittentin aus den Schuldverschreibungen erfüllt sind. Die Globalurkunde trägt die eigenhändigen Unterschriften zweier für die Emittentin vertretungsberechtigter Personen und ist von oder im Namen der Hauptzahlstelle mit einer Kontrollunterschrift versehen. Effektive Schuldverschreibungen und Zinsscheine werden nicht ausgegeben.

- (c) *Lieferung von Schuldverschreibungen.* Die Schuldverschreibungen sind gemäß den Regeln der Clearstream Frankfurt und außerhalb der Bundesrepublik Deutschland („**Deutschland**“) gemäß den Regeln der Clearstream Banking société anonyme und der Euroclear Bank S.A./N.V. übertragbar.
- (d) *Registereintrag.* Gemäß Vertrag vom oder um den 21. April 2015 zwischen der Emittentin und Clearstream Frankfurt hat die Emittentin Clearstream Frankfurt als Effktengiro-Registrar (der "**Effktengiro-Registrar**") bezüglich der Schuldverschreibungen bestellt. Unbeschadet der Emission der Schuldverschreibungen sowie deren Status als Inhaberpapiere hat sich die Emittentin verpflichtet, ein Register über die jeweilige Gesamtzahl der durch die Globalurkunde verbrieften Schuldverschreibungen unter dem Namen des Effktengiro-Registrars zu führen. Clearstream Frankfurt hat zugesagt, als Beauftragte der Emittentin in den Büchern der Clearstream Frankfurt Aufzeichnungen über die Schuldverschreibungen, die auf den Konten der Clearstream Frankfurt-Kontoinhaber zugunsten der Inhaber der Miteigentumsanteile an den durch diese Globalurkunde verbrieften Schuldverschreibungen gutgeschrieben sind, zu führen. Die Emittentin und Clearstream Frankfurt haben ferner zu Gunsten der Inhaber der Miteigentumsanteile an der Globalurkunde vereinbart, dass sich die tatsächliche Zahl der Schuldverschreibungen, die jeweils verbrieft sind, aus den Unterlagen des Effktengiro-Registrars ergibt.

have been performed. The Global Note is signed by two authorized representatives of the Issuer and manually authenticated by or on behalf of the Principal Paying Agent. Definitive Notes and interest coupons shall not be issued.

- (c) *Delivery of Bonds.* The Notes shall be transferable pursuant to the rules of Clearstream Frankfurt and, outside the Federal Republic of Germany ("**Germany**"), of Clearstream Banking société anonyme and Euroclear Bank S.A./N.V.
- (d) *Book-Entry.* Pursuant to an agreement dated at or around April 21, 2015 between the Issuer and Clearstream Frankfurt, the Issuer has appointed Clearstream Frankfurt as its book-entry registrar (the "**Book-Entry Registrar**") in respect of the Notes. Without prejudice to the issuance of the Notes in bearer form and their status as notes in bearer form, the Issuer has agreed to maintain a register showing the aggregate number of the Notes represented by the Global Note under the name of the Book-Entry Registrar. Clearstream Frankfurt has agreed, as agent of the Issuer, to maintain records of the Notes credited to the accounts of the accountholders of Clearstream Frankfurt for the benefit of the holders of the co-ownership interests in the Global Note. The Issuer and Clearstream Frankfurt have agreed, for the benefit of the holders of co-ownership interests in the Global Note, that the actual number of Notes from time to time shall be evidenced by the records of the Book-Entry Registrar.

- (e) *Definitionen.* "**Anleihegläubiger**" bezeichnet jeden Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an der Globalurkunde.

§ 2

Status der Schuldverschreibungen, Garantie

- (a) *Status.* Die Schuldverschreibungen begründen unmittelbare, unbedingte, nicht nachrangige und nicht besicherte Verbindlichkeiten der Emittentin und stehen im gleichen Rang untereinander und mindestens im gleichen Rang mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.
- (b) *Garantie der Garantin.* Die ZF Friedrichshafen AG (die "**Garantin**") hat eine unbedingte und unwiderrufliche Garantie (die "**Garantie**") für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen auf die Schuldverschreibungen sowie von jeglichen sonstigen Beträgen, die auf die Schuldverschreibungen zahlbar sind, übernommen. Die Garantie stellt einen Vertrag zugunsten Dritter im Sinne des § 328 Abs. 1 BGB dar, der jedem Anleihegläubiger das Recht gibt, die Erfüllung der in der Garantie übernommenen Verpflichtungen unmittelbar von der Garantin zu verlangen und die Garantie unmittelbar gegen die Garantin durchzusetzen. Kopien der Garantie sind kostenlos bei der bezeichneten Geschäftsstelle der Hauptzahlstelle (wie in § 12 definiert) erhältlich.

- (e) *Definitions.* "**Noteholder**" means any holder of a proportionate co-ownership or similar interest or right in the Global Note.

§ 2

Status of the Notes, Guarantee

- (a) *Status.* The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present or future, unless such obligations are accorded priority under mandatory provisions of statutory law.
- (b) *Guarantee of the Guarantor.* ZF Friedrichshafen AG (the "**Guarantor**") has given an unconditional and irrevocable guarantee (the "**Guarantee**") for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. The Guarantee constitutes a contract for the benefit of the Noteholders from time to time as third party beneficiaries in accordance with Section 328 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*)¹⁹, giving rise to the right of each Noteholder to require performance of the Guarantee directly from the Guarantor and to enforce the Guarantee directly against the Guarantor. Copies of the Guarantee may be obtained free of charge at the specified office of the Principal Paying Agent (as defined in § 12).

¹⁹ An English language convenience translation of § 328 paragraph 1 BGB (German Civil Code) reads as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance".

- (c) *Freigabe der Garantie.* Die Garantie darf nur nach vollständiger Zahlung des Gesamtnennbetrages aller zum jeweiligen Zeitpunkt ausstehenden Schuldverschreibungen, der hierauf fälligen Zinsen und jeglicher sonstigen zum jeweiligen Zeitpunkt fälligen und geschuldeten Beträge aus den Schuldverschreibungen freigegeben werden.

§ 3

Negativverpflichtungen

- (a) *Negativverpflichtung der Emittentin.* Solange Zahlungen aus den Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle auf die Schuldverschreibungen gemäß diesen Anleihebedingungen zu zahlenden Beträge der Hauptzahlstelle zur Verfügung gestellt worden sind, verpflichtet sich die Emittentin, für Kapitalmarktverbindlichkeiten (wie in § 3(e) definiert) (einschließlich hierfür abgegebener Garantien und Freistellungserklärungen), die von der Emittentin begeben worden sind, keine dinglichen Sicherheiten in Bezug auf ihr gesamtes gegenwärtiges oder zukünftiges Vermögen oder Teile ihres gegenwärtigen oder zukünftigen Vermögens zu gewähren oder bestehen zu lassen, sofern nicht die Verpflichtungen der Emittentin aus den Schuldverschreibungen gleichrangig und anteilig an einer solchen dinglichen Sicherheit teilhaben, oder diesbezüglich eine dingliche Sicherheit zu im Wesentlichen gleichen Bedingungen bestellt wird.
- (b) *Ausnahmen von der Negativverpflichtung der Emittentin.* Die Verpflichtung nach § 3(a) besteht jedoch nicht für solche Sicherheiten, die
- (i) gesetzlich vorgeschrieben sind, oder

- (c) *Release of Guarantee.* The Guarantee shall be released only upon discharge in full of the aggregate Principal Amount of all Notes then outstanding, any interest due thereon and all other amounts under the Notes then due and owing.

§ 3

Negative Pledges

- (a) *Negative Pledge of the Issuer.* While any amounts remain outstanding under the Notes, but only up to the time all amounts payable to Noteholders under the Notes in accordance with these Terms and Conditions have been placed at the disposal of the Principal Paying Agent, the Issuer undertakes that it will not create or permit to subsist any security interest *in rem* (*dingliche Sicherheit*) over all or part of its present or future assets as security for any Capital Market Indebtedness (as defined in § 3(e)) (including any guarantees and indemnities given in respect thereof) issued by the Issuer, unless at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or benefit from a security interest *in rem* in substantially identical terms thereto.
- (b) *Exemptions from the Negative Pledge of the Issuer.* The undertaking pursuant to § 3(a) shall not apply to a security which
- (i) is mandatory according to applicable laws, or

- | | |
|---|---|
| <p>(ii) als Voraussetzung für staatliche Genehmigungen verlangt werden, oder</p> | <p>(ii) is required as a prerequisite for governmental approvals, or</p> |
| <p>(iii) durch die Emittentin zur Sicherung von gegenwärtigen oder zukünftigen Ansprüchen der Emittentin gegen verbundene Unternehmen im Sinne des §§ 15 f. Aktiengesetz oder gegen Dritte aufgrund der Weiterleitung von Erlösen aus der Emission von Wertpapieren bestehen, soweit diese Sicherheiten zur Sicherung von Verpflichtungen aus diesen durch die Emittentin ausgegebenen Wertpapieren dienen, oder</p> | <p>(iii) provided by the Issuer over any of the Issuer's claims against any affiliated companies within the meaning of Sections 15 et seq. of the German Stock Corporation Act (<i>Aktiengesetz</i>) or any third party, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the issuance of any securities, provided that any such security serves to secure obligations under such securities issued by the Issuer, or</p> |
| <p>(iv) eine im Zeitpunkt einer Akquisition bestehende Kapitalmarktverbindlichkeit besichern, die infolge der Akquisition eine Verpflichtung der Emittentin oder einer Gesellschaft der Gruppe wird, sofern diese Kapitalmarktverbindlichkeit nicht im Hinblick auf diese Akquisition begründet wurde, oder</p> | <p>(iv) secures Capital Market Indebtedness existing at the time of an acquisition that becomes an obligation of the Issuer as a consequence of such acquisition, provided that such Capital Market Indebtedness was not created in contemplation of such acquisition, or</p> |
| <p>(v) eine Erneuerung, Verlängerung oder Ersetzung irgendeiner Sicherheit gemäß vorstehend (i) bis (iv) darstellen, oder</p> | <p>(v) constitutes the renewal, extension or replacement of any security pursuant to foregoing (i) through (iv), or</p> |
| <p>(vi) nicht in den Anwendungsbereich von (i) bis (v) fallen und Kapitalmarktverbindlichkeiten besichern, deren Kapitalbetrag (zusammen mit dem Kapitalbetrag anderer Kapitalmarktverbindlichkeiten, für die andere dingliche Sicherheiten als solche (begeben durch die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft), die in den Anwendungsbereich von (i) bis (v) fallen, bestehen) EUR 300.000.000 (bzw. den</p> | <p>(vi) do not fall within the scope of application of (i) through (v) above and which secure Capital Market Indebtedness with a principal amount (when aggregated with the principal amount of other Capital Markets Indebtedness which has the benefit of security (issued by the Issuer, the Guarantor or any Material Subsidiary) other than any falling within the scope of application of (i) through (v) above) not exceeding EUR 300,000,000 (or its equivalent in other currencies).</p> |

Gegenwert in anderen Währungen)
nicht überschreitet.

Eine nach diesem § 3(b) zu stellende Sicherheit kann auch zu Gunsten der Person eines Treuhänders der Anleihegläubiger bestellt werden.

- (c) *Negativverpflichtung der Garantin.* Solange Zahlungen aus den Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle auf die Schuldverschreibungen gemäß diesen Anleihebedingungen zu zahlenden Beträge der Hauptzahlstelle zur Verfügung gestellt worden sind, hat sich die Garantin in der Garantie verpflichtet,

- (i) für Kapitalmarktverbindlichkeiten (wie in § 3(e) definiert) (einschließlich hierfür abgegebener Garantien und Freistellungserklärungen) keine dinglichen Sicherheiten in Bezug auf ihr gesamtes gegenwärtiges oder zukünftiges Vermögen oder Teile ihres gegenwärtigen oder zukünftigen Vermögens zu gewähren oder bestehen zu lassen, und

- (ii) soweit rechtlich möglich, sicherzustellen, dass keine Wesentliche Tochtergesellschaft (wie in § 3(e) definiert) für Kapitalmarktverbindlichkeiten (einschließlich hierfür abgegebener Garantien und Freistellungserklärungen), die von der Garantin oder einer Wesentlichen Tochtergesellschaft begeben wurden, irgendwelche dinglichen Sicherheiten in Bezug auf ihr gesamtes gegenwärtiges oder zukünftiges Vermögen oder Teile ihres gegenwärtigen oder zukünftigen Vermögens gewährt oder bestehen lässt,

Any security which is to be provided pursuant to this § 3(b) may also be provided to a person acting as trustee for the Noteholders.

- (c) *Negative Pledge of the Guarantor.* While any amounts remain outstanding under the Notes, but only up to the time all amounts payable to Noteholders under the Notes in accordance with these Terms and Conditions have been placed at the disposal of the Principal Paying Agent, the Guarantor has undertaken in the Guarantee that

- (i) it will not create or permit to subsist any security interest *in rem* (*dingliche Sicherheit*) over all or part of its present or future assets as security for any Capital Market Indebtedness (as defined in § 3(e)) (including any guarantees and indemnities given in respect thereof), and

- (ii) it will procure, to the extent legally permissible, that no Material Subsidiary (as defined in § 3(e)) will at any time create or permit to subsist any security interest *in rem* upon all or any of its present or future assets as security for any Capital Market Indebtedness (including any guarantees and indemnities given in respect thereof) issued by the Guarantor or a Material Subsidiary,

sofern nicht die Verpflichtungen der Emittentin aus den Schuldverschreibungen gleichrangig und anteilig an einer solchen dinglichen Sicherheit teilhaben, oder diesbezüglich eine dingliche Sicherheit zu im Wesentlichen gleichen Bedingungen bestellt wird.

(d) *Ausnahmen von der Negativverpflichtung der Garantin.* Die Verpflichtung nach § 3(c) besteht jedoch nicht für solche Sicherheiten, die

- (i) gesetzlich vorgeschrieben sind, oder
- (ii) als Voraussetzung für staatliche Genehmigungen verlangt werden, oder
- (iii) durch die Garantin oder von einer Wesentlichen Tochtergesellschaft der Garantin zur Sicherung von gegenwärtigen oder zukünftigen Ansprüchen der Garantin oder Ansprüchen einer Wesentlichen Tochtergesellschaft gegen verbundene Unternehmen im Sinne des §§ 15 f. Aktiengesetz oder gegen Dritte aufgrund der Weiterleitung von Erlösen aus der Emission von Wertpapieren bestehen, soweit diese Sicherheiten zur Sicherung von Verpflichtungen aus diesen durch die Garantin oder durch eine Wesentliche Tochtergesellschaft der Garantin ausgegebenen Wertpapieren dienen, oder
- (iv) eine im Zeitpunkt einer Akquisition bestehende Kapitalmarktverbindlichkeit besichern, die infolge der Akquisition eine Verpflichtung der Garantin oder einer Gesellschaft der Gruppe wird, sofern diese Kapitalmarktverbindlichkeit nicht im Hinblick auf diese Akquisition

unless at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or benefit from a security interest *in rem* in substantially identical terms thereto.

(d) *Exemptions from the Negative Pledge of the Guarantor.* The undertaking pursuant to § 3(c) shall not apply to a security which

- (i) is mandatory according to applicable laws, or
- (ii) is required as a prerequisite for governmental approvals, or
- (iii) provided by the Guarantor or by any Material Subsidiary of the Guarantor over any of the Guarantor's claims or claims of any Material Subsidiary of the Guarantor against any affiliated companies within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) or any third party, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the issuance of any securities, provided that any such security serves to secure obligations under such securities issued by the Guarantor or by a Material Subsidiary of the Guarantor, or
- (iv) secures Capital Market Indebtedness existing at the time of an acquisition that becomes an obligation of the Guarantor or any member of the Group as a consequence of such acquisition, provided that such Capital Market Indebtedness was not created in contemplation of such acquisition, or

begründet wurde, oder

- (v) eine Erneuerung, Verlängerung oder Ersetzung irgendeiner Sicherheit gemäß vorstehend (i) bis (iv) darstellen, oder
- (vi) nicht in den Anwendungsbereich von (i) bis (v) fallen und Kapitalmarktverbindlichkeiten besichern, deren Kapitalbetrag (zusammen mit dem Kapitalbetrag anderer Kapitalmarktverbindlichkeiten, für die andere dingliche Sicherheiten als solche (begeben durch die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft), die in den Anwendungsbereich von (i) bis (v) fallen, bestehen) EUR 300.000.000 (bzw. den Gegenwert in anderen Währungen) nicht überschreitet.

Eine nach § 3(c) zu stellende Sicherheit kann auch zu Gunsten der Person eines Treuhänders der Anleihegläubiger bestellt werden.

Die in diesem § 3 benutzten Begriffe "Vermögen" und "Verpflichtung zur Zahlung oder Rückzahlung von Geldern" schließen nicht solche Vermögensgegenstände der Emittentin, der Garantin oder einer Wesentlichen Tochtergesellschaft mit ein, die im Einklang mit den Gesetzen und in Deutschland anerkannten Regeln der Bilanzierung und Buchführung oder den jeweils anwendbaren Gesetzen und anerkannten Regeln der Bilanzierung und Buchführung nicht in den Bilanzen der Emittentin, der Garantin oder einer Wesentlichen Tochtergesellschaft ausgewiesen werden müssen und darin auch nicht ausgewiesen werden.

- (v) constitutes the renewal, extension or replacement of any security pursuant to foregoing (i) through (iv), or
- (vi) do not fall within the scope of application of (i) through (v) above and which secure Capital Market Indebtedness with a principal amount (when aggregated with the principal amount of other Capital Markets Indebtedness which has the benefit of security (issued by the Issuer, the Guarantor or any Material Subsidiary) other than any falling within the scope of application of (i) through (v) above) not exceeding EUR 300,000,000 (or its equivalent in other currencies).

Any security which is to be provided pursuant to § 3(c) may also be provided to a person acting as trustee for the Noteholders.

The expressions "assets" and "obligation for the payment or repayment of money that is borrowed" as used in this § 3 do not include assets of the Issuer, Guarantor or any Material Subsidiary which, pursuant to the requirements of law and accounting principles generally accepted in Germany or such other applicable law and accepted accounting principles generally, as the case may be, need not, and are not, reflected in the Issuer's, Guarantor's or in a Material Subsidiary's balance sheets.

(e) *Definitionen.*

"Kapitalmarktverbindlichkeit" bezeichnet jede gegenwärtige oder zukünftige Verpflichtung zur Zahlung oder Rückzahlung von Geldern (einschließlich Verpflichtungen aus Garantien oder anderen Haftungsvereinbarungen für Verbindlichkeiten von Dritten) entweder (i) aus Schuldscheindarlehen, (ii) aus Namensschuldverschreibungen oder (iii) aus Schuldverschreibungen, sofern diese eine ursprüngliche Laufzeit von mehr als einem Jahr haben und an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert, zugelassen oder gehandelt werden oder notiert, zugelassen oder gehandelt werden können.

"Gruppe" bezeichnet die Garantin und ihre jeweiligen vollkonsolidierten Tochtergesellschaften (wie in diesem § 3(e) definiert).

"Tochtergesellschaft" bezeichnet ein Unternehmen, bei dem eine Person die unmittelbare oder mittelbare Kontrolle besitzt oder unmittelbar oder mittelbar Eigentümer von mehr als 50 % des stimmberechtigten Kapitals oder entsprechender Eigentumsrechte ist; „Kontrolle“ bedeutet in diesem Zusammenhang die Berechtigung, die Geschäftsführung und die Politik des Unternehmens sei es über das Eigentum am stimmberechtigten Kapital, mittels eines Vertrages oder auf andere Weise im Sinne von § 17 AktG zu bestimmen (Fälle mehrfacher Abhängigkeit bei Gemeinschaftsunternehmen, bei denen kein Partner mehr als 50 % der Stimmrechte hält, sind dabei ausgeschlossen).

"Wesentliche Tochtergesellschaft" bezeichnet eine Tochtergesellschaft der Garantin, deren nicht konsolidiertes EBITDA, nicht konsolidiertes Bruttovermögen oder deren nicht

(e) *Definitions.*

"Capital Market Indebtedness" means any present or future obligation for the payment or repayment of money (including obligations by reason of any guarantee or other liability agreement for obligations of third parties) that is borrowed either in the form of (i) bonded loans (*Schuldscheindarlehen*), (ii) registered notes (*Namensschuldverschreibungen*), or (iii) in the form of an issuance of notes with an original maturity of more than one year and which are, or are capable of being, quoted, listed or traded on a stock exchange or other recognized securities market.

"Group" means the Guarantor and all of its fully consolidated Subsidiaries (as defined in this § 3(e)) from time to time.

"Subsidiary" means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership and "control" in this context means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise within the meaning of Section 17 of the German Stock Corporation Act (*Aktiengesetz*) (cases of multiple dependency (*mehrfache Abhängigkeit*) in relation of joint ventures where no partner holds more than 50% of the voting rights shall be excluded).

"Material Subsidiaries" means a Subsidiary of the Guarantor which has unconsolidated EBITDA, unconsolidated gross assets or unconsolidated turnover (based on the latest annual financial

konsolidierter Umsatz (gemäß dem letzten Jahresabschluss der betreffenden Tochtergesellschaft, der in den letzten geprüften Konzernabschluss konsolidiert wurde) mindestens 5 % des nicht konsolidierten EBDITA, des nicht konsolidierten Bruttovermögens oder des nicht konsolidierten Umsatzes der Gruppe ausmacht, wobei eine neu erworbene Tochtergesellschaft der Garantin bis zum Ablauf von sechs Monaten ab Durchführung des Erwerbs nicht als Wesentliche Tochtergesellschaft gilt. Ein Bericht der Wirtschaftsprüfer der Garantin darüber, ob ihrer Meinung nach eine Tochtergesellschaft zu einem bestimmten Zeitpunkt eine Wesentliche Tochtergesellschaft ist oder war bzw. nicht ist oder nicht war, ist, sofern nicht ein offensichtlicher Irrtum vorliegt, für alle Beteiligten endgültig und bindend.

§ 4 Verzinsung

- (a) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden, bezogen auf ihren Nennbetrag, ab dem 27. April 2015 (der "Zinslaufbeginn") (einschließlich) bis zum Fälligkeitstag (wie in § 5(a) definiert) (ausschließlich) mit **[im Fall der 2019 Schuldverschreibungen einzufügen: 2,25 %] [im Fall der 2023 Schuldverschreibungen einzufügen: 2,75 %]** jährlich verzinst. Die Zinsen sind jährlich nachträglich am **[im Fall der 2019 Schuldverschreibungen einzufügen: 26. April] [im Fall der 2023 Schuldverschreibungen einzufügen: 27. April]** jeden Jahres (jeweils ein "Zinszahlungstag") zu zahlen. Die erste Zinszahlung erfolgt am **[im Fall der 2019 Schuldverschreibungen einzufügen: 26. April 2016 (kurze erste Zinsperiode) und beläuft sich auf EUR 2.243,84 je Nennbetrag] [im Fall der 2023 Schuldverschreibungen einzufügen: 27. April 2016]**.

statements of the respective Subsidiary which was consolidated into the latest audited consolidated financial statements of the Group (*Konzernabschluss*) representing 5% or more of the unconsolidated EBITDA, unconsolidated gross assets or unconsolidated turnover of the Group, provided that any newly acquired subsidiary of the Guarantor shall in no event constitute a Material Subsidiary until expiry of a six-month period from the completion of the relevant acquisition. A certificate issued by the Guarantor's auditors stating that a subsidiary is or is not or was or was not at a specified date a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

§ 4 Interest

- (a) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their Principal Amount at a rate of **[in case of the 2019 Notes insert: 2.25%] [in case of the 2023 Notes insert: 2.75%]** per annum from and including April 27, 2015 (the "Interest Commencement Date") to (but excluding) the Redemption Date (as defined in § 5(a)). Interest is payable annually in arrear on **[in case of the 2019 Notes insert: April, 26] [in case of the 2023 Notes insert: April, 27]** of each year (each an "Interest Payment Date"). The first payment of interest shall be made on **[in case of the 2019 Notes insert: April 26, 2016 (short first coupon) and will amount to EUR 2,243.84 per Principal Amount] [in case of the 2023 Notes insert: April 27, 2016]**.

(b) *Verzugszinsen.* Der Zinslauf der Schuldverschreibungen endet, soweit hierin nicht abweichend geregelt, am Ende des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin eine fällige Zahlung auf die Schuldverschreibungen aus irgendeinem Grund nicht leistet, wird der ausstehende Betrag vom Tag der Fälligkeit (einschließlich) bis zum Tag der vollständigen Zahlung an die Anleihegläubiger (ausschließlich) mit dem gesetzlich bestimmten Verzugszins verzinst. Der gesetzliche Verzugszinssatz entspricht dem von der Deutschen Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz zuzüglich fünf Prozentpunkten, §§ 288 Abs. 1, 247 Abs. 1 BGB.

(c) *Zinsberechnungsmethode.* Sind Zinsen für einen Zeitraum zu berechnen, der kürzer als eine Zinsperiode (wie in diesem § 4(c) definiert) ist, so werden die Zinsen auf der Grundlage der tatsächlichen Anzahl der Kalendertage in dem jeweiligen Zeitraum ab dem ersten Tag des jeweiligen Zeitraums (einschließlich) bis zum letzten Tag des jeweiligen Zeitraums (ausschließlich) berechnet, geteilt durch die Anzahl der Kalendertage in der Zinsperiode, in die der jeweilige Zeitraum fällt (einschließlich des ersten Tages der betroffenen Zinsperiode, aber ausschließlich des letzten Tages der betroffenen Zinsperiode).

"Zinsperiode" bezeichnet den Zeitraum ab dem Zinslaufbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und danach ab dem jeweiligen Zinszahlungstag (einschließlich) bis zum nächstfolgenden Zinszahlungstag (ausschließlich).

(b) *Default Rate of Interest.* Unless provided herein, a Note shall cease to bear interest from the end of the day preceding the due date for redemption. If the Issuer for any reason fails to render any payment in respect of the Notes when due, interest shall continue to accrue at the default rate of interest established by statutory law on the outstanding amount from (and including) the due date to (but excluding) the day on which such payment is received by or on behalf of the Holders. The default rate of interest established by statutory law is five percentage points above the basis rate of interest published by Deutsche Bundesbank from time to time, Sections 288 para. 1, 247 para. 1 of the German Civil Code (*Bürgerliches Gesetzbuch*).

(c) *Day Count Convention.* Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined in this § 4(c)), the interest will be calculated on the basis of the actual number of calendar days elapsed in the relevant period, from and including the first date in the relevant period to but excluding the last date of the relevant period, divided by the actual number of calendar days in the Interest Period in which the relevant period falls (including the first such day of the relevant Interest Period but excluding the last day of the relevant Interest Period).

"Interest Period" means the period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and thereafter from and including each relevant Interest Payment Date to but excluding the next following Interest Payment Date.

§ 5

Fälligkeit und Rückzahlung

- (a) *Endfälligkeit.* Die Schuldverschreibungen werden am **[im Fall der 2019 Schuldverschreibungen einzufügen: 26. April 2019] [im Fall der 2023 Schuldverschreibungen einzufügen: 27. April 2023]** (der "**Fälligkeitstag**") zu ihrem Nennbetrag zuzüglich aufgelaufener Zinsen zurückgezahlt, soweit sie nicht vorher zurückgezahlt oder zurückgekauft und entwertet worden sind.
- (b) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Falls die Emittentin oder die Garantin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften Deutschlands oder der Vereinigten Staaten von Amerika oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem die Schuldverschreibungen begeben worden sind, wirksam) am nächstfolgenden Zinszahlungstag (wie in § 4(a) definiert) zur Zahlung von Zusätzlichen Beträgen (wie in § 7(b) definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen zumutbarer, der Emittentin oder der Garantin zur Verfügung stehender Maßnahmen vermieden werden kann, dann ist die Emittentin berechtigt, die Schuldverschreibungen jederzeit (vollständig, jedoch nicht nur teilweise) durch Bekanntmachung an die Anleihegläubiger gemäß § 10 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Kalendertagen zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen an dem in der Kündigungserklärung festgelegten

§ 5

Maturity and Redemption

- (a) *Maturity.* The Notes will be redeemed at their Principal Amount together with accrued interest on **[in case of the 2019 Notes insert: April 26, 2019] [in case of the 2023 Notes insert: April 27, 2023]** (the "**Redemption Date**") to the extent they have not previously been redeemed or purchased and cancelled.
- (b) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of Germany or the United States or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the Notes were issued, the Issuer or the Guarantor, as the case may be, is required to pay Additional Amounts (as defined in § 7(b)) on the next succeeding Interest Payment Date (as defined in § 4(a)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be, the Issuer may, upon giving not less than 30 nor more than 60 calendar days' notice to the Noteholders in accordance with § 10, call the Notes (in whole but not in part) at any time. In the case such call notice is given, the Issuer shall redeem the Notes on the date fixed for redemption in the call notice at their Principal Amount together with accrued interest.

Rückzahlungstermin zum Nennbetrag zuzüglich aufgelaufener Zinsen zurückzuzahlen.

Die Kündigungserklärung darf nicht früher als 90 Kalendertage vor dem Tag erfolgen, an dem die Emittentin oder die Garantin erstmals verpflichtet wäre, Zusätzliche Beträge zu zahlen.

Vor Abgabe einer solchen Kündigungserklärung wird die Emittentin bzw. die Garantin der Hauptzahlstelle ein Gutachten eines angesehenen unabhängigen Rechtsberaters übergeben, aus dem hervorgeht, dass die Emittentin bzw. die Garantin verpflichtet ist oder verpflichtet sein wird, die betreffenden Zusätzlichen Beträge als Folge der entsprechenden Rechtsänderung zu zahlen.

Eine solche Kündigung ist gemäß § 10 bekanntzumachen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin bzw. der Garantin begründenden Umständen darlegt.

- (c) *Vorzeitige Rückzahlung nach Wahl der Emittentin bei geringfügigem ausstehenden Nennbetrag.* Wenn Schuldverschreibungen mit einem Nennbetrag, der insgesamt 80 % oder mehr des ursprünglichen Gesamtnennbetrags der Schuldverschreibungen entspricht, durch die Emittentin, die Garantin oder eine direkte oder mittelbare Tochtergesellschaft der Garantin außer im Wege einer vorzeitigen Rückzahlung nach Wahl der Emittentin gemäß § 5 (d) zurückgezahlt oder zurück erworben wurden (ein "Rückführungseignis"), ist die Emittentin berechtigt, nach vorheriger Bekanntmachung, die innerhalb von 30 Kalendertagen nach dem Eintritt eines Rückführungseignis erfolgen muss,

No such call notice may be given earlier than 90 calendar days prior to the earliest date on which the Issuer or the Guarantor would be for the first time obliged to pay the Additional Amounts.

Prior to giving any such call notice, the Issuer and the Guarantor respectively will deliver to the Principal Paying Agent an opinion of an independent legal advisor of recognised standing to the effect that the Issuer and the Guarantor respectively have been obliged or will become obliged to pay the Additional Amounts in question as a result of the relevant change in law.

Any such notice shall be given in accordance with § 10. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer and of the Guarantor respectively to redeem.

- (c) *Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Principal Amount.* If Notes with a Principal Amount which in aggregate represents 80% or more of the aggregate Principal Amount of the Notes which was originally outstanding have been redeemed or purchased by the Issuer, the Guarantor or any direct or indirect Subsidiary of the Guarantor other than by way of a redemption at the option of the Issuer in accordance with § 5 (d) (the "**Clean-up Call Event**"), the Issuer may, on not less than 30 or more than 60 calendar days' notice to the Noteholders given within 30 calendar days after the occurrence of a Clean-up Call Event, redeem, at its option, the remaining Notes as a whole at their

gegenüber den Anleihegläubigern mit einer Frist von mindestens 30 und höchstens 60 Kalendertagen nach ihrer Wahl alle ausstehenden Schuldverschreibungen zum Nennbetrag zuzüglich bis zum Rückzahlungstag (ausschließlich) aufgelaufener Zinsen zurückzuzahlen.

- (d) *Vorzeitige Rückzahlung nach Wahl der Emittentin.* Die Emittentin kann, nachdem sie gemäß (i) dieses § 5(d) gekündigt hat, die Schuldverschreibungen jederzeit insgesamt oder teilweise (jeweils ein "**Wahl-Rückzahlungstag**") zum Wahl-Rückzahlungsbetrag (wie nachstehend definiert) nebst etwaigen bis zum jeweiligen Wahl-Rückzahlungstag (ausschließlich) aufgelaufenen Zinsen zurückzahlen.

- (i) Die Kündigung ist den Anleihegläubigern durch die Emittentin gemäß § 10 bekannt zu geben. Sie muss die folgenden Angaben enthalten:

- (x) eine Erklärung, ob die Schuldverschreibungen insgesamt oder teilweise zurückgezahlt werden und im letzteren Fall den Gesamtnennbetrag der zurückzuzahlenden Schuldverschreibungen; und

- (y) den Wahl-Rückzahlungstag, der nicht weniger als 30 Kalendertage und nicht mehr als 60 Kalendertage nach dem Tag der Kündigung durch die Emittentin gegenüber den Anleihegläubigern liegen darf.

- (ii) Wenn die Schuldverschreibungen nur teilweise zurückgezahlt werden, werden die zurückzuzahlenden Schuldverschreibungen in Übereinstimmung mit den Regeln von Clearstream Frankfurt ausgewählt.

Principal Amount plus interest accrued to but excluding the date of such redemption.

- (d) *Early Redemption at the Option of the Issuer.* The Issuer may, upon notice given in accordance with clause (i) of this § 5(d), at any time redeem all or some only of the Notes (each an "**Optional Redemption Date**") at the Optional Redemption Amount (as defined below) together with accrued interest, if any, to (but excluding) the relevant Optional Redemption Date.

- (i) Notice of redemption shall be given by the Issuer to the Noteholders in accordance with § 10. Such notice shall specify:

- (x) whether the Notes are to be redeemed in whole or in part only and, if in part only, the aggregate Principal Amount of the Notes which are to be redeemed; and

- (y) the Optional Redemption Date, which shall be not less than 30 calendar days nor more than 60 calendar days after the date on which notice is given by the Issuer to the Noteholders.

- (ii) In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the rules and procedures of Clearstream Frankfurt.

Der **"Wahl-Rückzahlungsbetrag"** entspricht (i) dem Nennbetrag der Schuldverschreibung oder (ii), falls höher, dem abgezinsten Marktwert der Schuldverschreibung. Der abgezinste Marktwert einer Schuldverschreibung wird von der Berechnungsstelle errechnet und entspricht dem abgezinsten Wert der Summe des Nennbetrages der Schuldverschreibung und der verbleibenden Zinszahlungen bis zum Fälligkeitstag. Der abgezinste Wert wird von der Berechnungsstelle errechnet, indem der Nennbetrag der Schuldverschreibung und die verbleibenden Zinszahlungen bis zum Fälligkeitstag auf einer jährlichen Basis, bei Annahme eines 365-Tage Jahres bzw. eines 366-Tage Jahres und der tatsächlichen Anzahl von Tagen, die einem solchen Jahr abgelaufen sind, unter Anwendung der Vergleichbaren Benchmark Rendite zuzüglich **[im Fall der 2019 Schuldverschreibungen einzufügen: 0,40 %] [im Fall der 2023 Schuldverschreibungen einzufügen: 0,45 %]** abgezinst werden.

Die **"Vergleichbare Benchmark Rendite"** bezeichnet, die bis zur Fälligkeit am jeweiligen Rückzahlungs-Berechnungstag bestehenden Rendite einer direkten Verbindlichkeit Deutschlands (*Bund oder Bundesanleihen*) (wie offiziell bestimmt und in den zum jeweiligen Rückzahlungs-Berechnungstag zuletzt verfügbaren öffentlich zugänglichen Finanzstatistiken veröffentlicht (oder falls solche statistischen Informationen nicht veröffentlicht oder zugänglich sind, wie in einer anderen von der Emittentin nach Treu und Glauben ausgewählten, öffentlich zugänglichen Quelle vergleichbarer Marktdaten angegeben) mit einer Festlaufzeit, die der Zeitspanne vom jeweiligen Wahl-Rückzahlungstag bis zum Fälligkeitstag am ehesten entspricht. Sollte jedoch die Zeitspanne vom jeweiligen Wahl-

The **"Optional Redemption Amount"** of a Note shall be the higher of (i) its Principal Amount and (ii) the present value. The present value will be calculated by the Calculation Agent by discounting the sum of the Principal Amount of a Note and the remaining interest payments to the Redemption Date on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Comparable Benchmark Yield plus **[in case of the 2019 Notes insert: 0.40%] [in case of the 2023 Notes insert: 0.45%]**.

"Comparable Benchmark Yield" means, at the Redemption Calculation Date, the yield to maturity of direct obligations of Germany (*Bund or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available on the relevant Redemption Calculation Date (or, if such statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the relevant Optional Redemption Date to the Redemption Date, provided, however, that if the period from the relevant Optional Redemption Date to the Redemption Date is not equal to the constant maturity of direct obligations of Germany (*Bund or Bundesanleihen*) for which a weekly

Rückzahlungstag bis zum Fälligkeitstag nicht den Festlaufzeiten solcher direkten Verbindlichkeiten Deutschlands (*Bund oder Bundesanleihen*) entsprechen, für die eine wöchentliche Durchschnittsrendite angegeben wird, so ist die Vergleichbare Benchmark Rendite im Wege der linearen Interpolation (berechnet auf das nächste Zwölftel eines Jahres) aus den wöchentlichen Durchschnittsrenditen solcher direkten Verbindlichkeiten Deutschlands (*Bund oder Bundesanleihen*) zu ermitteln, für die solche Renditen angegeben werden. Sofern die Zeitspanne vom jeweiligen Wahl-Rückzahlungstag bis zum Fälligkeitstag kürzer als ein Jahr ist, so ist die wöchentliche Durchschnittsrendite tatsächlich gehandelter direkter Verbindlichkeiten Deutschlands (*Bund oder Bundesanleihen*), angepasst auf eine Festlaufzeit von einem Jahr, anzuwenden.

"Rückzahlungs-Berechnungstag" ist der zehnte Geschäftstag vor dem jeweiligen Wahl-Rückzahlungstag.

- (e) *Kündigungsrecht der Emittentin und vorzeitige Rückzahlung bei einem Akquisitionseignis.* Bei Eintritt eines Akquisitionseignisses (wie in diesem § 5(e) definiert) und vorbehaltlich einer Pflichtrückzahlung nach § 5(f) zum Besonderen Pflichtrückzahlungstag ist die Emittentin berechtigt, die Schuldverschreibungen (insgesamt, jedoch nicht teilweise) durch eine unwiderrufliche Mitteilung gemäß § 10 unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 30 Kalendertagen zu kündigen.

Die Kündigungsmitteilung kann nur zeitgleich mit oder nach einer Mitteilung der Emittentin über den Eintritt des Akquisitionseignisses nach Maßgabe von § 10 gemacht werden und muss das Datum der Rückzahlung festlegen (der **"Kündigungs-Rückzahlungstag"**).

average yield is given, the Comparable Benchmark shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of Germany (*Bund or Bundesanleihen*) for which such yields are given, except that if the period from the relevant Optional Redemption Date to the Redemption Date is less than one year, the weekly average yield on actually traded direct obligations of Germany (*Bund or Bundesanleihen*) adjusted to a constant maturity of one year shall be used.

"Redemption Calculation Date" means the tenth Business Day prior to the relevant Optional Redemption Date.

- (e) *Termination Right of the Issuer and Early Redemption in case of an Acquisition Event.* If an Acquisition Event (as defined in this § 5(e)) occurs and subject to mandatory redemption of the Notes pursuant to § 5(f) below with effect as of the Special Mandatory Redemption Date, the Issuer may call and redeem the Notes (in whole but not in part) upon giving of not less than 10 nor more than 30 calendar days' irrevocable notice in accordance with § 10.

The notice of redemption may only be given simultaneously with or after a notification by the Issuer in accordance with § 10 that the Acquisition-Event has occurred and has to set forth the date of redemption (the **"Call Redemption Date"**).

Im Fall der Kündigung wegen eines Akquisitionserignisses hat die Emittentin sämtliche ausstehenden Schuldverschreibungen zu 101 % des Nennbetrags je ausstehender Schuldverschreibung nebst Zinsen, die bis zum Kündigungs-Rückzahlungstag (ausschließlich) aufgelaufen sind, zurückzuzahlen.

Die Emittentin hat der Hauptzahlstelle vor Abgabe einer Kündigungsmitteilung wegen eines Akquisitionserignisses eine von zwei ordnungsgemäß bevollmächtigten Vertretern der Garantin unterzeichnete Bescheinigung zu übermitteln bzw. deren Übermittlung zu veranlassen, die bestätigt, dass die Emittentin berechtigt ist, die maßgebliche Rückzahlung vorzunehmen, und aus der die Tatsachen hervorgehen, auf deren Grundlage die Voraussetzungen für das Rückzahlungsrecht der Emittentin eingetreten sind.

Ein "**Akquisitionserignis**" tritt ein, wenn

- (i) keine Vollzugsmitteilung über den Erwerb der TRW Automotive Holdings Corp. durch die Garantin erfolgt ist und
- (ii) die Garantin öffentlich erklärt hat, dass sie nicht länger beabsichtigt, den Erwerb der TRW Automotive Holdings Corp. zu verfolgen und
- (iii) die Emittentin den Anleihegläubigern dieses Akquisitionserignis am oder vor dem Besonderen Stichtag (wie in § 5(f) definiert) gemäß § 10 bekanntgemacht hat.

"**Vollzugsmitteilung**" bedeutet die Einreichung der Verschmelzungsbestätigung (*certificate of merger*) beim Secretary of State des Bundesstaates Delaware gemäß § 251 des General Corporation Law des Bundesstaates Delaware.

In case of a redemption due to an acquisition event, the Issuer will redeem all outstanding Notes at 101% of the principal amount per Note outstanding plus any Interest accrued to, but excluding, the Call Redemption Date.

Prior to giving any notice of redemption resulting from an Acquisition Event the Issuer shall deliver or procure delivery to the Principal Paying Agent of a certificate signed by any two duly authorized representatives of the Guarantor stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that the conditions precedent to the exercise of the right of the Issuer to redeem have been satisfied.

An "**Acquisition Event**" shall occur if

- (i) a Closing Certificate regarding the acquisition of TRW Automotive Holdings Corp. has not been filed by the Guarantor, and
- (ii) the Guarantor has publicly stated that it no longer intends to pursue such acquisition, and
- (iii) the Issuer has given notice to the Noteholders in accordance with § 10 on or prior to the Special Record (as defined in § 5(f)) Date of such Acquisition Event.

"**Closing Certificate**" means the filing with the Secretary of State of the State of Delaware of a certificate of merger as provided in Section 251 of the General Corporation Law of the State of Delaware.

- (f) *Besondere Pflichtrückzahlung.* Falls keine Vollzugsmitteilung über den Erwerb der TRW Automotive Holdings Corp. am oder bis zum Besonderen Stichtag (wie unten definiert) erfolgt ist, ist die Emittentin verpflichtet, alle ausstehenden Schuldverschreibungen am Besonderen Pflichtrückzahlungstag zu dem Besonderen Pflichtrückzahlungsbetrag (wie unten definiert) zurückzuzahlen. Im Fall einer Rückzahlung gemäß dieses § 5(f), muss die Emittentin diese Rückzahlung spätestens am Besonderen Stichtag mitteilen.

Diese Mitteilung muss nach Maßgabe des § 10 erfolgen. Sie ist unwiderruflich, muss den Besonderen Pflichtrückzahlungstag benennen und eine Aussage über den Grund für das Vorliegen der Besonderen Pflichtrückzahlung enthalten.

"Besonderer Pflichtrückzahlungsbetrag" meint 101 % des Nennbetrags je ausstehender Schuldverschreibung nebst Zinsen, die bis zum Besonderen Pflichtrückzahlungstag (ausschließlich) aufgelaufen sind.

"Besonderer Pflichtrückzahlungstag" meint den 14. Januar 2016.

"Besonderer Stichtag" meint den zehnten Kalendertag vor dem Besonderen Pflichtrückzahlungstag.

§ 6 Zahlungen

- (a) *Zahlungen auf Kapital und von Zinsen.* Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, an Clearstream Frankfurt oder dessen Order zur Gutschrift für die jeweiligen Kontoinhaber bei Clearstream Frankfurt.

- (f) *Special Mandatory Redemption.* If a Closing Certificate regarding the acquisition of TRW Automotive Holdings Corp. has not been filed on or before the Special Record Date (as defined below), the Issuer shall redeem all outstanding Notes on the Special Mandatory Redemption Date at the Special Mandatory Redemption Amount (as defined below). In case of a redemption pursuant to this § 5(f), the Issuer shall give notice of such redemption no later than on the Special Record Date.

Such notice shall be given in accordance with § 10. It shall be irrevocable, express the Special Mandatory Redemption Date and must set forth a statement constituting the basis for the Special Mandatory Redemption.

"Special Mandatory Redemption Amount" means for each Note 101% of the principal amount per Note outstanding plus any Interest accrued to, but excluding, the Special Mandatory Redemption Date.

"Special Mandatory Redemption Date" means January 14, 2016.

"Special Record Date" means the tenth calendar day prior to the Special Mandatory Redemption Date.

§ 6 Payments

- (a) *Payment of Principal and of Interest.* Payment of principal and interest on the Notes shall be made, subject to applicable fiscal and other laws and regulations, for on-payment to Clearstream Frankfurt or to its order for credit to the accounts of the respective account holders with Clearstream Frankfurt.

Die Zahlung an Clearstream Frankfurt oder an dessen Order befreit die Emittentin bzw. die Garantin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen.

Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 7(b) ein.

- (b) *Zahltag.* Falls eine Zahlung auf Kapital oder Zinsen einer Schuldverschreibung an einem Tag zu leisten ist, der kein Geschäftstag (wie in diesem § 6(b) definiert) ist, so erfolgt die Zahlung am nächstfolgenden Geschäftstag. In diesem Fall steht den betreffenden Anleihegläubigern weder ein Zahlungsanspruch noch ein Anspruch auf Zinszahlungen oder eine andere Entschädigung wegen dieser Verzögerung zu.

"Geschäftstag" ist jeder Tag (außer einem Samstag oder Sonntag), an dem

- (i) Banken in London und Frankfurt am Main für den Geschäftsverkehr geöffnet sind und
 - (ii) das Trans-European Automated Real-time Gross-settlement Express Transfer System (TARGET 2) in Betrieb ist und
 - (iii) Clearstream Frankfurt Zahlungen abwickelt.
- (c) *Sonstige Zahlungen.* Alle sonstigen Zahlungen auf die Schuldverschreibungen gemäß diesen Anleihebedingungen erfolgen ausschließlich durch Überweisung auf ein vom Anleihegläubiger oder von dessen depotführenden Bank benanntes, auf Euro lautendes Konto bei einer Bank außerhalb der Vereinigten Staaten von Amerika. Zahlungen an die so benannte

Payments to Clearstream Frankfurt or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer and the Guarantor respectively from their corresponding liabilities under the Notes.

Any reference in these Terms and Conditions to principal or interest will be deemed to include any Additional Amounts pursuant to § 7(b).

- (b) *Payment Business Day.* If any payment of principal or interest or any other amount with respect to a Note is to be effected on a day which is not a Business Day (as defined in this § 6(b)), payment shall be effected on the next following Business Day. In this case, the relevant Noteholders shall neither be entitled to any payment claim nor to any interest claim or other compensation with respect to such delay.

"Business Day" means a day (other than a Saturday or Sunday) on which

- (i) banks are open for general business in London and Frankfurt am Main and
 - (ii) the Trans-European Automated Real-time Gross-settlement Express Transfer System (TARGET 2) is operating and
 - (iii) Clearstream Frankfurt settles payments.
- (c) *Other Payments.* All other payments on the Notes pursuant to these Terms and Conditions will be effected exclusively by transfer of the funds to a euro account with a bank designated by the Noteholder or its depositary bank outside the United States. Payments made to the bank so designated or to its order will discharge the liability of the Issuer under the Notes to the extent of

Bank oder an deren Order befreien die Emittentin in Höhe der geleisteten Zahlungen von ihren Verbindlichkeiten aus den Schuldverschreibungen mit Zahlungseingang bei der Bank oder an deren Order auf ein Konto der Bank.

"Vereinigte Staaten von Amerika" bezeichnet für die Zwecke dieser Anleihebedingungen die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

§ 7 **Besteuerung**

- (a) *Zahlungen ohne Abzug oder Einbehalt von Steuern.* Alle in Bezug auf die Schuldverschreibungen von der Emittentin bzw. der Garantin an die Anleihegläubiger zahlbaren Kapital- oder Zinsbeträge werden ohne Einbehalt oder Abzug an der Quelle für oder wegen gegenwärtiger oder zukünftiger Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art ("**Steuern**") gezahlt, die von oder im Namen der Vereinigten Staaten von Amerika oder Deutschlands oder einer politischen Untergliederung oder einer Steuerbehörde dieser Staaten (die "**Steuerjurisdiktionen**") im Wege des Abzugs oder Einbehalts auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben.
- (b) *Zahlungen Zusätzlicher Beträge.* In diesem Fall wird die Emittentin bzw. die Garantin diejenigen zusätzlichen Beträge ("**Zusätzliche Beträge**") zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und

the sums so paid upon receipt of the sums by such bank or to its order on an account of such bank.

"United States", for the purposes of these Terms and Conditions, means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

§ 7 **Taxation**

- (a) *Payments Free and Clear of Taxes.* All payments of principal and interest made by the Issuer and the Guarantor respectively in respect of the Notes to the Noteholders shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by way of deduction or withholding by or on behalf of the United States or Germany or any authority therein or thereof having power to tax (the "**Taxing Jurisdictions**"), unless such deduction or withholding is required by law.
- (b) *Payments of Additional Amounts.* In that case, the Issuer and the Guarantor respectively shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. However, no

Zinsen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Anleihegläubigern erhalten worden wären. Solche Zusätzlichen Beträge sind jedoch nicht zu zahlen:

- (i) in Bezug auf Steuern, die anders als durch Einbehalt oder Abzug durch die Emittentin bzw. die Garantin von Zahlungen, die sie an den Anleihegläubiger leistet, zu entrichten sind; oder
- (ii) an einen Anleihegläubiger oder an einen Dritten für einen Anleihegläubiger, falls dieser Anleihegläubiger (oder ein Treuhänder, Gründer eines Treuhandvermögens, ein Begünstigter, oder ein Gesellschafter eines solchen Anleihegläubigers, falls es sich bei diesem um ein Nachlassvermögen, ein Treuhandvermögen, eine Personengesellschaft oder eine Kapitalgesellschaft handelt) auf Grund einer früheren oder gegenwärtigen Verbindung zu den Vereinigten Staaten von Amerika oder Deutschland (einschließlich solcher Anleihegläubiger (bzw. Treuhänder, Gründer eines Treuhandvermögens, Begünstigter oder Gesellschafter), welche Staatsbürger dieses Landes waren oder sind oder in diesem Land Handel oder Geschäfte betrieben haben oder betreiben oder in diesen eine Betriebsstätte hatten oder haben) einem solchen Einbehalt oder Abzug unterliegt und sich diese Verbindung nicht nur darauf beschränkt, dass er die Schuldverschreibung hält oder die unter dieser jeweils zu leistenden Zahlungen erhält; oder

such Additional Amounts shall be payable with respect to:

- (i) taxes that are payable otherwise than by withholding or deduction by the Issuer and the Guarantor respectively from payments made by it to the Noteholder; or
- (ii) payments to, or to a third party on behalf of, a Noteholder where such Noteholder (or a fiduciary, settlor, beneficiary, member or shareholder of such Noteholder, if such Noteholder is an estate, a trust, a partnership or a corporation) is liable to such withholding or deduction by reason of having some present or former connection with the United States or Germany, including, without limitation, such Noteholder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than by reason only of the holding of such Note or the receipt of the relevant payment in respect thereof; or

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| <p>(iii) an den Anleihegläubiger oder an einen Dritten für den Anleihegläubiger, falls kein Einbehalt oder Abzug hätte erfolgen müssen, wenn die Schuldverschreibungen zum Zeitpunkt der fraglichen Zahlung einem Depotkonto bei einer bzw. einem nicht in den Vereinigten Staaten von Amerika oder Deutschland ansässigen Bank, Finanzdienstleistungsinstitut, Wertpapierhandelsunternehmen oder Wertpapierhandelsbank gutgeschrieben gewesen wären; oder</p> <p>(iv) falls der Einbehalt oder Abzug gemäß</p> <p style="padding-left: 40px;">(A) einer Richtlinie oder Verordnung der Europäischen Union zur Zinsbesteuerung oder</p> <p style="padding-left: 40px;">(B) einem internationalen Abkommen oder Übereinkommen zu einer solchen Besteuerung, bei dem die Vereinigten Staaten von Amerika, Deutschland oder die Europäische Union Parteien sind, oder</p> <p style="padding-left: 40px;">(C) einem diese Richtlinie oder Verordnung oder dieses Abkommen oder Übereinkommen umsetzenden oder sie befolgenden oder zu ihrer Befolgung erlassenen Gesetz; oder</p> <p>(v) soweit der Einbehalt oder Abzug von dem Anleihegläubiger oder von einem Dritten für den Anleihegläubiger zahlbar ist, der einen solchen Einbehalt oder Abzug dadurch rechtmäßigerweise hätte vermindern können (aber nicht vermindert hat), dass er gesetzliche Vorschriften beachtet, oder dafür</p> | <p>(iii) payments to, or to a third party on behalf of, a Noteholder where no such withholding or deduction would have been required to be made if the Notes, at the time of payment, had been credited to a securities deposit account with a bank, financial services institution, securities trading business or securities trading bank, in each case outside the United States or Germany; or</p> <p>(iv) payments where such withholding or deduction is imposed pursuant to</p> <p style="padding-left: 40px;">(A) any European Union Directive or Regulation concerning the taxation of savings, or</p> <p style="padding-left: 40px;">(B) any international treaty or understanding relating to such taxation and to which the United States, Germany or the European Union is a party/are parties, or</p> <p style="padding-left: 40px;">(C) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or</p> <p>(v) payments to the extent such withholding or deduction is payable by or on behalf of a Noteholder who could lawfully mitigate (but has not so mitigated) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that a third party makes</p> |
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sorgt, dass Dritte dies tun, oder dadurch dass er eine Nichtansässigkeitserklärung oder einen ähnlichen Antrag auf Quellensteuerbefreiung gegenüber der am Zahlungsort zuständigen Steuerbehörde abgibt oder dafür sorgt, dass dies durch einen Dritten erfolgt, oder

a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the payment is effected; or

(vi) soweit der Einbehalt oder Abzug von dem Anleihegläubiger oder von einem Dritten für den Anleihegläubiger vorzunehmen ist, der einen solchen Einbehalt oder Abzug durch die Bewirkung einer Zahlung über eine andere Zahlstelle in einem Mitgliedsstaat der Europäischen Union, welche nicht zu einem solchen Einbehalt oder Abzug verpflichtet ist, hätte vermindern können; oder

(vi) payments to the extent such withholding or deduction is payable by or on behalf of a Noteholder who would have been able to mitigate such withholding or deduction by effecting a payment via another Paying Agent in a member state of the European Union, not obliged to withhold or deduct tax; or

(vii) soweit der Einbehalt oder Abzug für einen Anleihegläubiger oder dessen Rechnung vorzunehmen ist, der Schuldverschreibungen mehr als 30 Kalendertage nach dem Tag, an dem eine Zahlung unter den Schuldverschreibungen fällig und zahlbar wurde bzw., soweit dies später eintritt, nach dem Tag, an dem die Zahlung ordnungsgemäß vorgenommen wurde, vorgelegt hat; oder

(vii) payments to the extent such withholding or deduction is for or on account of the presentation by the Noteholder of any Note for payment on a date more than 30 calendar days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later; or

(viii) soweit der Einbehalt oder Abzug vorzunehmen ist, weil der Anleihegläubiger für Zwecke des § 871(h)(3) oder des § 881(c)(3) des U.S. Internal Revenue Code von 1986 in seiner jeweils gültigen Fassung (der "**Internal Revenue Code**") als 10% Anteilseigner der Emittentin oder der Garantin betrachtet wird; oder

(viii) payments where such withholding or deduction is imposed because the Noteholder is considered a 10% shareholder of the Issuer or the Guarantor for purposes of sections 871(h)(3) or 881(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"); or

- (ix) soweit der Einbehalt oder Abzug vorzunehmen ist, weil der Anleihegläubiger eine Bank ist, die die Schuldverschreibungen im ordentlichen Geschäftsgang ihres Aktivgeschäfts erwirbt; oder
- (x) soweit der Einbehalt oder Abzug gemäß §§ 1471 bis 1474 des Internal Revenue Code (diese Bestimmungen sind allgemein bekannt als *Foreign Account Tax Compliance Act* oder *FATCA*), jeder gegenwärtigen oder zukünftigen Verordnung oder offiziellen Auslegung davon, jeder Vereinbarung, die gemäß § 1471(b) des Internal Revenue Codes eingegangen wurde oder jeder steuerlichen oder regulatorischen Gesetzgebung, sowie steuerlichen und regulatorischen Gesetzen oder Vorgehensweisen, die nach einem völkerrechtlichen Vertrag, der zur Umsetzung der Bestimmungen des Internal Revenue Codes geschlossen wurde, vorzunehmen ist; oder
- (xi) jegliche Kombination von § 7(b)(i)-(x).

Zudem werden keine Zusätzlichen Beträge im Hinblick auf Zahlungen auf die Schuldverschreibungen an einen Anleihegläubiger gezahlt, welcher die Zahlung als Treuhänder oder Personengesellschaft oder als sonstiger nicht alleiniger wirtschaftlicher Eigentümer erhält, soweit nach den Gesetzen der Steuerjurisdiktion(en) eine solche Zahlung für Steuerzwecke dem Einkommen des Begünstigten bzw. Gründers eines Treuhandvermögens oder dem Gesellschafter der Personengesellschaft zugerechnet würde, der jeweils selbst nicht zum Erhalt von Zusätzlichen Beträgen berechtigt gewesen wäre, wenn der Begünstigte, Gründer eines

- (ix) payments where such withholding or deduction is imposed because the Noteholder is a bank purchasing the Notes in the ordinary course of its lending business; or
- (x) payments to the extent such withholding or deduction is required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (these provisions are commonly referred to as *Foreign Account Tax Compliance Act* or *FATCA*), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code; or
- (xi) any combination of § 7(b)(i)-(x).

Neither shall any Additional Amounts be paid with respect to any payment on a Note to a Noteholder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Taxing Jurisdiction(s) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

Treuhandvermögens, Gesellschafter oder wirtschaftliche Eigentümer unmittelbarer Anleihegläubiger der Schuldverschreibungen wäre.

Zur Klarstellung wird festgehalten, dass die gegenwärtig in der Bundesrepublik Deutschland gemäß dem zum Begebungstag geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer und der darauf anfallende Solidaritätszuschlag keine Steuern oder Abgaben der vorstehend beschriebenen Art darstellen, für die von der Emittentin Zusätzliche Beträge zu zahlen wären.

§ 8

Kontrollwechsel

- (a) *Bekanntmachung eines Kontrollwechsels.* Wenn ein Kontrollwechsel (wie in § 8(d) definiert) eintritt, wird die Emittentin sobald wie möglich, nachdem sie Kenntnis davon erhalten hat, den Kontrollwechsel und den Stichtag (wie in § 8(d) definiert) gemäß § 10 bekannt machen.
- (b) *Bekanntmachung eines Rückzahlungsereignisses.* Wenn ein Rückzahlungsereignis (wie in § 8(d) definiert) eintritt, wird die Emittentin innerhalb von 21 Kalendertagen nach Ablauf des Kontrollwechselzeitraums (wie in § 8(d) definiert) das Rückzahlungsereignis und den Rückzahlungsstichtag (wie in § 8(d) definiert) unter Angabe der Umstände des Rückzahlungsereignisses gemäß § 10 bekanntmachen.
- (c) *Vorzeitige Rückzahlung nach Wahl der Anleihegläubiger.* Falls die Emittentin gemäß § 8(b) ein Rückzahlungsereignis bekannt gemacht hat, ist jeder Anleihegläubiger nach seiner Wahl berechtigt, mit einer Frist von mindestens 7 Kalendertagen mit Wirkung zum Rückzahlungsstichtag alle oder einzelne seiner Schuldverschreibungen, die noch

For the avoidance of doubt, the withholding tax (*Kapitalertragsteuer*) currently levied in Germany at the level of the custodian bank and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon pursuant to tax law as in effect as of the issue date do not constitute a tax or duty as described above in respect of which Additional Amounts would be payable by the Issuer.

§ 8

Change of Control

- (a) *Publication of a Change of Control.* If a Change of Control (as defined in § 8(d)) occurs, the Issuer will give notice in accordance with § 10 of the Change of Control and the Record Date (as defined in § 8(d)) as soon as practicable after becoming aware thereof.
- (b) *Publication of a Put Event.* If a Put Event (as defined in § 8(d)) occurs, the Issuer will give notice of the Put Event and the Put Record Date (as defined in § 8(d)) specifying the nature of the Put Event within 21 calendar days of the end of the Change of Control Period (as defined in § 8(d)) in accordance with § 10.
- (c) *Early Redemption at the Option of the Noteholders.* If the Issuer gives notice in accordance with § 8(b) of a Put Event, each Noteholder may at his option on giving not less than 7 calendar days' notice declare all or some only of his Notes not previously redeemed due which notice shall take effect on the Put Record Date. In such case the Issuer will redeem such Notes on

nicht zurückgezahlt wurden, vorzeitig fällig zu stellen. In einem solchen Fall hat die Emittentin die betreffenden Schuldverschreibungen am Rückzahlungsstichtag zu ihrem Nennbetrag zuzüglich etwaiger bis zum Rückzahlungsstichtag (ausschließlich) aufgelaufener Zinsen zurückzuzahlen.

Eine Kündigung gemäß § 8(c) ist unwiderruflich und hat schriftlich gegenüber der Hauptzahlstelle, zusammen mit dem Nachweis durch eine Bescheinigung der Depotbank (wie in § 17(d) definiert) gemäß § 17(d)(i), dass der entsprechende Anleihegläubiger im Zeitpunkt der Kündigung Inhaber der betreffenden Schuldverschreibung ist, zu erfolgen.

- (d) *Definitionen.* "**Stichtag**" bezeichnet den Tag, an dem der Kontrollwechsel (wie in diesem § 8(d) definiert) eingetreten ist.

Ein "**Kontrollwechsel**" liegt vor, wenn die Zeppelin-Stiftung Friedrichshafen aufhört mehr als 50% der stimmberechtigten Aktien der Garantin zu halten.

Ein "**Rückzahlungsereignis**" tritt ein, wenn

- (i) die Emittentin einen Kontrollwechsel bekannt macht; und
- (ii) ein Ratingereignis (wie in diesem § 8(d) definiert) eintritt.

Ein "**Ratingereignis**" tritt ein, wenn die Schuldverschreibungen am Stichtag über

- (i) kein Rating von einer Rating Agentur (wie in diesem § 8(d) definiert) verfügen und keine Rating Agentur innerhalb des Kontrollwechselzeitraums (wie in diesem § 8(d) definiert) ein Investment Grade Rating für die Schuldverschreibungen vergibt; oder

the Put Record Date at the Principal Amount plus interest accrued, if any, to but excluding the Put Record Date.

A notice of termination pursuant to § 8(c) is irrevocable and must be effected by delivering a written notice to the Principal Paying Agent together with evidence by means of a certificate of the Custodian (as defined in § 17(d)) in accordance with § 17(d)(i) that such Noteholder at the time of such written notice is the holder of the relevant Notes.

- (d) *Definitions.* "**Record Date**" means the day on which the Change of Control (as defined in this § 8(d)) occurred.

A "**Change of Control**" occurs if Zeppelin-Stiftung Friedrichshafen ceases to hold more than 50% of the voting shares of the Guarantor.

A "**Put Event**" will occur if

- (i) the Issuer announces a Change of Control; and
- (ii) a Rating Event (as defined in this § 8(d)) occurs.

"**Rating Event**" occurs if, on the Record Date, the Notes have been assigned

- (i) no credit rating from any Rating Agency (as defined in this § 8(d)) and no Rating Agency assigns within the Change of Control Period (as defined in this § 8(d)) an investment grade credit rating to the Notes; or

- (ii) ein (mit Zustimmung der Emittentin oder Garantin erteiltes) Rating verfügen und
 - (x) die Schuldverschreibungen am letzten Tag des Kontrollwechselzeitraums nicht über ein Investment Grade Rating (Baa3/BBB- oder gleichwertig oder besser) von sämtlichen Rating Agenturen verfügen, die den Schuldverschreibungen am Stichtag ein Rating erteilt hatten, oder
 - (y) den Schuldverschreibungen von einer Rating Agentur, die den Schuldverschreibungen am Stichtag ein Rating erteilt hatte, dieses Rating entzogen und nicht vor Ablauf des Kontrollwechselzeitraums ein Investment Grade Rating (Baa3/BBB- oder gleichwertig oder besser) erteilt wurde.

Falls sich die von den Rating Agenturen verwendeten Rating Kategorien gegenüber oben genannten ändern sollten, wird die Emittentin oder die Garantin diejenigen Rating Kategorien der Rating Agenturen bestimmen, die den früheren Rating Kategorien der jeweiligen Rating Agenturen möglichst nahe kommen. Der Begriff „Ratingereignis“ ist dann entsprechend auszulegen.

"Kontrollwechselzeitraum" bezeichnet die Periode, die 90 Kalendertage nach dem Kontrollwechsel endet.

"Rating Agentur" bezeichnet jeweils Moody's Investors Services Limited ("**Moody's**") oder Standard & Poor's Credit Market Services Europe Limited, eine Abteilung von The McGraw-Hill Companies Inc. ("**S&P**"), oder Fitch Ratings Ltd ("**Fitch**") oder deren entsprechende Nachfolger oder jede andere Rating

- (ii) have been assigned (with the consent of the Issuer or the Guarantor) a credit rating and
 - (x) the Notes are assigned no investment grade rating (Baa3/BBB-, or equivalent, or better) on the last day of the Change of Control Period by all Rating Agencies which have assigned a credit rating to the Notes on the Record Date, or
 - (y) a Rating Agency withdraws its credit rating which has been assigned to the Notes on the Record Date and does not assign an investment grade rating (Baa3/BBB-, or equivalent, or better) within the Change of Control Period.

If the rating designations employed by any of the Rating Agencies are changed from those which are described above, the Issuer or the Guarantor shall determine the rating designations of the Rating Agencies (as appropriate) as are most equivalent to the prior rating designations of the respective Rating Agencies. The term "Rating Event" shall be construed accordingly.

"Change of Control Period" means the period ending 90 calendar days after the occurrence of the Change of Control.

"Rating Agency" means each of of Moody's Investors Services Limited ("**Moody's**") or Standard & Poor's Credit Market Services Europe Limited, a division of The McGraw-Hill Companies Inc. ("**S&P**") or Fitch Ratings Ltd ("**Fitch**"), or any of their respective successors or any other rating agency of equivalent

Agentur mit entsprechendem internationalen Ansehen, die von der Emittentin benannt wird.

"Rückzahlungsstichtag" bezeichnet den von der Emittentin gemäß § 8(b) festgelegten Geschäftstag, der nicht weniger als 20 und nicht mehr als 30 Kalendertage nach dem Tag der Bekanntmachung des Rückzahlungsereignisses gemäß § 10 liegen darf.

§ 9

Kündigungsrechte der Anleihegläubiger

- (a) *Kündigungsgründe.* Die Anleihegläubiger sind berechtigt, ihre Schuldverschreibungen zur sofortigen Rückzahlung fällig zu stellen und deren sofortige Rückzahlung zu ihrem Nennbetrag zuzüglich etwaiger bis zum Tag der Rückzahlung (ausschließlich) aufgelaufener Zinsen durch Abgabe einer schriftlichen Kündigungserklärung gegenüber der Emittentin und der Hauptzahlstelle zu verlangen, falls einer der folgenden Kündigungsgründe vorliegt (jeweils ein **"Kündigungsgrund"**):
- (i) die Emittentin zahlt Kapital oder Zinsen oder sonstige auf die Schuldverschreibungen zu zahlende Beträge nicht innerhalb von 10 Geschäftstagen nach dem betreffenden Fälligkeitsdatum; oder
 - (ii) die Garantin zahlt auf die Garantie zahlbare Beträge nicht innerhalb von 10 Geschäftstagen nach dem Fälligkeitstag; oder
 - (iii) die Emittentin erfüllt eine oder mehrere ihrer sonstigen wesentlichen Verpflichtungen aus den Schuldverschreibungen nicht oder die Garantin erfüllt eine oder mehrere ihrer sonstigen wesentlichen Verpflichtungen aus der Garantie nicht und dieser

international standing specified from time to time by the Issuer.

"Put Record Date" means the Business Day fixed by the Issuer pursuant to § 8(b) which will be not less than 20 nor more than 30 calendar days after the notice of the Put Event and which is published in accordance with § 10.

§ 9

Events of Default

- (a) *Events of Default.* Noteholders shall be entitled to declare the Notes to be immediately due and repayable and to demand their immediate redemption at their Principal Amount together with accrued interest, if any, to (but excluding) the date of repayment by giving written notice of default to the Issuer and the Principal Paying Agent, if any of the following events (each an **"Event of Default"**) shall occur:
- (i) the Issuer fails to pay any interest or principal or any other amounts under the Notes when due and such failure continues for a period of 10 Business Days after the relevant due date; or
 - (ii) the Guarantor fails to pay amounts payable under the Guarantee within 10 Business Days from the relevant due date, or
 - (iii) the Issuer does not perform or comply with any one or more of its other material obligations under the Notes or the Guarantor respectively does not perform or comply with any one or more of its other material obligations under the Guarantee and such default is not remedied within

Zustand wird nicht innerhalb von 30 Kalendertagen, nachdem die Hauptzahlstelle eine diesbezügliche Mitteilung durch den Anleihegläubiger in der in § 9(c) festgelegten Art erhalten hat, behoben; oder

- (iv) die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft erfüllt eine Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als EUR 100.000.000 aus einer Finanzverbindlichkeit (wie in diesem § 9(a) definiert) oder aufgrund einer Bürgschaft oder Garantie, die für Finanzverbindlichkeiten Dritter gegeben wurde, nicht innerhalb von 30 Kalendertagen nach ihrer Fälligkeit bzw. im Fall einer Bürgschaft oder Garantie nicht innerhalb von 30 Kalendertagen nach Inanspruchnahme aus dieser Bürgschaft oder Garantie, es sei denn, die Emittentin, die Garantin oder die betreffende Wesentliche Tochtergesellschaft bestreitet in gutem Glauben, dass diese Zahlungsverpflichtung besteht oder fällig ist bzw. diese Bürgschaft oder Garantie berechtigterweise geltend gemacht wird; oder
- (v) jedwede Finanzverbindlichkeit der Emittentin, der Garantin oder einer Wesentlichen Tochtergesellschaft in Höhe oder im Gegenwert von mehr als EUR 100.000.000 wird vor dem Ende ihrer festgelegten Laufzeit als Folge einer von der Emittentin, Garantin oder Wesentlichen Tochtergesellschaft zu verantwortenden Leistungsstörung (wie auch immer diese definiert ist) fällig gestellt; oder

30 calendar days after the Principal Paying Agent has received notice thereof from the Noteholder, such notice being substantially in the form as specified in § 9(c); or

- (iv) the Issuer, the Guarantor or any Material Subsidiaries fails to fulfil any payment obligation in excess of EUR 100,000,000 or the equivalent thereof under any Financial Indebtedness (as defined in this § 9(a)) or under any guarantees or suretyships given for any Financial Indebtedness of others within 30 calendar days from its due date or, in the case of such guarantee or suretyship, within 30 calendar days of such guarantee or suretyship being invoked, unless the Issuer, the Guarantor or the relevant Material Subsidiary contests in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked; or
- (v) any Financial Indebtedness of the Issuer, the Guarantor or any Material Subsidiary in excess of EUR 100,000,000 or the equivalent thereof becomes due and payable prior to its specified maturity as a result of an event of default (however described) for which the Issuer, the Guarantor or the Material Subsidiary is responsible; or

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| <p>(vi) die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft stellt ihre Zahlungen allgemein ein oder gibt Zahlungsunfähigkeit bekannt; oder</p> <p>(vii) ein zuständiges Gericht eröffnet ein Insolvenzverfahren gegen die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft und ein solches Verfahren ist nicht innerhalb von 90 Kalendertagen aufgehoben oder ausgesetzt worden, oder die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft beantragt die Einleitung eines solchen Verfahrens, oder ein auf Einleitung eines solchen Verfahrens gestellter Antrag wird von dem zuständigen Gericht mangels Masse abgelehnt, oder die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft trifft eine allgemeine Schuldenregelung zu Gunsten all ihrer Gläubiger oder bietet diese an; oder</p> <p>(viii) die Emittentin, die Garantin oder eine Wesentliche Tochtergesellschaft tritt in Liquidation (es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung, Reorganisation oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft oder im Zusammenhang mit einer Umwandlung, sofern die andere oder neue Gesellschaft oder gegebenenfalls die anderen neuen Gesellschaften im Wesentlichen alle Aktiva und Passiva der Emittentin, der Garantin oder der betreffenden Wesentlichen Tochtergesellschaft übernimmt oder übernehmen).</p> | <p>(vi) the Issuer, the Guarantor or a Material Subsidiary suspends its payments generally or announces its inability to meet its financial obligations; or</p> <p>(vii) any competent court institutes insolvency proceedings against the Issuer, the Guarantor or a Material Subsidiary and such proceedings have not been discharged or stayed within 90 calendar days, or the Issuer, the Guarantor or a Material Subsidiary applies for the institution of such proceedings or an application for the institution of such proceedings has been filed but rejected by the competent court for lack of assets, or if the Issuer, the Guarantor or a Material Subsidiary offers or makes a general arrangement for the benefit of all of its creditors; or</p> <p>(viii) the Issuer, the Guarantor or a Material Subsidiary goes into liquidation (except in connection with a merger or reorganization or other form of combination with another company or in connection with a reconstruction and such other or new company or, as the case may be, companies effectively assume substantially all of the assets and liabilities of the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be).</p> |
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"Finanzverbindlichkeit" bezeichnet

- (i) jede Kapitalmarkverbindlichkeit (wie in § 3(e) definiert); und
 - (ii) die valuierten Kapitalbeträge aller Gelder, die aufgenommen wurden.
- (b) *Erlöschen des Kündigungsrechts.* Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde. Vorbehaltlich anwendbaren zwingenden Rechts berechtigen andere Ereignisse oder Umstände als die in § 9(a) genannten den Anleihegläubiger nicht dazu, seine Schuldverschreibungen vorzeitig zur Rückzahlung fällig zu stellen, es sei denn, dies ist ausdrücklich in diesen Anleihebedingungen bestimmt.
- (c) *Kündigungserklärung* bei *Kündigungsgrund.* Eine Kündigungserklärung gemäß § 9(a) ist unwiderruflich und hat schriftlich gegenüber der Hauptzahlstelle, zusammen mit dem Nachweis durch eine Bescheinigung der Depotbank gemäß § 17(d)(i), dass der jeweilige Anleihegläubiger im Zeitpunkt der Kündigung Inhaber der betreffenden Schuldverschreibung ist, zu erfolgen.
- (d) *Wirksamkeit der Kündigungserklärung.* In den Fällen gemäß § 9(a)(iii) bis (v) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in den § 9(a)(i) und § 9(a)(ii) oder § 9(vi) bis (viii) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei der Hauptzahlstelle Kündigungserklärungen von Anleihegläubigern im Gesamtbetrag von mindestens einem Zehntel, gemessen am Gesamtnennbetrag der dann ausstehenden Schuldverschreibungen, eingegangen sind.

"Financial Indebtedness" means

- (i) any Capital Market Indebtedness (as defined in § 3(e)); and
 - (ii) the disbursed principal amount of all money borrowed.
- (b) *Lapse of the Right to Terminate.* The right to declare Notes due shall lapse if the Event of Default has been cured before the right is validly exercised. No event or circumstance other than an event specified in § 9(a) shall entitle Noteholders to declare their Notes due and payable prior to their stated maturity, save as expressly provided for in these Terms and Conditions and subject to applicable mandatory law.
- (c) *Notice of Default.* A notice of default pursuant to § 9(a) is irrevocable and must be effected by delivering a written notice to the Principal Paying Agent together with evidence by means of a certificate of the Custodian in accordance with § 17(d)(i) that such Noteholder at the time of such written notice is the holder of the relevant Notes.
- (d) *Effectiveness of the Notice of Default.* In the events specified in § 9(a)(iii) to (v) any Default Notice shall, unless at the time such notice is received, any of the events specified in § 9(a)(i) and § 9(a)(ii) or § 9(vi) through (viii) entitling Noteholders to declare their Notes due has occurred, become effective only when the Principal Paying Agent has received notices of default from Noteholders of at least one-tenth in aggregate Principal Amount of Notes then outstanding.

§ 10

Bekanntmachungen

- (a) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen sind auf der Internetseite der Luxemburger Börse (www.bourse.lu) zu veröffentlichen. Jede derartige Mitteilung, außer wie in § 14(h) vorgesehen, gilt mit dem dritten Tag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen mit dem dritten Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.
- (b) *Mitteilungen an das Clearingsystem.* Solange Schuldverschreibungen an der Luxemburger Börse notiert sind, sind alle die Schuldverschreibungen betreffenden Mitteilungen gemäß § 10(a) bekanntzumachen. Soweit die Regeln der Luxemburger Börse dies zulassen, kann die Emittentin eine Veröffentlichung nach § 10(a) durch eine Mitteilung Clearstream Frankfurt zur Weiterleitung an die Anleihegläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an Clearstream Frankfurt als den Anleihegläubigern mitgeteilt.

§ 11

Begebung weiterer Schuldverschreibungen, Ankauf und Entwertung

- (a) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (mit Ausnahme des Ausgabepreises und des Beginns des Zinslaufs) zu begeben in der Weise, dass sie mit den Schuldverschreibungen zusammengefasst werden, eine einheitliche Emission mit ihnen bilden und ihren Gesamtnennbetrag erhöhen. Der Begriff Schuldverschreibungen umfasst im Falle einer solchen Erhöhung auch solche zusätzlich begebenen

§ 10

Notices

- (a) *Publication.* All notices concerning the Notes will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice, except as stipulated in § 14(h), will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).
- (b) *Notification to the Clearing System.* So long as any Notes are listed on the Luxembourg Stock Exchange, § 10(a) shall apply. If the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to Clearstream Frankfurt for communication by Clearstream Frankfurt to the Noteholders, in lieu of publication as set forth in § 10(a); any such notice shall be deemed to have been given on the seventh day after the day on which the said notice was given to Clearstream Frankfurt.

§ 11

Further Issues, Purchases and Cancellation

- (a) *Further Issues of Notes.* The Issuer reserves the right from time to time without the consent of the Noteholders to issue additional Notes with identical terms or in all respects (except for the issue price and the interest commencement date), so that the same shall be consolidated, form a single issue with and increase the aggregate Principal Amount of these Notes. The term Notes shall, in the event of such increase, also comprise such additionally issued Notes.

Schuldverschreibungen.

- (b) *Ankauf.* Die Emittentin kann jederzeit im Markt oder auf andere Weise Schuldverschreibungen ankaufen und verkaufen.
- (c) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 12

Zahlstellen und Berechnungsstelle

- (a) *Hauptzahlstelle.* Die Hauptzahlstelle (die "**Hauptzahlstelle**" und gemeinsam mit etwaigen von der Emittentin nach § 12(e) bestellten zusätzlichen Zahlstellen, die "**Zahlstellen**") ist:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Deutschland

- (b) *Berechnungsstelle.* Die Berechnungsstelle (die "**Berechnungsstelle**") ist:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Deutschland

- (c) *Ortswechsel.* Die Hauptzahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre jeweiligen bezeichneten Geschäftsstellen durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

- (d) *Berechnungen der Berechnungsstelle.* Sämtliche Berechnungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieser Anleihebedingungen gemacht, abgegeben, getroffen oder eingeholt werden, sind

- (b) *Purchases.* The Issuer is entitled to purchase and resell Notes at any time in the market or otherwise.

- (c) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12

Paying Agents

- (a) *Principal Paying Agent.* The principal paying agent (the "**Principal Paying Agent**" and, together with and any additional paying agent appointed by the Issuer in accordance with § 12(e), the "**Paying Agents**") shall be:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Germany

- (b) *Calculation Agent.* Calculation agent (the "**Calculation Agent**") shall be:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Germany

- (c) *Change of Office.* Each of the Principal Paying Agent and the Calculation Agent reserves the right at any time to change its specified office to some other specified office in the same city.

- (d) *Calculations made by the Calculation Agent.* All calculations and decisions given, expressed, made or obtained for the purposes of the provisions of these Terms and Conditions by the Calculation Agent shall (in the absence of wilful misconduct or

(sofern nicht vorsätzliches Fehlverhalten oder ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Garantin, die Anleihegläubiger und die Zahlstellen bindend.

- (e) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit zusätzliche oder ersetzende Zahlstellen zu beauftragen oder eine solche Beauftragung zu beenden und zusätzliche oder Nachfolge-Zahlstellen zu ernennen. Die Emittentin wird jedoch sicherstellen, dass eine Zahlstelle in einem Mitgliedstaat der Europäischen Union unterhalten wird, die nicht dazu verpflichtet ist, Steuern aufgrund eines Gesetzes zur Umsetzung der Richtlinie 2003/48/EG (oder einer anderen Richtlinie, die diese inhaltlich ändert oder ersetzt) an der Quelle einzubehalten oder abzuziehen, sofern dies in irgendeinem Mitgliedstaat der Europäischen Union möglich ist. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen oder ihre jeweils angegebenen Geschäftsstellen umgehend gemäß § 10 mitgeteilt.
- (f) *Erfüllungsgehilfen der Emittentin und der Garantin.* Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und der Garantin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

§ 13 Vorlegungsfrist, Verjährung

Die Vorlegungsfrist gemäß § 801 Absatz 1 Satz 1 BGB für die Schuldverschreibungen wird auf zehn Jahre verkürzt. Die Verjährungsfrist für Ansprüche aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre vom Ende der betreffenden Vorlegungsfrist an.

manifest error) be binding upon the Issuer, the Guarantor, the Noteholders and the Paying Agents.

- (e) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to appoint additional or substitute Paying Agent(s) or terminate any such appointment and to appoint successor or additional Paying Agents, provided that the Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax at source pursuant to any law implementing the Directive 2003/48/EC (or any other directive amending or replacing it), if this is at all feasible in any member state of the European Union. Notice of any changes relating to the Paying Agents or to their specified offices will be given without undue delay to the Noteholders in accordance with § 10.
- (f) *Agents of the Issuer and of the Guarantor.* The Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Noteholders.

§ 13 Presentation Period, Prescription

The presentation period provided for in Section 801(1) sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant

presentation period.

§ 14

Änderung der Anleihebedingungen durch Beschluss der Anleihegläubiger

- (a) *Mehrheitsbeschlüsse nach dem Schuldverschreibungsgesetz.* Die Emittentin kann mit den Anleihegläubigern gemäß §§ 5 ff. des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz – "**SchVG**") in seiner jeweils geltenden Fassung Änderungen der Anleihebedingungen durch Mehrheitsbeschluss der Anleihegläubiger vereinbaren. Insbesondere können die Anleihegläubiger durch Beschluss mit der in § 14(b) genannten Mehrheit Änderungen zustimmen, durch welche der wesentliche Inhalt der Anleihebedingungen geändert wird, einschließlich der in § 5 Abs. 3 SchVG genannten Maßnahmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Anleihegläubiger gleichermaßen verbindlich.
- (b) *Qualifizierte Mehrheit.* Vorbehaltlich der Bestimmungen des folgenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit können die Anleihegläubiger Beschlüsse mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte fassen. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen geändert wird, insbesondere in den Fällen des § 5 Abs. 3 Nr. 1 bis 9 SchVG, dürfen nur mit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine "**Qualifizierte Mehrheit**") gefasst werden.
- (c) *Abstimmung.* Die Anleihegläubiger können Beschlüsse in einer Gläubigerversammlung gemäß §§ 5 ff. SchVG oder im Wege einer Abstimmung ohne Versammlung gemäß § 18 und § 5 ff. SchVG fassen.

§ 14

Amendments to the Terms and Conditions by Resolution of the Noteholders

- (a) *Majority Resolutions pursuant to the German Act on Issues of Debt Securities.* The Issuer may agree with the Noteholders on amendments to the Terms and Conditions by virtue of a majority resolution of the Noteholders pursuant to Sections 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen* aus Gesamtemissionen – "**SchVG**"), as amended from time to time. In particular, the Noteholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under Section 5 para. 3 of the SchVG by resolutions passed by such majority of the votes of the Noteholders as stated under § 14(b) below. A duly passed majority resolution shall be binding equally upon all Noteholders.
- (b) *Qualified Majority.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of Section 5 para. 3 numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75% of the voting rights participating in the vote (a "**Qualified Majority**").
- (c) *Voting.* The Noteholders may pass resolutions in a meeting (*Gläubigerversammlung*) in accordance with Sections 5 et seqq. of the SchVG or by means of a vote without a meeting

(*Abstimmung ohne Versammlung*) in accordance with Section 18 and Sections 5 et seqq. of the SchVG.

- (d) *Gläubigerversammlung.* Falls Beschlüsse der Anleihegläubiger in einer Gläubigerversammlung gefasst werden, enthält die Bekanntmachung der Einberufung nähere Angaben zu den Beschlüssen und zu den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Anleihegläubigern mit der Bekanntmachung der Einberufung bekannt gemacht. Die Teilnahme an der Gläubigerversammlung und die Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der Gläubigerversammlung zugehen. Mit der Anmeldung müssen die Anleihegläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 17(d)(i)(x) und (y) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Gläubigerversammlung (einschließlich) nicht übertragbar sind, nachweisen.
- (d) *Noteholders' Meetings.* If resolutions of the Noteholders shall be made by means of a meeting the convening notice (*Einberufung*) will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Noteholders together with the convening notice. Attendance at the meeting and exercise of voting rights is subject to the Noteholders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Depositary Bank in accordance with § 17(d)(i)(x) and (y) hereof in text form and by submission of a blocking instruction by the Depositary Bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.
- (e) *Beschlussfassung ohne Versammlung.* Falls Beschlüsse der Anleihegläubiger im Wege einer Abstimmung ohne Versammlung gefasst werden, enthält die Aufforderung zur Stimmabgabe nähere Angaben zu den Beschlüssen und zu den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Anleihegläubigern mit der Aufforderung zur Stimmabgabe bekannt gemacht. Die
- (e) *Passing Resolutions without Noteholders' Meeting.* If resolutions of the Noteholders shall be made by means of a vote without a meeting the request for voting (*Aufforderung zur Stimmabgabe*) will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Noteholders together with the request for voting. The exercise of voting rights is

Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss unter der in der Aufforderung zur Stimmabgabe mitgeteilten Adresse spätestens am dritten Tag vor Beginn des Abstimmungszeitraums zugehen. Mit der Anmeldung müssen die Anleihegläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 17(d)(i)(x) und (y) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum letzten Tag des Abstimmungszeitraums (einschließlich) nicht übertragbar sind, nachweisen.

- (f) *Mangelnde Beschlussfähigkeit, zweite Versammlung.* Wird für die Gläubigerversammlung gemäß § 14(d) oder die Abstimmung ohne Versammlung gemäß § 14(e) die mangelnde Beschlussfähigkeit festgestellt, kann – im Fall der Gläubigerversammlung – der Vorsitzende eine zweite Versammlung im Sinne von § 15 Abs. 3 Satz 2 SchVG und – im Fall der Abstimmung ohne Versammlung – der Abstimmungsleiter eine zweite Versammlung im Sinne von § 15 Abs. 3 Satz 3 SchVG einberufen. Die Teilnahme an der zweiten Versammlung und die Ausübung der Stimmrechte sind von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Versammlung zugehen. Mit der Anmeldung müssen die Anleihegläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 17(d)(i)(x) und (y) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die

subject to the Noteholders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Depositary Bank in accordance with § 17(d)(i)(x) and (y) hereof in text form and by submission of a blocking instruction by the Depositary Bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

- (f) *Failed Quorum, Second Noteholders' Meeting.* If it is ascertained that no quorum exists for the meeting pursuant to § 14(d) or the vote without a meeting pursuant to § 14(e), in case of a meeting the chairman (*Vorsitzender*) may convene a second meeting in accordance with Section 15 para. 3 sentence 2 of the SchVG or in case of a vote without a meeting the scrutineer (*Abstimmungsleiter*) may convene a second meeting within the meaning of Section 15 para. 3 sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Noteholders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second meeting. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Depositary Bank in accordance with § 17(d)(i)(x) and (y) hereof in text form and by submission of a blocking instruction by the Depositary Bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and

betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht übertragbar sind, nachweisen.

- (g) *Gemeinsamer Vertreter.* Die Anleihegläubiger können durch Mehrheitsbeschluss einen gemeinsamen Vertreter der Anleihegläubiger (der "**Gemeinsame Vertreter**") bestellen oder abberufen, und die Pflichten, Aufgaben und Befugnisse des Gemeinsamen Vertreters, die Übertragung der Rechte der Anleihegläubiger auf den Gemeinsamen Vertreter und eine Beschränkung der Haftung des Gemeinsamen Vertreters festlegen. Der Beschluss zur Bestellung eines Gemeinsamen Vertreters bedarf einer Qualifizierten Mehrheit, wenn der Gemeinsame Vertreter befugt ist, Änderungen des wesentlichen Inhalts der Anleihebedingungen gemäß § 14(b) zuzustimmen.
- (h) *Bekanntmachung.* Bekanntmachungen betreffend diesen § 14 erfolgen ausschließlich gemäß den Bestimmungen des SchVG.
- (i) *Garantie.* Die vorstehenden Bestimmungen dieses § 14, die auf die Schuldverschreibungen anwendbar sind, gelten entsprechend für die Garantie.

§ 15 Ersetzung

- (a) *Nachfolgeschuldnerin.* Die Emittentin (wobei eine Bezugnahme auf die Emittentin auch alle früheren Nachfolgeschuldner (wie in diesem § 15(a) definiert) umfasst) ist jederzeit berechtigt, wenn kein Zahlungsverzug hinsichtlich Kapital oder Zinsen auf die Schuldverschreibungen vorliegt, ohne weitere Zustimmung der Anleihegläubiger die Garantin oder ein mit der Emittentin verbundenes Unternehmen (wie in diesem § 15(a) definiert) an ihrer Stelle als Hauptschuldnerin (ein solches

including the stated end of the meeting.

- (g) *Noteholders' Representative.* The Noteholders may by majority resolution provide for the appointment or dismissal of a joint representative of the Noteholders (the "**Noteholders' Representative**"), the duties and responsibilities and the powers of such Noteholders' Representative, the transfer of the rights of the Noteholders to the Noteholders' Representative and a limitation of liability of the Noteholders' Representative. Appointment of a Noteholders' Representative may only be passed by a Qualified Majority if such Noteholders' Representative is to be authorised to consent, in accordance with § 14(b) hereof, to a material change in the substance of the Terms and Conditions.
- (h) *Publication.* Any notices concerning this § 14 shall be made exclusively pursuant to the provisions of the SchVG.
- (i) *Guarantee.* The provisions set out above in this § 14 applicable to the Notes shall apply mutatis mutandis to the Guarantee.

§ 15 Substitution

- (a) *Substitute Debtor.* The Issuer (reference to which shall always include any previous Substitute Debtor (as defined in this § 15(a)) may, at any time, if no payment of principal of or interest on any of the Notes is in default, without the consent of the Noteholders, substitute for the Issuer the Guarantor or any Affiliate (as defined in this § 15(a)) of the Issuer as the principal debtor in respect of all obligations arising from or in connection with the Notes (any such company, the "**Substitute Debtor**"),

Unternehmen ist die
"Nachfolgeschuldnerin") für alle
 Verpflichtungen aus und im
 Zusammenhang mit den
 Schuldverschreibungen einzusetzen,
 vorausgesetzt, dass:

- (i) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin im Zusammenhang mit den Schuldverschreibungen rechtswirksam übernimmt und sie sämtliche sich aus oder im Zusammenhang mit den Schuldverschreibungen ergebenden Zahlungsverpflichtungen in Euro ohne die Notwendigkeit (vorbehaltlich dieses § 15(a)(v)) einer Einbehaltung an der Quelle oder des Abzugs irgendwelcher Steuern oder Abgaben in dem Land oder Hoheitsgebiet, in dem die Nachfolgeschuldnerin ihren Sitz hat (mit Ausnahme von Steuern, die auch angefallen wären, wäre die Ersetzung nicht erfolgt), erfüllen sowie die hierzu erforderlichen Beträge ohne Beschränkungen an die Zahlstelle transferieren kann und sie insbesondere jede hierfür notwendige Genehmigung der Behörden ihres Landes erhalten hat, und, sofern eine Zustellung an die Nachfolgeschuldnerin außerhalb von Deutschland erfolgen müsste, ein Zustellungsbevollmächtigter in Deutschland bestellt wird;
- (ii) die Garantin, falls sie nicht selbst die Nachfolgeschuldnerin ist, unwiderruflich und unbedingt gegenüber den Anleihegläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge zu Bedingungen garantiert, die den Bedingungen der Garantie entsprechen (die

provided that:

- (i) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes and is in a position to fulfill all payment obligations arising from or in connection with the Notes in Euro without (subject to this § 15(a)(v)) the necessity of any taxes or duties levied by the country or jurisdiction in which the Substitute Debtor is domiciled (other than taxes which would also be levied in the absence of such substitution) to be withheld or deducted at source and to transfer all amounts which are required therefore to the Principal Paying Agent without any restrictions, and that in particular all necessary authorisations to this effect by any competent authority have been obtained, and, to the extent service of process must be effected to the Substitute Debtor outside of Germany, a service of process agent in Germany is appointed;
- (ii) the Guarantor if it is not itself the Substitute Debtor irrevocably and unconditionally guarantees in favor of each Noteholder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms equivalent to the terms of the Guarantee (the **"Substitution Guarantee"**);

"Ersetzungsgarantie"); und

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| <p>(iii) die Nachfolgeschuldnerin und die Emittentin alle für die Ersetzung und die Garantin, falls sie nicht selbst Nachfolgeschuldnerin ist, alle für die Abgabe der Ersetzungsgarantie notwendigen Genehmigungen und Einverständniserklärungen von Regierungsstellen und Aufsichtsbehörden erhalten haben, die Nachfolgeschuldnerin alle für die Erfüllung ihrer Verpflichtungen aus den Schuldverschreibungen notwendigen Genehmigungen und Einverständniserklärungen von Regierungsstellen und Aufsichtsbehörden erhalten hat und weiterhin sämtliche dieser Genehmigungen und Einverständniserklärungen in vollem Umfang gültig und wirksam sind und zudem die Verpflichtungen der Nachfolgeschuldnerin und die von der Garantin, falls sie nicht selbst Nachfolgeschuldnerin ist, begebene Ersetzungsgarantie jeweils gemäß ihren Bestimmungen wirksam und rechtsverbindlich und durch jeden Anleihegläubiger durchsetzbar sind;</p> <p>(iv) § 9 dergestalt als ergänzt gilt, dass ein zusätzlicher Kündigungsgrund unter dieser Bestimmung der Wegfall der Wirksamkeit, Rechtsverbindlichkeit oder Durchsetzbarkeit der Ersetzungsgarantie gegen die Garantin, falls sie nicht selbst Nachfolgeschuldnerin ist, ist;</p> <p>(v) die Nachfolgeschuldnerin sich verpflichtet, jedem Anleihegläubiger alle Steuern, Gebühren oder Abgaben zu erstatten, die ihm im Zusammenhang mit Zahlungen auf die Schuldverschreibungen (einschließlich Steuern und Abgaben, die an der Quelle</p> | <p>(iii) the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and the Guarantor if it is not itself the Substitute Debtor has obtained all such approvals and consents for the giving of the Substitution Guarantee, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance of its obligations under the Notes, and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor and the Substitution Guarantee given by the Guarantor if it is not itself the Substitute Debtor are each valid and binding in accordance with their respective terms and enforceable by each Noteholder;</p> <p>(iv) § 9 shall be deemed to be amended so that it shall also be an Event of Default under such provision if the Substitution Guarantee shall cease to be valid or binding on or enforceable against the Guarantor if it is not itself the Substitute Debtor;</p> <p>(v) the Substitute Debtor undertakes to reimburse any Noteholder for such taxes, fees or duties which may be imposed upon such Noteholder in connection with any payments on the Notes (including taxes or duties being deducted or withheld at source), upon conversion or</p> |
|---|--|

abgeführt oder einbehalten wurden), durch den Schuldnerwechsel oder in anderer Weise infolge der Schuldübernahme durch die Nachfolgeschuldnerin auferlegt werden, vorausgesetzt, dass sich die Verpflichtung auf Beträge beschränkt, die der Anleihegläubiger ohne die Ersetzung der Emittentin nicht hätte tragen müssen; und

- (vi) der Hauptzahlstelle jeweils ein Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt wurden, die bestätigen, dass die Bestimmungen in § 15(a)(i) bis (v) erfüllt wurden.

"Verbundenes Unternehmen" bedeutet jedes von der Emittentin gehaltene verbundene Unternehmen im Sinne der §§ 15 f. Aktiengesetz.

- (b) *Folgen der Ersetzung.* Nach einer Ersetzung gemäß dieses § 15 gilt die Nachfolgeschuldnerin als in den Schuldverschreibungen an Stelle der Emittentin als Hauptschuldnerin bestimmt und die Schuldverschreibungen gelten als dementsprechend ergänzt, um der Ersetzung zur Durchsetzung zu verhelfen, und als die relevante Steuerjurisdiktion in Bezug auf § 7 gilt die Jurisdiktion, in der die Nachfolgeschuldnerin steuerlich ansässig ist. Des Weiteren gilt im Fall einer Ersetzung in § 7 und § 5(b) eine alternative Bezugnahme auf die Vereinigten Staaten von Amerika als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).

Jede Ersetzung zusammen mit der Mitteilung gemäß § 15(c) dieser Bestimmung befreit, im Fall der Einsetzung einer anderen Gesellschaft als

otherwise, as a consequence of the assumption of the Issuer's obligations by the Substitute Debtor, provided that such undertaking shall be limited to amounts that would not have been imposed upon the Noteholder had such substitution not occurred; and

- (vi) there shall have been delivered to the Principal Paying Agent one opinion for each jurisdiction affected of lawyers of recognized standing to the effect that § 15(a)(i) through (v) above have been satisfied.

"Affiliate" shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) held by the Issuer.

- (b) *Consequences of the Substitution.* Upon a substitution in accordance with this § 15, the Substitute Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer as issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution including that the relevant jurisdiction in relation to the Issuer in § 7 shall be the Substitute Debtor's country of domicile for tax purposes. Furthermore, in the event of such substitution in § 7 and § 5(b) an alternative reference to the United States shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.

Any such substitution, together with the notice referred to in § 15(c), shall, in the case of the substitution of any other company as principal debtor, operate to

Hauptschuldnerin, die Emittentin von allen Verbindlichkeiten, die sie als Hauptschuldnerin unter den Schuldverschreibungen hatte.

- (c) *Bekanntmachung der Ersetzung.* Spätestens 15 Geschäftstage nach Durchführung der Ersetzung wird die Nachfolgeschuldnerin dies den Anleihegläubigern und, sollten die Schuldverschreibungen an einer Börse notiert sein, dieser Börse gemäß § 10 mitteilen und jede andere Person oder Stelle, gemäß den anwendbaren Gesetzen und Regelungen informieren.

§ 16 Informationen

- (a) Die Garantin hat sich in der Garantie verpflichtet, solange die Schuldverschreibungen noch nicht zurückgezahlt oder zurückgekauft und entwertet wurden, spätestens an den nachstehend bestimmten Tagen (oder, falls ein solcher Tag kein Geschäftstag ist, am nächstfolgenden Geschäftstag) eine englischsprachige Fassung der Regelmäßigen Finanzinformationen auf ihrer Internetseite zu veröffentlichen.

"Regelmäßige Finanzinformationen" bezeichnet

- (i) den im Einklang mit der Verordnung (EG) 1606/2002 in ihrer jeweils geltenden Fassung bzw. der jeweils anwendbaren Nachfolgeregelung aufgestellten geprüften Konzernabschluss der Garantin einschließlich des Konzernlageberichts, der jeweils spätestens sechs Monate nach Ende des vorangegangenen Geschäftsjahrs der Garantin veröffentlicht sein muss; und
- (ii) den ungeprüften verkürzten Konzernhalbjahreszwischenabschlüssen der Garantin (bestehend aus

release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes.

- (c) *Publication of the Substitution.* Not later than 15 Business Days after effecting the substitution, the Substitute Debtor shall give notice thereof to the Noteholders and, if any Notes are listed on any stock exchange, to such stock exchange in accordance with § 10 and to any other person or authority as required by applicable laws or regulations.

§ 16 Information

- (a) The Guarantor has undertaken in the Guarantee that for such time as the Notes have not been redeemed or repurchased and cancelled, the Guarantor shall publish an English language version the Periodic Financial Information on its homepage no later than on the dates specified below (or, if any such day is not a Business Day, on the following Business Day).

"Periodic Financial Information" means

- (i) the audited consolidated financial statements of the Guarantor prepared in accordance with Regulation (EC) No. 1606/2002 as amended from time to time or the respective applicable successor provision including the group management report which have to be published no later than six months after the end of the Guarantor's preceding fiscal year; and
- (ii) the unaudited condensed consolidated half-yearly interim financial statements of the Guarantor

Konzernbilanz, vereinfachter Konzern-Gewinn- und Verlustrechnung und Konzern-Kapitalflussrechnung), der jeweils spätestens am neunzigsten Kalendertag nach dem Ende des zweiten Quartals des jeweils laufenden Geschäftsjahrs der Garantin zu veröffentlichen ist.

(comprising consolidated statement of financial position, condensed consolidated statement of profit or loss and consolidated statement of cash flows) which has to be published no later than the ninetieth calendar day following the end of the second quarter of the Guarantor's recent fiscal year.

- (b) Die Garantin hat sich in der Garantie dazu verpflichtet, es zu unterlassen, einem Anleihegläubiger über die Regelmäßigen Finanzinformationen hinaus, Informationen über die Garantin oder andere Umstände, die den Wert der Schuldverschreibungen beeinflussen können, zukommen zu lassen, ohne diese Informationen zur gleichen Zeit allen Anleihegläubigern bekannt zu machen, es sei denn, der betreffende Anleihegläubiger erhält solche Informationen aufgrund eines Rechtsverhältnisses mit der Garantin, das von seiner Stellung als Anleihegläubiger unabhängig ist.

- (b) The Guarantor has undertaken in the Guarantee not to provide information about the Guarantor or any other factors which may affect the value of the Notes to any Noteholder in addition to the Periodic Financial Information, without providing such information to all Noteholders at the same time, unless the relevant Noteholder is provided with such information because of a legal relationship with the Guarantor which is independent from its status as Noteholder.

§ 17 Schlussbestimmungen

- (a) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Emittentin und die Rechte der Anleihegläubiger bestimmen sich in jeder Hinsicht nach dem Recht Deutschlands und werden in Übereinstimmung damit ausgelegt.
- (b) *Erfüllungsort.* Erfüllungsort ist Frankfurt am Main.
- (c) *Gerichtsstand.* Vorbehaltlich eines zwingenden Gerichtsstandes für besondere Rechtsstreitigkeiten im Zusammenhang mit dem SchVG, unterliegen jegliche aus oder im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder Verfahren der nichtausschließlichen Zuständigkeit der Gerichte in Frankfurt am Main.

§ 17 Final Clauses

- (a) *Applicable Law.* The form and content of the Notes and the rights and obligations of the Issuer and the rights of the Noteholders shall in all respects be governed by and shall be construed in accordance with the laws of Germany.
- (b) *Place of Performance.* Place of performance is Frankfurt am Main.
- (c) *Jurisdiction.* Subject to any mandatory jurisdiction for specific proceedings under the SchVG, non-exclusive place of jurisdiction for all actions or proceedings arising from matters provided for in these Terms and Conditions shall be Frankfurt am Main.

(d) *Geltendmachung.* Jeder Anleihegläubiger kann in Rechtsstreitigkeiten gegen die Emittentin oder die Garantin oder in Rechtsstreitigkeiten, an denen der Anleihegläubiger und die Emittentin oder die Garantin beteiligt sind, im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen unter Vorlage der folgenden Dokumente geltend machen:

(i) einer Bescheinigung seiner Depotbank, die

(x) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet

(y) den Gesamtnennbetrag von Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Wertpapierdepot dieses Anleihegläubigers gutgeschrieben sind und

(z) bestätigt, dass die Depotbank an Clearstream Frankfurt und die Hauptzahlstelle eine schriftliche Mitteilung gemacht hat, die die Angaben gemäß (x) und (y) enthält und Bestätigungsvermerke von Clearstream Frankfurt trägt; sowie

(ii) einer von einem Vertretungsberechtigten von Clearstream Frankfurt beglaubigten Ablichtung der Globalurkunde, ohne das Erfordernis der Vorlage der eigentlichen die Schuldverschreibungen verkörpernden Globalurkunde.

"Depotbank" bezeichnet ein Bank- oder sonstiges Finanzinstitut von international

(d) *Enforcement.* Any Noteholder may in any proceedings against the Issuer or the Guarantor, or to which such Noteholder and the Issuer or the Guarantor are parties, protect and enforce in his own name his rights arising under such Notes on the basis of the following documents:

(i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of the Notes

(x) stating the full name and address of the Noteholder,

(y) specifying the aggregate Principal Amount of Notes credited to such securities account on the date of such statement and

(z) confirming that the Custodian has given a written notice to Clearstream Frankfurt and the Principal Paying Agent containing the information pursuant to (x) and (y) as well as confirmations by Clearstream Frankfurt; as well as

(ii) a copy of the Global Note certified as being a true copy by a duly authorised representative of Clearstream Frankfurt, without the need for production in such proceedings of the Global Note representing the Notes.

"Custodian" means any bank or other financial institution of recognised

anerkanntem Ruf, das zum Betreiben des Wertpapierdepotgeschäfts berechtigt ist und bei dem der Anleihegläubiger Schuldverschreibungen in einem Wertpapierdepot verwahren lässt.

Jeder Anleihegläubiger kann, unbeschadet des Vorgenannten, seine Rechte aus den Schuldverschreibungen auf jede andere Weise schützen oder durchsetzen, die im Land des Rechtsstreits zulässig ist.

- (e) *Bestellung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten vor deutschen Gerichten hat die Emittentin die Garantin zu ihrer Zustellungsbevollmächtigten in Deutschland bestellt.

§ 18 Sprache

Die deutsche Version dieser Anleihebedingungen ist bindend. Die englische Übersetzung dient lediglich Informationszwecken.

international standing authorised to engage in the securities custody business with which the Noteholder maintains a securities account in respect of the Notes.

Each Noteholder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the relevant proceedings.

- (e) *Appointment of Authorized Agent.* For any Proceedings before German courts, the Issuer has appointed the Guarantor as its authorised agent for service of process in Germany.

§ 18 Language

The German text of these Terms and Conditions is binding. The English translation is for information purposes only.

FORM OF GUARANTEE

Diese Garantie ist in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

This Guarantee is written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

GARANTIE

der

ZF Friedrichshafen AG

(einer Aktiengesellschaft gegründet nach dem Recht der Bundesrepublik Deutschland)

(die "**Garantin**")

zugunsten der Anleihegläubiger der

[im Fall der 2019 Schuldverschreibungen einzufügen: EUR 1.150.000.000 2,25%
Schuldverschreibungen fällig in 2019
ISIN DE000A14J7F8]

[im Fall der 2023 Schuldverschreibungen einzufügen: EUR 1.100.000.000 2,75%
Schuldverschreibungen fällig in 2023
ISIN DE000A14J7G6]

(die "**Schuldverschreibungen**")

emittiert durch

ZF North America Capital, Inc.

(einer mit beschränkter Haftung nach dem Recht der Vereinigten Staaten von Amerika errichteten Gesellschaft)

(die "**Emittentin**")

Präambel:

(A) Die Garantin beabsichtigt, die Zahlung von Kapital und Zinsen sowie aller anderen in Bezug auf die Schuldverschreibungen fälligen Beträge unbedingt und

GUARANTEE

of

ZF Friedrichshafen AG

(a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany)

(the "**Guarantor**")

for the benefit of the Noteholders of the

[in case of the 2019 Notes insert: EUR 1,150,000,000 2.25%
Notes due 2019
ISIN DE000A14J7F8]

[in case of the 2023 Notes insert: EUR 1,100,000,000 2.75%
Notes due 2023
ISIN DE000A14J7G6]

(the "**Notes**")

issued by

ZF North America Capital, Inc.

(incorporated as limited liability company under the laws of the United States)

(the "**Issuer**")

Whereas:

(A) The Guarantor wishes to guarantee unconditionally and irrevocably the payment of principal and interest as well as any other amounts due and payable in respect of the Notes.

unwiderruflich zu garantieren.

- (B) Soweit nicht anderweitig definiert, haben Begriffe, die hierin benutzt werden, die ihnen in den Anleihebedingungen (wie nachstehend definiert) zugewiesene Bedeutung.

- (B) Unless otherwise defined herein, terms used and not separately defined herein shall have the same meaning to such terms as defined in the Terms and Conditions (as defined below).

§ 1 DEFINITIONEN

In dieser Garantie haben nachstehende Begriffe die folgende Bedeutung:

"Anleihebedingungen" bezeichnet die Anleihebedingungen der Schuldverschreibungen.

§ 1 DEFINITIONS

In this Guarantee:

"Terms and Conditions" means the terms and conditions of the Notes.

§ 2 GARANTIE

- (1) Die Garantin garantiert hiermit unbedingt und unwiderruflich im Wege eines selbständigen Zahlungsverprechens gegenüber jedem Anleihegläubiger die ordnungsgemäße und pünktliche Zahlung aller Kapital-, Zins- und sonstigen auf die Schuldverschreibungen fälligen Beträge (die **"Garantie"**). Diese Garantie besteht selbständig und unabhängig von den Verbindlichkeiten der Emittentin und gilt unabhängig von der Wirksamkeit und Durchsetzbarkeit der Verbindlichkeiten der Emittentin.

- (2) Die Verbindlichkeiten der Garantin aus dieser Garantie begründen unmittelbare, unbedingte, nicht nachrangige und nicht besicherte Verbindlichkeiten der Garantin und mindestens im gleichen Rang mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Garantin,

§ 2 GUARANTEE

- (1) The Guarantor hereby unconditionally and irrevocably guarantees by way of an independent payment obligation (*selbständiges Zahlungsverprechen*) to each Noteholder the due and punctual payment of principal of, and interest on, and any other amounts due and payable under the Notes (the **"Guarantee"**). This Guarantee shall be separate and independent from the obligations of the Issuer and shall exist irrespective of the validity and enforceability of the obligations of the Issuer.

- (2) The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank at least *pari passu* with all other unsubordinated and unsecured obligations of the Guarantor, present or future, unless such obligations are accorded

soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

priority under mandatory provisions of statutory law.

(3) Die Garantin verpflichtet sich solange Zahlungen aus den Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle auf die Schuldverschreibungen gemäß den Anleihebedingungen zu zahlenden Beträge der Hauptzahlstelle zur Verfügung gestellt worden sind, ,

(3) While any amounts remain outstanding under the Notes, but only up to the time all amounts payable to Noteholders under the Notes in accordance with these Terms and Conditions have been placed at the disposal of the Principal Paying Agent, the Guarantor undertakes that

(i) für Kapitalmarktverbindlichkeiten (einschließlich hierfür abgegebener Garantien und Freistellungserklärungen) keine dinglichen Sicherheiten in Bezug auf ihr gesamtes gegenwärtiges oder zukünftiges Vermögen oder Teile ihres gegenwärtigen oder zukünftigen Vermögens zu gewähren oder bestehen zu lassen, und

(i) it will not create or permit to subsist any security interest *in rem* (*dingliche Sicherheit*) over all or part of its present or future assets as security for any Capital Market Indebtedness (including any guarantees and indemnities given in respect thereof), and

(ii) soweit rechtlich möglich, sicherzustellen, dass keine Wesentliche Tochtergesellschaft für Kapitalmarktverbindlichkeiten (einschließlich hierfür abgegebener Garantien und Freistellungserklärungen), die von der Garantin oder einer Wesentlichen Tochtergesellschaft begeben wurden, irgendwelche dinglichen Sicherheiten in Bezug auf ihr gesamtes gegenwärtiges oder zukünftiges Vermögen oder Teile ihres gegenwärtigen oder zukünftigen Vermögens gewährt oder bestehen lässt,

(ii) it will procure, to the extent legally permissible, that no Material Subsidiary will at any time create or permit to subsist any security interest *in rem* upon all or any of its present or future assets as security for any Capital Market Indebtedness (including any guarantees and indemnities given in respect thereof) issued by the Guarantor or a Material Subsidiary,

sofern nicht die Verpflichtungen der Emittentin aus den Schuldverschreibungen gleichrangig und anteilig an einer solchen dinglichen Sicherheit teilhaben, oder diesbezüglich eine dingliche Sicherheit zu im Wesentlichen gleichen Bedingungen bestellt wird.

Der in diesem § 2 benutzten Begriff "Vermögen" und der in der Definition von Kapitalmarkverbindlichkeiten benutzte Begriff "Verpflichtung zur Zahlung oder Rückzahlung von Geldern" schließt nicht solche Vermögensgegenstände der Garantin oder einer Wesentlichen Tochtergesellschaft mit ein, die im Einklang mit den Gesetzen und in der Bundesrepublik Deutschland („Deutschland“) anerkannten Regeln der Bilanzierung und Buchführung oder den jeweils anwendbaren Gesetzen und anerkannten Regeln der Bilanzierung und Buchführung nicht in den Bilanzen der der Garantin oder einer Wesentlichen Tochtergesellschaft ausgewiesen werden müssen und darin auch nicht ausgewiesen werden.

unless at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or benefit from a security interest *in rem* in substantially identical terms thereto.

The expression "assets" as used in this § 2 and the expression "obligation for the payment or repayment of money that is borrowed" as used in the definition of Capital Markets Indebtedness does not include assets of the Guarantor or any Material Subsidiary which, pursuant to the requirements of law and accounting principles generally accepted in the Federal Republic of Germany ("Germany") or such other applicable law and accepted accounting principles generally, as the case may be, need not, and are not, reflected in the Guarantor's or in a Material Subsidiary's balance sheets.

(4) Die Verpflichtung nach § 2(3) besteht jedoch nicht für solche Sicherheiten, die

- (i) gesetzlich vorgeschrieben sind, oder
- (ii) als Voraussetzung für staatliche Genehmigungen verlangt werden, oder
- (iii) durch die Garantin oder von einer Wesentlichen Tochtergesellschaft der Garantin zur Sicherung von gegenwärtigen oder zukünftigen Ansprüchen der Garantin oder Ansprüchen

The undertaking pursuant to § 2(3) shall not apply to a security which

- (i) is mandatory according to applicable laws, or
- (ii) is required as a prerequisite for governmental approvals, or
- (iii) provided by the Guarantor or by any Material Subsidiary of the Guarantor over any of the Guarantor's claims or claims of any Material Subsidiary of the Guarantor against any

	<p>einer Wesentlichen Tochtergesellschaft gegen verbundene Unternehmen im Sinne des §§ 15 f. Aktiengesetz oder gegen Dritte aufgrund der Weiterleitung von Erlösen aus der Emission von Wertpapieren bestehen, soweit diese Sicherheiten zur Sicherung von Verpflichtungen aus diesen durch die Garantin oder durch eine Wesentliche Tochtergesellschaft der Garantin ausgegebenen Wertpapieren dienen, oder</p>	<p>affiliated companies within the meaning of Sections 15 et seq. of the German Stock Corporation Act (<i>Aktiengesetz</i>) or any third party, which claims exist now or arise at any time in the future, as a result of the passing on of the proceeds from the issuance of any securities, provided that any such security serves to secure obligations under such securities issued by the Guarantor or by a Material Subsidiary of the Guarantor, or</p>
(iv)	<p>eine im Zeitpunkt einer Akquisition bestehende Kapitalmarktverbindlichkeit besichern, die infolge der Akquisition eine Verpflichtung der Garantin oder einer Gesellschaft der Gruppe wird, sofern diese Kapitalmarktverbindlichkeit nicht im Hinblick auf diese Akquisition begründet wurde, oder</p>	<p>(iv) secures Capital Market Indebtedness existing at the time of an acquisition that becomes an obligation of the Guarantor or any member of the Group as a consequence of such acquisition, provided that such Capital Market Indebtedness was not created in contemplation of such acquisition, or</p>
(v)	<p>eine Erneuerung, Verlängerung oder Ersetzung irgendeiner Sicherheit gemäß vorstehend (i) bis (iv) darstellen, oder</p>	<p>(v) constitutes the renewal, extension or replacement of any security pursuant to foregoing (i) through (iv), or</p>
(vi)	<p>nicht in den Anwendungsbereich von (i) bis (v) fallen und Kapitalmarktverbindlichkeiten besichern, deren Kapitalbetrag (zusammen mit dem Kapitalbetrag anderer Kapitalmarktverbindlichkeiten, für die andere dingliche Sicherheiten als solche (begeben durch die Emittentin, die Garantin oder eine Wesentliche</p>	<p>(vi) do not fall within the scope of application of (i) through (v) above and which secure Capital Market Indebtedness with a principal amount (when aggregated with the principal amount of other Capital Markets Indebtedness which has the benefit of security (issued by the Issuer, the Guarantor or any Material Subsidiary) other than any falling within</p>

Tochtergesellschaft), die in den Anwendungsbereich von (i) bis (v) fallen, bestehen)
 EUR 300.000.000 (bzw. den Gegenwert in anderen Währungen) nicht überschreitet.

the scope of application of (i) through (v) above) not exceeding
 EUR 300,000,000 (or its equivalent in other currencies).

Eine nach diesem § 2(4) zu stellende Sicherheit kann auch zu Gunsten der Person eines Treuhänders der Anleihegläubiger bestellt werden.

Any security which is to be provided pursuant to this § 2(4) may also be provided to a person acting as trustee for the Noteholders.

- (5) Die Garantin verzichtet hiermit ausdrücklich auf alle der Emittentin zustehenden persönlichen Einreden des Hauptschuldners sowie auf alle der Emittentin zustehenden Einreden der Anfechtbarkeit oder Aufrechenbarkeit im Hinblick auf die Schuldverschreibungen. Dieser Verzicht auf die Einrede der Aufrechenbarkeit gilt nicht für (i) unbestrittene oder (ii) rechtskräftig festgestellte Gegenforderungen.
- (6) Die Zahlungsverpflichtungen der Garantin aus dieser Garantie werden automatisch fällig und zahlbar, sofern und sobald die Emittentin eine Zahlung auf die Schuldverschreibungen nicht bei Fälligkeit gemäß den Anleihebedingungen leistet.
- (7) Diese Garantie ist mit der vollständigen und unwiderruflichen Befriedigung aller gemäß diesem § 2 garantierten Ansprüche (die "**Garantierten Verpflichtungen**") abschließend erfüllt. Sollten Garantierte Verpflichtungen jedoch nur vorläufig erfüllt oder Gegenstand eines Anfechtungsrechts eines Insolvenzverwalters oder anderweitig anfechtbar sein, so

(5) The Guarantor hereby explicitly waives any personal defences of the Issuer (*Einreden des Hauptschuldners*) as well as any defences arising out of the Issuer's right of revocation (*Anfechtbarkeit*) or set-off (*Aufrechenbarkeit*) with respect to the Notes. This waiver shall not apply to any defences relating to any right of set-off with counterclaims that are (i) uncontested (*unbestritten*) or (ii) based on an unappealable (*rechtskräftig festgestellt*) court decision.

(6) The Guarantor's payment obligations under this Guarantee become automatically due and payable if and when the Issuer does not make a payment with respect to the Notes when such payment is due and payable pursuant to the Terms and Conditions.

(7) This Guarantee is discharged upon the full and irrevocable satisfaction of all claims guaranteed pursuant to this § 2 (the "**Guaranteed Obligations**"). However, if any of the Guaranteed Obligations was only temporarily satisfied or may be set aside by an insolvency administrator (*Anfechtungsrecht*) or may otherwise be avoided, this Guarantee shall continue in full force and effect.

bleibt diese Garantie weiterhin in Kraft.

§ 3 BESTEUERUNG

- (1) Alle in Bezug auf die Schuldverschreibungen von der der Garantin an die Anleihegläubiger zahlbaren Kapital- oder Zinsbeträge werden ohne Einbehalt oder Abzug an der Quelle für oder wegen gegenwärtiger oder zukünftiger Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art ("**Steuern**") gezahlt, die von oder im Namen der Vereinigten Staaten von Amerika oder Deutschlands oder einer politischen Untergliederung oder einer Steuerbehörde dieser Staaten (die "**Steuerjurisdiktionen**") im Wege des Abzugs oder Einhalts auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben.
- (2) In diesem Fall wird die Garantin diejenigen zusätzlichen Beträge ("**Zusätzliche Beträge**") zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Anleihegläubigern erhalten worden wären. Solche Zusätzlichen Beträge sind jedoch nicht zu zahlen:
- (a) in Bezug auf Steuern, die anders als durch Einbehalt oder Abzug durch die die Garantin von Zahlungen, die sie an den Anleihegläubiger leistet, zu entrichten sind; oder

§ 3 TAXATION

- (1) All payments of principal and interest made by the Guarantor in respect of the Notes to the Noteholders shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by way of deduction or withholding by or on behalf of the United States or Germany or any authority therein or thereof having power to tax (the "**Taxing Jurisdictions**"), unless such deduction or withholding is required by law.
- (2) In that case, the Guarantor shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. However, no such Additional Amounts shall be payable with respect to:
- (a) taxes that are payable otherwise than by withholding or deduction by the Guarantor from payments made by it to the Noteholder; or

- (b) an einen Anleihegläubiger oder an einen Dritten für einen Anleihegläubiger, falls dieser Anleihegläubiger (oder ein Treuhänder, Gründer eines Treuhandvermögens, ein Begünstigter, oder ein Gesellschafter eines solchen Anleihegläubigers, falls es sich bei diesem um ein Nachlassvermögen, ein Treuhandvermögen, eine Personengesellschaft oder eine Kapitalgesellschaft handelt) auf Grund einer früheren oder gegenwärtigen Verbindung zu den Vereinigten Staaten von Amerika oder Deutschland (einschließlich solcher Anleihegläubiger (bzw. Treuhänder, Gründer eines Treuhandvermögens, Begünstigter oder Gesellschafter), welche Staatsbürger dieses Landes waren oder sind oder in diesem Land Handel oder Geschäfte betrieben haben oder betreiben oder in diesen eine Betriebsstätte hatten oder haben) einem solchen Einbehalt oder Abzug unterliegt und sich diese Verbindung nicht nur darauf beschränkt, dass er die Schuldverschreibung hält oder die unter dieser jeweils zu leistenden Zahlungen erhält; oder
- (b) payments to, or to a third party on behalf of, a Noteholder where such Noteholder (or a fiduciary, settlor, beneficiary, member or shareholder of such Noteholder, if such Noteholder is an estate, a trust, a partnership or a corporation) is liable to such withholding or deduction by reason of having some present or former connection with the United States or Germany, including, without limitation, such Noteholder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business therein or having, or having had, a permanent establishment therein, other than by reason only of the holding of such Note or the receipt of the relevant payment in respect thereof; or
- (c) an den Anleihegläubiger oder an einen Dritten für den Anleihegläubiger, falls kein Einbehalt oder Abzug hätte erfolgen müssen, wenn die Schuldverschreibungen zum Zeitpunkt der fraglichen Zahlung einem Depotkonto bei einer bzw. einem nicht in den Vereinigten Staaten von Amerika oder Deutschland ansässigen Bank, Finanzdienstleistungsinstitut, Wertpapierhandelsunternehmen oder Wertpapierhandelsbank gutgeschrieben gewesen wären; oder
- (c) payments to, or to a third party on behalf of, a Noteholder where no such withholding or deduction would have been required to be made if the Notes, at the time of payment, had been credited to a securities deposit account with a bank, financial services institution, securities trading business or securities trading bank, in each case outside the United States or Germany; or

- | | |
|--|---|
| <p>(d) falls der Einbehalt oder Abzug gemäß (i) einer Richtlinie oder Verordnung der Europäischen Union zur Zinsbesteuerung oder (ii) einem internationalen Abkommen oder Übereinkommen zu einer solchen Besteuerung, bei dem die Vereinigten Staaten von Amerika, Deutschland oder die Europäische Union Parteien sind oder (iii) einem diese Richtlinie oder Verordnung oder dieses Abkommen oder Übereinkommen umsetzenden oder sie befolgenden oder zu ihrer Befolgung erlassenen Gesetz; oder</p> | <p>(d) payments where such withholding or deduction is imposed pursuant to (i) any European Union Directive or Regulation concerning the taxation of savings, or (ii) any international treaty or understanding relating to such taxation and to which United States, Germany or the European Union is a party/are parties, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or</p> |
| <p>(e) soweit der Einbehalt oder Abzug von dem Anleihegläubiger oder von einem Dritten für den Anleihegläubiger zahlbar ist, der einen solchen Einbehalt oder Abzug dadurch rechtmäßigerweise hätte vermindern können (aber nicht vermindert hat), dass er gesetzliche Vorschriften beachtet, oder dafür sorgt, dass Dritte dies tun, oder dadurch dass er eine Nichtansässigkeitserklärung oder einen ähnlichen Antrag auf Quellensteuerbefreiung gegenüber der am Zahlungsort zuständigen Steuerbehörde abgibt oder dafür sorgt, dass dies durch einen Dritten erfolgt, oder</p> | <p>(e) payments to the extent such withholding or deduction is payable by or on behalf of a Noteholder who could lawfully mitigate (but has not so mitigated) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the payment is effected; or</p> |
| <p>(f) soweit der Einbehalt oder Abzug von dem Anleihegläubiger oder von einem Dritten für den Anleihegläubiger vorzunehmen ist, der einen solchen Einbehalt oder Abzug durch die Bewirkung einer Zahlung über eine andere Zahlstelle in einem Mitgliedsstaat der Europäischen Union, welche nicht zu einem solchen Einbehalt oder Abzug verpflichtet ist, hätte vermindern können; oder</p> | <p>(f) payments to the extent such withholding or deduction is payable by or on behalf of a Noteholder who would have been able to mitigate such withholding or deduction by effecting a payment via another Paying Agent in a member state of the European Union, not obliged to withhold or deduct tax; or</p> |
| <p>(g) soweit der Einbehalt oder Abzug für einen Anleihegläubiger oder dessen Rechnung vorzunehmen ist, der</p> | <p>(g) payments to the extent such withholding or deduction is for or on account of the presentation by the</p> |

<p>Schuldverschreibungen mehr als 30 Kalendertage nach dem Tag, an dem eine Zahlung unter den Schuldverschreibungen fällig und zahlbar wurde bzw., soweit dies später eintritt, nach dem Tag, an dem die Zahlung ordnungsgemäß vorgenommen wurde, vorgelegt hat; oder</p>	
<p>(h) soweit der Einbehalt oder Abzug vorzunehmen ist, weil der Anleihegläubiger für Zwecke des § 871(h)(3) oder des § 881(c)(3) des U.S. Internal Revenue Code von 1986 in seiner jeweils gültigen Fassung (der "Internal Revenue Code") als 10% Anteilseigner der Emittentin oder der Garantin betrachtet wird; oder</p>	<p>(h) payments where such withholding or deduction is imposed because the Noteholder is considered a 10% shareholder of the Issuer or the Guarantor for purposes of sections 871(h)(3) or 881(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"); or</p>
<p>(i) soweit der Einbehalt oder Abzug vorzunehmen ist, weil der Anleihegläubiger eine Bank ist, die die Schuldverschreibungen im ordentlichen Geschäftsgang ihres Aktivgeschäfts erwirbt; oder</p>	<p>(i) payments where such withholding or deduction is imposed because the Noteholder is a bank purchasing the Notes in the ordinary course of its lending business; or</p>
<p>(j) soweit der Einbehalt oder Abzug gemäß §§ 1471 bis 1474 des Internal Revenue Code (diese Bestimmungen sind allgemein bekannt als <i>Foreign Account Tax Compliance Act</i> oder <i>FATCA</i>), jeder gegenwärtigen oder zukünftigen Verordnung oder offiziellen Auslegung davon, jeder Vereinbarung, die gemäß § 1471(b) des Internal Revenue Codes eingegangen wurde oder jeder steuerlichen oder regulatorischen Gesetzgebung, sowie steuerlichen und regulatorischen Gesetzen oder Vorgehensweisen, die nach einem völkerrechtlichen Vertrag, der zur Umsetzung der Bestimmungen des Internal Revenue Codes geschlossen wurde, vorzunehmen ist; oder</p>	<p>(j) payments to the extent such withholding or deduction is required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (these provisions are commonly referred to as <i>Foreign Account Tax Compliance Act</i> or <i>FATCA</i>), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code; or</p>
<p>(k) jegliche Kombination von § 3(b)(a)-(j).</p>	<p>(k) any combination of § 3(b)(a)-(j).</p>

Zudem werden keine Zusätzlichen Beträge im Hinblick auf Zahlungen auf die Schuldverschreibungen an einen Anleihegläubiger gezahlt, welcher die Zahlung als Treuhänder oder Personengesellschaft oder als sonstiger nicht alleiniger wirtschaftlicher Eigentümer erhält, soweit nach den Gesetzen der Steuerjurisdiktion(en) eine solche Zahlung für Steuerzwecke dem Einkommen des Begünstigten bzw. Gründers eines Treuhandvermögens oder dem Gesellschafter der Personengesellschaft zugerechnet würde, der jeweils selbst nicht zum Erhalt von Zusätzlichen Beträgen berechtigt gewesen wäre, wenn der Begünstigte, Gründer eines Treuhandvermögens, Gesellschafter oder wirtschaftliche Eigentümer unmittelbarer Anleihegläubiger der Schuldverschreibungen wäre.

Neither shall any Additional Amounts be paid with respect to any payment on a Note to a Noteholder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Taxing Jurisdiction(s) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

Zur Klarstellung wird festgehalten, dass die gegenwärtig in der Bundesrepublik Deutschland gemäß dem zum Begebungstag geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer und der darauf anfallende Solidaritätszuschlag keine Steuern oder Abgaben der vorstehend beschriebenen Art darstellen, für die von der Emittentin Zusätzliche Beträge zu zahlen wären.

For the avoidance of doubt, the withholding tax (*Kapitalertragsteuer*) currently levied in Germany at the level of the custodian bank and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon pursuant to tax law as in effect as of the issue date do not constitute a tax or duty as described above in respect of which Additional Amounts would be payable by the Issuer.

§ 4 VERTRAG ZUGUNSTEN DRITTER

Diese Garantie ist ein Vertrag gemäß § 328 Absatz 1 BGB zugunsten jedes Anleihegläubigers als begünstigtem Dritten, der das Recht jedes Anleihegläubigers begründet, die Garantin unmittelbar aus dieser Garantie in Anspruch zu nehmen und Ansprüche gegen die Garantin unmittelbar

§ 4 CONTRACT FOR THE BENEFIT OF A THIRD PARTY

This Guarantee constitutes a contract for the benefit of the Noteholders as third party beneficiaries pursuant to § 328 paragraph 1 German Civil Code (*Bürgerliches Gesetzbuch*)²⁰ giving rise to the right of each Noteholder to require performance of the obligations undertaken herein directly from

²⁰ An English language translation of § 328 paragraph 1 BGB (German Civil Code) reads as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance"

durchzusetzen.

the Guarantor and to enforce such obligations directly against the Guarantor.

§ 5 ERSETZUNG

Im Fall der Ersetzung der Emittentin durch eine andere Rechtspersönlichkeit gemäß § 15 der Anleihebedingungen sollen sich diese Garantie und die Verpflichtungen aus dieser Garantie dann auf die Bezahlung aller Beträge erstrecken, die von einer nicht mit der Garantin identischen Nachfolgeschuldnerin gemäß den Anleihebedingungen geschuldet werden, dies gilt auch dann, wenn die Nachfolgeschuldnerin die Verpflichtungen aus den Schuldverschreibungen direkt von der Garantin übernommen haben sollte.

§ 5 SUBSTITUTION

In the event of any substitution of the Issuer by any other entity pursuant to § 15 of the Terms and Conditions, this Guarantee and the obligations hereunder shall extend to any and all sums expressed to be payable pursuant to the Terms and Conditions by any Substitute Debtor (other than the Guarantor) even if the Substitute Debtor shall have assumed the obligations arising under the Notes directly from the Guarantor.

§ 6 BESCHLÜSSE DER ANLEIHEGLÄUBIGER — ÄNDERUNGEN DER GARANTIE

Die Anleihegläubiger können ihre Rechte nach Maßgabe des § 14 der Anleihebedingungen auch im Hinblick auf diese Garantie wahrnehmen.

Die Anleihegläubiger können insbesondere durch einen gemäß § 14 der Anleihebedingungen gefassten Mehrheitsbeschluss Änderungen dieser Garantie zustimmen. Eine Verpflichtung zur Leistung kann für die Anleihegläubiger durch Mehrheitsbeschluss nicht begründet werden.

Mehrheitsbeschlüsse der Anleihegläubiger sind für alle Anleihegläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Anleihegläubiger, der nicht gleiche Bedingungen für alle Anleihegläubiger vorsieht, ist unwirksam, es sei denn, die benachteiligten Anleihegläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

§ 6 RESOLUTION OF NOTEHOLDERS — AMENDMENTS OF THE GUARANTEE

The Noteholders may exercise their rights in accordance with § 14 of the Terms and Conditions also with respect to this Guarantee.

In particular, the Noteholders may consent to amendments of this Guarantee by majority resolution passed in accordance with § 14 of the Terms and Conditions, provided that no obligation to make any payment or render any other performance shall be imposed on any Noteholder by majority resolution.

Majority resolutions shall be binding on all Noteholders. Resolutions which do not provide for identical conditions for all Noteholders are void, unless Noteholders who are disadvantaged have expressly consented to their being treated disadvantageously.

§ 7 INFORMATIONEN

- (1) Die Garantin verpflichtet sich, solange die Schuldverschreibungen noch nicht zurückgezahlt oder zurückgekauft und entwertet wurden, spätestens an den nachstehend bestimmten Tagen (oder, falls ein solcher Tag kein Geschäftstag ist, am nächstfolgenden Geschäftstag) eine englischsprachige Fassung der Regelmäßigen Finanzinformationen auf ihrer Internetseite zu veröffentlichen.

"Regelmäßige Finanzinformationen" bezeichnet:

den im Einklang mit der Verordnung (EG) 1606/2002 in ihrer jeweils geltenden Fassung bzw. der jeweils anwendbaren Nachfolgeregelung aufgestellten geprüften Konzernabschluss der Garantin einschließlich des Konzernlageberichts, der jeweils spätestens sechs Monate nach Ende des vorangegangenen Geschäftsjahrs der Garantin veröffentlicht sein muss; und

den ungeprüften verkürzten Konzernhalbjahreszwischenabschluss der Garantin (bestehend aus Konzernbilanz, vereinfachter Konzern-Gewinn- und Verlustrechnung und Konzern-Kapitalflussrechnung), der jeweils spätestens am neunzigsten Kalendertag nach dem Ende des zweiten Quartals des jeweils laufenden Geschäftsjahrs der Garantin zu veröffentlichen ist.

- (2) Die Garantin verpflichtet sich, es zu unterlassen, einem Anleihegläubiger über die Regelmäßigen Finanzinformationen hinaus, Informationen über sich

§ 7 INFORMATION

- (1) The Guarantor undertakes that for such time as the Notes have not been redeemed or repurchased and cancelled, to publish an English language version the Periodic Financial Information on its homepage no later than on the dates specified below (or, if any such day is not a Business Day, on the following Business Day).

"Periodic Financial Information" means:

the audited consolidated financial statements of the Guarantor prepared in accordance with Regulation (EC) No. 1606/2002 as amended from time to time or the respective applicable successor provision including the group management report which have to be published no later than six months after the end of the Guarantor's preceding fiscal year; and

the unaudited condensed consolidated half-yearly interim financial statements of the Guarantor (comprising consolidated statement of financial position, condensed consolidated statement of profit or loss and consolidated statement of cash flows) which has to be published no later than the ninetieth calendar day following the end of the second quarter of the Guarantor's recent fiscal year.

- (2) The Guarantor undertakes, not to provide information about the itself or any other factors which may affect the value of the Notes to any Noteholder in addition to the

selbst oder andere Umstände, die den Wert der Schuldverschreibungen beeinflussen können, zukommen zu lassen, ohne diese Informationen zur gleichen Zeit allen Anleihegläubigern bekannt zu machen, es sei denn, der betreffende Anleihegläubiger erhält solche Informationen aufgrund eines Rechtsverhältnisses mit der Garantin, das von seiner Stellung als Anleihegläubiger unabhängig ist.

Periodic Financial Information, without providing such information to all Noteholders at the same time, unless the relevant Noteholder is provided with such information because of a legal relationship with the Guarantor which is independent from its status as Noteholder.

§ 8
ANWENDBARES RECHT, SONSTIGE
BESTIMMUNGEN

Die aus dieser Garantie erwachsenden Rechte und Pflichten bestimmen sich in jeder Hinsicht nach deutschem Recht.

Erfüllungsort ist Frankfurt am Main, Deutschland.

Nicht ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten in den in dieser Garantie geregelten Angelegenheiten ist Frankfurt am Main, Deutschland.

Das Original dieser Garantie wird der Deutsche Bank Aktiengesellschaft in ihrer Eigenschaft als Hauptzahlstelle ausgehändigt und von dieser verwahrt. Die Hauptzahlstelle handelt nicht als Beauftragter, Treuhänder oder in einer ähnlichen Eigenschaft für die Anleihegläubiger.

Jeder Anleihegläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine aus dieser Garantie hervorgehenden Rechte auf der Grundlage einer von einer vertretungsberechtigten Person der Hauptzahlstelle beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und

§ 8
GOVERNING LAW, MISCELLANEOUS

The rights and obligations arising from this Guarantee are in all respects governed by the laws of Germany.

The place of performance is Frankfurt am Main, Germany.

Non-exclusive place of jurisdiction for all proceedings arising from matters provided for in this Guarantee shall be Frankfurt am Main, Germany.

The original of this Guarantee shall be delivered to, and kept by, Deutsche Bank Aktiengesellschaft in its capacity as Principal Paying Agent. The Principal Paying Agent does not act as agent, fiduciary or in any other similar capacity for the Noteholders.

On the basis of a copy of this Guarantee, certified as being a true copy by a duly authorized officer of the Principal Paying Agent, each Noteholder may protect and enforce in his own name his rights arising under this Guarantee in any legal proceedings against the Guarantor or to which such Noteholder and the Guarantor are parties, without the need for production of the original of this Guarantee in such

durchsetzen.

proceedings.

Diese Garantie ist in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

This Guarantee is written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

Friedrichshafen, im April 2015

Friedrichshafen in April, 2015

ZF Friedrichshafen AG

ZF Friedrichshafen AG

Wir nehmen die Bedingungen der vorstehenden Garantie ohne Obligo, Gewährleistung oder Haftung und ohne als Beauftragter, Treuhänder oder in einer ähnlichen Eigenschaft für einen Anleihegläubiger zu handeln, an.

We accept the terms of the above Guarantee without recourse, warranty or liability and without acting as agent, fiduciary or in any similar capacity for any Noteholder.

Deutsch Bank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

TAXATION

The Issuer does not assume any responsibility for the withholding of taxes at the source. The following is a general discussion of certain tax consequences under the tax laws of Germany, the Grand-Duchy of Luxembourg and the United States of the acquisition, ownership and disposal of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. The following section only provides some very general information on the possible tax treatment of the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This overview is based on the laws of Germany, the Grand-Duchy of Luxembourg and United States currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive effect.

PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES INCLUDING THE EFFECT OF ANY TAXES, UNDER THE TAX LAWS APPLICABLE IN GERMANY, THE GRAND DUCHY OF LUXEMBOURG AND THE UNITED STATES AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

Germany

Withholding Tax

For German tax residents (e.g. persons whose residence, habitual abode, statutory seat or place of management is located in Germany), interest payments on the Notes are subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such interest payments (the "**Disbursing Agent**" (*auszahlende Stelle*)). Disbursing Agents are German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), securities trading companies or securities trading banks. The applicable withholding tax rate is 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax). For individuals subject to church tax, an electronic information system for church withholding tax purposes applies in relation to investment income received after 31 December 2014, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The withholding tax regime also applies to any gains from the disposal or redemption of Notes realized by private investors holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally levied on the difference between the proceeds received upon the disposal or redemption of the Notes and (after the deduction of actual expenses directly related thereto) the acquisition costs. Where custody has changed since the acquisition and the acquisition data is not proved to the Disbursing Agent in the form required by law, the tax at a rate of 25% (plus 5.5% solidarity surcharge and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Notes.

Accrued interest (*Stückzinsen*) received by the investor upon disposal of the Notes between two interest payment dates is considered as part of the sales proceeds thus increasing a capital gain or reducing a capital loss from the Notes. Accrued interest paid by the investor upon an acquisition of the Notes after the issue date qualifies as negative investment income

either to be deducted from positive investment income generated in the same assessment period or to be carried forward to future assessment periods.

According to the German tax authorities, losses resulting from a sale where the sales proceeds do not exceed the transaction costs are treated as non-deductible for German taxation purposes. Similarly, losses resulting from a bad debt loss (*Forderungsausfall*) in the case of an Issuer default or from a waiver of a receivable (*Forderungsverzicht*) in relation to the Notes, to the extent the waiver does not qualify as a hidden contribution, are not treated as tax-deductible.

German withholding tax should generally not be levied if the investor filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, but only to the extent the annual aggregate investment income does not exceed the maximum lump sum deduction amount (*Sparer-Pauschbetrag*) shown on the withholding tax exemption certificate. Currently, the maximum lump sum deduction amount (*Sparer-Pauschbetrag*) is EUR 801 (EUR 1,602 in the case of persons filing jointly) for all investment income received in a given calendar year. Similarly, no withholding tax should be levied if the investor has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German resident corporate and other German resident business investors should in essence not be subject to withholding tax on gains from the disposal, sale or redemption of the Notes (i.e. for these investors only interest payments, but not gains from the sale or redemption of the Notes are subject to the withholding tax regime).

The Issuer does not assume any responsibility for the deduction of German withholding tax at source (including solidarity surcharge and, where applicable, church tax thereon).

Private Investors

For German tax resident private investors the withholding tax is – without prejudice to certain exceptions – definitive under a special flat tax regime (*Abgeltungsteuer*). Under the flat tax regime, expenses actually incurred in connection with the investment into the Notes are not tax-deductible. Private investors can apply to have their income from the investment in the Notes assessed in accordance with the general rules on determining an individual's tax bracket if this results in a lower tax burden. Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court in a non-binding ruling appealed to the German Federal Fiscal Court (*Bundesfinanzhof*)), in this case expenses actually incurred can also not be deducted from the investment income, except for the aforementioned lump sum deduction. An assessment is mandatory for income from the investment into the Notes where the Notes are held in custody outside of Germany. Losses resulting from the sale or redemption of the Notes can only be off-set against other investment income. In the event that, absent sufficient positive investment income, a set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward in order to be offset against any positive investment income generated in future assessment periods.

Business Investors

Interest payments and capital gains from the disposal or redemption of the Notes held as business assets by German tax resident business investors are generally subject to German income tax or corporate income tax (plus 5.5% solidarity surcharge thereon and, if applicable in the case of an individual holding the Notes as business assets, church tax). Any withholding tax deducted from interest payments is – as a general rule and subject to certain requirements – creditable against the German (corporate) income tax liability, or, to the extent

exceeding the (corporate) income tax liability, refundable. The interest payments and capital gains are also subject to trade tax, if the Notes are attributable to a trade or business.

Foreign Tax Residents

Investors not resident in Germany should, in essence, not be taxable in Germany with the proceeds from the investment in the Notes, and no German withholding tax should be withheld from such income, even if the Notes are held in custody with a German credit (or comparable) institution. Exceptions apply, e.g., where the Notes are held as business assets in a German permanent establishment of the investor. However, a non-resident investor may be subject to tax with any income derived from the Notes in the jurisdiction where such investor is tax resident.

Substitution of the Issuer

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution may, for German tax purposes, be treated as an exchange of the Notes for new Notes issued by the Substitute Debtor and subject to similar taxation rules like the Notes. In particular, such a substitution may result in the recognition of a taxable gain or loss for any Noteholder.

Other taxes

At present, the purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may opt for a liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

Luxembourg

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their own tax advisors with respect to particular circumstances, the effect of state, local or foreign laws to which they may be subject and as to their tax position. This overview is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including the legality of transactions involving the Notes.

Withholding Tax

Under Luxembourg tax law currently in effect and with the exception of interest paid to certain individual Noteholders and certain residual entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the exception of payments made to certain individual Noteholders and certain residual entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Luxembourg non-resident individuals

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on

accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Luxembourg resident individuals

According to the amended Luxembourg law of 23 December 2005 (the "**December 2005 Law**"), payments of interest and other similar income made or ascribed by Luxembourg paying agents to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU member states (the "**Territories**") as amended) established in an EU member state (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10%.

Pursuant to the December 2005 Law, Luxembourg resident individuals, acting in the course of the management of his/her private wealth, can opt to self-declare and pay a 10 per cent. levy in full discharge of Luxembourg income tax on interest payments (as such term is defined in the December 2005 Law) made or ascribed by paying agents located in a an EU member state (other than Luxembourg), a member state of the European Economic Area (other than an EU member state), or in a state or territory which has concluded an international agreement with Luxembourg directly related to the EU Savings Directive. In such case, the 10 per cent. levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10 per cent. levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

The 10 per cent. withholding tax as described above or the 10 per cent. levy are in full discharge of Luxembourg income tax when Luxembourg resident individuals are acting the context of the management of their private wealth.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the December 2005 Law will be credited against his/her final tax liability

Responsibility for the withholding of tax in application of the above mentioned December 2005 Law, as amended, is assumed by the Luxembourg paying agent within the meaning of this law.

United States

Federal Income Tax Considerations

The following is a general discussion based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes by Non-U.S. Holders (as defined below). Changes in law may adversely affect the consequences summarized below, possibly with retroactive effect. The discussion does not address U.S. Holders (as defined below) and Non-U.S. Holders who are engaged in a U.S. trade or business with which income from the Notes is effectively connected. The Issuer believes, and this discussion assumes, that the Notes will be treated as debt of the Issuer for U.S. federal income tax purposes.

For purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of a Note that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state thereof or the

District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source. For purposes of this discussion, a "**Non-U.S. Holder**" is a beneficial owner of a note that is, for U.S. federal income tax purposes, an individual, a corporation, a trust or an estate that is not a U.S. Holder.

U.S. Withholding Tax

Subject to the discussions relating to FATCA and back-up withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of principal or interest on a Note provided that (i) the Non-U.S. Holder does not actually or constructively own shares of the Issuer's stock possessing 10% or more of the total combined voting power of the Issuer's outstanding stock, (ii) the Non-U.S. Holder is not a controlled foreign corporation related to an Issuer through share ownership and (iii) the Non-U.S. Holder has provided to the relevant withholding agent a duly completed U.S. tax certification of non-U.S. status (generally an IRS Form W-8BEN or W-8BEN-E). If the above requirements are not satisfied such holder generally will be subject to U.S. federal tax, at a 30% rate, on a gross basis, collected by withholding, except to the extent an income tax treaty applies to reduce or eliminate such tax or such holder otherwise qualifies for an exemption from such tax.

Foreign Account Tax Compliance Act

Under the provisions of the U.S. Internal Revenue Code of 1986 referred to as FATCA, U.S. withholding tax may apply to certain types of payments made to "foreign financial institutions," as specially defined under such rules, and certain other non-U.S. entities (including in circumstances where the foreign financial institution or non-U.S. entity is acting as an intermediary). The legislation imposes a 30% withholding tax on interest on, or gross proceeds from the sale or other disposition of, Notes paid to a foreign financial institution unless the foreign financial institution enters into an agreement with the U.S. Treasury or, in the case of a foreign financial institution in a jurisdiction that has entered into an intergovernmental agreement with the United States, complies with the requirements of such agreement. In addition, the legislation imposes a 30% withholding tax on the same types of payments to a foreign non-financial entity unless the entity certifies that it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. The legislation will apply to payments of interest on the Notes and, after December 31, 2016, to gross proceeds from the sale or other disposition of Notes. Prospective investors should consult their tax advisors regarding this legislation.

Information Reporting and Backup Withholding

Backup withholding and information reporting will not apply to payments made on the Notes to a Non-U.S. Holder if the Non-U.S. Holder has provided to the applicable withholding agent the required certification that they are not a U.S. Person and provided that the applicable withholding agent does not have actual knowledge or reason to know that you are a U. S. Person. Non-U.S. Holders should consult their own tax advisor regarding application of backup withholding in their particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding under current regulations. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be allowed as a refund or credit against such Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely provided to the Internal Revenue Service

THE ABOVE IS ONLY A GENERAL DISCUSSION. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR PURCHASER. EACH

PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE PURCHASER'S OWN CIRCUMSTANCES.

EU Savings Directive

Under the EU Savings Directive (EU Council Directive 2003/48/EC dated June 3, 2003) on the taxation of savings income in the form of interest payments, each EU member state must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of such EU member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity named Residual Entities (within the meaning of Article 4 (2) of the EU Savings Directive) established in another EU member state. The competent authority of the EU member state of the paying agent is then required to communicate this information to the competent authority of the EU member state of which the beneficial owner of the interest is a resident.

For a transitional period, Austria instead applies a withholding system in relation to such payments, deducting tax at a rate of meanwhile 35%; however, Austria has undertaken to implement an automatic exchange of information as of September 2017. Luxembourg has recently ceased to apply the withholding tax system and participates since January 1, 2015 in the automatic exchange of information system.

The European Council formally adopted a Council Directive amending the EU Savings Directive on March 24, 2014 (the "**Amending Directive**"). EU member states are given a timeframe until January 1, 2016 to adopt their national legislation necessary to comply with the Amending Directive with such national legislation being applicable as from January 1, 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. They will also broaden the definition of "interest payment" to cover income that is equivalent to interest. The Directive will also expand the circumstances in which payments that will be indirectly made to the benefit of an individual resident in an EU member state must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

On 18 March 2015, the European Commission proposed to repeal the EU Savings Directive as restated by the Amending Directive. According to the European Commission, the repeal is appropriate because the automatic exchange of information between the EU member states is sufficiently provided for by the EU Council directive 2014/107/EU dated 9 December 2014 amending Directive 2011/16/EU as regards the mandatory automatic exchange of information in the field of taxation (the "**Cooperation Directive**"). As a consequence of the proposed repeal, the EU member states would no longer be obliged to implement the Amending Directive but would still be required to implement an automatic exchange of information as provided for by Cooperation Directive.

A number of non-EU countries and certain dependent or associated territories of certain EU member states have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain Residual Entities established in an EU member state. In addition, the EU member states have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in an EU member state to, or

collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On May 14, 2013, the EU Council gave a mandate to the EU Commission to negotiate equivalent measures to those contained in the proposal of an updated EU Savings Directive with Switzerland, Liechtenstein, Monaco, Andorra and San Marino. The aim is to ensure that the five countries continue to apply measures that are equivalent to the EU Savings Directive, which is being updated.

The proposed European financial transactions tax (FTT)

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE OF THE NOTES

Subscription

The Issuer, the Guarantor and the Joint Lead Managers have entered into a subscription agreement dated April 20, 2015 (the "**Subscription Agreement**"), pursuant to which the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed, subject to certain customary closing conditions, to purchase, the Notes on April 27, 2015. The Issuer has agreed to pay certain fees to the Joint Lead Managers and to reimburse the Joint Lead Managers for certain expenses incurred in connection with the issue of the Notes.

The Joint Lead Managers may terminate (*zurücktreten*), under certain circumstances, the Subscription Agreement reached. In such event, no Notes will be delivered to investors. Furthermore, the Issuer and the Guarantor have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

The Joint Lead Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and/or the Guarantor and their affiliates, and/or TRW, for which the Joint Lead Managers or their affiliates have received or will receive customary fees and commissions. In addition, the Joint Lead Managers or their affiliates are lenders under the 2014 Senior Facilities Agreement and their commitments thereunder will be reduced by amounts corresponding to proceeds we receive from the issuance of the Notes.

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or the Guarantor, their affiliates and/or TRW in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and/or the Guarantor, their affiliates and/or TRW (including the Notes). Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor, their affiliates and/or TRW routinely hedge their credit exposure to the Issuer and/or the Guarantor and/or their affiliates consistent with their customary risk management policies. Typically, such Joint Lead Manager and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such short positions could adversely affect future trading prices of Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Interested Persons Participating in the Offering

In connection with this offering, the Joint Lead Managers will receive certain fees. Additionally, the Joint Lead Managers or other companies affiliated with them already have entered or may, from time to time, enter into business relationships with ZF and render other services to ZF in the ordinary course of business.

Selling Restrictions

General

The Joint Lead Managers have agreed to observe all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Notes or have in its possession or distribute this Prospectus or any other offering material relating to the Notes. No action has been, or will be, taken in any country or jurisdiction that would, to the best of the Joint Lead Managers' knowledge, permit a public offering of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Notes (and any accompanying Guarantees) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager represents that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver any Notes (or Guarantees) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, within the United States or to, for the account of or benefit of, U.S. persons, and will have sent to each dealer to which it sells the Notes (and any Guarantees) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes (and any Guarantees) within the United States or to, or for the account or benefit of, U.S. persons. No Joint Lead Manager and none of its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes (and any accompanying Guarantees) within the United States by any dealer (whether or not participating in the offering) could violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that,

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

GENERAL INFORMATION

Authorization

The creation and issue of the Notes has been authorized by a resolution of the shareholder of the Issuer dated April 9, 2015 and by a resolution of the management of the Issuer dated April 9, 2015.

The granting of the Guarantees and issue of the Notes has been authorized by the resolutions of the Board of Management dated July 30, 2014 and March 5, 2015, with respective approvals by the Supervisory Board dated September 13, 2014 and December 16, 2014.

Clearing and Settlement

The Notes have been accepted for clearance through Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**").

The 2019 Notes have been assigned securities codes as follows:

ISIN: DE000A14J7F8;
Common Code: 122315339; and
WKN: A14J7F.

The 2023 Notes have been assigned securities codes as follows:

ISIN: DE000A14J7G6;
Common Code: 122315363; and
WKN: A14J7G.

Notices to Noteholders

For so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, all notices to the Noteholders regarding the Notes shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Yield

The yield of the 2019 Notes is 2.375% per annum.

The yield of the 2023 Notes is 2.875% per annum.

Such yield is calculated in accordance with the ICMA (International Capital Markets Association) method and based on the issue price of the Notes. The ICMA method determines the effective interest rate of notes taking into account accrued interest on a daily basis.

Expenses

The total expenses related to the listing and to the admission to trading of the Notes are expected to amount to approximately EUR 10,000.

Listing and Admission to Trading

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit them to trading on the regulated market of the Luxembourg Stock Exchange.

Credit Ratings²¹

The Issuer has not been rated.

S&P has assigned a long-term credit rating of "BB" (stable outlook) to the Guarantor.

Moody's has assigned a long-term credit rating of "Ba2" (positive outlook) to the Guarantor.

The Notes are expected to be rated "BB" by S&P and "Ba2" by Moody's.

Each of these credit rating agencies has a registered domicile in the European Union, has been registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies (the "**Credit Rating Agencies Regulation**") and has been published by ESMA in the list of registered and certified CRAs in accordance with Article 18(3) of the Credit Rating Agencies Regulation.²²

Noteholders should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Documents on Display

So long as Notes are outstanding, copies of the following documents will be available from the registered office of the Issuer and from the specified offices of the Principal Paying Agent:

- (a) the articles of association of the Issuer;
- (b) the articles of association (*Satzung*) of the Guarantor;
- (c) a copy of this Prospectus and any supplement thereto; and
- (d) the documents incorporated herein by reference.

A copy of each Guarantee may be obtained free of charge at the specified office of the Principal Paying Agent.

This Prospectus, any supplement thereto as well as the documents incorporated by reference in this Prospectus are available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

²¹ Rating information is merely an aid for investors for the purposes of decision-making and cannot replace an individual judgment to be made by the investor and may not be taken as a recommendation to purchase or sell certain instruments. Ratings are merely intended as a support when making an investment decision and are only one of the factors relevant to an evaluation, which factor must be seen and weighted in the context of other factors. As ratings often are amended only after the creditworthiness of an issuer or guarantor has changed, investors have to make their own judgments although a rating may exist.

²² <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

INCORPORATION BY REFERENCE

ZF Group

The following documents of ZF Group are incorporated by reference into this Prospectus:

ZF North America Capital, Inc.

The English language audited opening statement of financial position of the Issuer prepared in accordance with IFRS as accounting framework as described in the basis of preparation in the annex to the opening statement of financial position as of February 11, 2015 to which the page numbers refer:

- Statement of financial position (p. 3);
- Annex to the opening statement of financial position (p. 4 – p. 5); and
- Independent auditor's report (*Prüfungsvermerk des Wirtschaftsprüfers*) (p. 1 – p. 2).

ZF Friedrichshafen AG

The English language translation from the German language audited IFRS consolidated financial statements of the Guarantor as of and for the fiscal year ended December 31, 2013 as contained in the Guarantor's annual report 2013 to which the page numbers refer:

- Consolidated statement of profit or loss (p. 74);
- Consolidated statement of comprehensive income (p. 75);
- Consolidated statement of financial position (p. 76 – p. 77);
- Consolidated statement of cash flows (p. 78 – p. 79);
- Consolidated statement of changes in equity (p. 80 – p. 81);
- Notes to the consolidated financial statements (p. 82 – p. 144); and
- Audit Opinion²³ (p. 145).

The English language translation from the German language audited IFRS consolidated financial statements of the Guarantor as of and for the fiscal year ended December 31, 2014 as contained in the Guarantor's annual report 2014 to which the page numbers refer:

- Consolidated statement of profit or loss (p. 84);
- Consolidated statement of comprehensive income (p. 85);
- Consolidated statement of financial position (p. 86 – p. 87);
- Consolidated statement of cash flows (p. 88 – p. 89);
- Consolidated statement of changes in equity (p. 90 – p. 91);
- Notes to the consolidated financial statements (p. 92 – p. 152); and
- Audit Opinion²⁹ (p. 153).

²³ The audit opinion is an English language translation of the German language audit opinion (*Bestätigungsvermerk*) which refers to the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of German commercial law pursuant to section 315a(1) of the German Commercial Code (*Handelsgesetzbuch*), as well as the respective group management report, prepared in accordance with German commercial law (*Handelsgesetzbuch*), of the Guarantor as a whole and not solely to the consolidated financial statements incorporated by reference into this Prospectus.

TRW Holding

The following consolidated financial information of TRW Holding incorporated by reference into this Prospectus have not been verified by us. Investors have to consider that U.S. GAAP differs in various respects from IFRS. For this reason, TRW Holding's consolidated financial statements prepared in accordance with U.S. GAAP are not necessarily comparable to, and could differ materially from, our consolidated financial statements prepared in accordance with IFRS. We have neither prepared a reconciliation of our consolidated financial statements to U.S. GAAP nor have we otherwise reviewed the impact the application of U.S. GAAP would have on our financial reporting. Hence, any aggregation of TRW Holding's and our accounts would not necessarily represent the actual results of operations and financial positions of a combined group.

The following documents of TRW Holding are incorporated by reference into this Prospectus:

The audited consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 2014 and the consolidated balance sheets as of December 31, 2014 and 2013 and the valuation and qualifying accounts for the years ended December 31, 2014, 2013 and 2012 of TRW Holding, prepared in accordance with U.S. GAAP, as contained in TRW Holding's 2014 Form 10-K to which the page numbers refer:

- Consolidated statements of earnings (p. 52);
- Consolidated statements of comprehensive earnings (p. 53);
- Consolidated balance sheets (p. 54);
- Consolidated statements of cash flows (p. 55);
- Consolidated statements of stockholders' equity (p. 56);
- Notes to consolidated financial statements (p. 57 – 101);
- Valuation and qualifying accounts for the years ended December 31, 2014, 2013 and 2012 (p. 107); and
- Reports of Ernst & Young LLP, independent registered public accounting firm (p. 102 – 103).

The information incorporated by reference that is not included in the above cross reference lists is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

As long as any Notes are listed on the official list of the Luxembourg Stock Exchange and are admitted to trading on the regulated market of the Luxembourg Stock Exchange and any applicable laws so require the documents incorporated by reference are available on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu/>) and may be inspected and are available free of charge during normal business hours at the office of the Guarantor, Graf-von-Soden-Platz 1, 88046 Friedrichshafen, Germany.

NAMES AND ADDRESSES

Issuer

ZF North America Capital, Inc.
15811 Centennial Drive
Northville, Michigan 48168
United States

Principal Paying Agent

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Germany

Guarantor

ZF Friedrichshafen AG
Graf-von-Soden-Platz 1
88046 Friedrichshafen
Germany

Listing Agent in Luxembourg

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2 Boulevard Konrad Adenauer
1115 Luxembourg
Luxembourg

Joint Lead Managers and Joint Bookrunners

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5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
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London NW1 6AA
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Germany

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United Kingdom

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Banco Santander, S.A.
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n
28660, Boadilla del Monte
Madrid
España

Bayerische Landesbank
Brienner Str. 18
80333 Munich
Germany

Citigroup Global Markets Limited
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Canary Wharf
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United Kingdom

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92920 Paris
La-Défense Cedex
France

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

J.P. Morgan Securities plc
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Canary Wharf
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United Kingdom

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70173 Stuttgart
Germany

Landesbank Hessen-Thüringen Girozentrale
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United Kingdom

Mitsubishi UFJ Securities International plc
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United Kingdom

Mizuho International plc
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United Kingdom

RBC Europe Limited
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United Kingdom

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SMBC Nikko Capital Markets Limited
One New Change
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United Kingdom

The Royal Bank of Scotland plc
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London EC2M 3UR
United Kingdom

UBS Limited
1 Finsbury Avenue
London, EC2M 2PP
United Kingdom

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

Auditors

To the Issuer and to the Guarantor

**Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft**
Mittlerer Pfad 15
70499 Stuttgart
Germany

Legal Advisors

To the Issuer and the Guarantor as to German law

Freshfields Bruckhaus Deringer LLP
Bockenheimer Anlage 44
60322 Frankfurt am Main
Germany

To the Joint Lead Managers as to German law

Allen & Overy LLP
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Bockenheimer Landstrasse 2
60306 Frankfurt am Main
Germany