ZF Europe Finance B.V.
(Amsterdam)

Annual Report

For the year ended December 31, 2022

Contents

Managing Directors' Report

ZF Europe Finance B.V. (hereinafter referred to as "the company") is a wholly-owned subsidiary of ZF Friedrichshafen AG, an automotive company incorporated under the laws of Germany, located at Löwentaler Straße 20, 88046 Friedrichshafen, Germany. The company is included in the latter's Consolidated Financial Statements. The company was founded in September 2018 and is seated in Amsterdam, the Netherlands.

ZF Europe Finance B.V. performs financing activities for the ZF Group on the capital market by issuing bonds guaranteed by its parent company. Currently, all bonds are issued on the Luxembourg Stock Exchange. The issue proceeds are internally transferred to ZF Friedrichshafen AG in the form of loans. All expenses arising in connection with issuing financing are passed on within the Group. Therefore, the company's business development and ability to cover claims becoming due from the bonds issued depend primarily on the economic success of ZF Friedrichshafen AG and its group companies.

ZF Europe Finance B.V. is integrated in the structure of ZF Group and is assigned to the Global Domain Functions of the Group. The company has one employee. Its Directors receive no remuneration from ZF Europe Finance B.V.. Since the second executive director has left in January 2023 the management board consists of one executive director and one non-executive director. The company receives support services from other group companies, such as activities in connection with issuing bonds and transferring these within the Group, the associated monitoring of risk profiles and day-to-day accounting.

The company has not issued any guarantees.

Major events of the year

The fiscal year 2022 has evolved as planned. The activities of ZF Europe Finance B.V. have remained unchanged throughout the period. No additional bonds have been issued.

Result of operations

During the year under review the company recorded a profit of € 1,428 k (2021: loss of € 1,368 k). As it is purely a financing company, the results of operations are characterized by interest expenses from the issuing of bonds on the Luxembourg Stock Exchange (€ 67,414 k; previous year: € 70,149 k) as well as the corresponding interest income from affiliated companies that is generated as part of the transfer to ZF Friedrichshafen AG (€ 67,411 k; previous year: € 70,149 k).
As expected, financial income is virtually sufficient for covering interest expenses on bonds. The gross margin is € 1,753 k (2021: € 1,750 k), which corresponds to management's expectations.

As in prior period, other income of € 1,755 k has been generated for remuneration of the financing activities undertaken by the company for ZF Group.

Administrative expenses include employee benefit expenses, consulting and audit fees as well charges from ZF Holdings B.V. for the remuneration of services and amount to € 313 k in total (2021: € 315 k). The number of staff has remained stable throughout the year with one employee.

The result before tax amounts to € 1,428 k (2021: € -1,256 k).

As expected fiscal year 2022 was closed with a positive net result for the year of € 1,428 k (2021: € -1,368 k).

Capital structure and financing

ZF Europe Finance B.V.'s equity consists of the subscribed capital (€ 100 k) and share premium (€ 3,000 k), both unchanged since its incorporation as well as an accumulated losses of € -147 k (2021: accumulated profit of € 1,221 k).

Long-term financial liabilities result from the bond issuances in 2019 and the corresponding long-term financial assets from their group-internal transfer of the proceeds to ZF Friedrichshafen AG (nominal value € 2,700,000 k and carrying value after allowance for expected credit losses as at December 31, 2022 of € 2,671,979 k (2021: € 2,664,991 k). They are denominated in Euro and carry fixed interest rates between 1.25% and 3.00% with maturities ranging between 2023 and 2029.

In accordance with ZF Europe Finance B.V.'s concept, the cashflow from operating and financing activities is nearly balanced (decrease of € -211 k). Cash in the form of balances at financial institutions amounts to € 3,635 k (2021: € 3,846 k) and slightly decreased by € 211 k, whereas financial receivables placed at the ZF Group inhouse bank increased by € 772 k to € 3,717 k.

In the year under review, the company was able to meet its payment obligations at any time.

Risk management

As an affiliate of ZF Group, risk management policies and internal controls including controls for mitigating fraud risk are in place at ZF Europe Finance B.V.. Its role is limited to financing activities for ZF Group by issuing bonds on the Luxembourg Stock Exchange, supported by ZF Friedrichshafen AG's guarantee as the parent company of the Group.

On a standalone-basis, the company is not exposed to any particular risk beyond the recoverability of ZF Europe Finance B.V.'s loans issued to ZF Friedrichshafen AG, which are used to service the debt from bonds issued by the company. As a consequence, ZF Europe Finance B.V. is indirectly affected by the risks to which ZF Friedrichshafen AG and its subsidiaries are exposed. ZF Group's financial risks are of particular importance to ZF Europe Finance B.V., which are managed as follows:

As part of central financial risk management, ZF Group monitors and controls liquidity, foreign currency, interest rate and counterparty risks as well as credit risks in order to safeguard the Group's financial stability. Guidelines and provisions regarding the individual risk types have been put in place which determine how to assess and manage the particular risk. Where required, ZF Group hedges financial risks, especially interest and currency risks using appropriate instruments. ZF Europe Finance B.V. itself is currently not significantly exposed to such risks as its bonds are denominated in EURO and bear fixed interest rates.

In order to reduce counterparty risks in the realm of finance, ZF Group only transacts with banks that have first-class financial stability and within centrally stipulated limits. The credit rating of suppliers and customers is continually checked in order to initiate measures to safeguard the supply chain or receivables where necessary.

The Directors of ZF Europe Finance B.V. are involved in the corporate financing and treasury activities of ZF Group, thus monitoring the company's exposure to any potential default risk related to loan receivables. The parent company has a strong history of credit worthiness. The Directors also regularly review objective, third-party rating reports issued by well-known rating agencies Standard & Poor's and Moody's. In March 2022, Standard & Poor's had revised their ratings upwards to BB+ with a stable outlook. In September 2022, Moody's had revised the rating upwards in from Ba1 negative outlook to Ba1 with a stable outlook.

Future outlook

As one of the financing companies of the ZF Group, the future development of ZF Europe Finance B.V. is driven by the economic development of the Group, its investment activities and the maturities of existing bonds. In addition, the issuing of further bonds depends on the development of the financial markets, particularly given the current geopolitical and overall economic situation and the associated risk of worsening interest terms.

Advancing technological change towards e-mobility and automated driving is the most important task for ZF Group in the near future. In addition to this technological transformation, the automotive industry is going through a period of unprecedented upheaval. The market is affected by consecutive crisis events impeding sustainable recovery of the sector. The aftermath of the Corona-pandemic, semiconductor shortages and interrupted supply chains have been affecting the automotive sector for three years now. The war between Russia and Ukraine and related sanctions have enormous political, social and economic consequences which not only impact ZF Group's production, but also its financing activities. Rising inflation and interest rates, especially due to countermeasures by central banks in the Eurozone and the Unites States of America will lead to higher financing costs for ZF Group in general. Due to the already issued bonds carrying fixed interest rates and the corresponding Group-internal transfer to ZF Friedrichshafen AG at identical terms, interest expenses and the associated interest income are expected to remain at the same level in 2023 as in 2022.

Subject to the further financing activities of the Group, new bonds might be issued in 2023, leading to an increase of financing liabilities and corresponding Group-internal loans. Interest expense and interest income would increase, though still remain balanced in aggregate. Operating income would increase along with the growth of funds raised at the financial markets. Overall, the result before tax would decline to a negative level driven by an adjustment to expected credit loss on loans issued to Group-companies.

In October 2023, a principal amount of € 500,000 k becomes due to bond holders. It will be fully covered by proceeds due from ZF Friedrichshafen AG on the loan receivable.

The financing requirements derived from this will have a significant influence on the business development of ZF Europe Finance B.V. in 2023.

Beyond that, the Directors of ZF Europe Finance B.V. do not foresee any changes in the activities of the company nor intend to undertake any changes in its structure, as well as the services provided by staff of the Group to run its day-to-day activities.

Approved by the Company's Board of Directors, Amsterdam, April 14th, 2023.

(Signature page 1/2)

____

R.G. Lang
Director A

Approved by the Company's Board of Directors, Amsterdam, April 14th 2023.

(Signature page 2/2)

____
M. Messerschmidt
Director B

STATEMENT OF COMPREHENSIVE INCOME

ZF Europe Finance B.V. for the year ended on December 31, 2022

in €	**Notes**	**2022**	**2021**
Financial income	(1)	67,411,406	70,149,231
Financial expense	(2)	(67,413,805)	(70,153,895)
Other income	(3)	1,755,000	1,755,000
Gross margin		**1,752,601**	**1,750,336**
Administration expenses	(4)	(312,674)	(315,307)
Other operating expenses		(5,000)	0
Adjustment on Expected Credit Loss	(6)	(7,147)	(2,690,996)
Result before tax		**1,427,780**	**(1,255,967)**
Income tax expense	(5)	0	(112,484)
Result after tax		**1,427,780**	**(1,368,451)**
Total comprehensive income for the year		**1,427,780**	**(1,368,451)**
Attributable to:			
Equity holder		**1,427,780**	**(1,368,451)**

STATEMENT OF FINANCIAL POSITION BEFORE APPROPRIATION OF THE RESULT

ZF Europe Finance B.V. as at December 31, 2022

in €	Notes	Dec. 31, 2022	Dec. 31, 2021
Assets			
Current assets			
Cash and cash equivalents	(7)	3,635,164	3,845,574
Financial receivables from affiliated companies	(6)	501,703,881	2,945,426
Interest receivable from affiliated companies	(8)	23,465,552	23,313,650
Other assets		16,903	15
Income tax receivable		0	149,867
		528,821,500	**30,254,532**
Non-current assets			
Financial assets from affiliated companies	(6)	2,173,991,862	2,664,991,327
Other assets		0	16,571
		2,173,991,862	**2,665,007,898**
Assets		**2,702,813,362**	**2,695,262,430**

in €	Notes	Dec. 31, 2022	Dec. 31, 2021
Liabilities and equity			
Current liabilities			
Financial liabilities	(10)	498,485,708	791,567
Other liabilities to affiliated companies		90,699	400,602
Interest payable	(9)	23,489,041	23,336,986
Other liabilities		199,182	121,367
		522,264,630	**24,650,522**
Non-current liabilities			
Financial liabilities	(10)	2,176,168,030	2,667,658,986
		2,176,168,030	**2,667,658,986**
Equity			
Subscribed capital		100,000	100,000
Share premium		3,000,000	3,000,000
Accumulated profit/(loss)		-147,078	1,221,373
Result for the year		1,427,780	-1,368,451
		4,380,702	**2,952,922**
Equity & Liabilities		**2,702,813,362**	**2,695,262,430**

STATEMENT OF CHANGES IN EQUITY

ZF Europe Finance B.V. as at December 31, 2022

in €	Subscribed capital	Share premium	Accumulated profit /-loss	Comprehensive income of the period	Total equity
December 31, 2020 / January 1, 2021*	**100**	**3,000,000**	**173,15**	**1,048,223**	**4,321,373**
Appropriation of result			1,048,223	-1,048,223	
Total comprehensive income of the year				-1,368,451	
thereof result of the year				-1,368,451	
December 31, 2021 / January 1,	**100**	**3,000,000**	**1,221,373**	**-1,368,451**	**2,952,922**
Appropriation of result			-1,368,451	1,368,451	
Total comprehensive income of the year				1,427,780	
thereof result of the year				1,427,780	
December 31, 2022	**100**	**3,000,000**	**-147,078**	**1,427,780**	**4,380,702**

* unaudited

All elements of equity are attributable to the parent only.

STATEMENT OF CASH FLOWS

ZF Europe Finance B.V. for the year ended on December 31, 2022

in €	Notes	2022	2021
Result before tax		**1,427,780**	**-1,255,967**
Increase (-) / decrease (+) in current financial assets	(6)	-498,910,357	-2,586,753
Increase (-) / decrease (+) in current assets		-17,437	331,945
Increase (-) / decrease (+) in non-current financial assets	(6)	490,999,465	-2,643,960
Increase (-) / decrease (+) in non-current assets		16,571	-16,572
Increase (+) / decrease (-) in current liabilities		-232,088	226,520
Increase (+) / decrease (-) in current financial liabilities	(10)	497,846,196	449,451
Increase (+) / decrease (-) in non-current financial liabilities	(10)	-491,490,956	5,311,618
Taxes paid		150,416	-631,442
Cash flow from operating activities		**-210,410**	**-815,160**
Cash flow from investing activities		**0**	**0**
Cash flow from financing activities		**0**	**0**
Net change in cash		**-210,410**	**-815,160**
Cash position at the beginning of the fiscal year		3,845,574	4,660,734
Cash as of the closing date	(7)	3,635,164	3,845,574
		-210,410	**-815,160**
Supplementary disclosure of operating cash flow information			
Interest paid	(7)	60,250,000	60,250,000
Interest received	(7)	60,250,000	60,250,000

Further details on cashflows are provided in note (7) Cash and cash equivalents

Notes to the financial statements

1. General information

ZF Europe Finance B.V. (the "Company") is a company domiciled in the Netherlands. The address of its registered office is Nieuwe Herengracht 51, 1011 RN Amsterdam, the Netherlands. The Company is listed under number 72569263 at the Trade Register of the Chamber of Commerce.

The principal activities of the Company are financing activities and also to provide various financing services to the ZF Group companies.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRSs") and with Title 9 Book 2 of the Netherlands Civil Code.

The Company was incorporated on September 12, 2018 in the Netherlands and the sole shareholder is ZF Friedrichshafen AG. Copies of its statutory and consolidated accounts can be obtained at Löwentaler Strasse 20, 88046 Friedrichshafen, Germany and are also published in the German companies' register (www.unternehmensregister.de).

The share capital of the Company consists of 100,000 shares with a par value of € 1. On September 12, 2018 the Company issued 100,000 new shares to its parent undertaking ZF Friedrichshafen AG each share having a nominal value of € 1. As a result, the issued and paid-up share capital of the Company consists of 100,000 shares with a par value of € 1 each.

The financial statements were authorized for issue by the Board of Directors on April 14th,2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has no subsidiary, joint venture or associated company investments and is therefore not required to prepare consolidated financial statements.

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and also in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code.

If not stated explicitly, these Financial Statements have been prepared under the historical cost convention.

The Company's Financial Statement are presented in Euro, which is the Company's functional and reporting currency.

Changes in accounting policy and disclosures required by changes in IFRS

In fiscal year 2022, the following amended standards were applied for the first time:

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

None of the new standards amendments and interpretations issued effective for the financial year starting January, 1 2022 have a material effect in the Company.

New standards, amendments and interpretations to existing IFRS standards have been published that only need to be applied to accounting periods beginning or after 1 January 2023. As far as these standards, amendments and interpretations are applicable to the company, they are expected to have no material effect on the valuations and classification of assets and liabilities. The company has decided not to opt for early adoption.

Financial assets

In general, the classification of current and non-current financial assets in accordance with IFRS 9 is based on the following three measurement categories:

1. at amortized cost (AC)
2. at fair value through other comprehensive income (FVtOCI)
3. at fair value through profit or loss (FVtPL)

The classification into the relevant measurement category is determined by the business model based on the management of the respective financial asset and by the contractual cash flow characteristics of the financial asset.

The Company intends to hold its financial instruments to maturity and to collect cash flows solely from payments of principal and interest. The financial assets are therefore classified as "hold to collect" under IFRS 9 and are measured at amortized cost (AC). The initial measurement is based on fair value including transaction costs, while subsequent measurement is based on amortized cost. All financial instruments held by ZF Europe Finance B.V. fall into the first category above and are accounted for at amortized cost.

As a rule, financial assets are recognized as at the settlement date.

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

Impairments due to potential credit risks for financial assets measured at amortized cost follow the expected credit loss concept as provided by IFRS 9. Details are outlined in note 6.

Depending on the maturity of the contract, less than 12 months or more than 12 months, the asset is classified as current or non-current respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits available any time and short-term overnight money. Cash and cash equivalents are measured at amortized cost.

The cash flow statement has been drawn up in accordance with the indirect method, making a distinction between cash flows from operating, investing and financing activities. Cash flows related to interest payments are presented as cash outflows from operating activities, as well as interest receipts and tax payments are classified as cash flows from operating activities.

Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred and subsequently at amortized cost. Recognition and de-recognition is on a settlement basis.

Depending on the maturity of the contract, less than 12 months or more than 12 months, the liability is classified as current or non-current respectively.

Income taxes

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

Recognition of interest income and interest expenses

Interest income or expense is recognised using the effective interest rate method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate is calculated taking into account transaction cost, fees and costs that are an integral part and any discount or premium on the acquisition of a financial asset. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Going concern

These financial statements are prepared on a going concern basis and in accordance with IFRS as adopted by the European Union and with Title 9 Book 2 of the Netherlands Civil Code. In determining the going concern basis, the Directors have considered the role of ZF Europe Finance B.V. as a financing company of ZF Group, the related interdependencies as well as the current geopolitical and overall economic situation. The company has issued bonds on the financial market in Luxembourg, which have been passed on to its parent ZF Friedrichshafen AG at the exact same conditions. Therefore, principal payments and interest on bonds issued due to third parties are covered by corresponding payments and interest income from ZF Friedrichshafen AG. Moreover, the company generates income from an agency agreement with its parent company. As at December 31, 2022, the company has sufficient cash and cash equivalents on hand to meet its obligations. Further liquidity could be obtained through the credit facilities available at ZF inhouse bank. Current assets exceed current liabilities by € 6,557 k.

Judgments and uncertainties in connection with estimates

The preparation of Financial Statements in conformity with EU-IFRS requires management to make use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the reported amount of income and expenses during the reported period.

Loan Receivables: The material judgements in respect of financial assets include the risks associated with the recoverability over loan receivables. Group-internal information, existing guarantees as well as external rating reports are used to assess default probabilities and determining the related expected credit loss allowances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management’s best knowledge of the amount, event or action, actual results may differ from those estimates.

Capital management

The company’s capital consists of subscribed capital (€ 100 k) and share premium (€ 3,000 k). It has raised further capital on the financial market by issuing bonds. The capital is lent to its parent company ZF Friedrichshafen AG for investment purposes.

In accordance with ZF Europe Finance B.V.’s concept, the loans granted to its parent are at the exactly same terms and conditions as the external bond liabilities.

Non-compliance regarding filing of prior year financial statements

For the fiscal period 2021, the financial statements have not been prepared and published within the delays as required by Article 2:394 of the Dutch Civil Code.

3. Notes to the Financial Statements

(1) Financial income	2022	2021
Interest income on loan to affiliated company	67,401,057	70,149,231
Interest on InHouse Bank balance	9,800	0
Interest income on tax payments	549	0
	67,411,406	70,149,231

Interest income on loans is based on the effective interest rate method including the amortization of transaction costs. Interest income on loans to ZF Friedrichshafen AG exactly match interest expenses on third party bonds.

(2) Financial expense	2022	2021
Interest expense on bonds	67,403,057	70,149,231
Interest expense on tax payments	0	4,664
Interest expense from banks	10,748	0
	67,413,805	70,153,895

Interest expense on bonds is based on the effective interest rate method including the amortization of transaction costs.

(3) Other income

Other income includes remuneration for providing financing activities to ZF Group.

(4) Administration expense	2022	2021
Wages and salaries	99,942	95,757
Social contributions	9,320	9,478
Pension expenses	5,323	3,240
Other expenses	120,032	121,801
Intercompany Charges	78,057	85,030
	312,674	**315,307**

Other expenses contain amongst others audit fees and other consulting services. Intercompany Charges include corporate services provided by other entities of the ZF Group.

(5) Income tax expense	**2022**	**2021**
Corporate income tax (income)/expense	0	112,484
	0	112,484

The reconciliation of the expected tax expense to the actual tax expense is as follows:

	2022	**2021**
Expected income tax expense	**325,707**	**-338,492**
Increase/decrease of income taxes due to		
Derecognition of deferred taxes	1,844	672,749
Fiscal unity (profit transfer)	-327,552	-221,773
Reported income tax expense	**0**	**112,484**

The movement of deferred tax assets is as follows:

	2022	**2021**
Deferred tax balance as at Jan. 1 (asset)	0,00	0,00
Deferred tax from expected credit loss	1,844	672,749
Derecognition of deferred tax asset	-1,844	-672,749
Deferred tax balance as at Dec 31	**0,00**	**0,00**

ZF Europe Finance B.V. is in a fiscal unity with ZF Holdings B.V.
The tax group leader, ZF Holdings B.V., covers all tax positions (current and deferred taxes) of the fiscal unity.

(6) Financial assets

The Company lends fixed rate loans to the sole shareholder ZF Friedrichshafen AG. The loans started on October 23, 2019 and the interest rates are fixed between 1,25% and 3,0% per annum. All loans are denominated in €.

The following loans have been granted:

- € 500M loan started on October 23, 2019 and will end on October 23, 2023 and bears interest at a rate of 1,250% per annum.
- € 600M loan started on October 23, 2019 and will end on October 23, 2027 and bears interest at a rate of 2,500% per annum.
- € 700M loan started on October 23, 2019 and will end on October 23, 2029 and bears interest at a rate of 3,000% per annum.
- € 900M loan started on October 23, 2019 and will end on February 23, 2026 and bears interest at a rate of 2,000% per annum.

Please see note (11) for further details on credit risk management.

The expected credit loss is calculated for all outstanding current and non-current loan receivables. The calculated expected credit loss is in the table below.

	Dec 31, 2022			Dec 31, 2021	
	Loan (non-current)	**Loan (current)**	**Accrued interest (current)**	**Loan (non-current)**	**Accrued interest (current)**
Gross balance	2,176,168,030	498,485,708	23,489,041	2,667,658,985	23,336,984
Expected credit loss	2,176,168	498,486	23,489	2,667,659	23,337
Net balance	**2,173,991,862**	**497,987,222**	**23,465,552**	**2,664,991,326**	**23,313,650**

The difference between the financial receivables from affiliated companies (€ 501,704 k) as stated on the Statement of financial position and the net balance of the current loan receivables (€ 497,987 k) is related to the ZF Group inhouse bank (€ € 3,717 k). Please see note (7) for further details.

The table below discloses a reconciliation of the loss allowance from the opening balance to the closing balance.

	amount in €
Closing Balance 2020/Opening Balance 2021	**0**
Adjustment on Expected Credit Loss	2,690,996
Closing Balance 2021/Opening Balance 2022	**2,690,996**
Adjustment on Expected Credit Loss	7,147
Closing Balance 2022/Opening Balance 2023	**2,698,143**

Adjustments include only the remeasurement of the Expected Credit Loss. No write-offs or any other adjustments have been incurred in any of the periods.

(7) Cash and cash equivalents

Cash and cash equivalents include Euro-cash balances held at bank. There are no restrictions on these cash balances.

ZF Europe Finance B.V. mainly generates cash from interest on loans granted to its parent ZF Friedrichshafen AG (€60,250,000; 2021: €60,250,000), which is used for paying interest to third-party bond holders (€ 60,250,000; 2021: €60,250,000).

In addition to cash available at bank, the company has a deposit at the ZF Group inhouse bank amounting to € 3,716,659 as at December, 2022 and presented as current financial receivable from affiliated companies (2021: € 2,945,426 €).

(8) Interest receivable from affiliated companies	Dec 31, 2022	Dec 31, 2021
Interest on loan to affiliated company	23,489,041	23,336,986
Expected credit loss	-23,489	-23,336
	23,465,552	**23,313,650**

(9) Interest payable	Dec 31, 2022	Dec 31, 2021
Interest on issued bonds	23,489,041	23,336,986
	23,489,041	**23,336,986**

(10) Financial liabilities

The Company's principal financial liabilities are from bonds issued on October 23rd, 2019

	Dec 31, 2022		Dec 31, 2021	
	Bond (non-current)	**Bond and accrued interest** (current)	**Bond** (non-current)	**Accrued interest** (current)
Liability	2,176,168,030	521,974,749	2,667,658,985	23,336,987

The following bonds have been granted:

- € 500M bond started on October 23, 2019 and will end on October 23, 2023 and bears interest at a rate of 1,250% per annum.
- € 600M bond started on October 23, 2019 and will end on October 23, 2027 and bears interest at a rate of 2,500% per annum.
- € 700M bond started on October 23, 2019 and will end on October 23, 2029 and bears interest at a rate of 3,000% per annum.
- € 900M bond started on October 23, 2019 and will end on February 23, 2026 and bears interest at a rate of 2,000% per annum.

The bond issuances have been guaranteed by the parent company ZF Friedrichshafen AG.

(11) Disclosures on financial instruments

Carrying of the financial instruments

The following table shows the carrying amounts and the fair values of the financial assets and liabilities recognized at amortized cost.

Due to short maturities, the carrying amounts of the current financial instruments recognized at cost approximate the fair values

In the following, the financial instruments are allocated to the three levels of the fair value hierarchy based on the input parameters used for measurement. The classification as well as the need to perform reclassifications is reviewed on the reporting date. Level 1 covers those financial instruments for which prices for identical assets and liabilities quoted on active markets are available. Allocation to level 2 occurs if input parameters are used for the measurement of financial instruments that are directly (e.g. prices) or indirectly (e.g. derived from prices) observable on the market. Inputs for the assets or liabilities in level 3 are not based on observable market data.

	Dec 31, 2022		Dec 31, 2021	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Loan financial receivables from affiliated companies	2,695,444,636	2,434,574,555	2,688,304,977	2,823,923,892
Liabilites				
Liabilites related to bonds	2,698,142,779	2,298,946,000	2,690,995,972	2,747,294,000

Loan financial receivables from afiliated companies include interest receivable from affiliated companies (carrying value of 2022: € 23,465,552; 2021: € 23,313,650) and financial assets from affiliated companies (carrying value of 2022: € 2,671,979,084; 2021: € 2,664,991,327).
Liabilites related to bonds include interest payable (carrying value of 2022: € 23,489,041; 2021: € 23,336,987) and financial liabilities (carrying value of 2022: € 2,674,453,738; 2021: € 2,667,658,985).

The following table shows the allocation of the fair values of the financial instruments recognized at amortized cost to the three levels of the fair value hierarchy, for those instruments for which the carrying value does not reasonably equal fair value.

	Dec 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loan financial receivables from affiliated companies	0	2,434,574,555	0	**2,434,574,555**
Financial liabilities				
Liabilities related to bonds	2,298,946,000	0	0	**2,298,946,000**

	Dec 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loan financial receivables from affiliated companies	0	2,823,923,892	0	**2,823,923,892**
Financial liabilities				
Liabilities related to bonds	2,747,294,000	0	0	**2,747,294,000**

Except for bonds, the market values of assets and liabilities were calculated using the net present value method. Here, the future cash flows used to determine fair value do not require any judgement as they are contractually fixed. Discount rates however are input parameters requiring judgement. The company has used observable market data considering identical currency, maturities and ratings (EUR Europe Industrial BB+ BVAL Yield Curve) for determining appropriate discount rates.

The fair value of bonds reflect their prices observable on the financial market on December 31, 2021 and December 31, 2022 respectively.
The fair value of bonds is from an active market.

Risks from financial instruments

The Company's principal activities are the lending of funds to the sole shareholder ZF Friedrichshafen AG and acting as a financing vehicle for third party debts. This role exposes to a credit and liquidity risk.

Interest rate risk

The Company's loan receivables and payables are all fixed interest rates bearing, consequently the Company doesn't run any risk that its receivables and payables will decrease and, respectively, increase in value.

Credit risk

The Company's credit risk relates to financial receivables from its parent ZF Friedrichshafen AG. The risk management processes are specified to address these circumstances. Credit risk is managed using all information from publicly available financial statements and other investor information published by ZF Friedrichshafen AG, as well as credit ratings from Standard & Poor's and Moody's. In its role as a financing company of ZF Group, ZF Europe Finance B.V. has insight into the financial performance and planning data of its parent and affiliates at any time. Cashflow forecasts are regularly reviewed to manage credit and liquidity risks. In addition, the company closely monitors outstanding debtor balances ensuring that contractual payments are received when falling due.

In order to reduce counterparty risks for cash and cash equivalents, ZF Europe Finance B.V. only transacts with banks that have first-class financial stability and within centrally stipulated limits. Cash and cash equivalents are normally not reviewed in more detail as to a potentially existing credit risk.

Management of the Company has developed an impairment model for financial assets in accordance with IFRS 9. Financial instruments measured at amortized cost mainly comprise non-current and current receivables. The recognition of allowances for creditworthiness on these receivables is based on the general model for the recognition of expected credit loss. This results in an earlier recognition of losses since not only incurred losses are taken into account, but also losses expected for the future. For this purpose, ZF Europe Finance B.V. applies a rating-based model to determine loss rates of financial receivables. This involves the classification of debtors into four categories – low risk, medium risk, high risk and in default. This risk classification is based on credit metrics provided by rating agencies such as Standard & Poor's and Moody's. Changes in the debtor's creditworthiness are recorded within the framework of a regular monitoring process. The basis for the calculation of the general credit-based loss allowances are the respective gross receivables, less credit-based specific loss allowances and the expected probability of default.

The policy is applied by ZF Europe Finance B.V. for each debtor balance separately. IFRS 9 requires the preparer of the IFRS financial statements to recognize a loss allowance amount equal to 12-month credit losses that had not seen a significant increase in credit risk (stage 2 and 3). In the absence of the following, there is no significant increase in credit risk:

- a downgrading by rating agencies of at least two notches has occurred, and
- the respective outstanding balance from the debtor has become overdue by more than 30 days.

In the absence of an increase in credit risk of ZF Friedrichshafen AG during the year 2022, stage 1-measurement applies to ZF Europe Finance B.V.'s credit risk exposure for any outstanding (loan) receivable from its parent. When measuring Expected Credit Loss the 1 – year default probability of ZF Friedrichshafen AG is determined by applying the model as described above which uses the input of the external ratings by the agencies Standard & Poor's (BB+ stable outlook) as well as Moody's (Ba1 stable outlook), which have remained unchanged throughout the year 2022. Throughout the term of the loans granted to ZF Friedrichshafen AG, there has never been any delay or shortfall in interest or other payments due to ZF Europe Finance B.V. In its entire history of using capital markets no event of default of ZF Friedrichshafen AG and its affiliates has occurred, even during Covid-19-pandemic in 2020 and 2021 all payment obligations have been met. There are no overdue outstanding balances.

Based on all factors above, no increase in credit risk has been observed and stage 1-measurement applies to ZF Europe Finance B.V.'s credit risk exposure for any outstanding (loan) receivable from its parent. All loan receivables are not overdue and no shortfall or impairment has been observed or recognized. Loan interest is accrued and paid annually. Loan principals are payable at maturity.

The maximum exposure to credit risk from financial instruments at the reporting date is as follows:

	Dec 31, 2022	**Dec 31, 2021**
Current assets		
Cash and cash equivalents	3,635,164	3,845,574
Financial receivables from affiliated companies	502,202,367	2,945,426
Interest receivable from affiliated companies	23,489,041	23,336,987
Non-current assets		
Financial receivables from affiliated companies	2,176,168,030	2,667,658,986

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet payment obligations associated with its financial liabilities when they fall due. The Company regularly forecasts short and medium-term funding requirements incorporating information from other related companies and ensures that there is an appropriate level of liquid resources to cover any unforeseen cash requirements. The bond agreement as well as the interest payments are mirrored in intercompany loan agreements to ZF Friedrichshafen AG.

The following table lists the maturity structure of principal and interest payments for the financial assets and liabilities which are undiscounted contractual cash flows:

December 31, 2022	**Carrying value**		**Cash Outflow**	
	Total	**2023**	**2024 to 2028**	**2029 and beyond**
Interest payable	23,489,041	23,489,041	0	0
Current Financial Liabilities	500,000,000	506,250,000		
Non-current Financial Liabilities	2,176,168,030	30,510,969	1,719,000,000	721,000,000
Other liabilities to affiliated companies	90,699	90,699		

December 31, 2021			**Cash Outflow**	
	Total	**2022**	**2023 to 2027**	**2028 and beyond**
Interest payable	23,336,986	23,336,986	0	0
Non-current Financial Liabilities	2,667,658,986	36,913,014	2,258,250,000	742,000,000
Other liabilities to affiliated companies	400,602	400,602		
Financial liabilities to afifliated companies	791,567	791,567		

(12) Related party transactions

Parent and ultimate controlling party

The Company's ultimate undertaking and controlling party is ZF Friedrichshafen AG, incorporated in Friedrichshafen in Germany which will continue in this capacity for the foreseeable future. Copies of its consolidated accounts can be obtained at Löwentaler Strasse 20, 88046 Friedrichshafen, Germany and are also published in the German companies' register (www.unternehmensregister.de).

Transactions with parent company

Loans

The company received € 60,250,000 (2021: € 60,250,000) from interests and € 1,755,000 (2021: € 1,755,000 from agency fee from parent company. The amount relating to interests that remained unpaid at year-end was a receivable of € 23,489,041 (2021: a receivable of € 23,336,986). Balance at the ZF Group inhouse-bank amounts to a receivable of € 3,716,659 (2021: a receivable of € 2,945,426). The outstanding amount relating to short-term loan was a receivable of € 498,485,708. The outstanding amount relating to long-term loan at year-end was a receivable € 2,176,168,030 (2021: a receivable of 2,667,658,986). Balances above exclude allowances for expected credit loss. Refer to note 6 for the amount of allowance for expected credit loss.

Others

The company spent € 4,110 (2021: € 2,848) to parent company for received services.

Transactions with fellow subsidiaries

The Company entered into various transactions with affiliated companies of its parent ZF Friedrichshafen AG.

The company spent € 73,946 (2021: € 85,030) to other companies within ZF Group for received services including services by management. The outstanding amount of other liabilities to fellow subsidiaries at year end was € 1,224 (2021: € 400,602).

Transactions with directors

There were no transactions with directors.

(13) Personnel

The average number of employees for the financial year, converted into full-time equivalents, was 1 (2021: 1). All staff are employed in the Netherlands.

(14) Audit Committee

The supervisory board of ZF Group has an audit committee in place, that is in charge of overseeing financial reporting, risk management and internal controls over financial reporting. Being a fully-consolidated affiliate of ZF Group, ZF Europe Finance B.V. makes use of available exemptions and has not implemented an audit committee on a standalone basis.

(15) Appointed auditor fees

Administration expenses include fees due to the Company's independent auditors Ernst & Young Accountants LLP for the statutory audit amounting to € 88,000 (2021: € 80,000).

(16) Appropriation of result

The Directors propose to accumulate the profit of the current year to retained earnings.

(17) Events after the reporting period

The macroeconomic influences occurred since the end of the reporting period, especially related to the Russia-Ukraine conflict, have an impact on ZF Group as a whole.

Overall, the automotive market is affected by consecutive crisis events impeding sustainable recovery of the automotive sector. The aftermath of the Corona-pandemic, semiconductor shortages and interrupted supply chains have been affecting the automotive sector for three years now. The war between Russia and Ukraine and related sanctions have enormous political, social and economic consequences which not only impact ZF Group’s production, but also its financing activities. Rising inflation and interest rates, especially due to countermeasures by central banks in the Eurozone and the Unites States of America will lead to higher financing costs for ZF Group in general.

On January 17th, 2023 Nuno Domingues resigned from the position as Director of the Company.

Other information

Provisions of the Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are set out in Article 11 of the Articles of Association. The General Meeting allocates the profits determined by the adoption of the annual accounts, determines how a shortfall will be accounted for, and declares interim distributions from the profits or reserves. A resolution to distribute profits or reserves is subject to the board's approval. If at the time when the profits are allocated, no resolution is adopted on the distribution or addition to the reserves of these profits, the profits will be added to the reserves.

Independent auditor's report

To: the shareholder and the board of directors of ZF Europe Finance B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of ZF Europe Finance B.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ZF Europe Finance B.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2022
- The following statements for 2022: the statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of ZF Europe Finance B.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business
ZF Europe Finance B.V. is incorporated as a wholly-owned subsidiary of ZF Friedrichshafen AG (the parent), to assist the parent in raising funds through issuance of notes, and on-lending such funds to ZF Friedrichshafen AG and its subsidiaries (the group). Notes issued by the company are guaranteed by the parent. The group is a global technology company in the design, manufacturing and sale of driveline and chassis technology as well as active and passive safety technology for the automotive industry and certain industrial sectors automotive industry (supply market). The main income of the company is the interest income on loans to the parent and a remuneration for providing financing activities to the group. Interest rate and liquidity risks of notes issued are offset by the loans to the parent having identical terms and conditions. The company is dependent upon administrative and management services provided by the parent and the group.
We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€20 million (2021: € 20 million)
Benchmark applied	0,5 % (rounded) of total assets as at 31 December 2022
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information

	needs of users of the financial statements. We considered that total assets reflects the source of income and repayments to the holders of the notes issued by the company. The way in which we determined the materiality is consistent with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists
We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed finance company. We included specialists in the areas of transfer pricing and income tax.

Our focus on fraud and non-compliance with laws and regulations
Our responsibility
Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks
We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control, as well as the outcomes. We refer to section risk management of the Managing Director's report for the board of directors' risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the Code of Conduct. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in "Judgments and uncertainties in connection with estimates" in Note 2 to the financial statements. We have also performed procedures to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. We particularly evaluated whether transactions with related parties were accounted for at-arm's-length and in accordance with transfer pricing documentation and contractual agreements.
In our audit approach we considered the board of directors' incentive to overvalue loans to affiliated companies in order to increase the reported financial assets. We describe our audit procedures responsive to this fraud risk in the description of our audit approach for the key audit matter 'Valuation of the (long) term loan receivables'.

We did not identify a risk of fraud in revenue recognition.

We considered available information and made enquiries of relevant executives of the group, the auditor of the group and the company's board of directors.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, enquiries with the auditor of the group, reading minutes, and performing substantive tests of details of classes of transactions, account balances or disclosures. Reference is made to "Non-compliance regarding auditing and filing of prior year financial statements" in note 2 to the financial statements.

We inspected correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in section 'Going concern' in Note 2 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional scepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial position of the group in cooperation with the auditor of the group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matter did not change

Valuation of the (long) term loan receivables	
Risk	The company is exposed to the risk that the parent, ZF Friedrichshafen AG, defaults on meeting its obligations, as disclosed section "Credit risk" in Note 11 to the financial statements. Currently the external ratings by the agencies are as follows. Standard & Poor's: BB+ stable outlook and Moody's: Ba1 stable outlook, which have remained unchanged throughout the year 2022. Loan receivables (financial assets) from affiliated companies represent the most significant proportion of the company's assets. In addition, expected credit losses may have a material impact on the financial statements and, when such losses

	materialize, the available cash flows to fulfill obligations towards holders of the notes issued by the company (financial liabilities). Estimating expected credit losses is a key area of judgment for the board of directors. The use of different assumptions could produce significantly different estimates of expected credit losses and we considered the potential fraud risks related to the valuation of loans to related companies. As such we consider the valuation of the loan receivables from affiliated companies as a key audit matter. We refer to Note 2 " Summary of significant accounting policies " to the financial statements where the board of directors has disclosed the policies and procedures for loans issued to affiliated companies and Note 6 ''Financial assets'' for the impairment model for financial assets.
Our audit approach	Our audit procedures included, among others, evaluating the appropriateness of accounting policies applied related to recognition of loans receivables from affiliated companies and an loss allowance for expected credit losses in accordance with IFRS 9 'Financial Instruments'. We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We obtained an understanding of controls related to recognition of loans receivables from affiliated companies and the recognition of a loss allowance for expected credit losses. We have applied mainly substantive audit procedures, including, amongst others: • Inspecting (long) term loan receivables documentation and independently confirming the outstanding balances with the parent. • Obtaining an understanding of the expected credit loss model and verifying that the board of directors appropriately measured the loss allowance at an amount equal to 12-month expected credit losses, instead of the lifetime expected credit losses. • Evaluating key judgments and estimates made by the board of directors to calculate the expected credit loss and independently reconciling the input based on external credit ratings to the public information released by these credit rating agencies. • We tested mathematical accuracy of the allowance for expected credit losses calculations and, using independent EY statistics, we challenged key assumptions in the model, i.e. the probability of default and loss given default rates. We also performed sensitivity analyses on these key assumptions and have taken into consideration events subsequent to 31 December 2022. • Inspecting the fair valuation of notes issued by the company and guaranteed by the parent to identify potential any increased credit risk. Finally, we evaluated the related disclosures in the financial statements in accordance with IFRS 7 'Financial instruments disclosures'.
Key observations	Based on our procedures performed, we did not identify evidence of material misstatement in the valuation of loans receivables from affiliated companies.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of directors as statutory auditor of ZF Europe Finance B.V. on 7 September 2021 as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the shareholder either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the supervisory board of the parent in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 14 April 2023

Ernst & Young Accountants LLP

Signed by P. Sira