

**Supplement No. 2 dated January 25, 2023
to the Base Prospectus dated April 28, 2022**

*Supplement No. 2 (the **Supplement**) pursuant to article 23(1) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, as amended (the **Prospectus Regulation**) to (i) the base prospectus of ZF Friedrichshafen AG, Friedrichshafen, Federal Republic of Germany in respect of non-equity securities within the meaning of article 2(c) of the Prospectus Regulation (**Non-Equity Securities**) and (ii) the base prospectus of ZF Finance GmbH, Friedrichshafen, Federal Republic of Germany in respect of Non-Equity Securities, dated April 28, 2022 as supplemented by the supplement dated September 30, 2022 (the **Supplement No. 1**) and this Supplement No. 2 (together, the **Prospectus**).*



ZF Friedrichshafen AG
(Friedrichshafen, Federal Republic of Germany)
as Issuer
and, in respect of Notes issued by
ZF Finance GmbH,
as Guarantor

ZF Finance GmbH
(Friedrichshafen, Federal Republic of Germany)
as Issuer

EUR 7,500,000,000

Debt Issuance Programme
(the *Programme*)

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**) of the Grand Duchy of Luxembourg in its capacity as competent authority under the Prospectus Regulation and the Luxembourg Act relating to prospectuses for securities dated July 16, 2019 (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières*, the **Luxembourg Law**).

Copies of this Supplement, the Prospectus and all documents which are incorporated therein by reference are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and all documents which are incorporated therein by reference may be inspected and are available free of charge during normal business hours at the office of ZF Friedrichshafen AG, Löwentaler Straße 20, 88046 Friedrichshafen, Germany.

The purpose of this Supplement is to update several sections of the Prospectus as set forth in detail on the next page hereof.

The amendments in relation to the terms and conditions of the Notes shall only apply to the Final Terms, the date of which falls on or after the approval of this Supplement.

This Supplement is supplemental to, and should be read and shall only be distributed in connection with, the Prospectus. Therefore, with respect to future issues under the Programme of ZF Friedrichshafen AG and ZF Finance GmbH, references in the Final Terms to the Prospectus are to be read as references to the Prospectus as supplemented by this Supplement.

Terms defined in the Prospectus have the same meaning when used in this Supplement. All references in the Prospectus to "the Prospectus", "this Prospectus", or any other similar expression, in particular regarding confirmations and representations as to the information contained therein, shall be deemed to also refer to this Supplement.

ZF Friedrichshafen AG with its registered office in Friedrichshafen, Federal Republic of Germany (**ZF**, **ZF AG**, the **Company** or the **Guarantor**) and ZF Finance GmbH with its registered office in Friedrichshafen, Federal Republic of Germany (**ZF Finance GmbH**) (the Company and ZF Finance GmbH each an **Issuer** and together the **Issuers**) accept responsibility for the information contained in this Supplement. To the best of the knowledge of each Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect its import.

To the extent that there is any inconsistency between (a) any statements in this Supplement and (b) any other statement in or incorporated by reference into the Prospectus, the statements in (a) above will prevail.

Page references in this document refer to pages in the Prospectus, unless otherwise indicated.

The purpose of this Supplement is to add new information on the Issuers and the ZF Group.

1. Changes relating to the section "RISK FACTORS"

- 1.1. In the section headed "2.1.4.1 We are subject to legal disputes and proceedings, the outcome of which could lead to substantial payment obligations, fines and related damage claims." on page 26-27 of the Prospectus, the fourth paragraph commencing with the words "Furthermore, following the NHTSA announcement" and the fifth paragraph commencing with the words "As a result of the global Coronavirus pandemic" shall be deleted and replaced by the following:*

*"Furthermore, following the NHTSA announcement on April 23, 2019 regarding damaged ACUs (see "2.1.1.10 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.") and the corresponding investigation of the NHTSA in the United States regarding certain vehicles that are equipped with ZF airbag control units and which have been subject to recalls by Fiat Chrysler Automobiles, Hyundai-Kia Motors Corporation and Toyota, 25 class actions have been filed against us and certain other parties in the United States and three class actions have been filed in Canada, seeking, *inter alia*, compensatory damages, punitive damages, statutory penalties and attorneys' fees. The class actions have been consolidated in the United States into a consolidated proceeding under federal multi-district litigation (MDL) procedural laws.*

*In addition, there have been 1,855,551 vehicle recalls due to defective driver-side non-azide Fahrer Generator 2nd Generation airbag inflators (**FG2 Inflators**) manufactured by ZF between 1999 and 2016. Currently, only Volvo and Toyota still have active recalls with respect to the FG2 Inflators. As of the date of this Prospectus, there are no legal proceedings currently pending against ZF. However, further proceedings by public authorities, civil legal proceedings, and claims by third parties along with the related financial risks cannot be ruled out.*

As a result of the global Coronavirus pandemic and both government and private sector responses to the pandemic, numerous industries began experiencing a semiconductor chip shortage in 2020 continuing into 2021, and new government and industry supply and demand actions continue to evolve in various parts of the world. This has affected the automotive industry as well -- impacting both original equipment manufacturers (OEMs) and automotive suppliers such as ZF. This shortage has resulted in some loss of production within the industry as well as claims being raised against ZF, creating both potential financial and legal risks for ZF that, as of the date of this Prospectus, still affect ZF and may continue even longer. These potential risks could include lower volumes, lost sales, lower profits, and lower margins. They may also result in potential further claims and lawsuits against ZF in the future, and/or contractual renegotiation of existing agreements and requests for set-offs or other concessions."

2. Changes relating to the section "GENERAL INFORMATION ON THE ISSUERS AND THE GUARANTOR – ZF FRIEDRICHSHAFEN AG"

- 2.1. *In the section headed "3.1.10 Trend Information and Significant Changes" on page 52 of the Prospectus (as supplemented by Supplement No. 1, page 7), the last sentence shall be deleted and replaced by the following:*

"Other than that, and as set forth or referenced under "4.10 Recent Events", there has been no material adverse change in the prospects of ZF AG since December 31, 2021 and no significant change in the financial position or in the financial performance of the ZF Group since June 30, 2022."

3. Changes relating to the section "BUSINESS OF THE ZF GROUP"

- 3.1. *The section headed "4.8 Legal and Arbitration Proceedings" on pages 62 of the Prospectus shall be deleted and replaced by the following:*

"4.8 LEGAL AND ARBITRATION PROCEEDINGS"

Companies of the ZF Group are regularly parties to legal disputes and arbitration proceedings. We are also subject to regulatory investigations and enforcement proceedings by various governmental authorities, including national and supranational antitrust authorities. Following the NHTSA announcement on April 23, 2019 regarding damaged ACUs (see "2.1.1.10 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.") and the corresponding investigation of the NHTSA in the United States regarding certain vehicles that are equipped with ZF airbag control units and which have been subject to recalls by Fiat Chrysler Automobiles, Hyundai-Kia Motors Corporation and Toyota, 25 class actions have been filed against us and certain other parties in the United States and three class actions have been filed in Canada, seeking, *inter alia*, compensatory damages, punitive damages, statutory penalties and attorneys' fees. The class actions have been consolidated in the United States into a consolidated proceeding under federal multi-district litigation (MDL) procedural laws.

In addition, there have been 1,855,551 vehicle recalls due to defective driver-side non-azide Fahrer Generator 2nd Generation airbag inflators (**FG2 Inflators**) manufactured by ZF between 1999 and 2016. Currently, only Volvo and Toyota still have active recalls with respect to the FG2 Inflators. As of the date of this Prospectus, there are no legal proceedings currently pending against ZF."

- 3.2. *In the section headed "4.10 Recent Events" on pages 66-67 of the Prospectus (as supplemented by Supplement No. 1, pages 12-13), the following text shall be added after the last paragraph:*

"Carve-out of Passive Safety Systems Division

On October 26, 2022, ZF announced that it has decided to carve-out its Passive Safety Systems Division and set it up independently by the end of 2023. This may include the entry of external investors who can improve access to additional growth capital. Passive safety technology systems include airbags, seat belts and steering wheels. They represent an independent business that operates largely unaffected of the transformation in the automotive industry and has growth potential. However, additional investment resources are required to tap this growth potential.

Sustainable bonded loans, asset-backed commercial paper (ABCP) transaction and changes to existing financial indebtedness

In October 2022, ZF has successfully issued the ZF Bonded Loans 2022 described in Supplement No. 1 to the Prospectus and issued further bonded loans in November 2022 (collectively with the ZF Bonded Loans 2022 the **ZF Sustainable Bonded Loans 2022**). The aggregate amount of the ZF Sustainable Bonded Loans 2022 is €700 million. For the first time, the bonded loans are linked to a sustainability rating by EcoVadis. The total volume of the bonded loans is divided into different tranches with terms of three, five, and seven years. The proceeds resulting from those bonded loans were applied towards the mandatory prepayment of three bilateral loans (each in the amount of EUR 166,666,667) granted in June 2022 as bridge financing by Landesbank Hessen-Thüringen Girozentrale, Landesbank Baden-Württemberg and ING Bank, a branch of ING-DiBa AG.

With a view to diversify its funding base, ZF established infrastructure by means of which receivables originated by ZF Group companies can be securitised through ABCP programmes (or otherwise) on a true sale basis.

On November 21, 2022, ZF and certain group companies entered into a fully supported ABCP transaction arranged and sponsored by Landesbank Baden-Württemberg, Stuttgart, Germany with a committed transaction volume of up to EUR 250,000,000. Under such transaction, the relevant ZF Group companies can securitise receivables which satisfy certain eligibility criteria by means of a (true) sale to Vineyard Finance S.A., acting for and on behalf of its Compartment 1 (*Vineyard*), a securitisation special purpose entity established under the laws of Luxembourg. Any receivable securitised through this transaction will continue to be serviced by the relevant ZF Group company, unless certain pre-defined events require the replacement of the relevant ZF Group company. While the credit risk associated with the securitised receivables is transferred to Vineyard, ZF guarantees the performance of certain obligations of the ZF Group companies under the relevant transaction documents.

For further information on the existing financial indebtedness, see "4.9 *Material Contracts*" as well as the following information:

The tranches of ZF Bonded Loans 2019 with maturity in October 2022 and January 2023 were repaid on their respective due date.

Adjusted cash flow forecast

On November 22, 2022, ZF announced that it is adjusting its cash flow forecast for 2022. According to its calculations in November 2022, ZF expects to achieve an adjusted free cash flow of approximately €0.5 billion for 2022, which is below the prior target range of €1.0 to €1.5 billion. At the end of the first half of the year 2022, the forecast had already been adjusted to the lower end of the range. The key reasons for this development are the effects on liquidity arising from increased working capital due to inflation effects and necessary security stockkeeping as a precaution given the continuing unstable supply chains. In addition, the reimbursements agreed with customers for inflation-related cost increases will partially not impact liquidity until the next fiscal year.

Despite the difficult general conditions, ZF's consolidated sales in 2022 are expected to be well above €40 billion for the first time. According to ZF's estimates, sales are expected to rise from €38.3 billion in 2021 to around €44 billion in 2022.

New members for the ZF Supervisory Board

At its meeting on December 20, 2022, the annual general meeting of ZF Friedrichshafen AG elected Rachel Empey, Dr. Feiyu Xu and Dr. Rolf Breidenbach as shareholder representatives on the Company's Supervisory Board. Their five-year term of office begins at the end of the Annual General Meeting in 2023. At the end of ZF's Annual General Meeting in 2023, the Supervisory Board mandates of shareholder representatives Dagmar Steinert, Jürgen Otto und Dr. Mohsen Sohi will end at their own request. For the current members see "3.1.3.2 *Supervisory Board*".

Next generation autonomous transport shuttle

In January 2023, ZF presented its next generation autonomous transport shuttle which can drive fully automatically (Level-4), which means it can maneuver in mixed traffic without a safety driver if this is allowed by local legal provisions. ZF is open for the entry of external investors in this business area but intends to retain a majority position.

Strategic partnership with Silicon Carbide technology leader

As part of ZF's R&D strategy, ZF entered into a strategic partnership with a global leader in Silicon Carbide technology. Such strategic partnership will include the creation of a joint innovation lab to drive advances in Silicon Carbide systems and devices for mobility, industrial and energy applications and a minority investment of ZF in the planned construction of a Silicon Carbide device fab."

4. Changes relating to the section "6. TERMS AND CONDITIONS OF THE NOTES"

- 4.1. Under the heading "OPTION I – Terms and Conditions for Notes with fixed interest rate / Emissionsbedingungen für Schuldverschreibungen mit fester Verzinsung" the definitions of "Benchmark Yield/Benchmark-Rendite" and "Screen Page/Bildschirmseite" in the provision "[(6)] Early Redemption at the Option of the Issuer (Make-Whole)./[(6)] Vorzeitige Rückzahlung nach Wahl der Emittentin (Make-Whole)." of § 5 (REDEMPTION;

PURCHASE AND CANCELLATION) / § 5 (RÜCKZAHLUNG; ANKAUF UND ENTWERTUNG) on pages 97-98 shall be deleted and replaced by the following:

"Benchmark Yield means (i) the yield based upon the Bundesbank Reference Price (*Bundesbank-Referenzpreis*) for the Benchmark Security in respect of the Redemption Calculation Date as appearing on the Redemption Calculation Date on the Screen Page in respect of the Benchmark Security, or (ii) if the Benchmark Yield cannot be so determined, the yield based upon the mid-market price for the Benchmark Security as appearing at or around noon Frankfurt time on the Redemption Calculation Date on the Screen Page in respect of the Benchmark Security.

Screen Page means Bloomberg [QR (using the pricing source "FRNK")] [**other relevant screen page**] (or any successor page or successor pricing source) for the Benchmark Security, or, if such Bloomberg page or pricing source is not available, such other page (if any) from such other information provider displaying substantially similar data as may be considered to be appropriate by the Calculation Agent.

Die **Benchmark-Rendite** ist (i) die auf dem Bundesbank-Referenzpreis der Referenzanleihe für den Rückzahlungs-Berechnungstag basierende Rendite, wie sie am Rückzahlungs-Berechnungstag auf der Bildschirmseite für die Referenzanleihe erscheint, oder, (ii) sollte die Benchmark-Rendite so nicht festgestellt werden können, die auf dem Mittelkurs der Referenzanleihe basierende Rendite, wie sie am Rückzahlungs-Berechnungstag um oder gegen 12.00 Uhr (Frankfurter Zeit) auf der Bildschirmseite angezeigt wird.

Bildschirmseite ist Bloomberg [QR (unter Verwendung der Preisquelle "FRNK")] [**andere Bildschirmseite**] (oder jede Nachfolge-seite oder Nachfolge-Preisquelle) für die Referenzanleihe, oder, falls diese Bloomberg-Seite oder Preisquelle nicht verfügbar ist, eine andere Seite (falls vorhanden) eines Informationsanbieters, die weitgehend ähnliche Daten anzeigt, wie von der Berechnungsstelle für angemessen erachtet."

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the Notes issued under the Programme since the publication of the Prospectus.