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# TRW AUTOMOTIVE HOLDINGS CORP

## FORM 10-Q
(Quarterly Report)

Filed 11/01/05 for the Period Ending 09/30/05

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| CIK | 0001267097 |
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| Industry | Auto & Truck Parts |
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

# FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2005**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File No. 001-31970**

**TRW Automotive Holdings Corp.**
*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Delaware** | **81-0597059** |
| *(State or other jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification Number)* |

**12001 Tech Center Drive**
**Livonia, Michigan 48150**
**(734) 855-2600**
*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)*

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of October 20, 2005, the number of shares outstanding of the registrant's Common Stock was 99,140,439.

**TRW AUTOMOTIVE HOLDINGS CORP.**

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## PART I

**Item 1.** ***Consolidated Financial Statements***

### TRW AUTOMOTIVE HOLDINGS CORP.

### CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Unaudited) (In millions, except per share amounts) | |
| Sales | $ 2,917 | $ 2,739 |
| Cost of sales | 2,623 | 2,458 |
| Gross profit | 294 | 281 |
| Administrative and selling expenses | 135 | 130 |
| Research and development expenses | 43 | 36 |
| Amortization of intangible assets | 8 | 8 |
| Restructuring charges and asset impairments | 35 | 5 |
| Other (income) expense — net | (1) | 7 |
| Operating income | 74 | 95 |
| Interest expense — net | 59 | 59 |
| Accounts receivable securitization costs | — | 1 |
| Earnings before income taxes | 15 | 35 |
| Income tax expense | 5 | 22 |
| Net earnings | $ 10 | $ 13 |
| Basic earnings per share: | | |
| Earnings per share | $ 0.10 | $ 0.13 |
| Weighted average shares | 99.1 | 98.9 |
| Diluted earnings per share: | | |
| Earnings per share | $ 0.10 | $ 0.13 |
| Weighted average shares | 103.1 | 101.2 |

See accompanying notes to unaudited consolidated financial statements.

**TRW AUTOMOTIVE HOLDINGS CORP.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Unaudited) (In millions, except per share amounts) | |
| Sales | $ 9,507 | $ 8,825 |
| Cost of sales | 8,443 | 7,840 |
| Gross profit | 1,064 | 985 |
| Administrative and selling expenses | 397 | 386 |
| Research and development expenses | 149 | 115 |
| Amortization of intangible assets | 24 | 25 |
| Restructuring charges and asset impairments | 56 | 18 |
| Other (income) expense — net | 11 | (9) |
| Operating income | 427 | 450 |
| Interest expense — net | 171 | 181 |
| Loss on retirement of debt | 7 | 48 |
| Accounts receivable securitization costs | 2 | 2 |
| Earnings before income taxes | 247 | 219 |
| Income tax expense | 102 | 128 |
| Net earnings | $ 145 | $ 91 |
| Basic earnings per share: | | |
| Earnings per share | $ 1.46 | $ 0.93 |
| Weighted average shares | 99.0 | 97.4 |
| Diluted earnings per share: | | |
| Earnings per share | $ 1.42 | $ 0.91 |
| Weighted average shares | 102.0 | 100.2 |

See accompanying notes to unaudited consolidated financial statements.

**TRW AUTOMOTIVE HOLDINGS CORP.**

**CONSOLIDATED BALANCE SHEETS**

| | As of | |
|---|---|---|
| | **September 30, 2005** | **December 31, 2004** |
| | **(Unaudited)** | |
| | **(Dollars in millions)** | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 300 | $ 790 |
| Marketable securities | 17 | 19 |
| Accounts receivable — net | 1,959 | 1,813 |
| Inventories | 656 | 684 |
| Prepaid expenses | 83 | 34 |
| Deferred income taxes | 162 | 176 |
| Total current assets | 3,177 | 3,516 |
| Property, plant and equipment — net of accumulated depreciation of $1,147 million and $890 million, respectively | 2,405 | 2,635 |
| Goodwill | 2,357 | 2,357 |
| Intangible assets — net | 740 | 765 |
| Prepaid pension cost | 214 | 190 |
| Deferred income taxes | 120 | 91 |
| Other assets | 577 | 560 |
| Total assets | $ 9,590 | $ 10,114 |
| **Liabilities, Minority Interests and Stockholders' Equity** | | |
| Current liabilities: | | |
| Short-term debt | $ 38 | $ 40 |
| Current portion of long-term debt | 17 | 19 |
| Trade accounts payable | 1,721 | 1,887 |
| Accrued compensation | 285 | 309 |
| Income taxes payable | 242 | 233 |
| Other current liabilities | 995 | 992 |
| Total current liabilities | 3,298 | 3,480 |
| Long-term debt | 2,776 | 3,122 |
| Post-retirement benefits other than pensions | 930 | 959 |
| Pension benefits | 715 | 843 |
| Deferred income taxes | 261 | 268 |
| Long-term liabilities | 307 | 272 |
| Total liabilities | 8,287 | 8,944 |
| Minority interests | 56 | 65 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Capital stock | 1 | 1 |
| Treasury stock | — | — |
| Paid-in-capital | 1,139 | 1,131 |
| Retained earnings (accumulated deficit) | 73 | (72) |
| Accumulated other comprehensive earnings | 34 | 45 |
| Total stockholders' equity | 1,247 | 1,105 |
| Total liabilities, minority interests, and stockholders' equity | $ 9,590 | $ 10,114 |

See accompanying notes to unaudited consolidated financial statements.

**TRW AUTOMOTIVE HOLDINGS CORP.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Unaudited) (Dollars in millions) | |
| ***Operating Activities*** | | |
| Net earnings | $ 145 | $ 91 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 380 | 366 |
| Pension and other post-retirement benefits contributions, net of expense | (130) | (35) |
| Amortization of deferred financing fees | 10 | 7 |
| Asset impairment charges | 15 | 1 |
| Loss on retirement of debt | 7 | 48 |
| Deferred income taxes | (19) | 5 |
| Other — net | 33 | 38 |
| Changes in assets and liabilities, net of effects of businesses acquired or divested: | | |
| Accounts receivable, net | (291) | (582) |
| Inventories | (8) | (31) |
| Trade accounts payable | (62) | 25 |
| Prepaid expense and other assets | (39) | (13) |
| Other liabilities | 81 | 116 |
| Net cash provided by operating activities | 122 | 36 |
| ***Investing Activities*** | | |
| Capital expenditures | (281) | (248) |
| Acquisitions, net of cash acquired | (3) | (5) |
| Investment in affiliates | (8) | — |
| Net proceeds from asset sales and divestitures | 4 | 79 |
| Net cash used in investing activities | (288) | (174) |
| ***Financing Activities*** | | |
| Change in short-term debt | (1) | 6 |
| Proceeds from issuance of long-term debt | 1,313 | 1,290 |
| Redemption of long-term debt | (1,601) | (1,855) |
| Debt issue costs | (4) | (7) |
| Issuance of capital stock, net of fees | 143 | 635 |
| Repurchase of capital stock | (143) | (319) |
| Proceeds from exercise of stock options | 2 | — |
| Net cash used in financing activities | (291) | (250) |
| Effect of exchange rate changes on cash | (33) | (2) |
| Decrease in cash and cash equivalents | (490) | (390) |
| Cash and cash equivalents at beginning of period | 790 | 828 |
| Cash and cash equivalents at end of period | $ 300 | $ 438 |

See accompanying notes to unaudited consolidated financial statements.

**TRW AUTOMOTIVE HOLDINGS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. Description of Business

TRW Automotive Holdings Corp. (together with its subsidiaries, the "Company") is among the world's largest and most diversified suppliers of automotive systems, modules and components to global automotive original equipment manufacturers ("OEMs") and related aftermarkets. The Company conducts substantially all of its operations through subsidiaries. These operations primarily encompass the design, manufacture and sale of active and passive safety related products. Active safety related products principally refer to vehicle dynamic controls (primarily braking and steering), and passive safety related products principally refer to occupant restraints (primarily air bags and seat belts) and crash sensors. The Company is primarily a "Tier 1" supplier (a supplier which sells directly to OEMs), with over 85% of its sales in 2004 made directly to OEMs.

## 2. Basis of Presentation

These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the Securities and Exchange Commission ("SEC") on February 23, 2005. Certain prior period amounts have been reclassified to conform to the current year presentation. Further, results of operations for the nine months ended September 24, 2004 reflect the retroactive recognition of the prescription drug subsidy provided for in the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MPD Act"). See Note 11.

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles ("GAAP") for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. Operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of results that may be expected for the year ended December 31, 2005.

The Company follows a fiscal calendar that ends on December 31. However, each fiscal quarter has three periods consisting of one five week period and two four week periods. Each quarterly period ends on a Friday with the possible exception of the final quarter of the year, which always ends on December 31. As such, the nine months ended September 30, 2005 contained five more calendar days as compared to the nine months ended September 24, 2004. Calendar days for the three months ended September 30, 2005 were consistent with calendar days for the three months ended September 24, 2004.

*Earnings per share.* Basic earnings per share are calculated by dividing net earnings by the weighted average shares outstanding during the period. Diluted earnings per share reflect the weighted average impact of all potentially dilutive securities from the date of issuance. Actual weighted average shares outstanding used in calculating earnings per share were:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (In millions) | | | |
| Weighted average shares outstanding | 99.1 | 98.9 | 99.0 | 97.4 |
| Effect of dilutive securities | 4.0 | 2.3 | 3.0 | 2.8 |
| Diluted shares outstanding | 103.1 | 101.2 | 102.0 | 100.2 |

*Warranties.* Product warranty liabilities are recorded based upon management estimates including such factors as the written agreement with the customer, the length of the warranty period, the historical

performance of the product and likely changes in performance of newer products and the mix and volume of products sold. The liabilities are reviewed on a regular basis and adjusted to reflect actual experience.

The following table presents the movement in the product warranty liability for the three and nine month periods ended September 30, 2005 and September 24, 2004:

| | Beginning Balance | Current Period Accruals | Used for Purposes Intended | Changes in Estimates and Effects of Foreign Currency Translation | Ending Balance |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Three months ended September 30, 2005 | $ 110 | $ 16 | $ (10) | $ (6) | $ 110 |
| Nine months ended September 30, 2005 | 110 | 47 | (27) | (20) | 110 |
| Three months ended September 24, 2004 | 92 | 16 | (9) | (4) | 95 |
| Nine months ended September 24, 2004 | 74 | 49 | (23) | (5) | 95 |

*Stock-based compensation.* The Company has voluntarily adopted the fair value provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") on July 2, 2005, the first day of our third quarter of 2005. See *Recent Accounting Pronouncements* and Note 14.

Prior to adoption of SFAS 123(R), stock options under employee compensation plans were accounted for using the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations. Pursuant to APB 25, no stock-based employee compensation expense is reflected in net earnings if options granted have exercise prices greater than or equal to the market value of the underlying common stock of the Company ("Common Stock") on the date of grant.

The following table illustrates the effect on net earnings as if the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation," had been applied to stock-based employee compensation:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (In millions, except per share amounts) | | | |
| Net earnings, as reported | $ 10 | $ 13 | $ 145 | $ 91 |
| Deduct: Stock-based compensation under SFAS 123 fair value method, net of related tax effects | — | (2) | (4) | (6) |
| Adjusted net earnings, fair value method | $ 10 | $ 11 | $ 141 | $ 85 |
| Basic earnings per share: | | | | |
| As reported | $ 0.10 | $ 0.13 | $ 1.46 | $ 0.93 |
| Pro forma | $ 0.10 | $ 0.11 | $ 1.42 | $ 0.87 |
| Diluted earnings per share: | | | | |
| As reported | $ 0.10 | $ 0.13 | $ 1.42 | $ 0.91 |
| Pro forma | $ 0.10 | $ 0.11 | $ 1.38 | $ 0.85 |

During the three months ended September 30, 2005, the Company recognized $2 million of share-based compensation expense for stock options as a result of adopting the fair value provisions of SFAS 123(R).

*Comprehensive earnings.* The components of comprehensive earnings, net of related tax, are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Net earnings | $ 10 | $ 13 | $ 145 | $ 91 |
| Foreign currency translation earnings (losses), net | 15 | 34 | (51) | (4) |
| Realized net gains (losses) on cash flow hedges | 10 | (2) | 40 | 7 |
| Comprehensive earnings | $ 35 | $ 45 | $ 134 | $ 94 |

*Recent accounting pronouncements.* On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 123(R) which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS 123(R) supersedes APB 25, and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure, as was allowed under APB 25, will no longer be an alternative. As previously discussed, the Company has voluntarily adopted SFAS 123(R) beginning in the third quarter of 2005 using the modified prospective method provided in the standard, and recognized approximately $2 million of compensation expense related to stock options in the three months ended September 30, 2005. Had the Company adopted SFAS 123(R) in prior periods, the impact would have approximated the impact of SFAS 123 as previously described.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 requires retrospective application to prior-period financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also redefines "restatement" as the revising of previously issued financial statements to reflect the correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after Dec. 15, 2005. Adoption of SFAS 154 is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

In June 2005, the Emerging Issues Task Force (EITF) issued Issue No. 05-5, "Accounting for Early Retirement or Post-employment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements)" ("EITF 05-5"). EITF 05-5 is effective for fiscal years beginning after Dec. 15, 2005. The Company has various programs that fall under the Altersteilzeit ("ATZ") program and is currently evaluating the impact of implementing the EITF on the Company's financial position, results of operations, and cash flows.

## 3. Subsequent Event

On October 27, 2005, the Company completed the acquisition of a 68.4% interest in Dalphi Metal Espana, S.A. ("Dalphimetal"), a European-based manufacturer of airbags and steering wheels. The purchase price of the Company's interest in Dalphimetal consisted of approximately € 112 million, subject to post-closing adjustment, plus the assumption of debt of approximately € 80 million. The Company funded the purchase price with a combination of cash on hand and existing credit facilities. Dalphimetal will be consolidated into the Company's results of operations following the closing of the acquisition.

## 4. Acquisition and Divestitures

On January 9, 2004, the Company completed the disposal of its North American Independent Aftermarket business, ("Autospecialty") which had sales of approximately $55 million in 2003. Proceeds from the sale were approximately $10 million, net of cash retained in the business. Through the sale date, Autospecialty's financial position and results of operations were included in the Company's consolidated financial statements. As the purchase price approximated the book value of Autospecialty on the sale date, no gain or loss was incurred in connection with this divestiture.

During the first quarter of 2004, the Company also completed two sale-leaseback transactions involving certain land and buildings used for corporate and engineering activities in Shirley, England and Livonia, Michigan. The Company received cash on the disposals of approximately $90 million (including unremitted VAT of approximately $14 million, which has subsequently been remitted) and $7 million, respectively. The Shirley transaction included a capital lease component of $21 million due to the retention of interest by the Company in certain buildings.

## 5. Restructuring Charges and Asset Impairments

Restructuring charges and asset impairments include the following:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Severance and other charges | $ 32 | $ 5 | $ 53 | $ 17 |
| Asset impairments related to restructuring activities | 1 | — | 3 | 1 |
| Curtailment gains | (10) | — | (12) | — |
| Total restructuring charges | 23 | 5 | 44 | 18 |
| Other asset impairments | 12 | — | 12 | — |
| Total restructuring charges and asset impairments | $ 35 | $ 5 | $ 56 | $ 18 |

***Restructuring***

Restructuring charges by segment are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Chassis Systems | $ (7) | $ 1 | $ 2 | $ 11 |
| Occupant Safety Systems | 31 | 2 | 35 | 3 |
| Automotive Components | (1) | 2 | 7 | 4 |
| Total restructuring charges | $ 23 | $ 5 | $ 44 | $ 18 |

***Severance and other charges***

Severance and other charges related to the consolidation of certain facilities by segment are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Chassis Systems | $ — | $ 1 | $ 11 | $ 11 |
| Occupant Safety Systems | 31 | 2 | 33 | 2 |
| Automotive Components | 1 | 2 | 9 | 4 |
| Total severance and other charges | $ 32 | $ 5 | $ 53 | $ 17 |

For the three months ended September 30, 2005, the Company incurred approximately $30 million of charges relating to severance, retention and outplacement services at the Company's Burgos, Spain facility which was closed during the third quarter of 2005.

***Restructuring reserves***

The following table illustrates the movement of the restructuring reserves for severance and other charges:

| | Beginning Balance | Current Period Accruals | Purchase Price Allocation | Used for Purposes Intended | Reclassifications and Effects of Foreign Currency Translation | Ending Balance |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| Three months ended September 30, 2005 | $ 36 | $ 22 | $ — | $ (36) | $ 12 | $ 34 |
| Nine months ended September 30, 2005 | 49 | 43 | — | (64) | 6 | 34 |
| Three months ended September 24, 2004 | 54 | 5 | — | (13) | — | 46 |
| Nine months ended September 24, 2004 | 79 | 18 | 2 | (53) | — | 46 |

Of the $34 million restructuring reserve accrued as of September 30, 2005, approximately $13 million is expected to be paid in 2005. The remainder is expected to be paid in 2006 through 2010 and is comprised of mainly involuntary employee termination arrangements outside the United States.

***Curtailment gains***

For the three and nine months ended September 30, 2005, the Company recorded curtailment gains of approximately $7 million and $9 million, respectively, in its Chassis Systems segment related to a reduction of retiree medical obligations for certain hourly employees at a facility that closed in the third quarter of 2005. Further, the Company recorded a curtailment gain of $3 million for the three and nine months ended September 30, 2005, respectively, in its Automotive Components segment related to a reduction of retiree medical obligations to certain employees at a previously closed facility. Such curtailment gains have been recorded as reductions in the post-retirement benefit liability. See Note 11.

***Asset impairments related to restructuring activities***

For the three and nine months ended September 30, 2005, the Company recorded asset impairment charges related to restructuring activities of $1 million in its Automotive Components segment related to a facility that will be closed in the fourth quarter of 2005 to write down certain building and leasehold improvements to fair value based on estimated future cash flows. For the nine months ended September 30, 2005, the Company recorded asset impairments related to restructuring activities of approximately $2 million in its Occupant Safety Systems segment related to the Company's Burgos, Spain manufacturing facility, which was closed in the third quarter of 2005, to write down certain property, plant and equipment to fair value based on estimated future cash flows.

For the three and nine months ended September 24, 2004, the Company recorded asset impairments related to restructuring activities of $1 million in its Occupant Safety Systems segment to write down certain equipment to fair value based on estimated future cash flows.

***Other asset impairments***

For the three and nine months ended September 30, 2005, the Company recorded other asset impairments of approximately $1 million in its Occupant Safety Systems segment, and $11 million in its Automotive Components segment, to write down certain property, plant and equipment to fair value based on estimated future cash flows.

## 6. Inventories

The major classes of inventory are as follows:

| | As of | |
|---|---|---|
| | September 30, 2005 | December 31, 2004 |
| | (Dollars in millions) | |
| Finished products and work in process | $ 340 | $ 373 |
| Raw materials and supplies | 316 | 311 |
| Total inventories | $ 656 | $ 684 |

## 7. Goodwill and Intangible Assets

***Goodwill***

As of both September 30, 2005 and December 31, 2004, goodwill balances for the Chassis Systems segment, the Occupant Safety Systems segment and the Automotive Components segment were $946 million, $910 million and $501 million, respectively.

***Intangible assets***

The following table reflects intangible assets and related amortization:

| | As of September 30, 2005 | | | As of December 31, 2004 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | (Dollars in millions) | | | | | |
| **Definite-lived intangible assets:** | | | | | | |
| Customer relationships | $ 452 | $ (58) | $ 394 | $ 452 | $ (42) | $ 410 |
| Developed technology | 80 | (26) | 54 | 81 | (18) | 63 |
| Total | 532 | (84) | 448 | 533 | (60) | 473 |
| **Indefinite-lived intangible assets:** | | | | | | |
| Trademarks | 292 | — | 292 | 292 | — | 292 |
| Total | $ 824 | $ (84) | $ 740 | $ 825 | $ (60) | $ 765 |

Aggregate amortization expense for each of the three month periods ended September 30, 2005 and September 24, 2004 was $8 million. Aggregate amortization expense for the nine months ended September 30, 2005 and September 24, 2004 was $24 million and $25 million, respectively. The Company expects that ongoing amortization expense will approximate $33 million in each of the next five years.

## 8. Other (Income) Expense — Net

The following table provides details of other (income) expense — net:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Minority interest | $ 1 | $ 3 | $ 5 | $ 10 |
| Earnings of affiliates | (2) | (3) | (12) | (11) |
| Foreign currency exchange (gains) losses | 4 | 3 | 23 | 3 |
| Provision for bad debts | 2 | 7 | 17 | 7 |
| Miscellaneous other income | (6) | (3) | (22) | (18) |
| Other (income) expense — net | $ (1) | $ 7 | $ 11 | $ (9) |

Net provisions for bad debts of approximately $2 million and $17 million were made during the three months and nine months ended September 30, 2005, respectively, primarily in conjunction with bankruptcy and administration proceedings of certain of the Company's customers.

## 9. Accounts Receivable Securitization

The receivables facility, as amended (the "Receivables Facility"), extends until December 2009 and provides up to $400 million in funding principally from commercial paper conduits sponsored by commercial lenders, based on availability of eligible receivables and other customary factors.

Under the Receivables Facility, certain subsidiaries of the Company (the "Sellers") sell trade accounts receivable (the "Receivables") originated by them and certain of their subsidiaries as sellers in the United States through the Receivables Facility. Receivables are sold to TRW Automotive Receivables LLC (the

"Transferor") at a discount. The Transferor is a bankruptcy remote special purpose limited liability company that is a wholly-owned subsidiary of the Company. The Transferor's purchase of Receivables is financed through a transfer agreement with TRW Automotive Global Receivables LLC (the "Borrower"). Under the terms of the Transfer Agreement, the Borrower purchases all Receivables sold to the Transferor. The Borrower is a bankruptcy remote special purpose limited liability company that is wholly-owned by the Transferor and is not consolidated when certain requirements are met.

Generally, multi-seller commercial paper conduits supported by committed liquidity facilities are available to provide cash funding for the Borrowers' purchase of Receivables through secured loans/tranches to the extent desired and permitted under the receivables loan agreement. A note is issued for the difference between Receivables purchased and cash borrowed through the facility. The Sellers act as servicing agents per the servicing agreement, and continue to service the transferred receivables for which they receive a monthly servicing fee at a rate of 1% per annum of the average daily outstanding balance of receivables. The usage fee under the Receivables Facility is 0.85% of outstanding borrowings. In addition, the Company is required to pay a fee of 0.40% on the unused portion of the Receivables Facility. Both the usage fee and the fee on the unused portion of the facility are subject to a leverage-based grid. These rates are per annum and payments of these fees are made to the lenders monthly.

Availability of funding under the Receivables Facility depends primarily upon the outstanding trade accounts receivable balance, and is determined by reducing the receivables balance by outstanding borrowings under the program, the historical rate of collection on those receivables and other characteristics of those receivables that affect their eligibility (such as bankruptcy or downgrading below investment grade of the obligor, delinquency and excessive concentration). As of September 30, 2005, based on the terms of this facility and the criteria described above, approximately $281 million of the Company's total reported accounts receivable balance was considered eligible for borrowings under this facility, of which approximately $167 million would have been available for funding. The Company had no outstanding borrowings under this facility as of September 30, 2005. As such, the fair value of the multi-seller conduits' loans was less than 10% of the fair value of the borrower's assets and, therefore, the financial statements of the borrower were included in our unaudited consolidated financial statements as of September 30, 2005.

In addition to the Receivables Facility described above, certain of the Company's European subsidiaries entered into receivables financing arrangements in the fourth quarter of 2003 and 2004 and in the first quarter of 2004. The Company has approximately € 78 million available until November 2006 through factoring arrangements in which customers send bills of exchange directly to the bank. The Company has € 75 million available until January 2006 through an arrangement involving a wholly-owned special purpose vehicle, which purchases trade receivables from its German affiliates and sells those trade receivables to a German bank. The Company also has an additional receivables financing arrangement in Europe of £30 million available until November 2006 through an arrangement involving a wholly-owned special purpose vehicle. The European receivables arrangements are renewable for one year at the end of their respective terms, if not terminated. There were no outstanding borrowings under any of these facilities as of September 30, 2005.

The Company does not own any variable interests in the multi-seller conduits, as that term is defined in FASB Interpretation 46(R) "Consolidation of Variable Interest Entities (revised December 2003) — an interpretation of ARB No. 51."

## 10. Income Taxes

Under Accounting Principles Board Opinion No, 28. "Interim Financial Reporting", the Company is required to adjust its effective tax rate each quarter to be consistent with the estimated annual effective tax rate. The Company is also required to record the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the

interim period in which they occur. Income tax expense for the three months ended September 30, 2005 was $5 million on pre-tax income of $15 million as compared to income tax expense of $22 million on pre-tax income of $35 million for the same period a year ago. Income tax expense for the three months ended September 30, 2005 reflects adjustments necessary to recognize year to date income tax expense at the Company's expected annual effective tax rate. For the nine months ended September 30, 2005, the Company recorded income tax expense of $102 million on pre-tax income of $247 million as compared to income tax expense of $128 million on pre-tax income of $219 million for the same period a year ago. The expense for income taxes of $102 million for the nine months ended September 30, 2005 includes a one time benefit of $17 million recorded in the second quarter resulting from a tax law change in Poland related to investment tax credits for companies operating in certain special economic zones within the country. The investment tax credits replace the tax holiday that was previously in effect for the Company. The income tax rate varies from the United States statutory income tax rate due primarily to non-deductible interest expense in certain foreign jurisdictions and other non-deductible items, partially offset by the tax law change noted above.

On October 22, 2004 The American Jobs Creation Act of 2004 (the "Act") was signed into law by the President. The Act provides a temporary incentive in the form of a special one-time deduction of 85% of certain foreign earnings that are repatriated to a U.S. taxpayer, provided certain criteria are met. The deduction is available to the extent cash dividends exceed a base amount and are invested in the United States pursuant to a domestic reinvestment plan. The temporary incentive is available to the Company in 2005.

The deduction is subject to a number of limitations and uncertainty remains as to the interpretation of numerous provisions in the Act. The U.S. Treasury has provided clarifying guidance on certain elements of the repatriation provision and Congress may introduce legislation that provides for certain technical corrections to the Act. The Company is evaluating the Act and the impact of the regulatory guidance and has not completed its analysis mainly due to the uncertainty associated with the interpretation of the provisions within the Act, as well as numerous tax, legal, and business considerations. The Company expects to complete its analysis of the potential repatriation, if any, and the related tax ramification during the fourth quarter of 2005.

## 11. Pension Plans and Post-Retirement Benefits Other Than Pensions ("OPEB")

### *Pension Plans*

The following table provides the components of net pension cost (income) for the Company's defined benefit pension plans for the three and nine months ended September 30, 2005 and September 24, 2004:

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2005 | | | September 24, 2004 | | |
| | U.S. | U.K. | Rest of World | U.S. | U.K. | Rest of World |
| | (Dollars in millions) | | | | | |
| **Defined benefit plans** | | | | | | |
| Service cost | $ 7 | $ 9 | $ 5 | $ 8 | $ 9 | $ 6 |
| Interest cost on projected benefit obligations | 17 | 62 | 8 | 17 | 61 | 8 |
| Expected return on plan assets | (15) | (84) | (3) | (13) | (84) | (3) |
| Net pension cost (income) | $ 9 | $ (13) | $ 10 | $ 12 | $ (14) | $ 11 |

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2005 | | | September 24, 2004 | | |
| | U.S. | U.K. | Rest of World | U.S. | U.K. | Rest of World |
| | (Dollars in millions) | | | | | |
| **Defined benefit plans** | | | | | | |
| Service cost | $ 21 | $ 27 | $ 15 | $ 24 | $ 25 | $ 16 |
| Interest cost on projected benefit obligations | 51 | 192 | 24 | 51 | 169 | 22 |
| Expected return on plan assets | (43) | (260) | (9) | (39) | (233) | (9) |
| Net pension cost (income) | $ 29 | $ (41) | $ 30 | $ 36 | $ (39) | $ 29 |

***Post-Retirement Benefits Other Than Pensions ("OPEB")***

The following table provides the components of net post-retirement benefit cost for the plans for the three and nine months ended September 30, 2005 and September 24, 2004. The net post-retirement benefit cost for the nine months ended September 24, 2004 includes the retroactive recognition of the prescription drug subsidy provided for in the MPD Act. Retroactive recognition of the subsidy reduced expense by approximately $2 million which has been reflected in the accompanying unaudited consolidated statement of operations for the nine months ended September 24, 2004.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Service cost | $ 2 | $ 3 | $ 6 | $ 6 |
| Interest cost | 12 | 14 | 36 | 46 |
| Settlement gain | — | — | (3) | — |
| Amortization of unrecognized income | (2) | — | (6) | — |
| Net post-retirement benefit cost | $ 12 | $ 17 | $ 33 | $ 52 |

In the second quarter of 2005, the Company recorded a settlement gain of approximately $3 million as a result of discontinuing supplemental retiree medical coverage to certain salaried retirees of a former affiliate of the Company.

In the three and nine months ended September 30, 2005, the Company recorded curtailment gains of approximately $10 million and $12 million, respectively, related to a reduction of retiree medical obligations for certain hourly employees at facilities that have been closed. Such curtailments are reflected in restructuring charges in the accompanying unaudited consolidated statement of operations.

## 12. Debt

Total outstanding debt of the Company as of September 30, 2005 and December 31, 2004 consisted of the following:

| | As of | |
|---|---|---|
| | September 30, 2005 | December 31, 2004 |
| | (Dollars in millions) | |
| **Short-term debt** | $ 38 | $ 40 |
| **Long-term debt:** | | |
| Senior Notes | $ 972 | $ 1,063 |
| Senior Subordinated Notes | 293 | 306 |
| Term Loan facilities | 1,293 | 1,512 |
| Revolving credit facility | — | — |
| Lucas Industries Limited debentures due 2020 | 186 | 202 |
| Capitalized leases | 33 | 39 |
| Other borrowings | 16 | 19 |
| Total long-term debt | 2,793 | 3,141 |
| Less current portion | 17 | 19 |
| Long-term debt, net of current portion | $ 2,776 | $ 3,122 |

***Senior Notes and Senior Subordinated Notes***

The Senior Notes consist of 9 3/8% Senior Notes and 10 1/8% Senior Notes in original principal amounts of $925 million and € 200 million, respectively. The Senior Subordinated Notes consist of 11% Senior Subordinated Notes and 11 3/4% Senior Subordinated Notes in original principal amounts of $300 million and € 125 million, respectively. Interest is payable semi-annually on February 15 and August 15 and maturity is February 15, 2013. The Senior Notes are unconditionally guaranteed on a senior unsecured basis and the Senior Subordinated Notes are guaranteed on a senior subordinated unsecured basis, in each case by substantially all existing and future wholly-owned domestic subsidiaries and by TRW Automotive Finance (Luxembourg), S.à.r.l., a restricted Luxembourg subsidiary.

On May 3, 2005, the Company repurchased approximately € 48 million principal amount of its 10 1/8% Senior Notes with a portion of the proceeds from the issuance of Common Stock in the first quarter of 2005. The Company recorded a loss on retirement of debt of approximately $7 million, comprised of approximately $6 million for the related redemption premium on the 10 1/8% Senior Notes, and approximately $1 million for the write-off of deferred debt issue costs.

In the first quarter of 2004, the Company used approximately $317 million of the proceeds from its initial public offering to repay a portion of each of the dollar and euro Senior Notes and Senior Subordinated Notes, in each case including the payment of a related redemption premium thereon. The loss on retirement of debt incurred on such repayments consisted of redemption premiums totaling $30 million and write-off of deferred debt issue costs totaling $6 million.

***Credit Facilities***

*Senior Secured Credit Facilities.* On December 21, 2004, the Company entered into the Fourth Amended and Restated Credit Agreement dated as of December 17, 2004 with the lenders party thereto. The

amended and restated credit agreement provides for $1.9 billion in senior secured credit facilities, consisting of (i) a 5-year $900 million revolving credit facility, (ii) a 5-year $400 million term loan A facility and (iii) a 7.5-year $600 million term loan B facility (combined with the new revolving credit facility and new term loan A, the "New Senior Secured Facilities"). The initial draw under the New Senior Secured Facilities occurred on January 10, 2005 (the "Funding Date"). Proceeds from the New Senior Secured Facilities were used to refinance the credit facilities existing as of December 31, 2004 (with the exception of the term loan E discussed below), and pay fees and expenses related to the refinancing. In conjunction with the December 21, 2004 refinancing, the Company capitalized $5 million in deferred debt issuance costs in 2004, and capitalized an additional $4 million in January 2005. In 2005, the Company recognized accelerated amortization expense of $3 million on the remaining debt issuance costs related to those certain syndicated term loans not extinguished until the Funding Date.

Borrowings under the New Senior Secured Facilities bear interest at a rate equal to an applicable margin plus, at the Company's option, either (a) a base rate determined by reference to the higher of (1) the administrative agent's prime rate and (2) the federal funds rate plus 1/2 of 1% or (b) a LIBOR or a eurocurrency rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. As of September 30, 2005, the applicable margin for the term loan A and the revolving credit facility was 0.375% with respect to base rate borrowings and 1.375% with respect to eurocurrency borrowings, and the applicable margin for the term loan B and the term loan E was 0.50% with respect to base rate borrowings and 1.50% with respect to eurocurrency borrowings. The commitment fee on the undrawn amounts under the revolving credit facility was 0.35%. The commitment fee on the revolving credit facility and the applicable margin on the New Senior Secured Facilities are subject to a leverage-based grid.

The term loan A will amortize in equal quarterly amounts, totaling $60 million in 2007, $160 million in 2008, and $135 million in 2009 with one final installment of $45 million on January 10, 2010, the maturity date. The term loan B will amortize in equal quarterly installments in an amount equal to 1% per annum during the first seven years and three months of its term and in one final installment on June 30, 2012, the maturity date.

Like the previous credit facilities, the New Senior Secured Facilities are unconditionally guaranteed by the Company and substantially all existing and subsequently acquired domestic subsidiaries of TRW Automotive Inc. (other than the Company's receivables subsidiaries). Obligations of the foreign subsidiary borrowers are unconditionally guaranteed by the Company, TRW Automotive Inc. and certain foreign subsidiaries of TRW Automotive Inc. The New Senior Secured Facilities, like the previous credit facilities, are secured by a perfected first priority security interest in, and mortgages on, substantially all tangible and intangible assets of TRW Automotive Inc. and substantially all of its domestic subsidiaries, including a pledge of 100% of the stock of TRW Automotive Inc. and substantially all of its domestic subsidiaries, and 65% of the stock of foreign subsidiaries owned by domestic entities. In addition, like the previous credit facilities, foreign borrowings under the New Senior Secured Facilities are secured by assets of the foreign borrowers.

*Incremental Extensions of Credit.* The amended and restated credit agreement also provides for the borrowing of up to the equivalent of $300 million in incremental extensions of credit. The terms of any borrowings made pursuant to the incremental extensions of credit are expected to be substantially similar to the terms of the term loan B, but have not been definitively determined at this time.

*January 2004 Refinancing.* On January 9, 2004, the Company refinanced all of the borrowings under its then-existing term loan facilities with the proceeds of new term loan facilities, together with approximately $213 million of available cash on hand. Deferred debt issuance costs associated with the then-existing term loan facilities of $11 million were expensed in the first quarter of 2004. The term loan facilities entered into in the January 2004 refinancing consisted of tranche A-1 term loan issued in a face amount of $350 million

maturing February 2009 and tranche D term loans issued in face amounts of $800 million and € 93 million maturing February 2011.

*April 2004 Refinancing.* On April 19, 2004, the Company recorded loss on retirement of debt of $1 million related to the write-off of unamortized debt issuance costs in conjunction with the repayment of a portion of the then-existing term loan facilities.

*November 2004 Refinancing.* On November 2, 2004, the Company amended and restated its then-existing credit agreement to provide for a new $300 million tranche E term loan, the proceeds of which were used along with cash on-hand to purchase the seller note with a face value, including accrued interest, of $678 million (the "Seller Note") from Northrop Grumman Corporation ("Northrop"). The term loan E matures on October 31, 2010 and will amortize in equal quarterly installments in an amount equal to one percent per annum during the first five years and nine months of its term and in one final installment on the maturity date. The term loan E is guaranteed and secured on the same basis as the New Senior Secured Facilities, as described above.

## 13. Capital Stock

*Repurchase of Northrop Shares.* On March 8, 2005, the Company entered into two stock purchase agreements (the "Stock Purchase Agreements") with Northrop and an affiliate of Northrop pursuant to which Northrop and its affiliate agreed to sell to the Company an aggregate of 7,256,500 shares of Common Stock for an aggregate consideration of approximately $143 million in cash. The closing of this sale occurred on March 11, 2005. These shares were immediately retired following the repurchase by the Company.

*Issuance and Registration of Shares.* Separately, on March 8, 2005, the Company entered into a Stock Purchase and Registration Rights Agreement (the "T Rowe Agreement") with T. Rowe Price Group, Inc. (the "First Purchaser"), as investment adviser to the mutual funds and institutional accounts listed therein (the "TRP Investors"). Pursuant to the T Rowe Agreement, the Company sold to the First Purchaser, on behalf of the TRP Investors, 5,256,500 newly issued shares of Common Stock for an aggregate consideration of approximately $103 million in cash on March 11, 2005.

On March 8, 2005 the Company entered into a Stock Purchase and Registration Rights Agreement (the "Wellington Agreement") with certain investment advisory clients of Wellington Management Company, llp (each a "Second Purchaser"). Pursuant to the Wellington Agreement, the Company sold to the Second Purchasers an aggregate of 2,000,000 newly issued shares of Common Stock for an aggregate consideration of approximately $40 million in cash on March 11, 2005.

The proceeds from these share issuances initially were used to return cash and/or reduce liquidity line balances to the levels that existed immediately prior to the time the share purchases from an affiliate of Northrop referenced above took place. On May 3, 2005, a portion of the proceeds from these share issuances was then used to repurchase € 48 million principal amount of the Company's 10 1/8% Senior Notes.

Pursuant to each of the T Rowe Agreement and the Wellington Agreement, the Company filed a registration statement on Form S-3 with the SEC for the registration of the resale of the shares purchased pursuant to those agreements. The registration statement was declared effective on April 12, 2005. Pursuant to the effective registration statement, the First Purchaser, the TRP Investors and the Second Purchasers will be able to sell their shares of Common Stock into the market from time to time over a maximum period of two years.

*Initial Public Offering.* On February 6, 2004, the Company completed an initial public offering of 24,137,931 shares of Common Stock. Net proceeds from the offering, after deducting underwriting discounts and offering expenses, were approximately $636 million. The Company used approximately $319 million of

the net proceeds from the offering to repurchase 12,068,965 shares of Common Stock held by an affiliate of The Blackstone Group L.P. ("Blackstone") and approximately $317 million of such proceeds to repay a portion of each of the dollar and euro Senior Notes and Senior Subordinated Notes. See Note 15. In connection with the offering, the Company effected a 100 for 1 stock split of outstanding shares of Common Stock on January 27, 2004. All share and per share amounts in the consolidated financial statements and these notes thereto have been retroactively adjusted to reflect the 100 for 1 stock split.

## 14. Share-based Compensation

Effective in February 2003, the Company established the TRW Automotive Holdings Corp. 2003 Stock Incentive Plan (the "Plan"), which permits the grant of up to 19 million non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock and other stock-based awards to the employees, directors or consultants of the Company or its affiliates.

As of September 30, 2005, the Company had 5,791,559 shares of Common Stock available for issuance under the plan. Approximately 10,198,000 options and 565,000 nonvested restricted stock units were outstanding as of the same period. The majority of the options have a 10-year term and vest ratably over five years. On March 2, 2005, the Company granted 938,000 stock options and 552,400 restricted stock units to employees and executive officers of the Company pursuant to the Plan. The options have an 8-year life, and both the options and restricted stock units vest ratably over three years. The options have an exercise price equal to the fair value of the stock on the grant date, which was $19.82.

The total compensation cost recognized for the Plan during the three months and nine months ended September 30, 2005 was $3 million and $4 million, respectively, of which $2 million of stock option expense was recognized for the three months ended September 30, 2005 as a result of adopting the fair value provisions of SFAS 123(R), as previously disclosed. The total compensation cost for the Plan during the three months and nine months ended September 24, 2004, respectively, was de minimis. No income tax benefit was recognized in the income statement for the Plan. No compensation cost was capitalized as part of inventory or fixed assets for the Plan.

The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected volatilities are primarily developed using expected volatility of similar entities. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk free rate is based on U.S. Treasury zero-coupon yield curves with a remaining term equal to the expected option life.

Fair value was estimated at the date of grant using the Black-Scholes option pricing using the following weighted-average assumptions for 2005 and 2004:

| | 2005 | 2004 |
|---|---|---|
| Expected volatility | 28.0% | 31.0% |
| Dividend Yield | 0.00% | 0.00% |
| Expected option life | 5.0 years | 6.0 years |
| Risk-free rate | 3.70% | 3.78% |

A summary of stock option activity under the Plan as of September 30, 2005 and changes during the nine months then ended is presented below:

| | Thousands of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | | | (Dollars in millions) |
| Outstanding at January 1, 2005 | 9,534 | $ 16.05 | | |
| Granted | 938 | 19.82 | | |
| Exercised | (164) | 11.67 | | |
| Forfeited or expired | (110) | 16.69 | | |
| Outstanding at September 30, 2005 | 10,198 | 16.46 | 7.6 | $ 131 |
| Exercisable at September 30, 2005 | 3,280 | 16.29 | 7.5 | $ 43 |

The weighted-average grant-date fair value of stock options granted during the nine months ended September 30, 2005 was $6.32. The weighted-average grant-date fair value of stock options granted during fiscal 2004 and 2003 was $7.10 and $3.81, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2005 was $2 million. The total intrinsic value of options exercised during fiscal 2004 was de minimis. No options were exercised during fiscal 2003.

A summary of the status of the Company's nonvested restricted stock units as of September 30, 2005, and changes during the nine months ended September 30, 2005, is presented below:

| Nonvested Shares | Thousands of Restricted Stock Units | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2005 | 14 | $ 19.73 |
| Granted | 559 | 19.81 |
| Vested | (4) | 20.21 |
| Forfeited | (4) | 19.82 |
| Nonvested at September 30, 2005 | 565 | 19.81 |

As of September 30, 2005, there was $9 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.5 years. The total fair value of restricted stock units vested during the three and nine months ended September 30, 2005 and September 24, 2004, respectively, were de minimis.

## 15. Related Party Transactions

*Blackstone*. In connection with the Acquisition (as defined below), the Company executed a Transaction and Monitoring Fee Agreement with Blackstone whereby Blackstone agreed to provide the Company monitoring, advisory and consulting services, including advice regarding (i) structure, terms and negotiation of debt and equity offerings; (ii) relationships with the Company's and its subsidiaries' lenders and bankers; (iii) corporate strategy; (iv) acquisitions or disposals and (v) other financial advisory services as more fully described in the agreement. Pursuant to this agreement, the Company has agreed to pay an annual monitoring fee of $5 million for these services, of which approximately $1 million is included in each of the three month

periods ended September 30, 2005 and September 24, 2004 and of which approximately $4 million is included in each of the nine month periods ended September 30, 2005 and September 24, 2004.

The Company used approximately $319 million of the net proceeds from the Company's February 2004 initial public offering to repurchase 12,068,965 shares of the Company's Common Stock held by Automotive Investors L.L.C., an affiliate of Blackstone, at a price per share equal to $26.46, which are the proceeds per share received by the Company less the underwriting discounts. See Note 13.

*Northrop.* On March 8, 2005, the Company entered into Stock Purchase Agreements pursuant to which Northrop and its affiliate agreed to sell to the Company an aggregate of 7,256,500 shares of Common Stock for an aggregate consideration of approximately $143 million cash. The closing of this sale occurred on March 11, 2005. Such shares were immediately retired. Following the transaction, Northrop retained ownership of shares representing 9.9% of our outstanding Common Stock. The Company sold 7,256,500 newly issued shares of Common Stock to institutional investors on March 11, 2005. See Note 13.

Pursuant to the Stock Purchase Agreements, Northrop agreed with the Company to amend and restate the stockholders agreement among Northrop, the Company and an affiliate of Blackstone to (i) delete the right of Northrop with respect to demand registration of certain of its shares and (ii) provide that Northrop and its affiliates shall vote its remaining shares of our Common Stock only in accordance with the instructions provided by such affiliate of Blackstone.

As of September 30, 2005, the Company has recorded certain receivables from Northrop related to tax, environmental and other indemnities in the master purchase agreement (the "Master Purchase Agreement") between Northrop and an affiliate of Blackstone relating to the February 2003 acquisition of the shares of the subsidiaries of the former TRW Inc. ("Old TRW") engaged in the automotive business (the "Acquisition"). During the nine months ended September 30, 2005, the Company received approximately $3 million from Northrop pursuant to such indemnifications.

On November 2, 2004, the Company amended and restated its then-existing credit agreement to provide for a new $300 million tranche E term loan, the proceeds of which were used along with cash on-hand to purchase the Seller Note from Northrop.

## 16. Operating Segments

The following table presents certain financial information by segment:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Sales to external customers: | | | | |
| Chassis Systems | $ 1,670 | $ 1,620 | $ 5,470 | $ 5,126 |
| Occupant Safety Systems | 859 | 751 | 2,755 | 2,504 |
| Automotive Components | 388 | 368 | 1,282 | 1,195 |
| Total sales | $ 2,917 | $ 2,739 | $ 9,507 | $ 8,825 |
| Earnings before taxes: | | | | |
| Chassis Systems | $ 46 | $ 61 | $ 217 | $ 223 |
| Occupant Safety Systems | 44 | 47 | 232 | 230 |
| Automotive Components | 15 | 16 | 79 | 78 |
| Segment earnings before taxes | 105 | 124 | 528 | 531 |
| Corporate expense and other | (31) | (29) | (101) | (81) |
| Financing costs | (59) | (60) | (173) | (183) |
| Loss on retirement of debt | — | — | (7) | (48) |
| Earnings before income taxes | $ 15 | $ 35 | $ 247 | $ 219 |
| Intersegment sales: | | | | |
| Chassis Systems | $ 2 | $ 1 | $ 6 | $ 2 |
| Occupant Safety Systems | 24 | 7 | 62 | 16 |
| Automotive Components | 10 | 14 | 32 | 40 |
| | $ 36 | $ 22 | $ 100 | $ 58 |

## 17. Contingencies

Various claims, lawsuits and administrative proceedings are pending or threatened against the Company or its subsidiaries, covering a wide range of matters that arise in the ordinary course of its business activities with respect to commercial, patent, product liability, environmental and occupational safety and health law matters. In addition, the Company and its subsidiaries are conducting a number of environmental investigations and remedial actions at current and former locations of certain of the Company's subsidiaries. Along with other companies, certain subsidiaries of the Company have been named potentially responsible parties for certain waste management sites. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably with respect to the Company or the relevant subsidiary. A reserve estimate for each environmental matter is established using standard engineering cost estimating techniques on an undiscounted basis. In the determination of such costs, consideration is given to the professional judgment of Company environmental engineers, in consultation with outside environmental specialists, when necessary. At multi-party sites, the reserve estimate also reflects the expected allocation of total project costs among the various potentially responsible parties. As of September 30, 2005, the Company had reserves for environmental matters of $66 million. In addition, the Company has established a receivable from Northrop for a portion of this environmental liability as a result of indemnification provided for in the Master Purchase Agreement. The Company believes any liability that may result from the resolution of environmental matters for which sufficient information is available to support these cost estimates will not have a material adverse effect on the Company's financial position or results of operations. However, the Company cannot predict the

effect on the Company's financial position of expenditures for aspects of certain matters for which there is insufficient information. In addition, the Company cannot predict the effect of compliance with environmental laws and regulations with respect to unknown environmental matters on the Company's financial position or results of operations or the possible effect of compliance with environmental requirements imposed in the future.

Further, product liability claims may be asserted in the future for events not currently known by management. Although the ultimate liability from these potential claims cannot be ascertained, management does not anticipate that any related liability, after consideration of insurance recovery, would have a material adverse effect on the Company's financial condition or results of operations.

In October 2000, Kelsey-Hayes Company (formerly known as Fruehauf Corporation) was served with a grand jury subpoena relating to a criminal investigation being conducted by the U.S. Attorney for the Southern District of Illinois. The U.S. Attorney has informed the Company that the investigation relates to possible wrongdoing by Kelsey-Hayes Company and others involving certain loans made by Kelsey-Hayes Company's then-parent corporation to Fruehauf Trailer Corporation, the handling of the trailing liabilities of Fruehauf Corporation and actions in connection with the 1996 bankruptcy of Fruehauf Trailer Corporation. Kelsey-Hayes Company became a wholly owned subsidiary of Old TRW upon Old TRW's acquisition of Lucas Varity in 1999 and became a subsidiary of the Company upon the Acquisition. The Company has cooperated with this investigation, but is not aware of any activity on this investigation since the fall of 2002. The Company will continue to evaluate and assess the potential financial impact of this matter.

While certain of the Company's subsidiaries have been subject in recent years to asbestos-related claims, management believes that such claims will not have a material adverse effect on the Company's financial condition or results of operations. In general, these claims seek damages for illnesses alleged to have resulted from exposure to asbestos used in certain components sold by the Company's subsidiaries. Management believes that the majority of the claimants were assembly workers at the major U.S. automobile manufacturers.

The vast majority of these claims name as defendants numerous manufacturers and suppliers of a wide variety of products allegedly containing asbestos. Management believes that, to the extent any of the products sold by these subsidiaries and at issue in these cases contained asbestos, the asbestos was encapsulated. Based upon several years of experience with such claims, management believes that only a small proportion of the claimants has or will ever develop any asbestos-related impairment.

Neither settlement costs in connection with asbestos claims nor annual legal fees to defend these claims have been material in the past. These claims are strongly disputed by the Company and its subsidiaries and it has been the policy to defend against them aggressively. Many of these cases have been dismissed without any payment whatsoever. Moreover, there is significant insurance coverage with solvent carriers with respect to these claims. However, while costs to defend and settle these claims in the past have not been material, there can be no assurances that this will remain so in the future.

Management believes that the ultimate resolution of the foregoing matters will not have a material adverse effect on the Company's financial condition or results of operations.

**Item 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the Securities and Exchange Commission on February 23, 2005, and the other information included herein. References herein to "we," "our," or the "Company" refer to TRW Automotive Holdings Corp., together with its subsidiaries.

***Executive Overview***

*Our Business.* We are among the world's largest and most diversified suppliers of automotive systems, modules and components to global automotive original equipment manufacturers, or OEMs, and related aftermarkets. We conduct substantially all of our operations through subsidiaries. These operations primarily encompass the design, manufacture and sale of active and passive safety related products. Active safety related products principally refer to vehicle dynamic controls (primarily braking and steering), and passive safety related products principally refer to occupant restraints (primarily air bags and seat belts) and safety electronics (electronic control units and crash and occupant weight sensors). We are primarily a "Tier 1" supplier, with over 85% of our sales in 2004 made directly to OEMs. We operate our business along three operating segments: Chassis Systems, Occupant Safety Systems and Automotive Components.

Our third quarter 2005 net sales were $2.9 billion, an increase of $178 million or 6.5% compared to net sales of $2.7 billion in the third quarter of 2004. The increase resulted primarily from higher volumes and foreign currency translation, partially offset by pricing provided to customers and lower vehicle production volumes. Operating income for the third quarter of 2005 was $74 million, a decrease of $21 million compared to the prior year period of $95 million. The decrease resulted primarily from the continued impact of commodity inflation above prior year levels, increased restructuring expenses, research and development and other costs, which were partially offset by the benefit of higher sales and cost reduction programs in excess of pricing provided to customers and non-commodity inflation. Restructuring charges and asset impairments in the third quarter of 2005 were $35 million, as compared to $5 million in the prior year quarter.

Net interest expense and accounts receivable securitization costs for the third quarter of 2005 were $59 million, as compared to $60 million in the prior year. Our deleveraging activities, which include debt reduction and other capital structure improvement efforts, were offset by rising variable interest rates.

*The Unfavorable Automotive Climate.* We achieved solid results during the three months ended September 30, 2005 despite continued unfavorable developments and trends in the automotive and automotive supply industry. These developments and trends include:

- a decline in market share for vehicle sales among some of our largest customers;
- the deteriorating financial condition of certain of our customers and the resulting uncertainty as they undergo (or contemplate undergoing) restructuring initiatives, including in certain cases, reorganization under bankruptcy laws;
- continuing pricing pressure from OEMs;
- the continued rise in inflationary pressures impacting certain commodities such as resins, chemicals and yarns, despite declines in the cost of ferrous metals from recent all-time highs;
- the growing concerns over the economic viability of our Tier 2 and Tier 3 supply base as they face inflationary pressures and financial instability in certain of their customers;
- rising interest rates;
- the continued strengthening of the U.S. dollar against various foreign currencies; and
- reduced funding of research and development projects.

During the three months ended September 30, 2005, the effect of these unfavorable trends and developments was mitigated by, among other things, our customer, product and geographic diversity combined

with the favorable impact of our sales growth, favorable foreign currency translation year over year and our continued emphasis on a high level of restructuring actions and targeted cost reductions in our businesses.

In recent years and throughout 2005, Ford Motor Company, General Motors Corporation and, to a lesser extent, the Chrysler unit of DaimlerChrysler AG (the “Big Three”) have seen a steady decline in their market share for vehicle sales in North America and Europe, with Asian OEMs increasing their share in such markets. Although we do have business with the Asian OEMs, our customer base is more heavily weighted toward the Big Three. Further, certain of our customers are undergoing various forms of restructuring initiatives, including reorganization under bankruptcy laws in certain cases, to address certain structural issues specific to their companies and the same negative industry trends that we are experiencing. Substantial restructuring initiatives undertaken by our major customers could have a ripple effect throughout our industry and may have an impact on our business and our common suppliers. Also, work stoppages or other labor issues that may potentially occur at these customers’ facilities may negatively affect us.

Pricing pressure from the Big Three and other customers is characteristic of the automotive parts industry. This pressure is substantial and will continue. Virtually all OEMs have policies of seeking price reductions each year. Consequently, we have been forced to reduce our prices in both the initial bidding process and during the terms of contractual arrangements. We have taken steps to reduce costs and resist price reductions; however, price reductions have negatively impacted our sales and profit margins and are expected to do so in the future.

During the third quarter of 2005, we saw continued increases in costs of resins, yarns and other petroleum-based products, as well as higher energy costs. Costs of other commodities such as ferrous metals also remain a worry despite declines in costs from recent highs. Therefore, overall commodity inflation pressures remain a significant concern for our business and have placed a considerable operational and financial burden on the Company. We expect such inflationary pressures to continue throughout 2005 and 2006. Accordingly, we continue to work with our suppliers and customers to mitigate the impact of increasing commodity costs. However, it is generally difficult to pass increased prices for manufactured components and raw materials through to our customers in the form of price increases. Furthermore, because we purchase various types of equipment, raw materials and component parts from our suppliers, we may be adversely affected by their failure to perform as expected as a result of being unable to adequately mitigate these inflationary pressures. These pressures have proven to be insurmountable to some of our suppliers and we have seen the number of bankruptcies or insolvencies increase due in part to the recent inflationary pressures. While the unstable condition of some of our suppliers has not led to any significant disruptions thus far, it could lead to delivery delays, production issues or delivery of non-conforming products by our suppliers in the future. As such, we continue to monitor our supply base for the best source of supply.

We have also seen certain vehicle manufacturers shift away from their funding of development contracts for new technology, replacing the funding with reimbursement on a “piece price” basis over future years. We expect this trend to continue in 2006, thereby causing our engineering and research and development expenses to increase.

In recent months, we have seen interest rate increases in response to U.S. Federal Reserve actions. This impacts the cost of borrowing of our variable rate debt and may negatively impact discount rate assumptions for valuation of our pension and other post-employment benefit (“OPEB”) liabilities. Based on a valuation date as of October 31, we anticipate that we will incur higher pension and OPEB expenses in 2006 as a result of such interest rate increases.

While we continue our efforts to mitigate the risks described above, we cannot assure you that the results of these efforts in both 2004 and the first nine months of 2005 will continue in the future or that we will not experience a decline in sales, significant strengthening of the U.S. dollar compared to other currencies, increased costs or disruptions in supply, or that these items will not adversely impact our future earnings. In particular, during the remainder of 2005 and into 2006, we will continue to evaluate the negative industry trends referred to above, including the deteriorating financial condition of certain of our customers and suppliers, and whether additional actions may be required to mitigate those trends. Such actions may include further plant rationalization and global capacity optimization efforts across our businesses.

*Our Debt and Capital Structure.* On an ongoing basis we monitor, and may modify, our debt and capital structure to reduce associated costs and provide greater financial flexibility. On May 3, 2005, we repurchased approximately € 48 million principal amount of our 10 1/8% Senior Notes with a portion of the proceeds from the issuance of shares of our common stock ("Common Stock") in the first quarter of 2005. We may make further repurchases of notes or other debt securities from time to time as conditions warrant.

Changes in our debt and capital structure, among other items, may impact our effective tax rate. Our overall effective tax rate is equal to consolidated tax expense as a percentage of consolidated earnings before tax. However, tax expense and benefits are not recognized on a global basis but rather on a jurisdictional basis. We are in a position whereby losses incurred in certain tax jurisdictions provide no current financial statement benefit. In addition, certain jurisdictions have statutory rates greater than or less than the United States statutory rate. As such, changes in the mix of earnings between jurisdictions could have a significant impact on our overall effective tax rate in future periods. Changes in tax law and rates could also have a significant impact on the effective rate in future periods.

***Results of Operations***

The following unaudited consolidated statements of operations compare the results of operations for the three and nine months ended September 30, 2005 and September 24, 2004.

***Total Company Results of Operations***

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**For the Three Months Ended September 30, 2005 and September 24, 2004**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 2,917 | $ 2,739 |
| Cost of sales | 2,623 | 2,458 |
| Gross profit | 294 | 281 |
| Administrative and selling expenses | 135 | 130 |
| Research and development expenses | 43 | 36 |
| Amortization of intangible assets | 8 | 8 |
| Restructuring charges and asset impairments | 35 | 5 |
| Other (income) expense — net | (1) | 7 |
| Operating income | 74 | 95 |
| Interest expense — net | 59 | 59 |
| Accounts receivable securitization costs | — | 1 |
| Earnings before income taxes | 15 | 35 |
| Income tax expense | 5 | 22 |
| Net earnings | $ 10 | $ 13 |

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 24, 2004***

*Sales* for the three months ended September 30, 2005 of $2.9 billion increased $178 million from $2.7 billion for the three months ended September 24, 2004. The increase resulted primarily from higher volume, in excess of price reductions to customers, of $128 million and the favorable effect of foreign currency

exchange of $50 million. Sales volume increased despite slightly lower Big Three production in North America and lower industry production in Europe.

*Gross profit* for the three months ended September 30, 2005 of $294 million increased $13 million from $281 million for the three months ended September 24, 2004. The increase resulted primarily from the positive impact of higher sales volume, in excess of adverse product mix, of $24 million, a reduction in net pension and OPEB expense of $6 million, and lower warranty costs of $3 million. These increases were partially offset by the unfavorable impact of foreign currency exchange of $6 million, inflation, which included higher commodity prices, and price reductions to our customers, net of savings from cost reductions, totaling $15 million. Gross profit as a percentage of sales was approximately 10.1% for the three months ended September 30, 2005, compared to approximately 10.3% for the three months ended September 24, 2004.

*Administrative and selling expenses* for the three months ended September 30, 2005 of $135 million increased $5 million from $130 million for the three months ended September 24, 2004. The increase resulted primarily from higher inflation and the unfavorable effect of foreign currency exchange, partially offset by a reduction in net pension and OPEB expense and savings from cost reductions. Administrative and selling expenses as a percentage of sales were 4.6% for the three months ended September 30, 2005 compared to 4.7% for the three months ended September 24, 2004.

*Research and development expenses* were $43 million for the three months ended September 30, 2005 compared to $36 million for the three months ended September 24, 2004. The increase primarily reflected additional engineering cost to support new programs and growth in emerging markets, and lower cost recovery from our customers for prototypes and engineering charges. Research and development expenses as a percentage of sales for the three months ended September 30, 2005 were 1.5% compared to 1.3% for the three months ended September 24, 2004.

*Amortization of intangible assets* was $8 million for each of the three month periods ended September 30, 2005 and September 24, 2004.

*Restructuring charges and asset impairments* were $35 million for the three months ended September 30, 2005 compared to $5 million for the three months ended September 24, 2004. Charges for the three months ended September 30, 2005 consisted of $32 million for severance costs and expenses to consolidate certain facilities, primarily our Burgos, Spain facility, $1 million of asset impairments related to restructuring, and $12 million for other asset impairment charges, offset by $10 million of post-retirement benefit curtailment gains. Charges for the three months ended September 24, 2004 of $5 million primarily reflected severance and costs related to the consolidation of certain facilities.

*Other (income) expense — net* was income of $1 million for the three months ended September 30, 2005 compared to expense of $7 million for the three months ended September 24, 2004. The increase in other income primarily reflected a reduction in bad debt expense and an increase in miscellaneous other income.

*Interest expense — net* was $59 million for each of the three month periods ended September 30, 2005 and September 24, 2004. There was no change in net interest expense as the favorable impact of lower debt and capital structure changes were offset by higher interest rates on variable rate debt.

*Accounts receivable securitization costs* were $1 million for the three months ended September 24, 2004. Such costs for the three months ended September 30, 2005 were de minimis.

*Income tax expense* for the three months ended September 30, 2005 was $5 million on pre-tax income of $15 million as compared to income tax expense of $22 million on pre-tax earnings of $35 million for the three months ended September 24, 2004. Income tax expense for the three months ended September 30, 2005 reflects adjustments necessary to recognize year to date income tax expense at the Company’s expected annual effective tax rate.

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**For the Nine Months Ended September 30, 2005 and September 24, 2004**
**(Unaudited)**

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 9,507 | $ 8,825 |
| Cost of sales | 8,443 | 7,840 |
| Gross profit | 1,064 | 985 |
| Administrative and selling expenses | 397 | 386 |
| Research and development expenses | 149 | 115 |
| Amortization of intangible assets | 24 | 25 |
| Restructuring charges and asset impairments | 56 | 18 |
| Other (income) expense — net | 11 | (9) |
| Operating income | 427 | 450 |
| Interest expense — net | 171 | 181 |
| Loss on retirement of debt | 7 | 48 |
| Accounts receivable securitization costs | 2 | 2 |
| Earnings before income taxes | 247 | 219 |
| Income tax expense | 102 | 128 |
| Net earnings | $ 145 | $ 91 |

***Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 24, 2004***

*Sales* for the nine months ended September 30, 2005 of $9.5 billion increased $682 million from $8.8 billion for the nine months ended September 24, 2004. The increase resulted primarily from higher volume and sales of new products, net of price reductions provided to customers, of $399 million and the favorable effect of foreign currency exchange of $283 million. Sales volumes increased despite lower Big Three production in North America and flat industry production in Europe.

*Gross profit* for the nine months ended September 30, 2005 of $1,064 million increased $79 million from $985 million for the nine months ended September 24, 2004. The increase resulted primarily from the positive impact of higher sales volume, net of adverse product mix, of $90 million, a reduction in net pension and OPEB expense of $21 million, and lower product warranty cost primarily in Europe of $9 million. These increases were partially offset by the unfavorable impact of inflation (which included higher commodity prices) and price reductions to our customers, net of savings from cost reductions, of $37 million, and the unfavorable impact of foreign currency exchange of $5 million. Gross profit as a percentage of sales for each of the nine month periods ended September 30, 2005 and September 24, 2004, was 11.2%.

*Administrative and selling expenses* for the nine months ended September 30, 2005 of $397 million increased $11 million from $386 million for the nine months ended September 24, 2004. The increase resulted primarily from higher inflation of $12 million and the unfavorable effect of foreign currency exchange of $8 million, partially offset by a reduction in net pension and OPEB expense of $8 million, and savings from cost reductions. Administrative and selling expenses as a percentage of sales were 4.2% for the nine months ended September 30, 2005 compared to 4.4% for the nine months ended September 24, 2004.

*Research and development expenses* for the nine months ended September 30, 2005 were $149 million compared to $115 million for the nine months ended September 24, 2004. The increase primarily reflected additional engineering cost to support new programs and growth in emerging markets, lower cost recovery from our customers for prototypes and engineering charges, and the unfavorable effect of foreign currency

exchange. Research and development expenses as a percentage of sales for the nine months ended September 30, 2005 were 1.6% compared to 1.3% for the nine months ended September 24, 2004.

*Amortization of intangible assets* was $24 million for the nine months ended September 30, 2005 compared to $25 million for the nine months ended September 24, 2004.

*Restructuring charges and asset impairments* were $56 million for the nine months ended September 30, 2005 compared to $18 million for the nine months ended September 24, 2004. Charges for the nine months ended September 30, 2005 consisted of $53 million for severance costs and expenses to consolidate certain facilities, $3 million of asset impairments related to restructuring and $12 million for other asset impairments, offset by $12 million of post-retirement benefit curtailment gains. Charges for the nine months ended September 24, 2004 of $18 million were primarily costs related to severance and consolidation of certain facilities.

*Other (income) expense — net* was expense of $11 million for the nine months ended September 30, 2005 compared to income of $9 million for the nine months ended September 24, 2004. The decline in other income primarily reflected an increase in bad debt expense of $10 million and the unfavorable effect of foreign currency exchange.

*Interest expense — net* for the nine months ended September 30, 2005 was $171 million compared to $181 million for the nine months ended September 24, 2004. Interest expense for the nine months ended September 30, 2005 included approximately $3 million of expenses related to the credit agreement amendment and restatement entered into in December 2004. The decrease in interest expense primarily resulted from a reduction in debt and various refinancing activities including the purchase of the seller note with a face value, including accrued interest, of $678 million (the “Seller Note”) from Northrop Grumman Corporation (“Northrop”), partially offset by the unfavorable effect of higher interest rates on variable rate debt.

*Loss on retirement of debt* for the nine months ended September 30, 2005 totaled $7 million compared to $48 million for the nine months ended September 24, 2004. In the first nine months of 2005, the Company repurchased approximately € 48 million principal amount of its 10 1/8% Senior Notes with a portion of the proceeds from the issuance of Common Stock. The Company recorded a loss on retirement of debt of approximately $6 million for the related redemption premium on the 10 1/8% Senior Notes, and approximately $1 million for the write-off of deferred debt issue costs.

In the first nine months of 2004, the Company recorded a loss on retirement of debt of $48 million related to the following transactions:

- $1 million related to the write-off of unamortized debt issuance costs in conjunction with the repayment of a portion of the then-existing term loan facilities in the second quarter of 2004;
- $11 million write-off of unamortized debt issuance costs in conjunction with our January 2004 refinancing of the then-existing term loan facilities; and
- $30 million of redemption fees and $6 million write-off of unamortized debt issuance costs associated with our dollar and euro-denominated senior notes and senior-subordinated notes which were partially redeemed in March 2004.

*Accounts receivable securitization* costs was $2 million for each of the nine months ended September 30, 2005 and September 24, 2004.

*Income tax expense* for the nine months ended September 30, 2005 was $102 million on pre-tax income of $247 million as compared to income tax expense of $128 million on pre-tax earnings of $219 million for the nine months ended September 24, 2004. Income tax expense for the nine months ended September 30, 2005 includes a one-time benefit of $17 million resulting from a tax law change in Poland related to investment tax credits for companies operating in certain special economic zones within the country. The investment tax credits replace the tax holiday that was previously in effect for the Company. The income tax rate varies from the United States statutory income tax rate due primarily to non-deductible interest expense in certain foreign jurisdictions and other non-deductible items, partially offset by the tax law change noted above.

***SEGMENT RESULTS OF OPERATIONS***

The following table reconciles segment sales and earnings before taxes to consolidated sales and earnings before taxes for the three and nine months ended September 30, 2005 and September 24, 2004.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Sales to external customers: | | | | |
| Chassis Systems | $ 1,670 | $ 1,620 | $ 5,470 | $ 5,126 |
| Occupant Safety Systems | 859 | 751 | 2,755 | 2,504 |
| Automotive Components | 388 | 368 | 1,282 | 1,195 |
| Total sales | $ 2,917 | $ 2,739 | $ 9,507 | $ 8,825 |
| Earnings before taxes: | | | | |
| Chassis Systems | $ 46 | $ 61 | $ 217 | $ 223 |
| Occupant Safety Systems | 44 | 47 | 232 | 230 |
| Automotive Components | 15 | 16 | 79 | 78 |
| Segment earnings before taxes | 105 | 124 | 528 | 531 |
| Corporate expense and other | (31) | (29) | (101) | (81) |
| Financing costs | (59) | (60) | (173) | (183) |
| Loss on retirement of debt | — | — | (7) | (48) |
| Earnings before taxes | $ 15 | $ 35 | $ 247 | $ 219 |

***Chassis Systems***

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 24, 2004***

| | Three Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 1,670 | $ 1,620 |
| Earnings before taxes | 46 | 61 |
| Curtailment gains | 7 | — |
| Severance and other restructuring charges | — | (1) |

*Sales* for the Chassis Systems segment for the three months ended September 30, 2005 of $1,670 million increased $50 million from $1,620 million for the three months ended September 24, 2004. The increase resulted primarily from the favorable effect of foreign currency exchange of $36 million, as well as higher volume and pricing to customers of $14 million.

*Earnings before taxes* for the Chassis Systems segment for the three months ended September 30, 2005 of $46 million decreased $15 million from $61 million for the three months ended September 24, 2004. The decrease resulted primarily from the unfavorable impact of inflation (which included higher commodity prices), in excess of savings from cost reductions and pricing, of $11 million, the negative impact of adverse product mix, net of higher volume, of $6 million, and an increase in net pension and OPEB expenses of $5 million. These decreases were partially offset by a reduction in restructuring charges of $8 million. For the three months ended September 30, 2005, Chassis Systems recorded restructuring income of $7 million related to post-retirement benefit curtailment gains. Chassis Systems recorded restructuring expense of $1 million for the three months ended September 24, 2004.

***Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 24, 2004***

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 5,470 | $ 5,126 |
| Earnings before taxes | 217 | 223 |
| Restructuring charges and asset impairments | (2) | (11) |

*Sales* for the Chassis Systems segment for the nine months ended September 30, 2005 of $5,470 million increased $344 million from $5,126 million for the nine months ended September 24, 2004. The increase resulted primarily from higher volume, in excess of price reductions to customers, of $175 million and the favorable effect of foreign currency exchange of $169 million.

*Earnings before taxes* for the Chassis Systems segment for the nine months ended September 30, 2005 of $217 million decreased $6 million from $223 million for the nine months ended September 24, 2004. The decrease resulted primarily from the unfavorable impact of inflation (which included higher commodity prices) and price reductions, in excess of savings from cost reductions, of $20 million, an increase in bad debt expense and other costs related to the bankruptcy and administration proceedings of certain customers totaling $15 million, and the unfavorable effect of foreign currency exchange of $10 million. The decrease was partially offset by the positive impact of higher volume, net of adverse product mix, of $28 million, and a reduction in restructuring charges of $9 million. For the nine months ended September 30, 2005, Chassis Systems recorded restructuring charges of $2 million in connection with severance and costs related to the consolidation of certain facilities offset by post-retirement benefit curtailment gains. Chassis Systems recorded restructuring expense of $11 million for the nine month ended September 24, 2004, related to severance and consolidation of certain facilities.

***Occupant Safety Systems***

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 24, 2004***

| | Three Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 859 | $ 751 |
| Earnings before taxes | 44 | 47 |
| Restructuring charges and asset impairments | (32) | (2) |

*Sales* for the Occupant Safety Systems segment for the three months ended September 30, 2005 of $859 million increased $108 million from $751 million for the three months ended September 24, 2004. The increase primarily reflected higher customer volume and growth in new product areas, net of price reductions to our customers, of $104 million, and the favorable impact of foreign currency exchange of $4 million.

*Earnings before taxes* for the Occupant Safety Systems segment for the three months ended September 30, 2005 of $44 million decreased $3 million from $47 million for the three months ended September 24, 2004. The decrease resulted primarily from an increase in restructuring charges of $30 million, the unfavorable effect of foreign currency exchange of $4 million, and the combined unfavorable impact of price reductions provided to our customers and inflation (which included higher commodity prices), in excess of savings from cost reductions, totaling $5 million. These increases were partially offset by the positive impact of higher volume, net of adverse product mix, of $31 million and a reduction in bad debt expense of $5 million. For the three months ended September 30, 2005, Occupant Safety Systems recorded restructuring charges of $31 million in connection with severance and costs related to the consolidation of certain facilities, primarily the Burgos, Spain facility, and asset impairment charges of $1 million, as compared to restructuring charges of $2 million for the three months ended September 24, 2004.

***Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 24, 2004***

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 2,755 | $ 2,504 |
| Earnings before taxes | 232 | 230 |
| Restructuring charges and asset impairments | (36) | (3) |

*Sales* for the Occupant Safety Systems segment for the nine months ended September 30, 2005 of $2,755 million increased $251 million from $2,504 million for the nine months ended September 24, 2004. The increase primarily reflected higher customer volume and growth in new product areas, net of price reductions to our customers, of $186 million, and the favorable impact of foreign currency exchange of $65 million.

*Earnings before taxes* for the Occupant Safety Systems segment for the nine months ended September 30, 2005 of $232 million increased $2 million from $230 million for the nine months ended September 24, 2004. The increase resulted primarily from the positive impact of higher volume, net of adverse product mix, of $58 million, a reduction in net pension and OPEB expenses of $3 million, and a reduction in bad debt of $3 million. These increases were partially offset by higher restructuring charges and asset impairments of $33 million, price reductions to customers and inflation (which included higher commodity prices), that exceeded savings from cost reductions, of $23 million and the unfavorable effect of foreign currency exchange of $7 million. For the nine months ended September 30, 2005, Occupant Safety Systems recorded restructuring charges of $35 million in connection with severance and costs related to the consolidation of certain facilities, primarily the Burgos, Spain facility, and asset impairment charges of $1 million, as compared to $3 million of restructuring charges for the nine months ended September 24, 2004.

***Automotive Components***

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 24, 2004***

| | Three Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 388 | $ 368 |
| Earnings before taxes | 15 | 16 |
| Restructuring charges and asset impairments | (10) | (2) |

*Sales* for the Automotive Components segment for the three months ended September 30, 2005 of $388 million increased $20 million from $368 million for the three months ended September 24, 2004. The increase primarily reflected the favorable impact of foreign currency exchange of $10 million, and higher customer volume, net of price reductions to our customers, of $10 million.

*Earnings before taxes* for the Automotive Components segment for the three months ended September 30, 2005 of $15 million decreased $1 million from $16 million for the three months ended September 24, 2004. The decrease resulted primarily from an increase in restructuring charges of $8 million, partially offset by the favorable impact of higher sales volume and cost reductions in excess of price givebacks to customers. For the three months ended September 30, 2005, Automotive Components recorded restructuring income of $1 million which consisted of $3 million post-retirement benefit curtailment gains, partially offset by $1 million of charges for severance and costs to consolidate facilities and $1 million of asset impairments related to restructuring. In addition, other asset impairment charges totaled $11 million. For the three months ended September 24, 2004, restructuring charges were $2 million.

***Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 24, 2004***

| | Nine Months Ended | |
|---|---|---|
| | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | |
| Sales | $ 1,282 | $ 1,195 |
| Earnings before taxes | 79 | 78 |
| Restructuring charges and asset impairments | (18) | (4) |

*Sales* for the Automotive Components segment for the nine months ended September 30, 2005 of $1,282 million increased $87 million from $1,195 million for the nine months ended September 24, 2004. The increase primarily reflected the favorable impact of foreign currency exchange of $50 million and higher customer volume, net of price reductions to our customers, of $37 million.

*Earnings before taxes* for the Automotive Components segment for the nine months ended September 30, 2005 of $79 million increased $1 million from $78 million for the nine months ended September 24, 2004. The increase resulted primarily from a reduction in warranty expenses of $8 million and the favorable impact of higher sales volume, net of adverse product mix, of $7 million. Those benefits were partially offset by an increase in restructuring and asset impairment charges totaling $14 million. Savings from cost reduction activities offset the unfavorable impact of inflation (which included higher commodity prices), and price reductions provided to our customers. For the nine months ended September 30, 2005, Automotive Components recorded restructuring charges of $7 million which consisted primarily of $9 million in severance costs and expenses to consolidate certain facilities and $1 million of asset impairments partly offset by $3 million post-retirement benefit curtailment gains. In addition, other asset impairment charges totaled $11 million. Restructuring charges for the nine months ended September 24, 2004 totaled $4 million.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

*Operating activities.* Cash provided by operating activities for the nine months ended September 30, 2005 was $122 million as compared to $36 million for the nine months ended September 24, 2004. The change resulted primarily from timing of cash receipts from customers given the close date in 2005 being five calendar days later, as well as higher profits.

*Investing activities.* Cash used in investing activities for the nine months ended September 30, 2005 was $288 million compared to $174 million for the nine months ended September 24, 2004. The increase was due primarily to asset sales and divestitures in 2004 that did not recur in 2005, as well as higher capital expenditures in 2005.

During the nine months ended September 30, 2005, we spent $281 million in capital expenditures, primarily in connection with upgrading existing products, continuing new product launches started in 2004 and providing for incremental capacity, infrastructure and equipment at our facilities to support our manufacturing and cost reduction efforts. We expect to spend approximately $500 million, or 4% of sales, on capital expenditures for such purposes during 2005.

*Financing activities.* Cash used in financing activities was $291 million in the nine months ended September 30, 2005, compared to $250 million in the nine months ended September 24, 2004. In the first nine months of 2005, we borrowed approximately $1,309 million, net of debt issue costs, and used approximately $1,601 million to pay down long-term debt, primarily in conjunction with the initial draw down of the credit facilities under our December 2004 amendment and restatement of our credit agreement.

On March 11, 2005, we completed the purchase of an aggregate 7,256,500 shares of our Common Stock from Northrop Grumman Corporation (“Northrop”) for aggregate consideration of approximately $143 million. Such shares were immediately retired. Separately, on March 11, 2005, we completed the sale of an

aggregate 7,256,500 newly issued shares of Common Stock to certain institutional investors for aggregate proceeds of approximately $143 million. On May 3, 2005, we repurchased approximately € 48 million principal amount (approximating $63 million) of our 10 1/8 % Senior Notes with a portion of the proceeds from this issuance.

**Debt and Commitments**

*Sources of Liquidity.* Our primary source of liquidity is cash flow generated from operations. We also have availability under our revolving credit facility and receivables facilities described below, subject to certain conditions. See "Off-Balance Sheet Arrangements" and "Other Receivables Facilities." Our primary liquidity requirements, which are significant, are expected to be for debt service, working capital, capital expenditures and research and development costs.

We intend to draw down on, and use proceeds from, the revolving credit facility under our senior secured credit facilities and the Company's United States and European accounts receivables facilities (collectively, the "Liquidity Facilities") to fund normal working capital needs from month to month in conjunction with available cash on hand. As of September 30, 2005, we had approximately $837 million of availability under our revolving credit facility, approximately € 153 million and £30 million under our European accounts receivable facilities and approximately $167 million of availability under our U.S. accounts receivable facility as further discussed below. During any given month, we anticipate that we will draw as much as an aggregate of $400 million from the Liquidity Facilities. The amounts drawn under the Liquidity Facilities typically will be paid back throughout the month as cash from customers is received. We may then draw upon such facilities again for working capital purposes in the same or succeeding months. These borrowings reflect normal working capital utilization of liquidity.

In connection with the February 2003 acquisition (the "Acquisition") by an affiliate of The Blackstone Group L.P. ("Blackstone") of the shares of the subsidiaries of the former TRW Inc. ("Old TRW") engaged in the automotive business from Northrop, TRW Automotive Inc., the Company's wholly-owned subsidiary ("TRW Automotive") issued the senior notes and the senior subordinated notes, entered into senior credit facilities, consisting of a revolving credit facility and term loan facilities, and initiated a trade accounts receivable securitization program, or the receivables facility. As of September 30, 2005, we had outstanding $2,831 billion in aggregate indebtedness, with an additional $837 million of borrowing capacity available under our revolving credit facility, after giving effect to $63 million in outstanding letters of credit and guarantees, which reduced the amount available. As of September 30, 2005, approximately $281 million of our total reported accounts receivable balance was considered eligible for borrowings under our United States receivables facility, of which approximately $167 million would have been available for funding. We had no outstanding borrowings under this receivables facility as of September 30, 2005. See "Other Receivables Facilities" for further discussion of our European facilities, which have approximately € 153 million and £30 million of funding availability and no outstanding borrowings as of September 30, 2005.

On May 3, 2005, the Company repurchased approximately € 48 million principal amount of its 10 1/8% Senior Notes with a portion of the proceeds from the issuance of new shares of Common Stock in the first quarter. In the second quarter of 2005, the Company recorded a loss on retirement of debt of approximately $6 million for the related redemption premium on the 10 1/8% Senior Notes, and approximately $1 million for the write-off of deferred debt issue costs.

The Company continuously evaluates its capital structure in order to ensure the most appropriate and optimal structure and may, from time to time, repurchase the Senior Notes, Senior Subordinated Notes or any other of its bonds in the open market or through redemption or retirement, if conditions warrant.

*Funding Our Requirements.* While we are highly leveraged, we believe that funds generated from operations and planned borrowing capacity will be adequate to fund debt service requirements, capital expenditures, working capital requirements and company-sponsored research and development programs. In addition, we believe that our current financial position and financing plans will provide flexibility in worldwide financing activities and permit us to respond to changing conditions in credit markets. However, our ability to continue to fund these items and continue to reduce debt may be affected by general economic (including

difficulties in the automotive industry), financial, competitive, legislative and regulatory factors, and the cost of warranty and recall and litigation claims, among other things. Therefore, we cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our Liquidity Facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

*Senior Secured Credit Facilities.* The senior secured credit facilities consist of a secured revolving credit facility and various senior secured term loan facilities. As of September 30, 2005, the term loan facilities, with maturities ranging from 2010 to 2012, consisted of an aggregate of $1.3 billion dollar-denominated term loans and the revolving credit facility provided for borrowing of up to $900 million.

The term loan A in the amount of $400 million will amortize in equal quarterly amounts, totaling $60 million in 2007, $160 million in 2008, and $135 million in 2009 with one final installment of $45 million on January 10, 2010, the maturity date. The term loan B in the amount of $600 million will amortize in equal quarterly installments in an amount equal to 1% per annum during the first seven years and three months of its term and in one final installment on its maturity date, June 30, 2012. The term loan E facility in the amount of $300 million will amortize in equal quarterly installments in an amount equal to 1% per annum during the first five years and nine months of its term and in one final installment on its maturity date, October 31, 2010.

*Incremental Extensions of Credit.* The amended and restated credit agreement also provides for the borrowing of up to the equivalent of $300 million in incremental extensions of credit. The Company has announced that it contemplates utilizing up to $300 million of such incremental extensions of credit in the fourth quarter of 2005 for the possible retirement or repurchase of certain of its debt securities or for other corporate purposes. The terms of any borrowings made pursuant to the incremental extensions of credit are expected to be substantially similar to the terms of the term loan B, but have not been definitively determined at this time.

*Debt Restrictions.* The senior credit facilities, senior notes and senior subordinated notes contain a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of our subsidiaries to incur additional indebtedness or issue preferred stock, repay other indebtedness (including, in the case of the senior credit facilities, the senior notes and senior subordinated notes), pay dividends and distributions or repurchase capital stock, 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 governing our indebtedness (including, in the case of the senior credit facilities, the senior notes, senior subordinated notes and the receivables facility) and change the business conducted by us and our subsidiaries. In addition, the senior credit facilities contain financial covenants relating to a maximum total leverage and a minimum interest coverage ratio, and require certain prepayments from excess cash flows, as defined, and in connection with certain asset sales and the incurrence of debt not permitted under the senior credit facilities.

The senior credit facilities and the indentures governing the notes generally restrict the payment of dividends or other distributions by TRW Automotive, subject to specified exceptions. The exceptions include, among others, the making of payments or distributions in respect of expenses required for us and our wholly-owned subsidiary, TRW Automotive Intermediate Holdings Corp., to maintain our corporate existence, general corporate overhead expenses, tax liabilities and legal and accounting fees. Since we are a holding company without any independent operations, we do not have significant cash obligations, and are able to meet our limited cash obligations under the exceptions to our debt covenants.

*Interest Rate Swap Agreements.* In January 2004, the Company entered into a series of interest rate swap agreements with a total notional value of $500 million to effectively change a fixed rate debt obligation into a floating rate obligation. The total notional amount of these agreements is equal to the face value of the designated debt instrument. The swap agreements are expected to settle in February 2013, the maturity date of the corresponding debt instrument. Since these interest rate swaps hedge the designated debt balance and qualify for fair value hedge accounting, changes in the fair value of the swaps also result in a corresponding adjustment to the value of the debt. As of September 30, 2005, the Company recorded a $10 million obligation related to these interest rate swaps, resulting from an increase in forward rates, along with a reduction of debt.

**Contractual Obligations and Commitments**

On January 10, 2005, we refinanced our credit facilities by making an initial draw on the facilities which were amended and restated in December 2004. Long-term debt obligations set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Commitments" in our Report on Form 10-K for the fiscal year ended December 31, 2004 gave effect to this refinancing and initial draw-down.

On May 3, 2005, we repurchased approximately € 48 million principal amount of our 10 1/8% Senior Notes with a portion of the proceeds from the issuance of new shares of Common Stock in the first quarter. Also, on October 27, 2005, we completed the purchase of a 68.4% stake in Dalphi Metal Espana, S.A. ("Dalphimetal") for approximately € 112 million, subject to post-closing adjustment, plus the assumption of debt of approximately € 80 million. The purchase of Dalphimetal was funded with a combination of cash on hand and borrowings under our existing credit facilities.

Under the master purchase agreement relating to the Acquisition, we are required to indemnify Northrop for certain tax losses or liabilities pertaining to pre-Acquisition periods. This indemnification obligation is capped at $67 million. Initial payments of approximately $30 million were made in 2004. During the first nine months of 2005, we made tax payments of approximately $16 million under this indemnification. Our remaining obligation under this indemnity is $21 million, of which a maximum of $12 million may be paid during the fourth quarter of 2005.

**Off-Balance Sheet Arrangements**

We do not have guarantees related to unconsolidated entities, which have, or are reasonably likely to have, a material current or future effect on our financial position, results of operations or cash flows.

In connection with the Acquisition, we entered into a receivables facility, which, as amended, extends to December 2009 and provides up to $400 million in funding from commercial paper conduits sponsored by commercial lenders, based on availability of eligible receivables and other customary factors.

Certain of our subsidiaries (the "sellers") sell trade accounts receivables (the "receivables") originated by them in the United States through the receivables facility. Receivables are sold to TRW Automotive Receivables LLC (the "transferor") at a discount. The transferor is a bankruptcy-remote special purpose limited liability company that is our wholly owned consolidated subsidiary. The transferor's purchase of receivables is financed through a transfer agreement with TRW Automotive Global Receivables LLC (the "borrower"). Under the terms of the transfer agreement, the borrower purchases all receivables sold to the transferor. The borrower is a bankruptcy-remote qualifying special purpose limited liability company that is wholly owned by the transferor and is not consolidated when certain requirements are met as further described below.

Generally, multi-seller commercial paper conduits supported by committed liquidity facilities are available to provide cash funding for the borrowers' purchase of receivables through secured loans/tranches to the extent desired and permitted under the receivables loan agreement. The borrower issues a note to the transferor for the difference between the purchase price for the receivables purchased and cash available to be borrowed through the facility. The sellers of the receivables act as servicing agents per the servicing agreement and continue to service the transferred receivables for which they receive a monthly servicing fee at a rate of 1% per annum of the average daily outstanding balance of receivables. The usage fee under the facility is 0.85% of outstanding borrowings. In addition, we are required to pay a fee of 0.40% on the unused portion of the receivables facility. These rates are per annum and payments of these fees are made to the lenders on the monthly settlement date.

Availability of funding under the receivables facility depends primarily upon the outstanding trade accounts receivable balance and is determined by reducing the receivables balance by outstanding borrowings under the program, the historical rate of collection on those receivables and other characteristics of those receivables that affect their eligibility (such as bankruptcy or downgrading below investment grade of the

obligor, delinquency and excessive concentration). We had no outstanding borrowings under this facility as of September 30, 2005.

This facility can be treated as a general financing agreement or as an off-balance sheet financing arrangement. Whether the funding and related receivables are shown as liabilities and assets, respectively, on our consolidated balance sheet, or, conversely, are removed from the consolidated balance sheet depends on the level of the multi-seller conduits' loans to the borrower. When such level is at least 10% of the fair value of all of the borrower's assets (consisting principally of receivables sold by the sellers), the securitization transactions are accounted for as a sale of the receivables under the provisions of SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and are removed from the consolidated balance sheet. The proceeds received are included in cash flows from operating activities in the statements of cash flows. Costs associated with the receivables facility are recorded as losses on sale of receivables in our consolidated statement of operations. The book value of our retained interest in the receivables approximates fair market value due to the current nature of the receivables.

However, at such time as the fair value of the multi-seller commercial paper conduits' loans are less than 10% of the fair value of all of the borrower's assets, we are required to consolidate the borrower, resulting in the funding and related receivables being shown as liabilities and assets, respectively, on our consolidated balance sheet and the costs associated with the receivables facility being recorded as accounts receivable securitization costs. As there were no borrowings outstanding under the receivables facility on September 30, 2005, the fair value of the multi-seller conduits' loans was less than 10% of the fair value of all of the borrower's assets and, therefore, the financial position and results of operations of the borrower were included in our consolidated financial statements as of September 30, 2005.

**Other Receivables Facilities**

In addition to the receivables facility described above, certain of our European subsidiaries entered into receivables financing arrangements in December 2003, January 2004 and December 2004. We have approximately € 78 million available for a term of one year through factoring arrangements in which customers send bills of exchange directly to the bank. We also have two receivable financing arrangements with availabilities of € 75 million and £30 million, respectively. Each of these arrangements is available for a term of one year and each involves a separate wholly-owned special purpose vehicle which purchases trade receivables from its domestic affiliates and sells those trade receivables to a domestic bank. These financing arrangements provide short-term financing to meet our liquidity needs, and any borrowings under these arrangements are included in our consolidated balance sheet.

**Research, Development and Engineering**

Company-funded research, development and engineering costs totaled:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2005 | September 24, 2004 | September 30, 2005 | September 24, 2004 |
| | (Dollars in millions) | | | |
| Research and development expenses | $ 43 | $ 36 | $ 149 | $ 115 |
| Engineering costs | 157 | 118 | 448 | 354 |
| Total | $ 200 | $ 154 | $ 597 | $ 469 |

Total research, development and engineering costs as a percentage of sales were 6.9% for the three months ended September 30, 2005 as compared to 5.6% for the three months ended September 24, 2004, and were 6.3% for the nine months ended September 30, 2005 as compared to 5.3% for the nine months ended September 24, 2004.

Recently, we have seen certain vehicle manufacturers shift away from their funding of development contracts for new technology, replacing the funding with reimbursement on a "piece price" basis over future

years. We expect this trend to continue in 2006, thereby causing our engineering and research and development expenses to increase.

**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 our operations and us. We have made and continue to make expenditures for projects relating to the environment, including pollution control devices for new and existing facilities. We are conducting a number of environmental investigations and remedial actions at current and former locations to comply with applicable requirements and, along with other companies, have 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 us.

A reserve estimate for each matter is established using standard engineering cost estimating techniques on an undiscounted basis. In the determination of such costs, consideration is given to the professional judgment of our environmental engineers, in consultation with outside environmental specialists, when necessary. At multi-party sites, the reserve estimate also reflects the expected allocation of total project costs among the various potentially responsible parties. As of September 30, 2005, we had reserves for environmental matters of $66 million. In addition, the Company has established a receivable from Northrop for a portion of this environmental liability as a result of the indemnification provided for in the master purchase agreement under which Northrop has agreed to indemnify us for 50% of any environmental liabilities associated with the operation or ownership of Old TRW's automotive business existing at or prior to the Acquisition, subject to certain exceptions.

TRW Safety Systems Inc., a subsidiary of the Company ("TSSI"), received a letter from the Federal Aviation Administration (the "FAA") dated June 28, 2005 alleging that it violated the federal Hazardous Material Regulations ("HMR") and/or the International Civil Aviation Organization Technical Instructions by allegedly offering undeclared hazardous materials for shipment on May 5, 2005, from its El Paso, Texas warehouse to the TSSI facility in Romeo, Michigan. TSSI is responding to the FAA's request "to furnish any information concerning mitigating or extenuating circumstances surrounding these alleged violations." The Company received a letter from the FAA dated September 30, 2005 proposing a civil penalty of an aggregate of $20,000 in total for these alleged violations. Management is evaluating a response.

We do not believe that compliance with environmental protection laws and regulations will have a material effect upon our capital expenditures, results of operations or competitive position. Our capital expenditures for environmental control facilities during the remainder of 2005 and 2006 are not expected to be material to us. We believe that any liability that may result from the resolution of environmental matters for which sufficient information is available to support cost estimates will not have a material adverse effect on our financial position or results of operations. However, we cannot predict the effect on our financial position of expenditures for aspects of certain matters for which there is insufficient information. In addition, we cannot predict the effect of compliance with environmental laws and regulations with respect to unknown environmental matters on our financial position or results of operations or the possible effect of compliance with environmental requirements imposed in the future.

**Contingencies**

Various claims, lawsuits and administrative proceedings are pending or threatened against our subsidiaries, covering a wide range of matters that arise in the ordinary course of our business activities with respect to commercial, patent, product liability, environmental and occupational safety and health law matters. We face an inherent business risk of exposure to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future. In addition, our costs to defend the product liability claims have increased over time.

In October 2000, Kelsey-Hayes Company (formerly known as Fruehauf Corporation) was served with a grand jury subpoena relating to a criminal investigation being conducted by the U.S. Attorney for the Southern District of Illinois. The U.S. attorney has informed us that the investigation relates to possible wrongdoing by Kelsey-Hayes Company and others involving certain loans made by Kelsey-Hayes Company's then-parent corporation to Fruehauf Trailer Corporation, the handling of the trailing liabilities of Fruehauf Corporation and actions in connection with the 1996 bankruptcy of Fruehauf Trailer Corporation. Kelsey-Hayes Company became a wholly-owned subsidiary of Old TRW upon Old TRW's acquisition of Lucas Varity in 1999 and became our wholly owned subsidiary in connection with the Acquisition. We have cooperated with this investigation, but are not aware of any activity on this investigation since the fall of 2002. We will continue to evaluate and assess the potential financial impact of this matter.

While certain of our subsidiaries have been subject in recent years to asbestos-related claims, we believe that such claims will not have a material adverse effect on our financial condition or results of operations. In general, these claims seek damages for illnesses alleged to have resulted from exposure to asbestos used in certain components sold by our subsidiaries. We believe that the majority of the claimants were assembly workers at the major U.S. automobile manufacturers. The vast majority of these claims name as defendants numerous manufacturers and suppliers of a wide variety of products allegedly containing asbestos. We believe that, to the extent any of the products sold by our subsidiaries and at issue in these cases contained asbestos, the asbestos was encapsulated. Based upon several years of experience with such claims, we believe that only a small proportion of the claimants has or will ever develop any asbestos-related impairment.

Neither our settlement costs in connection with asbestos claims nor our annual legal fees to defend these claims have been material in the past. These claims are strongly disputed by us and it has been our policy to defend against them aggressively. We have been successful in obtaining the dismissal of many cases without any payment whatsoever. Moreover, there is significant insurance coverage with solvent carriers with respect to these claims. However, while our costs to defend and settle these claims in the past have not been material, we cannot assure you that this will remain so in the future.

We believe that the ultimate resolution of the foregoing matters will not have a material effect on our financial condition or results of operations.

**Recent Accounting Pronouncements**

See Note 2 to the accompanying unaudited consolidated financial statements for a discussion of recent accounting pronouncements.

**Outlook**

The Company updated its full-year 2005 outlook to reflect, among other factors, revised foreign currency and interest rate assumptions, updated production volumes and an increased level of net pre-tax restructuring and asset impairment costs that are expected to total approximately $90 million. Conversely, the Company's outlook has not been updated to include the consolidation of Dalphimetal, which, excluding the potential impact of purchase accounting adjustments, is not expected to have a material impact on its 2005 results. As a result, the Company now expects full year revenues of approximately $12.6 billion and earnings per diluted share in the range of $1.65 to $1.80.

For the fourth quarter of 2005, the Company expects revenue of approximately $3.1 billion and net earnings in the range of $0.23 to $0.38 per diluted share. Fourth quarter guidance includes net pre-tax restructuring and asset impairment expenses of approximately $34 million.

The expected annual effective tax rate underlying our guidance is dependent on several assumptions, including the level and mix of future income by taxing jurisdiction, current enacted global corporate tax rates and global corporate tax laws remaining constant. Changes in tax law and rates could have a significant impact on the effective rate. The overall effective tax rate is equal to consolidated tax expense as a percentage of consolidated earnings before tax. However, tax expense and benefits are not recognized on a global basis but rather on a jurisdictional basis. We are in a position whereby losses incurred in certain jurisdictions provide no

current financial statement benefit. In addition, certain taxing jurisdictions have statutory rates greater than or less than the Unites States statutory rate. As such, changes in the mix of projected earnings between jurisdictions could have a significant impact on our overall effective tax rate.

We are concerned about the ongoing financial health and solvency of our major customers as they address negative industry trends through various restructuring activities. Such restructuring actions, if significant, could have a negative impact on our financial results. Annually, we purchase large quantities of ferrous metals, resins and textiles for use in our manufacturing process either indirectly as part of purchased components, or directly as raw materials, and therefore we continue to be exposed to the recent inflationary pressures impacting the resin/yarn, ferrous metal, and other commodity markets on a worldwide basis. We are also concerned about the viability of the Tier 2 and Tier 3 supply base as they face these inflationary pressures and other financial difficulties in the current automotive environment. We are monitoring the situation closely and where applicable are working with suppliers and customers to mitigate the potential effect on our financial results. However, our efforts to mitigate the effects may be insufficient and the pressures may worsen, thus potentially having a negative impact on our financial results.

Given the nature of our global operations, we maintain an inherent exposure to fluctuations in foreign currencies relative to the U.S. dollar which has recently strengthened significantly against such currencies. Should this trend continue, it could have a negative impact on our results of operations due to our proportional concentration of sales volumes in countries outside the United States. Furthermore, variable rate indebtedness exposes us to the risk of rising interest rates. If interest rates increase, our debt service obligation on variable rate indebtedness would increase, even though amounts borrowed would remain unchanged.

Finally, as the Company is assessing the challenges in the automotive industry, as discussed within this report, a high level of execution and commitment from our employees is essential given the uncertain environment that will test the Company's ability to post flat to moderate earnings growth in 2006.

**Forward-Looking Statements**

This report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information. When used in this report, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," or future or conditional verbs, such as "will," "should," "could" or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data and management's expectations with respect to future financial results (including those set forth in "Outlook" herein), are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will be achieved.

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this report. Such risks, uncertainties and other important factors which could cause our actual results to differ materially from those suggested by our forward-looking statements are set forth in our Report on Form 10-K for the fiscal year ended December 31, 2004 (the "10-K") and our Reports on Form 10-Q for the quarters ended April 1, 2005 and July 1, 2005 and include: our ability to successfully integrate Dalphimetal's operations into the Company; our ability to keep Dalphimetal's customer base after the acquisition; possible production cuts by our customers; efforts by our customers to consolidate their supply base; major restructuring by our customers; escalating pricing pressures from our customers; severe inflationary pressures impacting the markets for ferrous metals and other commodities; non-performance by, or insolvency of, our suppliers and customers, which may be exacerbated by recent bankruptcies; our substantial leverage; interest rate risk arising from our variable rate indebtedness; the highly competitive automotive parts industry and its cyclicality; product liability and warranty and recall

claims; our dependence on our largest customers; loss of market share by domestic vehicle manufacturers; limitations on flexibility in operating our business contained in our debt agreements; fluctuations in foreign exchange rates; the possibility that our owners' interests will conflict with ours; work stoppages or other labor issues at our facilities or at the facilities of our customers or suppliers and other risks and uncertainties set forth under "Risk Factors" in the 10-K and in our other Securities and Exchange Commission ("SEC") filings.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in this report and in our other filings with the SEC. We undertake no obligation to update or revise forward-looking statements which have been made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

**Item 3.** ***Quantitative and Qualitative Disclosures About Market Risks***

Our primary market risk arises from fluctuations in foreign currency exchange rates, interest rates and commodity prices. We manage foreign currency exchange rate risk, interest rate risk, and to a lesser extent commodity price risk, by utilizing various derivative instruments and limit the use of such instruments to hedging activities. We do not use such instruments for speculative or trading purposes. If we did not use derivative instruments, our exposure to such risk would be higher. We are exposed to credit loss in the event of nonperformance by the counterparty to the derivative financial instruments. We limit this exposure by entering into agreements directly with a number of major financial institutions that meet our credit standards and that are expected to fully satisfy their obligations under the contracts.

*Foreign Currency Exchange Rate Risk.* We utilize derivative financial instruments to manage foreign currency exchange rate risks. Forward contracts and, to a lesser extent, options are utilized to protect our cash flow from adverse movements in exchange rates. These derivative instruments are only used to hedge transactional exposures. Risks associated with translation exposures are not hedged. Transactional currency exposures are reviewed monthly and any natural offsets are considered prior to entering into a derivative financial instrument. As of September 30, 2005, approximately 19% of our total debt was in foreign currencies compared to 20% at September 24, 2004.

*Interest Rate Risk.* We are subject to interest rate risk in connection with the issuance of variable- and fixed-rate debt. In order to manage interest costs, we utilize interest rate swap agreements to exchange fixed- and variable-rate interest payment obligations over the life of the agreements. Our exposure to interest rate risk arises primarily from changes in London Inter-Bank Offered Rates (LIBOR). As of September 30, 2005, approximately 65% of our total debt was at variable interest rates compared to 54% at September 24, 2004.

*Sensitivity Analysis.* We utilize a sensitivity analysis model to calculate the fair value, cash flows or income statement impact that a hypothetical 10% change in market rates would have on our debt and derivative instruments. For derivative instruments, we utilized applicable forward rates in effect as of

September 30, 2005 to calculate the fair value or cash flow impact resulting from this hypothetical change in market rates. The results of the sensitivity model calculations follow:

| Market Risk | Assuming a 10% increase in prices/rates | Assuming a 10% decrease in prices/rates | Favorable (unfavorable) change in |
|---|---|---|---|
| | | (Dollars in millions) | |
| **Foreign Currency Rate Sensitive:** | | | |
| Forwards * | | | |
| — Long US$ | $ (58) | $ 63 | Fair value |
| — Short US$ | $ 18 | $ (19) | Fair value |
| Debt | | | |
| — Foreign currency denominated | $ (53) | $ 53 | Fair value |
| **Interest Rate Sensitive:** | | | |
| Debt | | | |
| — Fixed rate | $ 25 | $ (26) | Fair value |
| — Variable rate | $ (9) | $ 9 | Cash flow |
| Swaps | | | |
| — Pay variable/ receive fixed | $ (1) | $ 1 | Fair value |

* Includes only the risk related to the derivative instruments that serve as hedges and does not include the related underlying hedged item or any other operating transactions. The analyses also do not factor in a potential change in the level of variable rate borrowings or derivative instruments outstanding that could take place if these hypothetical conditions prevailed.

**Item 4.** ***Controls and Procedures***

Our Chief Executive Officer and Chief Financial Officer, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2005, have concluded that the Company's disclosure controls and procedures are adequate and effective in alerting them on a timely basis to material information relating to the Company required to be included in the Company's reports filed under the Securities Exchange Act of 1934.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls over financial reporting subsequent to the date of their evaluation.

## PART II

**Item 1.** ***Legal Proceedings***

Except as set forth in this Quarterly report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contingencies," there have been no material developments in legal proceedings involving the Company or its subsidiaries since those reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, Form 10-Q for the quarter ended April 1, 2005 and Form 10-Q for the quarter ended July 1, 2005.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

**(c) Issuer repurchases**

The independent trustee of our 401(k) plans and similar plans purchases shares in the open market to fund investments by employees in our common stock, one of the investment options available under such

plans, and matching contributions in Company stock to employee investments. In addition, our stock incentive plan permits payment of an option exercise price by means of cashless exercise through a broker and for the satisfaction of tax obligations upon exercise of options and the vesting of restricted stock units through stock withholding. However, the Company does not believe such purchases or transactions are issuer repurchases for the purposes of this Item 2 of this Report on Form 10-Q. In addition, although our stock incentive plan also permits the satisfaction of tax obligations upon the vesting of restricted stock through stock withholding, there was no such withholding in the third quarter of 2005.

**Item 5.** ***Other Information***

*Acquisition of Dalphi Metal Espana, S.A.* On October 27, 2005, the Company completed the acquisition of 68.4% of the outstanding shares of common stock of Dalphi Metal Espana, S.A. ("Dalphimetal"), a European-based manufacturer of airbags and steering wheels. The shares were purchased from Ms. Nuria Castellón García, Mr. Luis Gras Tous, Ms. Maria Luisa Gras Castellón and Mr. José Ramón Sanz Pinedo.

The purchase price of the Company's interest in Dalphimetal consisted of approximately € 112 million, subject to post-closing adjustment, plus the assumption of debt of approximately € 80 million. The purchase of Dalphimetal was funded with a combination of cash on hand and borrowings under our existing credit facilities.

*Incremental Extensions of Credit under the Company's Existing Credit Agreement.* In addition to the term loans outstanding and revolving credit facility, the Company's amended and restated credit agreement also provides for the borrowing of up to the equivalent of $300 million in incremental extensions of credit. The Company has announced that it contemplates utilizing up to $300 million of such incremental extensions of credit in the fourth quarter of 2005 for the possible retirement or repurchase of certain of its debt securities or for other corporate purposes. The terms of any borrowings made pursuant to the incremental extensions of credit are expected to be substantially similar to the terms of the Company's existing term loan B, but have not been definitively determined at this time.

*Resignation of Director.* Effective August 16, 2005, Michael J. O'Neill resigned from the Board of Directors of the Company. Mr. O'Neill was a Class II director and a member of the Corporate Governance and Nominating Committee of the Board of Directors of the Company.

Under the Second Amended and Restated Stockholders Agreement among the Company, Northrop and an affiliate of Blackstone, Northrop is entitled to designate one designee for election to the Board of Directors of the Company. Mr. O'Neill was such designee. Northrop has indicated that it is no longer necessary to continue representation on the Board of Directors of the Company.

**Item 6.** ***Exhibits***

| Exhibit Number | Exhibit Name |
|---|---|
| 2.1 | Agreement for the Purchase and Sale of Shares By and Among TRW Automotive Inc, Automotive Holdings (Spain) SL and Ms. Nuria Castellón García, Mr. Luis Gras Tous, Ms. Maria Luisa Gras Castellón and Mr. José Ramón Sanz Pinedo, dated September 6, 2005. |
| 2.2 | Schedule 8.1, Representations and Warranties of the Sellers, to the Agreement for the Purchase and Sale of Shares By and Among TRW Automotive Inc, Automotive Holdings (Spain) SL and Ms. Nuria Castellón García, Mr. Luis Gras Tous, Ms. Maria Luisa Gras Castellón and Mr. José Ramón Sanz Pinedo, dated September 6, 2005. |
| 31(a) | Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002. |
| 31(b) | Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of theSarbanes-Oxley Act of 2002. |
| 32(a) | Certification Pursuant to 18 U.S.C. §1350, As Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. |
| 32(b) | Certification Pursuant to 18 U.S.C. §1350, As Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. |

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRW Automotive Holdings Corp.
(Registrant)

By: /s/ JOSEPH S. CANTIE

Joseph S. Cantie
Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

Date: November 1, 2005

## EXHIBIT INDEX

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Exhibit 2.1

# AGREEMENT FOR THE PURCHASE AND SALE

# OF SHARES

BY AND AMONG

TRW

AND

Ms. Nuria Castellón García;

Mr. Luis Gras Tous;

Ms. Maria Luisa Gras Castellón and

Mr. José Ramón Sanz Pinedo

*Madrid, September 6, 2005*

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* * *

## Agreement for the Purchase and Sale of Shares

In *Madrid* , on *September* , 6 TH , *2005* .

## Parties

**Of the first part,**

(1) Ms. Nuria Castellón García of legal age, with domicile in Madrid, Ronda de Sobradiel, 3, and Identification Number 01456600-X.

(2) Mr. Luis Gras Tous of legal age, with domicile in Madrid, Ronda de Sobradiel, 3, and Identification Number 36215351-B;

(3) Ms. María Luisa Gras Castellón of legal age, with domicile Madrid, C/ Piquer, 2, and Identification Number 2183747-N.; and

(4) Mr. José Ramón Sanz Pinedo of legal age, with domicile in Madrid, C/ Piquer, 2, and Identification Number 51589424-X;

Hereinafter all of them to be collectively referred to as the “Sellers” and individually and indistinctly as a “Seller”.

**Of the second part,**

(5) TRW Automotive Inc, a company incorporated and organized under the laws of Delaware, USA, whose registered office is 12001 Tech Center Drive, Livonia, Michigan, USA, and Automotive Holdings (Spain), S.L., a company duly organised and incorporated under the laws of Spain, with principal office at Polígono Industrial Landaben C/D, s/n, 31012, Pamplona (Spain) and holder of Tax Identification Number B-1774094 (hereinafter jointly called, “TRW” or the “Purchaser”), respectively represented by Mr. Guenter Brenner, of legal age, German nationality, bearer of Passport number 6386502642, in force, and Mr. Roderick McLaren, of legal age, British nationality, bearer of Passport number 702200257, in force.

Hereinafter the Sellers and the Purchaser to be collectively referred to as the “Parties”.

## Recitals

I. Whereas the Sellers are the direct holders of the ownership interests in the following companies, as detailed in Schedule I:

a) Dalphi Metal España, S.A., ("DME") representing 68,3994% of the share capital of such company (the "DME Shares");

b) Dalphi Metal Seguridad, S.A., ("DMS") representing 2% of the share capital of such company (the "DMS Shares")

c) Dalphi Metal Internacional, S.A., ("DMI") representing 2% of the share capital of such company (the "DMI Shares").

d) Dalphi Metal Portugal, S.A., ("DMP") representing 2% of the share capital of such company (the "DMP Shares"),

e) Safe Life Industria de Componentes de Segurança Automovel, S.A ("SL") representing 0.0004% of the share capital of such company,

f) Safe Bag Industria Componentes Segurança Automovel, S.A ("SB"), representing 0.05% of the share capital of such company,

g) Dalphi Metal Tunisie, S.A.R.L. ("DMT") representing 0.0083% of the share capital of such company,

h) Dalphi Metal Brasil, L.T.D.A. ("DMB") representing 1% of the share capital of such company,

i) Spria S.A., one share, representing 0.00005% of the share capital of such company

II. Whereas DME together with the Sellers controls the voting rights set out next to each of the Companies listed below, in which DME is the direct or indirect holder of the following ownership interests as indicated below, as detailed in Schedule II:

a) Dalphi Metal Adriaticus (100%)

b) Dalphi Metal Ltd. (100%)

c) Dalphi Metal Italia, S.R.L. (100%)

d) Dalphi Metal France, S.A.R.L. (100%)

e) Safe Life Industria de Componentes de Segurança Automovel, S.A. (100%)

f) Dalphi Metal Tunisie, S.A.R.L. (100%)

g) Safe Bag Industria Componentes Segurança Automovel, S.A. (100%)

h) Dalphi Metal Brasil, L.T.D.A. (100%)

i) Spria, S.A. (49,99%)

j) Dalphi Metal Seguridad, S.A. (51%)

k) Dalphi Metal Internacional, S.A. (51%)

l) Dalphi Metal Portugal, S.A. (51%)

m) Mediterránea de Volants, S.L. (49%)

n) Pimsa Direksiyon Sanayi ve Ticaret, A.S. (26,5000%)

o) Garevol, S.L. (25%)

p) Céltica de Componentes del Automóvil, S.L. (25%)

q) Nihon Plast Co. Ltd (approximately 10.39% following the capital increase announced on July 29 th, 2005. The ownership interest currently represents 13.09%)

r) CTAG (7.3150%)

III. Whereas for the purposes of further reference in this Agreement, all the companies of Recitals I and II shall collectively referred to as the "DME Portfolio", and shall be classified as follows:

(i) Dalphi Metal Adriaticus, Dalphi Metal Ltd., Dalphi Metal Italia S.R.L., Dalphi Metal France, S.R.A.L., Safe Life Industria de Componentes de Segurança Automóvel, S.A., Dalphi Metal Tunisie, S.A.R.L., Safe Bag Industria Componentes Segurança Automovel, S.A., Dalphi Metal Brasil, L.T.D.A. and Spria S.A. will be collectively referred to as the "Controlled Subsidiaries";

(ii) Dalphi Metal Seguridad, S.A., Dalphi Metal Internacional, S.A. and Dalphi Metal Portugal, S.A. shall be collectively referred to as the "Relevant Companies"; DME, Controlled Subsidiaries and Relevant Companies together will also be referred to as the "DME Group" and

(iii) All other equity interests not listed under Clauses (i) and (ii) above shall be collectively referred to as the "Other Participations".

IV. Whereas the principal activities of the DME Group mainly consist of the design, development, production, commercialization, sale and distribution of automotive safety systems, including in particular steering wheels, bags, airbag inflators and modules (the "Activities of the DME Group").

V. Whereas the Parties recognize and acknowledge the rights under the laws of Spain, France and Portugal of minority shareholders in the DME Group, and TRW will extend the offer to acquire the shares of the minority holders, subject however to successful negotiations on terms and conditions, appropriate agreements and taking into account the particular circumstances of the minority holders.

VI. Whereas pursuant to the Letter of Intent dated May 10, 2005 among the Parties, TRW and its representatives have conducted certain limited due diligence reviews.

VII. Whereas the Parties believe the Transaction is in the best interests of the DME Group, its customers, employees and shareholders.

Therefore, intending to be legally bound, the Parties hereto enter into this sale and purchase agreement (the "Agreement") which shall be governed by the following.

## Clauses

**1. Definitions**

1.1 For purposes of this Agreement, the terms appearing in **Schedule 1.1** , shall have the meaning set forth therein.

**2. Purchase and Sale**

2.1 The Sellers hereby agree to sell, and Purchaser hereby agrees to buy, full title to the Shares identified in **Schedule 2.1** for the Purchase Price and subject to the conditions set out in this Agreement.

2.2 The Shares shall be sold and transferred free of liens, options, encumbrances, claims or any other seizure rights or Personal Rights (" *Derechos Personales* ") in

favor of third parties and shall be sold and transferred with all economic, voting and other rights that are inherent thereto.

2.3 The Parties hereby agree that on Closing, at TRW's option, the effective acquisition of the Shares could be implemented totally by any one of the companies identified as Purchaser, or partially by both of them in the proportion TRW deems appropriate on Closing. In all events TRW Automotive Inc. and Automotive Holdings (Spain) S.L. assume jointly and severally (" *solidariamente* ") all obligations undertaken by Purchaser under this Agreement.

2.4 Completion of the Transaction is subject to the satisfaction of the Conditions Precedent.

**3. Access to the business and Activities of the DME Group**

3.1 Subject to the terms and conditions of this Agreement, the Purchaser acquires from the Sellers the Shares. By acquiring the Shares, the Purchaser is acquiring control over the business activity of DME and over its assets and rights. Furthermore, the Purchaser acquires indirect control over the business activities of the Controlled Subsidiaries and the Relevant Companies and over their respective assets and rights.

3.2 The transfer of title and access to control described in the preceding paragraph constitute the cause and final purpose of this purchase and sale transaction.

**4. Purchase Price**

4.1 The Purchase Price for the Shares shall be € 112,500,000.00 (in words: Euros one hundred and twelve million and five hundred thousand) *plus* or *minus* (as the case may be) the amount of the Adjustment, if any.

4.2 On the Closing Date, the Purchaser shall deposit € 6,000,000 of the Purchase Price (in words Six Million Euros) into an interest bearing escrow account with an escrow agent reasonably satisfactory to the Parties (the "Escrow Fund") pursuant to the instructions to the escrow agent as set out in **Schedule 4.2** . On the Closing Date the balance of the Purchase Price (i.e. € 106,500,000.00) shall be paid to the Sellers in the following manner:

(a) By collective nominative bank draft of € 39,000,000.00; and

(b) By individual bank checks and in the respective amounts expressly stated in **Schedule 4.2 (b)** .

4.3 Post closing Adjustments:

a) Closing Audit : Promptly after the Closing Date, the Purchaser will cause either ERNST & YOUNG, S.L. or KPMG AUDITORES, S.L., at Purchaser's sole option, (the "Auditors"), independent certified public accountants, to conduct an audit of the Closing Financial Statements including the individual and consolidated DME Group balance sheet as of Closing Date (the "Closing Balance Sheet"). Within ninety (90) days after the Closing Date or as soon thereafter as reasonably possible, the Auditors will deliver to the Sellers and the Purchaser a report (the "Auditors' Report") based on the audit stating the net book value of assets included in the Closing Balance Sheet (the "Closing Assets") and the book amount of liabilities included in the Closing Balance Sheet (the "Closing Liabilities"), as the same were (or should have been) reflected on the books of the DME Group as of the Closing Date in accordance with the accounting principles described in clause 4.3(c) hereof.

b) Review by Sellers : Following receipt of the Auditors' Report, Sellers will be afforded a period of thirty (30) days to review the Closing Balance Sheet, audit working papers, and the Auditors' Report on the Closing Financial Statements. At or before the end of that period, Sellers will either (i) accept the Auditors' Report in its entirety, in which case the Closing Assets and the Closing Liabilities will be deemed to be as set forth on the Auditors' Report, or (ii) deliver to the Purchaser and the Auditors written notice and a detailed written explanation of those items in the Auditors' Report or Closing Balance Sheet which Sellers dispute, in which case the net book value of the Closing Assets and the book amount of the Closing Liabilities not affected by the disputed items will be deemed to be as set forth on the Auditors' Report and the items identified by Sellers shall be deemed to be in dispute. Within a further period of thirty (30) days from the end of the aforementioned review period, the Parties will attempt to resolve in good faith any disputed items. Failing such resolution, the unresolved disputed items will be referred for final binding resolution to a second internationally-recognized firm of certified public accountants mutually acceptable to the Purchaser and Sellers. The identity of this second accountant shall be immediately notified by both Parties to the Escrow Agent upon appointment. The net book value of Closing Assets and book amount of Closing Liabilities affected by such unresolved disputed items (if any) will be deemed to be as determined by such second firm in accordance with the accounting

principles described in this clause 4.3(c) within thirty (30) days of such reference. The decision of such second firm will not be appealable by the Purchaser or Sellers. The fees of the second firm of certified public accountants will be shared equally between Purchaser and Sellers.

c) Accounting Principles : The net book value of the Closing Assets and the book amount of the Closing Liabilities will be determined in accordance with Spanish generally accepted accounting principles as properly and consistently applied by the DME Group in the past except that, for purposes of the Adjustment, (i) the assets and liabilities of Spria, S.A. will be fully consolidated in the Closing Balance Sheet as well as from the calculation of the Base-Line Net Book Value (as defined below) and both shall be pro-forma for DME's ownership of 100% of Spria's share capital; (ii) the value of the interest in Nihon Plast Co. Ltd will be excluded from the calculation of both the Base-Line Net Book Value and the Closing Net Book Value; (iii) the Closing Net Book Value and the Base-Line Net Book Value will be pro-forma for DME's ownership of 51% of the share capital of DMI, DMS and DMP; and (iv) there will be no increase in provisions for environmental matters beyond those previously in existence, those arising from matters occurring after December 31, 2004 and those agreed to by Sellers and Purchaser as a result of Purchaser's due diligence. Only assets and liabilities reflected on the consolidated balance sheet of the DME Group (or which should have been) in accordance with the aforementioned accounting principles will be taken into account for purposes of determining the Closing Net Book Value.

d) Base-Line Net Book Value : The Base-Line Net Book Value will be an amount equal to € 86,157,000.00(in words: eighty six million one hundred and fifty-seven thousand euros), pursuant to the calculation provided in **Schedule 4.3 d)** .

e) Determination of Closing Net Book Value : The Closing Net Book Value will be an amount equal to the net book value of assets included in the Closing Assets minus the book amount of liabilities included in the Closing Liabilities as of the Closing Date, both as determined under clauses 4.3(a) and (b) hereof.

f) Amount of Adjustment : If the Closing Net Book Value is equal to the Base-Line Net Book Value, then the Adjustment will equal zero. If the Closing Net Book Value is more than the Base-Line Net Book Value, then the Adjustment will be a positive amount equal to [68.3994%] of the amount by which the Closing Net Book Value is more than the Base-Line Net Book

Value. If the Closing Net Book Value is less than the Base-Line Net Book Value, then the Adjustment will be a negative amount equal to [68.3994%] of the amount by which the Closing Net Book Value is less than the Base-Line Net Book Value, provided however that such negative Adjustment will never exceed the amount of € 6,000,000.00.

g) Payment of Adjustment : If the Adjustment is a positive amount, then the Purchaser will pay Sellers the amount of the Adjustment and the escrow agent will release to Sellers the Escrow Fund, within ten (10) business days after the final determination of the amount of the Adjustment pursuant to clause 4.3(f) hereof. If the Adjustment is a negative amount, then the escrow agent will release (i) to Purchaser, the amount of the Adjustment and (ii) to Sellers, any balance of the Escrow Fund after deducting the Adjustment.

h) Without prejudice to the Adjustment as indicated above, the Purchase Price, and therefore the payment of the € 106,500,000 to be delivered on Closing to the Sellers, will be reduced in the amounts paid to the Sellers by the corresponding DME Group companies in consideration for the effective transfer of the minority interest stakes pursuant to Schedule 7.2

**5. Conditions Precedent**

5.1 The completion of the Transaction is subject to the satisfaction of each and every one of the following conditions precedent:

a) The European Commission shall have issued a decision that the concentration is compatible with the common market under the Merger regulations of the European Union (or having been deemed to have done so) and, in the event of a referral of the proposed transaction to a competent authority of a European State, no such state shall have restrained or prohibited the consummation of the Transaction.

b) The absence of any Material Adverse Change between Signing and Closing.

c) The Representations and Warranties of Sellers contained in this Agreement shall be true, accurate, and complete in all material respects as of the date hereof and as of the Closing Date (as if such Representations and Warranties had been made anew as of the Closing Date), in accordance with Schedule 6.4 f).

d) The Sellers shall have provided a First Demand Bank Guarantee in accordance with clause 16.1 of this Agreement.

5.2 Each of the Parties undertakes to use its best efforts to carry out the actions and process the documents necessary to obtain the aforementioned authorizations, consents, verifications and agreements reasonably in advance.

5.3 Should all the conditions precedent referred to in Clause 5.1 not be fulfilled by March 31, 2006, and should the Purchaser not have waived those conditions pending fulfillment or the Parties having set a new date therefor, this Agreement shall be rendered without any effect whatsoever, except for the provisions referring to confidentiality under this Agreement, without any of the Parties having any claim against the other as a consequence thereof, except in the event of a breach of its obligations under Clause 5.2.

**6. Closing**

6.1 The Closing Date shall take place the last Business Day of the month in which the Condition Precedent set out in Clause 5.1.a) shall have been fulfilled and notified to the Purchaser or have been deemed to have occurred, provided however that if such notice has been served (or deemed to have been done) less than 10 calendar days prior to the end of such month, Closing Date shall occur on the last Business Day of the following month. Purchaser undertakes to inform Sellers within 3 Business Days of having received notification of the European Commission decision.

6.2 On the Closing Date, the Parties shall execute the transfer of title to the Shares before a notary public by the delivery of the Shares and their endorsement and complete the other actions set out in clause 6.4.

6.3 The Closing shall take place in Madrid, at [12:00 pm] at the offices of the Notary Public [Mr. Carlos de Prada Guaita] or any other notary or location mutually agreed by the Parties.

6.4 On the Closing Date:

a) The Purchaser or the Sellers shall deliver a copy of the document evidencing the satisfaction of the Condition Precedent set out in Clause 5.1 a).

b) The Parties shall exhibit powers of attorney sufficient for the execution of the Transaction and the other transactions contemplated by this Agreement and

state before the Notary the satisfactory completion of Conditions Precedent set out in Clause 5.1.

c) The Sellers shall deliver certificates evidencing their compliance with the requirements of Clause 7.1, the completion of the matters covered by Clause 7.2 and the absence of any Material Adverse Change, in accordance with the form set forth in **Schedule 6.4 c)** .

d) The Sellers shall deliver a certificate issued by the management body of each of the companies in which shares are being transferred evidencing the completion of the requirements set out in the Articles of Association for the transfer of the shares in accordance with the terms set forth in **Schedule 6.4 d)** .

e) The Sellers shall deliver to the Purchaser a certificate evidencing the continued validity and effectiveness of the Representations and Warranties on the Closing Date, in accordance with the terms of **Schedule 6.4 e)** .

f) The Sellers shall deliver to the Purchaser an irrevocable first demand bank guarantee (" *Aval a primer requerimiento* ") in the amount of € 39,000,000 (in words: Thirty-nine million Euros) in accordance with clause 16.1 of the Agreement.

g) The Sellers shall deliver to the Purchaser the certificates of title representing the Shares duly endorsed in favor of the Purchaser and shall deliver to the Notary Public all the public deeds or documents that justify ownership of the Shares for due recording of the transfer on such original titles of ownership.

h) The Purchaser shall pay to the Sellers and deliver to the escrow agent the Purchase Price in the manner provided for in Clause 4.2.

i) Sellers shall have performed and complied with all agreements and conditions required by this Agreement to be performed or satisfied by Sellers, and Sellers shall deliver to Purchaser all documents, certificates, and instruments required to be delivered by Sellers under the terms of this Agreement.

j) Sellers shall have delivered to the Purchaser the letter related to the lease agreements set out in accordance with **Schedule 6.4.j)**

6.5 All of the actions described in this clause 6 shall be undertaken simultaneously as a single transaction (" *unidad de acto* "). Consequently, none of the foregoing actions shall be held to have been completed until such time as each and every one of the other actions is completed.

## 7. Sellers' Obligations During the Interim Period

7.1 During the Interim Period, the Sellers shall act, and cause DME, the Controlled Subsidiaries, the Relevant Companies and where applicable and to the extent possible, given the rights of Directors and/or shareholders or pursuant to contract, the Other Participations, to act with the greatest diligence to:

a) Avoid any act or omission which could cause a Material Adverse Change to any of the DME Portfolio;

b) Maintain the current organizational structure, management team, Personnel, and network of agents of the DME Portfolio, as well as the commercial relations with suppliers, customers, creditors, agents, lessors of real estate leased by such companies, and any third parties with which such companies maintain relations;

c) Conduct the operations of the DME Portfolio in the Ordinary Course of Business, consistent with past practice as to nature, scope and manner of carrying on the business, taking into special consideration the signing of this Agreement and the protection, to the greatest extent possible, of all of the rights thereby acquired, or intended to be acquired by the Purchaser;

d) Direct and manage the DME Portfolio in such a manner as to maintain the full truthfulness, accuracy, and completeness of the terms of the Representations and Warranties on the Closing Date;

e) Inform and submit for the prior written approval of the Purchaser such actions, facts or omissions which arise outside the Ordinary Course of Business and specifically shall not, without the previous written consent from the Purchaser, which consent shall not be unreasonably withheld and which consent shall be deemed to have been given fifteen (15) calendar days after receipt by the Purchaser of the written request for approval unless Purchaser notifies Sellers otherwise:

(i) Assume any obligation or responsibility except for those that arise in the Ordinary Course of Business and on an arms length basis;

(ii) Issue, or adopt any resolution to issue shares, obligations, bonds, options, warrants or other securities or financial instruments of an analogous nature;

(iii) Assume effective or contingent obligations or responsibilities (including, but not limited to, financial leasing or unregistered transactions) outside the Ordinary Course of Business and not under normal market terms and conditions or enter into any unusual, abnormal or onerous contract or commitment.

(iv) A) Declare, agree or distribute final or interim dividends or other distributions from any of the DME Portfolio's reserves or funds or make other payments in favor of the Sellers, previous shareholders or members of the board other than for the transfer of DMS, DMP and DMI shares and all other minority interest stakes, all of it pursuant to Schedule 7.2 and pay-roll; or B) cause or permit any of the DME Portfolio to acquire its own shares or redeem or reclassify its shares, increase or reduce its share capital.

(v) Sell, assign, lease or in any other way transfer or subject to liens and encumbrances, any of its tangible or intangible assets or shares owned by the DME Group in the DME Portfolio.

(vi) Grant guarantees or modify the provisions of already existing guarantees, lend money or advance payments to third parties, including the Sellers (except to the extent required in the Ordinary Course of Business and consistent with past practices for operation of the current DME Group cash management system), or execute any additional loan or credit facility agreements, or modify the provisions of already existing loans or credit facility agreements.

(vii) Cancel credits, or waive any right to claim from third parties.

(viii) Modify the articles of association of any DME Portfolio except as may be specifically required by law.

(ix) Increase the remuneration of or establish additional consideration of any kind payable to directors, executives or employees of any of the DME Portfolio, or otherwise enter into or alter any employment, consulting or managerial services agreements relating to the DME Portfolio in excess of amounts required by a legally binding contract entered into prior to Signing and disclosed to Purchaser in due diligence.

(x) Breach, cancel or amend any of the contracts, agreements or insurance policies that are binding on any of the DME Portfolio.

(xi) Commit to make, or to make any capital expenditures per project in excess of € 500,000.00 (in words: Euros five hundred thousand), or increase any previous commitment for capital expenditures in excess of such amount.

(xii) Change or enter into collective bargaining agreements or other collective labor contracts.

(xiii) Enter into any lease of real or personal property or any renewals thereof involving a term of more than one (1) year or rental obligation exceeding € 50,000.00 Euros (in words: Euros fifty thousand) per annum in any single case.

(xiv) Commence, enter into, or alter any pension, retirement, profit-sharing, employee stock option or stock purchase, bonus, deferred compensation, incentive compensation, life insurance, health insurance, fringe benefit, or other employee benefit plan or arrangement affecting employees of the DME Portfolio.

(xv) Accelerate or delay the manufacture, sale or shipment of products of the DME Portfolio other than pursuant to specific requests initiated by customers.

(xvi) Make or change any Taxes or taxes accounting method, settle any tax audit or proceeding, or file any amended tax returns, except in the Ordinary Course of Business consistent with past practice.

f) Without prejudice to the provision in section (e) above, and provided that Sellers notify in English any urgent request to TRW Automotive GmbH, Industrie Strasse 20, 73551, Alfdorf, Germany, to the attention of Mr. Günter Brenner, Mr. Rod McLaren or Mr. Josef Hermes, Purchaser will undertake its best efforts to respond to Sellers within five (5) Business days after receipt of such urgent request for approval.

g) Subject to, and in compliance with, applicable antitrust regulation, requirements and limitations and so long as it does not unreasonably interfere with the ordinary conduct of business, Sellers shall permit the Purchaser as broad as possible access to the Personnel, real estate, installations, contracts, books and registries and any other additional information of a financial, operational or analogous nature, or any other relevant information for the DME Portfolio which the Purchaser could reasonably request.

7.2 During the Interim Period the Sellers shall act, and cause DME, the DME Controlled Subsidiaries, the Relevant Companies and, where applicable and to the extent possible, given the rights of Directors and shareholders or pursuant to contract, the Other Participations, to complete the actions set forth in **Schedule 7.2** .

7.3 Material breach by the Sellers of the terms provided for in the preceding paragraphs of this clause shall give the Purchaser the option to demand specific performance of the Agreement or to terminate this Agreement pursuant to article 1124 of the Civil Code, without prejudice to any other remedies that Purchaser may be entitled for such breach.

7.4 The same optional right to demand performance or to terminate this Agreement shall be granted to the Purchaser should any Material Adverse Change occur. If Purchaser elects to demand performance, the amount of the Loss resulting from the Material Adverse Change shall be deducted from the Purchase Price as an adjustment subject to Clause 4.3 and shall not prejudice or reduce Sellers' liability under the Agreement for breaches of the Representations and Warranties or the First Demand Bank Guaranty securing such liability.

7.5 Sellers may claim, as full and complete liquidated damages for breach of Purchaser's obligations under this Agreement, the full amount of € 10,000,000 in the Purchaser's Bank Guarantee (as defined in Clause 16.2) provided that a court of competent jurisdiction determines in a firm and final judgment either:

(i) A) each of the conditions precedent set forth in Clause 5.1 has been satisfied, B) the Sellers complied with all of their obligations under the Agreement and C) Purchaser's failure to complete the Transaction was a breach of this Agreement; or

(ii) That the Condition Precedent set out in Clause 5.1 (a) has not been fulfilled due to a breach of Purchaser's obligations under Clause 7.6 of this Agreement.

In such events, Purchaser will have no further obligations or liabilities to Sellers of any type in respect of breach of this Agreement.

7.6 Notification to the Antitrust Authorities

Purchaser will notify this Agreement to the competent antitrust authorities in all jurisdictions where it is required to do so promptly after signing. The Parties shall fully cooperate and be jointly responsible for the conduct of the proceedings before the antitrust authorities and shall cooperate fully and promptly to gather information. The Parties shall each provide to such authorities all information and materials reasonably requested in connection with such proceedings. Other than such antitrust notification, neither Purchaser nor Sellers have any knowledge that any other government or regulatory filing, condition, consequence or approval is required.

## 8. Representations and Warranties of the Sellers

8.1 **Schedule 8.1** sets forth the Representations and Warranties which the Sellers make jointly and severally in favor of the Purchaser (the "Representations and Warranties"). The Sellers, jointly and severally, represent and warrant that the Representations and Warranties are true, accurate and complete, without omitting any fact or circumstance which would alter, restrict or condition the content and scope of such Representations and Warranties.

8.2 The Purchaser's decision to purchase the Shares for the Purchase Price and upon the other terms established in this Agreement is based essentially on the existence, truthfulness, accuracy and completeness of the Representations and Warranties.

8.3 On the basis of the foregoing and on the terms of Schedule 8.1, the Sellers shall be liable to the Purchaser for the truthfulness, accuracy, and completeness of the Representations and Warranties on the terms of clause 10. For the avoidance of doubt, the Sellers shall not be liable for the circumstances declared in the Disclosure Annexes, except if such circumstances are included in the Recoverable Exceptions.

8.4 The completion by the Purchaser (or its advisors) of investigations and audits of the business, financial, accounting, environmental, information technologies and systems, legal and tax circumstances ("due diligence") of some of the DME Group companies does not in any way exempt or limit the liability of the Sellers, except for matters A) declared in the Disclosure Annexes that are not included in the Recoverable Exceptions and B) covered by Clause 10.2 (iv) that are not included in the Recoverable Exceptios.

8.5 The Representations and Warranties shall be understood as referring to the Signing, unless express reference is made to another date.

8.6 On the Closing Date the Sellers shall certify to the Purchaser the validity and effectiveness of the Representations and Warranties as of the Closing Date in accordance with the terms of Clauses 5.1.c) and 6.4.f).

## 9. Representations and Warranties of the Purchaser

**9.1** **Schedule 9.1** sets out the Representations and Warranties which the Purchaser makes in favor of the Sellers. The Purchaser represents and warrants that the Representations and Warranties of the Purchaser are true, accurate and complete, without omitting any fact or circumstance which would alter, restrict or condition the content and scope of such Representations and Warranties.

**9.2** On the Closing Date Purchaser shall certify to Sellers the validity and effectiveness of the Representations and Warranties.

## 10. Obligation to Indemnify by the Seller

10.1 Subject to the time limits set forth in Clause 11 of this Agreement, the Sellers shall jointly and severally (" *Solidariamente* ") indemnify and hold harmless the Purchaser from, against and in respect of any and all loss, including Taxes that might be imposed on Purchaser as a result of such indemnity, harm, prejudice, charge, responsibility, debt, capital loss, fine, surcharge, interest or expense (including fees and costs for lawyers, prosecutors, notaries, auditors, accountants, experts, appraisers or other professionals) caused by (i) breach, inaccuracy (whether caused by omission or otherwise) or untruthfulness of any of the Representations and Warranties which arose or resulted from any act, omission, fact or occurrence originating prior to Closing; or (ii) any Recoverable Exception; or (iii) breach of any other obligations, undertakings, provisions, terms and conditions or agreements set out in this Agreement; or (iv) non compliance with laws and regulations applicable to the construction, technical characteristics, area and security of real estate; or (v) the use of materials considered by competent authorities to be dangerous or prohibited for the construction of real estate (hereinafter "Losses" or "Loss"). For the calculation of Loss imposed on the Purchaser, DME's ownership interest in Spria shall always be considered to be 50%.

10.2 For the avoidance of doubt, Losses shall not include, whatever their nature and amount might be, circumstances or obligations which (i) are duly reflected and supported in the Closing Consolidated and Individual Financial Statements but only up to the amount which has been accounted or provisioned for, as the case may be; (ii) are the object of express exemption from liability in this Agreement; (iii) are duly specified in the Disclosure Annexes, but only up to the amount which has been specified when applicable, in the respective Disclosure Annexes, provided always that they are not also included in the Recoverable Exceptions; (iv) are at the time of Signing actually known by the individuals named in Clause 4 of Schedule 9.1 to constitute a breach of Seller's Representations and Warranties, provided always that they are not also included in the Recoverable Exceptions; or (v) relate to damages to the reputation of the DME Group or the Purchaser.

10.3 For the sake of further clarity in appropriate circumstances, Losses will be calculated in respect of Purchaser's ownership interest acquired pursuant to this Agreement. For example, if a claim related to a 10 million euro obligation of DME, Purchaser's Loss would be 6.83994 million euro (68.3994%) of the obligation. Conversely, if a claim related to a 10 million Euro defect in title of the Shares, Purchaser's Loss would be 10 million Euro (100%).

10.4 The amount of indemnity for each Loss is understood as being net of (a) any indirect Taxes payable by the Purchaser as a consequence of the indemnity and (b) the net amount of any recovery actually received under insurance policies of the DME Group. The amount of any Loss for which indemnification is provided under this Agreement will (i) be reduced to take account of any net Tax benefit, as and when actually included by the Group Company having the Loss or the Purchaser within the tax return corresponding to the fiscal period when the Loss is suffered, arising from (A) the incurrence or payment of any such claim or Tax and (B) any correlative adjustments or changes in Tax treatment that occur as a result of the adjustment or change giving rise to such Loss and (ii) increased to take account of any net Tax cost arising from the receipt of indemnity payments hereunder (including any Tax resulting from the payment required under this clause) included by the indemnified party within the tax return corresponding to the fiscal period when the indemnification is collected from the Sellers.

10.5 Except for any amount required to be treated for Tax purposes as interest, all indemnity payments under Clause 10 of this Agreement will be treated as an adjustment to the Purchase Price paid for the Shares for tax purposes.

## 11. Time Limits — Limitation of Liabilities — Threshold

11.1 Without prejudice to the provision set out in Clause 11.2, the limitation period ( *"plazo de caducidad"* ) for all claims for Losses shall be three years from the Closing Date ("Time Limit"), unless the Purchaser has submitted to Sellers, on or before the Time Limit has elapsed, a Notice of Loss as defined in Clause 12.1.a. The Purchaser must initiate legal proceedings before a court of justice at the latest of (i) the Time Limit; or (ii) nine (9) months after the aforementioned written notice has been served to the Sellers.

11.2 By way of exception to the foregoing, the limitation period for claims for Losses based on tax, labor and social security related matters and for Losses based on Sellers' capacity and authority and Title to the Shares shall be the respective statute of limitation established by applicable law. For the sake of greater clarity, the Parties expressly state and acknowledge that, according to Spanish and Portuguese law, any claim made by the relevant competent authority or third party regarding any of the subject matters referred to in this Clause within the corresponding statute of limitations interrupts the applicable limitations period of each such claim until final settlement.

11.3 Sellers' obligation to indemnify, defend, or hold the Purchaser harmless from or against any Loss shall be limited to € 39,000,000.00 (in words: Euro thirty nine million). This limitation shall not apply: (i) to any Loss arising out of a breach of the Representations and Warranties on Schedule 8.1 regarding A) Sellers' capacity and authority to represent; or B) title to the Shares; or (ii) a breach of non-compete agreements referred to in Clause 13; or (iii) any failure of the Sellers to comply with the obligations undertaken pursuant to Clause 7.1.e). For the avoidance of doubt, amounts collected by Purchaser from Sellers for Losses other than those derived from (i), (ii) and (iii) above, shall reduce the maximum liability of the Sellers obligation to indemnify.

11.4 Sellers' obligation to indemnify shall accrue only if the aggregate of all Losses exceed the amount of € 1,500,000.00 (in words: Euro One Million and five hundred thousand) (the "Threshold"). If the Losses exceed the Threshold, Sellers' obligation for indemnification shall accrue for the full amount of all Losses and not only for the amount which exceeds the Threshold, and the procedures set out in Clause 12 shall apply. Notwithstanding the above, the Threshold does not apply to Losses in relation to all circumstances disclosed by Sellers in Annex 12.10 (i.e. the Loss shall be payable from the first euro). Payments by Sellers for such Losses in relation to all circumstances disclosed by Sellers in Annex 12.10, will not be considered for purposes of reaching or exceeding the Threshold.

## 12. Claims Procedure for Indemnity of Losses

12.1 In the event of a Loss not arising from a claim by a third party, the following procedures shall be followed:

a. The Purchaser, directly or through any other person acting on behalf of the Purchaser, acting with reasonable diligence from the date on which it had knowledge of the Loss, shall notify the Sellers of the existence of the Loss and the indemnity claimed (the "Notice of Loss"). By serving Notice of Loss, the Time Limit will no longer be applicable to such claim and, therefore, the Sellers will be liable vis-à-vis the Purchaser until a final settlement is reached in relation to such claim, either by mutual agreement or otherwise by firm, final and binding judicial resolution.

b. The Notice of Loss shall include (i) a description of the Loss; (ii) the basis of the claim; and (iii) any other information or documentation reasonably available to the Purchaser on which Purchaser relies to substantiate its claim.

c. Within (10) Business Days from receipt of the Notice of Loss, the Sellers shall notify the Purchaser of (i) their acceptance of the claim and their obligation to pay the corresponding amount of the Loss in accordance with the Purchaser's claim, or (ii) their rejection, whether in whole or in part, of the claim for the amount of the Loss.

d. In the circumstance provided for in Clause 12.1c)(i), the Sellers shall pay to the Purchaser the amount of the Loss within thirty (30) calendar Days following the end of the aforementioned period for responding to the Notice of Loss.

e. Sellers' rejection of a claim (partially or totally) pursuant to Clause 12.1c)(ii) shall not prejudice or limit whatsoever the Purchaser's rights to indemnification pursuant to Clause 10 or Purchaser's rights to pursue a claim against the First Demand Bank Guarantee.

f. If, within the ten (10) Business Days following receipt of the Notice of Loss, Sellers have not delivered their response to the Purchaser, the Sellers shall be deemed to have rejected the claim as well as their obligation to pay the amount of the Loss as claimed by the Purchaser.

12.2 In the event of a Loss arising from a claim by any third party including any tax authorities, labor, social security, administrative or other government entity, and whether through judicial or administrative proceedings, whether by judicial or extrajudicial means ("Third Party Claim") against the Purchaser or any company in the DME Portfolio (hereinafter the "Affected Company"), the following procedure shall apply:

a. The Purchaser, directly or through any third entity acting on behalf of Purchaser, shall serve Notice of Loss to the Sellers of such Third Party Claim, requesting that it be indemnified.

b. The Notice of Loss shall include (i) a copy of the document, if any, which contains the Third Party Claim or a copy of the document, if any, pursuant to which a tax audit, inspection or review was commenced, or on which the claim is based, as the case may be; (ii) a description of the Loss; and (iii) any other information on which Purchaser relies to substantiate its claim. The Notice of Loss shall be accompanied by reasonable supporting documentation that is reasonably available to Purchaser.

c. Within the ten (10) Business Days following receipt of the Notice of Loss, the Sellers shall notify the Purchaser (i) if they reject that a Loss could eventually arise from the Third Party Claim, or (ii) if they accept that a Loss could eventually arise from the Third Party Claim.

d. The Affected Company shall have the right to exercise the defense which it considers most convenient, including the acceptance or opposition to the claim, or the settlement thereof, whether it be judicial or extra-judicial, without the Sellers having the right to limit in any way this right of the Affected Company, in each case without prejudice to any other rights that Purchaser may have under this Agreement or applicable law, the Purchaser's right to commence, at any time starting from the Sellers' response, legal proceedings. The Sellers, directly or through their designated advisors, shall have the right to be periodically informed of the development of the claim involved.

e. In the circumstance provided for in Clause 12.2(c)(ii), the Sellers shall include in their response an express indication of their instructions to the Purchaser as to whether (i) they accept the amount of the Third Party Claim stating in the response that the Sellers shall take responsibility for the amount of such claim pursuant to Clause 10; or (ii) they reject the amount of the Third Party Claim, stating in the response the amount, if any, that they accept and their reasons for rejecting the balance. In the event Sellers object to the amount of the Third Party Claim, and subject in all cases to the

right of Purchaser or the Affected Company, as the case may be, to control the defense to such Third Party Claim as provided in 12.2 (d) above, (A) Purchaser and Sellers shall cooperate in the conduct of any proceeding relating to such claim, (B) Sellers shall have the right to participate in such proceeding at Sellers' expense. If the Affected Company enters into any settlement agreement without the consent of Sellers, and the Purchaser exercises its right to claim a Loss, Sellers may initiate an action in a court of competent jurisdiction against Purchaser to recover from Purchaser the amount of the settlement claimed by Purchaser as a Loss in excess of what Sellers believe is reasonable. If Sellers prevail in such action, Purchaser shall repay to Sellers the amount of the Loss determined by the court to be in excess of a reasonable settlement; the non-prevailing party shall pay all the costs of such litigation, including reasonable attorney fees for both parties.

f. If within the ten (10) Business Days following receipt of the Notice of Loss the Sellers have not notified the Purchaser of their response, or their response is not one of those provided for in Clause 12.2(c), they shall be deemed to have rejected the Loss deriving from the Third Party Claim, and shall be subject to the same regime as provided for in Clause 12.2 (d).

g. Notwithstanding any provisions to the contrary contained in this Agreement, Purchaser shall have the sole right to control and make all decisions regarding the DME Group Company interests in any Tax audit or administrative or court proceeding relating to Taxes, including selection of counsel and selection of a forum for such contest, provided, however, that in the event such audit or proceeding relates to Taxes for which Sellers are responsible and have agreed to indemnify Purchaser pursuant to Clause 10.1 hereof, (A) Purchaser and Sellers shall cooperate in the conduct of any audit or proceeding relating to such Taxes, (B) Sellers shall have the right to participate in such audit or proceeding at Sellers' expense, (C) Purchaser shall not enter into any agreement with the relevant taxing authority pertaining to such Taxes without the written consent of Sellers, which consent shall not unreasonably be withheld, and (D) Purchaser may, without the written consent of Sellers, enter into such an agreement provided that Purchaser shall have agreed in writing to forego any indemnification under this Agreement with respect to such Taxes. In the event of any conflict between the provisions of this Clause 12.2 g. and any other provision of this Agreement, the provisions of this Clause 12.2 g. shall control.

## 13. Sellers' Non-Competition

13.1 On or before Closing Date, each of the Sellers shall have entered into separate, binding non-competition agreements with the Purchaser in the form of **Schedule 13** to this Agreement. Such non-competition agreements to extend from the Closing Date and until the fifth (5th) anniversary of the Closing Date (hereinafter, this period shall be referred to as "the Non-Competition Period").

13.2 In the event that any of the Sellers breaches the aforementioned obligations during the Non-Competition Period, the Purchaser will have the right to recover from Sellers for each breach the greater of: (a) damages and losses arising from the breach; or (b) the amount of € 5,000,000.00 (in words: five million euros). The Sellers expressly recognize the essential nature of the non-competition and confidentiality obligation and compliance therewith for the Purchaser's decision to enter into this Agreement.

## 14. Confidentiality

14.1. Except for the press notices concerning the Transaction made in accordance with Clause 14.2 (and only to the extent of the information disclosed in such notices) and the required filings with the European Commission, the Parties agree to maintain this Agreement confidential, with regards to its object, terms, and conditions, and the documents and information resulting from this Agreement, such that the Parties shall not have the right to reveal any of their terms to any Person, other than such Persons forming part of its management bodies or senior management, or those who participate professionally in this Transaction as legal, accounting, financial or other advisors, or unless required to disclose such information by any regulatory body, inspector or supervisor, or due to any judicial ruling.

14.2. In the event of disclosure required by applicable law, the Party required to disclose shall inform the other Parties of the content of the information to be disclosed prior to its disclosure, and to the extent possible, shall comply with the reasonable requests which such Parties may make. The content of any press notices or promotional communications, whether commercial or analogous, whatever might be the media for its disclosure, shall be agreed to in writing by the Parties before its communication or disclosure. Specifically, the Parties agree that Purchaser may file the Agreement with the Securities and Exchange Commission of the United Sates of America in Washington, D.C., United States of America, and such filings and disclosure of information pertaining to such filings will not constitute a breach by the Purchaser of this Clause 14.

## 15. Actions After Closing

15.1. After the Closing Date, Sellers will, without further cost or expense to Purchaser, execute and deliver to Purchaser (or cause to be executed and delivered to Purchaser), such additional instruments of conveyance, and Sellers shall take such other and further actions as Purchaser may reasonably request to complete the legal formalities necessary to sell, transfer, and assign to Purchaser and vest in Purchaser title to the Shares and to vest in the DME Portfolio assets necessary to conduct its business in future as it is currently being conducted.

15.2. As and to the extent Sellers shall have failed to obtain prior to Closing Date the consent or approval (or an effective waiver thereof) of any person or persons in respect of any item described in Clause 6.4 hereof, after the Closing Date:

(a) the Parties will use their best efforts to obtain from such person or persons the consents or approvals (or effective waivers thereof); and

(b) if the Parties are unable to obtain any such consent, approval, or waiver, then (1) this Agreement shall not constitute or be deemed to be a contract to assign the same if an attempted assignment without such consent, approval, or waiver would constitute a breach of such item or create in the issuer or any party thereto the right or power to cancel or terminate such item and (2) Sellers will cooperate with Purchaser in any reasonable arrangement designed to provide Purchaser with the benefit of Sellers' rights under such item, including enforcement (at Purchaser's expense) of any and all rights of Sellers against such person as Purchaser may reasonably request.

15.3. Sellers shall provide Purchaser and its subsidiaries with information and assistance necessary to permit the Activities of the DME Group to continue during the transition period after Closing without interruption and without being adversely affected by the Transaction.

## 16. Bank Guarantee (" *Aval a primer requerimiento* ")

16.1. Sellers' First Demand Bank Guaranty

a. All obligations of the Sellers pursuant to this Agreement shall be covered by the First Demand Bank Guarantee (" *Aval a primer requerimiento* "), to be provided by Sellers substantially in the form set out in **Schedule 16.1.**

b. “First Demand Bank Guarantee” means a guarantee delivered by a reputable international bank, reasonably acceptable to the Purchaser, to cover all obligations of the Sellers pursuant to this Agreement. The First Demand Bank Guarantee shall be issued at the latest on the Closing Date and shall be limited to the amount of € 39,000,000.00 (in words: Euro thirty nine million). The Guarantee shall be enforceable for a period of three years and three months from the Closing Date. If at such Date there are unresolved disputes between the Parties, the First Demand Bank Guarantee will be extended, in the value of the dispute between the Parties, until final resolution of the dispute between the Parties.

16.2. Purchaser’s Bank Guaranty

a. Obligations of the Purchaser pursuant to Clauses 7.5 and 7.6 of this Agreement shall be covered by Purchaser’s Bank Guarantee, to be provided by Purchaser substantially in the form set out in **Schedule 16.2.**

b. The Purchaser’s Bank Guarantee means a guarantee delivered by the Spanish branch or subsidiary of a reputable international bank, reasonably acceptable to the Sellers, to cover the obligations of the Purchaser pursuant to Clause 7.5 in this Agreement. The Purchaser’s Bank Guarantee shall be issued at the latest on the Signing and shall be limited to the amount of € 10,000,000.00 (in words: Euro Ten million). The Purchaser’s Bank Guarantee shall be enforceable for a period of six months from the Closing Date. If at such Date there are unresolved disputes between the Parties, the Purchaser’s Bank Guarantee will be extended, in the value of the dispute between the Parties, until final resolution of the dispute between the Parties. Sellers will return Purchaser’s Bank Guarantee to Purchaser (i) upon effective transfer of shares; or (ii) one month after the Transaction is rejected by the competent antitrus authorities, unless during that period Sellers have filed a claim before competent courts of justice pursuant to Clause 18.2 for breach of Purchaser’s obligation under clause 7.6 of this Agreement.

## 17. Miscellaneous

17.1. Notices

a) All notices or communications which the Parties must make under this Agreement shall be made in writing, both in English and Spanish and shall

be delivered (i) by personal delivery with written confirmation of receipt by the other Party; (ii) by notaries service made by a Spanish notary; (iii) by burofax; (iv) by electronic mail (email) with a written copy sent by registered mail, or (v) by any other means which leaves certifiable evidence of its receipt Date by the addressee(s).

b) Notices and communications among the Parties shall be delivered to the addresses and to the attention of the persons indicated in **Schedule 17.1 (b)** of this Agreement.

c) Any change to the addresses for notices shall be immediately communicated to the other Parties in accordance with the rules set out in this Clause. Until a Party receives notice of a change of address from the other Parties, any notices sent to the previous address shall be valid.

17.2. Entire Agreement; Severability

a) This Agreement contains the entire agreement among the Parties in regards to the subject matter which constitutes its object, and supersedes all prior agreements or prior pre-contractual undertakings, whether verbal or written, which could bind the Parties in relation to this matter, including without limitation the Letter of Intent and the Term Sheet.

b) If any of the provisions of this Agreement were declared void or invalid, such declaration shall not affect the remaining provisions. The Parties shall be freed from all rights and obligations which derive from the provision declared void or invalid, but only to the extent that these rights and obligations are directly affected by such voidance or invalidity. In this event, the Parties shall negotiate in good faith to substitute the void or invalid provision with another valid and effective provision which sets out, to the extent possible, the original intention of the Parties.

17.3. Amendments and Waivers

a) This Agreement shall not be modified except by means of a written instrument signed by all Parties hereto containing an express and unequivocal

statement of the amendment agreed upon and explicitly referring to the provision to be amended.

b) The failure by a Party to exercise any right under this Agreement shall not be considered as a waiver of such right and shall not inhibit in any way the subsequent exercise of such right by such Party.

17.4. Expenses and Taxes

The expenses and Taxes resulting from the negotiation, formalization, execution, and Closing of this Agreement shall be borne by the Parties as indicated below:

a) The notary fees related to the formalization this Agreement and the Closing shall be borne by Purchaser.

b) The filing fees related to the fulfillment of the Condition Precedent set out in Clause 5.1a) shall be borne by Purchaser.

c) The fees of advisors, auditors and other professionals shall be borne by the Party that in each case contracted such advisors.

d) The Taxes which result from the formalization, execution and Closing of this Agreement shall be borne by the Parties as determined by law.

17.5. Communication

a) Except as required by law, no public announcements or press releases concerning the sale and transfer of the Shares shall be made by either Party without the prior written consent of the other Party.

b) Purchaser and Sellers agree to use their best efforts to develop a joint communication plan and to cooperate fully in determining the location, time and manner of disclosing the formation pertaining to the transactions contemplated by this Agreement to customers, suppliers and employees.

c) Sellers shall not make any declarations to third parties, whether verbal or written, in public or in private, which would be expected to negatively

affect the DME Portfolio, Purchaser or its subsidiaries or their respective employees or operations.

17.6. Assignment

The Parties shall not assign this Agreement or any part hereof without the written consent of the other Party hereto. Sellers, however, hereby consent to the total or partial assignment by Purchaser of this Agreement to any affiliate of TRW, under the condition that Purchaser remain jointly and severally liable for any money payments to be made to Sellers under this Agreement (and any of the Exhibits of this Agreement).

This Agreement shall be binding on and accrued to the benefit of the Sellers, their heirs and successors.

**18. Governing Law and Jurisdiction**

18.1. This Agreement shall be governed and interpreted in accordance with the laws of the Kingdom of Spain.

18.2. The Parties expressly agree to submit all conflicts resulting from the execution or interpretation of this Agreement to the courts and tribunals of the city of Madrid, with express waiver of their own forum, if they have a right to such other forum.

**19. Language**

19.1. This Agreement shall be signed in both Spanish and English Language. In the event of a conflict between the Spanish and English Versions the terms of the Spanish version shall prevail.

**Signatures Page**

AGREEMENT FOR THE PURCHASE AND SALE OF SHARES

IN THE DME GROUP

**IN WITNESS WHEREOF** , the Parties execute this Agreement in one original counterpart for purposes of formalizing it before a notary public at the place and date indicated at the top of this document.

**THE SELLERS**

Ms. Nuria Castellón García

Signature

Mr. Luis Gras Tous

Signature

Ms. Maria Luisa Gras Castellón

Signature

Mr. José Ramón Sanz Pinedo

Signature

**THE PURCHASER**

TRW Automotive Inc.

Mr. Guenter Brenner

Automotive Holdings (Spain), S.L.

Mr. Roderick McLaren

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**SCHEDULE 1.1**

DEFINITIONS

| | |
|---|---|
| **“Activities of the DME Group”:** | Means the activities of DME Group as defined in Recital IV. |
| **“Adjustments”:** | Means the adjustments to be done to the Purchase Price as described in Clause 4.3. |
| **“Affected Company”** | Has the meaning provided for in Clause 12.2 |
| **“Agreement”:** | Means this document with all the attachments, annexes and schedules thereto. |
| **“Auditor’s Report”:** | Has the meaning provided for in Clause 4.3 a) |
| **“Auditors”:** | Means the auditor referred to in Clause 4.3 a) |
| **“Bank”:** | Means [first line bank operating in Spain to be determined by the Parties before Closing] Bank. |
| **“Base-Line Net Book Value”:** | Has the meaning set out in Clause 4.3 d) |
| **“Business Day”:** | Means any day not a Saturday, Sunday or holiday (whether a national, regional or local holiday) in Madrid, Spain. |
| **“Closing”:** | Means the time when the Shares are transferred and the other actions provided for in clause 6.4 are completed. |
| **“Closing Assets”:** | Has the meaning provided in clause 4.3. a) |
| **“Closing Balance Sheet”:** | Has the meaning provided in clause 4.3. a) |
| **“Closing Date”:** | Means the date determined in accordance with the terms of clause 6.1. |

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| **“Closing Financial Statements”** | Means individual and consolidated financial statements of the DME Group companies prepared by the Company as of and for the period ended on the Closing Date. |
| **“Closing Liabilities”:** | Has the meaning provided in clause 4.3. a) |
| **“Closing Net Book Value”:** | Is the figure resulting from the calculation pursuant to Clause 4.3.e) |
| **“Conditions Precedent”:** | Means the conditions precedent described in clause 5 of this Agreement. |
| **“Consolidated Financial Statements”:** | Means the consolidated balance sheet, consolidated profit and loss account, the consolidated notes to the financial statements (“ *memoria* ”) of the DME Group on the Reference Date of the Financial Statements which are attached hereto as Annex 7.1 to **Schedule 8.1** . |
| **“Controlled Subsidiaries”:** | Has the meaning described in Recital III (i) |
| **“Disclosure Annexes”:** | Means each and every one of the Annexes to Schedule 8.1 in which the Sellers set out the exceptions to the Representations and Warranties. |
| **“DMB”:** | Means the Brazilian company “DALPHI METAL BRASIL, L.T.D.A.”, registered at the Commercial Registry of Parana (Brasil), having its registered office at Rua Marechal Deodoro 630-17º Andar, Conjunto 1708 Curitiba, Estado do Parana (Brasil), and holding Tax Identification Number (“CEP”) 80.010-912. |
| **“DME”:** | Means the Spanish company “DALPHI METAL ESPAÑA, S.A.”, registered at the Commercial Registry of Madrid, at tome 1,548, page M-28447, having its registered office at calle Mártires Concepcionistas, 3, 28006 Madrid, and holding Tax Identification Number (“ *NIF* ”) A-36610244. |
| **“DME Group”:** | Has the meaning provided for in Recital III (ii) |

**“DME Portfolio”:** Has the meaning as defined in Recital III

**“DME Shares”:** Means the 19.760 bearer shares in DME, each having a par value of € 30.05, representing the whole of the share capital of DME, numbered consecutively from 1 to 1 to 19.760, both inclusive.

**“DMI”:** Means the Spanish company “DALPHI METAL INTERNACIONAL, S.A.”, registered at the Commercial Registry of Madrid, at tome 1,584, , page M-29000, having its registered office at calle Mártires Concepcionistas, 3, 28006 Madrid, and holding Tax Identification Number (“ *NIF* ”) A-36643997.

**“DMI Shares”:** Means the 60,000 nominative shares in DMI, each having a par value of € 30.05, representing the whole of the share capital of DMI, numbered consecutively from 1 to 60,000, both inclusive.

**“DMP”:** Means the Portuguese company “DALPHI METAL PORTUGAL,S.A.”, registered at “Conservatoria do Registro Comercial de Vila Nova de Cerveira”, with registration number 142/920413, having its registered office at Zona Industrial de Vila Nova de Cerveira, Freguesia de Campos, Concelho de Vila Nova de Cerveira (Portugal), and holding Tax Identification Number 502764252.

**“DMP Shares”:** Means the 30,000 nominative shares in DMP, each having a par value of € 49.88, representing the whole of the share capital of DMP, numbered consecutively from 1 to 30,000, both inclusive.

**“DMS”:** Means the Spanish company “DALPHI METAL SEGURIDAD, S.A.”, registered at the Commercial Registry of Madrid, at tome 10,214, page M-161626, having its registered office at calle Mártires Concepcionistas, 3, 28006 Madrid, and holding Tax Identification Number (“ *NIF* ”) A-81300188.

**“DMS Shares”:** Means the 16,000 nominative shares in DMS, each

having a par value of € 601.01, representing the whole of the share capital of DMS, numbered consecutively from 1 to 16,000, both inclusive.

**"DMT":** Means the Tunisian company "DALPHI METAL TUNISIE, S.A.R.L.", registered at the Commercial Registry of Túnez, at volume 67, Serie A, Case 254, having its registered office at 38, Rue de Bône-ZI Ben arous-2013, Tunis, and holding Tax Identification Number ("Matricula Fiscal") 745173L.

**"Due Diligence":** Has the meaning described in Clause 8.4.

**"Escrow Fund":** Has the meaning described in Clause 4.2

**"First Demand Bank Guarantee"** Means the Bank Guarantee foreseen in Clause 16.1

**"Individual Financial Statements":** Means, in respect of each of the companies in the DME Group, in each case, the balance sheet, profit and loss account, the notes to the financial statements (" *memoria* ") [and the management report] of each of the DME Portfolio on December 31, 2004 which are attached hereto as Annex 6.1 to **Schedule 8.1** .

**"Intellectual or Industrial Property Rights":** Means: (i) inventions, discoveries, processes, designs, techniques, developments, technology, and related improvements, whether or not patentable;

(ii) patents, utility models and certificates of inventorship for inventions and applications therefore, including reissues, renewals, re-examinations and extensions thereof;

(iii) industrial designs;

(iv) distinctive signs (under Spanish law) and trademarks (under European Community law and under the national laws of other countries), trade dress, service marks, service names, trade names, brand names, logos or business symbols, whether registered or unregistered, and pending applications to register

the foregoing, including extensions and renewals thereof and goodwill associated therewith;

(v) technical, scientific, and other know-how, trade secrets, methods, processes, practices, formulas and techniques, blueprints, industrial drawings, diagrams of integrated circuits, computer software programs and software systems, including all databases, compilations, tool sets, compilers, higher level or "proprietary" languages, related documentation and materials, whether in interpretive code, source code, object code or human readable form;

(vi) copyrights in writings, designs, software, mask works or other works, whether registered or unregistered, and pending applications to register the same (including moral rights and other author's rights, rights of publicity and privacy, "name and likeness" rights and other similar rights);

(vii) domain names; and

(viii) any other analogous rights not indicated in the preceding points in this definition.

**"Interim Period":** Means the period of time between the Signing and the Closing Date.

**"Letter of Intent"** Means the letter of intent entered by the Parties on May 10, 2005 before the Spanish Notary Mr. Segismundo Álvarez Royo-Vilanova.

**"Loss" or "Losses":** Means the damages and losses as defined in clause 10.

**"Material Adverse Change":** Means any material adverse change, or any event, circumstance, condition or matter that has caused or resulted in, or is reasonably likely to cause or result in, a material adverse change, in the business, properties, results of operation, condition (financial or otherwise), assets or liabilities of the DME Portfolio taken as a whole; provided, however, that Material Adverse Change shall not include any change resulting

from (i) announcement of the execution of this Agreement and the transactions contemplated hereby or (ii) general economic or political conditions or other conditions affecting the industry in which the DME Group operates.

**"Non-Competition Agreements":** Means the agreements referred to in Clause 13.1.

**"Non-Competition Period":** Means the time period determined in accordance with the clause 13.1.

**"Notice of Loss":** Means any of the notices described in clause 12.1 a)

**"Ordinary Course of Business":** Means the acts or omissions of each of the companies in the DME Group which satisfy each of the following requirements:

(i) such acts or omissions consistent with (in their nature, amount and economic content) the practices followed by the relevant DME Group company prior to the Signing;

(ii) which do not require the approval or resolution of the General Meeting of Shareholders, Board of Directors, Executive Committee or the Managing Director of any of the companies in the DME Group; and

(iii) due to their nature do not have an extraordinary character or special relevance in respect of the normal development of the economic or business activity of the DME Portfolio.

**"Other Participations"** Has the meaning described in Recital III (iii).

**"Parties":** Means collectively the Sellers and the Purchaser.

**"Person":** Means a natural or legal person.

**"Personal Rights":** Means any restriction, obligation or defect having a personal nature which encumbers (i) the title to the asset, its peaceful and full possession, (ii) the capacity of the transferor to freely dispose of the asset, or (iii) any other right inherent in its title. Personal Charges

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| | includes preferential acquisition rights, rights of first refusal, buy-back rights, obligations to offer, option rights, limitations on use, disposition or enjoyment, or any other limitations of rights inherent in the ownership of the asset in question, whether they be in the articles of association or of a voluntary, legal or contractual nature, or other charges, restrictions, encumbrances of a personal nature. |
| **"Personnel":** | Means all of the employees of the companies of DME Group. |
| **"Post Closing Adjustments":** | Has the meaning set out in Clause 4.3. |
| **"Purchase Price":** | Means the consideration of the purchase and sale of the Shares of DME determined pursuant to the terms of clause 4.1 |
| **"Purchaser":** | Means jointly TRW Automotive Inc. and Automotive Holdings (Spain), S.L. as described in the introduction to the Parties of this Agreement. |
| **"Real Rights" ( *derechos reales)* :** | Means any restriction, obligation or defect of a real nature which encumbers (i) title to an asset, its peaceful enjoyment and full possession, or (ii) the capacity to freely dispose of it, or (iii) any other right inherent in its title. Such term includes mortgages, pledges, usufructs, rights of anticresis, servitudes, rights of use, rights of census, retention rights, pre-emptive entries in any public registries, and other charges, restrictions and encumbrances of a real nature. |
| **"Recoverable Exceptions":** | Means the list of matters, actions and events set forth in **Schedule 9.1** or expressly qualified as such in any other place, which are subject to being indemnified by the Sellers on the terms of clause 8.4 even when they appear in the Disclosure Annex. |
| **"Relevant Companies":** | Has the meaning set out in Recital III (ii) |
| **"Representations and Warranties" of Seller:** | Means the representations and warranties of the Sellers set forth in **Schedule 8.1.** |

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| **"Sellers":** | Means (i) Ms. Nuria Castellón García; (ii) Mr. Luis Gras Tous; (iii) Ms. María Luisa Gras Castellón; and (iv) Mr. José Ramón Sanz Pinedo as described in the introduction to the Parties of this Agreement, and all and any of their heirs or successors. |
| **"Shares":** | Means the DME Shares. |
| **"SB":** | Means the Portuguese company "SAFE BAG, Industria Componentes de Segurança Automovel, S.A.", registered at "Conservatoria do Registro Comercial de Ponte de Lima" with registration number 01332/20040121, having its registered office at Zona Industrial Gemieira, Lotes quinza a vinte, Freguesia da Gemieira, Concelho de Ponte de Lima (Portugal), holding Tax Identification Number 506832376. |
| **"SL":** | Means the Portuguese company "SAFE LIFE, Industria Componentes de Segurança Automovel, S.A. , registered at the Commercial Registry of "Conservatoria do Registro Comercial de Vila Nova de Cerveira", with registration number 308/250200, having its registered office at Zona Industrial Gemieira, Lotes quinza a vinte, Freguesia da Gemieira, Concelho de Ponte de Lima (Portugal), holding Tax Identification Number 504822268. |
| **"Signing":** | Means the date of execution of this Agreement, which appears at the top of this document. |
| **"Taxes":** | Means any tax, levy, assessment, customs duties, rate, fee, charge or any kind or amount of encumbrance of any analogous nature, required by any administrative authority, including surcharges, interests and penalties which are due. |
| **"Term Sheet"** | Means the term sheet provided by Purchaser to Sellers on date May 10 th , 2005 during the negotiation of this Agreement. |
| **"Third Party Claim":** | Shall have the meaning described in Clause 12.2 |

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| **“Threshold”** | Shall have the meaning described in Clause 11.4 |
| **“Time Limit”:** | Has the meaning described in Clause 11.1 |
| **“Transaction”:** | Means the sale and purchase of the Shares in accordance with the terms of this Agreement. |

**SCHEDULE 8.1**

**REPRESENTATIONS AND WARRANTIES OF THE SELLERS**

**1. Sellers' Capacity and Authority to Represent**

1.1 The Sellers have sufficient legal capacity to execute this Agreement and to perform the obligations deriving therefrom.

1.2 Except for the Conditions Precedent provided for in clause 5, the Sellers have obtained all approvals, permits and authorizations, whether pursuant to law, regulation, administrative law, articles of association, or contractual obligations, necessary to enter into this Agreement and to perform the obligations deriving therefrom.

1.3 The execution and performance of this Agreement by the Sellers does not:

a) Breach any obligation, whether verbal or written, of any of the Sellers or of any DME Group companies;

b) Breach any law, regulation, or any other legal rule developing such regulation passed by the competent authorities; or

c) Breach of any court judgment, ruling, decree, order, restraining order, writ, injunction, arbitration rule or ruling of any other nature whatsoever issued by any judicial or administrative authorities, or in any arbitration proceedings to which the Sellers are a party, or which may affect their assets and rights.

**2. Title to the Shares**

2.1 The Sellers respectively own full legal title to the Shares referred to in **Schedule I** to the Agreement, by valid and lawful title, with all its rights, free and clear of any liens or encumbrances.

2.2 There are no *Real Rights ("Derechos Reales")* which affect the Shares.

2.3 There are no Personal Rights (" *Derechos Personales* ") which affect the Shares and the Shares are not subject to any claim, encumbrance, option or similar restriction.

2.4 There are no limitations on the transfer of the Shares.

2.5 The Shares have been validly issued and are fully subscribed and paid-up.

2.6 The Sellers have not acquired the Shares with the use of prohibited financial assistance.

2.7 The representations and warranties of clauses 2.1 through 2.3, 2.5 and 2.6 above shall also apply to all shares that DME owns in each of DME Portfolio companies. Regarding 2.4 it shall also apply to all companies in the DME Portfolio except for those listed in **Disclosure Annex 2.7** .

**3. Share Capital**

3.1 The share capital of each of the DME Group companies is set out in **Disclosure Annex 3.1** .

3.2 No corporate resolutions have been adopted which are pending execution which would cause any variation in the share capital of DME Group companies, whether through the creation of new shares or the redemption, whether total or partial, of the Shares, nor the refunding of any shareholder contributions, except for those described in **Disclosure Annex 3.2**

3.3 There are no options, subscription rights, warrants, convertible or tradable securities, or other rights (of any nature whatsoever) giving any right to subscribe or acquire shares of the DME Group companies.

3.4 None of the DME Group companies hold any of their own shares or units (" *autocartera* ") nor shares or units in their respective parent companies.

3.5 To the best of the Sellers' knowledge representations set out in sections 3.1 to 3.4 above are also true of the Other Participations, except for the case of NIHON PLAST as described in **Disclosure Annex 3.5** .

**4. Incorporation, Valid Existence and Capacity**

4.1 The DME Group companies are duly incorporated, validly existing and in good standing and registered with the competent public registries and have full legal personality under their respective laws of incorporation.

4.2 The corporate object of each of DME Group companies is sufficient for undertaking their respective businesses and activities and entitles them to operate and to carry on their activities in the form they have undertaken to date.

4.3 To the best of the Sellers' knowledge representations set out in sections 4.1 and 4.2 above are also true of the Other Participations.

**5. Articles of Association, Minutes, Company Books and Accounts, Deposit of Accounts**

5.1 The articles of association of the DME Group companies are those registered with the competent Commercial Registry where applicable and are in accordance with applicable law. There has been no action taken, nor is action pending to amend or restate the articles of association of any DME Group company, except as disclosed in **Disclosure Annex 5.1** . No DME Group company is in default or violation of its articles of association.

5.2 The minutes reflect all the matters dealt with and the resolutions adopted by the corresponding management bodies in their respective meetings, having been signed by all persons legally required to do so, and duly transcribed in their entirety into the minutes books of DME Group companies without any omissions.

5.3 The minutes books DME Group companies are duly legalized, contain all the resolutions adopted by their respective general meetings of shareholders and management bodies, and are located at the offices of the respective DME Group companies, except as disclosed in **Disclosure Annex 5.3** .

5.4 All resolutions adopted by the general meetings of shareholders or the management bodies of DME Group companies which have to be filed in the competent Commercial Registry and, as the case may be, other competent public registries, have been duly registered.

5.5 The accounting books of the DME Group companies are duly legalized, have been kept in an orderly and diligent manner, are duly updated, and their content and form complies with applicable law and with the applicable GAAP in each corresponding jurisdiction.

5.6 The other books which the DME Group companies are required by law to keep have been duly legalized, have been kept in an orderly and diligent manner, contain all the information required by law, and are located at the offices of the respective DME Group companies.

5.7 The DME Group companies have complied, in a timely manner and in due form, with the legal obligation to deposit their annual accounts with the Commercial Registry, where applicable.

**6. Individual Financial Statements**

6.1 **Disclosure Annex 6.1** sets out the Individual Financial Statements of each DME Group companies.

6.2 The Individual Financial Statements have been prepared based upon the information set out in the accounting books of the respective DME Group companies. The Individual Financial Statements have been prepared in accordance with generally accepted accounting principles in the respective countries of DME Group companies and, as consistently applied and including those variations and interpretations described in an exhibit to that entity's financial statements ("GAAP"). The application of the respective country's GAAP to the Individual Financial Statements has been consistent with that undertaken in prior fiscal years.

6.3 The Individual Financial Statements fairly, faithfully and accurately reflect the assets, liabilities, financial condition and profits of the respective DME Group companies.

6.4 The provisions reflected in the Individual Financial Statements have been determined in accordance with applicable national GAAP.

6.5 The depreciations reflected in the Individual Financial Statements have been determined in accordance with applicable national GAAP.

6.6 The Individual Financial Statements reflect all liabilities of each of the DME Group companies, the total amounts of which are duly accounted for.

6.7 There has been no reevaluation of assets except upon application of the rules governing reevaluation and reappraisal. In such cases, such rules have been strictly complied with.

**7. Consolidated Financial Statements**

7.1 **Disclosure Annex 7.1** sets out the Consolidated Financial Statements of the DME Group.

7.2 The Consolidated Financial Statements have been prepared based upon the Individual Financial Statements. The Consolidated Financial Statements have been prepared in accordance with applicable Spanish GAAP and, in particular, in accordance with the rules and procedures governing the consolidation of accounts. The application of applicable Spanish GAAP to the Consolidated Financial Statements has been consistent with the consolidation applied in prior fiscal years.

7.3 The Consolidated Financial Statements fairly, faithfully and accurately reflect the assets, liabilities, financial condition and the consolidated profits of the DME Group.

7.4 From the date of the Financial Statements (i.e. December 31, 2004) until Signing:

a) The DME Group companies have conducted and managed their business activities and operations in the ordinary course in a manner consistent with past practices and with those habitual in the market, and have not carried out any acts nor adopted any resolutions of an extraordinary character which could adversely affect them which has not been expressly indicated in this Agreement; and

b) There has been no act, circumstance or fact which arose or became evident that affects or could give rise to a Material Adverse Change in the respective assets and business activities of each of the companies of the DME Group.

**8. Contracts**

8.1 All of the contracts in force to which the DME Group companies are a party (i) are valid and binding; (ii) do not breach applicable laws; (iii) have not been breached; (iv) no notice of termination has been received thereunder; (v) there is no reason to believe that such contracts will be breached or not renewed at their expiry, except as disclosed in **Disclosure Annex 8.1** ; (vi) are not material loss making contracts; (vii) do not constitute with regard to any specific customer a loss making commercial relationship; and (vii) have been entered into on an arms length basis.

8.2 None of the contracts which any of the DME Group companies are a party to contains any clauses which restrict the capacity of such companies to undertake their commercial activity in any way.

8.3 There are no contracts with commercial agents, dealers, commission agents or similar contracts or consulting agreement, except for those listed in **Disclosure Annex 8.3** .

8.4 The entering into of this Agreement:

a) Does not give rise to the right of any party to resolve or cause the early termination of any agreement entered into by any of the DME Group companies, except as disclosed in **Disclosure Annex 8.4 (a)** ;

b) Does not give rise, whether directly or indirectly, to:

(i) Any increase in the consideration paid by any of the DME Group companies in respect of any of the contracts entered into by the DME Group companies with suppliers or any other third parties [including the Sellers]; nor

(ii) Any payment of any indemnity or penalty under contracts entered into by any of the DME Group companies .

8.5 The DME Group companies have means and resources to undertake the Activities of the DME Group in the manner in which they have been undertaken to date, and the entering into of this Agreement does not implicate the termination or loss of such means and resources.

**9. Product Liability / Recalls**

9.1 Sellers represent and warrant that there are no pending or threatened: (i) claims, investigations, causes of action or (ii) liabilities for injury or damage to person, property or other right, that relate to any product designed, manufactured, assembled or sold for or by the DME Group companies.

9.2 Sellers represent and warrant that there are no pending or threatened recalls of or similar actions with products designed, manufactured, assembled or sold for or by the DME Group companies, and that no customer, manufacturer, government or government agency has requested, directed, ordered or threatened a recall of such products.

9.3 Sellers represent and warrant that they have no knowledge of any product performance concern that could give rise to product liability claim or a recall.

**10. Real Estate**

10.1 **Disclosure Annex 10.1** sets out a description of all real estate of each of the DME Group companies (the "Owned Real Estate").

10.2 The Owned Real Estate is owned by the corresponding DME Group companies by valid and lawful title.

10.3 Except as disclosed in **Disclosure Annex 10.3** , and other than easments of record which do not interfere with the use of the Owned Real Estate by the DME Group companies there are no *Real Rights ("Derechos Reales")* which affect the Owned Real Estate.

10.4 There are no Personal Rights which affect the Owned Real Estate.

10.5 Except as disclosed in **Disclosure Annex 10.5** , the Owned Real Estate, where required, is duly registered at the corresponding public registries; the description of the Owned Real Estate as set out in such public registries is correct and coincides substantially with the actual physical characteristics of the Owned Real Estate in question (including, without limitation, location, size, boundaries, area).

10.6 To the best of the Sellers' knowledge, but without any limitation on Sellers' liability if it is not true, none of the Owned Real Estate has been constructed using materials considered by competent authorities to be dangerous or prohibited (such as, without limitation, asbestos or any other material that may give rise to carbonatosis, aluminosis, etc).

10.7 **Disclosure Annex 10.7** sets out a description of all real estate leased, respectively, by certain DME Group companies, including financial leasing arrangements (the "Leased Real Estate").

10.8 All of the leasing agreements related to the Leased Real Estate are valid, in force, updated with their payments, and all parties thereto are in full compliance with their respective obligations thereunder.

10.9 The DME Group companies do not occupy or use any real estate other than the Owned Real Estate and the Leased Real Estate.

10.10 Except as disclosed in **Disclosure Annex 10.10** , the Owned Real Estate and the Leased Real Estate are properly maintained in accordance with the use for which they have been acquired or leased and they are operated in compliance with legal requirements, permits, etc.

## 11. Machinery and other Equipment Integrated into Fixed Assets

11.1 Subject to customary title retention provisions (" *Reservas de dominio* ") the DME Group companies are the owners of all machinery, equipment and fittings integrated into the fixed assets (other than customer owned tooling) as well as the remaining movable assets used in or necessary to carry out the Activities of DME Group (the "Tangible Assets") free and clear of all liens, encumbrances and any other rights of third parties except for those rights of third parties stated in the relevant Individual Financial Statements.

11.2 All Tangible Assets are duly accounted for in the relevant Individual Financial Statements.

11.3 The Tangible Assets are owned by the DME Group companies by valid and lawful title.

11.4 There are no *Real Rights ("Derechos Reales")* which affect the Tangible Assets.

11.5 There are no Personal Rights which affect the Tangible Assets.

11.6 The Tangible Assets are duly registered with the corresponding public registries, where applicable.

11.7 **Disclosure Annex 11.7** sets out a list of all the leased tangible assets, respectively, by certain DME Group companies , including financial leasing ("leasing") or operating leasing ("renting") arrangements (the "Leased Movables").

11.8 All the leasing agreements over the Leased Movables are valid, in force, updated with their payments, and both parties thereto are in full compliance with all of their obligations.

**12. Intellectual or Industrial Property; Know-how**

12.1 **Disclosure Annex 12.1** sets out a list of all the deeds of title to the Intellectual or Industrial Property Rights of the DME Group companies, including all the applications the concession of which would grant an Intellectual or Industrial Property Right to any of the DME Group companies , as well as the Intellectual or Industrial Property Rights which are owned by third parties and which are used by the DME Group companies (the third party owner or owners of such Intellectual or Industrial Property Rights being shown on the Disclosure Annex), and all the Intellectual or Industrial Property Rights licensed, respectively, by DME Group companies to third parties (the third party licensee or licensees of such Intellectual or Industrial Property Rights being shown on the Disclosure Annex) .

12.2 The entering into of this Agreement does not implicate the termination or loss of any legal title to the Intellectual or Industrial Property rights that DME Group

has and needs to undertake the activities of the DME Group in the manner they have been undertaken to date.

12.3 The Intellectual or Industrial Property Rights set out in Disclosure Annex 12.1 are duly registered with the relevant public registries, where applicable, and are fully enforceable and valid against third parties, and are according to the best of the Sellers' knowledge not subject to any causes for which they may expire, be void or be avoided.

12.4 The Intellectual or Industrial Property Rights set out in Disclosure Annex 12.1 are updated with the payment of all annual fees, taxes, levies, charges and, in general, any payments applicable to any of them under applicable law.

12.5 Other than specifically disclosed in **Disclosure Annex 12.1** , the DME Group companies are not contractually obligated to pay, whether as a royalty, license, fee or other payment to any person in order to use any of the Intellectual or Industrial Property Rights set out in Disclosure Annex 12.1.

12.6 There are no claims, whether judicial or extrajudicial, nor any proceeding which could in any way affect the Intellectual or Industrial Property Rights set out in Disclosure Annex 12.1.

12.7 The Intellectual or Industrial Property Right set out in Disclosure Annex 12.1 are free from any charges and encumbrances, mortgages and guarantees, attachments, retentions or, in general, rights conferred to third parties.

12.8 The Sellers have not directly or indirectly used, created, owned, or sought to register, under any title whatsoever, any industrial property, intellectual property or domain names which includes, whether alone or in combination with any other rights, one or more of the elements which constitute or are included in the Intellectual or Industrial Property Rights set out in Disclosure Annex 12.1, or that, even without including any such elements, may prejudice, give rise to confusion with, or be associated with the Intellectual and Industrial Property Rights set out in Disclosure Annex 12.1.

12.9 In relation to the software programs (including, as the case may be, preliminary documentation and use manuals) set out in Disclosure Annex 12.1, each DME

Group company holds all of the rights necessary for their use by each user in the ordinary course of their activities and operations.

12.10 Except as disclosed in **Disclosure Annex 12.10** , the DME Group companies are not infringing, misappropriating or otherwise violating and have not previously infringed, misappropriated or otherwise violated the Intellectual or Industrial Property Rights of any person and there is no infringement, misappropriation or other violation by any person of any of the Intellectual or Industrial Property Rights of DME Group companies and no infringement claim of infringement, misappropriation or other violation of Intellectual or Industrial Property has been threatened or is pending against any DME Group companies.

12.11 The DME Group companies have taken reasonable actions as would have been taken by any diligent manager (including executing non-disclosure and intellectual property assignment agreements and filing for statutory protections where appropriate) to protect, preserve, police and maintain Intellectual or Industrial Property Rights set out in Disclosure Annex 12.1.

## 13. Intangible Assets

13.1 All the capitalized R&D expenses have been accounted for in accordance with applicable national GAAPs.

13.2 The relevant companies of the DME Group maintain the required individual documentation for each of the projects capitalized.

13.3 Impairment analysis has been performed regarding the present value of the investments in connection with their future contribution to income and no additional amortizations and/or provisions are required.

13.4 The amortization period used by the DME Group is 5 years.

**14. Financial Assets**

14.1 The DME Group companies own, respectively, full valid and legal title to the shares (" *acciones* " or " *participaciones* ") of the DME Portfolio, free and clean of all liens, encumbrances, options, charges or other Third Party Rights.

14.2 The DME Group companies, other than the Other Participations, do not have any investments in any other companies, whether Spanish or foreign companies, capital stock companies or any type of association ("joint venture"), temporary economic grouping, temporary union of companies, nor do they have the condition of director or have control over the management and direction of another company or entity, other than the DME Portfolio.

**15. Banks / Grants / Subsidies**

15.1 **Disclosure Annex 15.1** sets out a list of all the bank accounts and deposits opened in financial institutions, respectively, by the DME Group companies.

15.2 There are no negative balances or overdrafts in any of the bank accounts and deposits.

15.3 **Disclosure Annex 15.3** sets out a list of all the grants and subsidies received by the DME Group companies which are currently in effect or have not yet been fulfilled.

15.4 The DME Group companies are and have always been in full compliance with the requirements of such grants or subsidies (as applicable).

**16. Loans Granted by the DME Group companies**

16.1 No DME Group company has granted or made any loans or credit arrangements to any third parties except for loans to employees in the aggregate amount below € 50,000.

16.2 **Disclosure Annex 16.2** sets out a list of all the loans and credit arrangements granted among the DME Group companies.

**17. Inventories**

17.1 Inventories of raw materials, unfinished products and finished products are owned by valid and legal title by or are consigned to the DME Group companies and meet the needs of current operations. The terms of all consignment arrangements have been disclosed to Purchaser.

17.2 The inventories of the DME Group companies are in an adequate state of repair in accordance with their nature.

17.3 The inventories owned by the DME Group companies are not subject to any Real Rights.

17.4 None of the inventories of the DME Group Companies are obsolete, other than those for which due provision has been made. The provisions for obsolete inventory and slow moving items have been made in accordance with applicable national GAAP and have considered both obsolescence and slow moving situations and in a manner consistent with prior fiscal years.

**18. Customers**

18.1 The accounts receivable are those which are set out in the Individual Financial Statements. The provisions for bad debts reflected in the Individual Financial Statements have been made in accordance with applicable national GAAP and in a manner consistent with prior fiscal years.

18.2 All of the accounts receivable of the DME Group companies, disclosed in **Disclosure Annex 18.2** , are recoverable in their entirety on the date they are respectively due and payable. No bills of exchange, factoring or other form of accounts receivable discounting has been agreed by, or with any of the DME Group companies.

18.3 The payment conditions that the DME Group companies offer respective customers conform to the practices in the industry in which they operate and are consistent with those applied in prior fiscal years. No customer has benefited from special payment conditions.

18.4 Discounts for volume purchasing ("rappels") as well as any other benefits offered to customers are adequately reflected in the Individual Financial Statements of each of the DME Group companies, including, where appropriate, provisions for variation in accruals. There have been no significant modifications in the commercial discount policies compared to policies applied consistently in prior fiscal years.

18.5 Except as disclosed in **Disclosure Annex 18.5** , no customer, which accounts for more than one per cent (1%) of the sales of any of the DME Group companies has during the past 24 months threatened to terminate or terminated their relationship with any of the DME Group companies, nor has such a customer notified their intention to terminate their relationship therewith.

18.6 All contracts between the DME Group companies and its customers are on the basis of standard purchase orders issued by the respective customers.

## 19. Issuing of Obligations and Series of Debt

19.1 None of the DME Group companies have had recourse to financing by means of issuing public debt and, in particular, have not issued any obligations (whether convertible or non-convertible), bonds, promissory notes, commercial paper, warrants, or any other credit instrument or series of debt.

## 20. Debts with Financial Institutions

20.1 **Disclosure Annex 20.1** sets out all of the loans, credits and any other type of unpaid financing granted by financial and non-financial institutions to DME Group companies.

20.2 The contracts referred to in **Disclosure Annex 20.1** are in force and have not been breached.

20.3 The DME Group companies are updated with the payment of any quotas, amortizations or interests derived from the financing agreements.

20.4 None of the DME Group companies hold any off-balance sheet financial arrangements such as factoring, confirming, derivatives and any other similar financial instrument that should need to be properly disclosed and/or accounted for.

**21. Guarantees**

21.1 None of the DME Group companies are guarantors or have given any other form of guarantee or have their assets serve as collateral for any obligations of any other DME Group company or any third parties, except for as provided in **Disclosure Annex 21.1** .

21.2 **Disclosure Annex 21.2** lists all the guarantees and other forms of collateral received by all DME Group companies.

**22. Suppliers/Accounts Payable**

22.1 All debts with suppliers of the DME Group companies are duly reflected in the Financial Statements in accordance with applicable national GAAP.

22.2 **Disclosure Annex 22.2** includes all the commercial paper (including bills of exchange and promissory notes) issued, granted, or accepted by the DME Group companies.

22.3 Except as for disclosed in **Disclosure Annex 22.3** , all of the DME Group companies have timely complied with their payment obligations and have not incurred any cause of default thereunder.

22.4 All debts with suppliers correspond to the regular operations of the DME Group companies undertaken in the ordinary and usual course of their operations, resulting from the delivery of goods or rendering of services by the suppliers duly justifying the existence of such debts. Credit Agreements are in conform to practice within the industry.

22.5 Except as disclosed in **Disclosure Annex 22.5** , no supplier which accounts for more than one per cent (1%) of the acquired raw material or services of any of the

DME Group companies has during the past 24 months threatened to terminate, terminated or altered the terms of their commercial relationship with any of the DME Group companies, nor has communicated their intention to do so.

22.6 There are no discounts for volume purchasing ("rappels") and any other benefits that the DME Group companies have credited against their suppliers.

**23. Taxes**

23.1 All of the DME Group companies have timely complied with all legal obligations for tax matters in all competent jurisdictions in both their material and formal aspects.

23.2 None of the DME Group companies have amended any of their tax declarations in any fiscal years not yet barred by the applicable statute of limitation.

23.3 No amounts are owed for Taxes other than those reflected and appearing in the Consolidated Financial Statements and in the Individual Financial Statements.

23.4 The DME Group companies have funded sufficient provisions and reserves for payment of Taxes due and not expired.

23.5 Each of the DME Group companies have timely filed in due form all Tax returns, paid all Taxes required to be paid with such tax returns, preserved the supporting documents in relation to Taxes, and the tax authorities have not requested clarification of any such declarations.

23.6 **Disclosure Annex 23.6** sets out a list of all the fiscal tax inspections or requests by the Tax authorities to any of the DME Group companies. Other than as indicated in such Disclosure Annex, there are no inspections, proceedings, consultations or discussions pending resolutions by the tax authorities or Courts.

23.7 The amount of economic rights of a tax nature which result from the declared tax losses, tax refunds, incentives, deductions and amortization plans which are set out in **Disclosure Annex 23.7** are fully in force and in compliance with Law. The available tax credits of DME on Research & Development as of December 31, 2004 are at least equal to € 13,396,876.92 million and have been declared and reflected

in the tax returns in full compliance of the applicable tax Laws and regulations. DME keeps the relevant supporting documentation to support the use of the tax credits applied in the past for this concept and/or the use to be made in future tax years.

23.8 The entries corresponding to the goodwill, if any, set out in the Individual Financial Statements of each of the DME Group companies are amortizable and deductible for tax purposes.

23.9 No DME Group company is subject to a regime of international or national tax transparency.

23.10 The DME Group companies are not now and have never been taxed under the Tax Regime of Groups of Companies (" *Régimen Fiscal de los Grupos de Sociedades* ").

23.11 None of the DME Group companies are subject to the Quantity Regime of the Basque Country (" *Régimen de Cifra Relativa con el País Vasco* ").

23.12 None of the DME Group companies have used methods which cause a delay in the payment of taxes or levies, nor have they used any accounting practices which cause a postponement or deferment of taxes.

23.13 Except as disclosed on **Disclosure Annex 23.13** , none of the DME Group companies has, nor has it ever had, a "permanent establishment" in any country other than its country of formation, as such term is defined in any applicable Tax treaty or convention, nor has it otherwise taken steps that have exposed it to the taxing jurisdiction of a country other than its country of formation.

23.14 No claim has ever been made by an authority in a jurisdiction where a DME Group company does not file Tax returns that it is or may be subject to taxation by that jurisdiction, nor, to the best knowledge of the Sellers, is there any factual or legal basis for any such claim.

23.15 The transfer pricing policy followed by DME Group companies in their relationships with related parties and among the DME Group companies has been decided and is applied in full compliance of the tax Laws and regulations of the countries involved in such intercompany transactions, and therefore the transfer

pricing policy as applied does not give rise to liabilities in any of such DME Group companies.

**24. Health, Safety and Environmental**

24.1 The storage, treatment facilities and deposits where toxic, noxious, dangerous, radioactive substances, asbestos, or other hazardous materials or liquids which may affect the environment, of each of the DME Group companies are in a perfect state of use and repair, are free from any leaks or defects which may limit or affect their use in accordance with the purposes they serve, and there have been no instances of leaks, defects or spillages in the past. All facilities have been operated in full compliance with relevant health, safety and environmental legislative requirements and permit provisions.

24.2 The DME Group companies comply with and have always complied with all applicable laws in regards to environmental matters. In particular, each of the DME Group companies complies with and has always complied with:

a) All of their obligation in respect of the use, state of repair or exploitation of the facilities, productive processes, asbestos, transport of goods or products, elimination of residues or surpluses, and extraction of raw materials including the European End-of-Life Vehicles directive 2000/53/EC; and

b) All its obligations in regards to the handling, treatment, storage, elimination or dumping of toxic, noxious, dangerous or radioactive substances, including those derived from the use of their goods and assets by third parties for which DME Group companies may be responsible.

24.3 There are not, and there have not been any claims, demands, actions, suits, proceedings or investigations (before any courts, tribunals or administrative bodies), related to environmental matters or the dumping or manipulation of toxic, noxious, dangerous or radioactive substances arising from the ownership, use, state of repair, or exploitation of the assets of the DME Group companies .

24.4 The toxic, noxious, dangerous or radioactive substances used by the DME Group, do not produce contamination, and actions and measures have been adopted as required to avoid future contamination, whether to the assets of any DME Group companies or to those owned by third parties, including any public authorities.

24.5 There is and has been no environmental contamination of soil, subsoil and groundwater resources at any Owned Real Estate or Leased Real Estate exceeding national or international references.

**25. Labour / Social Security**

25.1 The DME Group companies have hired and employed their Personnel and paid the Personnel salaries in accordance with all applicable laws in force and are up to date in the payment of their obligations with respect to the Personnel. In particular, the DME Group companies have timely complied, in the appropriate form, with their tax and Social Security obligations in respect of the Personnel.

25.2 Except as disclosed in **Disclosure Annex 25.2** , the DME Group companies do not have any private accident, life, health or other insurance contracted in favour of any members of the Personnel, and have not entered into or subscribed to any pension plans conveying or providing benefits to any Personnel.

25.3 Except as disclosed in **Disclosure Annex 25.3** , there are no obligations relating to payments in kind, compensations or other benefits (including purchase options, savings plans, incentives, or automobiles) with any members of the Personnel.

25.4 The DME Group companies have not entered into any undertaking or agreement with the members of the Personnel other than those derived from their labour relationship.

25.5 DMI sold in October 2004 its premises in Almussafes (Valencia) to Valautomoción S.L. This operation shall be considered as a transfer of undertakings and DME Group have complied with all the obligations under Spanish labour law, relating to the employees affected by the operation and there is no liability prior to the transfer that should appear in the three years after the transaction.

25.6 Except as disclosed in **Disclosure Annex 25.6** , none of the DME Group companies has assumed any obligations which grant any member of the Personnel the right to terminate their labour relationship in the event of a change of control or sale of a majority interest any of the DME Group companies, or the right to receive amounts or any other benefit of any nature greater than those established by law in the event of termination of their ordinary or special labour relationship.

25.7 Except as disclosed in **Disclosure Annex 25.7,** no claims are pending or have been threatened between members of the Personnel and the DME Group companies and there are no circumstances or facts from which could arise future claims. With the exception of the information set out in **Disclosure Annex 25.7,** in the last six (6) months, the DME Group companies have not dismissed or taken action to terminate the employment relationship of any member of the Personnel and no key or important employee has expressed any intention to change employment due to the transactions contemplated by this Agreement or for any other reason.

25.8 The DME Group companies comply with all applicable laws in respect of health and hygiene at the workplace, occupational health and safety, prevention of work-related accidents. All work centres have the equipment that the Law requires for the prevention of work-related accidents.

25.9 None of the service relationships entered into by any of the DME Group companies with suppliers has given or gives rise to liabilities in any of such DME Group companies related to labour obligations of the suppliers.

## 26. Permits and Licences

26.1 The DME Group companies hold all the permits, licences and authorisations necessary for undertaking the Activities of the DME Group authorised by their respective corporate objects without any limitation.

26.2 Except as referred to **Disclosure Annex 26.2** , the DME Group companies have regularly obtained and maintain fully in force all of the aforementioned permits, licences and authorisations. Such permits, licences or authorisations do not require the undertaking of any important investments or the completion of any onerous obligations to remain in force or for their renewal.

26.3 This Agreement shall not give rise to the default, or result in loss, amendment or modification of any permits, licences and authorisations held by the DME Group companies.

## 27. Competition Law

27.1 None of the DME Group companies or Sellers are part of any agreement nor have undertaken any practices which could be considered as anti-competitive pursuant to national or European Community laws, nor have they carried out any activities that could be deemed as unfair trading practices.

## 28. Insurance

28.1 **Disclosure Annex 28.1** sets out a list of all the insurance policies entered into by the DME Group companies. The insurance policies subscribed by each of the DME Group companies provide cover for all the foreseeable risks derived from the Activities of the DME Group in the amounts and terms consistent with automotive industry practices in Europe.

28.2 The insurance policies are in force and each of the DME Group companies is up to date with the payment of the insurance premiums relating thereto.

## 29. Computer System

29.1 The computers, equipment, servers, communications networks and computer facilities or hardware, as well as the computer programmes or software, used for the running and operation of the DME Group companies ("Computer System") are in good working order, have received maintenance and repair to assure their good working order and do not have nor is there reason to relieve that they may have any defects that could affect their performance or limit the undertaking of the Activities of the DME Group.

29.2 The computer programmes or software used by the Computer System are duly authorised and all the requisite licences therefore have been regularly acquired.

29.3 The use of the Computer System by the DME Group companies has not breached nor presently breaches any rights of any third party.

29.4 Disclosure **Annex 29.4** lists all contracts relating to the use, access, development and maintenance of the Computer System with third parties (such as outsourcing).

29.5 The DME Group companies possess all the necessary legal and technical documentation relating to the Computer System and have the personnel to operate the Computer System with full efficiency and normality, without interruption caused by the Transaction.

**30. Personal Data**

30.1 The DME Group companies comply with all data protection laws.

30.2 The DME Group companies have registered files containing data of a personal nature with the Agency for the Protection of Personal Data (" *Agencia de Protección de Datos* ") prior to their creation.

30.3 The DME Group companies keep files containing personal data under adequate security measures, in compliance with the Regulation on Security Measures.

**31. Insolvency**

31.1 Except as disclosed in **Disclosure Annex 31.1** , none of the DME Group companies are insolvent or in a state which would require them to adopt measures to re-establish a balance between their assets and liabilities.

31.2 Neither the Sellers nor the DME Group companies have initiated proceedings to dissolve or liquidate any of the DME Group companies, nor have they filed any petitions in bankruptcy or for the suspension of payments, nor have they requested any other measure for the protection from creditors under applicable bankruptcy and insolvency laws.

31.3 No third party has initiated (nor notified its intention to initiate) legal actions directed at causing the dissolution or bankruptcy of the DME Group companies.

31.4 No proceedings have been initiated (or threatened) to seize, execute, charge, or otherwise to collect any debts against, any of the assets of the DME Group companies.

31.5 Except as disclosed in **Disclosure Annex 31.5** none of the DME Group companies have any relationship with any customer or supplier which, to the best of the Sellers' knowledge, is subject to a process of dissolution, liquidation, bankruptcy or any other insolvency proceedings.

**32. Litigation**

32.1 Except for the pending proceedings set out in **Disclosure Annex 32.1** , none of the companies of the DME Group nor any Person for whose actions any of such companies are legally responsible is a party, whether as plaintiff, defendant, witness or participant, in any judicial or arbitral proceedings, whether relating to civil, contentious-administrative, criminal or economic-administrative matters (whether before the ordinary courts and tribunals, arbitral tribunals, or before administrative bodies at the national, autonomous community, municipal or other government level), nor are they a party to any claims, investigations or, more generally, any audit or inspection proceedings.

32.2 None of the aforementioned proceedings are pending and to the best of the Sellers' knowledge there is no threat that such proceedings will be initiated against any of the DME Group companies or any such Persons.

32.3 There are no claims pending or threatened, nor, to the Sellers' best knowledge, do circumstances exist that are likely to give rise to such claims, against the directors or members of the board of directors of the DME Group companies which could give rise to economic liabilities for the DME Group companies. There are no judgements or orders against any of the Sellers or DME Group companies or settlement of any proceedings or judicial investigations affecting or limiting the manner and/or capacity of the DME Group companies or their directors, to conduct the Activities of the DME Group.

**33. Compliance with Laws**

33.1 In respect of matters which have not been specifically described in these Representations and Warranties, the DME Group companies comply with all laws, regulations and rules applicable to them.

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**Exhibit 31(a)**

## CERTIFICATIONS

**Certification of Principal Executive Officer**

I, John C. Plant, certify that:

1. I have reviewed this quarterly report on Form 10-Q (this "Report") of TRW Automotive Holdings Corp. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
   b. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
   c. Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 1, 2005

/s/ JOHN C. PLANT
John C. Plant
*Chief Executive Officer and President*
*(Principal Executive Officer)*

**Exhibit 31(b)**

## CERTIFICATIONS

### Certification of Principal Financial Officer

I, Joseph S. Cantie, certify that:

1. I have reviewed this quarterly report on Form 10-Q (this "Report") of TRW Automotive Holdings Corp. (the "Registrant");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
   b. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
   c. Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 1, 2005

/s/ JOSEPH S. CANTIE
Joseph S. Cantie
*Executive Vice President and Chief Financial Officer*
*(Principal Financial Officer)*

**Exhibit 32(a)**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of this quarterly report on Form 10-Q of TRW Automotive Holdings Corp. (the "Company") for the period ended September 30, 2005, with the Securities and Exchange Commission on the date hereof (the "Report"), I, John C. Plant, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2005

/s/ JOHN C. PLANT
John C. Plant
*Chief Executive Officer and President*
*(Principal Executive Officer)*

**Exhibit 32(b)**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of this quarterly report on Form 10-Q of TRW Automotive Holdings Corp. (the "Company") for the period ended September 30, 2005, with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph S. Cantie, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2005

/s/ JOSEPH S. CANTIE
Joseph S. Cantie
*Executive Vice President and Chief Financial Officer*
*(Principal Financial Officer)*