

Conti-Gummi Finance B.V.
Maastricht, the Netherlands

Half Year Financial Report
for the period
1 January 2016
till
30 June 2016

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Management Report

The Management has the pleasure of submitting the Half Year Financial Report and Management Report for the period 1 January 2016 till 30 June 2016 of Conti-Gummi Finance B.V. (“the Company”).

General

The Company was incorporated in the Netherlands on 3 July 1979 and is established in Maastricht. Continental AG, a company incorporated in Germany is its ultimate parent company as from its incorporation. As from 1 October 2009 all shares in the Company are owned by Continental Automotive Holding Netherlands B.V.

The principal activity of the Company is the provision of loans to group companies financed with funds, including the issue of bonds, acquired from the capital market, from banks and with loans from other group companies.

Review of activities during the year

The Company operated with the same activities as previous year, no new activities have been started. The results achieved in the first six months of 2016 have met the management’s expectations and are in line with the budget.

Managing directors

Continental Automotive Holding Netherlands B.V. has become sole director as of 15 April 2016. The latter is internally represented by CGH Holding B.V., whose management is composed of the following members:

Mr. P.M.F.C. Verbruggen as A-director and Mr. M.C.M. Creemers and Mrs. M.C.A.L. van der Walle-Peters both as B-director.

Supervisory Board

The Supervisory Board is composed of Mr. C.F. zur Nedden, Mrs. S. Reinhardt and Mr. H. Siebenthaler.

The Dutch Act on Management and Supervision (Wet bestuur en toezicht), effective per 1 January 2013, requires companies to pursue a policy of having at least 30% of the seats on the Board of Directors and the Supervisory Board held by men and at least 30% of the seats held by women. Currently the Company complies with this requirement.

Employees and management

During the period under review the Company had one employee (2015: one).

Management Report (continued)

Risk management

Based on the activities, the Company is exposed to certain elements of risk. The Company does all efforts to reduce these risks to a strict minimum. The most significant risk is credit risk on the loans provided to the shareholder and the ultimate shareholder. Consequently the risk the Company is willing to bear is strictly related to the risk of the latter two related companies. The financial risks are monitored by the management team and mitigating actions are taken when necessary.

Credit risk

Credit risk encompasses all forms of counter party exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, settlement and other financial activities. The Company is exposed to credit risk in respect of the receivables from its shareholder and ultimate parent company Continental AG.

However, there are no signs that sufficient funding may not be available at the due dates from the shareholder or ultimate parent.

Liquidity risk

The Company maintained a positive working capital during the first six months of 2016. The Company limited liquidity risks by matching the maturity dates of loans provided to group companies with the maturity dates of the external debts. Assuming that the group companies will be able to pay its debts to the Company as they fall due, no liquidity shortage is expected.

Interest rate risk

Interest rate risk is limited as the interest rates on the loans provided to the shareholder and ultimate shareholder from the funds received on the Senior Secured Notes are linked to the interest due on the senior secured bonds issued.

Currency risk

Currency risk is limited as all transactions are in local currency.

No unusual situation took place in the first six months of 2016.

Management Report (continued)

Result

During the period under review the Company recorded a positive net result of EUR 200,839 (2015: EUR 218,403).

Future Outlook

The Management expects to continue to act as holding and financing company within the Continental AG Group. Further opportunities to raise additional funds for the Continental Group are considered from time to time, on the base of, and subject to, market conditions prevailing.

Subsequent events

There have been no instances of subsequent events post balance date requiring adjustments or disclosure in the financial statements.

Maastricht, 12 July 2016

The Management

Continental Automotive Holding Netherlands B.V.

As represented by:

Mr. P.M.F.C. Verbruggen

Mr. M.C.M. Creemers

CONTI-GUMMI FINANCE B.V.

Balance sheet

(Before appropriation of results and expressed in EUR)

	<u>Notes</u>	<u>30-Jun-16</u> <u>EUR</u>	<u>31-Dec-15</u> <u>EUR</u>	<u>30-Jun-15</u> <u>EUR</u>
FIXED ASSETS				
Financial fixed assets:				
Loan to ultimate shareholder	5	439.650.000	439.650.000	439.650.000
Loan to shareholder	6	303.000.000	303.000.000	303.000.000
		742.650.000	742.650.000	742.650.000
CURRENT ASSETS				
Interest receivable from ultimate shareholder		1.330.967	1.471.069	1.401.018
Interest receivable from shareholder		1.738.008	1.762.147	1.738.008
Receivable from group companies		18.025	63.460	-
Current account with ultimate shareholder	7	15.312.664	23.350.012	12.619.120
		18.399.664	26.646.688	15.758.146
CURRENT LIABILITIES				
Liability to group company		354	69.000	-
Liability to tax parent CGH Holding B.V.	8	67.052	150.383	67.595
Interest liability		5.254.121	14.662.807	5.262.262
Other liabilities and accrued expenses		3.159	19.338	22.744
		5.324.686	14.901.528	5.352.601
NET CURRENT ASSETS		13.074.978	11.745.160	10.405.545
ASSETS LESS CURRENT LIABILITIES		755.724.978	754.395.160	753.055.545
LONG-TERM LIABILITIES				
Senior Secured Notes	9	748.373.179	747.244.200	746.145.390
TOTAL ASSETS LESS LIABILITIES		7.351.799	7.150.960	6.910.155
CAPITAL AND RESERVES				
Issued and called-up share capital	10	18.000	18.000	18.000
Retained earnings		7.132.960	6.673.752	6.673.752
Result for the period		200.839	459.208	218.403
		7.351.799	7.150.960	6.910.155

CONTI-GUMMI FINANCE B.V.

Profit and Loss Account
(Expressed in EUR)

	<u>Notes</u>	1-jan-16 to 30-Jun-16 EUR	1-jan-15 to 30-Jun-15 EUR
FINANCIAL RESULT			
Interest income	11	10.797.256	10.740.723
Interest expense	12	<u>(10.470.293)</u>	<u>(10.367.921)</u>
Total financial income		326.963	372.802
Salaries and other staff expenses	13	(12.571)	(35.380)
Other expenses		(64.632)	(46.218)
Recharge staff and other expenses		<u>18.025</u>	<u>-</u>
Total expenses		(59.178)	(81.598)
Result before taxation		<u>267.785</u>	<u>291.204</u>
Corporate income tax	14	<u>(66.946)</u>	<u>(72.801)</u>
Result for the period		<u>200.839</u>	<u>218.403</u>

Notes to the Financial Statements as at 30 June 2016

1 General

Conti-Gummi Finance B.V. (the Company) was incorporated in the Netherlands on 3 July 1979.

- Its 100% shareholder is Continental Automotive Holding Netherlands B.V.
- Its ultimate parent company is Continental AG (Hanover), a company incorporated in Germany;
- The last year's financial accounts were adopted in the Annual General Meeting on 4 April 2016.

The principal activity of the Company is the provision of loans to group companies financed with funds acquired from the capital market, from banks and with loans from other group companies and to act as a holding company.

2 Basis of presentation

The financial statements have been prepared in accordance with the financial reporting requirements included in part 9 of book 2 of the Dutch Civil Code (DCC) and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). The balance sheet has been prepared in accordance with DCC section 2:397.5 and the profit and loss account in accordance with DCC section 2:397.3

The financial statements have been prepared under the historical cost convention and are presented in Euro's, which is the functional currency of the Company.

3 Principal accounting policies

(a) Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

(b) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements in order to conform with generally accepted accounting principles. Actual results could differ from these estimates.

(c) Related party transactions

For the purpose of these accounts, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties comprise of participating interests as well as subsidiaries of the Company and its parent company. A substantial part of the Company's transactions are with related parties as disclosed.

Notes to the Financial Statements as at 30 June 2016

(d) Cash at banks

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Cash at banks and in hand is carried at nominal value.

(e) Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, trade, interest rate swap and other payables as well as the issuance of bonds. Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. These derivatives are disclosed, if they meet the criteria of standalone derivatives separately from their original host contract in accordance with RJ 290. If financial instruments are not carried at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement.

Financial instruments are initially recognised at fair value. Subsequent to the initial recognition, the valuation is carried in the manner described below:

(e1) Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost using the effective interest method, less impairment losses.

(e2) Liabilities

On initial recognition liabilities are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the liabilities are included in the initial recognition. After initial recognition liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the liabilities.

(e3) Embedded derivatives

Financial instruments also include derivative financial instruments (derivatives) embedded in contracts. Derivatives embedded in contracts shall be separated from the host contract and accounted for as a separate financial instrument if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognised through profit and loss.

Financial instruments, including derivatives separated from their host contracts, are initially recognised at fair value. If instruments are not measured at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement.

Financial instruments embedded in contracts that are accounted for separately from the host contract are recognised in accordance with the host contract.

Notes to the Financial Statements as at 30 June 2016

(e4) Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expenses.

(f) Financial fixed assets

Financial fixed assets are stated at cost less any accumulated impairment losses. The accounting policies for other financial fixed assets are included under the heading 'financial instruments'. Dividends are recognised in the period in which they are declared. Interest income and interest expense are recognised in the profit and loss account as it accrues, using the effective interest method.

(g) Impairment or disposal of fixed assets

The Company states financial fixed assets in accordance with accounting principles generally accepted for financial reporting in the Netherlands. Pursuant to these principles, assets with a long life should be reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets' recoverable amount is estimated. The recoverable amount is calculated as the present value of estimated future cash flows, discounted at the effective interest rate.

If the book value of an asset exceeds the recoverable amount, impairment is charged to the result equal to the difference between the carrying amount and the recoverable amount.

(h) Corporate income tax

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognised in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxation has been calculated on the basis of the applicable tax rate in the Netherlands, which was 25.0%.

Since 1 September 2009 there is a fiscal unity with Continental Global Holding Netherlands B.V., Continental Automotive Holding B.V. and CGH Holding B.V. As from this date a combined tax return is filed with the tax authorities in the name of CGH Holding B.V. and Conti-Gummi Finance B.V. is charged for its part of the tax burden.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Notes to the Financial Statements as at 30 June 2016

(j) Non-derivative financial obligations

The fair value of non-derivative financial commitments is only determined for disclosure purposes and is calculated on the basis of the net present value of future repayments and interest payments, discounted at the market interest rate, including a margin for the relevant risks as at the reporting date.

(k) Employee cost

Salaries, wages, pensions and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

(l) Income and expenses

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Notes to the Financial Statements as at 30 June 2016

4 Risk management

Based on the activities, the Company is exposed to certain elements of risk. The Company does all efforts to reduce these risks to a strict minimum. The most significant risk is credit risk on the loans provided to the shareholder and the ultimate shareholder. Consequently the risk the Company is willing to bare is strictly related to the risk of the latter two related companies.

The financial risks are monitored by the management team and mitigating actions are taken when necessary.

Credit risk

Credit risk encompasses all forms of counter party exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, settlement and other financial activities. The Company is exposed to credit risk in respect of the receivables from its shareholder and ultimate parent company Continental AG.

There are no signs that sufficient funding may not be available at the due dates from the shareholder or ultimate parent.

Liquidity risk

The Company maintained a positive working capital during the first six months of 2016. The Company limited liquidity risks by matching the maturity dates of loans provided to group companies with the maturity dates of the external debts. Assuming that the group companies will be able to pay its debts to the Company as they fall due, no liquidity shortage is expected.

Interest rate risk

Interest rate risk is limited as the interest rates on the loans provided to the shareholder and ultimate shareholder from the funds received on the Senior Secured Notes are linked to the interest due on the senior secured bonds issued.

Currency risk

Currency risk is limited as all transactions are in local currency.

No unusual situation took place in the first six months of 2016.

Notes to the Financial Statements as at 30 June 2016

FIXED ASSETS

5 Loan to ultimate shareholder

In May 2016 the company entered into a loan agreement with Continental AG in the amount of EUR 439,650,000, a maturity date of 22 November 2016 and a fixed interest rate of 2,868%. The loan is classified as long term as they are not expected to be realised within twelve months after the reporting period. For this loan the carrying value approximate its fair value.

Movements in the loan to ultimate shareholder were as follows:

	<u>2016</u>	<u>2015</u>
	<u>EUR</u>	<u>EUR</u>
Balance as at 1 January	439.650.000	439.650.000
Changes during the financial year:		
Redemption	(439.650.000)	(439.650.000)
Loan issued	<u>439.650.000</u>	<u>439.650.000</u>
Balance as at 30 June	<u><u>439.650.000</u></u>	<u><u>439.650.000</u></u>

At balance sheet date the accrued interest on the above mentioned loans is presented in the line item Interest receivable from ultimate shareholder.

6 Loan to shareholder

In April 2016 the company entered into a loan agreement with Continental Automotive Holding Netherlands B.V. in the amount of EUR 303,000,000, a maturity date of 20 October 2016 and a fixed interest rate of 2,868%. The loan is classified as long term as they are not expected to be realised within twelve months after the reporting period. For this loan the carrying value approximate its fair value.

Movements in the loan to ultimate shareholder were as follows:

	<u>2016</u>	<u>2015</u>
	<u>EUR</u>	<u>EUR</u>
Balance as at 1 January	303.000.000	303.000.000
Changes during the financial year:		
Redemption	(303.000.000)	(303.000.000)
Loan issued	<u>303.000.000</u>	<u>303.000.000</u>
Balance as at 30 June	<u><u>303.000.000</u></u>	<u><u>303.000.000</u></u>

At balance sheet date the accrued interest on the above mentioned loan is presented in the line item Interest receivable from shareholder.

Notes to the Financial Statements as at 30 June 2016

CURRENT ASSETS

7 Bank accounts/Current account with ultimate shareholder (central financing account)

Throughout the year, a cash netting system was in place with Commerzbank in which substantially all bank balances are transferred to a central financing account with Continental AG on the same day as they are created. The funds are unrestricted and freely available to the Company.

The interest rate is considered every month and is based on EONIA + 0.37%.

CURRENT LIABILITIES

8 Payable to tax parent CGH Holding B.V.

This item relates to the its part of the tax burden of the fiscal unities in value added tax and corporate income tax.

	<u>2016</u> <u>EUR</u>	<u>2015</u> <u>EUR</u>
Corporate income tax	66.946	68.476
Value added tax	106	(881)
	<u>67.052</u>	<u>67.595</u>

For more details please see note 16.

LONG TERM LIABILITIES

9 Senior Secured Notes

Issuer/type	Amount of issue in €	Carrying amount at June 30, 2016	Coupon p.a.	Effective interest rate	Issue/maturity and fixed interest until	Issue price
CGF Euro Bond	750.000.000	748.373.179	2,5000%	2,7740%	2013/ 03.2017	99,5950%
	<u>750.000.000</u>	<u>748.373.179</u>				

The interest rate is 2.5% and will each year be paid in March starting in 2014. The bond will be due in March 2017. This bond is guaranteed by Continental AG, as well as by selected subsidiaries.

At balance sheet date the accrued interest on the above mentioned bond is presented in the line item Interest liability.

Notes to the Financial Statements as at 30 June 2016

10 Capital and reserves

Issued and called-up share capital

	Issued and called-up share capital <u>EUR</u>	Retained earnings <u>EUR</u>	Result for the period <u>EUR</u>	Total <u>EUR</u>
Balance as at 1 Jan. 2015	18.000	16.194.166	479.586	16.691.752
Appropriation of result	-	479.586	(479.586)	-
Dividend payment	-	(10.000.000)	-	(10.000.000)
Result for the period till 30 June 2015	-	-	218.403	218.403
Balance as at 30 June 2015	<u>18.000</u>	<u>6.673.752</u>	<u>218.403</u>	<u>6.910.155</u>
Balance as at 1 Jan. 2016	18.000	6.673.752	459.208	7.150.960
Appropriation of result	-	459.208	(459.208)	-
Result for the period till 30 June 2016	-	-	200.839	200.839
Balance as at 30 June 2016	<u>18.000</u>	<u>7.132.960</u>	<u>200.839</u>	<u>7.351.799</u>

The Company's authorised capital amounts to EUR 90,000 (10 shares of EUR 9,000 nominal value each), of which EUR 18,000 was issued and paid up as at 30 June 2016 and at 31 December 2015. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares.

11 Interest income

This item mainly relates to income resulting from entering the loan agreement in relation to the Senior Secured Notes issuance, including discounts, to the shareholder and ultimate shareholder in the amount of EUR 10,767,930 (2015: EUR 10,708,765).

12 Interest expenses

The Company recognizes in this position the accrued interest expenses based on the payment obligations to the external investors of the Senior Secured Notes, including discounts, of EUR 10,470,293 (2015: EUR 10,367,921).

Notes to the Financial Statements as at 30 June 2016

13 Salaries and other staff expenses

The following total personnel expenses are included in the income statement:

	2016	2015
	<u>EUR</u>	<u>EUR</u>
Wages and salaries	10.130	28.643
Social security contribution	1.625	4.391
Pension contribution	<u>816</u>	<u>2.346</u>
Salaries and other staff expenses	<u>12.571</u>	<u>35.380</u>

14 Corporate Income Tax

Dutch corporate income tax has been calculated on the basis of the applicable tax rate in the Netherlands.

For more details please see note 16.

15 Employees and Management

During the period under review, the Company had one (2015: one) employee (fte). Till 15 April 2016 Mr. P.M.F.C. Verbruggen was entitled as A-director and Mr. M.C.M. Creemers and Mrs. M.C.A.L. van der Walle-Peters were entitled as B-directors. They have resigned as directors as of that date and Continental Automotive Holding Netherlands B.V. became the sole director.

16 Commitments and contingencies

A fiscal unity for income tax has been created with other Dutch companies, namely Continental Global Holding Netherlands B.V., CGH Holding B.V. and its direct shareholder Continental Automotive Holding Netherlands B.V.

Also for value added tax a fiscal unity has been created with the same Dutch companies as mentioned above, as well as with ContiTech Global Holding Netherlands B.V.

A combined tax return, for both fiscal unities, will be filed with the tax authorities by CGH Holding B.V., as tax leading company, and the Company has been charged for its part of the tax burden.

Pursuant to the Collection of State Taxes Act, the company and the other members of these fiscal unities are both severally and jointly liable for the tax payable by the combination.

Other information

Independent auditor's report

The statements are not being audited or reviewed.

Subsequent events

There has been no subsequent events post balance date requiring adjustments of disclosure in the financial statements.

Responsibility statement

The members of the Management Board of Conti-Gummi Finance B.V. hereby declare, in accordance with Article 5:25d, Clause 2 under c of the Financial Supervision Act, that to the best of their knowledge the financial statements give a true and fair view of the assets, liabilities, financial position and profit of Conti-Gummi Finance B.V.

The Management Board also declares that the half year financial report gives a true and fair view of the situation as at 30 June 2016 and the business development during the financial period 1 January 2016 till 30 June 2016. The half year financial report also describes the material risks with which Conti-Gummi Finance B.V. is confronted.

Maastricht, 12 July 2016

The Management

Continental Automotive Holding Netherlands B.V.

As represented by:

Mr. P.M.F.C. Verbruggen

Mr. M.C.M. Creemers