

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

**Semi-annual report
for the period
1 January 2014
till
30 June 2014**

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Management Report

The Management has pleasure in submitting the semi annual report for the period 1 January 2014 till 30 June 2014 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 2014 have met the management’s expectations and are in line with the budget.

Managing directors

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

Risk management

Based on the activities, the Company is exposed to certain elements of risk. The most significant risk is credit risk on the loans provided to the shareholder and the ultimate shareholder.

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.

Management Report (continued)

Liquidity risk

The Company maintained a positive working capital during the first six months of 2014. 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.

Valuation risk related to subsidiary

Valuation risk results from market factors, which influence the profitability of the subsidiary. This risk remains limited due to the limited activities of the Company.

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.

Result

During the period under review the Company recorded a positive net result of EUR 193,502 (2013: EUR 940,902).

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, 29 August 2014

The Management

Mr. P.M.F.C. Verbruggen

Mrs. M.C.A.L. van
der Walle-Peters

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-14</u> <u>EUR</u>	<u>31-Dec-13</u> <u>EUR</u>
FIXED ASSETS			
Financial fixed assets:			
Participation in group company	5	23.008	23.008
Loans to ultimate shareholder	6	439.650.000	458.650.000
Loan to shareholder	7	303.000.000	284.000.000
		<u>742.673.008</u>	<u>742.673.008</u>
CURRENT ASSETS			
Interest receivable from ultimate shareholder		3.607.621	438.469
Interest receivable from shareholder		265.529	271.504
Receivable from ultimate shareholder		15.000	-
Receivable from group companies		-	137.190
Current account with ultimate shareholder	8	19.246.799	21.679.305
		<u>23.134.949</u>	<u>22.526.468</u>
CURRENT LIABILITIES			
Liability to group company		-	71.070
Liability to tax parent CGH Holding B.V.	9	94.626	329.508
Interest liability		5.291.095	5.344.285
Other liabilities and accrued expenses		48.850	343.282
		<u>5.434.571</u>	<u>6.088.145</u>
NET CURRENT ASSETS		<u>17.700.378</u>	<u>16.438.323</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>760.373.386</u>	<u>759.111.331</u>
LONG-TERM LIABILITIES			
Senior Secured Notes	10	743.967.718	742.899.165
TOTAL ASSETS LESS LIABILITIES		<u>16.405.668</u>	<u>16.212.166</u>
CAPITAL AND RESERVES			
	11		
Issued and called-up share capital		18.000	18.000
Retained earnings		16.194.166	15.253.264
Result for the year		193.502	940.902
		<u>16.405.668</u>	<u>16.212.166</u>

CONTI-GUMMI FINANCE B.V.

Profit and Loss Account (Expressed in EUR)

	<u>Notes</u>	1-jan-14 to 30-Jun-14 <u>EUR</u>	1-jan-13 to 31-Dec-13 <u>EUR</u>
FINANCIAL RESULT			
Interest income	12	10.781.356	297.224.596
Interest expense	13	<u>(10.367.864)</u>	<u>(295.821.619)</u>
Total financial income		413.492	1.402.977
Salaries and other staff expenses	14	(67.631)	(131.001)
Other expenses		(102.859)	(76.440)
Recharge staff and other expenses		<u>15.000</u>	<u>59.000</u>
Total expenses		(155.490)	(148.441)
Result before taxation		<u>258.002</u>	<u>1.254.536</u>
Corporate income tax	15	<u>(64.500)</u>	<u>(313.634)</u>
Result for the year		<u><u>193.502</u></u>	<u><u>940.902</u></u>

Notes to the Financial Statements as at 30 June 2014

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 23 April 2014.

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 under the historical cost convention and are presented in Euro's, which is the functional currency of the Company. In application of Article 408 of the Netherlands Civil Code, consolidated financial statements are not presented, as the financial statements of the Company and its subsidiary are ultimately consolidated in the financial statements of Continental AG, which are filed with the Chamber of Commerce.

The financial statements have been prepared in accordance with the financial reporting requirements included in part 9 of book 2 of the Netherlands Civil Code.

3 Principal accounting policies

(a) 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.

(b) 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 2014

(c) *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:

(c1) *Loans granted and other receivables*

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

(c2) *Senior Secured Notes*

Bonds are recognized at amortised cost, using the effective interest rate method.

(c3) *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 2014

(c4) 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.

(d) 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 recognized in the period in which they are declared. Interest income and interest expense are recognized in the profit and loss account as it accrues, using the effective interest method.

(e) 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.

(f) Corporate income tax

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognized 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.

Notes to the Financial Statements as at 30 June 2014

(g) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows.

(h) 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.

(i) Income and expenses

Interest income and expenses are recognised in the period to which they relate.

4 Risk management

Based on the activities, the Company is exposed to certain elements of risk. The most significant risk is credit risk on the loans provided to the shareholder and the ultimate shareholder.

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 2014. 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.

Valuation risk related to subsidiary

Valuation risk results from market factors, which influence the profitability of the subsidiary. This risk remains limited due to the limited activities of the Company.

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.

Notes to the Financial Statements as at 30 June 2014**FIXED ASSETS****5 Participation in group company**

The participation in group company, stated at its historical acquisition cost, consists of Correx Handelsgesellschaft für Kautschukprodukte mbH, Hanover, Germany. The cost price of this fully owned subsidiary amounts to EUR 23,008.

6 Loans to ultimate shareholder**Loans to ultimate shareholder**

	Maturing dates	Contractual interest rate %	Effective interest rate %	36-06-2014 EUR	31-Dec-13 EUR
Continental AG	22-9-2014	2,8680	2,8680	439.650.000	458.650.000
				<u>439.650.000</u>	<u>458.650.000</u>

Movements in loans to the ultimate shareholder were as follows:

Carrying amount 1 January 2014	458.650.000
Changes during the financial year	
- Decrease loan	<u>(19.000.000)</u>
Carrying amount 30 June 2014	<u>439.650.000</u>

For details please see also note 10.

In December 2013 the company entered into a loan agreement with Continental AG in the amount of EUR 458,650,000, a maturity date of 21 January 2014 and a fixed interest rate of 2,868%. In 2014 this loan agreement has been decreased to EUR 439,650,000 and prolonged till 22 September 2014 with 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.

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

7 Loan to shareholder

In December 2013 the company entered into a loan agreement with Continental Automotive Holding Netherlands B.V. in the amount of EUR 284,000,000, a maturity date of 21 January 2014 and a fixed interest rate of 2,868%. In 2014 this loan agreement has been increased to EUR 303,000,000 and prolonged till 21 August 2014 with 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.

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 2014**CURRENT ASSETS****8 Bank accounts/Current account with ultimate shareholder (central financing account)**

During the period under review, a cash netting system was in place with Commerzbank in which all bank balances are transferred to a central financing account with Continental AG on the same day as they are created.

CURRENT LIABILITIES**9 Payable to tax parent CGH Holding B.V.**

Dutch value added tax has been calculated on the basis of the applicable tax rate in the Netherlands.

In 2010 the Company applied for a fiscal unity for value added tax with the other Dutch companies, namely Continental Global Holding Netherlands B.V., CGH Holding B.V. and its direct shareholder Continental Automotive Holding Netherlands B.V. CGH Holding B.V. acts as tax leading company.

The resulting value added tax receivable in the amount was adjusted from the calculated tax liability, originating from the corporate income tax unity, towards CGH Holding B.V.

Since 1 September 2009 onwards the Company entered a fiscal unity for corporate income taxes as a tax pool member.

For more details please see note 15.

LONG TERM LIABILITIES**10 Senior Secured Notes**

Issuer/type	Amount of issue in €	Carrying amount at June 30, 2014	Coupon p.a.	Effective interest rate	Issue/maturity and fixed interest until	Issue price
CGF Euro Bond	750.000.000	743.967.718	2,5000%	2,7740%	2013/ 03.2017	99,5950%
	<u>750.000.000</u>	<u>743.967.718</u>				

Movements in the Senior Secured Notes were as follows:

Carrying amount 1 January 2014	742.899.165
Changes during the financial year	
- Disagio	1.068.553
- Effective interest	9.299.310
- Interest repayments	(9.352.500)
- Movement interest payable	53.190
Carrying amount 30 June 2014	<u>743.967.718</u>

At 19 September 2013 the Company issued a new bond with a nominal volume of 750 million and an issue price of 99,595%. 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.

Notes to the Financial Statements as at 30 June 2014**11 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 year <u>EUR</u>	Total <u>EUR</u>
Balance as at 31 Dec. 2012	18.000	14.180.570	1.072.694	15.271.264
Appropriation of result	-	1.072.694	(1.072.694)	-
Result cash flow hedge	-	-	-	-
Result for the year 2013	-	-	940.902	940.902
Balance as at 31 Dec. 2013	18.000	15.253.264	940.902	16.212.166
Appropriation of result	-	940.902	(940.902)	-
Result for the period till 30 June 2014	-	-	193.502	193.502
Balance as at 30 June 2014	<u>18.000</u>	<u>16.194.166</u>	<u>193.502</u>	<u>16.405.668</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 2014 and at 31 December 2013. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares.

12 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 10,708,766 (2013: EUR 185,156,435) and from the income related to the early redemption of the loans in the current year in the amount of zero (2013: EUR 111,956,250).

13 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 10,367,864 (2013: EUR 183,865,3689) and the expense related to the early redemption of the bonds in the current year in the amount of zero (2013: EUR 111,956,250).

Notes to the Financial Statements as at 30 June 2014

14 Salaries and other staff expenses

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

	<u>2014</u>	<u>2013</u>
	<u>EUR</u>	<u>EUR</u>
Wages and salaries	54.586	105.078
Social security contribution	8.921	16.729
Pension contribution	<u>4.124</u>	<u>9.194</u>
Salaries and other staff expenses	<u>67.631</u>	<u>131.001</u>

15 Corporate Income Tax

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

From 1 September 2009 a fiscal unity has been created with the other Dutch companies, namely Continental Global Holding Netherlands B.V., CGH Holding B.V. and its direct shareholder Continental Automotive Holding Netherlands B.V.

As from this date a combined tax return 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, EUR 64,500 (2013: EUR 313,634), of the tax burden.

16 Employees and Management

During the year under review, the Company had two (2013: two) employees (fte).

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

17 Commitments and contingencies

There are no commitments and contingencies to report.

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 conformance 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 semi annual report gives a true and fair view of the situation as at 30 June 2014 and the business development during the financial period 1 January 2014 till 30 June 2014. The semi annual report also describes the material risks with which Conti-Gummi Finance B.V. is confronted.

Maastricht, 29 August 2014

The Management

Mr. P.M.F.C. Verbruggen

Mrs. M.C.A.L. van
der Walle-Peters

Mr. M.C.M. Creemers