

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

**Half Year Financial Report**  
**for the period**  
**1 January 2017**  
**till**  
**30 June 2017**

ADDRESS:  
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Chamber of Commerce:  
File number 33157039

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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 2017 till 30 June 2017 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. The Senior Secured Notes, and the related loans to group companies, have been fully repaid at maturity on 20 March 2017. No new activities have been started.

The results achieved in the first six months of 2017 have met the management’s expectations and are in line with the budget.

### **Managing directors**

Continental Automotive Holding Netherlands B.V. is the sole director. 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 (2016: 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 in respect of the receivables from its ultimate parent company Continental AG. Consequently the risk the Company is willing to bear is strictly related to this credit risk.

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 ultimate parent company Continental AG.

However, there are no signs that sufficient funding may not be available.

**Liquidity risk**

The Company maintained a positive working capital during the first six months of 2017.

**Interest rate risk**

Interest rate risk is limited as the interest rates of the receivables from its ultimate parent company are considered every month.

**Currency risk**

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

No unusual situation took place in the first six months of 2017.

**Management Report (continued)**

**Result**

During the period under review the Company recorded a positive net result of EUR 55,154 (2016: EUR 200,839).

**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.

**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 2017 and the business development during the financial period 1 January 2017 till 30 June 2017. The half year financial report also describes the material risks with which Conti-Gummi Finance B.V. is confronted.

Maastricht, 25 July 2017

**The Management**

**Continental Automotive Holding Netherlands B.V.**

As represented by:

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Mr. P.M.F.C. Verbruggen

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

# CONTI-GUMMI FINANCE B.V.

## **Balance sheet**

*(Before appropriation of results and expressed in EUR)*

	<u>Notes</u>	<u>30-Jun-17</u> <u>EUR</u>	<u>31-Dec-16</u> <u>EUR</u>	<u>30-Jun-16</u> <u>EUR</u>
<b>FIXED ASSETS</b>				
<b>Financial fixed assets:</b>				
Loan to ultimate shareholder		-	-	439.650.000
Loan to shareholder		-	-	303.000.000
		-	-	742.650.000
<b>CURRENT ASSETS</b>				
Loan to ultimate shareholder		-	439.650.000	-
Loan to shareholder		-	303.000.000	-
Interest receivable from ultimate shareholder		-	1.401.018	1.330.967
Interest receivable from shareholder		-	1.762.147	1.738.008
Receivable from group companies		18.540	20.260	18.025
Current account with ultimate shareholder	5	7.552.082	26.098.588	15.312.664
		7.570.622	771.932.013	18.399.664
<b>CURRENT LIABILITIES</b>				
Senior Secured Notes		-	749.502.158	-
Liability to group company		-	77.000	354
Liability to tax parent CGH Holding B.V.	6	17.699	112.819	67.052
Interest liability		-	14.732.143	5.254.121
Other liabilities and accrued expenses		4.508	14.632	3.159
		22.207	764.438.752	5.324.686
<b>NET CURRENT ASSETS</b>		7.548.415	7.493.261	13.074.978
<b>ASSETS LESS CURRENT LIABILITIES</b>		7.548.415	7.493.261	755.724.978
<b>LONG-TERM LIABILITIES</b>				
Senior Secured Notes		-	-	748.373.179
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>7.548.415</b>	<b>7.493.261</b>	<b>7.351.799</b>
<b>CAPITAL AND RESERVES</b>				
Issued and called-up share capital	7	18.000	18.000	18.000
Retained earnings		7.475.261	7.132.960	7.132.960
Result for the period		55.154	342.301	200.839
		<b>7.548.415</b>	<b>7.493.261</b>	<b>7.351.799</b>

**CONTI-GUMMI FINANCE B.V.**

**Profit and Loss Account**  
(Expressed in EUR)

	<u>Notes</u>	<b>1-jan-17 to 30-Jun-17 EUR</b>	<b>1-jan-16 to 30-Jun-16 EUR</b>
<b>FINANCIAL RESULT</b>			
Interest income	8	4.634.786	10.797.256
Interest expense	9	<u>(4.515.699)</u>	<u>(10.470.293)</u>
<b>Total financial income</b>		<b>119.087</b>	<b>326.963</b>
Salaries and other staff expenses	10	(26.437)	(12.571)
Other expenses		(37.651)	(64.632)
Recharge staff and other expenses		<u>18.540</u>	<u>18.025</u>
<b>Total expenses</b>		<b>(45.548)</b>	<b>(59.178)</b>
<b>Result before taxation</b>		<u><b>73.539</b></u>	<u><b>267.785</b></u>
Corporate income tax	11	<u>(18.385)</u>	<u>(66.946)</u>
<b>Result for the period</b>		<u><b>55.154</b></u>	<u><b>200.839</b></u>

**Notes to the Financial Statements as at 30 June 2017**

**1 General**

Conti-Gummi Finance B.V. (the Company), having its statutory seat at Bassin 100-106, Maastricht, was incorporated in the Netherlands on 3 July 1979. The company is registered at the Chamber of Commerce in Roermond with file number 33157039.

- 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 18 April 2017.

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. In the balance sheet and the income statement, references are made to the notes.

**3 Principal accounting policies**

***(a) General***

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.

The result is the difference between interest income and interest expenses and any other charges during the year. The result on transactions are recognised in the year in which they are realised.

General and administrative expenses comprise costs chargeable to the year that are not directly attributable to the interest income and expenses.

***(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.



**Notes to the Financial Statements as at 30 June 2017**

***(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.

***(d) 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:

***(d1) Loans granted and other receivables***

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

All receivables fall due within one year.

***(d2) 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.

***(d3) 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.

All current liabilities fall due in less than one year.

**Notes to the Financial Statements as at 30 June 2017**

***(d4) 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.

***(d5) 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.

***(e) 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.

***(f) 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.

**Notes to the Financial Statements as at 30 June 2017**

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

***(g) 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 result before tax in the income statement, taking account of the losses available for set-off from previous financial years and exempt profit components and after the addition of non-deductible costs, 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%.

There is a fiscal unity with Continental Global Holding Netherlands B.V., Continental Automotive Holding B.V. and CGH Holding B.V. 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.

***(h) 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.

***(i) 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.

***(j) 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.

Employee benefits and pensions are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet.

***(k) 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 2017

**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 in respect of the receivables from its ultimate parent company Continental AG. Consequently the risk the Company is willing to bear is strictly related to this credit risk. 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 ultimate parent company Continental AG.

However, there are no signs that sufficient funding may not be available.

**Liquidity risk**

The Company maintained a positive working capital during the first six months of 2017.

**Interest rate risk**

Interest rate risk is limited as the interest rates of the receivables from its ultimate parent company are considered every month.

**Currency risk**

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

No unusual situation took place in the first six months of 2017.

**Notes to the Financial Statements as at 30 June 2017**

**CURRENT ASSETS**

**5 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 + 0.255%.

**CURRENT LIABILITIES**

**6 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.

	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>EUR</u></b>	<b><u>EUR</u></b>
Corporate income tax	18.385	66.946
Value added tax	(686)	106
	<u>17.699</u>	<u>67.052</u>

For more details please see note 13.

**Notes to the Financial Statements as at 30 June 2017**

**7 Capital and reserves**

Issued and called-up share capital

	Issued and called-up share capital <b>EUR</b>	Retained earnings <b>EUR</b>	Result for the period <b>EUR</b>	Total <b>EUR</b>
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>
Balance as at 1 Jan. 2017	18.000	7.132.960	342.301	7.493.261
Appropriation of result	-	342.301	(342.301)	-
Result for the period till 30 June 2017	-	-	55.154	55.154
Balance as at 30 June 2017	<u>18.000</u>	<u>7.475.261</u>	<u>55.154</u>	<u>7.548.415</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 2017 and at 31 December 2016. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares.

**8 Interest income**

This item mainly relates to income resulting from entering the loan agreement in relation to the Senior Secured Notes issuance to the ultimate shareholder and the shareholder.

**9 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.

**10 Salaries and other staff expenses**

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

	<b>2017</b> <b>EUR</b>	<b>2016</b> <b>EUR</b>
Wages and salaries	20.529	10.130
Social security contribution	3.844	1.625
Pension contribution	<u>2.064</u>	<u>816</u>
<b>Salaries and other staff expenses</b>	<b><u>26.437</u></b>	<b><u>12.571</u></b>

For more details please see note 12.

**Notes to the Financial Statements as at 30 June 2017**

**11 Corporate Income Tax**

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

	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>EUR</u></b>	<b><u>EUR</u></b>
Net income	73.539	267.785
Statutory rate	25%	25%
Expected tax at statutory rate	18.385	66.945
Income tax expense	18.385	66.945

For more details please see note 13.

**12 Employees and Management**

During the period under review, the Company had one (2016: one) employee working in an administrative function. Of these employees, zero (2015: 0) were employed outside the Netherlands.

Continental Automotive Holding Netherlands B.V. is the sole director.

**13 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.

Maastricht, 25 July 2017

**The Management**

**Continental Automotive Holding Netherlands B.V.**

As represented by:

\_\_\_\_\_  
Mr. P.M.F.C. Verbruggen

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