

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

Half Year Financial Report
for the period
1 January 2018
till
30 June 2018

ADDRESS:
Bassin 100 - 106
6211 AK Maastricht

Chamber of Commerce:
File number 33157039

Table of contents

Management Report	Pages	2-4
Financial Statements		
• Balance Sheet as at 30 June 2018	Page	5
• Profit and Loss Account for the period 1 January 2018 till 30 June 2018	Page	6
• Notes to the Financial Statements as at 30 June 2018	Pages	7-14
Other information	Page	15

Management Report

The Management has the pleasure of submitting the Half Year Financial Report and Management Report for the period 1 January 2018 till 30 June 2018 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 2018 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 (2017: 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 current account with the ultimate shareholder. Consequently the risk the Company is willing to take is strictly related to the risk of the latter related company.

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. As of balance sheet date, the Company is exposed to credit risk in respect of the current account with the 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 2018.

As at balance sheet date, the Company's liquidity risk is limited since there are sufficient funds from the current account with the ultimate shareholder to cover for the current liabilities.

Interest rate risk

Interest rate risk is limited because 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 2018.

Management Report (continued)

Result

During the period under review the Company recorded a negative net result of EUR 13,254 (2017: positive net result of EUR 55,154).

Future Outlook

The Management expects to continue to act as a 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 2018 and the business development during the financial period 1 January 2018 till 30 June 2018. The half year financial report also describes the material risks with which Conti-Gummi Finance B.V. is confronted.

Maastricht, 18 July 2018

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)

	Notes	30-Jun-18 EUR	31-Dec-17 EUR	30-Jun-17 EUR
CURRENT ASSETS				
Loan to shareholder	5	7,000,000	-	-
Receivable from tax parent CGH Holding B.V.	6	5,243	-	-
Interest receivable from shareholder		5,600	-	-
Receivable from group companies		18,911	25,840	18,540
Current account with ultimate shareholder	7	477,220	7,539,246	7,552,082
		<u>7,506,974</u>	<u>7,565,086</u>	<u>7,570,622</u>
CURRENT LIABILITIES				
Liability to group company		-	23,000	-
Liability to tax parent CGH Holding B.V.	6	-	6,314	17,699
Other liabilities and accrued expenses		6,319	21,863	4,508
		<u>6,319</u>	<u>51,177</u>	<u>22,207</u>
NET CURRENT ASSETS		<u>7,500,655</u>	<u>7,513,909</u>	<u>7,548,415</u>
TOTAL ASSETS LESS				
CURRENT LIABILITIES		<u>7,500,655</u>	<u>7,513,909</u>	<u>7,548,415</u>
CAPITAL AND RESERVES				
	8			
Issued and called-up share capital		18,000	18,000	18,000
Retained earnings		7,495,909	7,475,261	7,475,261
Result for the period		(13,254)	20,648	55,154
		<u>7,500,655</u>	<u>7,513,909</u>	<u>7,548,415</u>

CONTI-GUMMI FINANCE B.V.

Profit and Loss Account (Expressed in EUR)

	<u>Notes</u>	<u>1-Jan-18 to 30-Jun-18 EUR</u>	<u>1-Jan-17 to 30-Jun-17 EUR</u>
FINANCIAL RESULT			
Interest income	9	11,660	4,634,786
Interest expense	10	<u>-</u>	<u>(4,515,699)</u>
Total financial income		11,660	119,087
Salaries and other staff expenses	11	(29,117)	(26,437)
Other expenses		(19,126)	(37,651)
Recharge staff and other expenses		<u>18,911</u>	<u>18,540</u>
Total expenses		(29,332)	(45,548)
Result before taxation		<u>(17,672)</u>	<u>73,539</u>
Corporate income tax	12	<u>4,418</u>	<u>(18,385)</u>
Result for the period		<u>(13,254)</u>	<u>55,154</u>

Notes to the Financial Statements as at 30 June 2018

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 13 April 2018.

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 2018

(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 2018

(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.

The carrying amount of the financial instruments as of year-end approximate fair value primarily due to the relatively short-term maturities of these financial instruments.

(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 and the recoverable amount.

Notes to the Financial Statements as at 30 June 2018

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 2018

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 current account with the ultimate shareholder. Consequently the risk the Company is willing to take is strictly related to the risk of the latter related company.

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. As of balance sheet date, the Company is exposed to credit risk in respect of the current account with the 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 2018.

As at balance sheet date, the Company's liquidity risk is limited since there are sufficient funds from the current account with the ultimate shareholder to cover for the current liabilities.

Interest rate risk

Interest rate risk is limited because 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 2018.

Notes to the Financial Statements as at 30 June 2018**CURRENT ASSETS****5 Loan to shareholder**

In 2018 the Company entered into a loan agreement with Continental Automotive Holding Netherlands B.V. in the amount of EUR 7,000,000 with a maturity date of 20 July 2018 and an interest rate of 0.40%.

For this loan, the carrying value approximates its fair value.

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

6 Receivable from 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.

	2018	2017
	<u>EUR</u>	<u>EUR</u>
Corporate income tax	4,418	(18,385)
Value added tax	825	686
	<u>5,243</u>	<u>(17,699)</u>

For more details please see note 14.

7 Current account with ultimate shareholder

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%.

Notes to the Financial Statements as at 30 June 2018

8 Capital and reserves

Issued and called-up share capital

	Issued and called-up share capital EUR	Retained earnings EUR	Result for the period EUR	Total EUR
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	18,000	7,475,261	55,154	7,548,415
Balance as at 1 Jan. 2018	18,000	7,475,261	20,648	7,513,909
Appropriation of result	-	20,648	(20,648)	-
Result for the period till 30 June 2018	-	-	(13,254)	(13,254)
Balance as at 30 June 2018	18,000	7,495,909	(13,254)	7,500,655

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 2018 and at 31 December 2017. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares.

9 Interest income

This item mainly relates to income resulting from the outstanding loans to the shareholder and the ultimate shareholder and the current account with the ultimate shareholder.

Since the loan agreements in relation to the Senior Secured Notes issuance have been reimbursed in March 2017 the interest income is lower than previous years.

10 Interest expense

The Company recognised in this position the accrued interest expenses based on the payment obligations to the external investors of the Senior Secured Notes. Since the bond has been reimbursed in March 2017 the interest expense in 2018 is zero.

Notes to the Financial Statements as at 30 June 2018**11 Salaries and other staff expenses**

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

	2018	2017
	<u>EUR</u>	<u>EUR</u>
Wages and salaries	22,430	20,529
Social security contribution	4,538	3,844
Pension contribution	<u>2,149</u>	<u>2,064</u>
Salaries and other staff expenses	<u>29,117</u>	<u>26,437</u>

For more details please see note 13

12 Corporate Income Tax

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

	2018	2017
	<u>EUR</u>	<u>EUR</u>
Net income	(17,672)	73,539
Statutory rate	25%	25%
Expected tax at statutory rate	<u>(4,418)</u>	<u>18,385</u>
Income tax expense	<u>(4,418)</u>	<u>18,385</u>

For more details please see note 14.

13 Employees and Management

During the period under review, the Company had one (2017: one) employee working in an administrative function. Of these employees, zero (2017: 0) were employed outside the Netherlands.

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

14 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, 18 July 2018

The Management

Continental Automotive Holding Netherlands B.V.

As represented by:

Mr. P.M.F.C. Verbruggen

Mr. M.C.M. Creemers