

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

**Financial Statements and
Management Report
for the year ended
31 December 2015**

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**Vastgesteld door de Algemene
Vergadering van Aandeelhouders
op**

6 april 2016

CONTI-GUMMI FINANCE B.V.

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CONTI-GUMMI FINANCE B.V.

Report of the Supervisory Board

Pursuant to article 24 of the Articles of Association, the Supervisory Board has supervised the Board of Directors and the general course of affairs of Conti-Gummi Finance B.V. (the "Company") and of the business connected with it.

According to article 27 of the Articles of Association, the Financial Statements and Management Report, relating to the financial year ending 31 December 2015, audited by the independent auditor, have been submitted by the Board of Directors to the Supervisory Board.

We recommend the Annual General Meeting to:

- approve the Financial Statements relating to the financial year 2015;
- discharge the Board of Directors and the Supervisory Board from their liability with respect to the financial year 2015;
- approve the crediting of the whole amount of the net income of EUR 459,208 to the retained earnings account;
- appoint PricewaterhouseCoopers Accountants N.V. as independent auditor in order to examine the annual Financial Statements of the Company for the year 2016.

Dated, 4 April 2016

The members of the Supervisory Board of Conti-Gummi Finance B.V.

Mr. C.F. zur Nedden

Mrs. S. Reinhardt

Mr. H. Siebenthaler

CONTI-GUMMI FINANCE B.V.

Management Report

The Management has the pleasure in submitting the Financial Statements and Management Report for the year ending 31 December 2015 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 2015 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.

Supervisory Board

As of 9 March 2015 a Supervisory Board has been established and Mr. C.F. zur Nedden, Mrs. S. Reinhardt and Mr. H. Siebenthaler have been appointed as Supervisors.

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 year under review the Company had one employee (2014: two).

CONTI-GUMMI FINANCE B.V.

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 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.

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 2015. 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 2015.

CONTI-GUMMI FINANCE B.V.

Management Report (continued)

Result

During the year under review the Company recorded a positive net result of EUR 459,208 (2014: EUR 479,586).

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

A change in the Management Board is currently being considered. Continental Automotive Holding Netherlands B.V. may become sole director. The latter will be internally represented by CGH Holding B.V., whose management will be 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.

The Management Board declares to the best of their knowledge:

- the financial statements for 2015 give a true and fair view of the assets, the liabilities, the financial position and the results of the company; and
- the management report gives a true and fair view of the company's situation as at the balance sheet date, the events that occurred during 2015 and the risks to which the company is exposed.

Maastricht, 4 April 2016

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.

Financial Statements

Balance sheet as at 31 December 2015

(Before appropriation of results and expressed in EUR)

	<u>Notes</u>	<u>31-Dec-15</u> <u>EUR</u>	<u>31-Dec-14</u> <u>EUR</u>
FIXED ASSETS			
Financial fixed assets:			
Loan to ultimate shareholder	5	439,650,000	439,650,000
Loan to shareholder	6	303,000,000	303,000,000
		<u>742,650,000</u>	<u>742,650,000</u>
CURRENT ASSETS			
Interest receivable from ultimate shareholder		1,471,069	350,255
Interest receivable from shareholder		1,762,147	1,738,008
Receivable from group companies		63,460	99,992
Current account with ultimate shareholder	7	23,350,012	31,938,474
Cash at bank		-	-
		<u>26,646,688</u>	<u>34,126,729</u>
CURRENT LIABILITIES			
Liability to group company		69,000	67,220
Liability to tax parent CGH Holding B.V.	8	150,383	182,482
Interest liability		14,662,807	14,743,151
Other liabilities and accrued expenses		19,338	45,543
		<u>14,901,528</u>	<u>15,038,396</u>
NET CURRENT ASSETS		<u>11,745,160</u>	<u>19,088,333</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>754,395,160</u>	<u>761,738,333</u>
LONG-TERM LIABILITIES			
Senior Secured Notes	9	747,244,200	745,046,581
TOTAL ASSETS LESS LIABILITIES		<u><u>7,150,960</u></u>	<u><u>16,691,752</u></u>
CAPITAL AND RESERVES			
	10		
Issued and called-up share capital		18,000	18,000
Retained earnings		6,673,752	16,194,166
Result for the year		459,208	479,586
		<u><u>7,150,960</u></u>	<u><u>16,691,752</u></u>

CONTI-GUMMI FINANCE B.V.

Profit and Loss Account for the year ended 31 December 2015

(Expressed in EUR)

		1-Jan-15 to 31-Dec-15 <u>EUR</u>	1-Jan-14 to 31-Dec-14 <u>EUR</u>
	<u>Notes</u>		
FINANCIAL RESULT			
Interest income	11	21,654,932	21,731,419
Interest expense	12	(20,867,275)	(20,882,781)
Gains from disposals		-	41,992
Total financial income		787,657	890,630
Salaries and other staff expenses	13	(57,056)	(99,586)
Other expenses		(118,323)	(180,593)
Recharge staff and other expenses		-	15,000
Total expenses		(175,379)	(265,179)
Result before taxation		612,278	625,451
Corporate income tax	14	(153,070)	(145,865)
Result for the year		459,208	479,586

CONTI-GUMMI FINANCE B.V.

Cash flow statement for the year ended 31 December 2015

(Expressed in EUR)

<u>Notes</u>	<u>2015</u> <u>EUR</u>	<u>2014</u> <u>EUR</u>
Cash flow from operating activities		
Result for the year	459,208	479,586
<i>Movements in working capital:</i>		
Receivables	36,532	37,198
Current liabilities	<u>(56,524)</u>	<u>(448,615)</u>
	<u>(19,992)</u>	<u>(411,417)</u>
Cash generated from / (used in) operations	439,216	68,169
	439,216	68,169
Interest received	(1,144,953)	(1,378,290)
Interest paid	<u>(80,344)</u>	<u>9,398,866</u>
	<u>(1,225,297)</u>	<u>8,020,576</u>
Net cash (used in) / generated from operating activities	(786,081)	8,156,914
Cash flow from investment activities		
Disposal of group companies	<u>-</u>	<u>23,008</u>
Net cash generated from investment activities	-	23,008
Cash flow from financing activities		
Dividends paid	10 (10,000,000)	-
Movements in debts to lending institutions	9 <u>2,197,619</u>	<u>2,147,416</u>
Net cash (used in) / generated from financing activities	<u>(7,802,381)</u>	<u>2,147,416</u>
Net (decrease) / increase in current account with ultimate shareholder	<u><u>(8,588,462)</u></u>	<u><u>10,327,338</u></u>
The movement in current account with ultimate shareholder can be broken down as follows:		
Balance as at 1 January	31,938,474	21,679,305
Movement during the financial year	<u>(8,588,462)</u>	<u>10,327,338</u>
Balance as at 31 December	<u><u>23,350,012</u></u>	<u><u>32,006,643</u></u>

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

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.

- 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 20 April 2015.

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.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

(d) Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand and the current account with ultimate shareholder except for deposits with a maturity longer than three months. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognized in the cash flow statement.

(e) 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.

(f) 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:

(f1) Loans granted and other receivables

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

(f2) 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.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

(f3) 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.

(f4) 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.

(g) 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.

(h) 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.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

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 2015. 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 2015.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

FIXED ASSETS

5 Loan to ultimate shareholder

In November 2015 the company entered into a loan agreement with Continental AG in the amount of EUR 439,650,000, a maturity date of 24 May 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 as the loan has been issued in November 2015.

Movements in the loan to ultimate shareholder were as follows:

	2015 <u>EUR</u>	2014 <u>EUR</u>
Balance as at 1 January	439,650,000	458,650,000
Changes during the financial year:		
Redemption	(439,650,000)	(458,650,000)
Loan issued	<u>439,650,000</u>	<u>439,650,000</u>
Balance as at 31 December	<u>439,650,000</u>	<u>439,650,000</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 October 2015 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 April 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.

	2015 <u>EUR</u>	2014 <u>EUR</u>
Balance as at 1 January	303,000,000	284,000,000
Changes during the financial year:		
Redemption	(303,000,000)	(284,000,000)
Loan issued	<u>303,000,000</u>	<u>303,000,000</u>
Balance as at 31 December	<u>303,000,000</u>	<u>303,000,000</u>

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

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

CURRENT ASSETS

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 will be considered every month and is based on EONIA + 0.37%.

CURRENT LIABILITIES

8 Liability 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.

	31-Dec-15	31-Dec-14
	<u>EUR</u>	<u>EUR</u>
Corporate income tax	148,744	174,829
Value added tax	1,639	7,653
	<u>150,383</u>	<u>182,482</u>

For more details please see note 17.

LONG-TERM LIABILITIES

9 Senior Secured Notes

Issuer/type	Amount of issue in €	Carrying amount at Dec. 31, 2015	Coupon p.a.	Effective interest rate	Issue/maturity and fixed interest until	Issue price
CGF Euro Bond	750,000,000	747,244,200	2.5000%	2.7740%	2013/ 03.2017	99.5950%
	<u>750,000,000</u>	<u>747,244,200</u>				

The fair value of the Senior Secured Notes (ISIN id XS0972719412), based on publications from Bloomberg at balance sheet date, is EUR 770,092,500 (2014: EUR 784,770,000) in total at 31 December 2015.

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.

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

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

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 year <u>EUR</u>	Total <u>EUR</u>
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 year 2014	-	-	479,586	479,586
Balance as at 31 Dec. 2014	18,000	16,194,166	479,586	16,691,752
Dividend payment	-	(10,000,000)	-	(10,000,000)
Appropriation of result	-	479,586	(479,586)	-
Result for the year 2015	-	-	459,208	459,208
Balance as at 31 Dec. 2015	18,000	6,673,752	459,208	7,150,960

The Company's authorised capital amounts to EUR 90,000 (10 ordinary shares of EUR 9,000 nominal value each), of which EUR 18,000 was issued and paid up as at 31 December 2015 and at 31 December 2014. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares.

In 2015 the Company distributed a dividend in the amount of EUR 5,000,000 per share representing a total amount of EUR 10,000,000.

11 Interest income

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

12 Interest expense

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.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

13 Salaries and other staff expenses

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

	2015	2014
	<u>EUR</u>	<u>EUR</u>
Wages and salaries	46,907	87,563
Social security contribution	6,603	5,298
Pension contribution	3,546	6,725
Salaries and other staff expenses	<u>57,056</u>	<u>99,586</u>

For more details please see note 16.

14 Corporate Income Tax

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

The details are as follows:

	2015	2014
	<u>EUR</u>	<u>EUR</u>
Net income before taxation	612,278	625,451
Statutory rate	25%	25%
Expected tax at statutory rate	153,070	156,363
Non-taxable income	-	(10,498)
Income tax expense	<u>153,070</u>	<u>145,865</u>

For more details please see note 17.

15 Audit Fees

The following audit fees were expensed in the income statement, included in the other expenses, in the reporting period:

	Price- waterhouse Coopers Accountants N.V.	Other Price- waterhouse Coopers network	Total Price- waterhouse Coopers network
2015	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Audit of the financial statements	16,820	-	16,820
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	-	-	-
	<u>16,820</u>	<u>-</u>	<u>16,820</u>

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

	Price- waterhouse Coopers Accountants N.V <u>EUR</u>	Other Price- waterhouse Coopers network <u>EUR</u>	Total Price- waterhouse Coopers network <u>EUR</u>
2014			
Audit of the financial statements	16,330	-	16,330
Other audit services	-	-	-
Tax services	-	-	-
Other non-audit services	-	-	-
	<u>16,330</u>	<u>-</u>	<u>16,330</u>

The fees listed above relate to the procedures applied to the Company by accounting firms and external independent auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2015 financial statements, regardless of whether the work was performed during the financial year.

16 Employees and Management

During the year under review, the Company had one (2014: two) employee working in an administrative function. Of these employees, zero (2014: 0) were employed outside the Netherlands.

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. These directors, and also the members of the Supervisory Board, do not receive remuneration at Conti-Gummi Finance B.V.

17 Commitments and contingencies

A fiscal unity for income tax 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.

The Company also applied for a fiscal unity for value added tax with the same Dutch companies as mentioned above. Since 1 January 2015 ContiTech Global Holding Netherlands B.V. is also included in the fiscal unity for value added tax.

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.

CONTI-GUMMI FINANCE B.V.

Notes to the Financial Statements as at 31 December 2015

Maastricht, 4 April 2016

The Management

Mr. P.M.F.C. Verbruggen

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

Mr. M.C.M. Creemers

The Supervisory Board

Mr. C.F. zur Nedden

Mrs. S. Reinhardt

Mr. H. Siebenthaler

CONTI-GUMMI FINANCE B.V.

Other information

Independent auditor's report

The independent auditor's report is attached (see next page).

Retained earnings

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholder in accordance with the Articles of Association of the Company.

Appropriation of result

According to article 29 of the Company's articles of association, the General Meeting of Shareholders shall decide upon the allocation of the net result amounting to EUR 459,208.

Subsequent events

A change in the Management Board is currently being considered. Continental Automotive Holding Netherlands B.V. may become sole director. The latter will be internally represented by CGH Holding B.V., whose management will be 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.



Independent auditor's report

To: the general meeting of shareholders and the supervisory board of Conti-Gummi Finance B.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Conti-Gummi Finance B.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Conti-Gummi Finance B.V., Maastricht ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Conti-Gummi Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ref.: e0376917

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Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments in our team.

The main purpose of the company is the financing of companies belonging to the Continental AG group. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by Continental AG as disclosed in note 9 to the financial statements. Loans are issued to group companies with financial instruments in place to mitigate both the interest rate risk and the currency risk. The company facilitates Continental AG in its financing activities for which it receives a margin.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €7,692,000 and we additionally performed work on the profit and loss account line items such as personnel expenses, operating expenses and income taxation irrespectively of the materiality level. The benchmark applied is 1% of total assets. Due to the large amounts in the financial statements relative to the profit and loss account line items specified above, which is inherent to the nature of the company's business, we consider it appropriate to use two levels of quantitative materiality. We consider this approach to be more suitable and balanced for this type of companies than the overall benchmark we used in previous year which was 0.5% of total assets. We use total assets since the company's main activity is intra-group lending.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the management board and supervisory board that we would report to them misstatements identified during our audit above €384,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



The scope of our audit

The company is financing companies belonging to the Continental AG group. As part of our testing procedures we tested the existence of the loans by requesting the Continental AG group to confirm the outstanding intercompany loans. In addition to this confirmation process, we perform on a sample basis additional testing on these confirmations by contacting directly management of local group companies to confirm the outstanding intercompany loans.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board and management board but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

Due to the nature of the company's business we recognise that key audit matters may be long-standing and therefore may not change significantly from one year to the next. As compared to prior year there have been no changes in key audit matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<i>Valuation of the loans issued</i> We consider the valuation of the loans issued, as disclosed in note 5 and 6 to the financial statements for a total amount of €742,650,000, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the profit and loss account. Loans are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method. The supervisory board and management board did not identify any impairment triggers regarding the loans issued.	We have performed audit work addressing the valuation and existence of the loans issued to Continental AG group companies, through testing on a sample basis the input of contracts in the Continental AG treasury management system, confirmation procedures, margin analysis, analysis of the financial situation of the group companies to which loans have been provided, audit of data input to calculate the fair value and reconciliation of the treasury management system with the general ledger, and assessed whether there were any impairment triggers. We concur with the position taken by the supervisory board and management board as set out in the financial statements with respect to the valuation of the loans.

Responsibilities of the management board and the supervisory board

The management board is responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Dutch Civil; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the management report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management report and the other information):

- We have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
 - We report that the management report, to the extent we can assess, is consistent with the financial statements.
-



Our appointment

We were appointed as auditors of Conti-Gummi Finance B.V. on 16 February 2015 by the management board following the passing of a resolution by the shareholders at the annual meeting held on 16 February 2015 and has been renewed annually by the supervisory board and shareholders representing a total period of uninterrupted engagement appointment of two years.

Rotterdam, 4 April 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2015 of Conti-Gummi Finance B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other matters, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management board and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the management board and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the management board and supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.