

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

Half Year Financial Report
for the period
1 January 2015
till
30 June 2015

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 2015	Page	5
• Profit and Loss Account for the period 1 January 2015 till 30 June 2015	Page	6
• Notes to the Financial Statements as at 30 June 2015	Pages	7-15
Other information	Page	16

Management Report

The Management has the pleasure of submitting the Half Year Financial Report and Management Report for the period 1 January 2015 till 30 June 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. In 2014 the Company sold its only participation, Correx Handelsgesellschaft für Kautschukprodukte mbH, to another group company in Germany. In April 2015 the Company distributed a dividend in the amount of EUR 10,000,000.

The results achieved in the first six months of 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 period under review the Company had one employee (2014: two).

Management Report (continued)

Risk management

Based on the activities, the Company is exposed to certain elements of risk. The most significant risk is credit risk on the loans provided to the shareholder and the ultimate shareholder. 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 2014. The Company limited liquidity risks by matching the maturity dates of loans provided to group companies with the maturity dates of the external debts. Assuming that the group companies will be able to pay its debts to the Company as they fall due, no liquidity shortage is expected.

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.

Management Report (continued)

Result

During the period under review the Company recorded a positive net result of EUR 218,403 (2014: EUR 193,502).

Future Outlook

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

Subsequent events

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

Maastricht, 31 August 2015

The Management

Mr. P.M.F.C. Verbruggen

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

Mr. M.C.M. Creemers

CONTI-GUMMI FINANCE B.V.

Balance sheet

(Before appropriation of results and expressed in EUR)

	<u>Notes</u>	<u>30-Jun-15</u> <u>EUR</u>	<u>31-Dec-14</u> <u>EUR</u>	<u>30-Jun-14</u> <u>EUR</u>
FIXED ASSETS				
Financial fixed assets:				
Participation in group company		-	-	23.008
Loan to ultimate shareholder	5	439.650.000	439.650.000	439.650.000
Loan to shareholder	6	303.000.000	303.000.000	303.000.000
		<u>742.650.000</u>	<u>742.650.000</u>	<u>742.673.008</u>
CURRENT ASSETS				
Interest receivable from ultimate shareholder		1.401.018	350.255	3.607.621
Interest receivable from shareholder		1.738.008	1.738.008	265.529
Receivable from ultimate shareholder		-	-	15.000
Receivable from group companies		-	99.992	-
Current account with ultimate shareholder	7	12.619.120	31.938.474	19.246.799
		<u>15.758.146</u>	<u>34.126.729</u>	<u>23.134.949</u>
CURRENT LIABILITIES				
Liability to group company		-	67.220	-
Liability to tax parent CGH Holding B.V.	8	67.595	182.482	94.626
Interest liability		5.262.262	14.743.151	5.291.095
Other liabilities and accrued expenses		22.744	45.543	48.850
		<u>5.352.601</u>	<u>15.038.396</u>	<u>5.434.571</u>
NET CURRENT ASSETS		<u>10.405.545</u>	<u>19.088.333</u>	<u>17.700.378</u>
ASSETS LESS CURRENT LIABILITIES		<u>753.055.545</u>	<u>761.738.333</u>	<u>760.373.386</u>
LONG-TERM LIABILITIES				
Senior Secured Notes	9	746.145.390	745.046.581	743.967.718
TOTAL ASSETS LESS LIABILITIES		<u>6.910.155</u>	<u>16.691.752</u>	<u>16.405.668</u>
CAPITAL AND RESERVES				
	10			
Issued and called-up share capital		18.000	18.000	18.000
Retained earnings		6.673.752	16.194.166	16.194.166
Result for the year		218.403	479.586	193.502
		<u>6.910.155</u>	<u>16.691.752</u>	<u>16.405.668</u>

CONTI-GUMMI FINANCE B.V.

Profit and Loss Account (Expressed in EUR)

	<u>Notes</u>	<u>1-jan-15 to 30-Jun-15 EUR</u>	<u>1-jan-14 to 30-Jun-14 EUR</u>
FINANCIAL RESULT			
Interest income	11	10.740.723	10.781.356
Interest expense	12	<u>(10.367.921)</u>	<u>(10.367.864)</u>
Total financial income		372.802	413.492
Salaries and other staff expenses	13	(35.380)	(67.631)
Other expenses		(46.218)	(102.859)
Recharge staff and other expenses		<u>-</u>	<u>15.000</u>
Total expenses		(81.598)	(155.490)
Result before taxation		<u>291.204</u>	<u>258.002</u>
Corporate income tax	14	<u>(72.801)</u>	<u>(64.500)</u>
Result for the year		<u><u>218.403</u></u>	<u><u>193.502</u></u>

Notes to the Financial Statements as at 30 June 2015

1 General

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

- Its 100% shareholder is Continental Automotive Holding Netherlands B.V.
- Its ultimate parent company is Continental AG (Hanover), a company incorporated in Germany;
- The last year's financial accounts were adopted in the Annual General Meeting on 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 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 article 2:397-5 and the profit and loss account in accordance with article 2:397-3 of the Dutch Civil Code.

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

3 Principal accounting policies

(a) Comparison with previous year

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

(b) Use of estimates

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

(c) Related party transactions

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

Notes to the Financial Statements as at 30 June 2015

(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.

(d2) 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.

(d3) Embedded derivatives

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

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

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

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

Notes to the Financial Statements as at 30 June 2015

(d4) 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 recognized in the period in which they are declared. Interest income and interest expense are recognized in the profit and loss account as it accrues, using the effective interest method.

(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.

(g) Corporate income tax

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

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

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

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

Notes to the Financial Statements as at 30 June 2015

(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.

(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 2015

4 Risk management

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

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 2014. The Company limited liquidity risks by matching the maturity dates of loans provided to group companies with the maturity dates of the external debts. Assuming that the group companies will be able to pay its debts to the Company as they fall due, no liquidity shortage is expected.

Interest rate risk

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

Notes to the Financial Statements as at 30 June 2015**FIXED ASSETS****5 Loan to ultimate shareholder**

In May 2015 the company entered into a loan agreement with Continental AG in the amount of EUR 439,650,000, a maturity date of 20 November 2015 and a fixed interest rate of 2,868%. The loan is classified as long term as they are not expected to be realised within twelve months after the reporting period. For this loan the carrying value approximate its fair value.

Movements in the loan to ultimate shareholder were as follows:

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

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

6 Loan to shareholder

In April 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 October 2015 and a fixed interest rate of 2,868%. The loan is classified as long term as they are not expected to be realised within twelve months after the reporting period. For this loan the carrying value approximate its fair value.

Movements in the loan to ultimate shareholder were as follows:

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

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

Notes to the Financial Statements as at 30 June 2015

CURRENT ASSETS

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

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

CURRENT LIABILITIES

8 Payable to tax parent CGH Holding B.V.

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

	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Corporate income tax	68.476	174.829
Value added tax	(881)	7.653
	<u>67.595</u>	<u>182.482</u>

For more details please see note 16.

LONG TERM LIABILITIES

9 Senior Secured Notes

Issuer/type	Amount of issue in €	Carrying amount at June 30, 2015	Coupon p.a.	Effective interest rate	Issue/maturity and fixed interest until	Issue price
CGF Euro Bond	750.000.000	746.145.390	2,5000%	2,7740%	2013/ 03.2017	99,5950%
	<u>750.000.000</u>	<u>746.145.390</u>				

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

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

Notes to the Financial Statements as at 30 June 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 1 Jan. 2014	18.000	15.253.264	940.902	16.212.166
Appropriation of result	-	940.902	(940.902)	-
Result for the period till 30 June 2014	-	-	193.502	193.502
Balance as at 30 June 2014	<u>18.000</u>	<u>16.194.166</u>	<u>193.502</u>	<u>16.405.668</u>
Balance as at 1 Jan. 2015	18.000	16.194.166	479.586	16.691.752
Appropriation of result	-	479.586	(479.586)	-
Dividend payment	-	(10.000.000)	-	(10.000.000)
Result for the period till 30 June 2015	-	-	218.403	218.403
Balance as at 30 June 2015	<u>18.000</u>	<u>6.673.752</u>	<u>218.403</u>	<u>6.910.155</u>

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 2015 and at 31 December 2014. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares.

As decided in the Annual General Meeting of Shareholders, dated 20 April 2015, the company paid out a dividend in the amount of EUR 10,000,000 to the shareholder.

11 Interest income

This item mainly relates to income resulting from entering the loan agreement in relation to the Senior Secured Notes issuance, including discounts, to the shareholder and ultimate shareholder in the amount of EUR 10,708,765 (2014: EUR 10,708,766).

12 Interest expenses

The Company recognizes in this position the accrued interest expenses based on the payment obligations to the external investors of the Senior Secured Notes, including discounts, of EUR 10,367,921 (2014: EUR 10,367,864).

Notes to the Financial Statements as at 30 June 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	28.643	54.586
Social security contribution	4.391	8.921
Pension contribution	<u>2.346</u>	<u>4.124</u>
Salaries and other staff expenses	<u>35.380</u>	<u>67.631</u>

14 Corporate Income Tax

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

For more details please see note 16.

15 Employees and Management

During the period under review, the Company had one (2014: two) employee (fte). Mr. P.M.F.C. Verbruggen is entitled as A-director and Mr. M.C.M. Creemers and Mrs. M.C.A.L. van der Walle-Peters are entitled as B-directors.

16 Commitments and contingencies

From 1 September 2009 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.

In 2010 the Company applied for a fiscal unity for value added tax with the same Dutch companies as mentioned above.

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

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

Other information

Independent auditor's report

The statements are not being audited or reviewed.

Subsequent events

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

Responsibility statement

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

The Management Board also declares that the half year financial report gives a true and fair view of the situation as at 30 June 2015 and the business development during the financial period 1 January 2015 till 30 June 2015. The half year financial report also describes the material risks with which Conti-Gummi Finance B.V. is confronted.

Maastricht, 31 August 2015

The Management

Mr. P.M.F.C. Verbruggen

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

Mr. M.C.M. Creemers