

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

**Financial Statements and  
Management Report  
for the year ended  
31 December 2017**

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Chamber of Commerce:  
File number 33157039

# CONTI-GUMMI FINANCE B.V.

## Table of contents

|   |      |      |
|---|------|------|
| <b>Report of the Supervisory Board</b>                        | Page | 2    |
| <b>Management Report</b>                                      | Page | 3-5  |
| <b>Financial Statements</b>                                   |      |      |
| • Balance Sheet as at 31 December 2017                        | Page | 6    |
| • Profit and Loss Account for the year ended 31 December 2017 | Page | 7    |
| • Cash Flow Statement for the year ended 31 December 2017     | Page | 8    |
| • Notes to the Financial Statements as at 31 December 2017    | Page | 9-19 |
| <b>Other information</b>                                      | Page | 20   |
| <b>Independent auditor's report</b>                           | Page | 21   |

## **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 2017, 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 2017;
- discharge the Board of Directors and the Supervisory Board from their liability with respect to the financial year 2017;
- approve the crediting of the whole amount of the net income of EUR 20,648 to the retained earnings account;
- appoint BDO Audit & Assurance B.V. as independent auditor in order to examine the annual Financial Statements of the Company for the year 2018.

Maastricht, 13 April 2018

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

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Mr. C.F. zur Nedden

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Mrs. S. Reinhardt

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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 2017 of Conti-Gummi Finance B.V. ("the Company").

#### **General**

The Company was incorporated in the Netherlands on 3 July 1979 and is established in Maastricht. Continental AG, a company incorporated in Germany is its ultimate parent company as from its incorporation. As from 1 October 2009 all shares in the Company are owned by Continental Automotive Holding Netherlands B.V.

The principal activity of the Company is the provision of loans to group companies financed with funds, including the issue of bonds, acquired from the capital market, from banks and with loans from other group companies.

#### **Review of activities during the year**

The Company operated with the same activities as previous year, no new activities have been started. In March 2017, the loans to related parties including the related interest income have been collected and the notes and interest liability have been repaid. The results achieved in 2017 have met the management's expectations and are in line with the budget.

#### **Managing directors**

Continental Automotive Holding Netherlands B.V. is 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 year under review the Company had one employee (2016: one).

## 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 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 year-end date, the Company is exposed to credit risk in respect of the current account with the ultimate parent company Continental AG.

The latest credit rating of Continental AG is investment grade:

| Date of report | Credit rating agency | Long-term            | Short-term |
|----------------|----------------------|----------------------|------------|
| 24-Oct-16      | Fitch                | BBB+, stable outlook | F2         |
| 11-May-16      | Standard and Poors   | BBB+, stable outlook | A-2        |
| 30-Jun-15      | Moody's              | Baa1, stable outlook |            |

Therefore, the risk of a credit loss on the group lending is limited.

#### **Liquidity risk**

The Company maintained a positive working capital during 2017. As at year-end, 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.

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

### **Management Report (continued)**

#### **Result**

During the year under review the Company recorded a positive net result of EUR 20,648 (2016: EUR 342,301). Since both the loan agreements and the bond have been reimbursed in March 2017, the net result is lower than previous years.

#### **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 financial report gives a true and fair view of the situation as at 31 December 2017 and the business development during the financial period 1 January 2017 till 31 December 2017. The financial report also describes the material risks with which Conti-Gummi Finance B.V. is confronted.

Maastricht, 13 April 2018

#### **The Management**

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

As represented by:

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Mr. P.M.F.C. Verbruggen

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Mr. M.C.M. Creemers

# CONTI-GUMMI FINANCE B.V.

## Financial Statements

### Balance sheet as at 31 December 2017

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

|   | <u>Notes</u> | <u>31-Dec-17</u><br><u>EUR</u> | <u>31-Dec-16</u><br><u>EUR</u> |
|---|--------------|--------------------------------|--------------------------------|
| <b>CURRENT ASSETS</b>                         |              |                                |                                |
| Loan to ultimate shareholder                  | 5            | -                              | 439,650,000                    |
| Loan to shareholder                           | 6            | -                              | 303,000,000                    |
| Interest receivable from ultimate shareholder |              | -                              | 1,401,018                      |
| Interest receivable from shareholder          |              | -                              | 1,762,147                      |
| Receivable from group companies               |              | 25,840                         | 20,260                         |
| Current account with ultimate shareholder     | 7            | 7,539,246                      | 26,098,588                     |
| Cash at bank                                  |              | -                              | -                              |
|   |              | <u>7,565,086</u>               | <u>771,932,013</u>             |
| <b>CURRENT LIABILITIES</b>                    |              |                                |                                |
| Senior Secured Notes                          | 8            | -                              | 749,502,158                    |
| Liability to group company                    |              | 23,000                         | 77,000                         |
| Liability to tax parent CGH Holding B.V.      | 9            | 6,314                          | 112,819                        |
| Interest liability                            |              | -                              | 14,732,143                     |
| Other liabilities and accrued expenses        |              | 21,863                         | 14,632                         |
|   |              | <u>51,177</u>                  | <u>764,438,752</u>             |
| <b>NET CURRENT ASSETS</b>                     |              | <u>7,513,909</u>               | <u>7,493,261</u>               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>  |              | <u><b>7,513,909</b></u>        | <u><b>7,493,261</b></u>        |
| <b>CAPITAL AND RESERVES</b>                   |              |                                |                                |
|   | 10           |                                |                                |
| Issued and called-up share capital            |              | 18,000                         | 18,000                         |
| Retained earnings                             |              | 7,475,261                      | 7,132,960                      |
| Result for the year                           |              | 20,648                         | 342,301                        |
|   |              | <u><b>7,513,909</b></u>        | <u><b>7,493,261</b></u>        |

# CONTI-GUMMI FINANCE B.V.

## Profit and Loss Account for the year ended 31 December 2017 (Expressed in EUR)

|                                   | <u>Notes</u> | <b>1-Jan-17<br/>to<br/>31-Dec-17<br/><u>EUR</u></b> | <b>1-Jan-16<br/>to<br/>31-Dec-16<br/><u>EUR</u></b> |
|-----------------------------------|--------------|---|---|
| <b>FINANCIAL RESULT</b>           |              |   |   |
| Interest income                   | 11           | 4,644,411   | 21,709,736  |
| Interest expense                  | 12           | <u>(4,515,699)</u>                                  | <u>(21,077,294)</u>                                 |
| <b>Total financial income</b>     |              | <b>128,712</b>                                      | <b>632,442</b>                                      |
| Salaries and other staff expenses | 13           | (54,487)  | (39,235)  |
| Other expenses                    |              | (65,234)  | (154,970)   |
| Recharge staff and other expenses |              | <u>18,540</u>                                       | <u>18,025</u>                                       |
| <b>Total expenses</b>             |              | <b>(101,181)</b>                                    | <b>(176,180)</b>                                    |
| <b>Result before taxation</b>     |              | <b>27,531</b>                                       | <b>456,262</b>                                      |
| Corporate income tax              | 14           | <u>(6,883)</u>                                      | <u>(113,961)</u>                                    |
| <b>Result for the year</b>        |              | <b><u>20,648</u></b>                                | <b><u>342,301</u></b>                               |



# CONTI-GUMMI FINANCE B.V.

## Cash flow statement for the year ended 31 December 2017 (Expressed in EUR)

|  |              | <u>2017</u>          | <u>2016</u>         |
|--|--------------|----------------------|---------------------|
|  | <u>Notes</u> | <u>EUR</u>           | <u>EUR</u>          |
| <b>Cash flow from operating activities</b>   |              |                      |                     |
| Result for the year  |              | 20,648               | 342,301             |
| <i>Adjustments for:</i>  |              |                      |                     |
| Interest income  |              | (4,644,411)          | (21,709,736)        |
| Interest expense   |              | <u>4,515,699</u>     | <u>21,077,294</u>   |
|  |              | (128,712)            | (632,442)           |
| <i>Movements in working capital:</i>   |              |                      |                     |
| Receivables  |              | (5,580)              | 43,200              |
| Current liabilities  |              | <u>(153,274)</u>     | <u>(34,270)</u>     |
|  |              | (158,854)            | 8,930               |
| Cash generated from /<br>(used in) operations  |              | (266,918)            | (281,211)           |
| Interest received  |              | 7,807,576            | 21,779,787          |
| Interest paid  |              | <u>(19,247,842)</u>  | <u>(21,007,958)</u> |
|  |              | (11,440,266)         | 771,829             |
| Net cash (used in) / generated<br>from operating activities                              |              | (11,707,184)         | 490,618             |
| <b>Cash flow from financing activities</b>   |              |                      |                     |
| Proceeds from borrowings   | 5/6          | 742,650,000          | -                   |
| Movements in debts to<br>lending institutions  | 8            | <u>(749,502,158)</u> | <u>2,257,958</u>    |
| Net cash (used in) / generated<br>from financing activities                              |              | (6,852,158)          | 2,257,958           |
| Net (decrease) / increase in current<br>account with ultimate shareholder                |              | <u>(18,559,342)</u>  | <u>2,748,576</u>    |
| The movement in current account with ultimate shareholder can be broken down as follows: |              |                      |                     |
| Balance as at 1 January  |              | 26,098,588           | 23,350,012          |
| Movement during the financial year   |              | <u>(18,559,342)</u>  | <u>2,748,576</u>    |
| Balance as at 31 December  |              | <u>7,539,246</u>     | <u>26,098,588</u>   |

# CONTI-GUMMI FINANCE B.V.

## Notes to the Financial Statements as at 31 December 2017

### **1 General**

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

- Its 100% shareholder is Continental Automotive Holding Netherlands B.V.
- Its ultimate parent company is Continental AG (Hanover), a company incorporated in Germany;
- The last year's financial accounts were adopted in the Annual General Meeting on 18 April 2017;
- The financial statements of the Company are included in the consolidated financial statements of Continental AG. Copies of the consolidated financial statements are available at the head office of the parent company.

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, income statement and the cash flow 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 results 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 interest 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.

## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

#### **(c) Related party transactions**

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

#### **(d) 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) 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:

##### **(e1) 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.

##### **(e2) 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.

##### **(e3) 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.

## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

#### ***(e4) 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 amounts of the financial instruments as of year-end approximate fair value primarily due to the relatively short-term maturities of these financial instruments.

#### ***(e5) 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.

#### ***(f) 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.

#### ***(g) 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.

## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

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

#### **(h) 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%.

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.

#### **(i) 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.

#### **(j) 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.

#### **(k) 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.

#### **(l) 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 2017

#### 4 Risk management

Based on the activities, the Company is exposed to certain elements of risk. The Company does all efforts to reduce these risks to a strict minimum. The most significant risk is credit risk 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 year-end date, the Company is exposed to credit risk in respect of the current account with the ultimate parent company Continental AG.

The last credit rating of Continental AG is investment grade:

| Date of report | Credit rating agency | Long-term            | Short-term |
|----------------|----------------------|----------------------|------------|
| 24-Oct-16      | Fitch                | BBB+, stable outlook | F2         |
| 11-May-16      | Standard and Poors   | BBB+, stable outlook | A-2        |
| 30-Jun-15      | Moody's              | Baa1, stable outlook |            |

Therefore, the risk of a credit loss on the group lending is limited.

##### **Liquidity risk**

The Company maintained a positive working capital during 2017. As at year-end, 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.

## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

#### CURRENT ASSETS

##### 5 Loan to ultimate shareholder

In November 2016 the Company entered into a loan agreement with Continental AG in the amount of EUR 439,650,000, a maturity date of 20 March 2017 and a fixed interest rate of 2.868%. The loan has been repaid at maturity date.

Movements in the loan to ultimate shareholder were as follows:

|                                    | <b>2017</b><br><b><u>EUR</u></b> | <b>2016</b><br><b><u>EUR</u></b> |
|------------------------------------|----------------------------------|----------------------------------|
| Balance as at 1 January            | 439,650,000                      | 439,650,000                      |
| Changes during the financial year: |                                  |                                  |
| Redemption                         | (439,650,000)                    | (439,650,000)                    |
| Loan issued                        | -                                | 439,650,000                      |
|                                    | -                                | 439,650,000                      |
| Remaining term > 1 year            | -                                | -                                |
| Balance as at 31 December          | -                                | 439,650,000                      |

##### 6 Loan to shareholder

In October 2016 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 March 2017 and a fixed interest rate of 2.868%. The loan has been repaid at maturity date.

Movements in the loan to shareholder were as follows:

|                                    | <b>2017</b><br><b><u>EUR</u></b> | <b>2016</b><br><b><u>EUR</u></b> |
|------------------------------------|----------------------------------|----------------------------------|
| Balance as at 1 January            | 303,000,000                      | 303,000,000                      |
| Changes during the financial year: |                                  |                                  |
| Redemption                         | (303,000,000)                    | (303,000,000)                    |
| Loan issued                        | -                                | 303,000,000                      |
|                                    | -                                | 303,000,000                      |
| Remaining term > 1 year            | -                                | -                                |
| Balance as at 31 December          | -                                | 303,000,000                      |

## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

#### **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 + 0.255%.

#### **CURRENT LIABILITIES**

#### **8 Senior Secured Notes**

In September 2013 the Company issued a bond in the amount of EUR 750,000,000. The interest rate was 2.5% and has been paid each year in March starting in 2014. This bond was guaranteed by Continental AG. The bond has been repaid in March 2017.

#### **9 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.

|                      | <b>31-Dec-17</b>  | <b>31-Dec-16</b>  |
|----------------------|-------------------|-------------------|
|                      | <b><u>EUR</u></b> | <b><u>EUR</u></b> |
| Corporate income tax | 6,883             | 113,961           |
| Value added tax      | (569)             | (1,142)           |
|                      | <u>6,314</u>      | <u>112,819</u>    |

For more details please see note 17.



## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

#### 10 Capital and reserves

Issued and called-up share capital

|                                   | Issued and<br>called-up<br>share capital<br><u>EUR</u> | Retained<br>earnings<br><u>EUR</u> | Result for<br>the year<br><u>EUR</u> | Total<br><u>EUR</u> |
|-----------------------------------|--|------------------------------------|--------------------------------------|---------------------|
| <b>Balance as at 31 Dec. 2015</b> | <b>18,000</b>  | <b>6,673,752</b>                   | <b>459,208</b>                       | <b>7,150,960</b>    |
| Appropriation of result           | -  | 459,208                            | (459,208)                            | -                   |
| Result for the year 2016          | -  | -                                  | 342,301                              | 342,301             |
| <b>Balance as at 31 Dec. 2016</b> | <b>18,000</b>  | <b>7,132,960</b>                   | <b>342,301</b>                       | <b>7,493,261</b>    |
| Appropriation of result           | -  | 342,301                            | (342,301)                            | -                   |
| Result for the year 2017          | -  | -                                  | 20,648                               | 20,648              |
| <b>Balance as at 31 Dec. 2017</b> | <b>18,000</b>  | <b>7,475,261</b>                   | <b>20,648</b>                        | <b>7,513,909</b>    |

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 2017 and at 31 December 2016. Continental Automotive Holding Netherlands B.V., the Netherlands holds all shares of the Company.

The General Meeting will be proposed to appropriate the profit after tax for 2017 as follows: to add EUR 20,648 to the retained earnings. The 2017 result after tax is presented as unappropriated profit in shareholders' equity.

#### 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. Since the loan agreements have been reimbursed in March 2017 the interest income is lower than previous years.

#### 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. Since the bond has been reimbursed in March 2017 the interest expense is lower than previous years.

## CONTI-GUMMI FINANCE B.V.

### Notes to the Financial Statements as at 31 December 2017

#### 13 Salaries and other staff expenses

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

|                                   | <b>2017</b>          | <b>2016</b>          |
|-----------------------------------|----------------------|----------------------|
|                                   | <b><u>EUR</u></b>    | <b><u>EUR</u></b>    |
| Wages and salaries                | 42,507               | 31,591               |
| Social security contribution      | 7,847                | 5,197                |
| Pension contribution              | <u>4,133</u>         | <u>2,447</u>         |
| Salaries and other staff expenses | <u><u>54,487</u></u> | <u><u>39,235</u></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:

|                                | <b>2017</b>         | <b>2016</b>           |
|--------------------------------|---------------------|-----------------------|
|                                | <b><u>EUR</u></b>   | <b><u>EUR</u></b>     |
| Net income before taxation     | 27,531              | 456,262               |
| Statutory rate                 | 25%                 | 25%                   |
| Expected tax at statutory rate | 6,883               | 114,066               |
| Non-taxable income             | <u>-</u>            | <u>(105)</u>          |
| Income tax expense             | <u><u>6,883</u></u> | <u><u>113,961</u></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:

|                                   | BDO<br>Audit &<br>Assurance<br>B.V.<br><b><u>EUR</u></b> | Other BDO<br>Audit &<br>Assurance<br>B.V. network<br><b><u>EUR</u></b> | Total BDO<br>Audit &<br>Assurance<br>B.V. network<br><b><u>EUR</u></b> |
|-----------------------------------|--|--|--|
| <b>2017</b>                       |  |  |  |
| Audit of the financial statements | 16,285   | -  | 16,285   |
| Other audit services              | -  | -  | -  |
| Tax services                      | -  | -  | -  |
| Other non-audit services          | <u>-</u>   | <u>-</u>   | <u>-</u>   |
|                                   | <u><u>16,285</u></u>                                     | <u><u>-</u></u>  | <u><u>16,285</u></u>   |

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

### **Notes to the Financial Statements as at 31 December 2017**

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 2017 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 (2016: one) employee working in an administrative function. Of these employees, zero (2016: 0) were employed outside the Netherlands.

Continental Automotive Holding Netherlands B.V. is 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.

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 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.

#### **18 Subsequent events**

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

#### **19 Appropriation of result**

The management proposes to add the result amounting to EUR 20,648 to the retained earnings.

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

### **Notes to the Financial Statements as at 31 December 2017**

Maastricht, 13 April 2018

#### **The Management**

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

As represented by:

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

\_\_\_\_\_  
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).

#### **Profit appropriation according to the Articles of Association**

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.

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.

# Independent auditor's report

To: the shareholder and Supervisory Board of Conti-Gummi Finance B.V.

## A. Report on the audit of the financial statements 2017

### Our opinion

We have audited the financial statements 2017 of Conti-Gummi Finance B.V, based in Maastricht.

In our opinion, the enclosed financial statements give a true and fair view of the financial position of Conti-Gummi Finance B.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2017;
2. the profit and loss account for 2017; and
3. the notes comprising a summary of the applicable accounting policies and other explanatory information.

### 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 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Conti-Gummi Finance B.V. in accordance with the "Wet toezicht accountantsorganisaties" (Wta), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations 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.

## B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- ▶ the Report of the Supervisory Board;
- ▶ the Management Report;
- ▶ the Other Information on page 20.

Based on the procedures as mentioned below, we are of the opinion that the other information:

- ▶ is consistent with the financial statements and contains no material deficiencies;
- ▶ includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the management report and the other information on page 20 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### C. Description of responsibilities for the financial statements

#### **Responsibilities of management and the Supervisory Board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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 management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause the company ceasing to continue as a going concern.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Amstelveen, 13 April 2018

For and on behalf of BDO Audit & Assurance B.V.,

sgd.  
drs. M.F. Meijer RA

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