Half-Year Financial Report as of June 30, 2008

Q2

Continental

Continental's Share Price Performance

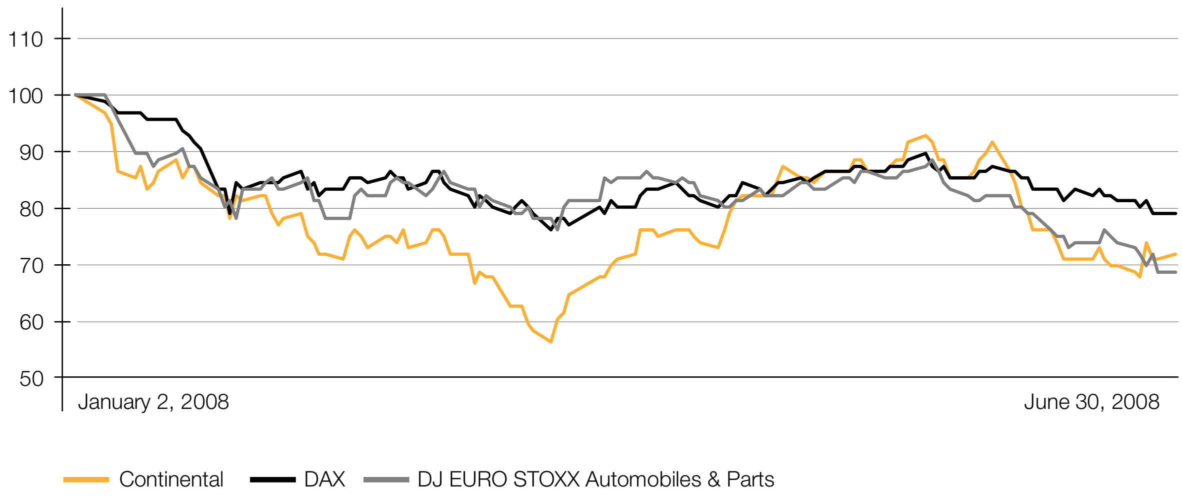
Following the brief recovery on the stock markets from mid-March to mid-May 2008, which lifted the DAX for a short period of time over the 7,200 point mark and the Dow Jones Industrials over the 13,000 point mark, the DAX fell back at the end of the second quarter in the direction of the lows recorded already on March 17. Given the darkening economic climate, the DAX lost 20.4% and the Dow Jones approximately 15% since the beginning of 2008.

As a result of rising costs for raw materials and falling sales volumes in Europe and the U.S.A., the European industrial index for the automotive sector dropped 18.2% in just the second quarter, ending the second quarter 29.9% lower than at the beginning of the year. The Continental share initially recovered significantly from its low on March 17, climbing above €80 at times, but as the quarter continued, was unable to elude the general slump in the market. Closing the second quarter at €65.27, the share price was up slightly by 1.1%. This represents a decrease of 26.7% since the beginning of the year. The Continental share thus underperformed the DAX by 6.2 percentage points in the first half-year, while however outperforming the European industrial index for the automotive sector by 3.2 percentage points.

At the start of the third quarter, the negative trend for the Continental share continued in the course of the general share price downturn in the automotive sector.

Following the announcement of Schaeffler KG on July 15 that they intended to submit a takeover offer for the shares of Continental AG at a price of €69.37 per share, the Continental share price climbed to over €70.

Share Price Performance



Key Figures for the Continental Corporation

in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	13,254.0	8,013.9	6,614.6	4,049.1
EBITDA	1,774.8	1,263.6	890.8	650.0
in % of sales	13.4	15.8	13.5	16.1
EBIT before amortization of intangible assets from PPA	1,137.7	923.3	568.2	480.5
in % of sales	8.6	11.5	8.6	11.9
EBIT	912.4	911.5	455.7	474.7
in % of sales	6.9	11.4	6.9	11.7
Net income attributable to the shareholders of the parent	361.1	573.7	194.3	303.2
Earnings per share (in €)	2.23	3.91	1.20	2.07
EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)	1,194.8	923.3	606.6	480.5
in % of sales	9.0	11.5	9.2	11.9
Adjusted EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)[2]	1,227.7	944.5	639.3	492.4
in % of sales	9.3	11.8	9.7	12.2
Free cash flow	152.8	- 15.5	469.5	104.3
Net indebtedness at June 30	10,978.4	1,514.7		
Gearing ratio in %	156.4	30.5		
Total equity	7,019.6	4,965.4		
Equity ratio in %	25.9	41.6		
Number of employees at June 30[1]	149,113	89,082		

[1] Excluding trainees.

[2] Before special effects.

Corporate Management Report as of June 30, 2008

Changes in the Executive Board

At its meeting on March 7, the Supervisory Board of Continental AG agreed with the decision of the Executive Board to reorganize responsibilities among its members. Accordingly, as of April 1, 2008, CFO Dr. Alan Hippe, in addition to his other duties, took over the reins of the Passenger and Light Truck Tires division from Manfred Wennemer, who previously exercised this function in addition to chairing the Continental AG Executive Board. As of September 30, 2008, Dr. Hippe will additionally take charge of the ContiTech division, succeeding Gerhard Lerch, who will retire at that time and relinquish his seat on the Board. Dr. Hippe will continue to discharge the duties of CFO until such time as his successor in that office is appointed.

In its meeting on May 29, 2008, the Supervisory Board fulfilled the request of deputy Executive Board member, William L. Kozyra, to prematurely terminate his contract as of June 1, 2008, and revoke his appointment as deputy Executive Board member of Continental AG.

Economic Climate

Whereas the mortgage crisis in the U.S.A. and its negative impact on the global economy were the dominant topics in the first quarter, fears of inflation were also decisive for the market development in the second quarter. These fears are founded on the drastic increases in some raw material and food prices. The price for Brent crude oil traded on June 27 at $139.89 per barrel, thus hitting a new record high at that time and representing an increase of 46% since the end of 2007.

In the EU, inflation climbed to 4% in June, not least due to the oil price. The European Central Bank reacted to this development by increasing the key rates by 25 basis points to 4.25% at its meeting on July 3. In contrast, the U.S. Federal Reserve left the key rate unchanged at 2% despite the significant rise in inflation in the U.S.A. as well. The darkening of the global economy was also reflected in numerous business climate indicators. Chief among these, the U.S. consumer confidence index (Conference Board), which reflects consumers' sentiment of their future economic situation, fell to 41 points in May, the lowest level since 1985. In Europe, the mood was more optimistic thanks to the strong economic growth of the first quarter. In several regions, however, initial signs of a slackening economic growth appeared. In particular the expectation components of the IFO index, conducted in Germany, fell to their lowest level in the past three years.

Against this background, the automotive industry is currently in a very difficult situation: The rise in prices for steel, copper and aluminum is leading to significant increases in material costs for the production process. At the same time, consumers are reacting to the increase in oil price by driving less and demonstrating reluctance to purchase a new car. New vehicle registrations in the U.S.A. dropped by double-digit percentages in May and June. In Europe, the number of new registrations also fell by high single-digit percentages in each of those two months. Several manufacturers have already responded to the rises in raw material costs by increasing vehicle prices, which could further impact the demand for vehicles as the year progresses. As a result of the declining demand, manufacturers in the U.S.A. have announced some major cuts in production. At present, a production volume of 13.5 million cars and light trucks can be expected in the U.S.A. in 2008, which would again be well below the cautious forecast of 14.1 million vehicles issued at the beginning of the year. This would mean that global car production would grow by just 2.7% in 2008 (2007: 5.4%).

The decline in driving, which for instance can be seen in the monthly statistics of the U.S. Department of Transportation (DOT), is having a direct impact on the demand for tires. Here, too, material prices, driven by the substantial rise in the oil price as well as the natural rubber price (+28% since the beginning of 2008), have climbed considerably in the course of the year. The tire manufacturers have responded to this development with price increases. At present, it also looks as though we will not achieve the forecasts made at the beginning of the year for the tire market. Currently, growth cannot be anticipated in the U.S. replacement tire business. It also appears that the forecasted 2.8% growth for the European market can be achieved only if things pick up significantly in the second half of the year.

Earnings, Financial and Net Assets Position of the Continental Corporation

Earnings Position

Sales Up 65.4%

Consolidated sales for the first six months of 2008 rose by 65.4% to €13,254.0 million (H1 2007: €8,013.9 million). This increase resulted both from organic growth and from changes in the scope of consolidation, especially from the acquisition of Siemens VDO. Exchange rate changes had an offsetting effect.

EBIT before Amortization of Intangible Assets from PPA and before Depreciation of Tangible Assets from PPA (only Siemens VDO) Up 29.4%

It is no longer possible to separately identify the depreciation of tangible assets from PPA (purchase price allocation) for Siemens VDO and for the other acquisitions transacted in the past. For this reason, a rough estimate was made for Siemens VDO based upon the euro value as of November 30, 2007. According to this estimate, depreciation of tangible assets from PPA (only Siemens VDO) in the first half of 2008 totaled €57.1 million for the Corporation.

Consolidated EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) was up in the first half of 2008 compared with the same period of last year by €271.5 million, or 29.4%, to €1,194.8 million (H1 2007: €923.3 million), and was equivalent to 9.0% (H1 2007: 11.5%) of sales. Before special effects, EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) rose by €283.2 million, or 30.0%, to €1,227.7 million (H1 2007: €944.5 million). The adjusted return on sales amounted to 9.3% (H1 2007: 11.8%).

EBIT before Amortization of Intangible Assets from PPA Up 23.2%

The Corporation increased its EBIT before amortization of intangible assets from PPA compared with the same period of last year by €214.4 million, or 23.2%, to €1,137.7 million (H1 2007: €923.3 million), and was equivalent to 8.6% (H1 2007: 11.5%) of sales.

EBIT Up 0.1%;
EBIT Adjusted for Special Effects Up 1.4%

EBIT increased by €0.9 million, or 0.1%, to €912.4 million compared with the same period of last year (H1 2007: €911.5 million). The return on sales fell to 6.9% (H1 2007: 11.4%). Before special effects, EBIT rose by €12.6 million, or 1.4%, to €945.3 million (H1 2007: €932.7 million). The adjusted return on sales amounted to 7.1% (H1 2007: 11.6%).

The increase in raw material prices had a negative impact of approximately €84 million on the Corporation's EBIT in the first half of 2008 compared with the prices for the first half of 2007. This affected primarily the tire divisions.

Special Effects in the First Half of 2008

Unutilized provisions of €0.3 million were reversed during the first half of 2008 as part of the winding up of restructuring activities at the plant in Angers, France.

At the plant in Wetzlar, Germany, production for the Interior division will be shutdown due to a lack of orders. Research and development activities are to remain in Wetzlar. This led to restructuring expenses in the amount of €17.0 million in the period under review.

Also in the Interior division, the product portfolio was reviewed in conjunction with the acquisition of Siemens VDO and business sections in the non-OE sector were identified that do not belong to our core business. The sale process was initiated for one of these business sections and led to a recognition of impairment losses in the amount of €26.3 million.

In addition, restructuring expenses of €2.0 million were incurred in the first half of 2008 for the Interior division, primarily for the research and development location in Munich, Germany.

The electric motors activities were sold – primarily under an asset deal – to the Brose Group with effect from April 1, 2008. This sale generated an overall gain of €6.0 million for the Powertrain division.

The scrapping of unusable machinery as part of the winding up of the restructuring measures at the tire plant in Charlotte, U.S.A. resulted in expenses amounting to €0.6 million.

Unutilized provisions of €2.0 million were reversed in the ContiTech division during the first half of 2008 as part of the winding up of restructuring activities, primarily for Roulunds, Denmark, and ContiTech Schlauch Northeim, Germany.

The sale of the Benecke-Kaliko unit's furniture covering business led to a gain of €4.7 million in the ContiTech division.

The total consolidated net expense from special effects in the first half of 2008 amounted to €32.9 million.

Special Effects in the First Half of 2007

The continuing integration of Motorola's automotive electronics business resulted in expenses of €11.7 million and restructuring expenses of €2.5 million in the first half of 2007.

To optimize the organization of production in Germany and to improve the cost structure in the Electric Drives business unit, the company's Haldensleben location was closed at the end of 2007, apart from remaining minor winding-up activities. This resulted in restructuring expenses in the amount of €4.8 million in the first half of 2007.

In addition, the ContiTech division incurred restructuring expenses of €2.2 million, primarily for Roulunds, Denmark, in the first half of 2007.

The total consolidated net expense from special effects in the first half of 2007 amounted to €21.2 million.

Research and Development Expenses

Compared with June 30, 2007, research and development expenses increased by 115.7% to €839.6 million (H1 2007: €389.2 million), corresponding to 6.3% of sales (H1 2007: 4.9%). The main reason for this increase is the change in the scope of consolidation due to the acquisition of Siemens VDO.

Net Interest Expense

At -€376.0 million, net interest expense rose by €351.7 million in the first six months of 2008 compared with the same period of last year (H1 2007: -€24.3 million).

This increase was mainly due to the financing of the acquisition of Siemens VDO. Interest expense rose year-on-year by €281.8 million to €351.3 million. In addition, exchange rate effects totaling €63.4 million, primarily with no effect on cash, had a negative impact in 2008.

Net Income Attributable to the Shareholders of the Parent

Net income attributable to the shareholders of the parent was down 37.1% to €361.1 million (H1 2007: €573.7 million), with earnings per share lower at €2.23 (H1 2007: €3.91).

Financial Position

Cash Flow

At €636.2 million, net cash flow from operating activities as of June 30, 2008 was €290.3 million higher than on June 30, 2007 (€345.9 million).

In the first half of 2008, free cash flow stood at €152.8 million (H1 2007: -€15.5 million), up €168.3 million on the same period of 2007. Tax refunds amounting to €103.5 million from the retroactive merger of Siemens VDO Automotive AG into Continental Automotive GmbH had a positive effect. The higher average level of working capital resulting from seasonal fluctuations (€142.5 million higher than in the first half of 2007) as well as interest payments due to purchase price financing for the acquisition of Siemens VDO had a negative impact.

In contrast, the sale of the electric motors activities to the Brose Group at the beginning of April 2008 provided cash flow totaling €230.0 million.

In the first half of 2008, total cash outflows amounting to €483.4 million (H1 2007: €361.4 million) resulted from investment activities.

Net Indebtedness

At €10,978.4 million, the net indebtedness of the Corporation on June 30, 2008 was €122.0 million higher than on December 31, 2007.

The gearing ratio of 156.4%, which is slightly down on the gearing ratio of 158.3% at the end of 2007, is a result of the higher shareholders' equity at the end of the first half of 2008.

At €10,978.4 million, net indebtedness was €9,463.7 million higher than on June 30, 2007, due primarily to the payment for the acquisition of Siemens VDO. In contrast, the capital increase at the end of October 2007 had a positive effect amounting to €1,478.8 million.

The syndicated loan taken out to finance the purchase price was drawn upon at the end of June 2008 in the amount of €9,481.7 million. For tranche C with a nominal value of €5,000.0 million due in August 2012, there were interest hedges on June 30, 2008 amounting to €2,150.0 million. The resulting average fixed interest rate to be paid is 4.07% plus margin.

Dividend Payment

The dividend payment of €2.00 per share for fiscal 2007 (€2.00 for fiscal 2006) decided upon by the Annual Shareholders' Meeting on April 25, 2008, was made starting on April 28, 2008. The total dividend payment amounted to €323.4 million (€293.1 million for fiscal 2006).

Capital Expenditure (Additions)

In the first half of 2008, €731.5 million (H1 2007: €336.0 million) was invested in property, plant, equipment and software, corresponding to a capital expenditure ratio after six months of 5.5% (H1 2007: 4.2%).

The automotive divisions invested in production facilities for the manufacture of new products and implementation of new technologies, whereby primary investments were in technologies for electronic brake and safety systems, as well as the expansion of manufacturing capacities at its low-cost locations.

The tire divisions continued to expand capacity for ultra-high-performance tires at their low-cost locations. Key investment priorities were the further expansion of the tire plant in Brazil and of the production capacities in Slovakia and Portugal. Production capacity was also expanded in the Mt. Vernon plant in the U.S.A.

ContiTech invested in rationalizing production processes and in new products. Production capacities in Hungary, Romania, Chile, Brazil and India were expanded.

Net Assets Position

At €27,077.5 million, total assets on June 30, 2008 were €15,149.8 million higher than on the same date in 2007. This increase resulted especially from additions in the scope of consolidation, due mainly to the acquisition of Siemens VDO in December 2007, as well as the Matador Group in November 2007.

Total assets were down €660.1 million compared with December 31, 2007. That decline was attributable to a €282.2 million decrease in other intangible assets, as well as a €1,018.3 million decrease in cash and cash equivalents. In particular, repayments of short-term loans led to a €798.1 million reduction in gross indebtedness. As a result of seasonal fluctuations, there was an increase in inventories and amounts receivable totaling €761.1 million.

Employees

As of June 30, 2008, Continental's employees numbered 149,113, a decrease of 2,541 compared with the end of 2007. The sale of the electric motors activities reduced the workforce by 4,419. Higher production volumes in all divisions led to a rise in staff numbers. Compared with the reporting date for 2007, there were 60,031 more employees.

Development of the Continental Corporation

in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	13,254.0	8,013.9	6,614.6	4,049.1
EBITDA	1,774.8	1,263.6	890.8	650.0
in % of sales	13.4	15.8	13.5	16.1
EBIT before amortization of intangible assets from PPA	1,137.7	923.3	568.2	480.5
in % of sales	8.6	11.5	8.6	11.9
EBIT	912.4	911.5	455.7	474.7
in % of sales	6.9	11.4	6.9	11.7
Net income attributable to the shareholders of the parent	361.1	573.7	194.3	303.2
Earnings per share (in €)	2.23	3.91	1.20	2.07
Research and development expenses	839.6	389.2	424.4	204.0
Depreciation and amortization[1]	862.4	352.1	435.1	175.3
Capital expenditure[2]	731.5	336.0	379.4	175.9
Number of employees at June 30[3]	149,113	89,082		
Adjusted EBIT before amortization of intangible assets from PPA[4]	1,170.6	944.5	600.9	492.4
in % of sales	8.8	11.8	9.1	12.2
Adjusted EBIT[4]	945.3	932.7	488.4	486.6
in % of sales	7.1	11.6	7.4	12.0
EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)	1,194.8	923.3	606.6	480.5
in % of sales	9.0	11.5	9.2	11.9
Adjusted EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)[4]	1,227.7	944.5	639.3	492.4
in % of sales	9.3	11.8	9.7	12.2
Net indebtedness at June 30	10,978.4	1,514.7		
Gearing ratio in %	156.4	30.5		

[1] Excluding write-downs of investments.

[2] Capital expenditure on property, plant, equipment and software.

[3] Excluding trainees.

[4] Before special effects.

Reconciliation of Cash Flow to the Change in Net Indebtedness

	January 1 to June 30		Second Quarter	
in € millions	**2008**	**2007**	**2008**	**2007**
Cash provided by operating activities	636.2	345.9	617.1	279.3
Cash used for investing activities	- 483.4	- 361.4	- 147.6	- 175.0
Cash flow before financing activities (free cash flow)	**152.8**	**- 15.5**	**469.5**	**104.3**
Dividends paid	- 323.4	- 293.1	- 323.4	- 293.1
Dividends paid and repayment of capital to minority interests	- 27.6	- 7.0	- 23.0	- 5.1
Proceeds from the issuance of shares	1.6	0.4	1.4	0.3
Non-cash changes	70.3	- 19.0	109.0	- 2.2
Other	11.8	- 1.4	9.0	0.4
Foreign exchange effects	- 7.5	1.9	0.2	3.0
Change in net indebtedness	**- 122.0**	**- 333.7**	**242.7**	**- 192.4**

Development of the Divisions

Chassis & Safety in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	2,895.2	2,374.4	1,442.3	1,182.8
EBITDA	457.2	389.7	233.1	198.5
in % of sales	15.8	16.4	16.2	16.8
EBIT before amortization of intangible assets from PPA	317.6	279.6	163.3	143.4
in % of sales	11.0	11.8	11.3	12.1
EBIT	291.5	278.7	150.4	143.0
in % of sales	10.1	11.7	10.4	12.1
Depreciation and amortization[1]	165.7	111.0	82.7	55.5
Capital expenditure[2]	148.5	103.2	85.9	52.6
Number of employees at June 30[3]	28,426	20,917		
Adjusted EBIT before amortization of intangible assets from PPA[4]	317.6	279.6	163.3	143.4
in % of sales	11.0	11.8	11.3	12.1
Adjusted EBIT[4]	291.5	278.7	150.4	143.0
in % of sales	10.1	11.7	10.4	12.1
EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)	319.1	279.6	164.9	143.4
in % of sales	11.0	11.8	11.4	12.1
Adjusted EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)[4]	319.1	279.6	164.9	143.4
in % of sales	11.0	11.8	11.4	12.1

[1] Excluding write-downs of investments.

[2] Capital expenditure on property, plant, equipment and software.

[3] Excluding trainees.

[4] Before special effects.

Chassis & Safety

Sales Volumes

In the Electronic Brake Systems business unit, sales of electronic brake systems rose 2.9% to 8.2 million units in the first six months of 2008.

In our Hydraulic Brake Systems business unit, we were able to lift first half 2008 sales volumes of brake boosters by 8.5% to 7.2 million units compared with the same period of last year. Sales of brake calipers dropped to 17.8 million units, a decline of 1.8%.

Sales Up 21.9%

Sales of the Chassis & Safety division increased in the first half of 2008 to €2,895.2 million, up 21.9% compared with the same period of last year (H1 2007: €2,374.4 million). This increase resulted both from organic growth and from changes in the scope of consolidation, especially from the acquisition of Siemens VDO. Exchange rate changes had an offsetting effect.

EBIT before Amortization of Intangible Assets from PPA and before Depreciation of Tangible Assets from PPA (only Siemens VDO) Up 14.1%

It is no longer possible to separately identify the depreciation of tangible assets from PPA for Siemens VDO and for the other acquisitions transacted in the past. For this reason, a rough estimate was made for Siemens VDO based upon the euro value as of November 30, 2007. According to this estimate, depreciation of tangible assets from PPA (only Siemens VDO) in the first half of 2008 totaled €1.5 million for the Chassis & Safety division.

The Chassis & Safety division's EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) improved in the first half of 2008 compared with the same period of last year by €39.5 million, or 14.1%, to €319.1 million (H1 2007: €279.6 million), and was equivalent to 11.0% (H1 2007: 11.8%) of sales.

EBIT before Amortization of Intangible Assets from PPA Up 13.6%

The Chassis & Safety division improved its EBIT before amortization of intangible assets from PPA compared with the same period of last year by €38.0 million, or 13.6%, to €317.6 million (H1 2007: €279.6 million), and was equivalent to 11.0% (H1 2007: 11.8%) of sales.

EBIT Up 4.6%

Compared with the same period of last year, the Chassis & Safety division reported an increase in EBIT of €12.8 million, or 4.6%, to €291.5 million (H1 2007: €278.7 million). The return on sales fell to 10.1% (H1 2007: 11.7%).

Special Effects

There were no special effects for either the first half of 2008 or for the first half of 2007.

Powertrain in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	2,370.4	450.3	1,076.0	228.6
EBITDA	194.0	28.5	72.2	9.0
in % of sales	8.2	6.3	6.7	3.9
EBIT before amortization of intangible assets from PPA	37.1	7.6	3.8	- 0.9
in % of sales	1.6	1.7	0.4	- 0.4
EBIT	- 48.9	3.7	- 38.8	- 2.8
in % of sales	- 2.1	0.8	- 3.6	- 1.2
Depreciation and amortization[1]	242.9	24.8	111.0	11.8
Capital expenditure[2]	217.8	31.8	106.0	18.6
Number of employees at June 30[3]	27,248	5,000		
Adjusted EBIT before amortization of intangible assets from PPA[4]	31.0	19.6	- 2.3	7.2
in % of sales	1.3	4.4	- 0.2	3.1
Adjusted EBIT[4]	- 55.0	15.7	- 44.9	5.3
in % of sales	- 2.3	3.5	- 4.2	2.3
EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)	65.8	7.6	22.5	- 0.9
in % of sales	2.8	1.7	2.1	- 0.4
Adjusted EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)[4]	59.7	19.6	16.4	7.2
in % of sales	2.5	4.4	1.5	3.1

[1] Excluding write-downs of investments.

[2] Capital expenditure on property, plant, equipment and software.

[3] Excluding trainees.

[4] Before special effects.

Powertrain

Sales Volumes

Significant volume decreases were recorded in North America by the Engine Systems (injection systems installed in light and medium commercial vehicles), Transmission (transmission control units) and Sensors & Actuators business units. The positive trend for electronic control units and injection systems for diesel and gasoline engines in Europe and Asia could not compensate for these decreases.

Sales Up 426.4%

Sales of the Powertrain division increased in the first half of 2008 to €2,370.4 million, up 426.4% compared with the same period of last year (H1 2007: €450.3 million). This increase resulted both from organic growth and from changes in the scope of consolidation, especially from the acquisition of Siemens VDO. Exchange rate changes had an offsetting effect.

EBIT before Amortization of Intangible Assets from PPA and before Depreciation of Tangible Assets from PPA (only Siemens VDO) Up 765.8%

It is no longer possible to separately identify the depreciation of tangible assets from PPA for Siemens VDO and for the other acquisitions transacted in the past. For this reason, a rough estimate was made for Siemens VDO based upon the euro value as of November 30, 2007. According to this estimate, depreciation of tangible assets from PPA (only Siemens VDO) in the first half of 2008 totaled €28.7 million for the Powertrain division.

The Powertrain division's EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) improved in the first half of 2008 compared with the same period of last year by €58.2 million, or 765.8%, to €65.8 million (H1 2007: €7.6 million), and was equivalent to 2.8% (H1 2007: 1.7%) of sales. Before special effects, EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) rose by €40.1 million, or 204.6%, to €59.7 million (H1 2007: €19.6 million). The adjusted return on sales amounted to 2.5% (H1 2007: 4.4%).

EBIT before Amortization of Intangible Assets from PPA Up 388.2%

The Powertrain division increased its EBIT before amortization of intangible assets from PPA compared with the same period of last year by €29.5 million, or 388.2%, to €37.1 million (H1 2007: €7.6 million), representing 1.6% (H1 2007: 1.7%) of sales.

EBIT Down €52.6 Million (1,421.6%); Adjusted EBIT Down 450.3%

The Powertrain division reported a decrease in EBIT of €52.6 million or 1,421.6% to -€48.9 million compared with the same period of last year (H1 2007: €3.7 million). The return on sales fell to -2.1% (H1 2007: 0.8%). Before special effects, EBIT declined by €70.7 million or 450.3% to -€55.0 million (H1 2007: €15.7 million). The adjusted return on sales amounted to -2.3% (H1 2007: 3.5%).

Special Effects in the First Half of 2008

The electric motors activities were sold – primarily under an asset deal – to the Brose Group effective April 1, 2008. This sale generated an overall gain of €6.0 million for the Powertrain division on that date.

Unutilized provisions of €0.1 million were reversed in the Powertrain division during the first half of 2008 as part of the winding up of restructuring activities at the plant in Angers, France.

In the Powertrain division, special effects improved earnings for the first half of 2008 by a total of €6.1 million.

Special Effects in the First Half of 2007

In the Powertrain division, the continuing integration of Motorola's automotive electronics business resulted in expenses of €5.7 million and restructuring expenses of €1.5 million during the first six months of 2007.

In order to optimize the production organization in Germany and improve the cost structure in the Electric Drives unit, the Haldensleben plant was closed and its operations transferred to Berlin. This led to restructuring expenses in the amount of €4.8 million for the same period last year.

In the first half of 2007, special effects reduced the Powertrain division's earnings by a total of €12.0 million.

Interior in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	3,295.6	625.1	1,639.0	301.1
EBITDA	376.4	75.4	184.1	30.7
in % of sales	11.4	12.1	11.2	10.2
EBIT before amortization of intangible assets from PPA	237.9	54.4	102.2	20.8
in % of sales	7.2	8.7	6.2	6.9
EBIT	127.9	50.0	46.9	18.6
in % of sales	3.9	8.0	2.9	6.2
Depreciation and amortization[1]	248.5	25.4	137.2	12.1
Capital expenditure[2]	139.5	19.5	79.6	10.9
Number of employees at June 30[3]	33,297	5,664		
Adjusted EBIT before amortization of intangible assets from PPA[4]	283.0	61.4	147.3	24.0
in % of sales	8.6	9.8	9.0	8.0
Adjusted EBIT[4]	173.0	57.0	92.0	21.8
in % of sales	5.2	9.1	5.6	7.2
EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)	264.8	54.4	120.3	20.8
in % of sales	8.0	8.7	7.3	6.9
Adjusted EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO)[4]	309.9	61.4	165.4	24.0
in % of sales	9.4	9.8	10.1	8.0

[1] Excluding write-downs of investments.

[2] Capital expenditure on property, plant, equipment and software.

[3] Excluding trainees.

[4] Before special effects.

Interior

Sales Volumes

In the Body & Security business unit, sales volumes were up substantially for access control systems and body electronics. We sold 9.2 million instrument clusters in the Instrumentation & Displays business unit. We were also able to substantially increase sales figures for digital tachographs in the Commercial Vehicles and Aftermarket business unit.

Sales Up 427.2%

Interior division sales increased in the first half of 2008 to €3,295.6 million, up 427.2% compared with the same period of last year (H1 2007: €625.1 million). This increase resulted both from organic growth and from changes in the scope of consolidation, especially from the acquisition of Siemens VDO. Exchange rate changes had an offsetting effect.

EBIT before Amortization of Intangible Assets from PPA and before Depreciation of Tangible Assets from PPA (only Siemens VDO) Up 386.8%

It is no longer possible to separately identify the depreciation of tangible assets from PPA for Siemens VDO and for the other acquisitions transacted in the past. For this reason, a rough estimate was made for Siemens VDO based upon the euro value as of November 30, 2007. According to this estimate, depreciation of tangible assets from PPA (only Siemens VDO) in the first half of 2008 totaled €26.9 million for the Interior division.

The Interior division's EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) improved in the first half of 2008 compared with the same period of last year by €210.4 million, or 386.8%, to €264.8 million (H1 2007: €54.4 million), and was equivalent to 8.0% (H1

2007: 8.7%) of sales. Before special effects, EBIT before amortization of intangible assets from PPA and before depreciation of tangible assets from PPA (only Siemens VDO) rose by €248.5 million, or 404.7%, to €309.9 million (H1 2007: €61.4 million). The adjusted return on sales amounted to 9.4% (H1 2007: 9.8%).

EBIT before Amortization of Intangible Assets from PPA Up 337.3%
The Interior division improved its EBIT before amortization of intangible assets from PPA compared with the same period of last year by €183.5 million, or 337.3%, to €237.9 million (H1 2007: €54.4 million), representing 7.2% of sales (H1 2007: 8.7%).

**EBIT Up 155.8%;
Adjusted EBIT Up 203.5%**
Compared with the same period of last year, the Interior division reported an increase in EBIT of €77.9 million, or 155.8%, to €127.9 million (H1 2007: €50.0 million). The return on sales fell to 3.9% (H1 2007: 8.0%). Before special effects, EBIT rose by €116.0 million, or 203.5%, to €173.0 million (H1 2007: €57.0 million). The adjusted return on sales amounted to 5.2% (H1 2007: 9.1%).

Special Effects in the First Half of 2008
Unutilized provisions of €0.2 million were reversed in the Interior division during the first half of 2008 as part of the winding up of restructuring activities at the plant in Angers, France.

At the plant in Wetzlar, Germany, production will be shutdown due to a lack of orders. Research and development activities are to remain in Wetzlar. This led to restructuring expenses in the amount of €17.0 million in the period under review.

In the Interior division, the product portfolio was reviewed in conjunction with the acquisition of Siemens VDO and business sections in the non-OE sector were identified that do not belong to our core business. The sale process was initiated for one of these business sections and led to a recognition of impairment losses in the amount of €26.3 million.

In addition, restructuring expenses of €2.0 million were incurred in the first half of 2008 for the Interior division, primarily for the research and development location in Munich, Germany.

In the first half of 2008, special effects reduced the Interior division's earnings by a total of €45.1 million.

Special Effects in the First Half of 2007
In the Interior division, the continuing integration of Motorola's automotive electronics business resulted in expenses of €6.0 million and restructuring expenses of €1.0 million in the first six months of 2007.

In the first half of 2007, special effects reduced the Interior division's earnings by a total of €7.0 million.

Passenger and Light Truck Tires in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	2,535.8	2,390.0	1,332.9	1,242.2
EBITDA	435.0	458.3	237.3	250.3
in % of sales	17.2	19.2	17.8	20.1
EBIT before amortization of intangible assets from PPA	322.6	357.2	179.8	199.8
in % of sales	12.7	14.9	13.5	16.1
EBIT	321.3	356.6	179.1	199.5
in % of sales	12.7	14.9	13.4	16.1
Depreciation and amortization[1]	113.7	101.7	58.2	50.8
Capital expenditure[2]	129.7	100.7	68.3	51.6
Number of employees at June 30[3]	27,199	25,001		
Adjusted sales[4]	2,434.1	2,390.0	1,282.2	1,242.2
Adjusted EBIT before amortization of intangible assets from PPA[5]	320.5	357.2	177.9	199.8
in % of sales	13.2	14.9	13.9	16.1
Adjusted EBIT[5]	319.2	356.6	177.2	199.5
in % of sales	13.1	14.9	13.8	16.1

[1] Excluding write-downs of investments.

[2] Capital expenditure on property, plant, equipment and software.

[3] Excluding trainees.

[4] Before changes in the scope of consolidation.

[5] Before changes in the scope of consolidation and before special effects.

Passenger and Light Truck Tires Sales Volumes

In the replacement business, we substantially increased the volumes sold in The Americas in the first half of 2008 compared with the same period of 2007. Volumes sold in the European replacement business were also higher than the previous year's level. Sales volumes for the original equipment business improved on a global basis compared with the same period of 2007, with declines in the NAFTA region being more than offset by increased volumes in Europe.

Sales Up 6.1%; Sales Up 5.5% before Consolidation and Exchange Rate Changes

Sales of the Passenger and Light Truck Tires division increased in the first half of 2008 to €2,535.8 million, up 6.1% compared with the same period of last year (H1 2007: €2,390.0 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 5.5%.

EBIT before Amortization of Intangible Assets from PPA Down 9.7%

In the first six months of 2008, the Passenger and Light Truck Tires division reported a decrease in EBIT before amortization of intangible assets from PPA compared with the same period of last year of €34.6 million, or 9.7%, to €322.6 million (H1 2007: €357.2 million), and was equivalent to 12.7% (H1 2007: 14.9%) of sales.

EBIT Down 9.9%; Adjusted EBIT Down 10.5%

Compared with the same period of last year, the Passenger and Light Truck Tires division reported a decrease in EBIT of €35.3 million or 9.9% to €321.3 million (H1 2007: €356.6 million). The return on sales fell to 12.7% (H1 2007: 14.9%). Before changes in the scope of consolidation and special effects, EBIT was down by €37.4 million, or 10.5%, to €319.2 million (H1 2007: €356.6 million). The adjusted return on sales fell to 13.1% (H1 2007: 14.9%).

The increase in raw material prices had a negative impact of approximately €43 million on the Passenger and Light Truck Tires division's earnings in the first six months of 2008 compared with the prices for the first six months of 2007.

Special Effects in the First Half of 2008

The scrapping of unusable machinery as part of the winding up of the restructuring measures at the tire plant in Charlotte, U.S.A. resulted in expenses amounting to €0.6 million.

Special Effects in the First Half of 2007

There were no special effects for the Passenger and Light Truck Tires division in the first half of 2007.

Commercial Vehicle Tires in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	685.4	706.4	357.1	361.9
EBITDA	68.3	96.4	36.7	48.8
in % of sales	10.0	13.6	10.3	13.5
EBIT before amortization of intangible assets from PPA	28.8	58.5	16.4	30.3
in % of sales	4.2	8.3	4.6	8.4
EBIT	28.3	58.3	16.1	30.2
in % of sales	4.1	8.3	4.5	8.3
Depreciation and amortization[1]	40.0	38.1	20.6	18.6
Capital expenditure[2]	45.3	35.0	25.7	18.2
Number of employees at June 30[3]	8,394	8,219		
Adjusted sales[4]	649.9	675.4	337.6	346.5
Adjusted EBIT before amortization of intangible assets from PPA[4]	27.1	60.3	15.2	31.6
in % of sales	4.2	8.9	4.5	9.1
Adjusted EBIT[4]	26.6	60.1	14.9	31.5
in % of sales	4.1	8.9	4.4	9.1

[1] Excluding write-downs of investments.

[2] Capital expenditure on property, plant, equipment and software.

[3] Excluding trainees.

[4] Before changes in the scope of consolidation.

Commercial Vehicle Tires

Sales Volumes

In Europe, volumes sold to vehicle manufacturers were higher than for the same period of 2007, but failed to reach the previous year's level in the replacement business due to a downward market trend. Volumes sold in The Americas region were also down on the previous year's level as a result of this downward trend.

Sales Down 3.0%; Sales Up 0.7% before Consolidation and Exchange Rate Changes

The Commercial Vehicle Tires division reported a decrease in sales for the first half of 2008 to €685.4 million, down 3.0% compared with the same period of last year (H1 2007: €706.4 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 0.7%.

EBIT before Amortization of Intangible Assets from PPA Down 50.8%

In the first half of 2008, the Commercial Vehicle Tires division reported a decrease in EBIT before amortization of intangible assets from PPA compared with the same period of last year of €29.7 million, or 50.8%, to €28.8 million (H1 2007: €58.5 million) and was equivalent to 4.2% (H1 2007: 8.3%) of sales.

EBIT Down 51.5%; Adjusted EBIT Down 55.7%

Compared with the same period of last year, the Commercial Vehicle Tires division reported in the first six months of 2008 a decrease in EBIT of €30.0 million or 51.5% to €28.3 million (H1 2007: €58.3 million). The return on sales fell to 4.1% (H1 2007: 8.3%). Before changes in the scope of consolidation, adjusted EBIT declined by €33.5 million or 55.7% to €26.6 million (H1 2007: €60.1 million), and the adjusted return on sales to 4.1% (H1 2007: 8.9%).

The increase in raw material prices had a negative impact of approximately €32 million on the Commercial Vehicle Tires division's earnings in the first six months of 2008 compared with the prices for the first six months of 2007.

There were no special effects for either the first half of 2008 or for the first half of 2007.

ContiTech in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	1,630.9	1,561.0	832.5	780.1
EBITDA	263.4	239.5	137.8	122.9
in % of sales	16.2	15.3	16.6	15.8
EBIT before amortization of intangible assets from PPA	214.5	191.3	113.5	98.4
in % of sales	13.2	12.3	13.6	12.6
EBIT	213.1	189.5	112.7	97.5
in % of sales	13.1	12.1	13.5	12.5
Depreciation and amortization[1]	50.3	50.0	25.1	25.4
Capital expenditure[2]	50.5	44.9	29.5	23.2
Number of employees at June 30[3]	24,278	24,095		
Adjusted sales[4]	1,610.9	1,561.0	823.5	780.1
Adjusted EBIT before amortization of intangible assets from PPA[5]	206.9	193.5	106.4	99.0
in % of sales	12.8	12.4	12.9	12.7
Adjusted EBIT[5]	205.5	191.7	105.6	98.1
in % of sales	12.8	12.3	12.8	12.6

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before changes in the scope of consolidation and before special effects.

ContiTech
Sales Up 4.5%;
Sales Up 5.1% before Consolidation and Exchange Rate Changes

ContiTech division sales increased in the first half of 2008 to €1,630.9 million, up 4.5% compared with the same period of last year (H1 2007: €1,561.0 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 5.1%.

The Air Spring Systems, Elastomer Coatings, Vibration Control and the Conveyor Belt Group business units were the main contributors to this increase in sales. As in 2007, the industrial segments recorded much higher gains in sales than the automotive original equipment segments.

EBIT before Amortization of Intangible Assets from PPA Up 12.1%

The ContiTech division increased its EBIT before amortization of intangible assets from PPA compared with the same period of last year by €23.2 million, or 12.1%, to €214.5 million (H1 2007: €191.3 million), and was equivalent to 13.2% (H1 2007: 12.3%) of sales.

EBIT Up 12.5%;
Adjusted EBIT Up 7.2%

Compared with the same period of last year, the ContiTech division increased EBIT during the first half of 2008 by €23.6 million, or 12.5%, to €213.1 million (H1 2007: €189.5 million). Its return on sales rose to 13.1% (H1 2007: 12.1%). Before changes in the scope of consolidation and special effects, EBIT improved by €13.8 million, or 7.2%, to €205.5 million (H1 2007: €191.7 million). The adjusted return on sales amounted to 12.8% (H1 2007: 12.3%).

Special Effects in the First Half of 2008

Unutilized provisions of €2.0 million were reversed in the ContiTech division during the first half of 2008 as part of the winding up of restructuring activities, primarily for Roulunds, Denmark, and ContiTech Schlauch Northeim, Germany.

The sale of the Benecke-Kaliko business unit's furniture covering business led to a gain of €4.7 million.

In the ContiTech division, special effects improved earnings for the first half of 2008 by a total of €6.7 million.

Special Effects in the First Half of 2007

In the first half of 2007, the ContiTech division incurred restructuring expenses of €2.2 million, primarily for Roulunds, Denmark.

The increase in raw material prices had a negative impact of approximately €9 million on the ContiTech division's earnings in the first six months of 2008 compared with the prices for the first six months of 2007.

Report on Expected Developments and Outlook

We feel that the first half-year has confirmed our forecast for 2008 as a whole. We are still expecting to post sales exceeding €26.4 billion, although that target will be more difficult to achieve, especially in light of the significant cuts in production in the U.S.A.

Also, we confirm our goal to exceed the pro forma adjusted EBIT margin of 9.3% achieved for the year 2007. This targeted EBIT margin figure is before the adjustment in 2008 for amortization and depreciation resulting from the purchase price allocation as well as integration and restructuring expenses.

Further expenditure is also expected during the second half of the year as a result of restructuring efforts within the Powertrain division.

As for the negative impact from ever-increasing raw material costs, we anticipate that we will be able to offset a large portion of these cost increases in the tire divisions via mix improvements, improvements in efficiency, and price increases during the remainder of the year. In the automotive divisions and ContiTech, we are expecting to fully compensate for the rise in raw material costs by improving efficiency and sharing the cost increases with our customers.

For 2008 as a whole, we are still planning a capital expenditure ratio of 6%. In addition, we are confident that we shall be able to reduce our mid-year level of debt substantially by the end of 2008.

Consolidated Financial Statements as of June 30, 2008

Consolidated Income Statements

in € millions	January 1 to June 30		Second Quarter	
	2008	2007	2008	2007
Sales	**13,254.0**	**8,013.9**	**6,614.6**	**4,049.1**
Cost of sales	- 10,456.3	- 5,987.5	- 5,203.7	- 3,023.4
Gross margin on sales	**2,797.7**	**2,026.4**	**1,410.9**	**1,025.7**
Research and development expenses	- 839.6	- 389.2	- 424.4	- 204.0
Selling and logistics expenses	- 593.2	- 440.6	- 296.3	- 223.1
Administrative expenses	- 380.3	- 222.3	- 186.0	- 113.3
Other income and expenses	- 112.8	- 78.2	- 68.7	- 15.7
At-equity share in earnings of associates	34.1	10.0	18.0	5.0
Other income from investments	6.5	5.4	2.2	0.1
Earnings before interest and taxes	**912.4**	**911.5**	**455.7**	**474.7**
Interest income	38.7	21.6	18.4	12.0
Interest expense	- 414.7	- 45.9	- 187.6	- 19.7
Net interest expense	**- 376.0**	**- 24.3**	**- 169.2**	**- 7.7**
Earnings before taxes	**536.4**	**887.2**	**286.5**	**467.0**
Income tax expense	- 150.2	- 301.7	- 80.2	- 158.8
Net income	**386.2**	**585.5**	**206.3**	**308.2**
Minority interests	- 25.1	- 11.8	- 12.0	- 5.0
Net income attributable to the shareholders of the parent	**361.1**	**573.7**	**194.3**	**303.2**
Undiluted earnings per share in €	**2.23**	**3.91**	**1.20**	**2.07**
Diluted earnings per share in €	**2.17**	**3.74**	**1.17**	**1.98**

Consolidated Balance Sheets

Assets in € millions	June 30, 2008	*Dec. 31, 2007*	June 30, 2007
Goodwill	7,243.0	*7,289.2*	1,711.8
Other intangible assets	2,697.6	*2,979.8*	218.3
Property, plant, and equipment[1]	6,073.5	*5,968.6*	3,537.5
Investment properties[1]	29.1	*29.5*	12.4
Investments in associates	763.7	*766.4*	127.9
Other investments	13.2	*23.8*	15.3
Deferred tax assets	164.3	*162.6*	138.9
Deferred pension charges	83.1	*77.5*	49.0
Long-term derivative instruments and interest-bearing investments	111.7	*19.5*	30.1
Other long-term financial assets	75.9	*48.0*	33.4
Other assets	19.0	*19.0*	1.5
Non-current assets	**17,274.1**	***17,383.9***	**5,876.1**
Inventories	2,720.2	*2,535.9*	1,810.0
Trade accounts receivable	4,520.4	*3,943.6*	2,844.7
Other short-term financial assets	193.9	*190.3*	131.0
Other assets	630.4	*577.3*	330.0
Income tax receivable	157.6	*257.9*	20.5
Short-term derivative instruments and interest-bearing investments	57.5	*51.5*	4.4
Cash and cash equivalents	1,181.1	*2,199.4*	885.7
Assets held for sale	342.3	597.8	25.3
Current assets	**9,803.4**	***10,353.7***	**6,051.6**
Total assets	**27,077.5**	***27,737.6***	**11,927.7**

Total equity and liabilities in € millions	June 30, 2008	*Dec. 31, 2007*	June 30, 2007
Common stock	414.0	*414.0*	375.3
Capital reserves	2,821.8	*2,808.7*	1,349.0
Retained earnings	3,663.4	*3,614.4*	3,167.5
Other comprehensive income	- 145.1	*- 253.9*	- 162.5
Minority interests	265.5	*272.9*	236.1
Total equity	**7,019.6**	***6,856.1***	**4,965.4**
Provisions for pension liabilities and other post-employment benefits	674.5	*688.6*	516.5
Deferred tax liabilities	516.1	*525.2*	163.0
Long-term provisions for other risks	449.0	*466.0*	323.8
Long-term portion of indebtedness	9,911.8	*9,872.6*	1,003.5
Other long-term financial liabilities	67.4	*73.5*	—
Other non-current liabilities	46.9	*42.4*	33.3
Non-current liabilities	**11,665.7**	**11,668.3**	**2,040.1**
Trade accounts payable	2,793.1	*2,758.9*	1,447.1
Income tax payable	489.9	*532.7*	468.5
Short-term provisions for other risks	818.9	*842.6*	526.7
Indebtedness	2,416.9	*3,254.2*	1,431.4
Other short-term financial liabilities	971.1	*902.9*	585.9
Other liabilities	759.6	*679.1*	462.6
Liabilities held for sale	142.7	*242.8*	—
Current liabilities	**8,392.2**	***9,213.2***	**4,922.2**
Total equity and liabilities	**27,077.5**	***27,737.6***	**11,927.7**
Gearing ratio in %	**156.4**	***158.3***	**30.5**

[1] The comparative figures as of December 31, 2007 and June 30, 2007 for property, plant, and equipment are shown adjusted for the "Investment property".

Consolidated Cash Flow Statements

in € millions	January 1 to June 30		Second Quarter	
	2008	2007	**2008**	2007
EBIT	912.4	911.5	455.7	474.7
Interest paid	- 288.6	- 51.1	- 134.5	- 32.1
Interest received	36.5	20.7	18.9	12.0
Income tax paid	- 129.8	- 229.5	- 72.8	- 120.2
Dividends received	31.7	8.5	26.9	0.3
Depreciation and amortization	862.4	352.1	435.1	175.3
At-equity share in earnings of associates and accrued dividend income from other investments	- 40.7	- 15.3	- 20.3	- 5.0
Losses/Gains from the disposal of assets, subsidiaries and business units	19.0	- 3.4	16.1	- 1.5
Changes in				
inventories	- 253.0	- 216.4	- 55.9	- 62.2
trade accounts receivable	- 677.3	- 509.1	- 122.1	2.4
trade accounts payable	53.0	- 17.0	38.2	- 105.7
pension and post-employment provisions	20.7	- 5.1	4.0	- 1.4
other assets and liabilities	89.9	100.0	27.8	- 57.3
Cash flow provided by operating activities	**636.2**	**345.9**	**617.1**	**279.3**
Proceeds on disposal of property, plant, equipment and intangible assets	32.1	9.0	6.3	4.4
Capital expenditure on property, plant, equipment and software	- 731.5	- 336.0	- 379.4	- 175.9
Capital expenditure on intangible assets from development projects	- 1.6	- 3.9	- 0.4	- 3.5
Proceeds on disposal of subsidiaries and business units, including surrendered cash and cash equivalents	249.9	1.0	240.7	1.0
Acquisition of subsidiaries and business units, incl. acquired cash and cash equivalents	- 37.5	- 40.9	- 14.3	- 0.9
Interest bearing advances	5.2	9.4	- 0.5	- 0.1
Cash used for investing activities	**- 483.4**	**- 361.4**	**- 147.6**	**- 175.0**
Cash flow before financing activities	**152.8**	**- 15.5**	**469.5**	**104.3**
Change in indebtedness	- 807.2	628.3	80.7	271.7
Proceeds from the issuance of shares	1.6	0.4	1.4	0.3
Dividends paid	- 323.4	- 293.1	- 323.4	- 293.1
Dividends paid and repayment of capital to minority interests	- 27.6	- 7.0	- 23.0	- 5.1
Cash flow used for/provided by financing activities	**- 1,156.6**	**328.6**	**- 264.3**	**- 26.2**
Change in cash and cash equivalents	**- 1,003.8**	**313.1**	**205.2**	**78.1**
Cash and cash equivalents at the beginning of the reporting period	2,199.4	571.1	967.7	803.9
Effect of exchange rate changes on cash and cash equivalents	- 14.5	1.5	8.2	3.7
Cash and cash equivalents at the end of the reporting period	**1,181.1**	**885.7**	**1,181.1**	**885.7**

Consolidated Statements of Changes in Total Equity

in € millions	Number of shares (thousands)	Common stock	Capital reserves	Retained earnings	Other comprehensive income – Difference from successive share purchases	Other comprehensive income – Difference from currency translation	Other comprehensive income – Difference from financial instruments[1]	Subtotal	Minority interest	Total
As of Jan. 1, 2007	**146,529**	**375.1**	**1,340.1**	**2,886.8**	**- 22.9**	**- 107.5**	**- 0.8**	**4,470.8**	**239.1**	**4,709.9**
Net income	—	—	—	573.7	—	—	—	573.7	11.8	**585.5**
Comprehensive income	—	—	—	—	—	- 31.7	0.3	- 31.4	- 7.1	**- 38.5**
Net profit for the period	**—**	**—**	**—**	**573.7**	**—**	**- 31.7**	**0.3**	**542.3**	**4.7**	**547.0**
Dividends paid	—	—	—	- 293.1	—	—	—	- 293.1	- 7.0	**- 300.1**
Issuance of shares[2]	57	0.2	9.0	—	—	—	—	9.2	—	**9.2**
Successive acquisitions of shares in fully consolidated companies	—	—	—	—	0.1	—	—	0.1	- 0.7	**- 0.6**
Reclassification of equity component on the conversion of convertible bonds	—	—	- 0.1	0.1	—	—	—	—	—	**—**
As of June 30, 2007	**146,586**	**375.3**	**1,349.0**	**3,167.5**	**- 22.8**	**- 139.2**	**- 0.5**	**4,729.3**	**236.1**	**4,965.4**
As of Jan. 1, 2008	**161,712**	**414.0**	**2,808.7**	**3,614.4**	**- 35.6**	**- 218.5**	**0.2**	**6,583.2**	**272.9**	**6,856.1**
Net income	—	—	—	361.1	—	—	—	361.1	25.1	**386.2**
Comprehensive income[3]	—	—	—	—	—	50.7	55.9	106.6	- 3.8	**102.8**
Net profit for the period	**—**	**—**	**—**	**361.1**	**—**	**50.7**	**55.9**	**467.7**	**21.3**	**489.0**
Dividends paid	—	—	—	- 323.4	—	—	—	- 323.4	- 7.7	**- 331.1**
Issuance of shares[2]	27	—	13.1	—	—	—	—	13.1	—	**13.1**
Successive acquisitions of shares in fully consolidated companies[4]	—	—	—	11.3	2.2	—	—	13.5	- 0.2	**13.3**
Changes in minority interests from consolidation changes or capital increases	—	—	—	—	—	—	—	—	- 20.8	**- 20.8**
As of June 30, 2008	**161,739**	**414.0**	**2,821.8**	**3,663.4**	**- 33.4**	**- 167.8**	**56.1**	**6,754.1**	**265.5**	**7,019.6**

[1] Net of deferred tax.

[2] Includes the expenditure and exercise of rights derived from stock option plans and convertible bonds.

[3] The difference from currency translation is mainly attributable to the rise in the exchange rate of the Czech koruna against the euro, this effect being partially offset by the further decline in the U.S. dollar. The difference from financial instruments is mainly due to the change in the market value of the cash flow hedge on interest.

[4] When determining the final purchase price for the acquisition of the Matador Rubber Group there was a further negative balance totaling €11.3 million including additional purchase costs.

Explanatory Notes to the Consolidated Financial Statements

Accounting Principles
This Interim Report, as presented, has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the closing date and endorsed by the European Union, as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). The Interim Report was drawn up in compliance with IAS 34, Interim Financial Reporting. The same accounting principles and basis of valuation are applied in the Interim Report as were used in the annual financial statements for 2007. These methods are disclosed in detail in the Annual Report 2007. Processes and systems are and will be introduced at group member companies so that – as opposed to the annual financial statements – no interim adjustments are made to certain accrued fixed cost items. This mainly applies to fixed costs capitalized for finished goods and work-in-progress inventories, as well as provisions for accrued vacation of hourly and salaried employees.

Taxes are calculated based on the estimated, weighted-average annual tax rate expected for the year as a whole, taking into account the tax impact of specific significant items not expected to reoccur in the remainder of the year.

Although certain elements of the Corporation's business are seasonal, the overall comparability of the interim consolidated financial statements is not compromised. All significant effects in the current period are shown in the financial summaries or in the accompanying explanations. Changes in the recognition or valuation of assets and liabilities within the scope of company acquisitions are applied retroactively once the final purchase price allocation has been determined.

Pension Obligations
Consolidated net pension expenses can be summarized as follows:

in € millions	January 1 to June 30, 2008					January 1 to June 30, 2007				
	Germany	U.S.A./ CAN	UK	Others	Total	Germany	U.S.A.	UK	Others	Total
Current service cost	27.9	4.1	1.9	4.1	**38.0**	16.3	1.1	2.2	2.0	**21.6**
Interest on defined benefit obligation	41.7	23.7	5.6	4.0	**75.0**	30.8	18.4	4.3	2.0	**55.4**
Expected return on plan assets	- 31.2	- 31.5	- 7.2	- 2.7	**- 72.6**	- 17.0	- 24.7	- 5.1	- 0.8	**- 47.6**
Amortization of actuarial gains and losses as well as other costs	0.0	0.2	0.0	0.0	**0.2**	2.0	0.3	0.0	0.2	**2.5**
Effects of asset limitation and curtailments	—	0.9	0.0	0.0	**0.9**	—	—	—	—	**—**
Net periodic pension cost	**38.4**	**- 2.6**	**0.3**	**5.4**	**41.5**	**32.0**	**- 4.9**	**1.4**	**3.3**	**31.9**

Consolidated net expenses for retirement healthcare and life insurance obligations in the U.S.A. and Canada are made up of the following:

in € millions	January 1 to June 30, 2008	January 1 to June 30, 2007
Current service cost	2.1	0.9
Interest cost on defined benefit obligation	5.5	5.1
Amortization of actuarial gains and losses as well as other costs	- 0.2	- 0.9
Net cost of other post-employment benefits	**7.4**	**5.1**

Cash Changes in Post-Employment Obligations
Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the United Kingdom, and not for other benefit obligations. The companies of the Continental Corporation paid €7.5 million (H1 2007: €3.8 million) into these pension funds for the period from January 1 to June 30, 2008.

In the period from January 1 to June 30, 2008 payments for retirement benefit obligations totaled €76.3 million (H1 2007: €77.2 million). Payments for other post-employment benefits totaled €6.5 million (H1 2007: €7.4 million).

Companies Consolidated
In addition to the parent company, the consolidated financial statements include a total of 369 domestic and foreign companies in which Continental Aktiengesellschaft holds a direct or indirect interest of at least 20% of the voting rights. Of these companies, 315 are fully consolidated and 54 are carried at equity.

Since December 31, 2007, the total number of consolidated companies has decreased by two. Four companies were newly formed, and one company was consolidated for the first time. In addition, one company was acquired and four companies were sold. Furthermore, two companies were deconsolidated, one company was liquidated, and one company was merged with another consolidated company.

Since June 30, 2007, the total number of consolidated companies has increased by 87. The principal additions to the companies consolidated relate to the acquisitions of Siemens VDO Automotive AG and Continental Matador Rubber s.r.o., as well as their respective subsidiaries.

Acquisition and Sale of Companies
Acquisitions in 2008 relate in particular to later purchase costs as part of the acquisition of Siemens VDO, as well as the purchase price payment in connection with the acquisition of the automotive foils business of Alkor GmbH. Moreover, additional shares were acquired in the associated company Alphapeak Ltd, UK, plus further shares in ContiTech AG as a result of the redemption offer to its outstanding shareholders, as well as shares in Enax, the Japanese lithium-ion battery specialist. In addition, the remaining minority interest in the Greek conveyor belt company IMAS A.E. was acquired. These acquisitions had no material effect on sales up to June 30, 2008. The effects on net income attributable to the shareholders of the parent are insignificant.

Antitrust authority approval of the acquisition of the Finnish spike manufacturer Tikka Spikes Oy and its Russian affiliate OOO Tikka is expected in the third quarter of 2008. The purchase agreement was signed by Continental and Tikka Group Oy on June 18, 2008.

Effective April 1, 2008, the electric motors activities of the Powertrain division were sold to the Brose Group for proceeds totaling €249.0 million at the closing date. In addition, the tangible fixed assets of the Benecke-Kaliko unit's furniture coverings business were sold to the Renolit AG.

In the Interior division, the product portfolio was reviewed in conjunction with the acquisition of Siemens VDO and business sections in the non-OE sector were identified that do not belong to our core business. The sale process was initiated for one of these business sections and led to a recognition of impairment losses in the amount of €26.3 million. The corresponding items, adjusted by the write-down, were reclassified as "Assets held for sale" and "Liabilities held for sale" respectively.

Dividend Payment
The dividend payment of €2.00 per share for fiscal 2007 (€2.00 for fiscal 2006) decided upon by the Annual Shareholders' Meeting on April 25, 2008, was made starting on April 28, 2008. The total dividend payment amounted to €323.4 million (€293.1 million for fiscal 2006).

Earnings per Share
Undiluted earnings per share for the first half of 2008 amounted to €2.23 (H1 2007: €3.91) and €1.20 for the period April 1 to June 30, 2008 (Q2 2007: €2.07). Diluted earnings per share for the first half of 2008 amounted to €2.17 (H1 2007: €3.74) and €1.17 for the period April 1 to June 30, 2008 (Q2 2007: €1.98).

Contingent Liabilities and Other Financial Obligations
As of June 30, 2008, there were no significant changes in the non-recognized contingent liabilities and other financial obligations as described in the Annual Report 2007.

Transactions with Related Parties
In the period under review, there were no significant changes in the nature of transactions with related parties compared with the same period of the previous year.

German Corporate Governance Code
The annual declaration in accordance with section 161 of the *Aktiengesetz* (German Stock Corporation Act) regarding the German Corporate Governance Code from the Executive Board and Supervisory Board of Continental AG was made permanently available to shareholders on Continental's website. Earlier declarations in accordance with section 161 of the *Aktiengesetz* can also be found on the website.

Segment Reporting
Regarding the explanations of the development of the six divisions of Continental AG, we refer to the remarks in the Corporate Management Report as of June 30, 2008.

Net Income from Financial Activities
Regarding the explanations of the net income from financial activities, we refer to the remarks in the Corporate Management Report as of June 30, 2008.

Significant Events after June 30, 2008

Takeover Offer from the Schaeffler Group
On Tuesday, July 15, 2008, Continental AG was informed by Schaeffler KG of their decision to submit a takeover offer for Continental shares at a price of €69.37 per share in cash. The Executive Board of Continental AG rejected the offer.

Increase in Holding in Matador
Effective July 1, 2008, Continental AG acquired a further 15% holding in Continental Matador Rubber s.r.o., headquartered in Puchov, Slovakia, and now owns a 66% stake in the company.

Review by an Independent Auditor

The interim management report and the abbreviated financial statements have not been audited in accordance with section 317 of the *Handelsgesetzbuch* (HGB - German Commercial Code) or reviewed by a qualified auditor.

.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the earnings, financial and net assets position of the Corporation, and the interim management report of the Corporation includes a fair view of the development and performance of the business and the position of the Corporation, together with a description of the principal opportunities and risks associated with the expected development of the Corporation for the remaining months of the financial year.

Hanover, July 18, 2008

Continental AG
The Executive Board

Significant Events between Preparation of the Financial Statements and Publication Date

Takeover Offer from the Schaeffler Group
On July 21, 2008, Schaeffler KG raised the price in their takeover offer announced on July 15 to €70.12 per share of Continental AG in order to comply with the three-month average price as per July 14, 2008 calculated by the German Federal Financial Supervisory Authority. The Supervisory Board and the Executive Board of Continental AG announced on July 23, 2008 that, after intensive deliberation, they had come to the strong conviction that the announced takeover offer by Schaeffler KG does not value the company adequately and fails to reflect the best interest of the company. In particular, it does not take tax disadvantages and increased re-financing costs triggered by such a bid into account. All members of both boards have declined the offer in its current parameters and fully support the continued legal examination by relevant financial supervisory authorities.

The Supervisory Board distinctly supports all the actions taken by the Executive Board. Consequently, the Supervisory Board approved the pursuit of the options of action identified by the Executive Board. The Supervisory Board and the Executive Board will continue to act in the best interest of the company and all of its stakeholders also in this manner.

Both, the Executive Board and the Supervisory Board are at the same time of the opinion that an agreement with Schaeffler Group is desirable. In the case that Schaeffler Group shows willingness to negotiate about either an adequate premium for Continental shareholders or the willingness to limit their targeted stake to an acceptable level for Continental, the Supervisory Board has given the Executive Board its consent to enter into direct negotiations with Schaeffler Group.

The Executive Board and Supervisory Board of Continental will after further specification of the intention of the bidder and after publication of the offer document take into consideration with due care the interests of the company, its shareholders, employees and business partners and will opine on the offer in the context of the legally required response according to Section 27 of the *WpÜG* (German Securities Acquisition and Takeover Act).

Acquisition of 89.66% of the Shares of Turkish Exclusive Tire Distributor Oltas SPA
In order to significantly improve our market position for commercial vehicle, passenger and light truck tires in Turkey, and thus in the growth region Eastern Europe as a whole, we agreed to buy 89.66% of the shares in the Istanbul-based company, Oltas SPA, from Koç Holding and other shareholders of the Koç Group on July 22, 2008. This acquisition is still subject to the approval of the antitrust authorities. Oltas is Continental’s exclusive tire distributor for the passenger, light truck and commercial vehicle tire brands Continental, Uniroyal and Barum in Turkey.

Financial Calendar

2008	
Financials press conference	February 21
Analyst conference	February 21
Annual Shareholders' Meeting	April 25
Interim Report as of March 31, 2008	April 29
Interim Report as of June 30, 2008	July 31
Interim Report as of September 30, 2008	October 30

2009	
Financials press conference	February
Analyst conference	February
Annual Shareholders' Meeting	April 23
Interim Report as of March 31, 2009	May
Interim Report as of June 30, 2009	August
Interim Report as of September 30, 2009	October

Continental Aktiengesellschaft, P.O.Box 169, 30001 Hanover, Germany
Vahrenwalder Straße 9, 30165 Hanover, Germany
Phone +49 511 938-01, Fax +49 511 938-81770, mailservice@conti.de, www.continental-corporation.com

Continental AG is an Official Sponsor of the 2010 FIFA World Cup South Africa™.