Q2

Half-Year Financial Report as of June 30, 2011

Continental

Continental Shares and Bonds

Performance of Continental shares

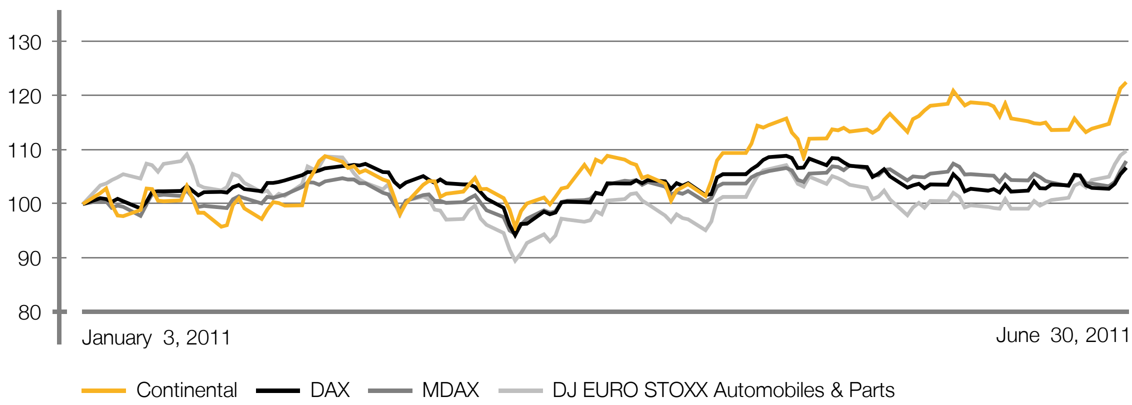
In the second quarter of 2011, Continental shares continued their strong performance. On June 30, they closed at their highest level for several years at €72.45. The shares thus increased by 23% in comparison to the closing price on December 31, 2010, and outperformed the DAX and MDAX by 16 and 15 percentage points respectively. In comparison to the STOXX Automobiles & Parts index, their outperformance after the first half-year amounted to 13 percentage points, an improvement of another 3 percentage points as against the end of the first quarter of 2011.

In addition to the issues already known from the first quarter of 2011 – namely the effects of the unrest in the Middle East and the natural disaster in Japan – a further intensification of the debt crisis in Europe and a considerable slowdown in economic growth in the U.S.A. occurred during the second quarter. Furthermore, by mid-July the government and the opposition in the U.S.A. had not reached an agreement on the need to raise the country's debt ceiling, creating additional strain on the markets during the second quarter.

Over the course of the second quarter of 2011, the DAX ranged between 7,000 and 7,500. In particular the positive interim reports from German companies helped it to overcome the lows in the wake of the natural disaster in Japan on a sustained basis at the beginning of the second quarter and to reach a temporary annual high of 7,528 points on May 2, 2011. However, news of a necessary increase in assistance for Greece and poor economic data from the U.S.A. led to a drop back to around the 7,000 mark in early June 2011. Particularly the weak labor market data for May caused a sustained deterioration in growth prospects in the U.S.A. and depressed sentiment on the markets. The DAX remained volatile in June, too. Any positive news in connection with the debt crisis in Europe caused a rapid rise in the index, while any negative news, for instance further downgrades in the credit ratings of the countries concerned (Greece, Portugal and Ireland), led to rapid profit-taking. Only the vote of confidence in the Greek government together with a surprisingly high increase in the Chicago Purchasing Managers Index for June 2011 in the U.S.A. gave the DAX a good nudge towards the 7,400 mark in the last week of June. The DAX closed the first half of 2011 at 7,376 points.

Despite slowing momentum in vehicle sales on the U.S. and Chinese markets in April and May 2011, which was primarily due to the repercussions of the natural disaster in Japan and the Chinese government's measures to cool overheating demand in China, the index for European automotive manufacturers and suppliers developed very positively. Driven by this development, Continental shares rose above the €70 mark again in late May 2011 for the first time since mid-September 2008.

Share price performance vs. major stock indexes



	June 30, 2011	in % vs. Dec. 31, 2010
Continental	72.45	23
DJ EURO STOXX 50	2,848.53	2
DAX	7,376.24	7
MDAX	10,932.33	8
DJ EURO STOXX Automobiles & Parts	364.63	10

The shares also benefited from the significantly higher free float since April 2011, which created additional impetus due to the shares' increased liquidity. However, in our opinion speculation regarding possible inclusion in the DAX will not be confirmed for the time being. Although in all probability Continental will meet all necessary index criteria as of the date for the composition of the index in September 2011 (regular entry date), Deutsche Börse's regulations also require that a company currently included in the index fulfils certain criteria to be removed from the index. On the basis of the current status, this will not apply to any DAX company in September 2011.

In early July 2011, Continental shares rose to €76.31, their highest level in several years. However, following speculation that Italy might also go the way of Greece, Portugal and Ireland, the share price then fell back to its level at the end of the first half of the year. Market sentiment was also negatively influenced by the rating changes issued by the U.S. rating agencies Moody's and Fitch, which repeatedly downgraded the credit ratings of Greece, Ireland and Portugal in spite of all austerity efforts. There was also a negative impact due to the fact that by mid-July the government and the opposition in the U.S.A. had failed to agree on the need to raise the country's debt ceiling, currently capped at $14.3 trillion.

December 31, 2010	Rating	Outlook
Standard & Poor's	B	stable
Moody's	B1	stable

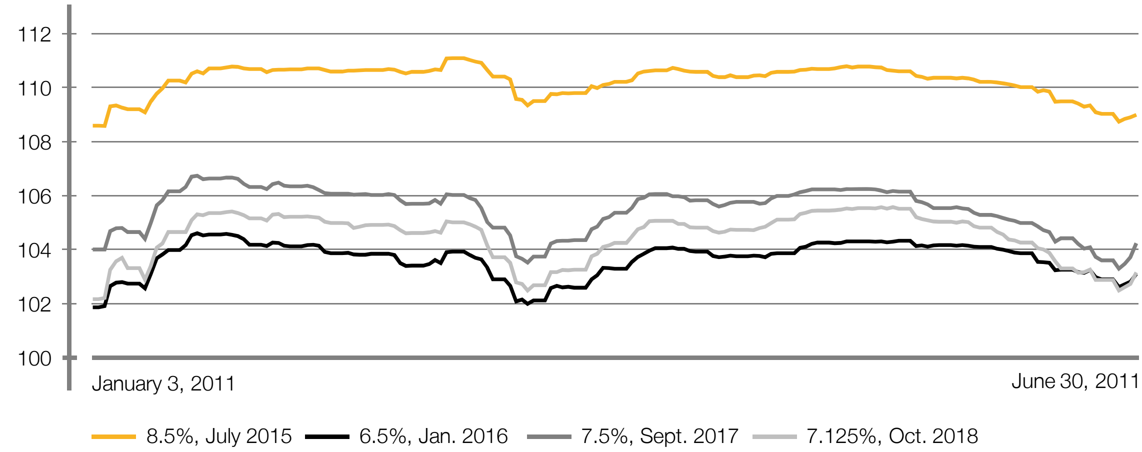
July 20, 2011	Rating	Outlook
Standard & Poor's	B+	positive
Moody's	Ba3	stable

Performance of Continental bonds

As the market development in the second quarter of 2011 was increasingly dominated by the sovereign debt problems of the eurozone countries Greece, Portugal and Ireland and of the U.S., this also led to selling pressure on Continental bonds. After six months, only an average of 70 basis points remained of the first-quarter increase of 150 basis points.

The best development after six months was recorded by the bond maturing in 2016 (coupon 6.5%), which rose by 1.2% to a level of 103.11. The premium for insuring against credit risks, expressed in the Continental five-year CDS, increased by only 3 basis points to 282 in the second quarter, but displayed high volatility during the first half of the year due to turbulence on the credit markets. In the second quarter of 2011 alone, it fluctuated within a range of almost 60 basis points, at times reaching a higher level than before the successful renegotiation of the syndicated VDO loan. At the end of the first half of 2011, however, the CDS was still more than 113 basis points below the level of the index for comparable risks.

Performance of the Continental bonds



Key Figures for the Continental Corporation

in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	14,878.2	12,654.4	7,532.6	6,657.7
EBITDA	2,072.7	1,824.3	1,044.2	936.0
in % of sales	13.9	14.4	13.9	14.1
EBIT	1,281.0	1,011.1	647.1	516.7
in % of sales	8.6	8.0	8.6	7.8
Net income attributable to the shareholders of the parent	683.0	348.9	314.8	121.2
Earnings per share (in €)	3.42	1.74	1.57	0.61
Adjusted sales[1]	14,805.8	12,650.5	7,480.6	6,656.7
Adjusted operating result (adjusted EBIT)[2]	1,483.3	1,309.3	749.8	702.0
in % of adjusted sales	10.0	10.3	10.0	10.5
Free cash flow	36.9	- 43.9	399.8	319.3
Net indebtedness at June 30	7,114.0	8,016.9		
Gearing ratio in %	104.3	133.3		
Number of employees at June 30[3]	159,116	142,765		

[1] Before changes in the scope of consolidation.
[2] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.
[3] Excluding trainees.

Key Figures for the Core Business Areas

Automotive Group in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	9,070.8	7,858.9	4,552.7	4,088.6
EBITDA	1,082.9	950.3	536.6	477.9
in % of sales	11.9	12.1	11.8	11.7
EBIT	503.0	360.7	246.1	178.4
in % of sales	5.5	4.6	5.4	4.4
Depreciation and amortization[1]	579.9	589.6	290.5	299.5
Capital expenditure[2]	375.3	238.0	208.1	131.9
Operating assets at June 30	11,378.5	11,692.1		
Number of employees at June 30[3]	93,382	83,278		
Adjusted sales[4]	9,021.8	7,858.9	4,513.7	4,088.6
Adjusted operating result (adjusted EBIT)[5]	729.4	606.9	370.0	305.3
in % of adjusted sales	8.1	7.7	8.2	7.5

Rubber Group in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	5,820.4	4,806.6	2,986.5	2,574.7
EBITDA	1,007.7	912.9	510.3	497.0
in % of sales	17.3	19.0	17.1	19.3
EBIT	796.7	690.7	404.1	377.9
in % of sales	13.7	14.4	13.5	14.7
Depreciation and amortization[1]	211.0	222.2	106.2	119.1
Capital expenditure[2]	249.9	191.7	162.4	119.4
Operating assets at June 30	4,448.2	4,145.4		
Number of employees at June 30[3]	65,479	59,259		
Adjusted sales[4]	5,797.0	4,802.7	2,973.5	2,573.7
Adjusted operating result (adjusted EBIT)[5]	795.3	735.5	398.6	414.6
in % of adjusted sales	13.7	15.3	13.4	16.1

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Corporate Management Report as of June 30, 2011

Changes in the Executive Board

On June 7, 2011, the Executive Board of Continental AG decided on a new organization of responsibilities. Effective August 1, 2011, the Passenger & Light Truck Tires and Commercial Vehicle Tires divisions will be consolidated into one Tire division. Nikolai Setzer will take over at the helm of the combined division. He has headed the Passenger and Light Truck Tires division ever since taking a seat on the Executive Board in August 2009. The present head of the Commercial Vehicle Tires division, Dr. Hans-Joachim Nikolin, is leaving the company on highly amicable terms as of July 31, 2011. The Supervisory Board gave its consent for Dr. Nikolin’s relinquishment of his office by mutual agreement.

Expansion of the tire plant in Mount Vernon, U.S.A.

On May 12, 2011, we announced that a sum of $224 million is to be invested in the U.S. plant in Mount Vernon over the next three years as part of the expansion of global production capacity for tires. It is planned to use $171 million of that amount for new machinery and equipment and $53 million for buildings and infrastructure. Production capacity will be increased by roughly 4 million tires per year.

First tire plant in China opened

On May 18, 2011, our first tire plant in China was opened in Hefei in the province of Anhui. The new production plant will initially have annual production capacity of 4 million passenger and light truck tires, which will be sold on the Chinese and Asian markets. The planned total production volume of the Hefei plant amounts to 16 million tires; further investments to increase the existing production capacity are planned for the near future.

Production plant opened in Jinan, China

On May 27, 2011, a new production plant was opened in Jinan in the Chinese province of Shandong, where several major commercial vehicle and construction machinery manufacturers are based. This is the first Continental production plant in China specializing in electronics manufacturing for commercial vehicles and the aftermarket. In 2011, the new plant will primarily manufacture instrument clusters for commercial vehicles with a capacity of 66,000 units per month. This amounts to annual capacity of 792,000 instrument clusters. For 2012, it is planned to expand production to include comfort and chassis electronics.

Acquisition of the conveyor belt operations of Tianjin Xinbinhai Conveyor Belt Co., Ltd.

To strengthen the business area of special-purpose conveyor belts, particularly to broaden the customer base and improve export conditions, ContiTech Conveyor Belt Group acquired the conveyor belt operations of Tianjin Xinbinhai Conveyor Belt Co., Ltd., Tianjin, China, on June 1, 2011. Situated in the port city of Tianjin in the north of China, the company chiefly produces conveyor belts for metal and cement processing and mining.

Cornerstone laid for new testing and development center in Nuremberg

On June 9, 2011, we laid the cornerstone for a new testing and development center in Nuremberg. In addition to transmission control units, the center in Nuremberg will also develop and produce systems for hybrid and electric vehicles, e.g. lithium ion batteries and power electronics, as well as control systems for other Continental business units. With the new development center, we intend to expand our success further in the area of transmission electronics.

Simple voice-activated access to mobile Internet

The delivery of the first telematics unit to a Chinese car manufacturer has begun. After a year-long development period, series production of the new telematics unit started in April 2011. Drivers can now activate the telematics function while driving in order to view current stock market data, news, weather and traffic information from the Internet. The new system provides a total of 22 different functions with direct access to Internet data that is called up by voice. The data output is also voice-activated. For example, the driver can say the name of a listed company and will immediately get the current stock market data. The new system will also be available in two other Chinese vehicle models in future.

Economic Environment

In the second quarter of 2011, the market development in Europe and the U.S.A. was primarily dominated by the intensifying debt crisis in Europe and clear signs of a slowdown in economic growth in the U.S.A. However, the effects of the natural disaster in Japan on the equity market development remained within limits.

The positive reports from European companies in the first quarter of 2011 and the very stable economic development in Germany in particular were clearly overshadowed by the efforts to contain the debt crisis in Europe. An increase in assistance for Greece came into discussion as early as the beginning of May 2011. The main point of contention here is how private-sector involvement in the restructuring of Greece's sovereign debt could work. In parallel with this, the bailout package for Portugal was resolved in mid-May. Portugal is to receive aid totaling €78 billion from the European Union (EU), the International Monetary Fund (IMF) and the European Financial Stability Facility (EFSF), in return for which it has committed to an extensive austerity program. In late June 2011, the finance ministers also reached a provisional agreement on the organization of the European Stability Mechanism (ESM), which is to replace the currently valid EFSF in mid-2013. In addition, the volume of the EFSF was increased again. According to the plans as of June, the ESM is to have a volume of €700 billion and will be backed with approximately €80 billion of guarantees from member states. In spite of all efforts to stabilize the debt situation in Europe, the U.S. rating agencies lowered their credit ratings for Greece, Ireland and Portugal to the sub-investment grade level (referred to colloquially as "junk"). In early July 2011, the European Central Bank decided to raise the key interest rate by another 25 basis points to 1.5%. The reason for this increase is the price inflation rate, which has been rising constantly since the beginning of the year. This is the second increase in the key interest rate this year after the ECB raised it by 25 basis points from 1.00% to 1.25% in April 2011.

At the same time as the developments in Europe, there have been increasing indications since May 2011 that, despite the numerous monetary and government stimuli packages resolved since the onset of the financial and economic crisis at the end of 2008, the U.S. economy will see much weaker growth than was forecast. In particular the weak labor market data and constantly rising inflation prompted the U.S. central bank Fed to lower its growth forecast for the U.S. economy in 2011 to a range of 2.7% to 2.9% at the end of June 2011. In October last year, the Fed expected U.S. economic growth of 3.3% to 3.7%, partly due to the central bank's $600 billion monetary aid package (also known as "QE2"). Furthermore, an agreement on raising the debt ceiling in the U.S.A. has yet to be reached. According to the U.S. government, this must be resolved by August 2, 2011 in order to ensure the continued solvency of the U.S.A. The rating agency Standard & Poor's has lowered its outlook for the U.S.A. from stable to negative, although for the time being it has left the rating at AAA (the highest credit rating). In July 2011, the rating agency Moody's also announced that it would review its credit rating for the U.S., currently at Aaa, with a view to a possible downgrade.

In its most recent World Economic Outlook Update published in June 2011, the IMF anticipates global economic growth of 4.3%. This is 10 basis points lower than the growth forecast issued in the Update from April 2011. In its latest forecast update in June, there are negative deviations as compared to the April forecasts for what the IMF calls the advanced economies of Japan, the U.S., Italy and the U.K. As a result of the earthquake, the IMF has scaled back its growth forecast for Japan by 2.1 percentage points and now anticipates a 0.7% decline in economic performance for the current year. The outlook for economic growth in the U.S.A. has been reduced by 0.3 percentage points to 2.5%. The IMF's forecast is thus lower than that of the U.S. central bank Fed. However, thanks chiefly to the highly robust performance in Germany (up 0.7 percentage points to economic performance of 3.2%) and France (up 0.5 percentage points to economic performance of 2.1%), the forecast for economic growth in the eurozone is up 0.4 percentage points to 2.0%. In the so-called emerging and developing economies, there are positive deviations as against the April forecast for the region of Central and Eastern Europe (up 1.6 percentage points to economic performance of 5.3%). The IMF has left the forecast for China and India unchanged at 8.4% and 9.6% respectively for 2011. The growth forecast for Brazil has been lowered slightly (down 0.1 percentage points to economic performance of 4.1%).

New registrations/sales of light vehicles in millions of units

	H1 2011	H1 2010	Change in %	Q2 2011	Q2 2010	Change in %
Europe (E27+EFTA)	7.3	7.5	-2	3.7	3.7	-2
Russia	1.2	0.8	56	0.7	0.5	43
USA	6.3	5.6	13	3.3	3.1	7
Japan	1.6	2.3	-29	0.6	1.0	-34
Brazil	1.6	1.5	10	0.9	0.7	15
India	1.3	1.1	16	0.6	0.6	9
China	5.9	5.4	10	2.8	2.6	7
Worldwide	37.4	35.4	6	18.7	17.8	5

Source: VDA and Renault

New car registrations on the global sales markets developed positively in the first half of 2011 on the basis of preliminary figures. Following an increase of around 7% in global sales volumes in the first quarter of 2011, the growth rate fell to 5% in the second quarter on the basis of preliminary figures. The main reason for this is the slump in sales on the Japanese market. As a result of the natural disaster in March, the number of new car registrations fell by 34% year-on-year in the second quarter of 2011. In Europe, new car registrations decreased by only 2% in the second quarter. This comparatively stable development is primarily due to strong sales on the German and French vehicle markets. In Germany in particular, new car registrations rose by roughly 10% in the first half of the year thanks to the highly robust economic development. In the U.S., new car registrations increased considerably more slowly in the second quarter of 2011 (up 7%) than in the first quarter of 2011 (up 20%). Here, too, the situation of Japanese manufacturers following the natural disaster is one main explanation, as the shortage of stock on the North American market meant in particular that sales incentives by dealers decreased significantly in the U.S.A. In China, new car registrations saw a further significant double-digit increase in June. Growth in the first half of the year amounts to approximately 10%.

On the basis of preliminary figures, the increase in production of passenger vehicles came to around 1% at the end of the first half of 2011, after a good 4% in the first quarter of 2011. A total of approximately 36 million vehicles were produced worldwide. This corresponds to a 2% decline in production to roughly 17.6 million units in the second quarter.

In the markets of Europe and the U.S.A. in particular, where Continental's Automotive Group generated around 75% of its sales in 2010, the number of light vehicles (cars and light trucks) produced increased in the first half of 2011 by only 7% to 16.7 million units, after having climbed by more than 13% in the first quarter of 2011. The slowdown in light vehicle production in the second quarter as compared to the first quarter can be attributed primarily to calendar effects. Just the fact that in 2011 the Easter vacation fell in the second quarter rather than the first, makes a difference of 2 to 3 working days in many European countries. Since more than 10 million units have nonetheless been produced in Europe already in the current year and we cannot currently identify any slowdown in the trend besides the normal seasonal effects in the summer months, we are raising our production forecast for Europe from 18.7 million to 19.5 million light vehicles for 2011. For NAFTA, we are maintaining our estimate of 12.9 million units, as we expect new car and light truck registrations to pick up significantly particularly towards the end of the third quarter and in the fourth quarter due to an improved stock situation. In the second quarter, production in Europe and NAFTA increased by 0.5% to 8.1 million vehicles (Q1 2011: 8.6 million).

As a result of the natural disaster in Japan, preliminary figures indicate that roughly 1.3 million fewer cars and light trucks were produced here in the first half of 2011 as compared to the previous year, corresponding to a year-on-year decrease of 28%. Statements by many Japanese manufacturers to the effect that full capacity utilization would be reached again as early as the fourth quarter of 2011 mean, in our opinion, that the decline in production can be limited to up to 1.5 million units in 2011.

Global light vehicle production in 2011 will therefore amount to between 74 million and 75 million units.

Production of heavy vehicles (commercial vehicles) in NAFTA grew by 51% in the first half of 2011. This represents a significant improvement in comparison to the first quarter (up 33% as against Q1 2010). We are raising our previous forecast of 23% growth (2011 vs. 2010) in NAFTA, prepared at the beginning of the year, to 38% or 350,000 units. In Europe, the pace of growth in commercial vehicle OEM business slowed slightly as of the end of the first half of the year. Following a 69% increase as of the end of the first quarter, growth after six months amounts to 49%. Here, too, we are raising our forecast for the OEM production volume from 33% to 38% or 545,000 units.

Trends in demand on Continental's key passenger and light truck tire replacement markets varied considerably in the second quarter of 2011. Whereas in the first quarter of 2011 demand in NAFTA was up 6%, growth decreased to just 1% as of the end of the first half of 2011. In our opinion, a major reason for this slowdown in NAFTA is that retail organizations brought forward tire purchases, particularly in the first quarter of 2011 in response to the expected price increases for replacement tires resulting from in some cases substantially higher raw material costs (natural and synthetic rubber) and also from the significant increase in the oil price. For instance, miles driven as calculated by the U.S. Department of Transportation (DOT) have decreased by 0.8% year-on-year since the beginning of the year. We consider our forecast prepared at the beginning of the year, with projected market growth of 3% to 264 million replacement tires in NAFTA, to be sound still, as we expect demand to pick up slightly in the second half of the year as a result of stabilizing raw material costs.

In Europe, demand for replacement tires in the first half of 2011 remained at almost the same high level as in the first quarter, up roughly 6% year-on-year (Q1 2011: up 8.7%). Despite very good prospects for the winter tire business, we expect demand on the European replacement tire market to continue to cool off slightly during the remainder of the year and are maintaining our forecast prepared at the beginning of the year of 4% growth to 293 million replacement tires.

Demand for commercial vehicle tires on the replacement markets in Europe and NAFTA has also calmed slightly in recent months. Following a 16% increase as of the end of the first quarter of 2011, the sales volume was up only around 14% in Europe at the end of the first half. For the year as a whole, we expect a growth rate of 8% in Europe. In NAFTA, growth slowed from 25% in the first quarter of 2011 to 16% at the end of the first half of the year. On account of the positive development in the first half of 2011, we are raising our forecast for the year as whole from 4% to 9%, or 19.6 million replacement tires.

In view of the economic environment, we do not see any negative changes with regards to our risk situation in comparison to December 31, 2010.

Earnings, Financial and Net Assets Position of the Continental Corporation

Earnings Position

Sales up 17.6%

Sales up 17.2% before changes in the scope of consolidation and exchange rate effects

Consolidated sales for the first six months of 2011 climbed 17.6% year-on-year to €14,878.2 million (PY: €12,654.4 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 17.2%.

Adjusted EBIT up 13.3%

Adjusted EBIT for the corporation was up in the first six months of 2011 compared with the same period of 2010 by €174.0 million, or 13.3%, to €1,483.3 million (PY: €1,309.3 million), equivalent to 10.0% (PY: 10.3%) of adjusted sales.

EBIT up 26.7%

In the first half of 2011, consolidated EBIT was up €269.9 million on the previous year to €1,281.0 million (PY: €1,011.1 million), an increase of 26.7%. The return on sales increased to 8.6% (PY: 8.0%).

Special effects in the first half of 2011

The economic situation of the Fuel Supply business unit in the Powertrain division in Europe is characterized by insufficient and constantly decreasing profitability. For this reason, the location in Dortmund, Germany, is being restructured. Parts of production and assembly are being relocated, and the location is being expanded into a competence center for fuel supply units. This led to restructuring expenses in the amount of €35.8 million.

In the divisions there was a total positive effect of €27.5 million, mainly as a result of the reversal of restructuring provisions no longer required.

Owing to the anticipated higher cash outflow for the VDO loan resulting from rising interest margins, the carrying amount was adjusted as expense in 2009 and 2010. However, as of June 30, 2011 a decrease in the margins for the VDO loan could be observed. The associated expectation of a lower cash outflow for this loan now led to an adjustment of the carrying amount as income in the amount of €9.1 million. These deferrals will be amortized over the term of the loan, reducing or increasing expenses accordingly. The amortization of the carrying amount adjustments in 2009 and 2010 led to a positive effect of €10.3 million in the first half of 2011. Due to a partial repayment of the VDO loan, the adjustments attributable on a pro-rated basis to the amount repaid were reversed in early April 2011. This resulted in a gain of €3.4 million. Income totaling €22.8 million resulted from all the previously mentioned effects in the first six months of 2011.

Total consolidated income from special effects in the first half of 2011 amounted to €14.5 million.

Special effects in the first half of 2010

In the first half of 2010, there was a gain of €0.5 million in the Chassis & Safety division from the reversal of a previous impairment charge. Impairment losses totaling €7.8 million were recognized in the Powertrain division.

In the Interior division, expenses of €4.9 million were recognized for further winding-up activities in connection with the disposal of a business operation. There was a gain of €2.1 million in the Interior division and a tax expense of the same amount for the corporation resulting from the winding-up activities related to the disposal of an associated company.

In the Passenger and Light Truck Tires division, there were further restructuring expenses of €6.0 million for the closure of tire production in Clairoix, France.

A still available production cell in Hanover-Stöcken, Germany, was finally closed down. This led to further restructuring expenses totaling €32.0 million in the Commercial Vehicle Tires division in the first half of 2010.

There were also expenses amounting to €18.5 million, primarily from restructuring measures and severance payments (Chassis & Safety €2.1 million, Powertrain €6.7 million, Interior €2.1 million, Passenger and Light Truck Tires €4.5 million, Commercial Vehicle Tires €0.7 million, ContiTech €2.1 million, Holding €0.3 million).

In the Commercial Vehicle Tires division, income of €3.2 million was realized as an aftereffect of the sale of our North American OTR activities to the Titan Tire Corporation in 2006.

Due to the anticipated higher cash outflow for the VDO loan resulting from higher interest margins, the carrying amount was adjusted as expense in 2009, as well as in June 2010. These deferrals will be amortized over the term of the loan and reduce expenses accordingly. This led to an expense of €27.4 million in the first half of 2010 for the carrying amount adjustment, which was partially offset by a positive effect from amortization totaling €20.5 million.

Total consolidated net expense from special effects in the first half of 2010 amounted to €70.3 million.

Research and development expenses

In the first half of 2011, research and development expenses rose by 9.2% compared with the same period of 2010 to €823.9 million (PY: €754.4 million), representing 5.5% (PY: 6.0%) of sales. Of this amount, €707.0 million (PY: €640.9 million) was attributable to the Automotive Group, corresponding to 7.8% of sales (PY: 8.2%), and €116.9 million (PY: €113.5 million) was attributable to the Rubber Group, corresponding to 2.0% of sales (PY: 2.4%).

Net Interest Expense

At -€318.8 million, net interest expense improved by €3.1 million year-on-year in the first half of 2011 (PY: -€321.9 million).

Interest expenses, which primarily result from the utilization of the VDO credit agreement and the bonds issued in the third quarter of 2010 by Conti-Gummi Finance B.V., Amsterdam, Netherlands, decreased by €7.3 million as against the figure for the previous year to €345.6 million (PY: €352.9 million). This slight year-on-year decrease is due to several effects, some of which offset one another. In addition to the significant decrease in net indebtedness since the end of 2010, Continental was also already benefiting in the second quarter of 2011 from the lower margins for the VDO loan originally due in August 2012 that were agreed as part of the renegotiation successfully completed in late March 2011. However, in the first quarter of 2011 the margin level was still higher than in the previous year due to the deterioration in the rating in May 2010. There was a further negative impact resulting from the increase in the market interest rate level in 2011 and the four bonds issued in the third quarter of 2010 by Conti-Gummi Finance B.V., Amsterdam, Netherlands. The higher nominal interest rates on the bonds are due in particular to the longer terms. Interest expenses for the VDO loan amounted to €189.4 million in the first six months of 2011 (PY: €310.4 million). The bonds issued in the third quarter of 2010 resulted in total interest expenses of €113.7 million (PY: €- million).

Interest income for the first six months of 2011 was slightly higher than the previous year's level at €12.9 million (PY: €11.9 million). The mostly non-cash effects of exchange rate changes, as well as effects from changes in the fair value of derivative instruments, resulted in total income of €13.9 million (PY: €19.1 million).

Income tax expense

Income tax expense in the first half of 2011 amounted to €244.4 million (PY: €303.2 million). The tax rate in the reporting period was 25.4% after 44.0% for the same period of the previous year.

In addition to the different national breakdown of earnings before income taxes, the income tax expense for the reporting period was largely influenced by tax income of €68.2 million for previous years. In the first quarter of 2011, Continental successfully implemented a pending prior-year tax position out of court by way of a reassessment. As was already reported in the first quarter of 2011, this resulting tax income was recognized in profit and loss in full.

The tax expenses for the reporting period were also influenced by an impairment on deferred tax assets of €23.9 million relating to increases in the year under review regarding the interest carryforwards in Germany.

Since 2008, a limit on the deductible interest that can be carried forward has applied in Germany; the amount deductible under the tax law is limited to 30% of the taxable income before depreciation and amortization and before interest.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent increased by 95.8% to €683.0 million (PY: €348.9 million) and earnings per share rose to €3.42 (PY: €1.74).

Development of the Continental Corporation

in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	14,878.2	12,654.4	7,532.6	6,657.7
EBITDA	2,072.7	1,824.3	1,044.2	936.0
in % of sales	13.9	14.4	13.9	14.1
EBIT	1,281.0	1,011.1	647.1	516.7
in % of sales	8.6	8.0	8.6	7.8
Net income attributable to the shareholders of the parent	683.0	348.9	314.8	121.2
Earnings per share (in €)	3.42	1.74	1.57	0.61
Research and development expenses	823.9	754.4	418.5	379.4
Depreciation and amortization[1]	791.7	813.2	397.1	419.3
Capital expenditure[2]	619.1	430.1	364.3	252.0
Operating assets at June 30	15,768.2	15,786.0		
Number of employees at June 30[3]	159,116	142,765		
Adjusted sales[4]	14,805.8	12,650.5	7,480.6	6,656.7
Adjusted operating result (adjusted EBIT)[5]	1,483.3	1,309.3	749.8	702.0
in % of adjusted sales	10.0	10.3	10.0	10.5
Net indebtedness at June 30	7,114.0	8,016.9		
Gearing ratio in %	104.3	133.3		

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Financial Position

Cash flow

At €702.9 million as of June 30, 2011, net cash flow from operating activities was €319.9 million higher than the figure for the previous year of €383.0 million.

The free cash flow for the first half of 2011 improved by €80.8 million from -€43.9 million in the same period of the previous year to €36.9 million.

EBIT was increased by €269.9 million as against the first six months of 2010 to €1,281.0 million (PY: €1,011.1 million).

At €388.8 million, interest payments resulting in particular from the purchase price financing for the acquisition of Siemens VDO remained at virtually the same level as in the first half of 2010 (€384.2 million). Despite the improved sales volume situation, the outflow from the increase in operating working capital was reduced by €150.0 million to €722.0 million in the first six months of 2011 as compared to €872.0 million in the same period of 2010.

In the first half of 2011, total cash outflows amounting to €666.0 million (PY: €426.9 million) resulted from investment activities. Capital expenditure on property, plant and equipment and software was up €195.2 million to €625.2 million (PY: €430.0 million) before financial leasing and the capitalization of borrowing costs.

Financing

At €7,114.0 million, consolidated net indebtedness on June 30, 2011 was €203.0 million lower than on December 31, 2010 (€7,317.0 million), and €902.9 million lower than on June 30, 2010 (€8,016.9 million). The gearing ratio at the end of the first half of 2011 was 104.3% (PY: 133.3%).

In 2010, Continental was able to implement major components of the refinancing package concluded in December 2009 to improve the company's financial and capital structure. Two of the components which have to be mentioned in this context are the capital increase in January 2010 and the bonds that were placed in the third quarter of 2010, the net proceeds of which were used for the partial repayment of the VDO loan. At the end of March 2011, Continental successfully completed the final stage of its comprehensive refinancing program. The renegotiation of the VDO loan originally maturing in August 2012 resulted primarily in longer terms and improved conditions. For instance, a first tranche of €625.0 million is to be repaid in August 2012, and the term for the other two tranches, including a revolving credit line of €2.5 billion, has been extended to April 2014. The committed volume of this loan was reduced to €6.0 billion (PY: €9,916.9 million) following an early repayment of €484.9 million in April 2011.

In addition, the credit margins were lowered and will in future be based on the Continental Corporation's leverage ratio (net debt/EBITDA, as defined in the VDO loan agreement) rather than its rating. As of June 30, 2011, the leverage ratio improved, allowing Continental to benefit from another decrease in the margin for the VDO loan in the third quarter of 2011. The associated expectation of a lower cash outflow for this loan led to an adjustment of the carrying amount as income in the amount of €9.1 million as of June 30, 2011. Together with the carrying amounts adjusted as expense in 2009 and 2010 due to rising margins and the associated anticipated higher cash outflow for the VDO loan, the value of the carrying amount adjustments as of the end of June 2011 totals €22.0 million. These deferrals are amortized over the term of the loan, increasing or reducing expenses accordingly. As of June 30, 2011, the VDO loan had been utilized by Continental AG and by Continental Rubber of America, Corp. (CRoA), Wilmington, U.S.A., in a nominal amount of €4,219.6 million (PY: €7,685.4 million). As of the end of June 2011, there were still interest hedges of €3,125.0 million (PY: €3,125.0 million) for the tranche due in August 2012 with a nominal amount of €625.0 million (PY: €625.0 million) and for a partial amount of €2.5 billion (PY: €2.5 billion) of the tranche due in April 2014 in the amount of €2,875.0 million. As in the previous year, the average fixed interest rate to be paid resulting from the hedges with a term until August 2012 is 4.19% p.a. plus margin.

As of June 30, 2011, Continental had liquidity reserves totaling €3,880.5 million (PY: €3,827.1 million), consisting of cash and cash equivalents of €1,566.0 million (PY: €1,239.4 million) as well as unused credit lines totaling €2,314.5 million (PY: €2,587.7 million).

Capital expenditure (additions)

In the first two quarters of 2011, €619.1 million (PY: €430.1 million) was invested in property, plant and equipment and software. The capital expenditure ratio after six months amounted to 4.2% (PY: 3.4%).

€375.3 million (PY: €238.0 million) of investments was attributable to the Automotive Group, corresponding to 4.1% (PY: 3.0%) of sales.

The Automotive Group invested primarily in production equipment for the manufacture of new products and the implementation of new technologies such as electronic brake and safety systems, engine and transmission control units, cockpit instruments, body and comfort control units. Increased investments were made in manufacturing capacity at low-cost plants in Europe and in Mexico, Brazil and China.

The Rubber Group invested €249.9 million (PY: €191.7 million), which is equivalent to 4.3% (PY: 4.0%) of sales.

Investments included expanding capacity for the production of passenger, light and heavy truck tires at the Camaçari location in Brazil. Production capacity for passenger and light truck tires at American and European locations was also expanded and funds were invested for quality assurance and cost-cutting programs.

ContiTech invested in rationalizing production processes and in expanding production facilities to manufacture new products. Production capacities were expanded primarily in China, Romania and Hungary.

Change in net indebtedness

	January 1 to June 30		Second Quarter	
in € millions	**2011**	**2010**	**2011**	**2010**
Cash provided by operating activities	702.9	383.0	796.2	579.0
Cash used for investing activities	- 666.0	- 426.9	- 396.4	- 259.7
Cash flow before financing activities (free cash flow)	**36.9**	**- 43.9**	**399.8**	**319.3**
Dividends paid and repayment of capital to non-controlling interests	- 20.3	- 22.1	- 7.1	- 21.2
Proceeds from the issuance of shares	—	1,056.0	—	- 0.8
Non-cash changes	155.7	- 54.2	93.9	- 33.2
Other	- 11.3	- 23.0	- 11.1	- 20.5
Foreign exchange effects	42.0	- 34.2	15.4	- 28.6
Change in net indebtedness	**203.0**	**878.6**	**490.9**	**215.0**

Net Assets Position

At €25,293.2 million, total assets on June 30, 2011 were €807.3 million higher than on the same date in 2010 (€24,485.9 million). This was due primarily to the €730.5 million increase in inventories and trade receivables to €8,038.0 million (PY: €7,307.5 million) as a result of further growth in business activities. Property, plant and equipment also increased by €123.7 million to €6,071.1 million (PY: €5,947.4 million). Particularly the strong cash flow at the end of the month led to a €326.6 million increase in cash and cash equivalents to €1,566.0 million (PY: €1,239.4 million). This was offset by the €433.6 million decline in other intangible assets to €1,512.7 million (PY: €1,946.3 million) owing primarily to amortization from purchase price allocation (PPA). Deferred tax assets declined by €112.1 million to €614.6 million (PY: €726.7 million) on account of the earnings improvement in particular.

Equity including non-controlling interests was up €807.2 million to €6,821.1 million as compared to €6,013.9 million on June 30, 2010. This was due primarily to the positive net income attributable to the shareholders of the parent of €910.1 million. Reserves in equity decreased by €136.2 million to -€88.4 million (PY: €47.8 million), mainly as a result of the change in the difference from financial instruments. The gearing ratio improved from 133.3% to 104.3%.

Total assets were up €902.7 million to €25,293.2 million compared with December 31, 2010 (€24,390.5 million). This was due mainly to a €404.0 million rise in inventories to €3,041.8 million (PY: €2,637.8 million) and a €542.2 million increase in trade receivables to €4,996.2 million (PY: €4,454.0 million) as a result of seasonal factors and the further growth in operating activities. This was partly offset by the €210.6 million decline in other intangible assets to €1,512.7 million (PY: €1,723.3 million) owing primarily to amortization from PPA, and by the €27.6 million decline in property, plant and equipment to €6,071.1 million (PY: €6,098.7 million). Deferred tax assets declined by €66.1 million to €614.6 million (PY: €680.7 million) on account of the further increases in earnings in particular.

Equity including non-controlling interests was up €618.2 million to €6,821.1 million as compared to €6,202.9 million at the end of 2010. This was due primarily to the positive net income attributable to the shareholders of the parent of €683.0 million. This was countered by the negative exchange rate effects of €123.9 million. The gearing ratio was down from 118.0% to 104.3%.

Employees

As of the end of the second quarter, the number of employees in the corporation increased by 10,888 to 159,116 as compared to the end of 2010 (148,228 employees). Particularly in the Automotive Group, volume increases led to growth in the workforce of 6,659 employees to a total of 93,382 employees. The number of employees working for the Tire divisions rose by 2,474 to 37,906 as a result of capacity expansions. Employees working for the ContiTech division increased by 1,740 to 27,573 thanks to volume growth.

As against the reporting date for the previous year, the number of employees in the corporation rose by a total of 16,351.

Development of the Divisions

Chassis & Safety in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	3,220.5	2,827.4	1,601.8	1,473.0
EBITDA	498.0	469.3	246.7	239.7
in % of sales	15.5	16.6	15.4	16.3
EBIT	339.8	309.2	167.8	160.2
in % of sales	10.6	10.9	10.5	10.9
Depreciation and amortization[1]	158.2	160.1	78.9	79.5
Capital expenditure[2]	124.9	69.8	67.2	39.4
Operating assets at June 30	4,031.9	4,051.8		
Number of employees at June 30[3]	32,136	28,875		
Adjusted sales[4]	3,171.5	2,827.4	1,562.8	1,473.0
Adjusted operating result (adjusted EBIT)[5]	362.0	337.7	178.0	174.6
in % of adjusted sales	11.4	11.9	11.4	11.9

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Chassis & Safety

Sales volumes

Sales volumes in the Electronic Brake Systems business unit rose year-on-year by 10.6% to 9.16 million units in the first half of 2011. In the Hydraulic Brake Systems business unit, sales of brake boosters were up 20.5% to 9.34 million units. Brake caliper sales jumped to 20.96 million units, equivalent to an increase of 31.0%. In the Passive Safety & Advanced Driver Assistance Systems business unit, sales of air bag control units increased by 9.2% to 7.01 million units. Sales of driver assistance systems soared to 848,400 units, an increase of 86.4%.

Sales up 13.9%
Sales up 12.1% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division rose by 13.9% to €3,220.5 million in the first six months of 2011 compared with the same period of 2010 (PY: €2,827.4 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 12.1%.

Adjusted EBIT up 7.2%

The Chassis & Safety division's adjusted EBIT increased year-on-year by €24.3 million, or 7.2%, in the first six months of 2011 to €362.0 million (PY: €337.7 million), equivalent to 11.4% (PY: 11.9%) of adjusted sales.

EBIT up 9.9%

Compared with the same period of last year, the Chassis & Safety division reported an increase in EBIT of €30.6 million, or 9.9%, to €339.8 million (PY: €309.2 million) in the first half of 2011. The return on sales fell to 10.6% (PY: 10.9%).

Special effects in the first half of 2011

For the Chassis & Safety division, the total net income from special effects from the reversal of restructuring provisions no longer required amounted to €4.3 million in the first half of 2011.

Special effects in the first half of 2010

In the first half of 2010, the Chassis & Safety division incurred expenses for restructuring measures and severance payments totaling €2.1 million.

In the first half of 2010, there was a gain of €0.5 million resulting from the reversal of a previous impairment charge.

The total net expense from special effects in the first half of 2010 amounted to €1.6 million for the Chassis & Safety division.

Powertrain in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	2,860.1	2,310.3	1,463.3	1,204.8
EBITDA	214.3	176.2	93.7	92.8
in % of sales	7.5	7.6	6.4	7.7
EBIT	- 2.9	- 43.7	- 15.9	- 22.1
in % of sales	- 0.1	- 1.9	- 1.1	- 1.8
Depreciation and amortization[1]	217.2	219.9	109.6	114.9
Capital expenditure[2]	154.1	97.5	90.3	48.5
Operating assets at June 30	2,960.4	3,215.2		
Number of employees at June 30[3]	30,155	25,676		
Adjusted sales[4]	2,860.1	2,316.4	1,463.3	1,207.8
Adjusted operating result (adjusted EBIT)[5]	117.7	62.2	62.3	37.5
in % of adjusted sales	4.1	2.7	4.3	3.1

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Powertrain

Sales volumes

In the first half of 2011, sales in the Powertrain division rose by 23.8% year-on-year. There was particularly high year-on-year growth in NAFTA, but the Asia region also saw sales increases of close to 20% despite a slowdown in the second quarter. The strong growth in sales volumes in Europe in the first quarter was confirmed in the second quarter. Transmission control units, fuel injection systems – especially for diesel drive – and products relating to sensor systems generated particularly high increases.

Sales up 23.8%
Sales up 24.1% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division rose by 23.8% to €2,860.1 million in the first six months of 2011 compared with the same period of 2010 (PY: €2,310.3 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 24.1%.

Adjusted EBIT up 89.2%

In the first six months of 2011, the Powertrain division's adjusted EBIT was up by €55.5 million, or 89.2%, compared with the same period of the previous year to €117.7 million (PY: €62.2 million), equivalent to 4.1% (PY: 2.7%) of adjusted sales.

EBIT up 93.4%

Compared with the same period of last year, the Powertrain division reported an increase in EBIT of €40.8 million, or 93.4%, to -€2.9 million (PY: -€43.7 million) in the first half of 2011. The return on sales increased to -0.1% (PY: -1.9%).

Special effects in the first half of 2011

The economic situation of the Fuel Supply business unit in the Powertrain division in Europe is characterized by insufficient and constantly decreasing profitability. For this reason, the location in Dortmund, Germany, is being restructured. Parts of production and assembly are being relocated, and the location is being expanded into a competence center for fuel supply units. This led to restructuring expenses in the amount of €35.8 million.

For the Powertrain division, the total income from special effects, chiefly due to the reversal of restructuring provisions no longer required, amounted to €2.8 million in the first half of 2011.

The total net expense for the Powertrain division from special effects in the first half of 2011 amounted to €33.0 million.

Special effects in the first half of 2010
In the first half of 2010, the Powertrain division incurred expenses for restructuring measures and severance payments totaling €6.7 million.

Impairment losses of €7.8 million were recognized in the Powertrain division.

The total net expense from special effects in the first half of 2010 amounted to €14.5 million for the Powertrain division.

Interior in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	3,043.8	2,776.8	1,513.8	1,436.5
EBITDA	370.6	304.8	196.3	145.3
in % of sales	12.2	11.0	13.0	10.1
EBIT	166.1	95.2	94.3	40.3
in % of sales	5.5	3.4	6.2	2.8
Depreciation and amortization[1]	204.5	209.6	102.0	105.0
Capital expenditure[2]	96.4	70.7	50.7	44.0
Operating assets at June 30	4,386.2	4,425.2		
Number of employees at June 30[3]	31,091	28,727		
Adjusted sales[4]	3,043.8	2,770.7	1,513.8	1,433.5
Adjusted operating result (adjusted EBIT)[5]	249.7	207.0	129.9	93.2
in % of adjusted sales	8.2	7.5	8.6	6.5

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Interior

Sales volumes

Sales volumes in the Body & Security business unit were up for the majority of the product groups in the first half of 2011. Particularly high increases were achieved for access control and starting systems, central body control units, comfort locking systems and seating comfort systems. In the Infotainment & Connectivity business unit, sales volumes for audio and connectivity components declined in the first half of the year. This development was mainly due to the lower demand for audio products on the U.S. market. In the area of multimedia systems, sales volumes rose thanks to increased demand from China. Sales figures in the Commercial Vehicles & Aftermarket business unit were up significantly on the previous year's figures. There were substantial increases in the OE business, with spare part and aftermarket activities continuing at a high level. In the Instrumentation & Driver HMI business unit, sales volumes for instrument clusters climbed by approximately 20% year-on-year in the first half of 2011.

Sales up 9.6%
Sales up 9.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division rose by 9.6% to €3,043.8 million in the first six months of 2011 compared with the same period of 2010 (PY: €2,776.8 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 9.7%.

Adjusted EBIT up 20.6%

In the first six months of 2011, the Interior division's adjusted EBIT was up by €42.7 million, or 20.6%, compared with the same period of the previous year to €249.7 million (PY: €207.0 million), equivalent to 8.2% (PY: 7.5%) of adjusted sales.

EBIT up 74.5%

Compared with the same period of last year, the Interior division reported an increase in EBIT of €70.9 million, or 74.5%, to €166.1 million (PY: €95.2 million) in the first half of 2011. The return on sales increased to 5.5% (PY: 3.4%).

Special effects in the first half of 2011

For the Interior division, the total income from special effects, chiefly due to the reversal of restructuring provisions no longer required, amounted to €17.1 million in the first half of 2011.

Special effects in the first half of 2010

In the Interior division, expenses of €4.9 million were recognized in the first half of 2010 for further winding-up activities in connection with the disposal of a business operation. There was a gain of €2.1 million and a tax expense of the same amount for the corporation resulting from the winding-up activities related to the disposal of an associated company.

In addition, there were further restructuring expenses and severance payments totaling €2.1 million.

The total net expense from special effects in the first half of 2010 amounted to €4.9 million for the Interior division.

Passenger and Light Truck Tires in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	3,264.7	2,777.9	1,683.5	1,494.9
EBITDA	656.4	621.4	342.5	347.2
in % of sales	20.1	22.4	20.3	23.2
EBIT	531.8	501.3	279.6	286.6
in % of sales	16.3	18.0	16.6	19.2
Depreciation and amortization[1]	124.6	120.1	62.9	60.6
Capital expenditure[2]	176.1	131.2	122.5	88.4
Operating assets at June 30	2,659.8	2,411.9		
Number of employees at June 30[3]	30,297	27,430		
Adjusted sales[4]	3,251.7	2,777.9	1,672.6	1,494.9
Adjusted operating result (adjusted EBIT)[5]	528.9	513.3	273.3	291.8
in % of adjusted sales	16.3	18.5	16.3	19.5

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Passenger and Light Truck Tires

Sales volumes

In the first six months of 2011, the sales figures for the Passenger and Light Truck Tires division climbed by 6% year-on-year. The strongest growth was recorded by the OE business in all regions and the replacement business in The Americas business unit.

Sales up 17.5%
Sales up 17.0% before changes in the scope of consolidation and exchange rate effects

Sales of the Passenger and Light Truck Tires division rose by 17.5% to €3,264.7 million in the first six months of 2011 compared with the same period of 2010 (PY: €2,777.9 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 17.0%.

Adjusted EBIT up 3.0%

The Passenger and Light Truck Tires division's adjusted EBIT rose year-on-year by €15.6 million, or 3.0%, in the first six months of 2011 to €528.9 million (PY: €513.3 million), equivalent to 16.3% (PY: 18.5%) of adjusted sales. The year-on-year decline of 2.2 percentage points in the return on sales results from rising raw material prices, which cost the division a gross amount of €296 million.

EBIT up 6.1%

Compared with the same period of last year, the Passenger and Light Truck Tires division reported an increase in EBIT of €30.5 million, or 6.1%, to €531.8 million (PY: €501.3 million) in the first half of 2011. The return on sales fell to 16.3% (PY: 18.0%).

Special effects in the first half of 2011

For the Passenger and Light Truck Tires division, the total income from special effects in the first half of 2011 amounted to €4.3 million.

Special effects in the first half of 2010

In the Passenger and Light Truck Tires division, there were restructuring-related expenses and severance payments totaling €10.5 million in the first half of 2010, €6.0 million of which was attributable to the closure of tire production in Clairoix, France.

Commercial Vehicle Tires in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	860.7	630.6	439.9	349.8
EBITDA	72.2	47.0	29.6	21.1
in % of sales	8.4	7.5	6.7	6.0
EBIT	33.8	- 7.5	10.3	- 13.4
in % of sales	3.9	- 1.2	2.3	- 3.8
Depreciation and amortization[1]	38.4	54.5	19.3	34.5
Capital expenditure[2]	29.3	18.8	16.1	10.0
Operating assets at June 30	690.5	647.4		
Number of employees at June 30[3]	7,609	6,910		
Adjusted sales[4]	860.7	630.6	439.9	349.8
Adjusted operating result (adjusted EBIT)[5]	33.6	22.0	10.1	15.7
in % of adjusted sales	3.9	3.5	2.3	4.5

1 Excluding impairments on financial investments.
2 Capital expenditure on property, plant and equipment, and software.
3 Excluding trainees.
4 Before changes in the scope of consolidation.
5 Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Commercial Vehicle Tires

Sales volumes

The first half of 2011 saw a substantial year-on-year revival on the markets, causing sales figures to be higher than those for the same period of the previous year. Europe and The Americas business unit reported clear double-digit growth rates, with the highest growth being generated in the OE business. Growth rates in Asia were lower than in the other regions.

Sales up 36.5%
Sales up 37.5% before changes in the scope of consolidation and exchange rate effects

Sales of the Commercial Vehicle Tires division rose by 36.5% to €860.7 million in the first six months of 2011 compared with the same period of 2010 (PY: €630.6 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 37.5%.

Adjusted EBIT up 52.7%

The Commercial Vehicle Tires division's adjusted EBIT rose year-on-year by €11.6 million, or 52.7%, in the first six months of 2011 to €33.6 million (PY: €22.0 million), equivalent to 3.9% (PY: 3.5%) of adjusted sales. The rising raw material prices – particularly for natural rubber – negatively impacted the division's earnings by a gross amount of €160 million as compared to the previous year.

EBIT up 550.7%

Compared with the same period of last year, the Commercial Vehicle Tires division reported an increase in EBIT of €41.3 million, or 550.7%, to €33.8 million (PY: -€7.5 million) in the first half of 2011. Despite the increase in raw material costs, the return on sales climbed to 3.9% (PY: -1.2%).

Special effects in the first half of 2011

For the Commercial Vehicle Tires division, the total income from special effects in the first half of 2011 amounted to €0.2 million.

Special effects in the first half of 2010

A still available production cell in Hanover-Stöcken, Germany, was finally closed down. This led to further restructuring expenses totaling €32.0 million in the first half of 2010.

In the Commercial Vehicle Tires division, income of €3.2 million was realized as an aftereffect of the sale of our North American OTR activities to the Titan Tire Corporation in 2006.

In the first half of 2010, the Commercial Vehicle Tires division incurred expenses for severance payments totaling €0.7 million.

The total net expense from special effects in the first half of 2010 amounted to €29.5 million for the Commercial Vehicle Tires division.

ContiTech in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	1,802.1	1,477.7	916.1	775.4
EBITDA	279.0	244.4	138.1	128.6
in % of sales	15.5	16.5	15.1	16.6
EBIT	231.0	196.9	114.1	104.7
in % of sales	12.8	13.3	12.5	13.5
Depreciation and amortization[1]	48.0	47.5	24.0	23.9
Capital expenditure[2]	44.5	41.8	23.8	21.2
Operating assets at June 30	1,097.8	1,086.0		
Number of employees at June 30[3]	27,573	24,919		
Adjusted sales[4]	1,791.7	1,473.8	914.0	774.4
Adjusted operating result (adjusted EBIT)[5]	232.7	200.2	115.1	107.1
in % of adjusted sales	13.0	13.6	12.6	13.8

[1] Excluding impairments on financial investments.
[2] Capital expenditure on property, plant and equipment, and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

ContiTech

Sales up 22.0%

Sales up 21.7% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division rose year-on-year by 22.0% to €1,802.1 million in the first six months of 2011 (PY: €1,477.7 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 21.7%. The greatest year-on-year increase was recorded in non-automotive business, where sales were up by around 25%. Sales in the automotive OE business were up by about 20%, while growth in the automotive replacement business amounted to around 13%.

Adjusted EBIT up 16.2%

In the first six months of 2011, the ContiTech division's adjusted EBIT was up by €32.5 million, or 16.2%, compared with the same period of the previous year to €232.7 million (PY: €200.2 million), equivalent to 13.0% (PY: 13.6%) of adjusted sales. The year-on-year decrease in the return on sales is due to the increasing raw material prices, which impacted the division's earnings by a gross amount of €75 million.

EBIT up 17.3%

Compared with the same period of last year, the ContiTech division reported an increase in EBIT of €34.1 million, or 17.3%, to €231.0 million (PY: €196.9 million) in the first half of 2011. The return on sales fell to 12.8% (PY: 13.3%).

Special effects in the first half of 2011

For the ContiTech division, the total net expense from special effects in the first half of 2011 amounted to €1.2 million.

Special effects in the first half of 2010

In the first half of 2010, special effects resulted in expenses totaling €2.1 million for the ContiTech division.

Report on Expected Developments and Outlook for the Corporation

Following the strong business performance in the first six months of 2011 and the continued positive development of business – taking into account the normal seasonal effects due to the summer break – we are raising our sales forecast for the current year to at least €29.5 billion. Growth in the Rubber Group is likely to be higher than that of the Automotive Group owing to the price increases in place since the beginning of the year. At present, we do not see any reason why the development of earnings should be weaker in the second half of 2011 than in the first half. Therefore we now anticipate an adjusted EBIT margin of around 10% at corporation level for the year as a whole. Despite the recently observed decline in the price of natural rubber, our estimate for raw materials expenses in the Rubber Group for the current year now amounts to €850 million gross. The reason for this is the recent spike in prices for synthetic rubber, which is partly due to the natural disaster in Japan. The price of butadiene – a base material for synthetic rubber – has jumped by more than 75% since the beginning of the year. In the second quarter the average price for butadiene rose more than 70% compared to the same period of 2010. This will create an additional burden for the Passenger and Light Truck Tires and ContiTech divisions in particular in the second half of the year.

Special effects improved earnings by approximately €15 million in the first half of 2011. For 2011 as a whole, we anticipate total expenses from special effects of €50 million. As before, we expect depreciation and amortization (not including amortization from the purchase price allocation) to rise slightly to a maximum of €1.3 billion in the current year. Amortization from the purchase price allocation is expected to total roughly €450 million. For net interest, we also continue to anticipate an expense in the order of up to €660 million. The reported tax rate will amount to approximately 30% in the current year as a result of nonrecurring effects.

As was already announced in the first quarter of 2011, we will invest up to €1.8 billion this year on account of the significant growth opportunities. The free cash flow targets of more than €500 million for the current year remain in effect.

Consolidated Financial Statements as of June 30, 2011

Consolidated Statements of Income and Comprehensive Income

in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
Sales	**14,878.2**	**12,654.4**	**7,532.6**	**6,657.7**
Cost of sales	-11,723.6	-9,785.1	-5,976.5	-5,169.6
Gross margin on sales	**3,154.6**	**2,869.3**	**1,556.1**	**1,488.1**
Research and development expenses	-823.9	-754.4	-418.5	-379.4
Selling and logistics expenses	-694.5	-640.6	-353.0	-332.2
Administrative expenses	-318.3	-306.6	-162.1	-159.2
Other income and expenses	-78.1	-197.0	-3.3	-124.5
At-equity share in earnings of associates	42.6	36.5	26.8	22.7
Other income from investments	-1.4	3.9	1.1	1.2
Earnings before interest and taxes	**1,281.0**	**1,011.1**	**647.1**	**516.7**
Interest income	12.9	11.9	6.5	6.1
Interest expense[1]	-331.7	-333.8	-156.7	-174.3
Net interest expense	**-318.8**	**-321.9**	**-150.2**	**-168.2**
Earnings before taxes	**962.2**	**689.2**	**496.9**	**348.5**
Income tax expense	-244.4	-303.2	-164.2	-206.8
Net income	**717.8**	**386.0**	**332.7**	**141.7**
Non-controlling interests	-34.8	-37.1	-17.9	-20.5
Net income attributable to the shareholders of the parent	**683.0**	**348.9**	**314.8**	**121.2**
Undiluted earnings per share in €	**3.42**	**1.74**	**1.57**	**0.61**
Diluted earnings per share in €	**3.42**	**1.74**	**1.57**	**0.61**

[1] Including gains and losses from foreign currency translation, from changes in the fair value of derivative instruments, as well as from available-for-sale assets.

in € millions	January 1 to June 30		Second Quarter	
	2011	2010[1]	2011	2010[1]
Net income	**717.8**	**386.0**	**332.7**	**141.7**
Difference from currency translation[2]	-127.0	545.1	-6.8	227.2
Difference from currency translation[2]	-126.3	545.0	-6.8	227.1
Reclassification adjustments to profit and loss	-0.7	0.1	–	0.1
Portion for At Equity accounted investees	–	–	–	–
Available-for-sale financial assets	0.6	1.5	0.7	0.1
Fair value adjustments	0.6	1.5	0.7	0.1
Reclassification adjustments to profit and loss	–	–	–	–
Cash flow hedges	69.9	-26.0	22.0	-2.0
Fair value adjustments	69.9	-26.0	22.0	-2.0
Reclassification adjustments to profit and loss	–	–	–	–
Deferred taxes on other comprehensive income	-26.9	7.7	-7.6	0.8
Other comprehensive income	**-83.4**	**528.3**	**8.3**	**226.1**
Total comprehensive income	**634.4**	**914.3**	**341.0**	**367.8**
Non-controlling interests	26.0	71.5	19.1	36.1
Total comprehensive income attributable to the shareholders of the parent	608.4	842.8	321.9	331.7

[1] The comparative figures as of June 30, 2010, have been adjusted in line with the new reporting structure.

[2] Including non-controlling interests.

Consolidated Balance Sheets

Assets in € millions	June 30, 2011	*Dec. 31, 2010*	June 30, 2010
Goodwill	5,640.2	*5,643.6*	5,676.5
Other intangible assets	1,512.7	*1,723.3*	1,946.3
Property, plant and equipment	6,071.1	*6,098.7*	5,947.4
Investment properties	19.7	*19.9*	18.7
Investments in associates	457.6	*440.4*	401.2
Other investments	7.0	*7.0*	7.0
Deferred tax assets	614.6	*680.7*	726.7
Deferred pension charges	69.7	*73.8*	76.3
Long-term derivative instruments and interest-bearing investments	164.8	*157.9*	89.4
Other long-term financial assets	29.1	*29.5*	19.8
Other assets	13.6	*13.1*	13.3
Non-current assets	**14,600.1**	***14,887.9***	**14,922.6**
Inventories	3,041.8	*2,637.8*	2,529.1
Trade accounts receivable	4,996.2	*4,454.0*	4,778.4
Other short-term financial assets	268.9	*213.3*	209.1
Other assets	623.8	*536.5*	597.1
Income tax receivable	125.6	*123.4*	140.6
Short-term derivative instruments and interest-bearing investments	66.4	*44.3*	46.3
Cash and cash equivalents	1,566.0	*1,471.3*	1,239.4
Assets held for sale	4.4	*22.0*	23.3
Current assets	**10,693.1**	***9,502.6***	**9,563.3**
Total assets	**25,293.2**	***24,390.5***	**24,485.9**

Total equity and liabilities in € millions	June 30, 2011	*Dec. 31, 2010*	June 30, 2010
Common stock	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,149.0*	4,140.7
Retained earnings	1,895.4	*1,212.4*	985.3
Other comprehensive income	-88.4	*-13.8*	47.8
Equity attributable to the shareholders of the parent	**6,474.6**	***5,859.6***	**5,685.8**
Non-controlling interests	346.5	*343.3*	328.1
Total equity	**6,821.1**	***6,202.9***	**6,013.9**
Provisions for pension liabilities and other post-employment benefits	1,409.6	*1,404.5*	1,410.9
Deferred tax liabilities	248.0	*207.7*	202.9
Long-term provisions for other risks	344.6	*325.4*	363.8
Long-term portion of indebtedness	7,071.3	*7,752.4*	6,061.9
Other long-term financial liabilities	0.8	*0.8*	—
Other non-current liabilities	35.6	*39.4*	38.7
Non-current liabilities	**9,109.9**	***9,730.2***	**8,078.2**
Trade accounts payable	3,830.5	*3,510.5*	3,244.5
Income tax payable	652.5	*697.9*	731.1
Short-term provisions for other risks	1,052.4	*1,164.0*	1,328.2
Indebtedness	1,839.9	*1,238.1*	3,330.1
Other short-term financial liabilities	1,163.6	*1,203.4*	937.0
Other liabilities	823.3	*643.5*	822.9
Liabilities held for sale	—	*0.0*	—
Current liabilities	**9,362.2**	***8,457.4***	**10,393.8**
Total equity and liabilities	**25,293.2**	***24,390.5***	**24,485.9**

Consolidated Cash Flow Statements

in € millions	January 1 to June 30		Second Quarter	
	2011	2010	2011	2010
EBIT	1,281.0	1,011.1	647.1	516.7
Interest paid	-388.8	-384.2	-169.9	-140.3
Interest received	12.7	11.8	5.9	5.3
Income tax paid	-194.1	-228.4	-107.7	-165.0
Dividends received	19.4	37.1	1.9	17.8
Depreciation, amortization and impairments	791.7	813.2	397.1	419.3
At-equity share in earnings of associates and accrued dividend income from other investments, incl. impairments	-41.2	-40.4	-27.9	-23.9
Gains from the disposal of assets, subsidiaries and business units	-12.1	-3.0	-7.6	-3.9
Other non-cash items	-22.8	6.9	-15.8	21.4
Changes in				
inventories	-448.3	-287.7	-134.7	-113.6
trade accounts receivable[1]	-633.1	-844.7	237.6	-141.9
notes sold[1]	-0.4	-12.8	6.0	0.8
trade accounts payable	359.4	260.4	141.8	227.2
pension and post-employment provisions	22.2	26.9	8.6	5.1
other assets and liabilities	-42.7	16.8	-186.2	-46.0
Cash provided by operating activities	**702.9**	**383.0**	**796.2**	**579.0**
Proceeds on disposal of property, plant and equipment, and intangible assets	32.3	14.5	21.2	7.1
Capital expenditure on property, plant and equipment, and software	-625.2	-430.0	-370.5	-252.0
Capital expenditure on intangible assets from development projects and miscellaneous	-47.6	-31.8	-23.3	-20.8
Proceeds on disposal of subsidiaries and business units, including surrendered cash and cash equivalents	0.0	30.6	0.0	6.8
Acquisition of subsidiaries and business units, incl. acquired cash and cash equivalents	-25.5	-10.2	-23.8	-0.8
Cash used for investing activities	**-666.0**	**-426.9**	**-396.4**	**-259.7**
Cash flow before financing activities	**36.9**	**-43.9**	**399.8**	**319.3**
Change in indebtedness	119.2	-1,567.8	-286.0	-509.0
Successive purchases	-0.4	-21.1	-0.4	-21.1
Proceeds from the issuance of shares	—	1,056.0	—	-0.8
Dividends paid and repayment of capital to non-controlling interests	-20.3	-22.1	-7.1	-21.2
Cash provided by / used for financing activities	**98.5**	**-555.0**	**-293.5**	**-552.1**
Change in cash and cash equivalents	**135.4**	**-598.9**	**106.3**	**-232.8**
Cash and cash equivalents at the beginning of the reporting period	1,471.3	1,712.8	1,467.5	1,410.3
Effect of exchange rate changes on cash and cash equivalents	-40.7	125.5	-7.8	61.9
Cash and cash equivalents at the end of the reporting period	**1,566.0**	**1,239.4**	**1,566.0**	**1,239.4**

[1] The comparative figures as of June 30, 2010, have been adjusted in line with the new reporting structure.

Consolidated Statements of Changes in Total Equity

in € millions	Number of shares[1] (thousands)	Common stock	Capital reserves	Retained earnings	Successive share purchases[2]	Difference from currency translation[3]	Difference from financial instruments[4]	Subtotal	Non-controlling interests	Total
At Jan. 1, 2010	**169,006**	**432.6**	**3,139.5**	**636.4**	**-34.4**	**-276.0**	**-125.5**	**3,772.6**	**289.1**	**4,061.7**
Net income	–	–	–	348.9	–	–	–	**348.9**	37.1	**386.0**
Comprehensive income	–	–	–	–	–	510.7	-16.8	**493.9**	34.4	**528.3**
Net profit for the period	**–**	**–**	**–**	**348.9**	**–**	**510.7**	**-16.8**	**842.8**	**71.5**	**914.3**
Dividends paid/declared	–	–	–	–	–	–	–	**–**	-22.7	**-22.7**
Issuance of shares[5]	31,000	79.4	1,001.2	–	–	–	–	**1,080.6**	–	**1,080.6**
Successive purchases	–	–	–	–	-10.2	–	–	**-10.2**	-11.6	**-21.8**
Changes in non-controlling interests[6]	–	–	–	–	–	–	–	**–**	1.8	**1.8**
At June 30, 2010	**200,006**	**512.0**	**4,140.7**	**985.3**	**-44.6**	**234.7**	**-142.3**	**5,685.8**	**328.1**	**6,013.9**
At Jan. 1, 2011	**200,006**	**512.0**	**4,149.0**	**1,212.4**	**-44.5**	**134.6**	**-103.9**	**5,859.6**	**343.3**	**6,202.9**
Net income	–	–	–	683.0	–	–	–	**683.0**	34.8	**717.8**
Comprehensive income	–	–	–	–	–	-123.9	49.3	**-74.6**	-8.8	**-83.4**
Net profit for the period	**–**	**–**	**–**	**683.0**	**–**	**-123.9**	**49.3**	**608.4**	**26.0**	**634.4**
Dividends paid/declared	–	–	–	–	–	–	–	**–**	-20.3	**-20.3**
Issuance of shares[5]	–	–	6.6	–	–	–	–	**6.6**	–	**6.6**
Successive purchases	–	–	–	–	0.0	–	–	**0.0**	-3.2	**-3.2**
Changes in non-controlling interests[6]	–	–	–	–	–	–	–	**–**	0.7	**0.7**
At June 30, 2011	**200,006**	**512.0**	**4,155.6**	**1,895.4**	**-44.5**	**10.7**	**-54.6**	**6,474.6**	**346.5**	**6,821.1**

[1] Shares outstanding.
[2] Successive acquisitions of shares of fully consolidated companies.
[3] Includes the shareholder's €0.2 million (PY: €0.0 million) portion of the foreign currency translation of companies consolidated according to the equity method.
[4] The difference from financial instruments, including deferred taxes, is mainly due to changes in the market value of the cash flow hedges on interest and currency.
[5] Includes the expenditure resulting from stock option plans and the compensation offer for granted and not yet exercised stock options. The net proceeds from the capital increase, net of tax effects, are also included in 2010.
[6] Changes in non-controlling interests from consolidation changes or capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report by division for the period from January 1 to June 30, 2011

in € millions	Chassis & Safety	Powertrain	Interior	Passenger and Light Truck Tires
Sales	3,200.5	2,832.7	3,037.4	3,254.2
Intercompany sales	20.0	27.4	6.4	10.5
Sales (total)	**3,220.5**	**2,860.1**	**3,043.8**	**3,264.7**
EBITDA	498.0	214.3	370.6	656.4
in % of sales	15.5	7.5	12.2	20.1
EBIT (segment result)	339.8	-2.9	166.1	531.8
in % of sales	10.6	-0.1	5.5	16.3
Depreciation and amortization[1]	158.2	217.2	204.5	124.6
– thereof impairment[2]	—	0.0	0.5	-0.6
Capital expenditure[3]	124.9	154.1	96.4	176.1
in % of sales	3.9	5.4	3.2	5.4
Operating assets at June 30	4,031.9	2,960.4	4,386.2	2,659.8
Number of employees at June 30[4]	32,136	30,155	31,091	30,297

in € millions	Commercial Vehicle Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	822.5	1,730.9	—	14,878.2
Intercompany sales	38.2	71.2	-173.7	—
Sales (total)	**860.7**	**1,802.1**	**-173.7**	**14,878.2**
EBITDA	72.2	279.0	-17.8	2,072.7
in % of sales	8.4	15.5	—	13.9
EBIT (segment result)	33.8	231.0	-18.6	1,281.0
in % of sales	3.9	12.8	—	8.6
Depreciation and amortization[1]	38.4	48.0	0.8	791.7
– thereof impairment[2]	—	—	—	-0.1
Capital expenditure[3]	29.3	44.5	-6.2	619.1
in % of sales	3.4	2.5	—	4.2
Operating assets at June 30	690.5	1,097.8	-58.4	15,768.2
Number of employees at June 30[4]	7,609	27,573	255	159,116

[1] Excluding impairments on financial investments.
[2] Impairment also includes necessary reversals of impairment losses.
[3] Capital expenditure on property, plant and equipment, and software.
[4] Excluding trainees.

Segment report by division for the period from January 1 to June 30, 2010

in € millions	Chassis & Safety	Powertrain	Interior	Passenger and Light Truck Tires
Sales	2,813.1	2,273.1	2,772.2	2,771.3
Intercompany sales	14.3	37.2	4.6	6.6
Sales (total)	**2,827.4**	**2,310.3**	**2,776.8**	**2,777.9**
EBITDA	469.3	176.2	304.8	621.4
in % of sales	16.6	7.6	11.0	22.4
EBIT (segment result)	309.2	-43.7	95.2	501.3
in % of sales	10.9	-1.9	3.4	18.0
Depreciation and amortization[1]	160.1	219.9	209.6	120.1
– thereof impairment[2]	-0.2	6.1	-5.5	0.5
Capital expenditure[3]	69.8	97.5	70.7	131.2
in % of sales	2.5	4.2	2.5	4.7
Operating assets at June 30	4,051.8	3,215.2	4,425.2	2,411.9
Number of employees at June 30[4]	28,875	25,676	28,727	27,430

in € millions	Commercial Vehicle Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	601.6	1,423.1	—	12,654.4
Intercompany sales	29.0	54.6	-146.3	—
Sales (total)	**630.6**	**1,477.7**	**-146.3**	**12,654.4**
EBITDA	47.0	244.4	-38.8	1,824.3
in % of sales	7.5	16.5	—	14.4
EBIT (segment result)	-7.5	196.9	-40.3	1,011.1
in % of sales	-1.2	13.3	—	8.0
Depreciation and amortization[1]	54.5	47.5	1.5	813.2
– thereof impairment[2]	13.8	0.0	—	14.7
Capital expenditure[3]	18.8	41.8	0.3	430.1
in % of sales	3.0	2.8	—	3.4
Operating assets at June 30	647.4	1,086.0	-51.5	15,786.0
Number of employees at June 30[4]	6,910	24,919	228	142,765

[1] Excluding impairments on financial investments.
[2] Impairment also includes necessary reversals of impairment losses.
[3] Capital expenditure on property, plant and equipment, and software.
[4] Excluding trainees.

Reconciliation of EBIT to Net Income

in € millions	January 1 to June 30		Second Quarter	
	2011	**2010**	**2011**	**2010**
Chassis & Safety	339.8	309.2	167.8	160.2
Powertrain	-2.9	-43.7	-15.9	-22.1
Interior	166.1	95.2	94.3	40.3
Passenger and Light Truck Tires	531.8	501.3	279.6	286.6
Commercial Vehicle Tires	33.8	-7.5	10.3	-13.4
ContiTech	231.0	196.9	114.1	104.7
Other/consolidation	-18.6	-40.3	-3.1	-39.6
EBIT	**1,281.0**	**1,011.1**	**647.1**	**516.7**
Net interest expense	-318.8	-321.9	-150.2	-168.2
Earnings before taxes	**962.2**	**689.2**	**496.9**	**348.5**
Income tax expense	-244.4	-303.2	-164.2	-206.8
Net income	**717.8**	**386.0**	**332.7**	**141.7**
Non-controlling interests	-34.8	-37.1	-17.9	-20.5
Net income attributable to the shareholders of the parent	**683.0**	**348.9**	**314.8**	**121.2**
Undiluted earnings per share in €	3.42	1.74	1.57	0.61
Diluted earnings per share in €	3.42	1.74	1.57	0.61

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 2010. These methods are disclosed in detail in the Annual Report 2010. In addition, the IFRS amendments and new IFRS regulations mandated as of June 30, 2011, are applied in the Interim Report. These mandatory amendments and new regulations were disclosed in detail in the Annual Report 2010. They have no material effect on the Continental Corporation.

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 summary of the Interim Report or in the accompanying explanations. Changes in the recognition or valuation of assets and liabilities within the scope of company acquisitions are applied retrospectively once the final purchase price allocation has been determined.

The consolidated financial statements have been prepared in euro. Unless otherwise stated, all amounts presented are in millions of euro. We point out that differences may arise as a result of the use of rounded amounts and percentages.

Pension obligations

Consolidated net pension expenses of the Continental Corporation can be summarized as follows:

in € millions	January 1 to June 30, 2011					January 1 to June 30, 2010				
	Germany	USA/CAN	UK	Others	Total	Germany	USA/CAN	UK	Others	Total
Current service cost	30.9	0.3	1.4	8.5	**41.1**	25.3	4.4	1.4	5.4	**36.5**
Interest on defined benefit obligation	44.1	25.7	5.7	5.4	**80.9**	43.8	27.0	5.4	4.9	**81.1**
Expected return on plan assets	-14.9	-26.7	-6.6	-2.6	**-50.8**	-14.7	-25.8	-5.7	-2.4	**-48.6**
Amortization of actuarial gains and losses as well as other costs	2.5	9.3	0.8	1.3	**13.9**	0.0	10.3	0.8	0.6	**11.7**
Effects of asset limitation and curtailments	—	0.2	—	0.1	**0.3**	—	1.7	—	—	**1.7**
Net periodic pension cost	**62.6**	**8.8**	**1.3**	**12.7**	**85.4**	**54.4**	**17.6**	**1.9**	**8.5**	**82.4**

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

in € millions	January 1 to June 30	
	2011	2010
Current service cost	0.7	0.9
Interest cost on defined benefit obligation	5.3	5.6
Amortization of actuarial losses as well as other costs	0.8	0.0
Net cost of other post-employment benefits	**6.8**	**6.5**

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 €24.2 million (PY: €24.5 million) into these pension funds for the period from January 1 to June 30, 2011.

In the period from January 1 to June 30, 2011, payments for retirement benefit obligations totaled €89.6 million (PY: €91.9 million). Payments for other post-employment benefits totaled €7.7 million (PY: €7.5 million).

Companies consolidated
In addition to the parent company, the consolidated financial statements include a total of 439 domestic and foreign companies in which Continental AG holds a direct or indirect interest of at least 20% of the voting rights. Of these companies, 309 are fully consolidated and 130 are carried at equity.

Since December 31, 2010, the total number of consolidated companies has increased by ten. Three companies were acquired, four companies were established and ten units carried at equity were included in the scope of consolidation. Two companies were sold and one company was liquidated. In addition, the number of companies consolidated was reduced by four as a result of mergers.

Since June 30, 2010, the total number of consolidated companies has increased by 16. The amounts for the prior year have been presented comparably. The additions to the consolidated companies chiefly relate to acquisitions and newly established companies in the Rubber divisions and the effects from units carried at equity.

Acquisition and sale of companies
To strengthen the position on the French market, Continental Holding France SAS, Sarreguemines, France, acquired 49.9% of the shares in the tire and service sales group Alençon Pneus SAS, Alençon, France. The purchase agreement was concluded on February 19, 2011, and the transaction closed on June 8, 2011. In addition, put and call rights were agreed between the parties for the remaining shares. The group was included in Continental's consolidated financial statements for the first time as of June 1, 2011. The group reported sales of €84.2 million in 2010, has a workforce of about 450 and is allocated to the Tire divisions. The current, preliminary purchase price allocation results in acquired intangible assets of €11.0 million and goodwill of €28.0 million. There are no further material effects on the net assets, financial and earnings position of Continental as of June 30, 2011.

To strengthen the business area of special-purpose conveyor belts, particularly to broaden the customer base and improve export conditions, ContiTech Tianjin Conveyor Belt Co. Ltd., domiciled in Tianjin, China, acquired production facilities for producing conveyor belts and roughly 140 employees from Tianjin Bao'ang Rubber Factory, Tianjin, China, as part of an asset deal. Relevant agreements were already signed on October 18, 2010, and closing took place as of June 1, 2011. Intangible assets in the amount of €0.9 million were capitalized. The insignificant negative difference arising as part of the preliminary purchase price allocation was realized as other operating income. The effects of the first-time inclusion of the acquired business in the consolidated financial statements of Continental including the preliminary purchase price allocation are not significant for the net assets, financial and earnings position as of June 30, 2011.

In the area of European tire sales, €0.2 million was capitalized as intangible assets from asset deals; no goodwill arose. No further changes to the carrying values were undertaken directly before the transaction, whereby the purchase price was not allocated in detail in light of the insignificant nature of the individual transactions. The effects of these transactions, including the corresponding preliminary purchase price allocations, are insignificant for the net assets, financial and earnings situation of Continental as of June 30, 2011.

As of June 30, 2011, Continental Matador Rubber s.r.o., Puchov, Slovakia, sold its equity investment in ZAO Matador Omskshina, Omsk, Russia.

The sale of a small business operation of the Passenger and Light Truck Tires division that had been held for sale also had no significant effect on the net assets, financial and earnings situation of Continental as of June 30, 2011.

Impairment
The corporation immediately reviews intangible assets and property, plant, and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). No significant impairments resulted from these impairment tests in the reporting period.

In the same period of the previous year, expenses totaling €14.7 million were incurred in this context. These included in particular expenses for the locations in Hannover-Stöcken, Germany, and in Costa Rica, and were partially offset by reversals of impairment losses at the location in Huntsville, U.S.A., resulting particularly from possibilities for further use of machinery within the corporation.

Appropriation of net income
As of December 31, 2010, Continental AG posted net retained earnings of €61.1 million (PY: retained losses of €993.7 million). Existing loan agreements would limit total possible dividend distribution to €50.0 million, corresponding to €0.25 per share. In light of this, the Annual Shareholders' Meeting on April 28, 2011 resolved not to distribute a dividend for fiscal 2010. In 2010, distributing a dividend was not considered due to the parent company's retained losses in 2009.

Earnings per share
Basic earnings per share rose to €3.42 (PY: €1.74) for the first half of 2011, and to €1.57 (PY: €0.61) for the period from April 1 to June 30, 2011, and are equal to the diluted earnings per share.

Contingent liabilities and other financial obligations
As of June 30, 2011, there were no material changes in the non-recognized contingent liabilities and other financial obligations as described in the Annual Report 2010.

Transactions with related parties
In the period under review, there were no material changes in the nature of transactions with related parties compared with December 31, 2010. For further information, please refer to the comments in the Annual Report 2010.

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 is made permanently available to shareholders on Continental's website. Earlier declarations in accordance with Section 161 of the *AktG* also can be found on the website.

Segment reporting
Comments on the development of Continental AG's six divisions are provided in the Corporate Management Report as of June 30, 2011.

Indebtedness and net income from financial activities
At the end of March 2011, Continental successfully concluded renegotiation of the VDO loan originally maturing in August 2012, stipulating longer terms and improved conditions. The committed volume of this loan was reduced to €6.0 billion following an early repayment of €484.9 million in April 2011. A first tranche of €625.0 million is to be repaid in August 2012, and the term for the other two tranches, including a revolving credit line of €2.5 billion, has been extended to April 2014.

Comments on indebtedness and the net income from financial activities are provided in the Corporate Management Report as of June 30, 2011.

Income tax expense

Income tax expense in the first half of 2011 amounted to €244.4 million (PY: €303.2 million). The tax rate in the reporting period was 25.4% after 44.0% for the same period of the previous year.

In addition to the different national breakdown of earnings before income taxes, the income tax expense for the reporting period was largely influenced by tax income of €68.2 million for previous years. In the first quarter of 2011, Continental successfully implemented a pending prior-year tax position out of court by way of a reassessment. As was already reported in the first quarter of 2011, this resulting tax income was recognized in profit and loss in full.

The tax expenses for the reporting period were also influenced by an impairment on deferred tax assets of €23.9 million relating to increases in the year under review regarding the interest carryforwards in Germany.

Since 2008, a limit on the deductible interest that can be carried forward has applied in Germany; the amount deductible under the tax law is limited to 30% of the taxable income before depreciation and amortization and before interest.

Litigation and compensation claims

There was no significant new information in the reporting period with regard to litigation and compensation claims. For further information, please refer to the comments in the Annual Report 2010.

Capital increase in 2010

On January 6, 2010, the Executive Board of Continental AG resolved – with Supervisory Board approval – an increase in the share capital of €432,655,316.48 by a nominal amount of €79,360,000.00 by issuing 31,000,000 new shares from authorized capital (Authorized Capital 2007).

The capital increase was implemented by way of a subscription rights offering to the shareholders of Continental AG. On January 26, 2010, Continental AG announced that more than 99% of the free float shareholders had made use of their subscription rights. Net proceeds totaled €1,056.0 million before tax effects. Equity was reduced by transaction costs of €57.8 million while deferred taxes of €17.3 million were also recognized. The capital increase served to repay Continental AG's liabilities from the VDO loan.

For further information, please see the comments in the 2010 financial and annual reports.

Shareholder structure

M.M. Warburg & CO KGaA and B. Metzler seel. Sohn & Co. KGaA notified Continental AG that their respective shares of the voting rights in Continental AG fell below the thresholds of 15% and 10% on March 30, 2011, and now amount to 5.19% each.

From this, and from the information made public by the Schaeffler Group, the shareholder structure, including rounding differences, with regard to the 200,005,983 outstanding Continental shares is as follows: 49.90% Schaeffler Group, 5.19% M.M. Warburg & CO KGaA, 5.19% B. Metzler seel. Sohn & Co. KGaA. Continental's free float amounts to 39.71%.

Significant Events after June 30, 2011

Construction of a new tire plant in Kaluga, Russia

On July 1, 2011, the construction of a new tire plant in Kaluga, Russia, was announced. Construction is to begin at the end of 2011 and production is slated to start at the end of 2013, with the first module turning out around 4 million passenger and light truck tires per year at full capacity. In due course, the annual capacity can be expanded to 8 million passenger and light truck tires. The main advantages of the new location Kaluga include its good infrastructure, its central geographic location and the positive experience that Continental has had with the existing automotive electronics factory in Kaluga.

Expansion of electronics production in Kaluga

On July 5, 2011, the expansion of electronics production in Kaluga, Russia, was announced. Investments will be made in expanding the production plants, which primarily manufacture engine control units but also components for fuel supply and fuel injection systems. The objective is to increase the production capacity to at least one million engine control units per year.

Acquisition of Modi Tyres Company Limited

On April 17, 2011, agreements were concluded for the acquisition of 100% of the shares in Modi Tyres Company Limited, Modipuram, India. The acquisition was completed on July 15, 2011. The purchase price for 100% of the shares in Modi Tyres Company Limited is €18.5 million. The company generated sales of approximately €100 million in the past business year and will in future operate under the name Continental Tyres India Ltd. The new company will focus on local production and distribution of bias and radial tires for trucks and buses as well as radial tires for passenger vehicles and light trucks.

Closure of the ContiTech Site in Coslada

On July 7, 2011, Continental Industrias del Caucho S.A., Madrid, Spain, announced that it had reached an agreement with the employee representatives to close its Coslada site in Spain by the end of 2011. The plant, which assembles air conditioning lines, started reporting losses after a major contract was lost at the end of 2009. Negotiations concerning the conditions for the closure have already been completed, and the official redundancy plan approved by the Spanish authorities is expected to be ready some time during the course of the third quarter. The resulting cost will probably be in the low double-digit million range.

Improved Standard & Poor's credit rating

Following the successful refinancing measures in the current year, the rating agency Standard & Poor's raised its credit rating for Continental AG from B to B+ on July 20, 2011. The outlook remains positive.

Notification of voting rights

BlackRock Investment Management (UK) Limited, London, UK, informed Continental AG that the share of Continental AG's voting stock held by BlackRock, Inc., New York, U.S.A., and some of its subsidiaries had exceeded the 3% and 5% thresholds on July 15, 2011, and totaled 5.02%. Free float remains unchanged.

Hanover, July 25, 2011

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company's Legal Representatives

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 assets, liabilities, financial position and profit or loss of the corporation, and the interim management report of the corporation includes a fair review 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 25, 2011

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed interim consolidated financial statements of the Continental Aktiengesellschaft - comprising Consolidated Statements of Income and Comprehensive Income, Consolidated Balance Sheets, Consolidated Cash Flow Statements, Consolidated Statements of Changes in Total Equity and selected Explanatory Notes to the Consolidated Financial Statements - together with the interim corporate management report of the Continental Aktiengesellschaft, for the period from January 1, 2011 to June 30, 2011 that are part of the semi annual report according to § 37 w German Securities Trading Act (*Wertpapierhandelsgesetz* – *WpHG*). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim corporate management report in accordance with the requirements of the *WpHG* applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim corporate management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim corporate management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim corporate management report has not been prepared, in material respects, in accordance with the requirements of the *WpHG* applicable to interim corporate management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim corporate management report has not been prepared, in material respects, in accordance with the requirements of the *WpHG* applicable to interim corporate management reports.

Hanover, July 25, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Bartels-Hetzler	Dr. Thümler
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

2011

Annual Financial Press Conference	March 3
Analyst Telephone Conference	March 3
Annual Shareholders' Meeting	April 28
Financial Report as of March 31, 2011	May 5
Half-Year Financial Report as of June 30, 2011	July 29
Financial Report as of September 30, 2011	November 3

2012

Annual Financial Press Conference	February
Analyst Telephone Conference	February
Annual Shareholders' Meeting	April 27
Financial Report as of March 31, 2012	May
Half-Year Financial Report as of June 30, 2012	July
Financial Report as of September 30, 2012	November

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Continental