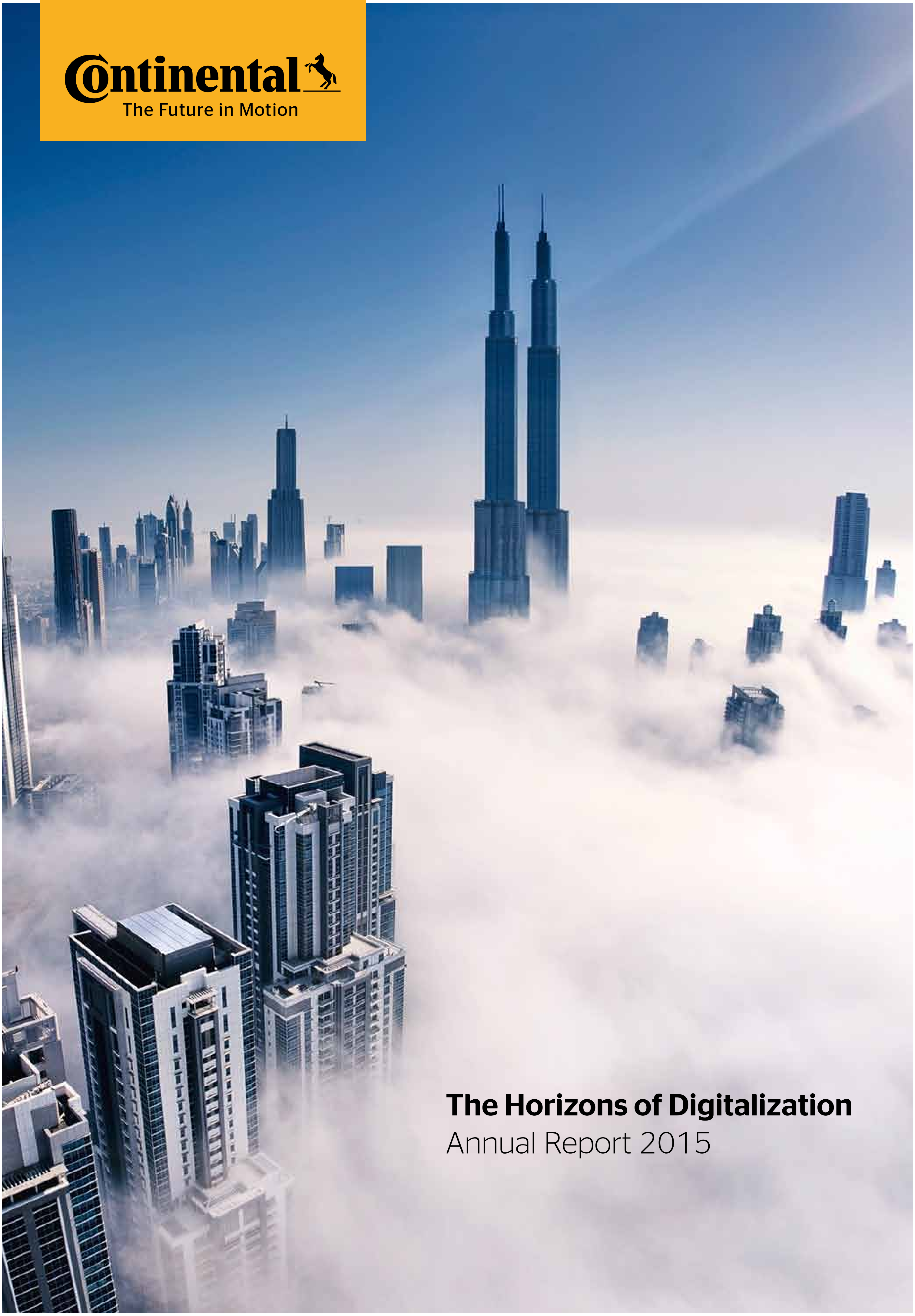
Continental
The Future in Motion



The Horizons of Digitalization
Annual Report 2015

2015 Highlights

- Sales up to €39.2 billion
- Free cash flow before acquisitions at €2.7 billion
- Dividend set to increase by 15% to €3.75

Key Figures for the Continental Corporation

in € millions	2015	2014	Δ in %
Sales	39,232.0	34,505.7	13.7
EBITDA	6,001.4	5,133.8	16.9
in % of sales	15.3	14.9	
EBIT	4,115.6	3,344.8	23.0
in % of sales	10.5	9.7	
Net income attributable to the shareholders of the parent	2,727.4	2,375.3	14.8
Earnings per share in €	13.64	11.88	14.8
EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects	4,369.0	3,862.1	13.1
in % of sales	11.1	11.2	
Adjusted sales[1]	37,774.7	34,495.8	9.5
Adjusted operating result (adjusted EBIT)[2]	4,455.5	3,865.9	15.3
in % of adjusted sales	11.8	11.2	
Free cash flow	1,443.6	2,014.9	-28.4
Net indebtedness	3,541.9	2,823.5	25.4
Gearing ratio in %	26.8	25.6	
Total equity	13,213.9	11,024.6	19.9
Equity ratio in %	40.2	36.5	
Number of employees as at December 31[3]	207,899	189,168	9.9
Dividend per share in €	3.75[4]	3.25	15.4
Share price at year-end[5] in €	224.55	175.55	27.9
Share price at year-high[5] in €	234.25	183.25	
Share price at year-low[5] in €	166.60	136.85	

1 Before changes in the scope of consolidation.
2 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.
3 Excluding trainees.
4 Subject to the approval of the Annual Shareholders' Meeting on April 29, 2016.
5 Price quotations of the Continental share in the XETRA system of Deutsche Börse AG.

Overview of the Corporation and Key Figures

Structure of the Continental Corporation

Continental Corporation
Sales: €39.2 billion; Employees: 207,899

Automotive Group Sales: €23.6 billion; Employees: 115,888			Rubber Group Sales: €15.7 billion; Employees: 91,603	
Chassis & Safety Sales: €8.4 billion Employees: 40,062	**Powertrain** Sales: €7.1 billion Employees: 35,364	**Interior** Sales: €8.2 billion Employees: 40,462	**Tires** Sales: €10.4 billion Employees: 48,955	**ContiTech** Sales: €5.4 billion Employees: 42,648
› Vehicle Dynamics › Hydraulic Brake Systems › Passive Safety & Sensorics › Advanced Driver Assistance Systems	› Engine Systems › Fuel & Exhaust Management › Hybrid Electric Vehicle › Sensors & Actuators › Transmission	› Instrumentation & Driver HMI › Infotainment & Connectivity › Intelligent Transportation Systems › Body & Security › Commercial Vehicles & Aftermarket	› Passenger and Light Truck Tire Original Equipment › Passenger and Light Truck Tire Replacement Business EMEA › Passenger and Light Truck Tire Replacement Business The Americas › Passenger and Light Truck Tire Replacement Business APAC › Commercial Vehicle Tires › Two-Wheel Tires	› Air Spring Systems › Benecke-Kaliko Group › Compounding Technology › Conveyor Belt Group › Elastomer Coatings › Industrial Fluid Systems[1] › Mobile Fluid Systems[1] › Power Transmission Group › Vibration Control

1 Since January 1, 2016.

Key figures for core business areas

	Automotive Group			Rubber Group		
in € millions	**2015**	2014	Δ in %	**2015**	2014	Δ in %
Sales	23,574.5	20,909.2	12.7	15,704.6	13,637.6	15.2
EBITDA	2,973.2	2,407.7	23.5	3,181.5	2,832.6	12.3
in % of sales	12.6	11.5		20.3	20.8	
EBIT	2,014.4	1,189.3	69.4	2,255.8	2,262.7	-0.3
in % of sales	8.5	5.7		14.4	16.6	
Adjusted sales[1]	23,364.7	20,909.2	11.7	14,457.1	13,627.7	6.1
Adjusted operating result (adjusted EBIT)[2]	2,066.1	1,679.3	23.0	2,544.0	2,293.8	10.9
in % of adjusted sales	8.8	8.0		17.6	16.8	

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

The Horizons of Digitalization

Highly developed, intelligent technologies for mobility, transport and processing make up our world.

We want to provide the best solutions for each of our customers in each of our markets.

All of our stakeholders will thus come to recognize us as the most value-creating, highly reliable and respected partner.

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Chairman's Letter

Dear Shareholders,

As stakeholders in Continental, you place trust and invest money in your technology company. In doing so, you are helping us create even greater value, and for this our global team and I would like to express our sincerest thanks.

Your trust is our driving force, keeping us firmly on our successful course. Along the way, we have already reached some key milestones.

The first is our financial stability. After the acquisition of Siemens VDO, Continental was at the time heavily in debt, a situation exacerbated by the financial crisis in 2008 and 2009. But for some years now we have again been fully maneuverable with no financial concerns and are stronger now than almost ever before.

The second is our future viability. To help ensure this in the long term, we have fostered our corporate culture, creating an identity as "one Continental" with our four values – Passion To Win, Freedom To Act, For One Another, and Trust. In doing so, we have also expanded and strengthened collaboration within and throughout the corporation. After all, this is where our unique potential lies: in the fast and flexible development of innovations in the form of new products, systems, and features for our customers.

All of this means we are ideally positioned to help shape the future industrial world and the changing mobility landscape. We are pioneers in this regard, systematically seizing new opportunities with our top technologies. Here are four key examples:

The challenge of clean air: The battle against carbon dioxide emissions has entered a decisive phase. Today, more than seven billion people require mobility. By 2060, this figure will have risen to ten billion. Our contribution is clean power for low-emission drive systems. Our latest technologies help reduce fuel consumption in modern combustion engines by more than 20%. In addition, we are investing heavily in technologies for zero-emission mobility.

The challenge of safety: Each year, there are still more than 1.2 million road traffic fatalities around the world. For us it is simply unacceptable that 3,300 people lose their lives and 140,000 are injured on the roads every day. It is time to make road accidents a thing of the past. The technologies for doing so are already available and are now being fully integrated into cars. They include our advanced driver assistance systems as well as our tires, both of which can be found on millions of vehicles. Advanced driver assistance systems detect the surrounding environment, keep the vehicle in lane and on the road, monitor the blind spot, brake autonomously, and call for help in emergencies.

The challenge of urbanization: By 2050 more than two-thirds of the world's population will live in large cities, which is also where most of the anticipated two billion vehicles will be found. These vehicles will not only have to meet the specific needs of their users, requiring a high degree of interconnectivity, but will also have to be emission-free.

Electric drive systems, in particular, present a solution to this challenge. China is aiming to be the pioneer in this field, since these systems will help make the air in its cities more breathable again. Moreover, many city dwellers will share rather than own a vehicle. This emerging trend toward shared mobility will require vehicles that are in use almost around the clock, instead of just about an hour a day as they are today.

All of this will mean drastic changes for our industry. Traditionally successful technologies and business models will be put to the test. Cubic capacity or horse power alone will no longer be the key factor when deciding what car to buy. Instead, decisions will more often be based on comfort, convenience, connectivity and environmental compatibility.

The challenge of digitalization: Electronics, sensor technology, and software are opening up a broader range of opportunities. Cars are becoming part of the Internet. Smartphones, the Internet, and social media have unprecedented momentum – momentum that is radical, powerful, and challenging. The logic of the digitally connected world is taking hold of cars with full force – and is thus affecting mobility in its entirety. We already generate more than €14 billion, or over 35 percent, of our sales with digital technologies, and this will continue to increase over the coming years.

We see all of these challenges as tremendous opportunities and are tackling them with immense confidence. After all, your Continental has been demonstrating its flexibility and its ability to adapt quickly for 144 years.

We look forward to continuing along our successful path together with you.

Yours,
Elmar Degenhart

Dr. Elmar Degenhart
Chairman of the Executive Board

Members of the Executive Board

Dr. Ralf Cramer
born in 1966 in
Ludwigshafen, Germany;
Continental China;
appointed until
August 2017

José A. Avila
born in 1955 in
Bogotá, Colombia;
Powertrain Division;
appointed until
December 2019

Nikolai Setzer
born in 1971 in
Groß-Gerau, Germany;
Tire Division,
Corporate Purchasing;
appointed until
August 2017

Helmut Matschi
born in 1963 in
Viechtach, Germany;
Interior Division;
appointed until
August 2017

Hans-Jürgen Duensing
born in 1958 in
Hanover, Germany;
ContiTech Division;
appointed until
April 2018

Wolfgang Schäfer
born in 1959 in
Hagen, Germany;
Finance, Controlling,
Compliance,
Law and IT;
appointed until
December 2019

Dr. Ariane Reinhart
born in 1969 in
Hamburg, Germany;
Human Relations,
Director of Labor Relations,
Sustainability;
appointed until
September 2017

Dr. Elmar Degenhart
born in 1959 in
Dossenheim, Germany;
Chairman of the
Executive Board,
Corporate Communications,
Corporate Quality and
Environment,
Continental Business System,
Automotive Central Functions;
appointed until
August 2019

Frank Jourdan
born in 1960 in
Groß-Gerau, Germany;
Chassis & Safety Division;
appointed until
September 2021

Continental Shares and Bonds

Continued good performance by Continental shares thanks to substantial sales increase and further improvement in earnings.

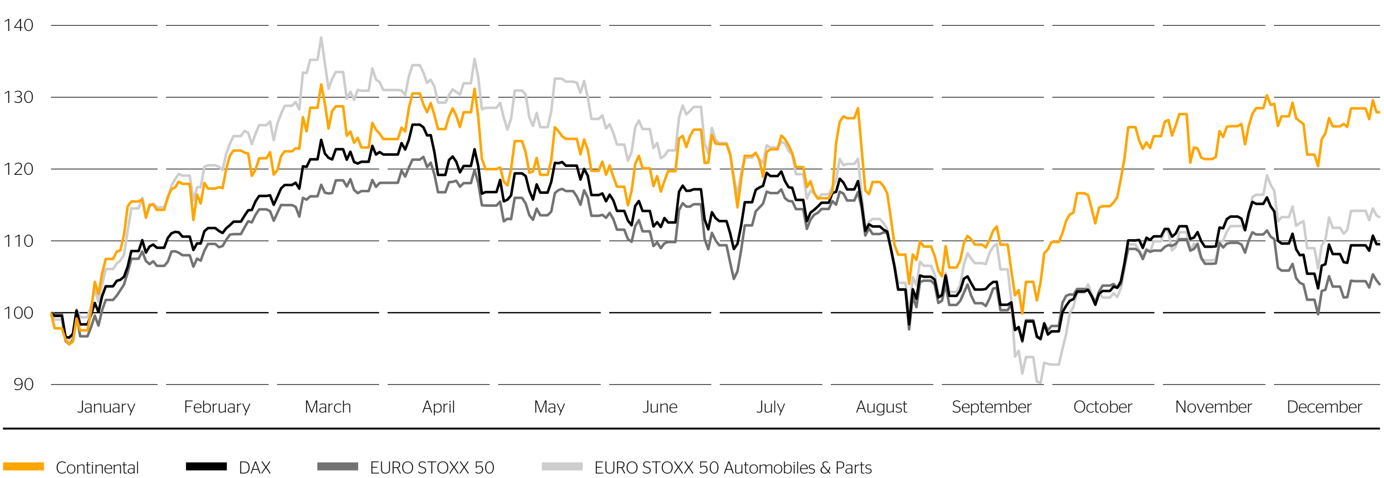
Rally, consolidation, correction, and recovery
On January 22, 2015, the announcement of the European Central Bank's (ECB) asset purchase program, which was considerably higher than expected at around €60 billion per month, brought about a rally on eurozone stock markets. The announcement of good company results for 2014 and rising investor expectations on the development of company profits in 2015 also had a positive effect. These developments were attributable to improved export opportunities as a result of the falling euro exchange rate in relation to the U.S. dollar, as well as to lower prices for crude oil and other raw materials. The announcement by the U.S. Federal Reserve (Fed) that it does not intend to act "impatiently" with regard to the interest rate hike, which has been indicated as likely to take place in 2015, also received a positive response on the markets. In this context, the DAX set one record after another in the first quarter of 2015, exceeding the levels of 11,000 and 12,000 points for the first time. The EURO STOXX 50 also rose substantially in the first quarter of 2015, reaching a new seven-year high.

The DAX reached a new all-time high of 12,390.75 points during the course of April 10, 2015. This marked the peak and also the end of the bull market. In the following weeks and months, growing uncertainty due to the escalating debt crisis in Greece led to a consolidation in prices, particularly on the European stock markets. Weaker-than-anticipated economic data for the U.S.A. and China also had a negative impact on the stock markets toward the end of April. The protracted negotiations between Greece and its creditors caused the DAX to fall below the level of 11,000 points again in June.

At the start of the third quarter of 2015, the global stock markets were initially negatively impacted by the outcome of the Greek referendum on the austerity package negotiated with the creditors and the related uncertainty as to whether Greece would remain in the eurozone. Investors were also unsettled by the significant slump on the Chinese stock market. Only when the Chinese government introduced support measures and Greece reached an agreement with its creditors was there a recovery in share prices in mid-July. In mid-August, the depreciation of the renminbi initiated by the People's Bank of China surprised investors and gave rise to new concerns about the state of the Chinese economy. The correction on the Chinese stock markets that had begun in June 2015 consequently continued with further price decreases of over 20%. The relevant benchmark indexes on the Japanese, European, and U.S. stock markets also fell by as much as 20%. The stock markets stabilized in late August but were then negatively impacted – in Europe in particular – by the VW emissions affair from September 21, 2015, onward. At the end of September 2015, reports of weak economic data for China resulted in new lows for the year on the stock markets.

The announcement that the Chinese government would take further measures to support the economy then prompted a movement in the opposite direction at the start of the fourth quarter. Part of the Chinese government's package of measures included halving sales tax on purchases of passenger cars with a cubic capacity of less than 1.6 liters from October 1, 2015, through the end of 2016, which benefited automotive shares in particular. The recovery in share prices continued until early December, supported by good company results and growing expectations among investors that the ECB would further ease its monetary policy.

Price performance of Continental shares in 2015 versus selected stock indexes indexed to January 1, 2015



However, investors were then disappointed by the actual scope of the additional ECB measures announced on December 3, 2015, causing share prices to decline. In the following days, the markets were again negatively impacted by weak data from China. In contrast, the turnaround in interest rates announced by the Fed on December 16, 2015, had been expected by many market participants. The moderate increase in the key interest rate and the further interest rate changes indicated for 2016 were instead assessed as evidence of the strength of the U.S. economy and as an official end to the global financial crisis for the U.S.A.

The DAX climbed again in the second half of December and closed 2015 with an increase of 9.6% to 10,743.01 points, while the EURO STOXX 50 ended the year with an increase of 3.8% to 3,267.52 points.

Further outperformance by Continental shares

In mid-January 2015, Continental shares benefited from the announcement of preliminary figures for fiscal 2014, climbing above the €200 mark for the first time later in the month. The better-than-expected number of new passenger car registrations in Western Europe in January and February strengthened the positive sentiment for the European automotive sector until mid-March 2015. The Continental share price also increased further, rising above the €220 mark for the first time in mid-February.

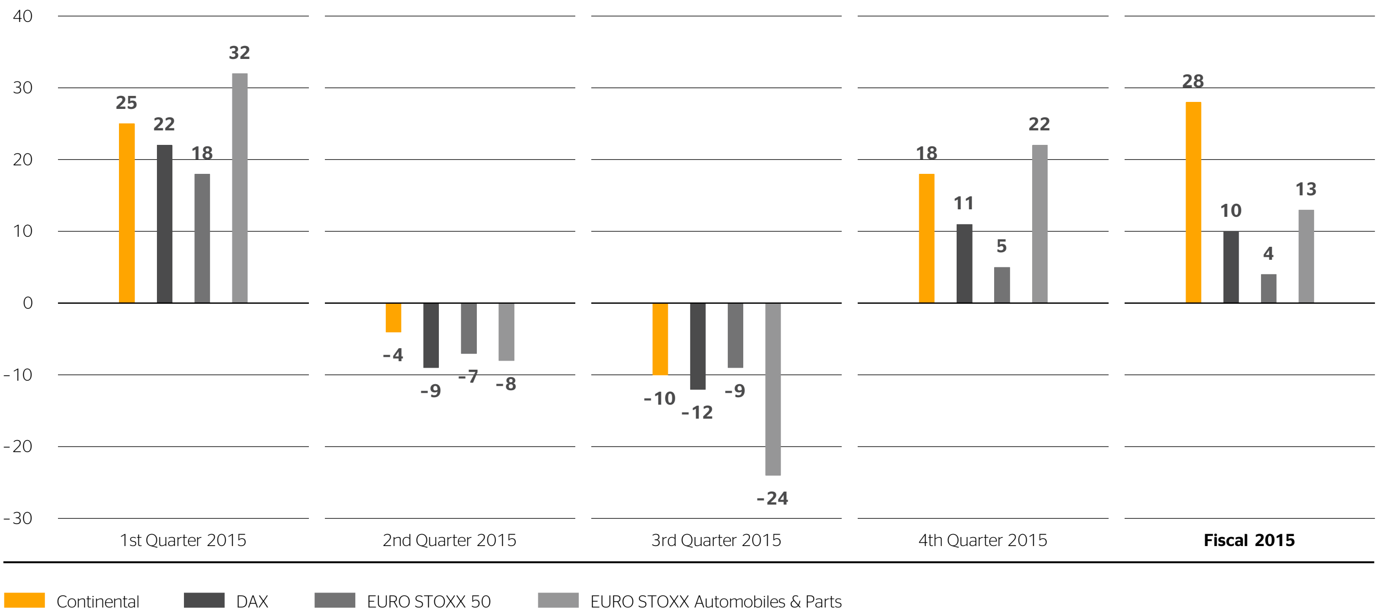
The announcement of the preliminary business figures for 2014 at the annual financial press conference on March 5, 2015, and the improvement in the outlook for fiscal 2015 resulted in a further increase in the Continental share price. During the course of March 16, it reached a new all-time high of €234.25. At the end of the first quarter of 2015, Continental shares were quoting at €220.30. Compared to the beginning of the year, they were therefore up 25.5%.

In early April 2015, positive figures for new passenger car registrations in Western Europe for March led to rising share prices for automotive companies, before the general market consolidation then took hold in the automotive sector at the end of April. Slower growth rates for new registrations of passenger cars in China further dampened sentiment during the second quarter. By contrast, there was a positive effect from the better-than-expected number of new passenger car registrations in Western Europe and the U.S.A. in April and May. Continental's share price had declined by more than €20 in a weak environment by the beginning of May, before stabilizing at €210 on May 7, 2015, as a result of the publication of Continental AG's business figures for the first quarter of 2015.

Over the remainder of the quarter, the price of Continental shares ranged between €202 and €221 in light of the Greek debt crisis, closing the second quarter of 2015 at €212.25. In the first half of 2015, Continental shares thus marked an increase of 20.9% in comparison to their 2014 closing price.

In the third quarter, Continental shares moved in line with the market as a whole until in early August, when the publication of better-than-anticipated business figures for the second quarter of 2015 caused the share price to rise above the €220 mark again. Starting from mid-August, the Continental share price fell as low as €180 as a result of the general market correction and subsequently stabilized between €190 and €200. The VW emissions affair unsettled the share prices of European automotive companies from September 21, 2015, onward, with the Continental share price also falling below €180. At the end of September, positive analyst assessments brought about a recovery in Continental shares. At the end of the third quarter, they were quoting at €190.10, which was 8.3% above their closing price for 2014.

Price performance by quarter in 2015 in %



Performance over various time periods

Investment period for €10,000	Continental[1]	DAX	EURO STOXX 50[1]	EURO STOXX Automobiles & Parts[1]
1 year (Jan. 1, 2015 – Dec. 31, 2015)	€12,988	€10,956	€10,720	€11,584
Yield in % p.a.	29.9	9.6	7.2	15.8
3 years (Jan. 1, 2013 – Dec. 31, 2015)	€27,033	€14,113	€13,750	€17,459
Yield in % p.a.	39.3	12.2	11.2	20.4
5 years (Jan. 1, 2011 – Dec. 31, 2015)	€40,857	€15,538	€14,228	€18,899
Yield in % p.a.	32.5	9.2	7.3	13.6
10 years (Jan. 1, 2006 – Dec. 31, 2015)	€35,216	€19,864	€13,498	€30,781
Yield in % p.a.	13.4	7.1	3.0	11.9

1 Including reinvested dividends.

As a result of the recovery in prices on the stock markets, Continental shares rose in value again during the fourth quarter of 2015, boosted by the publication of the figures for the third quarter of 2015. Early in December, Continental shares were quoting at around €230, before then falling to €210 as a result of the general market decline following the publication of the ECB measures in mid-December. Continental shares recovered again in the second half of December. They ended 2015 at a price of €224.55 (PY: €175.55).

With a price gain of €49.00, there was an increase in the share price of 27.9% in 2015. Continental shares thus outstripped the DAX performance index (9.6%) and the price indexes EURO STOXX 50 (3.8%) and EURO STOXX Automobiles & Parts (13.3%) for the fourth year in a row. In the annual ranking of the 30 DAX shares, Continental was sixth in terms of its share price performance (PY: seventh).

Outperformance also over various time periods

Assuming the dividend distribution of €3.25 had been immediately reinvested in line with the DAX performance index, this would have resulted in a total yield of 29.9% from the Continental shares for the year under review. Again, this is a much better performance in comparison to the DAX, EURO STOXX 50 and EURO STOXX Automobiles & Parts (including reinvested dividends in each case).

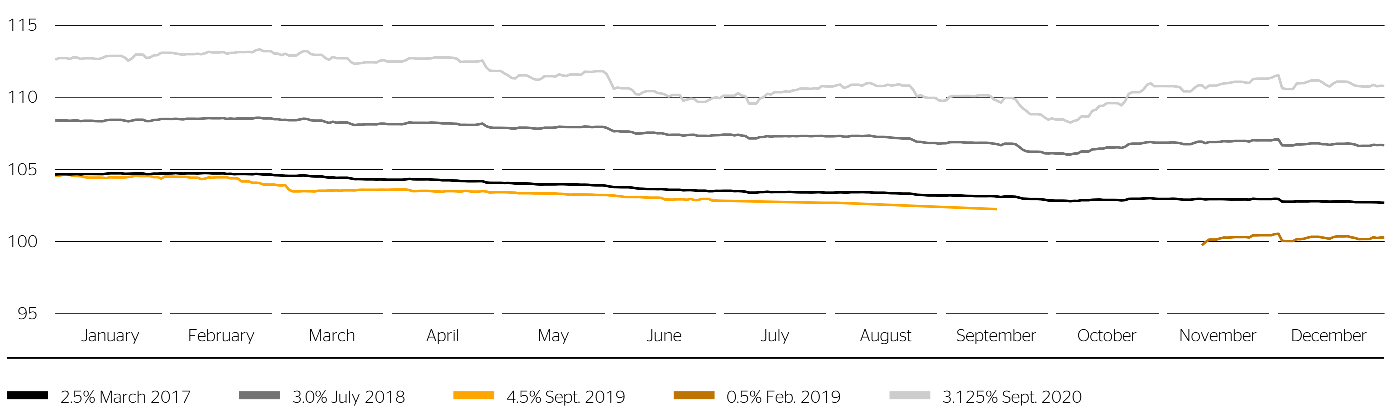
Continental's good operating performance in the past years illustrates the strength of our shares over longer periods as well:

- Investing €10,000 in Continental shares at the beginning of 2013 would have generated a yield of 39.3% per year or an increase in value of 170% to €27,033 over the past three years. Over the past five years, the same investment would have generated an increase in value of 309% to €40,857 (32.5% p.a.). In both cases, considerably higher yields would have been generated than with an investment in the reference indexes.
- The high yields over the past three and five years still reflect the slump in prices on the stock markets in 2008 and the gradual recovery in 2009. However, a comparison of the performance over the past ten years also shows a substantial increase in value of 252% to €35,216 for a €10,000 investment in Continental shares. With an annual yield of 13.4%, the reference indexes were outperformed over this ten-year period as well.

2013 euro bonds post price declines

After the substantial price increases of the past year, the three Continental euro bonds issued in 2013 remained at a low yield level during the first quarter of 2015 and showed only slight fluctuations in price. In anticipation of the turnaround in interest rates

Price performance of Continental bonds in 2015



Outstanding bonds as at December 31, 2015

WKN/ISIN	Coupon	Maturity	Volume in millions	Issue price	Price as at Dec. 31, 2015	Price as at Dec. 31, 2014
A1VC6B / XS0972719412	2.500%	March 20, 2017	€750.0	99.595%	**102.679%**	104.636%
A1X24V / XS0953199634	3.000%	July 16, 2018	€750.0	98.950%	**106.682%**	108.316%
A1Z7C3 / DE000A1Z7C39	0.500%	February 19, 2019	€500.0	99.739%	**100.276%**	–
A1X3B7 / XS0969344083	3.125%	September 9, 2020	€750.0	99.228%	**110.798%**	112.628%

in the U.S.A., a substantial rise in interest rates could be observed on the bond markets in Europe and the U.S.A. starting from mid-April 2015, firstly affecting government bonds and then spreading to corporate bonds. The 2013 Continental euro bonds also recorded corresponding price losses. In the third quarter of 2015, the bond markets stabilized before concerns with regard to China's economic development and the end of the low-interest-rate period in the U.S.A. anticipated for September by many investors again led to a slight decline in prices. The bond markets in the U.S.A. were boosted in mid-September by the Fed's postponement of the turnaround in interest rates.

However, at the end of September 2015, the VW emissions affair had a negative impact in particular on bonds in the European automotive sector. The 2013 Continental euro bonds also decreased, but stabilized over the remainder of the fourth quarter of 2015. This was attributable primarily to investors' growing expectations with regard to further monetary policy measures by the ECB. In early December, the announcement of these measures had a negative impact on the bond markets in Europe, as their scope was more limited than many investors had expected.

U.S. dollar bond redeemed early

The price of the U.S. dollar bond fell to under 103% by the start of July 2015, since market participants were increasingly expecting the bond to be redeemed early. On July 6, 2015, Continental announced the early redemption of the bond of U.S. $950.0 million at 102.25%. This redemption took place on September 15, 2015, four years before the bond was due to mature in September 2019.

Successful placement of a new euro bond

Under the Debt Issuance Programme, a euro bond with a nominal volume of €500.0 million was issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and successfully placed with investors in Germany and abroad on November 12, 2015. The issue price amounted to 99.739%. The new bond has a term of three years and three months and a fixed interest rate of 0.5% p.a. It was introduced on the regulated market of the Luxembourg Stock Exchange on November 19, 2015.

Increase in Continental's CDS premium

Following the announcement of the ECB asset purchase program, premiums for insuring against credit risks (credit default swap, CDS) in Europe initially decreased considerably. The five-year CDS premium for Continental fell from 56.348 basis points at the end of 2014 to below 40 basis points by the end of February 2015. Following the announcement of the sharper-than-expected decrease in Continental AG's net indebtedness on March 5, 2015, the Continental CDS premium fell again and marked an eight-year low of 36.177 basis points on March 6.

From mid-April 2015, the rise in interest rates on the bond markets and the escalating debt crisis in Greece brought about an increase in credit risk premiums. After a consolidation in July, the slight rise in interest rates due to concerns about China, the development of the global economy and the possible turnaround in interest rates in the U.S.A. resulted in a further increase in credit risk premiums.

Continental's CDS premium fell back to around 70 basis points in September before the VW emissions affair then led to a significant increase in credit risk premiums for European automotive companies. It increased until early October, rising to around 100 basis points before then falling back to roughly 60 basis points during the fourth quarter.

At the end of December 2015, the five-year CDS premium for Continental was quoting at 63.400 basis points, only slightly higher than its 2014 year-end value, and thus improved in relation to the Markit iTraxx Europe reference index. The spread amounted to -16.466 basis points at the end of December 2015 (December 31, 2014: -6.514 basis points).

Further improvement in Continental's credit rating

On May 20, 2015, Standard & Poor's confirmed its BBB credit rating for Continental AG and also raised the outlook from stable to positive. Moody's upgraded its credit rating for Continental AG to Baa1 on June 30, 2015, while Fitch's credit rating remained the same in the reporting period.

December 31, 2015	Rating	Outlook
Standard & Poor's[1]	BBB	positive
Fitch[2]	BBB	positive
Moody's[3]	Baa1	stable

December 31, 2014	Rating	Outlook
Standard & Poor's[1]	BBB	stable
Fitch[2]	BBB	positive
Moody's[3]	Baa3	stable

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Non-contracted rating since February 1, 2014.

Net income per share reaches new high
In the year under review, the net income attributable to the shareholders of the parent rose by 14.8% after €2.38 billion in the previous year to a new high of €2.73 billion. This increase was attributable to the continued strong operating performance of the Continental Corporation.

Earnings per share, i.e. the portion of profits attributable to the shareholders per share, are calculated by dividing the net income attributable to the shareholders of Continental AG by the average number of shares outstanding. They rose accordingly by 14.8% to €13.64 (PY: €11.88) – also a new high.

Dividend proposal of €3.75 per share
The Executive Board and the Supervisory Board have resolved to propose a 15.4% increase in the dividend distribution to €3.75 per share for the past fiscal year to the Annual Shareholders' Meeting to be held in Hanover on April 29, 2016. This corresponds to €750.0 million or a dividend payout ratio of 27.5% of net income attributable to the shareholders of the parent. Based on the dividend proposal and the further significant increase in the annual average Continental share price, this results in a dividend yield of 1.8% for 2015.

A dividend of €3.25 per share was paid for fiscal 2014, amounting to a total payout of €650.0 million. The dividend payout ratio was 27.4%, and the dividend yield was 2.0%.

Free float stable at 54.0%
As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2015. The most recent change took place on September 17, 2013, when our major shareholder, the Schaeffler Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares, reducing its shareholding in Continental AG from 49.9% to 46.0%.

As at the end of 2015, the market capitalization of Continental AG amounted to €44.9 billion (PY: €35.1 billion). Market capitalization on the basis of free float in accordance with Deutsche Börse AG averaged €24.1 billion over the last 20 trading days of 2015 (PY: €18.5 billion). The trading volume in euros that is also relevant to index selection amounted to €27.7 billion from January to December 2015 (PY: €20.6 billion).

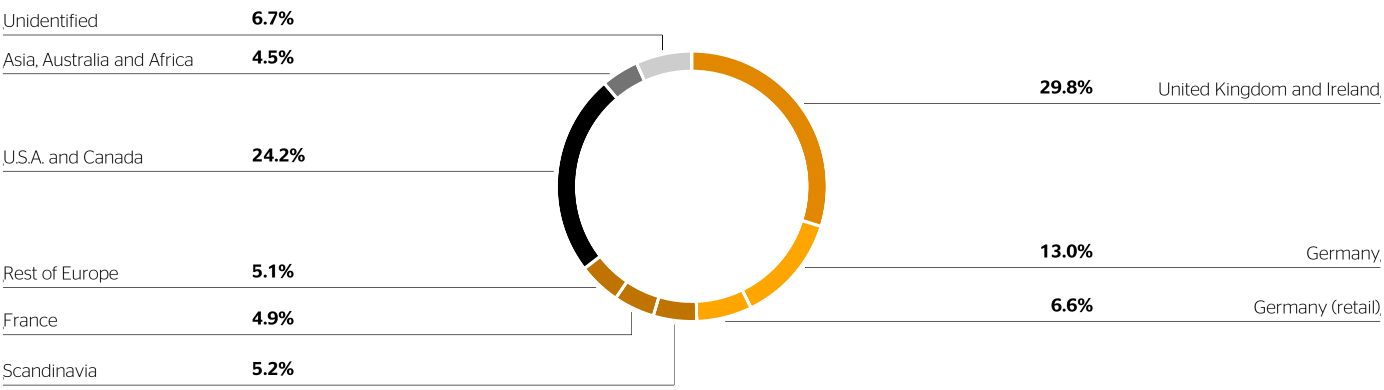
As at the end of 2015, Continental shares were ranked 13th (PY: 15th) in terms of free float market capitalization and 14th (PY: 17th) in terms of stock exchange turnover among the 30 DAX shares in Deutsche Börse AG's index ranking.

Significant increase in share of free float in mainland Europe and North America
As at December 31, 2015, we once again determined the distribution of free float of Continental shares by way of shareholder identification (SID). We were able to assign 100.8 million of the 108.0 million shares held in the form of shares or alternatively as American depository receipts (ADRs) in the U.S.A. to institutional and private investors. A total of 91.5 million shares were attributable to around 400 institutional investors in 27 countries. Private shareholders in Germany, Europe and the U.S.A. held 9.3 million shares as at the end of the year. The identification ratio was 93.3% of free float (PY: 84.7%).

According to the SID, the identified level of Continental shares held in Europe significantly exceeded the previous year's level at 64.6% (PY: 58.6%). Institutional investors from the United Kingdom and Ireland reduced their shareholdings from previously 32.2% to 29.8%. By contrast, the identified holdings of German institutional investors climbed to 13.0% in the year under review (PY: 10.5%). Shareholdings of private German shareholders were also higher than in the previous year at 6.6% (PY: 4.5%). France, Scandinavian countries and other European countries likewise reported higher identified shareholdings totaling 15.2% as at the end of 2015 (PY: 11.4%).

Identified shareholdings in the U.S.A. and Canada also increased in the year under review. As at the end of 2015, institutional and private investors held a total of 24.2% (PY: 20.7%) of Continental AG's free float in the form of shares or ADRs. Identified shareholdings in Asia, Australia and Africa fell to 4.5% in the year under review (PY: 5.4%).

Geographic distribution of free float in 2015



Continental share data

Type of share	No-par-value share
German stock exchanges (regulated market)	Frankfurt (Prime Standard), Hamburg, Hanover, Stuttgart
German securities code number (WKN)	543900
ISIN number	DE0005439004
Reuters ticker symbol	CONG
Bloomberg ticker symbol	CON
Index memberships (selection)	DAX, Prime All Share, Prime Automobile, NISAX
Outstanding shares as at December 31, 2015	200,005,983
Free float as at December 31, 2015	54.0%

American depositary receipt (ADR) data

Ratio	1 share : 5 ADRs
SEDOL number	2219677
ISIN number	US2107712000
Reuters ticker symbol	CTTAY.PK
Bloomberg ticker symbol	CTTAY
ADR level	Level 1
Trading	OTC
Sponsor	Deutsche Bank Trust Company Americas
ADRs issued as at December 31, 2015	6,456,215 (with 1,291,243 Continental shares deposited)

Unchanged share capital
As at the end of 2015, the share capital of Continental AG still amounted to €512,015,316.48. It is divided into 200,005,983 no-par-value shares with a notional value of €2.56 per share. Each share has the same dividend entitlement.

In line with Article 20 of Continental AG's Articles of Incorporation, each share grants one vote at the Annual Shareholders' Meeting. The current Articles of Incorporation are available online at www.continental-ir.com under Corporate Governance.

Continental share listings
Continental's shares continue to be officially listed on the German stock exchanges in Frankfurt, Hamburg, Hanover, and Stuttgart on the regulated market.

Furthermore, they are traded in the U.S.A. as part of a sponsored ADR program on the over-the-counter (OTC) market. They are not admitted to the U.S. stock market. Since the split of the outstanding ADRs on December 23, 2013, in a ratio of 1:5, five Continental ADRs are equivalent to one Continental share.

For more information on Continental's shares, bonds, and credit rating, or on our Investor Relations app, visit www.continental-ir.com.

Key figures of the Continental share[1]

in €	**2015**	2014
Basic earnings	13.64	11.88
Diluted earnings	13.64	11.88
Free cash flow	7.22	10.07
Dividend	3.75[2]	3.25
Dividend payout ratio (%)	27.5[2]	27.4
Dividend yield (%)	1.8[2]	2.0
Total equity (book value) as at December 31	63.93	53.36
Yearly average price-earnings ratio (P/E ratio)[3]	15.33	13.84
Share price at year-end	224.55	175.55
Average share price	209.05	164.47
Share price at year-high	234.25	183.25
Share price at year-low	166.60	136.85
Average XETRA trading volume per trading day (in units)	525,734	499,311
Number of outstanding shares, average (in millions)	200.0	200.0
Number of outstanding shares as at December 31 (in millions)	200.0	200.0

1 All market prices are quotations of the Continental share in the XETRA system of Deutsche Börse AG.
2 Subject to the approval of the Annual Shareholders' Meeting on April 29, 2016.
3 Net income attributable to the shareholders of the parent per share at the annual average share price.

Corporate Governance ›
Report of the Supervisory Board

Dear Shareholders,

Continental AG and the Continental Corporation had another successful fiscal 2015 despite the difficult environment. In the year under review, the Supervisory Board and its committees closely supervised, carefully monitored, and advised the Executive Board in the management of the company and comprehensively fulfilled all the tasks incumbent upon them under applicable law, the Articles of Incorporation and its By-Laws. The Supervisory Board has satisfied itself of the legality and expediency of management. As explained in further detail below, the Supervisory Board was directly involved in a timely manner in all decisions of fundamental importance to the company.

The Executive Board provided the Supervisory Board with regular, timely and comprehensive updates in writing and verbally on all issues of relevance to the company, namely planning, business strategy, significant business transactions in the company and the corporation and the related risks and opportunities, as well as compliance issues. The Supervisory Board was continually informed in detail of the sales, results and employment development in the corporation and individual divisions as well as the financial situation of the company. Where the actual course of business deviated from the defined plans and targets, the Executive Board gave a detailed explanation with reasons to the Supervisory Board, and the measures introduced were discussed with the Supervisory Board and its committees. In addition, the Supervisory Board, the Chairman's Committee and the Audit Committee dealt intensively with other key company matters at their meetings and in separate discussions. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. The chairman of the Supervisory Board in particular was in regular contact with the Executive Board and its chairman and discussed current company issues and developments with them.

Meetings of the Supervisory Board and the committees
The Supervisory Board held four ordinary meetings in 2015 as well as the strategy meeting and one telephone conference. Two members were excused from the September meeting of the Supervisory Board and one member was also excused from the strategy meeting. All other members of the Supervisory Board attended all meetings. The Chairman's Committee held four meetings in the year under review. No members were absent. The Audit Committee also met four times in 2015. Two committee members were unable to attend one meeting each. No member of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board and the committees to which he or she belongs. The Nomination Committee and the Mediation Committee in accordance with Section 27 (3) of the German Co-determination Act *(Mitbestimmungsgesetz – MitbestG)* did not need to meet. There are no other committees. All committees report to the plenary session on a regular basis. Their duties are described in more detail and their members listed in the Corporate Governance Report starting on page 17.

Key topics dealt with by the Supervisory Board and the Chairman's Committee
The Supervisory Board's discussions repeatedly focused on the company's strategic development and orientation. At the strategy meeting in particular, the Executive Board and the Supervisory Board once again discussed at length the strategic objectives and strategic planning of the corporation and the divisions. As always, frequent subjects of the discussions in the Executive Board's regular reporting on the current business development included the situation on the sales markets, the prices of natural and synthetic rubber and other raw materials, and the share price performance.

Key topics of the strategy meeting were the effects of digitalization on the company and the resulting opportunities and challenges for products and business models. With the acquisition of Elektrobit Automotive, Continental took another major step forward in this area and significantly expanded its systems and software expertise. After intensive discussions in the plenary session and the Chairman's Committee, the Supervisory Board approved this transaction in a telephone conference in May 2015.

In addition, further management actions by the Executive Board were discussed that require the approval of the Supervisory Board or its Chairman's Committee in accordance with the company's Articles of Incorporation and the Supervisory Board By-Laws: After careful examination, the acquisition of major business activities of ASC, U.S.A., for the Chassis & Safety division was approved, as was the establishment of a joint venture for the production of brake products in China. The Chairman's Committee also approved the construction of new headquarters in Hanover. In its meeting on December 10, 2015, the Supervisory Board discussed the annual planning for 2016 and long-term planning and also approved the planning and the investment plans for fiscal 2016.

Key topics dealt with by the Audit Committee
The Audit Committee was also informed by the Executive Board in detail and on an ongoing basis of the sales, results and employment development in the corporation and individual divisions as well as the financial situation of the company. The Audit Committee also ensures that it is regularly informed of the progress of major acquisition and investment projects. In 2015 this included the acquisition of Veyance Technologies, which was completed at the beginning of 2015.

Before the half-year and quarterly financial reports were published, the Audit Committee discussed and reviewed them, paying particular attention to the results for the relevant reporting period as well as the outlook for the year as a whole. The interim financial statements as at June 30, 2015, were reviewed by KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover (KPMG), on behalf of the Audit Committee. The Audit Committee also issued the mandate for the audit of the 2015 annual and consolidated financial statements to KPMG, pursuant to the resolution adopted by the Annual Shareholders' Meeting. The Audit Committee also discussed the

assessment of the quality of the audit of the financial statements. It acknowledged the result of the special investigation of the audit of the financial statements by the German Auditor Oversight Commission *(Abschlussprüferaufsichtskommission – APAK)*, which was not triggered by any specific event and was concluded without any mandate-related objections. In anticipation of the EU audit regulation to be applied from mid-2016, the Audit Committee also defined an approval framework for commissioning the auditor with non-audit services. It obtained extensive information on new developments in legal provisions relating to accounting.

The Audit Committee is closely involved in compliance and risk management. The Executive Board regularly reported to it on the work of the Compliance department and the Corporate Audit department, and on significant events. These particularly included the matters described in more detail in the Report on Risks and Opportunities and in the Notes to the Consolidated Financial Statements. The head of the Compliance department and the head of Corporate Audit were also available to provide information directly to the Audit Committee and its chairman in coordination with the Executive Board. Furthermore, the Audit Committee received reports on the progress of the audit of the effectiveness of the compliance management system in accordance with Audit Standard 980 of the Institut der Wirtschaftsprüfer e. V. (IDW) that is being conducted by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. In addition, the other material risks covered by the risk management system were presented in the Audit Committee with the corresponding measures resolved by the Executive Board. Corporate safety and security – i.e. global protection of people, properties and other tangible assets and information belonging to the company – was also a topic at one meeting. The Audit Committee has satisfied itself of the effectiveness of the internal control system, the risk management system and the internal audit system.

Corporate Governance

At its meeting in December 2015, the Supervisory Board dealt with the amendments to the German Corporate Governance Code introduced in May 2015 and made adjustments to the targets for its own composition, as presented in detail in the Corporate Governance Report, and to Continental's corporate governance principles. On this basis, the Supervisory Board and Executive Board agreed an updated declaration in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)* on the recommendations of the German Corporate Governance Code.

No conflicts of interest arose among the members of the Executive Board or the Supervisory Board in the year under review. In its opinion, the Supervisory Board also had an appropriate number of independent members as defined in the German Corporate Governance Code at all times in the period under review.

Further information on corporate governance is included in the Corporate Governance Report starting on page 17.

Annual and consolidated financial statements

KPMG audited the annual financial statements as at December 31, 2015, prepared by the Executive Board in accordance with the provisions of the German Commercial Code *(Handelsgesetzbuch – HGB)*, the 2015 consolidated financial statements and the summarized management report for the corporation and Continental AG, including the accounts, the accounting-related internal control system and the system for early risk recognition. KPMG also reviewed the Executive Board's Dependent Company Report in accordance with Section 312 *AktG*. The 2015 consolidated financial statements of Continental AG were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor issued unqualified opinions. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under Section 91 (2) *AktG* and that the company's system for early risk recognition is suitable for identifying developments at an early stage that pose a risk to the company as a going concern. KPMG issued the following unqualified opinion on the Dependent Company Report in accordance with Section 313 (3) *AktG*:

"Based on the results of our statutory audit and evaluation we confirm that:

- the actual information included in the report is correct,
- with respect to the transactions listed in the report, payments by the company were not unduly high or that detrimental effects had been compensated for, and
- there are no circumstances in favor of a significantly different assessment than that made by the Executive Board in regard to the measures listed in the report."

The documents relating to the annual financial statements, including the Dependent Company Report, and the audit reports were discussed with the Executive Board and the auditor in the Audit Committee meeting on February 29, 2016. They were also discussed at length at the Supervisory Board's meeting to approve the annual financial statements on March 18, 2016. The required documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings so that the members had sufficient opportunity to review them. The auditor was present at these discussions. The auditor reported on the main results of the audits and was available to provide additional information to the Audit Committee and the Supervisory Board. Based on its own review of the annual financial statements, the consolidated financial statements, the company management report, the combined management report of Continental AG and of the corporation, as well as the Dependent Company Report including the final declaration of the Executive Board, and based on the report and the recommendation of the Audit Committee, the Supervisory Board concurred with the results of the auditor's audit. There were no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The annual financial statements are thereby adopted. In addition, the Supervisory Board together with the Executive Board will propose a dividend distribution of €3.75 per share for the past fiscal year at the Annual Shareholders' Meeting on April 29, 2016.

Personnel changes in the Supervisory Board and Executive Board

There was only one personnel change in the Supervisory Board. Artur Otto, representative of the executives on the Supervisory Board, resigned from the Board at the end of the Annual Shareholders' Meeting on April 30, 2015, because of his upcoming well-earned retirement. His successor is Stefan Scholz, head of the Finance & Treasury department. The Supervisory Board would like to thank Artur Otto for his commitment and constructive work. Further information on the members of the Supervisory Board and its committees who were in office in the year under review can be found on pages 215 and 216.

After more than 40 years of service to Continental, Heinz-Gerhard Wente's term of office as member of the Executive Board for the ContiTech division ended on April 30, 2015. The Supervisory Board once again thanks Heinz-Gerhard Wente for the exceptional contribution he has made to the success of the company. As his successor, the Supervisory Board appointed Hans-Jürgen Duensing, who previously headed the Conveyor Belt Group business unit of the ContiTech division effective May 1, 2015. At its meeting in December, the Supervisory Board extended Frank Jourdan's mandate by another five years until September 2021.

As a listed stock corporation subject to the German Co-determination Act, Continental AG is also subject to the German law for the equal participation of women and men in managerial positions in the private and public sectors, also known as the "Female Quota Act," which came into force on May 1, 2015. At its meeting in September, the Supervisory Board set a target for the percentage of women on the Executive Board within the stipulated time limit in accordance with the act. This target is to be achieved by December 31, 2016. Details of the target and of the other obligations arising from the act are described in the Corporate Governance Declaration (Corporate Governance Report) starting on page 17.

The Supervisory Board would like to thank the Executive Board, all the employees and the employee representatives for their excellent performance, which made the company's great success in the past year possible.

Hanover, March 18, 2016

For the Supervisory Board,

Prof. Dr.-Ing. Wolfgang Reitzle
Chairman

Corporate Governance Report and Declaration Pursuant to Section 289a of the German Commercial Code *(HGB)*

Good, responsible corporate governance geared toward sustainable, long-term value creation is what governs the actions of the Executive Board and the Supervisory Board.

Good, responsible corporate governance geared toward sustainable, long-term value creation is the measure that governs the actions of the Executive Board and Supervisory Board of Continental AG, and the basis of the company's success in the interests of all its stakeholders. In the following, the Executive Board and Supervisory Board report on corporate governance at Continental in accordance with our Corporate Governance Principles, Section 3.10 of the German Corporate Governance Code and Section 289a of the German Commercial Code *(Handelsgesetzbuch – HGB)*. The report is supplemented by the remuneration report of Continental AG, which is a part of the company's Management Report.

Continental AG's Corporate Governance Principles are closely modeled on the German Corporate Governance Code. Together with the BASICS, in which we have set out our values and guidelines since 1989, our Corporate Social Responsibility Principles and our Code of Conduct, these principles form a guideline for corporate management and control at Continental.

Corporate bodies

In line with the law and the Articles of Incorporation, the company's corporate bodies are the Executive Board, the Supervisory Board and the Shareholders' Meeting. As a German stock corporation, Continental AG has a dual management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body.

The Executive Board and its practices

The Executive Board has sole responsibility for managing the company free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account the resolutions of the Shareholders' Meeting. Regardless of the principle of joint responsibility, whereby all members of the Executive Board share responsibility for the management of the company equally, each Executive Board member is responsible for the areas entrusted to him or her accordingly. The chairman of the Executive Board is responsible for the company's overall management and business policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board currently has nine members.

The Executive Board has By-Laws that regulate in particular the allocation of duties among the Executive Board members, key matters pertaining to the company and its subsidiaries that require a decision to be made by the Executive Board, the duties of the Executive Board chairman, and the process in which the Executive Board passes resolutions. The Articles of Incorporation and the Supervisory Board By-Laws require the consent of the Supervisory Board for significant actions taken by management.

The Supervisory Board and its practices

The Supervisory Board appoints the Executive Board and supervises and advises it in the management of the company. The Supervisory Board is directly involved in decisions of material importance to the company. As specified by law, the Articles of Incorporation and the Supervisory Board By-Laws, certain corporate management matters require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates its work and represents its interests vis-à-vis third parties. He maintains regular contact between meetings with the Executive Board, and in particular with its chairman, to discuss issues relating to the company's strategy, business development, risk management and compliance.

Composition of the Supervisory Board

In accordance with the German Co-determination Act *(Mitbestimmungsgesetz – MitbestG)* and the company's Articles of Incorporation, the Supervisory Board comprises 20 members. Half the members of the Supervisory Board are elected by the shareholders in the Shareholders' Meeting, while the other half are elected by the employees of Continental AG and its German subsidiaries. The members of the Supervisory Board that was constituted on April 25, 2014, are elected until the end of the 2019 Annual Shareholders' Meeting.

In accordance with Section 5.4.1 of the German Corporate Governance Code, the Supervisory Board has specified targets for its composition. Since January 1, 2016, the Supervisory Board of Continental AG has been subject to the requirement arising from the law for the equal participation of women and men in managerial positions in the private and public sectors ("Female Quota Act") specifying that at least 30% of its members must be women and at least 30% must be men. The previous target for the percentage of women on the Supervisory Board therefore no longer applied. The Supervisory Board also adopted the recommendation to specify a limit for length of service, which was introduced in the German Corporate Governance Code in 2015. The new targets that have thus been set for the composition of the Supervisory Board are as follows:

› In its nominations for election to the Supervisory Board, the Supervisory Board generally does not nominate candidates who have already held this position for three full terms of office at the time of the election.

› The number of members of the Supervisory Board with international business experience or other international connections should at least remain the same. At least seven members currently fulfill this criterion.

- The Supervisory Board should include an appropriate number of independent members. Assuming that employee representatives are generally to be considered independent in terms of the German Corporate Governance Code, the Supervisory Board should include at least 15 independent members. However, in any case at least five shareholder representatives should be independent as defined in the Code. This target has also been met.

- An appropriate number of members of the Supervisory Board with experience in industries in which the company operates should be maintained. Far more than half of the Supervisory Board members have such experience.

The Supervisory Board has not stipulated an age limit as recommended in Section 5.4.1 of the Code. It does not consider such a general criterion to be suitable for deciding whether a candidate is eligible to be a member of the Supervisory Board. The Supervisory Board will continue to report regularly on the status of the implementation of the targets.

Both the shareholder representatives and the employee representatives have an equal duty to act in the interests of the company. The Supervisory Board's chairman represents the shareholders. He has the casting vote in the event of a tie.

The Supervisory Board has drawn up its own By-Laws which supplement the law and the Articles of Incorporation with more detailed provisions including provisions on Supervisory Board meetings, the duty of confidentiality, the handling of conflicts of interest, the Executive Board's reporting obligations, and a list of legal transactions that require the approval of the Supervisory Board.

Committees of the Supervisory Board
The Supervisory Board currently has four committees: the Chairman's Committee, the Audit Committee, the Nomination Committee and the committee formed in line with Section 27 (3) of the *MitbestG* (Mediation Committee).

The members of the Mediation Committee also form the Chairman's Committee, which is comprised of the Supervisory Board's chairman, Prof. Dr.-Ing. Wolfgang Reitzle, his vice chairman Hartmut Meine, Georg F. W. Schaeffler and Jörg Schönfelder. Key responsibilities of the Chairman's Committee are preparing the appointment of Executive Board members and concluding, terminating, and amending their employment contracts and other agreements with them. However, the plenum of the Supervisory Board alone is responsible for establishing the total remuneration of the Executive Board. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions by the company as specified in the Supervisory Board By-Laws. The Supervisory Board has conferred some of these participation rights on the Chairman's Committee subject to the condition that, in individual cases, each of its members may demand that a matter again be submitted to the plenary session for decision.

The Audit Committee's tasks relate to the company's accounting, the audit of the financial statements, risk management and compliance. In particular, the committee monitors the accounting process and the effectiveness of the internal control system, the risk management system and internal audit system, performs a preliminary examination of Continental AG's annual financial statements and the consolidated financial statements, and makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to Section 171 of the German Stock Corporation Act *(Aktiengesetz – AktG)*. Furthermore, the committee discusses the company's draft interim financial reports. It is also responsible for ensuring the necessary independence of auditors and deals with additional services performed by the auditors. The committee engages the auditors, determines the focus of the audit as necessary and negotiates the fee. It also gives its recommendation for the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of the auditor. Since October 1, 2014, Prof. Dr. Rolf Nonnenmacher has been the chairman of the Audit Committee. He is independent and, as an auditor, has special knowledge and experience in the application of accounting principles and internal control procedures. The other members are Peter Hausmann, Dirk Nordmann, Klaus Rosenfeld, Georg F. W. Schaeffler and Erwin Wörle. Neither a former Executive Board member nor the chairman of the Supervisory Board may act as chairman of the Audit Committee.

The Nomination Committee is responsible for nominating suitable candidates for the Supervisory Board to propose to the Annual Shareholders' Meeting for election. It consists entirely of shareholder representatives, specifically the two shareholder representatives on the Chairman's Committee, Prof. Dr.-Ing. Wolfgang Reitzle and Georg F. W. Schaeffler, the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher, and Maria-Elisabeth Schaeffler-Thumann as an additional member.

In accordance with Section 31 (3) Sentence 1 of the *MitbestG*, the Mediation Committee becomes active only if the first round of voting on a proposal to appoint a member of the Executive Board or his/her removal by consent does not achieve the legally required two-thirds majority. This committee must then attempt mediation before a new vote is taken.

Shares held by Supervisory Board and Executive Board members
The Schaeffler Group holds 46.0% of the shares in Continental AG. This shareholding is attributable to two members of the Supervisory Board, Maria-Elisabeth Schaeffler-Thumann and Georg F. W. Schaeffler. As at February 8, 2016, the remaining members of the Supervisory Board held shares representing a total interest of less than 1% in the common stock of the company. The members of the Executive Board held shares also representing a total interest of less than 1% in the common stock of the company as at February 8, 2016.

Shareholders and the Annual Shareholders' Meeting
The company's shareholders exercise their rights of participation and control in the Shareholders' Meeting. The Annual Shareholders' Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, election of the shareholder representatives in the Supervisory Board, the dismissal of Supervisory Board and Executive Board members, appointment of auditors and amendments to the company's Articles of Incorporation. Each Continental

AG share entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

All shareholders who register in a timely manner and prove their entitlement to participate in the Annual Shareholders' Meeting and to exercise their voting rights are entitled to participate in the Shareholders' Meeting. To facilitate the exercise of their rights and to prepare them for the Annual Shareholders' Meeting, the shareholders are fully informed about the past fiscal year and the points on the upcoming agenda before the Annual Shareholders' Meeting by means of the Annual Report and the invitation to the meeting. All documents and information on the Annual Shareholders' Meeting, including the Annual Report, are also published on the company's website in German and English. To facilitate the exercise of shareholders' rights, the company offers all shareholders who cannot or do not want to exercise their voting rights themselves the opportunity to vote at the Annual Shareholders' Meeting via a proxy who is bound by instructions.

Declaration pursuant to Section 161 *AktG* and deviations from the German Corporate Governance Code

In December 2015, the Executive Board and the Supervisory Board issued the following annual declaration in accordance with Section 161 *AktG*:

"In accordance with Section 161 *AktG*, the Executive Board and the Supervisory Board of Continental AG declare that the Company has complied with and will comply with the recommendations issued by the Government Commission on the German Corporate Governance Code (as amended on May 5, 2015; published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on June 12, 2015), subject to the qualifications set forth below. Reference is made to the declaration of the Executive Board and the Supervisory Board of December 2014, as well as to the previous declarations pursuant to Section 161 *AktG* and the qualifications regarding the recommendations of the German Corporate Governance Code explained therein.

❯ Pursuant to Section 5.4.1 para. 2 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition, which take into account, inter alia, an age limit to be established for members of the Supervisory Board. The Supervisory Board has specified such objectives. However, the Supervisory Board did not establish an age limit, because it is of the opinion that such a general criterion is not suitable for deciding whether a candidate is eligible to become a member of the Supervisory Board.

Hanover, December 2015

Prof. Dr.-Ing. Wolfgang Reitzle
Chairman of the Supervisory Board

Dr. Elmar Degenhart
Chairman of the Executive Board"

The declaration was made permanently available to shareholders on Continental's website. Earlier declarations in accordance with Section 161 *AktG* can also be found there. In Continental AG's Corporate Governance Principles, the Executive Board and the Supervisory Board have undertaken to explain not only deviations from the recommendations made by the Code, but also any deviations from its suggestions as follows:

❯ Section 2.3.3 of the Code suggests giving shareholders the opportunity to watch the entire Annual Shareholders' Meeting using modern communication media such as the Internet. In line with widespread practice, Continental AG only broadcasts parts of the Annual Shareholders' Meeting – particularly the report by the Supervisory Board and the speech by the chairman of the Executive Board – on the Internet in the framework regulated by the Articles of Incorporation.

❯ Section 3.7 para. 3 of the Code suggests that the Executive Board should convene an extraordinary Shareholders' Meeting in all cases of takeover bids. The Executive Board and the Supervisory Board consider it more expedient to decide in each specific situation whether it is advisable to convene a Shareholders' Meeting.

Continental AG's complete Corporate Governance Principles are published on the Internet at www.continental-ir.com.

Key corporate governance practices

In addition to the Corporate Governance Principles, the following principles are also key to our long-term responsible corporate governance:

❯ The BASICS – Continental AG's corporate guidelines. The BASICS have reflected the vision, values and self-image of the corporation since 1989.

❯ The Corporate Social Responsibility Principles.

❯ Compliance with the binding Code of Conduct for all Continental employees (see details on page 21).

These documents are available on Continental's website at: www.continental-corporation.com.

Accounting/audit of financial statements

The Continental Corporation's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code *(Handelsgesetzbuch – HGB)*. The Annual Shareholders' Meeting on April 30, 2015, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover (KPMG) to audit the consolidated financial statements for fiscal 2015 as well as the interim financial reports of the company. KPMG has audited the consolidated financial statements and the separate financial statements for more than 20 years. Since 2012, Dirk Papenberg has been the auditor responsible at KPMG.

Internal control system and risk management
Careful corporate management and good corporate governance also require that the company deal with risks responsibly. Continental has a corporation-wide internal control and risk management system, especially in terms of the accounting process, that helps analyze and manage the company's risk situation. The risk management system serves to identify and evaluate developments that could trigger significant disadvantages and to avoid risks that would jeopardize the continued existence of the company. We report on this in detail in the Report on Risks and Opportunities, which forms part of the management report for the consolidated financial statements.

Transparent and prompt reporting
The company regularly reports to shareholders, analysts, shareholders' associations, the media and interested members of the public equally on significant developments in the corporation and its situation. All shareholders therefore have instant access to all information in German and English, which is also available to financial analysts and similar parties. In particular, the website of Continental AG is used to ensure the timely distribution of information. The company's financial reports, presentations held at analyst and investor conferences, press releases and ad hoc disclosures are also available on the website. The dates of key periodic publications (annual reports and interim reports) and events as well as of the Annual Shareholders' Meeting and the annual financial press conference are announced in a timely manner in a financial calendar on the company's website. The dates already set for 2016 and 2017 can be found at www.continental-ir.com.

Report pursuant to Section 289a (2) No. 4 and 5 *HGB*
Pursuant to Section 96 (2) *AktG* as amended by the "Female Quota Act," the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. These minimum quotas are mandatory from January 1, 2016. At present, women make up 20% of the Supervisory Board of Continental AG. However, existing mandates may continue to be held until their regular end in accordance with Section 25 (2) Sentence 3 of the German Introductory Act to the Stock Corporation Act *(Einführungsgesetz zum Aktiengesetz – EGAktG)*. If a seat becomes vacant before the next scheduled elections, the percentage of women must be increased in accordance with the legal requirements.

In accordance with Section 111 (4) *AktG* as amended by the "Female Quota Act," the Supervisory Board must set a target quota of women on the Executive Board and a deadline for achieving this target. This deadline, which had to be defined for the first time by no later than September 30, 2015, in accordance with Section 25 (1) *EGAktG*, must not be later than June 30, 2017. Within the stipulated time limit, the Supervisory Board set a target quota of women on the Executive Board and set the deadline for achieving it to December 31, 2016. This was in order to bring the reference period for target achievement in line with the company's fiscal year. Because the duration of the mandates of the current Executive Board members means that no changes are to be expected within the short legally stipulated time limit for setting the target for the first time, the target set by the Supervisory Board is limited to at least maintaining the quota of women of 11% that was in place when the resolution was adopted. The target was met as at December 31, 2015. At the end of 2016, the Supervisory Board will decide on a new target for which the deadline is expected to be five years later.

As required by law, the Executive Board set target quotas for women in the first two management levels below the Executive Board at Continental AG within the stipulated time limit. For the aforementioned reasons, the ratio that had been achieved at the time of the resolution shall as a minimum be maintained as at December 31, 2016. Accordingly, the goal is to achieve a ratio of at least 17% women in the first management level and more than 30% in the second management level. As at December 31, 2015, the ratio of women in the first management level was at 17% and 35% in the second management level. The Executive Board will set new goals in December 2016. Besides the legal requirements in Germany, as a global company, Continental continues to attach high priority to the goal of steadily increasing the number of women in management positions throughout the corporation.

Compliance

One of our basic values is trust. Trust requires integrity, honesty and incorruptibility. Compliance with all the legal requirements that apply to Continental AG and its subsidiaries and all its internal regulations by management and employees has therefore long been a goal of the company and an integral part of its corporate culture. In addition to our corporate guidelines, the BASICS, and the Corporate Governance Principles, this is reflected in particular in our Corporate Social Responsibility Principles and the Code of Conduct that is binding for all employees. The Executive Board is firmly committed to these principles and that of "zero tolerance," particularly with regard to corruption and antitrust violations.

The basis of our Compliance Management System (CMS) is a comprehensive analysis of the compliance risks to which the company is exposed. The company and its business activities are examined in terms of potential compliance risks that can arise, for example, from its structures and processes, a specific market situation or even operations in certain geographic regions. This takes into account, for example, the results of a regular corporation-wide risk inventory in addition to external sources such as the Transparency International's Corruption Perception Index. This analysis is substantiated and expanded primarily by a series of interviews with management and employees at all levels. The risk analysis is not a one-off procedure, but rather a process requiring constant review and updates.

In terms of operations, the compliance organization is managed by the head of the Compliance department. The person holding this position is subordinate to the corporate compliance officer, who reports directly to the chief financial officer. The focal area of the work of the Compliance department is preventing violations of antitrust and competition law, corruption, fraud, and other property offenses. For other areas in which there is a risk of compliance violations, responsibility for compliance management lies with the respective functions that have performed these duties competently for a long time and are supported in these tasks by the Compliance department.

The CMS consists of the three pillars of prevention, detection and response:

› The first pillar of CMS – prevention – includes in particular employee training, in addition to the risk analysis. Here, we attach great importance to in-person events at which employees can be addressed personally and directly and their questions can be discussed. We use e-learning programs as well. Prevention is also fostered by advice on specific matters from the Compliance department and by the internal publication of guidelines on topics such as antitrust law and contact with competitors, giving and receiving gifts, and sponsoring. To avoid compliance violations by suppliers, service providers or similar third parties that could have negative repercussions for Continental, or that could be attributed to the company under laws such as the U.K. Bribery Act, Continental introduced a Supplier Code of Conduct, which must be recognized as a basic requirement for doing business. If necessary, supplier due diligence can be performed with regard to compliance issues.

› The second pillar of CMS – detection – comprises regular and ad hoc audits. In addition, compliance is always a subject of audits carried out by Corporate Audit. Continental AG has set up a Compliance & Anti-Corruption Hotline to give the employees and third parties outside the corporation the opportunity to report violations of legal regulations, its fundamental values, and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also other offenses or accounting manipulation, can be reported anonymously via the hotline where permissible by law. Corporate Audit and the Compliance department investigate and pursue all tips received by this hotline. The hotline is available worldwide in many different languages. The number of tips received by the hotline has risen steadily over the past few years. We see this as a sign of increased awareness of compliance topics and as a success in our compliance work.

› The third pillar of CMS – response – deals with the consequences of compliance violations that have been identified. The Compliance department is involved in decisions on measures that may be required including any individual sanctions. Furthermore, the Compliance department conducts a thorough analysis of such events to ensure that isolated incidents are not symptoms of failings in the system and to close any gaps in prevention.

In 2011, Continental AG had the concept of its CMS for the areas of anti-corruption, competition/antitrust law, fraud and other property offenses audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) in accordance with Audit Standard 980 of the Institut der Wirtschaftsprüfer e. V. (IDW). EY issued an unqualified review opinion. In 2012, EY audited the implementation of the CMS in accordance with IDW Audit Standard 980 and came to the same conclusion in early 2013. The audit of the effectiveness of the CMS in accordance with IDW Audit Standard 980 is currently in progress.

Compliance-related matters and risks are described in more detail in the Report on Risks and Opportunities starting on page 107, and in the Notes to the Consolidated Financial Statements (Note 33).

Remuneration Report

This Remuneration Report is a part of the Management Report.

Basic elements of the Executive Board remuneration system
In accordance with the German Stock Corporation Act *(Aktiengesetz – AktG)*, the plenary session of the Supervisory Board is responsible for determining the remuneration for the Executive Board. The Executive Board remuneration system, which the Supervisory Board resolved in September 2013, applies to all Executive Board members who were in office in 2015. In determining the remuneration of the Executive Board, the Supervisory Board also took account of the remuneration structure that applies in the rest of the corporation and the ratio of the Executive Board remuneration to the remuneration of senior executives and the workforce in Germany as a whole, including its development over time. The Annual Shareholders' Meeting on April 25, 2014, approved this system of remuneration for the Executive Board members in accordance with Section 120 (4) *AktG*.

Remuneration for Executive Board members consists of fixed remuneration, variable remuneration elements, additional benefits, and retirement benefits.

Each Executive Board member receives fixed annual remuneration paid in twelve monthly installments. After having been increased to usual market levels in 2013, the fixed remuneration will not be adjusted again until 2017 at the earliest.

The Executive Board members also receive variable remuneration in the form of a performance bonus and a share-based long term incentive (LTI). The performance bonus is based on a target bonus that the Supervisory Board determines for each Executive Board member for 100% target achievement, and is then calculated in line with the attainment of certain targets relating to the year-on-year change in the Continental Value Contribution (CVC) and the return on capital employed (ROCE). For Executive Board members who are responsible for a particular division, these key figures relate to the relevant division; for other Executive Board members, they relate to the corporation. In addition to the CVC and ROCE targets, the Supervisory Board can determine a strategic target at the beginning of each fiscal year. For 2015, the Supervisory Board had set the target of attaining a specific free cash flow for the corporation. If certain minimum values are not achieved, the performance bonus can also decrease to zero. In order to take into account extraordinary factors that have influenced the degree to which targets are achieved, the Supervisory Board has the right – at its due discretion – to retroactively adjust the established attainment of goals on which the calculation of the performance bonus is based by up to 20% upward or downward. In any event, the performance bonus is capped at 150% of the target bonus. This applies irrespective of whether an additional strategic target is resolved.

The performance bonus achieved in a fiscal year is divided into a lump sum, which is paid out as an annual bonus (immediate payment), and a deferred payment (deferral). Under the agreements applicable until December 31, 2013, the immediate payment amounted to 40% of the performance bonus while the deferral amounted to 60%. Starting from 2014, the immediate payment amounts to 60% and the deferral 40%. The deferral is converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which variable remuneration is awarded, the value of these virtual shares is paid out together with the value of the dividends which were distributed for the fiscal years of the holding period. The conversion of the deferral into virtual shares and payment of their value after the holding period are based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. However, the amount of a deferral relating to a fiscal year up to and including 2013 that is paid after the holding period may not fall below 50% of the value at the time of conversion or exceed three times this same value. In addition, the Supervisory Board may retroactively revise the amount paid out for such deferrals by up to 20% upward or downward to balance out extraordinary developments. For deferrals acquired in 2014 or subsequent years, the guarantee that at least 50% of the initial value of the deferral will be paid out after the holding period has ceased to apply, as has the possibility for the Supervisory Board to change the amount paid out retroactively. Furthermore, the possible increase in the value of the deferral is now capped at 250% of the initial value.

In addition to the performance bonus, a special bonus can be agreed upon for special projects in individual cases or a recognition bonus can be granted. However, a recognition or special bonus of this kind and the performance bonus together must not exceed 150% of the target bonus, and it is also included in the division into immediate payment and deferral.

The variable remuneration is supplemented by granting an LTI that increases the share of long-term components to 60% or more of variable remuneration again on the basis of the target values and thus further strengthens its focus on sustainable development of the company. The LTI plan is resolved by the Supervisory Board on an annual basis with a term of four years in each case. It determines the target bonus to be paid for 100% target achievement for each Executive Board member, taking into account the corporation's earnings and the member's individual performance. The first criterion for target achievement is the average CVC that the corporation actually generates in the four fiscal years during the term, starting with the fiscal year in which the tranche is issued. This value is compared to the average CVC, which is set in the strategic plan for the respective period. The degree to which this target is achieved can vary between 0% and a maximum of 200%. The other target criterion is the total shareholder return on Continental shares (share price performance plus dividends) during the term of the tranche. The degree to which this target is achieved is multiplied by the degree to which the CVC target is achieved to determine the degree of target achievement on which the LTI that will actually be paid after the end of the term is based. It can range between 0% (no payment) and 200% (maximum payment).

In 2013, in anticipation of the plan to be implemented from 2014, the Supervisory Board already granted an LTI to the Executive Board members in office, with the exception of Frank Jourdan. Its conditions correspond to those that apply to the 2013 LTI plan for the senior executives. In addition to a CVC target, this plan does not have a share-based target but does have a target relating to free cash flow in the last year of the term. The 2013 LTI plan is described in detail in the Notes to the Consolidated Financial Statements in the section on other financial liabilities (Note 29). Frank Jourdan and Hans Jürgen Duensing remain entitled to LTI that were granted to them as senior executives between 2010 and 2013 or 2011 and 2014 respectively.

Executive Board members also receive additional benefits, primarily the reimbursement of expenses, including any relocation expenses and payments – generally for a limited time – for a job-related second household, the provision of a company car, and premiums for group accident and directors' and officers' (D&O) liability insurance. The D&O insurance policy provides for an appropriate deductible in line with the requirements of Section 93 (2) Sentence 3 *AktG*. For longer periods working abroad, benefits are granted in line with the foreign assignment guidelines for senior executives. Members of the Executive Board must pay taxes on these additional benefits.

Continued remuneration payments have also been agreed for a certain period in the event of employment disability through no fault of the Executive Board member concerned.

All members of the Executive Board have been granted post-employment benefits that are paid starting at the age of 63 (but not before they leave the service of the company) or in the event of disability.

From January 1, 2014, the company pension for the members of the Executive Board was changed from a purely defined benefit to a defined contribution commitment. A "capital component" is credited to the Executive Board member's pension account each year. To determine this, an amount equivalent to 20% of the sum of the fixed remuneration and the target value of the performance bonus is multiplied by an age factor representing an appropriate return. The future benefit rights accrued until December 31, 2013, have been converted into a "starting component" in the capital account. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Overall, the level of the benefits has fallen to around 80% of the previous commitments due to the conversion. Post-employment benefits are adjusted after commencement of such benefit payments in accordance with Section 16 of the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*.

The retirement benefits for Heinz-Gerhard Wente have not been changed over to the new system owing to the short remaining term of his employment contract. However, the increase in remuneration as at January 1, 2014, will not be taken into account in calculating his post-employment benefit. Under the agreements applicable until December 31, 2013, the maximum post-employment benefit amounted to 50% of the most recent fixed remuneration payment and 12% of the average variable remuneration achieved in the last five fiscal years. There was a basic rate for the post-employment benefits that was determined individually. For each year of service, a member of the Executive Board received a benefit entitlement amounting to 10% of the difference between the basic rate and his or her maximum post-employment benefit, until the full entitlement had been achieved after ten years. Any other income is counted toward post-employment benefit.

In the employment contracts it has been agreed that, in the event of premature termination of Executive Board work, payments to the Executive Board member that are to be agreed, including the additional benefits, shall not exceed the value of two annual salaries or the value of remuneration for the remaining term of the employment contract for the Executive Board member. There are no compensation agreements with the members of the Executive Board for the event of a takeover bid or a change of control at the company. Elke Strathmann, whose appointment as member of the Executive Board and employment contract were prematurely terminated by mutual agreement effective April 25, 2014, received compensation for non-competition of €905 thousand in 2015 for a post-contractual non-compete covenant, which was still in place in this year. Heinz-Gerhard Wente, who retired on April 30, 2015, was paid compensation for non-competition in an amount of €430 thousand – taking into account his pension entitlements.

Individual remuneration

In the tables below, the benefits, inflows and service costs granted to each individual active member of the Executive Board are shown separately in accordance with the recommendations of Section 4.2.5 para. 3 of the German Corporate Governance Code.

	Remuneration granted				Inflows	
in € thousands	2014	**2015**	2015 (min.)	2015 (max.)	2014	**2015**
Dr. E. Degenhart (Board chairman; Board member since August 12, 2009)						
Fixed remuneration	1,350	1,350	1,350	1,350	1,350	1,350
Additional benefits	19	29	29	29	19	29
Total	**1,369**	**1,379**	**1,379**	**1,379**	**1,369**	**1,379**
Performance bonus (immediate payment)	1,110	1,110	0	1,665	1,468	1,665
Multiannual variable remuneration	1,940	1,940	0	4,250	2,546	3,227
Performance bonus (deferral) [3 years]	740	740	0	1,850	2,546	3,227
Long term incentive [4 years]	1,200	1,200	0	2,400	–	–
Total	**4,419**	**4,429**	**1,379**	**7,294**	**5,383**	**6,271**
Service costs	834	764	764	764	834	764
Total remuneration	**5,253**	**5,193**	**2,143**	**8,058**	**6,217**	**7,035**
J. A. Avila (Board member for Powertrain; Board member since January 1, 2010)						
Fixed remuneration	800	800	800	800	800	800
Additional benefits	26	34	34	34	26	34
Total	**826**	**834**	**834**	**834**	**826**	**834**
Performance bonus (immediate payment)	660	660	0	990	198	990
Multiannual variable remuneration	990	990	0	2,200	1,573	2,216
Performance bonus (deferral) [3 years]	440	440	0	1,100	1,573	2,216
Long term incentive [4 years]	550	550	0	1,100	–	–
Total	**2,476**	**2,484**	**834**	**4,024**	**2,597**	**4,040**
Service costs	-235[1]	460	460	460	-235[1]	460
Total remuneration	**2,241**	**2,944**	**1,294**	**4,484**	**2,362**	**4,500**
Dr. R. Cramer (Board member for China; Board member since August 12, 2009)						
Fixed remuneration	800	800	800	800	800	800
Additional benefits	368	635	635	635	368	635
Total	**1,168**	**1,435**	**1,435**	**1,435**	**1,168**	**1,435**
Performance bonus (immediate payment)	660	660	0	990	873	990
Multiannual variable remuneration	990	990	0	2,200	2,059	2,249
Performance bonus (deferral) [3 years]	440	440	0	1,100	2,059	2,249
Long term incentive [4 years]	550	550	0	1,100	–	–
Total	**2,818**	**3,085**	**1,435**	**4,625**	**4,100**	**4,674**
Service costs	470	477	477	477	470	477
Total remuneration	**3,288**	**3,562**	**1,912**	**5,102**	**4,570**	**5,151**

1 For J. A. Avila, the calculation of the service costs takes into account, for the first time, the retirement benefit system modified in 2013 including the resulting past service costs. The conversion of the retirement benefit system was subject to the condition precedent of the extension of the employment contract. The reported service costs resulted from the 2014 service costs in an amount of €795 thousand and the one-time past service costs of -€1,030 thousand.

in € thousands	Remuneration granted 2014	**2015**	2015 (min.)	2015 (max.)	Inflows 2014	**2015**
H.-J. Duensing (Board member for ContiTech; Board member since May 1, 2015)						
Fixed remuneration	–	533	533	533	–	533
Additional benefits	–	10	10	10	–	10
Total	**–**	**543**	**543**	**543**	**–**	**543**
Performance bonus (immediate payment)	–	443	0	665	–	133
Multiannual variable remuneration	–	845	0	1,838	–	145
Performance bonus (deferral) [3 years]	–	295	0	738	–	–
Long term incentive [4 years]	–	550	0	1,100	–	145
Total	**–**	**1,831**	**543**	**3,046**	**–**	**821**
Service costs	–	348	348	348	–	348
Total remuneration	**–**	**2,179**	**891**	**3,394**	**–**	**1,169**
F. Jourdan (Board member for Chassis & Safety; Board member since September 25, 2013)						
Fixed remuneration	800	800	800	800	800	800
Additional benefits	23	36	36	36	23	36
Total	**823**	**836**	**836**	**836**	**823**	**836**
Performance bonus (immediate payment)	660	660	0	990	942	990
Multiannual variable remuneration	990	990	0	2,200	195	181
Performance bonus (deferral) [3 years]	440	440	0	1,100	–	–
Long term incentive [4 years]	550	550	0	1,100	195	181
Total	**2,473**	**2,486**	**836**	**4,026**	**1,960**	**2,007**
Service costs	970	572	572	572	970	572
Total remuneration	**3,443**	**3,058**	**1,408**	**4,598**	**2,930**	**2,579**
H. Matschi (Board member for Interior; Board member since August 12, 2009)						
Fixed remuneration	800	800	800	800	800	800
Additional benefits	25	37	37	37	25	37
Total	**825**	**837**	**837**	**837**	**825**	**837**
Performance bonus (immediate payment)	660	660	0	990	908	990
Multiannual variable remuneration	990	990	0	2,200	1,157	1,201
Performance bonus (deferral) [3 years]	440	440	0	1,100	1,157	1,201
Long term incentive [4 years]	550	550	0	1,100	–	–
Total	**2,475**	**2,487**	**837**	**4,027**	**2,890**	**3,028**
Service costs	895	465	465	465	895	465
Total remuneration	**3,370**	**2,952**	**1,302**	**4,492**	**3,785**	**3,493**

	Remuneration granted				Inflows	
in € thousands	2014	**2015**	2015 (min.)	2015 (max.)	2014	**2015**
Dr. A. Reinhart (Board member for Human Relations; Board member since October 1, 2014)						
Fixed remuneration	200	800	800	800	200	800
Additional benefits	38	11	11	11	38	11
Total	**238**	**811**	**811**	**811**	**238**	**811**
Performance bonus (immediate payment)	166	660	0	990	220	990
Multiannual variable remuneration	111	990	0	2,200	–	–
Performance bonus (deferral) [3 years]	111	440	0	1,100	–	–
Long term incentive [4 years]	–	550	0	1,100	–	–
Total	**515**	**2,461**	**811**	**4,001**	**458**	**1,801**
Service costs	185	736	736	736	185	736
Total remuneration	**700**	**3,197**	**1,547**	**4,737**	**643**	**2,537**
W. Schäfer (Board member for Finance; Board member since January 1, 2010)						
Fixed remuneration	1,100	1,100	1,100	1,100	1,100	1,100
Additional benefits	21	28	28	28	21	28
Total	**1,121**	**1,128**	**1,128**	**1,128**	**1,121**	**1,128**
Performance bonus (immediate payment)	660	660	0	990	873	990
Multiannual variable remuneration	1,090	1,090	0	2,400	1,958	2,482
Performance bonus (deferral) [3 years]	440	440	0	1,100	1,958	2,482
Long term incentive [4 years]	650	650	0	1,300	–	–
Total	**2,871**	**2,878**	**1,128**	**4,518**	**3,952**	**4,600**
Service costs	-1,538[1]	525	525	525	-1,538[1]	525
Total remuneration	**1,333**	**3,403**	**1,653**	**5,043**	**2,414**	**5,125**
N. Setzer (Board member for Tires; Board member since August 12, 2009)						
Fixed remuneration	800	800	800	800	800	800
Additional benefits	32	44	44	44	32	44
Total	**832**	**844**	**844**	**844**	**832**	**844**
Performance bonus (immediate payment)	660	660	0	990	859	946
Multiannual variable remuneration	990	990	0	2,200	2,314	2,138
Performance bonus (deferral) [3 years]	440	440	0	1,100	2,314	2,138
Long term incentive [4 years]	550	550	0	1,100	–	–
Total	**2,482**	**2,494**	**844**	**4,034**	**4,005**	**3,928**
Service costs	578	543	543	543	578	543
Total remuneration	**3,060**	**3,037**	**1,387**	**4,577**	**4,583**	**4,471**

1 For W. Schäfer, the calculation of the service costs takes into account, for the first time, the retirement benefit system modified in 2013 including the resulting past service costs. The conversion of the retirement benefit system was subject to the condition precedent of the extension of the employment contract. The reported service costs resulted from the 2014 service costs in an amount of €1,054 thousand and the one-time past service costs of -€2,592 thousand.

	Remuneration granted				Inflows	
in € thousands	2014	**2015**	2015 (min.)	2015 (max.)	2014	**2015**
E. Strathmann (Board member for Human Resources; Board member from January 1, 2012, to April 25, 2014)						
Fixed remuneration	193	–	–	–	193	–
Additional benefits	12	–	–	–	12	–
Total	**205**	**–**	**–**	**–**	**205**	**–**
Performance bonus (immediate payment)	–	–	–	–	–	–
Multiannual variable remuneration	–	–	–	–	–	–
Performance bonus (deferral) [3 years]	–	–	–	–	–	–
Long term incentive [4 years]	–	–	–	–	–	–
Total	**205**	**–**	**–**	**–**	**205**	**–**
Service costs	256	–	–	–	256	–
Total remuneration	**461**	**–**	**–**	**–**	**461**	**–**
H.-G. Wente (Board member for ContiTech; Board member from May 3, 2007 to April 30, 2015)						
Fixed remuneration	800	267	267	267	800	267
Additional benefits	30	25	25	25	30	25
Total	**830**	**292**	**292**	**292**	**830**	**292**
Performance bonus (immediate payment)	660	217	0	326	651	65
Multiannual variable remuneration	990	190	0	453	2,176	2,303
Performance bonus (deferral) [3 years]	440	145	0	363	2,176	2,303
Long term incentive [4 years]	550	45	0	90	–	–
Total	**2,480**	**699**	**292**	**1,071**	**3,657**	**2,660**
Service costs	0	0	0	0	0	0
Total remuneration	**2,480**	**699**	**292**	**1,071**	**3,657**	**2,660**

The disclosures on benefits granted and inflows are broken down into fixed and variable remuneration components and supplemented by disclosures on the service costs, which in the prior year also included the past service costs resulting from the change in the plan. The fixed remuneration components include the non-performance-related fixed remuneration and additional benefits. The variable performance-related remuneration components consist of the immediate payment from the performance bonus as a short-term remuneration component and the two long-term components: the deferral of the performance bonus and the LTI.

The immediate payment, the deferral (taking into account the reference tables as recommended in Section 4.2.5, para. 3 of the German Corporate Governance Code), and the LTI are each recognized as benefits granted at the value of the commitment at the time it is granted (equivalent to 100% target achievement). The remuneration elements are supplemented by disclosures on individually attainable maximum and minimum remuneration.

The inflow recognized in the year under review comprises the fixed remuneration components actually received plus the amounts of the immediate payment to be received in the following year that had been determined at the time the remuneration report was prepared. Disclosures on the two long-term components – the deferral and the LTI – relate to actual payments in the year under review. There were no inflows from multiannual variable remuneration that was scheduled to end in the period under review, but would not be paid until the following year. In line with the recommendations of Section 4.2.5 para. 3 of the German Corporate Governance Code, service costs in the disclosures on inflows correspond to the amounts granted, although they do not represent actual inflows in a stricter sense.

In fiscal 2015, the members of the Executive Board neither received nor were promised payments by a third party with respect to their activities on the Executive Board.

Remuneration of the Executive Board in 2015

	Remuneration components				
in € thousands	Fixed[1]	Variable, short-term	Variable, long-term[2]	**Total**	Share-based payment[3]
Dr. E. Degenhart	1,379	1,665	2,310	**5,354**	4,296
J. A. Avila	834	990	1,210	**3,034**	2,280
Dr. R. Cramer	1,435	990	1,210	**3,635**	2,181
H.-J. Duensing (since May 1, 2015)	543	133	639	**1,315**	809
F. Jourdan	836	990	1,210	**3,036**	1,552
H. Matschi	837	990	1,210	**3,037**	2,151
Dr. A. Reinhart	811	990	1,210	**3,011**	1,363
W. Schäfer	1,128	990	1,310	**3,428**	2,688
N. Setzer	844	946	1,181	**2,971**	2,400
H.-G. Wente (until April 30, 2015)	292	65	88	**445**	636
Total	**8,939**	**8,749**	**11,578**	**29,266**	**20,356**

1 In addition to cash components, the fixed remuneration includes non-cash elements, such as benefits relating to international assignments and in particular any related taxes paid, company cars, and insurance.
2 Long-term component of the variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on sustainable development of the company and benefits granted under the 2015 long term incentive plan.
3 Long-term component of the variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on sustainable development of the company, the granting of the 2015 long term incentive plan, as well as the changes in the value of the virtual shares granted in previous years and in the value of the 2014 and 2015 long term incentive plans.

Remuneration of the Executive Board in 2014

	Remuneration components				
in € thousands	Fixed[1]	Variable, short-term	Variable, long-term[2]	**Total**	Share-based payment[3]
Dr. E. Degenhart	1,369	1,468	2,179	**5,016**	3,152
J. A. Avila	826	198	682	**1,706**	1,249
Dr. R. Cramer	1,168	873	1,132	**3,173**	1,707
F. Jourdan	823	942	1,178	**2,943**	1,216
H. Matschi	825	908	1,155	**2,888**	1,565
Dr. A. Reinhart (since October 1, 2014)	238	220	147	**605**	147
W. Schäfer	1,121	873	1,232	**3,226**	1,962
N. Setzer	832	859	1,123	**2,814**	1,817
E. Strathmann (until April 25, 2014)	205	–	–	**205**	244
H.-G. Wente	830	651	984	**2,465**	1,653
Total	**8,237**	**6,992**	**9,812**	**25,041**	**14,712**

1 In addition to cash components, the fixed remuneration includes non-cash elements, such as benefits relating to international assignments, company cars, insurance, and moving costs.
2 Long-term component of the variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on sustainable development of the company and benefits granted under the 2014 long term incentive plan.
3 Long-term component of the variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on sustainable development of the company, the granting of the 2014 long term incentive plan, as well as the changes in the value of the virtual shares granted in previous years and in the value of the 2014 long term incentive plan.

Share-based payment – performance bonus (deferral)

The amounts of variable remuneration converted into virtual shares of Continental AG for active members of the Executive Board changed as follows:

in units	Number of shares as at Dec. 31, 2013	Payment	Commitments	Number of shares as at Dec. 31, 2014	Payment	Commitments	**Number of shares as at Dec. 31, 2015**
Dr. E. Degenhart	41,361	-14,531	6,123	32,953	-15,660	4,520	21,813
J. A. Avila	24,536	-8,978	4,794	20,352	-10,757	609	10,204
Dr. R. Cramer	26,893	-11,750	2,904	18,047	-10,917	2,688	9,818
H.-J. Duensing (since May 1, 2015)	–	–	–	–	–	–	–
F. Jourdan (since September 25, 2013)	–	–	427	427	–	2,901	3,328
H. Matschi	16,663	-6,604	4,794	14,853	-5,828	2,795	11,820
Dr. A. Reinhart (since October 1, 2014)	–	–	–	–	–	677	677
W. Schäfer	31,816	-11,177	4,710	25,349	-12,047	2,688	15,990
N. Setzer	31,518	-13,205	4,208	22,521	-10,376	2,643	14,788
E. Strathmann (until April 25, 2014)	7,732	–	4,239	11,971	–	–	11,971
H.-G. Wente (until April 30, 2015)	30,469	-12,419	3,981	22,031	-11,175	2,002	12,858
Total	**210,988**	**-78,664**	**36,180**	**168,504**	**-76,760**	**21,523**	**113,267**

In the year under review, commitments of €0.5 million (equivalent to 2,002 units) were granted and €3.7 million (equivalent to 18,011 units) was paid out to Executive Board members who had left the company. As at December 31, 2015, there were commitments with a fair value of €5.7 million (equivalent to 24,829 units).

Owing to the individual arrangements specific to the company, there are certain features of the virtual shares as compared to standard options that must be taken into account in their measurement.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares. The measurement model also takes into account the average value accumulation of share prices in the respective reference period and the floor and cap for the distribution amount. The following parameters were used as at the measurement date of December 31, 2015:

- Constant zero rates as at the measurement date of December 31, 2015, of -0.42% for the 2012 tranche, -0.37% for the 2013 tranche, and -0.32% for the 2014 tranche.
- Interest rate based on the yield curve for government bonds.
- Dividend payments as the arithmetic mean based on publicly available estimates for 2016 and 2017; the dividend amounted to €3.25 per share in 2015, and Continental AG distributed a dividend of €2.50 per share in 2014.
- Historic volatilities on the basis of daily XETRA closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2012 tranche is 29.52%, for the 2013 tranche 30.00%, and for the 2014 tranche 27.57%.

in € thousands	Fair value as at Dec. 31, 2013	Fair value of distribution	Change in fair value	Fair value of commitments	Fair value as at Dec. 31, 2014	Fair value of distribution	Change in fair value	Fair value of commitments	**Fair value as at Dec. 31, 2015**
Dr. E. Degenhart	6,530	-2,546	842	1,092	5,918	-3,227	1,309	1,032	5,032
J. A. Avila	3,886	-1,573	488	855	3,656	-2,216	777	139	2,356
Dr. R. Cramer	4,271	-2,059	514	518	3,244	-2,249	653	614	2,262
H.-J. Duensing (since May 1, 2015)	–	–	–	–	–	–	–	–	–
F. Jourdan (since Sept. 25, 2013)	–	–	–	76	76	–	22	662	760
H. Matschi	2,635	-1,157	331	855	2,664	-1,201	622	638	2,723
Dr. A. Reinhart (since Oct. 1, 2014)	–	–	–	–	–	–	–	155	155
W. Schäfer	5,022	-1,958	646	840	4,550	-2,482	1,008	614	3,690
N. Setzer	4,987	-2,314	621	750	4,044	-2,138	902	604	3,412
E. Strathmann (until April 25, 2014)	1,179	–	205	755	2,139	–	628	–	2,767
H.-G. Wente (until April 30, 2015)	4,825	-2,176	598	710	3,957	-2,303	855	457	2,966
Total	**33,335**	**-13,783**	**4,245**	**6,451**	**30,248**	**-15,816**	**6,776**	**4,915**	**26,123**

Share-based payment – long term incentive (LTI plans starting with 2014)

The LTI plans starting with 2014 developed as follows:

in € thousands	Commitment LTI Plan 2014	Change in fair value	Fair value as at Dec. 31, 2014	Commitment LTI Plan 2015	Change in fair value	**Fair value as at Dec. 31, 2015[1]**
Dr. E. Degenhart	1,200	74	1,274	1,200	624	3,098
J. A. Avila	550	34	584	550	286	1,420
Dr. R. Cramer	550	34	584	550	286	1,420
H.-J. Duensing (since May 1, 2015)	100	6	106	550	170	826
F. Jourdan	550	34	584	550	286	1,420
H. Matschi	550	34	584	550	286	1,420
Dr. A. Reinhart (since October 1, 2014)	–	–	–	550	145	695
W. Schäfer	650	40	690	650	338	1,678
N. Setzer	550	34	584	550	286	1,420
H.-G. Wente (until April 30, 2015)	550	34	584	45	-330[2]	299
Total	**5,250**	**324**	**5,574**	**5,745**	**2,377**	**13,696**

1 As at the end of the reporting period, the 2015 tranche was vested 25%; the 2014 tranche 50%.
2 With the departure of H.-G. Wente from the company as at April 30, 2015, a portion of the commitments of the 2014 and 2015 LTI plans expired. The commitment in 2014 of €550 thousand decreased to €183 thousand, resulting in a fair value of €241 thousand, down by €343 thousand. As part of the 2015 LTI plan, a partial commitment of €45 thousand remains for H.-G. Wente, with a fair value of €58 thousand as at the measurement date.

The following parameters were used as at the measurement date of December 31, 2015:

- Constant zero rates as at the measurement date of December 31, 2015, of -0.34% as at the maturity date and -0.30% as at the expected payment date for the 2014 LTI Plan as well as -0.27% as at the maturity date and -0.21% as at the expected payment date for the 2015 LTI Plan.
- Interest rate based on the yield curve for government bonds.
- Dividend payments as the arithmetic mean based on publicly available estimates for 2016 and 2017; the dividend amounted to €3.25 per share in 2015.
- Historic volatilities on the basis of daily XETRA closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2014 LTI Plan is 28.18%. The volatility for the 2015 LTI Plan is 27.27%.

Expenses for retirement benefits

The defined benefit obligations (DBO) for all pension commitments for the active members of the Executive Board in 2015 are presented below:

	Defined benefit obligations	
in € thousands	**Dec. 31, 2015**	Dec. 31, 2014
Dr. E. Degenhart	8,560	7,581
J. A. Avila	5,913	5,123
Dr. R. Cramer	2,671	2,191
H.-J. Duensing (since May 1, 2015)	612	–
F. Jourdan	1,447	730
H. Matschi	3,751	3,411
Dr. A. Reinhart (since October 1, 2014)	981	761
W. Schäfer	7,242	6,693
N. Setzer	2,904	2,365
H.-G. Wente (until April 30, 2015)	8,588	7,355
Total	**42,669**	**36,210**

We refer to Note 38 of the Notes to the Consolidated Financial Statements for details of pension obligations for former members of the Executive Board.

Remuneration of the Supervisory Board
Article 16 of the Articles of Incorporation regulates the remuneration paid to members of the Supervisory Board. This remuneration also has fixed and variable components. The chairman and vice chairman of the Supervisory Board and the chairs and members of committees qualify for higher remuneration.

In addition to their remuneration, the members of the Supervisory Board are also paid attendance fees and their expenses are reimbursed. The D&O insurance policy also covers members of the Supervisory Board. As recommended by the German Corporate Governance Code, their deductible also complies with the requirements of Section 93 (2) Sentence 3 *AktG* that apply directly to the Executive Board only.

In the past year there were no consultant agreements or other service or work agreements between the company and members of the Supervisory Board or related parties.

The remuneration of individual Supervisory Board members in 2015 as provided for under these arrangements is shown in the following table.

Remuneration of the Supervisory Board

	Remuneration components			
	2015		2014	
in € thousands	**Fixed[1]**	**Variable**	Fixed[1]	Variable
Prof. Dr.-Ing. Wolfgang Reitzle	232	262	231	224
Hartmut Meine[2]	118	132	118	112
Michael Deister (until April 25, 2014)[2]	–	–	38	35
Dr. Gunter Dunkel	81	87	80	75
Hans Fischl[2]	81	87	93	87
Prof. Dr.-Ing. Peter Gutzmer	81	87	80	75
Peter Hausmann[2]	122	132	120	112
Prof. Dr.-Ing. E. h. Hans-Olaf Henkel (until April 25, 2014)	–	–	26	24
Michael Iglhaut[2]	81	87	93	87
Jörg Köhlinger (until April 25, 2014)[2]	–	–	25	24
Prof. Dr. Klaus Mangold	81	87	80	75
Sabine Neuß (since April 25, 2014)	81	87	55	52
Prof. Dr. Rolf Nonnenmacher (since October 1, 2014)	198	219	49	47
Dirk Nordmann[2]	122	132	108	100
Artur Otto (until April 30, 2015)[2]	27	28	80	75
Klaus Rosenfeld	119	132	121	112
Georg F. W. Schaeffler	123	132	122	112
Maria-Elisabeth Schaeffler-Thumann	81	87	118	112
Jörg Schönfelder[2]	120	132	106	100
Stefan Scholz (since April 30, 2015)[2]	55	58	–	–
Elke Volkmann (since April 25, 2014)[2]	81	87	56	51
Kirsten Vörkel (since April 25, 2014)[2]	81	87	56	51
Dr. Bernd W. Voss (until September 30, 2014)	–	–	140	140
Erwin Wörle[2]	122	132	109	100
Prof. KR Ing. Siegfried Wolf	81	87	80	75
Total	**2,168**	**2,361**	**2,184**	**2,057**

1 Including meeting-attendance fees.
2 In accordance with the guidelines issued by the German Federation of Trade Unions, these employee representatives have declared that their board remuneration is transferred to the Hans Böckler Foundation and in one case to other institutions as well.

Management Report

The following management report is a combined management report as defined in Section 315 (3) of the German Commercial Code *(Handelsgesetzbuch – HGB)*, as the future opportunities and risks of the Continental Corporation and of the parent company, Continental AG, are inextricably linked.

Corporate Profile ›
Structure of the Corporation

A high degree of flexibility and speedy response are essential for successful business operations. The structure of our corporation is geared toward sustainable value creation.

Market- and customer-oriented corporate structure
The Continental Corporation comprises 502 companies, including non-controlled companies, in addition to the parent company Continental AG, a stock corporation under German law. The Continental team is made up of 207,899 employees at 430 locations in 55 countries.

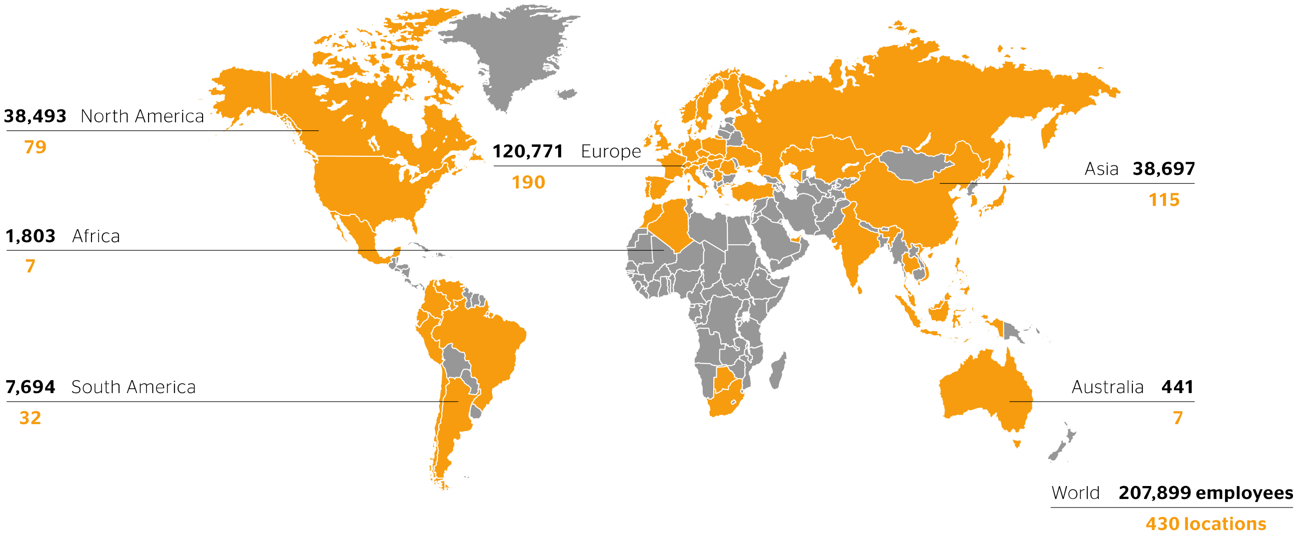
Our customers come from the automotive industry, various key industrial sectors (e.g. railway engineering, machine and equipment engineering, and mining) and the end-customer market. We supply them with high-quality innovative or established products, systems, and solutions around the world. Focusing on the market and customers is a key success factor. The global structure of the company is based on a balance between decentralized organizational structures and central functions. Our corporate culture and our values establish and promote a common understanding of our cooperation, which spans organizational and geographical boundaries.

Our organization ensures that central management areas and operating activities are coordinated with one another. It enables us to respond quickly and flexibly to market conditions and customer requirements and ensures that our company's success is in line with sustainable value creation.

The Continental Corporation is divided into the Automotive Group and the Rubber Group, which in the year under review comprise five divisions with 28 business units. A division or business unit is classified according to products, product groups, or regions. Differences result primarily from technological requirements, innovation and product cycles, the raw material base, and production technology, as well as from the underlying economic cycles, the competitive structure, and resulting growth opportunities. The divisions and business units have overall responsibility for their business, including their results.

The Automotive Group is made up of the Chassis & Safety, Powertrain, and Interior divisions. With total sales of approximately €23.6 billion, the Automotive Group generates 60% of consolidated sales. The Rubber Group comprises the Tire and ContiTech divisions, which look after our rubber- and plastics-based activities. The Rubber Group accounts for sales of around €15.7 billion and therefore 40% of sales within the Continental Corporation.

430 locations in 55 countries



Structure of the Continental Corporation

Continental Corporation Sales: €39.2 billion; Employees: 207,899				
Automotive Group Sales: €23.6 billion; Employees: 115,888			Rubber Group Sales: €15.7 billion; Employees: 91,603	
Chassis & Safety Sales: €8.4 billion Employees: 40,062	**Powertrain** Sales: €7.1 billion Employees: 35,364	**Interior** Sales: €8.2 billion Employees: 40,462	**Tires** Sales: €10.4 billion Employees: 48,955	**ContiTech** Sales: €5.4 billion Employees: 42,648

Automotive Group:

- The Chassis & Safety division develops, produces, and markets intelligent systems to improve driving safety and vehicle dynamics.
- The Powertrain division integrates innovative and efficient system solutions for powertrains into vehicles of all classes.
- Specializing in information management, the Interior division develops and produces information, communication, and network solutions.

Rubber Group:

- The Tire division is known for maximizing safety through short braking distances and excellent grip as well as reducing fuel consumption by minimizing rolling resistance.
- The ContiTech division develops, manufactures, and markets products for machine and plant engineering, mining, the automotive industry, and other important industries.

Globally interconnected value creation

Research and development (R&D) takes place at 147 locations in 35 countries, predominantly in close proximity to our local customers to ensure that we can respond flexibly to their specific requirements and to regional market conditions. This applies particularly to the R&D projects of the Automotive Group and the ContiTech division, both of which have a decentralized organizational structure. The global product requirements governing tire business are largely similar but are adapted according to the specific requirements of each market. In this respect, R&D has a largely centralized structure in the Tire division. Within the Continental Corporation, around 6% of sales is invested in R&D each year. The focal points are the Automotive Group's pioneering projects, which account for a large amount of our total R&D expenses. The share of R&D expenses in relation to sales is much higher in the Automotive Group than it is in the Rubber Group (for more information, see the Research and Development section).

Continental uses a wide range of raw materials and semifinished products. The purchasing volume comes to about €17.4 billion. Key raw materials for the Automotive Group are steel, aluminum, precious metals, copper, and plastics. One point of focus when it comes to purchasing materials and semifinished products is electronics and electromechanical components, which together make up around 43% of the corporation's total purchasing volume. Furthermore, mechanical components account for a quarter of this volume. Natural rubber and oil-based chemicals such as synthetic rubber and carbon black are key raw materials for the Rubber Group. The total purchasing volume for these materials amounts to nearly a fifth of the total volume for production material (for more information, see the Development of Raw Material Markets section in the Economic Report).

Globally interconnected value creation

R&D	Purchasing	Production	Sales & Distribution
Innovative €2.4 billion in expenditure	**Diverse** €17.4 billion in volumes	**Global** 208 locations	**Local** €39.2 billion in sales

Production and sales in the Automotive divisions and in the ContiTech division are customer-focused and organized across regions. This is in line with our strategy (for more information, see the Corporate Strategy section). With major locations in Europe, the U.S.A., and China, we have tire production activities, in which economies of scale play a key role, in the three dominant automotive markets in terms of production and vehicle stock. As such, low production costs coupled with large volumes or high rates of regional growth constitute key success factors. Sales activities in the Tire division are performed worldwide via its own dealer network with around 2,000 specialty tire outlets and franchises as well as through tire trading in general.

With a share of 72% of our consolidated sales, the automotive industry (original equipment) is our largest customer segment. And the importance of this industry to the growth of the Automotive Group is equally high. In the Rubber Group, the tire business with end customers dominates. At ContiTech, other key industries play an important role alongside the automotive industry. These include machine and plant engineering, and applications in mining and the oil industry.

Corporate Strategy

The objectives of our strategy, which is based on seven dimensions, are a balanced product portfolio, technological leadership and a leading position in the market segments relevant to us, as well as agility and customer focus.

In recent years, we have realigned our financial structure. With an equity ratio of 40% and a gearing ratio of 27%, we have achieved the necessary flexibility to respond in the short term to developments and to expand or strengthen our portfolio of technologies should opportunities arise. This is demonstrated by the acquisition of Elektrobit Automotive, which puts us in an even better position to develop software solutions for our customers that connect systems from different domains in vehicles. However, the most important objective remains to strengthen business outside of the automotive original equipment sector. We are continuing to be cautious and do not consider ourselves to be under pressure to achieve objectives for the sake of achievement alone. Creating value and strengthening our expertise are more important to us than size.

Seven strategic dimensions for enhancing the value of the corporation on a sustainable basis
Our strategy comprises seven dimensions that complement one another and are geared toward sustainably creating value and ensuring the future viability of the company. Over the past five years, we have been able to achieve a few important interim objectives of our strategy.

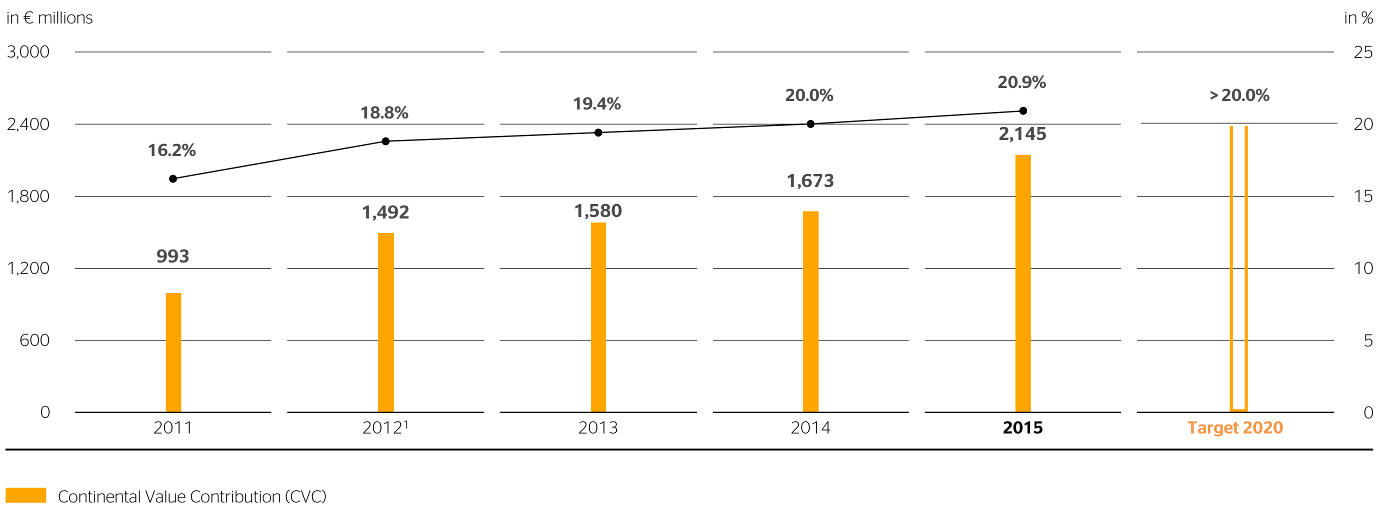
1. Value creation – enhancing the value of the corporation on a long-term basis
Objective: Our business model is based on the three value streams: innovative capability, productivity, and profitable growth. For us, enhancing the value of the corporation on a long-term basis means sustainable, lasting success while taking into consideration the costs of capital. Our target is at least 20% ROCE.

Status: We achieved this objective for the second year in a row. After achieving 20.0% in 2014, we exceeded this target in the year under review with 20.9%.

2. Regional sales balance – globally balanced sales distribution
Objective: We aim to gradually increase the share of our consolidated sales in the Asian markets to 30%. In China, we want to grow at an above-average rate in the next few years. The share of our sales in the North and South American markets should be maintained at 25% or more. We want to achieve a globally balanced distribution of regional sales, which allows us to reduce our dependence on individual regional sales markets. To accomplish this, we are taking advantage of the opportunities available to us on the growing markets in Asia and North America, while consolidating our strong market position in Europe. With this, we want to achieve a more effective regional balance for our business model in the medium to long term. This will leave us less vulnerable to economic fluctuations in individual regions of the world.

Status: We have already made major progress here in recent years. In the year under review, we achieved 20% of our sales in Asia. The share of our sales in the North and South American markets was 29% in total.

Increase in value contribution **Return on capital employed (ROCE)**



1 IAS 19 (revised 2011), Employee Benefits, has been applied since 2012.

3. Top market position – among the three leading suppliers in all relevant markets
Objective: We want to be among the world's three leading suppliers in terms of customer focus, quality, and market share in the long term. This will enable us to plan our future based on a leading position and thereby play a major role in shaping the development of individual sectors.

Status: Our strong presence in the innovative, promising fields of technology in the motor vehicle industry constitutes a key success factor and driver of future development. Around half of our portfolio is dedicated to the world's 20 fastest growing product segments of the automotive industry. We are among the leading companies in the automotive supply industry for numerous technologies. The same holds true in our Tire division, as it does for the business with carmakers and in other industries in the ContiTech division.

4. In the market for the market – high degree of localization
Objective: A high degree of localization characterizes our global business model. A large number of product applications are developed and produced locally. This is how we meet the needs and requirements of our customers most effectively. Our development and production teams worldwide enable us to offer solutions and products for high-quality cars and affordable vehicles, as well as customized industrial applications. The aim is for at least eight out of ten application developments to be achieved locally, and for the percentage of local production to be just as high.

Status: We currently have production locations in 35 of 55 countries in which we are represented. At the same time, we are purchasing locally – insofar as this is possible and cost-effective – as well as marketing locally. In the years to come, we will continue to work hard to add one of the Asian manufacturers to our five largest automotive customers as well. We aim to achieve this with a high degree of localization.

5. Balanced customer portfolio – balance between automotive and other industries
Objective: By having a balanced customer portfolio, we want to reduce our dependency on the automotive economy. This is why we are striving to increase business in industries outside of the automotive original equipment sector while at the same time achieving further growth with carmakers. By 2020, we want to increase the share of sales with end users and industrial customers from other sectors toward a figure of 40%. Our Tire and ContiTech activities form the basis for this. Business outside of the automotive original equipment sector allows us to better compensate for delays or accelerations when it comes to the aforementioned challenges.

To achieve this objective, we are pursuing three approaches:

› In the tire sector, we are investing in additional production capacity geared predominantly toward the end customer business.

› We are strengthening the automotive end customer business through customer-specific solutions and products.

› We are increasing sales with industrial customers from sectors outside of the automotive industry both organically and through acquisitions.

Status: In 2015, we achieved 28% of our sales with end users and industrial customers.

6. Technological balance – combination of established and pioneering technologies
Objective: Our product portfolio should consist of a profitable and viable combination of established and pioneering technologies. We set and follow new trends and standards in high-growth markets and market segments. On the established core markets, we ensure that our position as one of the leading automotive suppliers and industrial partners keeps on developing. This allows Continental to be represented and competitive in all phases of the respective product life cycles.

Status: In the Automotive Group, we are among the leading suppliers when it comes to advanced driver assistance systems, injection systems for low-consumption, supercharged diesel and gasoline engines, electric mobility, keyless access systems, and display solutions in vehicle interiors.

7. Great people culture
Objective: Pioneering solutions can only be created in an environment of trust. Continental strives in all divisions and departments to promote a culture of trust and personal responsibility, to foster tolerance of errors as a learning system, and to give people freedom to act. In order to develop our corporate culture, we implement numerous initiatives to promote and shape a working atmosphere that is characterized by trust and mutual respect. This is how we establish an environment that is conducive to new ideas and initiatives as well as an extensive exchange of knowledge and value-adding collaboration. By working in networks without organizational or hierarchical boundaries, we can come up with better solutions more efficiently, and pick up on trends and market changes more quickly.

Status: In an employee survey carried out in the year under review, 85% of respondents indicated that they fully support our company values – Trust, Passion To Win, Freedom To Act, and For One Another.

Automotive industry in a period of change
The automotive industry, which has been shaped over the past 100 years by vehicle manufacturers, the supply industry, car dealers, consolidation, globalization, the optimization of mechanics, and the combustion engine, as well as the introduction of electronics, is facing drastic changes. The most immediate of these is arguably digitalization followed by electrification of the powertrain through to the matter of how we as individuals want to experience mobility in the future.

Our aim is to take on these challenges beyond our seven strategic dimensions and to continue developing them to create value for Continental.

Opportunities arising from digitalization
To continue to grow in the long term, we are taking advantage of opportunities arising from digitalization. Value creation based on optimizing pure mechanics alone is coming ever closer to reaching its limits.

Digitalization and interconnection of the physical world (the Internet of Everything) is a significant driver of economic growth. It is all-encompassing and comprises all manner of objects, products, and processes. Aided by digitalization, the Internet of Everything could potentially connect 1.6 trillion objects. Today, 14 billion things (about 1% of this potential) are already interconnected, which means there is still tremendous potential that has yet to be exploited. The positive effect of this development on the economy as a whole is estimated at approximately U.S. $6 trillion in 2020. By 2020 alone, 50 billion devices and machines in addition to over 250 million vehicles will be interconnected, resulting in considerable potential sales for the automotive industry. The estimated market volume for 2020 is €57 billion.

We are already generating around 60% of our sales in the Automotive Group with advanced driver assistance systems and other digitalized technologies such as electronics, sensor technology, and software. This came to over €14 billion in the year under review.

In line with the megatrends of the industry, Continental is pursuing three key goals with digitalization:

› Zero road traffic accidents.

› Cleaner air through reduced fuel consumption and lower emissions.

› Enhanced comfort, convenience, information and entertainment, as well as driving enjoyment.

Opportunities arising from electrification
Alongside technologies to optimize the combustion engine, we are developing technologies that support the combustion engine, that allow purely electric driving for limited periods, or that function without the combustion engine whatsoever. Our portfolio includes electronics solutions for 12-volt and 48-volt drive systems, hybrid and plug-in variants, as well as all-electric motors. Beyond brake-energy recuperation, our expertise also lies in power electronics, which is the intelligent management of energy that is made available while driving from the combustion engine and electric motor as well as from the battery. However, the past few years have revealed that the solutions currently offered by the industry do not yet satisfy customer requirements. Considering the substantial air pollution in China or India, as well as in megacities, we are convinced that the electric motor will catch on as an alternative drive system. The following milestones will be important for the technology's success:

› The battery has to have a range of at least 500 kilometers.

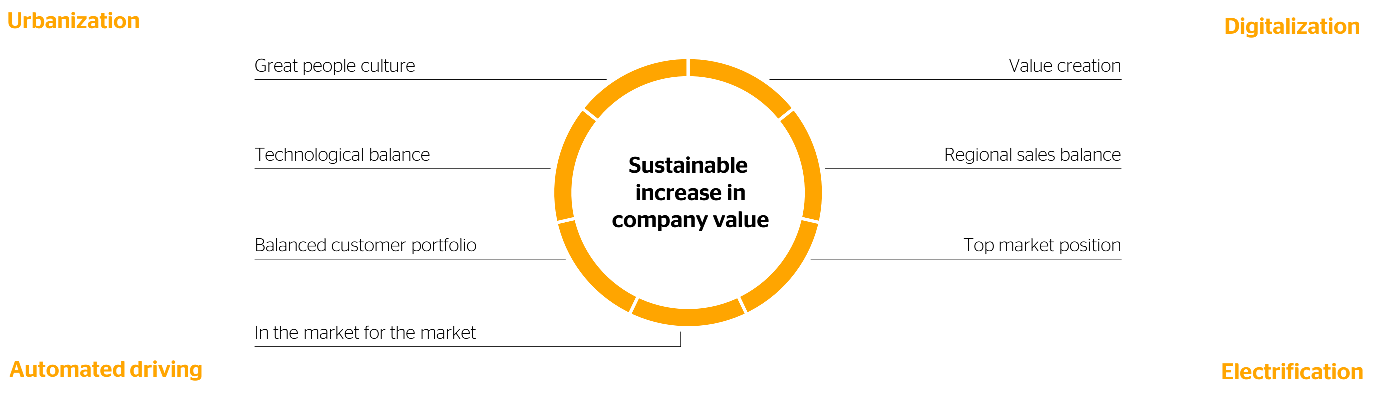
› It needs to withstand charge cycles of more than 200,000 kilometers.

› It must be able to be recharged quickly – and wirelessly if possible.

› The price per kilowatt-hour has to be cut by more than two-thirds to below €100.

We anticipate that more than 20% of vehicles produced in 2025 will have an electric drive system. We put the number of electric vehicles without a combustion engine at just 3%. And our sales in 2020 in the Powertrain division will reflect this. This means that we are continuing to plan significant investments in these technologies.

Corporate strategy at a glance



Opportunities arising from automated driving
Based on today's advanced driver assistance systems, it will be possible in the future to free up some of the time the driver spends in the vehicle – time in which the car monitors and controls the driving process. This subject has raised many justified questions that have not yet been answered and doubts that have not yet been dispelled. But, statistically, vehicles generally make far fewer mistakes when driving than humans do. With our sensor and camera solutions as well as our expertise in electronic control units and vehicle connectivity, we are already starting in a strong position. Furthermore, the emergence of new suppliers from the technology sector is opening up additional sales opportunities that we want to leverage with our proven expertise. A consequence of this may also be a redefinition of individual mobility. The buzzword is "shared mobility," meaning more intensive use of the vehicle not by one owner but by multiple users. We are already strengthening our portfolio as required so that we can continue to be one of the leading suppliers when it comes to this trend, too. A decisive factor will be our ability to respond to new developments in time.

Opportunities arising from urbanization
More than 50% of the world's inhabitants already live in large cities, so this is where a large proportion of the vehicle fleet of over a billion vehicles can be found. Forecasts indicate that by 2050 more than two-thirds of the earth's population will live in large cities and the vehicle fleet will have grown to over two billion vehicles. This will pose huge challenges in terms of infrastructure, safety, and vehicle emission characteristics. Urbanization will ultimately require new drive systems and new solutions for connecting and using vehicles in order to make clean and unrestricted mobility a reality. Accordingly, it will enhance the opportunities arising from digitalization, electrification, and automated driving.

Divisions and Business Units

Chassis & Safety Division

- 40,062 employees
- 111 locations in 22 countries
- Sales up 12.4% to €8.4 billion

For the Chassis & Safety division, the direction is clear: the future of mobility leads to automated driving. Integral active and passive safety technologies and products that support vehicle dynamics provide greater safety, comfort and convenience.

According to the World Health Organization, more than 1.2 million people still die each year in traffic accidents around the world, and millions are injured. The main cause is human error. Studies have shown that in 90% of the accidents, the driver is in part at fault, and in more than 70% human error is the sole cause of the accident. So in order to reduce the number of accidents further, it is necessary to help the driver drive. This will involve continually developing advanced driver assistance systems while increasing their fitment rates, and gradually automating driving tasks to the point of fully automated driving. Electronics are becoming ever more intelligent, providing the perfect foundation for achieving Vision Zero – our vision of accident-free driving.

Globalization, growth, and top performance are the key strategic driving forces of the division, which is subdivided into four business units:

- **Vehicle Dynamics** combines products and systems for lateral, longitudinal, and vertical dynamics. These include scalable electronic brake systems and software solutions for vehicle stability and ride comfort for cars and motorcycles, as well as chassis electronics and air suspension systems.

- **Hydraulic Brake Systems** is a leading supplier of hydraulic brake systems. The business unit develops and manufactures solutions for traditional braking technology and optimally adapted actuation systems. The product portfolio comprises both conventional products, like brake boosters and brake hoses, and a variety of braking products such as disk, parking and drum brakes, fixed calipers as well as the electric parking brake (EPB). The advantage of the EPB is that it replaces the parking brake and also integrates additional safety features.

- **Passive Safety & Sensorics** is working to drive forward the combining of vehicle-dynamics and vehicle-surroundings sensor systems with passive safety systems. This gives rise to high-performance, integral protection systems for passengers, pedestrians, and cyclists. V2X communication (car-to-car and car-to-infrastructure) gives rise to swarm intelligence that enables vehicles to practically see “around corners” and thus implement anticipatory safety strategies.

- **Advanced Driver Assistance Systems** develops innovative advanced driver assistance systems. They are the foundation for vehicle automation and operate using vehicle-surroundings sensors such as cameras, radars and lidars, fulfilling various safety and convenience features. The systems assist drivers in everyday situations such as parking (with the 360°camera system Surround View) or driving in slow-moving traffic. Furthermore, in hazardous situations, these systems warn the driver and actively intervene if and when necessary (Emergency Brake Assist). Our products therefore play a key role in preventing accidents.

Our growth prospects

Opportunities for volume growth arise from a number of influencing factors such as:

- Greater use of advanced driver assistance systems due to growing awareness of safety among the population.

- Global market penetration of the electric parking brake, also in small vehicle segments.

- Increased market penetration for electronic brake systems (MK 100).

- The market launch of the innovative MK C1 electro-hydraulic brake in a “one-box design,” which combines brake actuation, brake booster, and control system all in the one system.

- Our growth in NAFTA and the Asian markets as well as our expanding local presence.

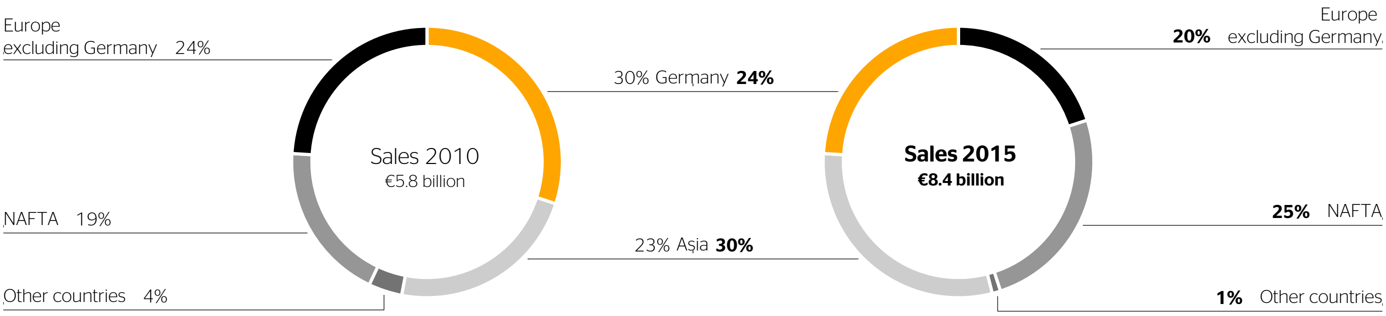
- Stricter legislation for safety technologies worldwide and the assessment criteria of the European New Car Assessment Program (Euro NCAP).

The Chassis & Safety division is excellently prepared for the future in existing markets with innovative products and new developments. This is due to improved market penetration, increasing installation rates for ABS, ESC, sensors, and passive safety, and increasing use of advanced driver assistance systems and electric parking brakes in most vehicle classes. We are benefiting in particular from the favorable environment. The growth market of Asia and international legislation regarding the use of ABS (also for motorcycles in Europe in the future), electronic stability control (ESC), and airbags are paving the way for further growth.

Pioneering advanced driver assistance systems are being included to a greater extent in testing and assessment protocols. As such, it will be possible in the future to receive the maximum of five stars in the Euro NCAP rating only with the help of advanced driver assistance systems.

Electronics play a decisive role in the continuous development of electronic advanced driver assistance and increasing automation.

Chassis & Safety division: sales by market



With as many as 90 control units for the powertrain, interior, and chassis, the electronics in an average car represent nearly a third of the value of a car when it rolls off the production line.

The next major step includes connecting the individual electronic systems to expanded functional blocks and grouping them into domains. Integral safety – the interplay of active and passive safety – helps the driver to better deal with precarious situations and more effectively protect road users. As a result, the demand for complex vehicle functions and interconnected systems is growing rapidly. According to internal calculations, at present 30% of projects are for systems rather than components, and this will increase to about 50% for advanced driver assistance systems alone in the coming two years.

To better prepare for the resulting market requirements and growth opportunities, the Chassis & Safety division has expanded its profile and bolstered its know-how and capacity in the systems sector. The division has the technical expertise to develop individual components as well as interconnected systems for automotive manufacturers. Within Chassis & Safety Systems, the division has set up the following functions:

- Systems Concept (requirements management, architecture, and safety & security)
- Design (function development, simulation, and systems layout)
- Test & Integration (test, hardware-in-the-loop, verification and validation)

By doing so, it has adapted its organization to the market, enabling it to take advantage of systems business opportunities extending across business units.

Powertrain Division

- 35,364 employees
- 90 locations in 22 countries
- Sales up 8.8% to €7.1 billion

In the Powertrain division, we integrate innovative and efficient system solutions for the powertrains of today and tomorrow into vehicles of all classes. In line with the central theme of clean power, our products make driving more environmentally compatible and affordable, while also enhancing comfort, convenience and driving enjoyment.

We offer our customers a comprehensive portfolio of products ranging from gasoline and diesel injection systems, turbochargers, engine management and transmission control systems (including sensors and actuators), exhaust aftertreatment and fuel supply systems, right through to components and systems for hybrid and electric drives.

The division is divided into five business units:

- **Engine Systems** pursues the aim of increasing power and performance as well as reducing consumption. The business unit develops and produces innovative system solutions for environmentally friendly and sustainable combustion engines.
- **Fuel & Exhaust Management** seeks to reduce the level of exhaust fumes emitted into the environment despite increasing traffic volumes. Its product portfolio includes fuel delivery modules and their components as well as catalytic converters and systems for exhaust-gas aftertreatment and selective catalytic reduction (SCR) dosing.
- **Hybrid Electric Vehicle** supplies main components for powertrain electrification in hybrid and electric vehicles. This business unit's top priority is tailor-made electrification – a cost-efficient strategy for powertrain electrification that is suitable for all vehicle types.
- **Sensors & Actuators** is committed to reducing emissions of carbon dioxide and pollutants. This is made possible by sensors and actuators working in combination with advanced engine management systems.
- **Transmission** develops and produces pioneering electronic and electromechanical control units for all relevant transmission types and powertrain applications. Products range from high-end systems to cost-optimized solutions for growth markets.

Our growth prospects
The need for individual mobility will continue to grow worldwide. At the same time, the legal limits for CO_2 and harmful vehicle emissions will continue to be tightened worldwide, resulting in a growing need for drive technologies with lower fuel consumption and reduced emissions. This trend is providing the Powertrain division with growth prospects in various market segments including:

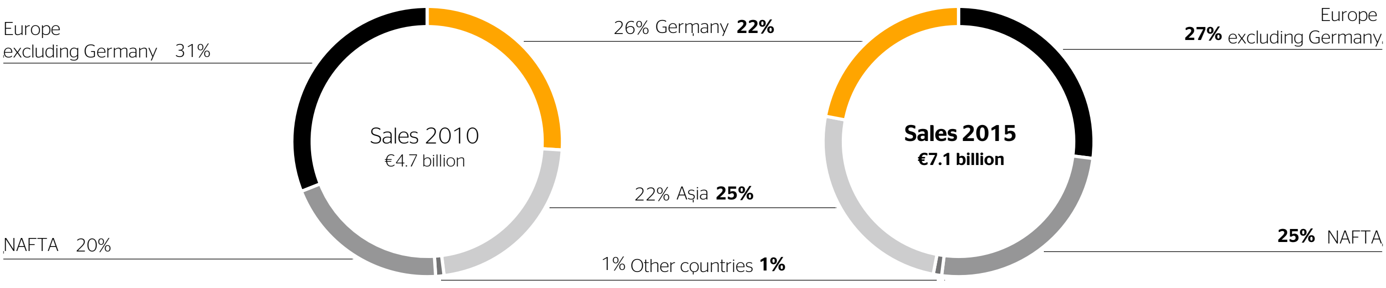
- Electrified drive systems
- Direct injection and turbocharging
- Electronic control systems
- Exhaust-gas aftertreatment

Our goal is to increase the efficiency of conventional combustion engines and to develop cost-efficient solutions for the electrification of the powertrain that are tailored to the needs of end customers.

The growth market of electrified drive systems:
In the long term, electrification will make an indispensable contribution to more efficient vehicles with lower emissions. Continental sees the solutions for the mass market in graduated hybridization, or tailor-made electrification, and therefore offers a technology portfolio that car manufacturers can use to hybridize current vehicle models in grades from 12 to 400 volts, with a transparent cost-benefit ratio. One of Continental's major focal points here is the new 48-Volt Eco Drive system. The new reasonably priced hybrid technology provides features that up to now have only been found in high-voltage hybrid systems – such as the switching off of the combustion engine while driving (sailing or coasting), extremely quick and convenient engine start-up, and efficient brake-energy recovery (recuperation). Its ease of integration and manageable battery costs – on account of the relatively small 48-volt battery – means that the system is highly economical and meets the demands of automobile manufacturers for cost-effective solutions for clean drive systems with a price in the mid double-digit euro range per gram of CO_2 reduction. The 48-Volt Eco Drive system can be combined with both gasoline and diesel engines, allowing in both cases for substantial reductions in fuel consumption and harmful emissions. For instance, in a compact car with a 1.2-liter gasoline engine, this mild hybrid system reduces average consumption in inner-city traffic by around 21%. The system also helps to significantly reduce nitrogen-oxide emissions in diesel vehicles. The 48-Volt Eco Drive system will go into production in 2016.

The growth market of direct injection and turbocharging:
Smaller, supercharged engines reduce CO_2 emissions. With pioneering, innovative turbocharger and injector technology, we ensure that modern combustion engines can still compete with alternative drive systems over the long term with respect to efficiency, environmental friendliness, and performance. With the world's first turbocharger with aluminum turbine housing, we are continuing this development.

Powertrain division: sales by market



The growth market of electronic control systems:
A major challenge in the future will be to utilize the vehicle's thermal, mechanical, and electrical energy as efficiently and accurately as possible within a set of highly complex requirements. Today, engine management is based exclusively on signals from sensors located within the vehicle, whereas in the future it will increasingly rely on information from external sources as well, such as other vehicles or a cloud.

Connecting the vehicle powertrain to the cloud, known as connected energy management, gives the end customer significant added value in the form of reduced consumption. The combustion engine is run more efficiently and is switched off as often as possible as part of a hybrid strategy. With the help of real-time traffic data or traffic light phases, the vehicle is able, for example, to autonomously decide when to switch the engine off without negatively impacting traffic flow or making the journey longer.

Rather than a single energy flow, the aim in the future will thus be to regulate the balance and direction of various energy flows. As a result of these diverse options presented by electrification and of alternative fuels, the potential scope of functions in the engine control unit is increasing dramatically.

Modular designs, such as those in Continental's EMS 3 engine management architecture, are essential in order to implement this range of energy flows. This design is based on AUTOSAR 4.0 (standard for electronic components in the automotive industry) and is a key tool for handling the growing requirements of the future in terms of complexity, reliability, short development times, and the increasing range of models and functions. As with engine management systems, the latest trends – particularly in the field of hybrid technology – will also stand to benefit from the development work on transmission control units.

The growth market of exhaust-gas aftertreatment:
The selective catalytic reduction (SCR) market is another growth market we cater to with our broad product portfolio. The introduction of the Euro 6 legislation cuts nitrogen limits by more than half in comparison with Euro 5. SCR exhaust-gas aftertreatment allows combustion to be further optimized in terms of reducing CO_2 emissions and fuel consumption. The integration of exhaust-gas specialist Emitec now enables us to also offer complete systems for exhaust-gas aftertreatment.

We also anticipate growth opportunities not only in the passenger-car market but also in the two-wheeler segment and in the truck market.

Interior Division

- 40,462 employees
- 102 locations in 25 countries
- Sales up 16.5% to €8.2 billion

Specializing in information management, the Interior division develops and produces information, communication, and network solutions. Our products, systems, and services enable us to control and optimize the complex flow of information – between the driver, passengers, mobile devices, and the vehicle on the one hand; and the environment, other vehicles, and the Internet of Everything on the other. We combine the expert knowledge of entire industries and work together in partnership with leading companies from other sectors.

For us, the vision "Always On" refers to the holistically connected vehicle of the future, which acts as a partner in assisting the driver and passengers. This vision centers on people. To live up to this claim, we implement intelligent technologies that are intuitive to understand and can be used holistically.

The division is made up of five business units:

- **Instrumentation & Driver HMI** is known for display and operating systems. The product range includes traditional instrument clusters, complex instruments featuring color displays, and innovative head-up displays. It also provides central input devices, interior cameras, and integrated systems for cockpit modules.

- **Infotainment & Connectivity** focuses on infotainment systems and the connection with the outside world. The main focus of development includes integrating modern entertainment solutions, conveniently linking mobile devices, and telematics solutions.

- **Intelligent Transportation Systems** is geared toward the integration of data for transport infrastructure, vehicles, and users utilizing information and communication technology, including applications that inform the driver about dangers or obstacles along the route; as well as travel, fleet, and traffic management features.

- **Body & Security** develops and produces electronic systems that enable access to the vehicle, make key-interlock systems reliable, and ensure the availability of vehicle safety and convenience features.

- **Commercial Vehicles & Aftermarket** combines the various activities in the commercial and special-purpose vehicles segment as well as the trade activities in the replacement part business. The global network of sales and service companies ensures proximity to local customers.

Our growth prospects

With a view to continuously expanding our business activities, we are concentrating our efforts on the following:

- Connecting the driver with the vehicle and the environment by expanding the infotainment range (i.e. integration of mobile devices or backend connection).

- Achieving the best cost-benefit basis as well as flexible solutions for different markets for connectivity, display, and driver interaction.

- Custom and holistic responses to new requirements for the use of technologies such as augmented reality.

- Enhanced use of navigation data to control other vehicle systems using our eHorizon system.

- Integrated functional and control systems for the growing number of specific vehicle requirements.

- Systematically expanding systems and software expertise as well as collaborating with leading companies from other industries.

- Paving the way for automated driving by creating an interface between humans and vehicle electronics.

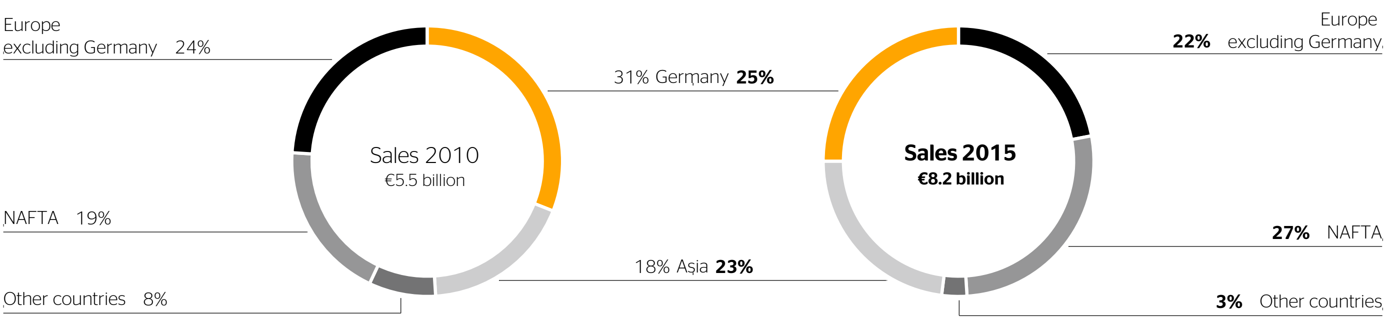
- Intelligent services in response to new legislative requirements such as tire-pressure monitoring and the automatic emergency call system.

- Future transport systems and intelligent mobility through supporting services.

Based on our extensive portfolio of products and expertise, we are able to ensure rapid adaption of our solutions across all platforms – also for new segments. We continue to pursue the aim of achieving a presence with our products on all global markets and stepping up our supply to Japanese automotive manufacturers. We persistently rely on the high levels of customer satisfaction and innovative prowess we enjoy, as well as on our systems expertise.

For some years now, trends in the consumer goods industry have had an ever greater influence on what drivers expect when it comes to in-vehicle information systems. The number and surface area of displays in the vehicle are growing significantly – a trend that shows no signs of abating for the foreseeable future. Our development team in the Instrumentation & Driver HMI business unit is working continually on solutions that reduce the burden on the driver amidst increased information density and contribute to greater convenience when driving. These include, for example, fully digital instrument clusters and head-up displays.

Interior division: sales by market



To get to grips with increasing levels of complexity, natural interaction with vehicles is taking on an ever greater role. Technologies that are used for this include touch solutions for displays, touchpads, and other user interfaces. Tactile search and activation features help drivers with intuitive operation. Also thanks to our interior camera, drivers are in constant dialog with their vehicles – a dialog without words – and receive the relevant information at the right time and in the right manner. We have already received initial product orders. To meet increasing demands for product differentiation, authentic materials such as real wood and metals are becoming increasingly popular for user interfaces.

The trend toward the constantly connected vehicle is reflected above all in the Infotainment & Connectivity business unit. Cars are becoming part of the Internet of Everything. This is why we use a fast, reliable data connection such as the LTE standard (Long Term Evolution). Besides secure data transmission, integration of applications is also of high importance. We accomplish this complex task through cross-sector collaboration with partners such as leading IT companies. Mobile devices such as smartphones are particularly worth mentioning in this respect. They have become virtually indispensable in people's daily lives. Through reliable interaction with the vehicle components, the infotainment experience can be expanded and improved with new and current content. To make this possible, our platforms provide corresponding interfaces and support standards. As a result of dynamic trends in the field of entertainment electronics, legislative regulations are being pushed through to cover the safety aspects of driving. Our product portfolio already contains dedicated emergency call systems such as eCall. We constantly monitor the market and analyze other legislative developments, enabling us to respond rapidly to new demands.

By establishing the Intelligent Transportation Systems business unit in 2014, we have taken an important step for the mobility of the future. The focus here is on three growth areas. The first is improving the efficiency, safety, convenience, and comfort of the vehicle itself (e.g. CO_2 reduction, support from advanced driver assistance systems, and automated driving). The second involves the ability of vehicles to share information with each other in real time. The third area goes beyond the vehicle and into traffic management (e.g. travel planning, parking space management, and fleet system solutions).

In the Body & Security business unit, vehicle connectivity also relates to the gateways and antenna modules sector as well. Technologies such as near field communication (NFC) allow for the development of new smartphone features, such as digital keys. Our newly established joint venture OTA keys with Belgian automotive services specialist D'Ieteren offers development and implementation of various additional services. The relevance of these products and services we offer is shown by the initial orders. We are meeting new legislative requirements with services for maintenance, safety, and convenience – such as our tire-pressure sensors with information for connected fleet systems, tread depth, or convenient tire-pressure monitoring using a smartphone. In addition, the area of lighting is showing clear growth potential with the sharp increase in LED solutions. Here, we are positioning ourselves as an innovator in LED light controls.

We are continually expanding our range of services in the growth market of additional services with the help of the Commercial Vehicles & Aftermarket business unit. Our portfolio is being extended with new solutions for commercial vehicles, such as ProViuMirror and aerodynamic solutions to save fuel. We are significantly enhancing our range of solutions for agricultural and construction vehicles. In addition to (remote) diagnostic solutions, our eHorizon offers significant added value to make vehicles safer and more efficient. The integrated human-machine interface in commercial vehicles, including the head-up display, is an extremely noteworthy driving force for enhanced safety – particularly in connection with automated driving. Our success in the tachograph segment as well as new legislation and the demand for additional services constitute the basis for further growth in Russia and NAFTA.

Tire Division

- 48,955 employees
- 75 locations in 46 countries
- Sales up 6.4% to €10.4 billion

Tires are the vehicle's only link with the road. They have to transmit all forces onto a road surface that equates to little more than the size of a postcard. In critical situations, it is the technology level of the tires that determines whether a vehicle is able to stop in time or stay in the correct lane during cornering maneuvers.

The Tire division is known for maximizing safety through short braking distances and excellent grip as well as reducing fuel consumption by minimizing rolling resistance.

The division is divided into six business units:

- **Passenger and Light Truck Tire Original Equipment** represents global business with automotive manufacturers. Products of the premium brand Continental are marketed worldwide in addition to products of the quality brand General Tire in NAFTA. The product range also includes various run-flat systems that allow you to continue driving even if you get a puncture, so that you can reach the nearest auto repair shop.

Passenger and Light Truck Tire Replacement business is divided into the following business units:

- **EMEA** (Europe, Middle East and Africa)
- **The Americas** (North, Central, and South America)
- **APAC** (Asia and Pacific region)

In addition to the Continental premium brand and the Barum budget brand, which are sold all over the world, we also market the regional high-quality brands Uniroyal, Semperit, General Tire, Viking, Gislaved, Euzkadi, and Sime Tyres as well as the regional budget brands Mabor and Matador. Under the umbrella of ContiTrade, our European retail tire companies, with more than 2,000 tire outlets and franchises, are also assigned to Replacement Business EMEA.

- **Commercial Vehicle Tires** boasts an extensive range of truck, bus, and special-purpose tires. This business unit places its focus on entrepreneurial customers. Customers receive suitable tires and accompanying services and solutions for professional tire management. This means lower overall costs for the whole fleet and thus optimal cost-effectiveness.

- **Two-Wheel Tires** has a broad spectrum of products to offer ranging from city, trekking, mountain-bike, and high-performance racing tires through to motorcycle tires (scooter, enduro, and high-performance road tires).

Distribution of sales

29% of sales in the Tire division relates to business with vehicle manufacturers, and 71% relates to the replacement business.

Our growth prospects

In the area of passenger and light truck tires, we pursue the evolutionary development of our premium products by continuously improving their key properties. This is done by:

- Specifically adapting new product lines to meet widely varying regional requirements with regard to temperature, road conditions, and legal provisions.
- Making further improvements in performance characteristics for the highly demanding and competitive product segments: high-performance tires and premium winter tires.
- The continual reduction of rolling resistance without compromising safety characteristics.

In our premium segment in the Commercial Vehicle Tires business unit, we place particular emphasis on the following:

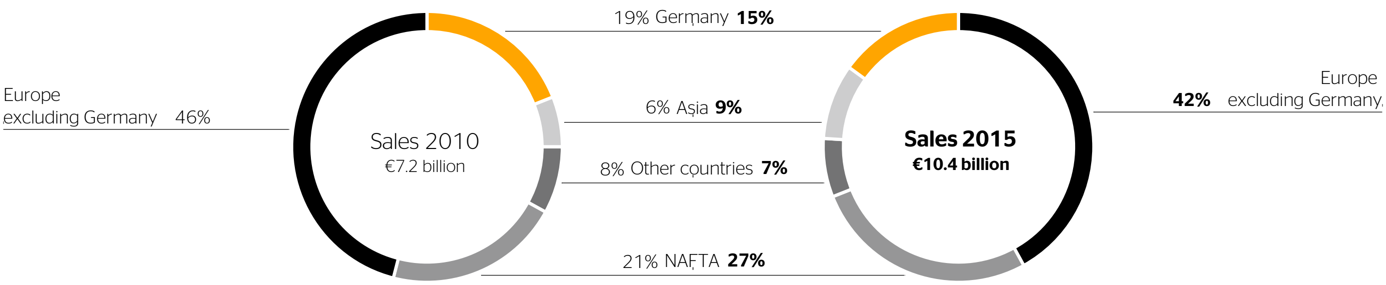
- Close collaboration with our fleet customers right through to joint development of custom tire-management solutions.
- The continuous expansion of our ContiLifeCycle range, from new tires to retreading.

In the Passenger and Light Truck Tires as well as the Commercial Vehicle Tires business units, the division also continues to pursue the following aims:

- The expansion of production and sales capacity with a focus on the growth regions U.S.A., Europe and BRIC (Brazil, Russia, India, and China).
- The development of innovative materials such as natural rubber from dandelion roots.

At the end of 2015, the Tire division successfully completed the second phase of its long-term growth strategy, Vision 2025. On the investment side, this included building three new greenfield plants in Hefei, China; Kaluga, Russia; and Sumter, South Carolina, U.S.A., as well as systematically expanding a number of existing plants around the world with approximately €350 million a year. 2015 saw the start of various projects including the expansion of truck tire production in Otrokovice, Czech Republic. An investment of €165 million was channeled into this venture. This will allow Continental's largest tire plant worldwide to increase its production capacity to 1.5 million truck and bus tires a year. The truck tire plants in Puchov, Slovakia, and Mount Vernon, Illinois, U.S.A., also put their expanded facilities and new automation systems into operation. In the year under review, the foundation was laid for the third expansion stage of the passenger-car tire plant in Hefei. Further investments of €250 million are set to increase the plant's annual capacity to 14 million tires in the coming years.

Tire division: sales by market



In Korbach, Germany, work is continuing to fit out the new High Technology Performance Center, located on the premises of the existing tire plant. From summer 2016, the site will manufacture exceptionally sophisticated 19- to 23-inch tires for the prestigious sports car segment and more. In the future, the High Technology Performance Center, in which a total of around €45 million is being invested, will also organize central process optimization for all tire plants worldwide.

The new super sports tire, the SportContact 6, was unveiled in September. At the extensive presentation, over 1,100 customers and media representatives were able to use measurement technology to experience first hand the outstanding performance characteristics of the SportContact 6, including maximum grip, maximum precision, and high-speed suitability up to 350 km/h.

In December at the 2015 Continental TechnikForum, the successor of the highly successful ContiWinterContact TS 850 was unveiled. The new WinterContact TS 860, our premium product for the winter months, will be available from fall 2016 and is expected to continue the unique success story of its predecessor in sizes from 14 inches to 17 inches. In fiscal 2015, Continental again sold more than 21 million winter tires worldwide, matching the volumes of previous years despite a mild start to the winter.

In the Commercial Vehicle Tires business unit, we continued our growth course in direct fleet business in 2015. The development of solutions for all areas of fleet tire management was a major driver in this regard. For example, we presented the ContiFlexBox – a telematics solution based on our tire-pressure monitoring system ContiPressureCheck™ – for the first time at the 2015 Terminal Operations Conference and Exhibition (TOC) in Rotterdam, Netherlands, one of the world's largest trade shows for port, marine and terminal technology. The launch of the highest-volume 22.5-inch truck tire line was also successfully continued with the introduction of the Conti Hybrid drive-axle and trailer tire in EMEA. We developed the first-ever hot-retreaded tire specifically for use in waste collection vehicles in the form of the ContiRe CityService. With new steering-axle and drive-axle tires in size 315/80 R 22.5, we also laid the foundation for updating and expanding the commercial vehicle tires portfolio of the Semperit, Uniroyal, Barum, and Matador brands.

Alongside the end customer business, we are also driving forward our growth in the commercial vehicle tires segment by entering into new markets, both geographically speaking and in terms of tire applications. The market launch of radial tires for construction machinery in the form of the Conti EM-Master and the Conti RDT-Master are good examples of this in the special-purpose tires segment. We also continued along the same successful track in the truck tire original equipment business. For our further growth, we are focusing on expanding our partnerships with renowned truck, bus, and trailer manufacturers, including in growth regions such as the Middle East/North Africa, South America, and Asia.

Under the umbrella of ContiTrade, our sales network BestDrive has developed into a single cohesive network worldwide, operating across all five continents. Consequently, the premium trademark BestDrive is experiencing a huge boost and market access is being made possible, particularly through the expansion of franchise partners. This has resulted in significantly greater presence, which has made the network more attractive, particularly to customers in the increasingly important fleet- and tire-management segments.

To further increase international awareness of the Continental premium tire brand, we will focus on soccer sponsorship as a strategic communication platform in the future as well. Following a successful AFC Asian Cup 2015 in Australia, we acquired an extensive rights package as the official sponsor of the AFC Asian Cup 2019, which is due to take place in the United Arab Emirates. UEFA EURO 2016™ will take place in France this summer. We are also continuing our sponsorship of Major League Soccer in the U.S.A. and Canada, where Continental is the official sponsor and exclusive tire partner of the League, Cup, and All-Star games.

ContiTech Division

- 42,648 employees
- 194 locations in 44 countries
- Sales up 36.5% to €5.4 billion

The ContiTech division is one of the world's leading suppliers of technical elastomer products and is a specialist in plastics technology. We develop, produce, and sell functional parts, components, and systems for machine and plant engineering, mining, the automotive industry, and other important industries.

At all times, we focus on using resources in a responsible manner. We lose no time in adapting major technological trends such as functional integration, lightweight design, and reduction in complexity. To this end, we keep a large number of products and services readily available.

Since early 2016, ContiTech has comprised nine business units, as the former Fluid Technology business unit was divided up into Mobile Fluid Systems and Industrial Fluid Systems:

- **Air Spring Systems** focuses on components and complete systems for self-adjusting air suspension in commercial vehicles, buses, rail vehicles, stationary machines, and foundation bearings. Air actuators and rubber expansion joints are manufactured for plant and machine engineering.

- **Benecke-Kaliko Group** works in a close development partnership with the automotive industry and other industries to manufacture technical, decorative, and customizable surface materials.

- **Compounding Technology** supplies internal and external customers with rubber compounds and sheets for a wide range of applications. The material is the basis for a wide array of rubber products.

- **Conveyor Belt Group** is a development partner, manufacturer, and systems supplier of steel-cord and textile conveyor belts, service material, and special products for a large number of industries. It also offers a global belt installation and maintenance service.

- **Elastomer Coatings** is known for innovative printing blankets, diaphragm materials and diaphragms, materials for life rafts and protective clothing, as well as wetsuits, flexible tanks, and gas holder diaphragms.

- **Industrial Fluid Systems** develops and produces hoses and hose systems for small trade and construction, the food and beverage industry, chemical and petrochemical production, as well as for water treatment, mining, steel manufacture, and machine engineering.

- **Mobile Fluid Systems** develops and produces hoses made from elastomers and plastics, as well as hose lines and tubing made of steel, stainless steel and aluminum adapted to individual assemblies and components for the automotive and commercial vehicle industry.

- **Power Transmission Group** supplies products and systems that are used in the automotive industry as well as in machine and plant construction, from drive belts and matched components through to complete belt drive systems.

- **Vibration Control** is a specialist in noise and vibration control and in sealing technology for the automotive industry and industrial vehicles, as well as for machinery, plants, and motors in diverse industrial sectors.

Distribution of sales
50% of sales in the ContiTech division relates to business with vehicle manufacturers, and 50% relates to business with other industries and in the replacement market.

Our growth prospects
We see opportunities for growth in:

- Asia and NAFTA

- Product innovations and new sectors

- Service for our customers

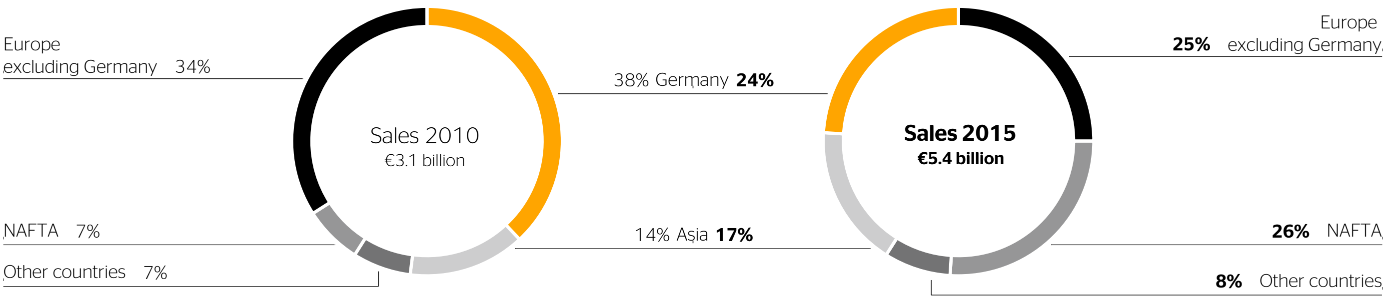
The acquisition of Veyance Technologies strengthened our presence in NAFTA considerably. The Conveyor Belt Group and its production facilities have a stronger presence than ever before in the region. The soft-touch surfaces of the Benecke-Kaliko Group are also seeing increased demand in NAFTA, which is why we doubled our production capacity in Mexico in 2015.

Asia continues to be a focal point for the automotive industry as well as for other industries. We see tremendous potential for the Asian market in the production of environmentally compatible automotive interior surfaces. In 2015, the Benecke-Kaliko Group built a second plant specifically for this purpose in Changzhou, China. The plant in Changshu, China, was expanded in response to the increased demand for heating, air conditioning and charge-air hoses. Furthermore, the production of elevator belts began in China.

There are growth areas for Industrial Fluid Systems in particular in industries that are not dependent on oil. Accordingly, we will invest in expanding the plant for water hoses in Mount Pleasant, Iowa, U.S.A. With regard to further globalization, the business unit sees potential outside of its current focus areas of North America and Europe.

For Mobile Fluid Systems, new opportunities were presented particularly by the growing market for hybrid engines and 48-volt systems as well as the general trend toward lightweight design. The volume of turbocharger hoses will continue to increase, thanks to the use of smaller engines as well as the increase in requirements when it comes to larger engines.

ContiTech division: sales by market



Further opportunities are provided by the introduction of new, climate-friendly refrigerants, the resulting conversion of air-conditioning systems, as well as the tightening of emission standards with the consequent requirements for fuel and diesel particulate filter lines.

Product innovations and new sectors open up additional opportunities for growth. One such example is the off-highway segment, where the Conveyor Belt Group's rubber crawler tracks are especially promising. They are used in agriculture and the construction industry, mainly in heavy mobile machinery such as tractors, combines, and road-construction equipment.

The off-highway segment is becoming much more of a focus for Air Spring Systems, too, particularly in connection with the agricultural sector. Air spring systems can improve sowing and harvesting efficiency, especially in the U.S.A. where farmers use very large machinery. Talks with manufacturers are already in progress. Further synergies arise from close collaboration with other Continental divisions.

The Conveyor Belt Group is strengthening its business outside of the mining industry to become less susceptible to market fluctuations. In addition to the agricultural sector, the business unit is focusing on the cement and steel industry, transshipment ports, the energy industry, tunnel building, and the construction sector. Key products for the future include lightweight belts, which are sought after in a wide range of service applications. Customers around the world include logistics companies, but also customers in the food processing industry and from the agricultural machinery segment.

Vibration Control is continuing to consolidate its leading role in lightweight design, which has seen the business unit develop a spring strut bearing from polyamide. It is the first bearing made from this material to be designed for use in the chassis of passenger cars as well as in the front and rear axles. It offers a weight reduction of around 25% and a longer service life compared with previous variants made from steel or aluminum.

With the acquisition of two plants in Pamplona, Spain, and Wagrowiec, Poland, Benecke-Kaliko has significantly expanded its product portfolio, and now offers a whole range of innovative surface materials for industrial sectors outside of the automotive segment, such as the furniture and fashion industry. We continue to see further growth in Europe.

The Power Transmission Group sees growth opportunities both in the automotive aftermarket as well as in the industrial business. Kits containing water pumps have been added to the product range for the automotive aftermarket. In industrial business one of the goals is to achieve an even stronger market position for belts in the elevator sector. There are additional opportunities for growth in the automotive OE business, for instance with further projects for timing belts in oil or the newly developed V-ribbed belts for hybrid vehicles. The Power Transmission Group has also joined the electric mobility trend, supplying a belt system for e-bikes. Furthermore, the development of pedelec systems is supported in collaboration with other business units in the Continental Corporation.

Compounding Technology is planning to increase quantities in China to support the growth in ContiTech's companies locally and is also profiting from the rising demand for special compounds, which is why investments were made for instance in another silicone compounding machine at the location in Waltershausen, Germany.

Elastomer Coatings sees considerable potential in printing blankets. A newly developed dry suit fabric is presenting additional good market opportunities for the Engineered Coated Systems unit.

Corporate Management

A core component of our strategy is the ongoing enhancement of the value of our company. The financing strategy fosters growth that adds value.

Value management

Key financial performance indicators for Continental relate to the development of sales, capital employed, and adjusted EBIT margin, as well as the amount of capital expenditure, and free cash flow. To allow us to use the financial performance indicators for management purposes as well, and to map the interdependencies between these indicators, we summarize them as key figures as part of a value-driver system. Our corporate objectives center on the sustainable enhancement of the value of each individual business unit. This goal is achieved by generating a positive return on the capital employed in each respective business unit. At the same time, this return must always exceed the equity and debt financing costs of acquiring the operating capital. It is also crucial that the absolute contribution to value increases year for year. This can be achieved by increasing the return on capital employed (with the costs of capital remaining constant), lowering the costs of capital (while maintaining the return on capital employed), or decreasing capital employed over time. The performance indicators used are operating earnings before interest and taxes (EBIT), capital employed and the weighted average cost of capital (WACC), which is calculated from the proportional weight of equity and debt costs.

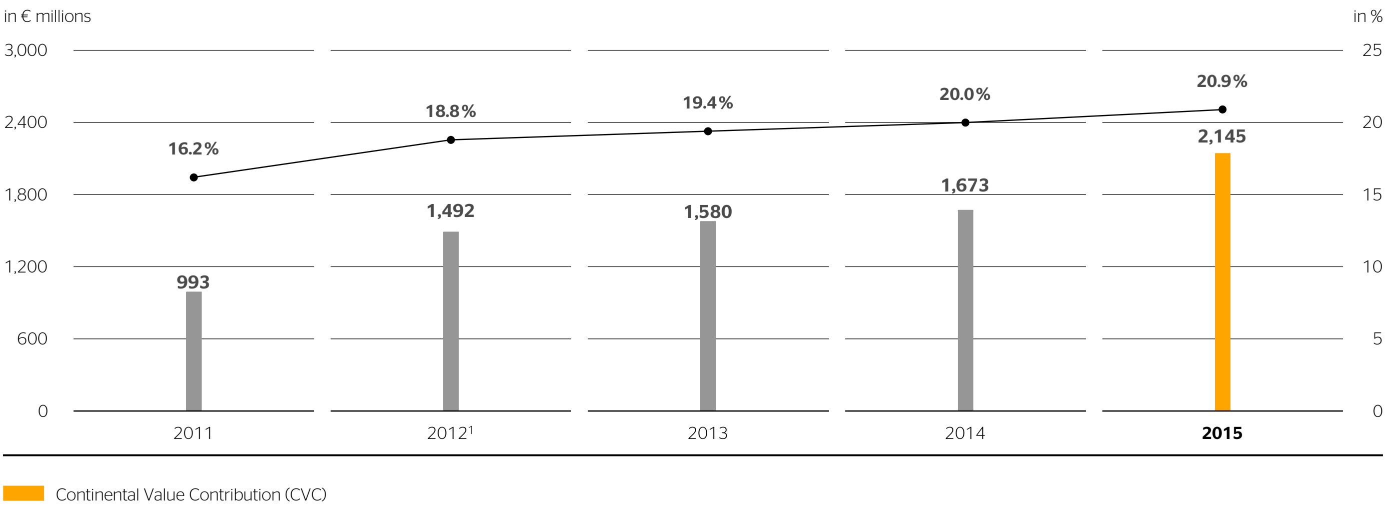
- Operating earnings before interest and income taxes (EBIT) are calculated from the ongoing sales process. The figure is the net total of sales and costs plus income from at-equity accounted investees and from investments but before interest and income taxes. Consolidated EBIT amounted to €4.1 billion in 2015.

- Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2015, average operating assets amounted to €19.7 billion.

- The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. ROCE amounted to 20.9% in 2015, thus rising for the sixth year in a row.

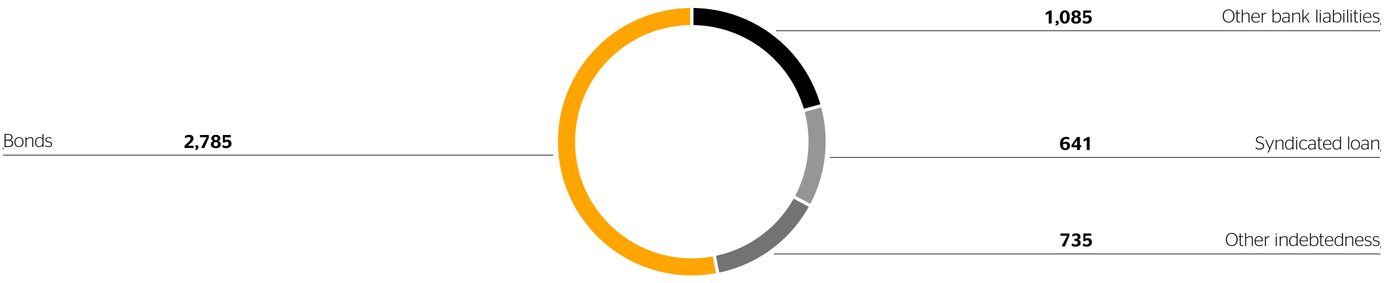
- The weighted average cost of capital (WACC) is calculated to determine the cost of financing the capital employed. Equity costs are based on the return from a risk-free alternative investment plus a market risk premium, taking into account Continental's specific risk. Borrowing costs are calculated based on Continental's weighted-debt capital cost rate. Based on a multi-year average, the weighted average cost of capital for our company is about 10%.

Increase in value contribution **Return on capital employed (ROCE)**



1 IAS 19 (revised 2011), Empoyee Benefits, has been applied since 2012.

Composition of gross indebtedness (€5,245 million)



- Value is added only if ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting WACC from ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). By increasing ROCE by 0.9 percentage points, the CVC was also increased in 2015 compared to the prior year.

- In the long term, enterprise value by our definition will increase only if the CVC shows positive growth from year to year. The CVC rose for the sixth year in a row in 2015.

ROCE by division (in %)	**2015**	2014
Chassis & Safety	19.0	17.2
Powertrain	14.3	-3.5
Interior	19.2	15.9
Tires	39.2	37.1
ContiTech	5.3	30.8
Continental Corporation	**20.9**	**20.0**

Financing strategy

Our financing strategy aims to support value-adding growth of the Continental Corporation while at the same time complying with an equity and liabilities structure adequate for the risks and rewards of our business.

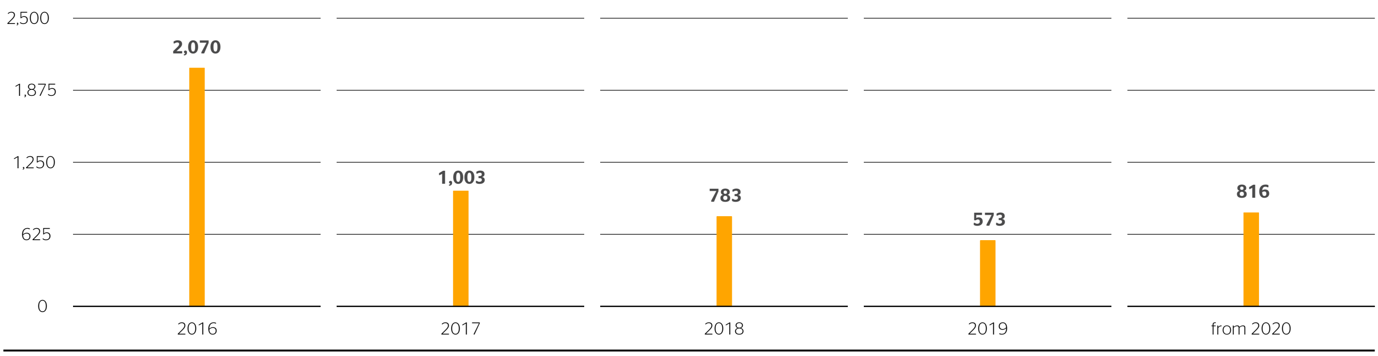
The central function Finance & Treasury provides the necessary financial framework to finance corporate growth and secure the long-term existence of the company. The long-term average for the company's annual investment needs is between 5% and 6% of sales. For 2016, the capital expenditure ratio before acquisitions is again expected to amount to around 6% of sales.

Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, for example acquisitions, should be financed from a balanced mix of equity and debt depending on the gearing ratio and the liquidity situation to achieve a constant improvement in the respective capital market environment. In general, our goal is to keep the ratio of net indebtedness to equity (gearing ratio) below 20% in the coming years and ensure that it does not exceed 60% in general. If justified by extraordinary financing grounds or specific market circumstances, we can rise above this maximum level under certain conditions. The equity ratio should exceed 35%. In 2015 the equity ratio was 40.2% and the gearing ratio 26.8%.

Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2015, this mix consisted of bonds (53%), syndicated loan (12%), other bank liabilities (21%) and other indebtedness (14%) based on the gross indebtedness of €5,244.8 million. The term loan that is part of the syndicated loan ends in April 2016. The term loan currently amounts to €350.0 million. The revolving credit line of over €3.0 billion will not expire until April 2020. The financing mix will not change significantly.

The corporation generally strives for liquidity as at the end of reporting periods of between €1.0 billion and €1.5 billion, which is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Cash and cash equivalents amounted to €1,621.5 million as at December 31, 2015. There were also committed and unutilized credit lines of €3,611.5 million.

Maturities of gross indebtedness (€5,245 million)



Gross indebtedness amounted to €5,244.8 million as at December 31, 2015. The largest financing instrument is a syndicated loan with a volume of €3.35 billion, which consists of a term loan for a nominal amount of €350.0 million and a revolving credit line of €3.0 billion. The term loan matures in April 2016 and the revolving credit line in April 2020. As at December 31, 2015, the revolving credit line was utilized in an amount of €297.9 million.

Around 52% of gross indebtedness is financed on the capital market in the form of bonds maturing between March 2017 and September 2020. The interest coupons vary between 0.5% and 3.125%. Repayment amounts on maturity are €750.0 million each in 2017, 2018 and 2020, and €500.0 million in 2019. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,005.1 million as at December 31, 2015. In addition to finance leases, Continental's other corporate financing instruments currently include sale of receivables programs and commercial paper programs.

Maturity profile

Continental always strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Other than short-term maturities (which are usually rolled on to the next year), the maturity of the term loan of currently €350.0 million as well as the repayment of the bond in an amount of €750.0 million due in March 2017 is on the agenda for 2016 and 2017. Due to the company's solid financing situation, we assume that the term loan will not be extended.

Further improvement in Continental's credit rating

In the reporting period, Continental was rated by the three rating agencies, Standard & Poor's (S&P), Fitch and Moody's. Even after the conclusion of the purchase of Veyance Technologies on January 30 and of Elektrobit Automotive on July 1, 2015, all three agencies confirmed the credit rating of Continental AG in the investment-grade category. The reason for this continues to be the company's very good operating performance. Due to Continental's solid business performance, the rating agency Moody's upgraded its rating for Continental to Baa1 on June 30, 2015. Prior to this on May 20, 2015, S&P had confirmed Continental's rating of BBB, but had raised its outlook from stable to positive.

Continental's credit rating

	2015	2014
Standard & Poor's[1]		
Long term	BBB	BBB
Short term	A-2	A-2
Outlook	positive	stable
Fitch[2]		
Long term	BBB	BBB
Short term	F2	F2
Outlook	positive	positive
Moody's[3]		
Long term	Baa1	Baa3
Short term	no rating	no rating
Outlook	stable	stable

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Non-contracted rating since February 1, 2014.

Research and Development

Our research and development focuses on road safety, clean air, and greater comfort, convenience and driving enjoyment.

In the year under review, our research and development (R&D) focused on products relating to road safety, clean air, and greater comfort, convenience and driving enjoyment. We develop solutions for these topics all around the world.

As time passes, the car is evolving from a purely mechanical product into a computer on wheels. Modern vehicles are fitted with more than 170 sensors, around 90 electronic control units, and over 150 actuators. The automotive industry is connected both with and via the Internet, enabling it to offer new mobility-related digital services in addition to providing the means to actually drive.

In the past, electronic systems, sensors, and actuators worked separately from one another, each being responsible for one function. Now they work together in a network, which in the future will enhance vehicle performance substantially. Vehicles will be able to communicate with each other via networks, resulting in a complete, learning system that will play a pioneering role in anticipatory driving and in ensuring maximum road safety.

Research and development expenses increase again

Expenditure for R&D for the corporation rose by 14.6% in the year under review to €2,449.6 million. This corresponds to a research and development ratio of 6.2%. In relation to automotive business, in which we generated sales of €23.6 billion in the year under review, the ratio is 8.9%. In comparison with this, the corporation's capital expenditure ratio is 5.6%.

Sensors – data collectors for greater safety

Sensors in a vehicle detect and respond to the vehicle's surroundings. At Continental, this is done in line with the Sense-Plan-Act methodology (recognize the situation, prepare the response, and then take the appropriate action). Sensors enable vehicles – like people – to gather and process data and to exchange information.

Sensor technology enables vehicles to gather a wide range of data as they drive, including information about changing events such as traffic jams, accidents, traffic lights, warning signs, and the condition of the road surface. In the future, sensor technology and connectivity will make cars part of the Internet.

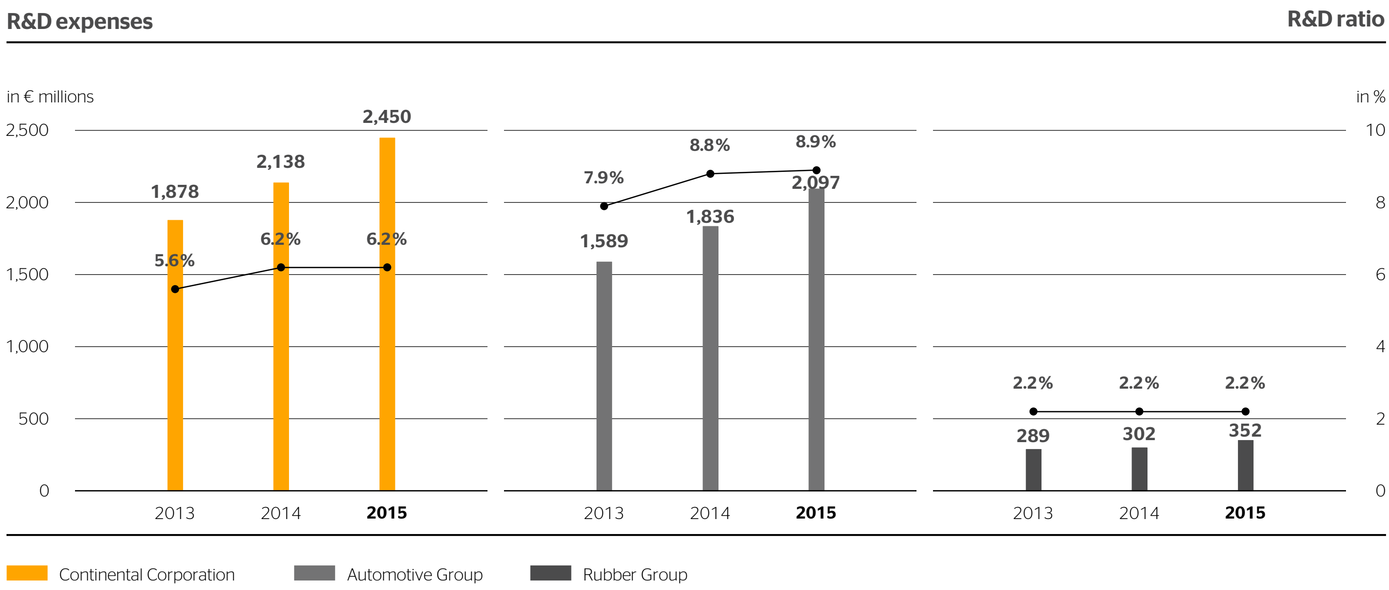
The areas of a car where sensors can be used start with the tires. In the future, we will fit tires with sensors that will enable the vehicle to feel the condition of the road surface directly, making tires an important part of our sensor network in the car. This will add to our complete, learning system for anticipatory driving, since the more a vehicle knows about the road ahead of it, the better it can adapt its functions accordingly.

Road Database

Connected cars can pass on the information generated using sensors either via traffic mainframes (backend) or directly to other road users. This collection of data creates an up-to-date and highly accurate picture of the road network and traffic flow.

In the year under review, we presented Road Database, a technology that can supply highly accurate route information to advanced driver assistance systems. To do so, Road Database gathers information from various vehicle sensors and uses it to generate a machine-readable representation of the road. The existing method of producing highly accurate maps based solely on surveys and data entry is laborious, expensive, and time-consuming. In addition, it gives rise to the problem that the road information recorded is often not sufficiently up to date. Road Database helps to improve

	2015		2014	
Research and development expenses	in € millions	in % of sales	in € millions	in % of sales
Chassis & Safety	691.2	8.2	629.5	8.4
Powertrain	708.7	10.0	635.1	9.8
Interior	697.3	8.6	570.9	8.2
Tires	244.9	2.4	216.9	2.2
ContiTech	107.5	2.0	85.3	2.2
Continental Corporation	**2,449.6**	**6.2**	**2,137.7**	**6.2**
Capitalization of research and development expenses	**78.7**		**57.9**	
in % of research and development expenses	3.1		2.6	
Depreciation on capitalized research and development expenses	**51.6**		**58.5**	



the predictive capabilities of advanced driver assistance systems, making driving more convenient and safer. The more vehicles and manufacturers that use the system, the more accurate and up to date the information provided. Depending on the purpose for which it is required, the system is designed either to complement conventional digital street maps or to offer an alternative to them.

Electronic horizon learns while you drive
Road Database supplies advanced driver assistance systems with a large quantity of data. One example is the electronic horizon, eHorizon. The static version of eHorizon has been in use in trucks since 2012. It utilizes information on the altitude profile of the route to adjust the transmission and drive system efficiently, making it possible to save more than 1,500 liters of fuel per truck and year.

There are some situations, such as an accident around the next corner, that cannot be detected early enough by the human eye or by vehicle sensors. With the dynamic eHorizon, drivers experience how information gathered by other vehicles enables them to "look around the corner." This means that drivers are warned of dangers before they can even see them. In the future, the dynamic eHorizon will enable vehicles to keep learning as they drive. To do so, our system firstly requires much less data than conventional navigation systems, and secondly it supplies extensive up-to-date information. The driver is warned at an early stage, the driving style is adjusted if necessary, and the traffic flow as a whole is safer and more efficient. For example, route planning is adapted to the current situation. In addition, the dynamic eHorizon provides the option of connecting with mobile, smart communication devices. It thereby supports seamless connection of the vehicle's passengers with their digital worlds and digital services that can be used in the future.

Mild hybrid system for reduced fuel consumption
Improving efficiency is another focus of our development work. In order to comply with the increasingly strict emissions standards, Continental has developed a mild hybrid system with a 48-volt on-board power supply. A small electric motor reduces the burden on the gasoline or diesel engine in various different driving situations. The mild hybrid system with a 48-volt on-board power supply reduces fuel consumption by one-fifth, is relatively cost-effective, and can be used in all vehicle classes. Production will begin in Europe, Asia and the U.S.A. in 2016.

Connecting the 48-volt system with the dynamic eHorizon, which also has access to information in the cloud, could potentially reduce fuel consumption considerably. Based on dynamic data such as traffic light phases and variable speed limits, we can adjust energy management in anticipation of events in front of the vehicle. This allows for even more efficient driving strategies with an optimal combination of engine-off coasting and regenerative braking. Overall, connected energy management thus reduces fuel consumption by an additional 2% to 3%.

Camera monitor system instead of exterior and interior mirrors
Camera technologies are increasingly finding their way into a wide range of vehicle classes. In mid-July 2015, we unveiled a prototype vehicle with a camera monitor system that replaces a car's exterior mirrors and the interior mirror. The prototype vehicle features three cameras that are technically equivalent to surround view cameras but have a different aperture angle. Instead of the rear-view mirror, monitors with organic light-emitting diodes oriented in the usual viewing directions show the driver what is happening at the rear and sides of the vehicle.

In addition to giving the driver a wider field of vision, the system provides traffic situation detection with driver assistance features, is much less susceptible to dirt and dust, and gives drivers better vision in poor light and rain. Vehicle fuel consumption is also reduced and there is less noise from the wind.

Smaller and lighter-weight studs for greater grip and less abrasion

Several granite slabs have to be driven over by studded tires 400 times at a speed 100 km/h. The slabs are weighed before and after being driven over to calculate the amount of abrasion. If the values are within the prescribed limits, then the tires are approved in Scandinavia. In this way, legislators aim to prevent studs from causing an excessively high level of wear to the roads.

Together with the University of Karlsruhe (KIT), Germany, we developed a testing method and performed stud tests. In these tests, the scientists established that smaller and lighter-weight studs cause considerably less wear than heavier ones. Continental has therefore developed a new, particularly light type of studs for the IceContact 2, which is sold in Scandinavia, the Baltics, and Russia. The new studs are 25% lighter than those used in the previous model. This means that, depending on the tire size, around 50% more studs can be attached to each tire, which improves the tire's traction and braking performance on ice without increasing wear to the road surface. Another effect of the new studs is that the tires make less noise.

We have also made major progress with regards to the stud strength. The new studs of the IceContact 2 are given a special coating, put into the tires by robots developed just for that purpose, and then, in an additional curing procedure, bonded to the tread rubber (StudOn Retention technology) so they have about 400% higher bonding strength than is possible in the conventional process. Continental is the first tire manufacturer in the world to use this patented technology, making it possible to utilize the advantages of the new studs over the entire life of the tire.

Dynactiv Power for self-sufficient electricity and water supply

Huge sections of our planet lack energy and water, so a reliable supply of energy and water is not always ensured. Countries with climates characterized by long dry spells, but that also have around three to five months of sufficient precipitation over the course of the year, find it difficult to supply rural and metropolitan areas with enough water. This proves just as difficult for large countries such as the U.S.A., Australia, China, and Saudi Arabia as it does for poorer countries that depend on international support. With the product Dynactiv Power, we have developed a special opaque vinyl sheet with multi-functional properties. This sheet completely seals large areas of water and reliably protects water reservoirs against pollution and evaporation – enabling up to 40% more water to be retained. In addition, photo voltaic modules are laminated onto the sheet to supply solar energy for the surrounding houses and for operating pumping stations. The composite sheet produces as much as 500 kilowatts of electricity per 10,000 m² at its peak. This means a reservoir of 100,000 m² can generate the same amount of power as a small 5.0 megawatt power plant.

This innovation allows water to be transported via self-sustaining pumping stations and reservoirs in remote regions. Furthermore, self-sufficiency can be achieved with solar energy in areas with no real access to other sources of energy.

Sustainability

Sustainable management is firmly rooted in our values system and our business strategy. Accordingly, we take on responsibility for our employees as well as for the environment and society.

Our goal is to make mobility safer, more efficient, and more sustainable. Our technologies, solutions, and services are all geared toward this goal. We protect people's lives and health, improve their quality of life, and drive progress forward. And last but not least, we work on solutions that protect the environment and we support our employees in shaping their own future.

Sustainable management and social responsibility are among Continental's fundamental values. Both of these aspects strengthen the culture of working with and for one another and contribute to forward-looking and values-based corporate management. As a signatory of the United Nations Global Compact, we support its ten principles in the areas of human rights, labor, environment, and anti-corruption.

We base our performance on both financial and non-financial indicators and criteria. It is crucial that sustainability objectives and measures create value, since only then will they be accepted with in the company and perceived as credible by those outside of the company. More information about the non-financial performance indicators related primarily to the sustainable use of environmental resources can be found starting on page 61. For further information about sustainability and our sustainability report in accordance with Global Reporting Initiative (GRI) standards, visit www.continental-sustainability.com. The purpose of the GRI report is to provide transparency. Accordingly, it highlights areas in which we need to improve, in addition to our various activities and services.

The Sustainability Board was established at the end of 2010 to manage sustainability policy and corporate responsibility. It comprises two members of the Executive Board and representatives from the following areas: Environment, Human Relations, Legal and Compliance, Corporate Health and Safety, Investor Relations, Corporate Audit, Corporate Accounting and Corporate Communications. The board is headed by Dr. Ariane Reinhart, Executive Board member responsible for Human Relations. The Sustainability Board meets four times a year and for relevant occasions. The Environment area is assigned directly to Dr. Elmar Degenhart, chairman of the Executive Board.

Careful corporate management and good corporate governance also require that the company deal with risks in a responsible manner. Continental has a corporation-wide internal control and risk management system that is used to analyze and manage the risks to the company.

Responsibility for economic success
Continental sees no contradiction between sustainable activity and economic activity. On the contrary, by systematically pursuing our sustainability objectives in relation to the environment, employees and society, we are increasing our enterprise value. After all, it is only by integrating economic success that we can gain the internal and external acceptance that makes sustainability-focused business activities possible in the long run.

Responsibility for our employees
It is our employees who move our company forward and determine its success. Their expertise and motivation enable us to achieve the goals we have set ourselves. Consequently, our responsibility toward our employees is important and essential. Our HR work handles key tasks in this area, such as recruiting talented young professionals and training young people in future-oriented career areas. We also provide our employees with appropriate support, assist them with further training and qualification measures, and take care of their health and performance.

Responsibility for the environment
Protecting the environment is an integral part of our activities, since business growth entails increased use of raw materials, greater energy demand, and rising emissions. This is why we established environmental protection as a specific objective in our corporate guidelines back in the 1990s. Today, the environmental management system is much more comprehensively defined and established. It incorporates all levels of the value chain and the life cycles of Continental products. As a result, our environmental responsibilities extend from research and development, the purchasing of raw materials and components, logistics and production, through to the use and recycling of our products.

Responsibility to society
As a global company, Continental takes social responsibility all around the world, adhering to the laws and respecting the culture of each country. Through profitability, we lay the foundations for safeguarding jobs in many regions of the world. We also aim to create value for the people who live or work near our locations. Most of our various initiatives are managed locally on a decentralized basis. Our voluntary activities focus on three areas in which we wish to position ourselves based on our business model, our challenges, or our self-image and where we aim to promote forward-looking development: social welfare and road safety, education and science, and sports.

Employees

The skills, abilities, and performance of our employees form the foundation for our success. Our growth strategy is based on technology leadership, increasing software business, and our position as a pioneering employer, and it is the people at Continental who guarantee this. The key tasks of the global Human Relations team include carefully selecting employees, assigning each of them the right tasks, and supporting their professional and personal development. HR therefore creates value as part of our sustainable growth strategy, paving the way for the long-term success of our company.

Four values – the basis of our corporate culture

Our corporate culture is based on our four values: Trust, Passion To Win, Freedom To Act, and For One Another. These underpin the way in which we interact with our customers and partners, work with one another within our organization, lead our employees, and resolve conflicts of interest. We are convinced that values create value. Continuous development of our corporate culture is therefore a vital part of ensuring our future viability and creating value.

In this context, our employee survey "OUR BASICS live," in which more than 140,000 employees worldwide participated in the year under review, is particularly important. It proves that our corporate values are being put into practice. Around 80% of those surveyed – that is roughly ten percentage points more than in the previous survey in 2011 – are proud to work for Continental. 85% stated that they fully support the four corporate values. However, they would also like to see these values implemented even better day to day. The value of Trust was considered to be particularly important, followed by Passion To Win, Freedom To Act, and For One Another. Those surveyed also see room for improvement with regards to continuing to develop the management culture and in the area of equal opportunities and diversity.

This presents us with a clear mission. We will continue to work on our management culture and on achieving greater diversity within our company, and are planning extensive initiatives in 2016. These include the global implementation of our new development programs for managers and the systematic consideration of these issues in our recruitment and staffing decisions.

HR as a pioneer

We do not see our employees as resources. Instead, what is important to us is the relationship that we have with one another when working together and the values that we put into practice together. Our relationship with our employees is characterized by a comprehensive approach in which people are respected, their achievements are valued, and their skills and abilities are developed in the best possible way.

In this context, HR sees itself as a strategic advisor. For new employees we pave the way for a good start at Continental, we actively support people in the course of their professional development, we promote development of their talents – and we thereby create tangible added value for employees, customers, the company, and the other stakeholders.

Paving the way for new employees at our company

❯ Strategic HR planning

In view of future growth and increasingly short innovation cycles, we need to act now to identify and secure our future personnel requirements. This is why the global Human Relations teams are involved in the product development process at an early stage and work in close collaboration with the business units. We focus on strategic HR planning. In 2015 we completed a pilot project that further increased the level of detail in our planning while also creating a uniform and reliable basis for the procedure for strategic, cross-divisional HR planning. In this project, we simulate firstly the expected development of our current workforce based on factors such as retirements, staff turnover, etc.; and secondly the increasing personnel requirements that we need in order to successfully achieve our business goals. By comparing these two factors, we can identify the quantitative and qualitative requirements at an early stage so that we can build up the required expertise in good time. Expertise management helps, for example, to identify how the challenges of digital transformation will affect the requirements for individual employees, so that corresponding training measures can be initiated on a preparatory basis in the next step.

This enables us to improve the transparency and calculability of personnel-related decisions and investments. In this way, we can facilitate faster and better-tailored staffing – whether through talent development and further professional training or through external recruitment.

With uniform processes and principles for expertise management, we established a shared framework for the operational implementation of strategic HR planning in 2015.

❯ Let your ideas shape the future

Continental is a progressive and attractive employer. We are particularly interesting for engineers and technical specialists, and increasingly also for IT experts. In view of increasing digitalization, we very much welcome this development – and aim to continue to enhance our appeal, particularly to this professional group. Our goal is to be the technological leader and a top employer in our industries worldwide.

Potential candidates are attracted by our employer brand "Let your ideas shape the future." The campaign was rolled out globally in 2015. In addition to traditional platforms such as trade fairs and events, it also increasingly uses various social media channels.

Structure of the workforce	Dec. 31, 2015	Dec. 31, 2014
Total number of employees	207,899	189,168
thereof permanent staff	193,694	177,703
outside Germany	141,199	128,060
in Germany	52,495	49,643
Trainees[1]	2,097	2,026
Female employees in %	27.1	27.3
Average years of service to the company[1]	14.7	14.8
Average age of employees in years[1]	43.2	43.2

1 In Germany.

❯ Best fit

A total of approximately 315,000 people worldwide applied to Continental in 2015. At over 100,000, the number of applications was up by more than 35% compared to 2014 in Germany alone. This very high figure is not just excellent proof of our appeal as an employer – it also requires efficient and homogeneous processes to identify who is the best fit for Continental from the large number of applicants. To this end, a uniform international recruitment system was launched in 18 countries back in 2014. But we want to make our application process even more creative. In the medium term, what we are looking for at Continental is not somebody for a job, but rather the right job at the company for a particular candidate. What counts is the person who is the best fit for a vacant position. This means finding exactly the right skills, abilities, and values for the job and for Continental. To this end, we developed new processes in 2015 that identify the candidates' capabilities for us and give them the opportunity to compare their personal values system with our corporate values. We are currently testing an application process that examines the candidates neutrally, i.e. irrespective of their gender, nationality, age, and similar factors. With the corporate values check, we want to assist the change from selecting on the basis of formal qualifications to selecting using the best-fit approach. The process has been offered since 2016.

❯ Reaching new target groups

The best-fit idea also means we focus on practically minded individuals and lateral thinkers. They are to be given the opportunity to develop "from career changers to career climbers." At present, our program is aimed primarily at candidates with software and technology skills. This concept has already been incorporated in our new training course for automotive software developers. Over three quarters of all training positions have been staffed with people who have decided to discontinue their studies and start a trainee program at Continental instead.

Another focus is on people who have come to our country as refugees. Together with the German Federal Employment Agency, we have developed a program that makes it easier for asylum seekers to enter the job market after their status has been legally recognized and that offers them long-term career prospects. There are skilled and talented people whose knowledge and commitment we are examining in special selection procedures. Here, we follow the best-fit approach, as well. Since November 2015, the entire range of our internal career entry program has been open to suitable candidates, from entry-level positions to trainee programs to the direct hiring of specialist staff, accompanied by relevant qualification options in each case.

❯ Diversity and equal opportunities

Increasing diversity is a key factor for our success. Equal opportunities and diversity are therefore a major focus in our personnel selection procedures and talent development. We need the diverse ideas that come from diverse employees, because they actively contribute to shaping the future with their different perspectives, characteristics, experience, and cultures. We are convinced that diversity helps foster the capacity for innovation that we need to make our company competitive and successful in the long term. We are currently focusing on greater internationality and a balanced ratio of men and women among our management personnel. At present, around 43% of Continental's management team does not come from Germany.

In the year under review, the percentage of women at management level worldwide increased again from 9.7% in 2014 to 10.5%. Our goal is to staff 16% of all management positions with women by 2020. Please see the Corporate Governance Report starting on page 17, where we report about our goals for the quota of women in managerial positions in Germany as specified by the law for the equal participation of women and men in managerial positions in the private and public sectors.

Paving the way for the people at the company

❯ Talent management

We accompany our employees at every stage of their career at Continental and contribute to their professional and personal development. In doing so, we ensure that their skills and abilities grow in line with their current and future professional requirements. At the same time, we aim to continuously employ a sufficient number of suitably qualified staff in order to achieve our ambitious growth targets. To become even better at all this, we have made further improvements to our global employee development cycle, adding a new system for talent management at the end of 2015. We develop the talents of our employees and view these in an objective and comparable way. The focus is on development plans, expectations, and individual target agreements. These provide the basis for selecting development programs and for succession planning.

With this system, we also increase the visibility of our talents within the corporation. This gives employees the opportunity to systematically demonstrate their suitability for a potential position and advance their career in a targeted manner.

Foreign assignments are an important component of the career planning and personal development of our employees. Our vision is for every employee to be given a personal development plan. We review this plan with the employee as part of our annual employee development cycle. It includes possible assignments abroad as well as subsequent positions when they return. In our global assignment activities, we attach great importance to dual careers. Going abroad is a more attractive prospect if accompanying spouses or partners can also find a new job. We therefore help employees' partners look for a job or offer them positions within Continental.

› Starting a career at Continental

In Germany, more than 650 young people started their professional career at Continental in 2015. With around 2,100 trainees completing 30 training programs and 16 work-study programs at 30 locations, we are training more talented young people than ever before – while also providing a high standard of training. This is shown by the low dropout rate and the good final grades, with Continental trainees in Germany achieving much better grades than the national average.

As a technology company, we expanded our training program in line with future challenges in the year under review. Since September, we have been offering a new automotive software developers training course, which we helped develop, throughout Germany. Continental devised this course together with the trade unions, the works council, the German Chambers of Commerce and Industry, and the Germany's Federal Institute for Vocation Education and Training. The new training course focuses on the analysis and development of complex program structures for vehicles as well as for the mobility of the future. Twenty-seven young people have started their future at Continental as automotive software developers.

› Further training

We offer individual career entry and development opportunities for employees and career changers with different qualification levels. We continually develop our further training programs in line with changing conditions. For instance, in our production areas we add learning content related to the digitalization of industrial production. In addition, we particularly promote learning alongside day-to-day work in the production areas. We are also aiming to create opportunities for overarching improvement and an extension of the focal areas of employee development for pay-scale employees as part of the specialist staff initiative. An important contribution to meeting the need for qualified professionals in the medium and long term can thus be made by taking advantage of potential talent within the company. In this way, employees are given the opportunity for further professional and personal development and thus have strong ties to the company as experts in their fields.

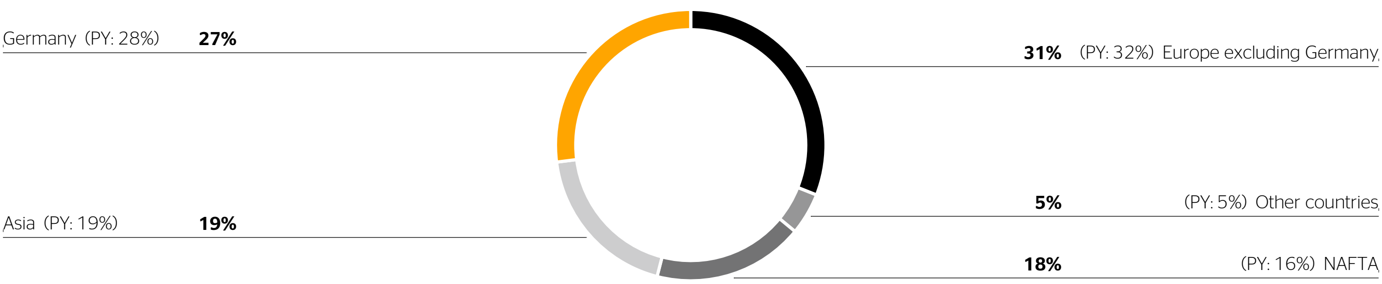
› Development programs for managers

In 2015 we launched development programs for our managers that apply throughout the corporation and are adapted to the needs of employees at all management levels. We promote and demand a management style that is based on our four corporate values and helps ingrain them in the company. We also support our managers with regard to managing in a holistic way, responding to their employees individually and according to the specific situation, and acting as a role model. Our goal is for managers to succeed in winning over not only the minds but also the hearts of our employees in their day-to-day work.

› Healthy and safe work

Healthy and safe work is part of our corporate culture and is as integral to our occupational health management as maintaining a good work-life balance and physical and mental fitness. We offer programs for increasing health awareness and avoiding stress, and provide support via an external service provider in the event of personal or professional problems.

Employees by region



One very important part of our in-house health program is ergonomic workplaces. Here, we take account of our employees' changing requirements for their workplaces over the course of their lives. We then equip the workplaces so that their personal performance is maintained on a permanent basis. At present, 42% of all workplaces in our production halls in Germany are designed to be non-age-dependent, and by 2020 this proportion is set to rise to half.

With these measures, we are making a significant contribution to creating value. We are reducing absenteeism in our workforce, which lowers costs and thereby sustainably contributes to the company's success.

❯ Performance-based remuneration and company pension plans

With our remuneration system, we aim to reward each employee's commitment and performance for the company on an individual basis. Variable remuneration components (short-term incentives) that reflect their respective contribution have become increasingly important:

- Employees who do not form part of the top management participate in an annual global value-sharing bonus, which is based upon the key financial figure of the Continental Value Contribution (CVC).
- As part of group work, industrial employees receive additional remuneration if they achieve particular targets.
- Each year the middle and top management throughout the corporation share in the company's profits, which influence the amount of the short-term incentives in line with the scope of the respective manager's responsibilities. The main basis for this is the business unit's key financial figures – the CVC and ROCE.
- In addition to the short-term incentives, the top management also receives a remuneration component with a long-term incentive effect. This long-term incentive is geared toward sustainable development of the company and has an assessment basis covering several years.

Continental supports its employees beyond their active working life. We also offer our employees security once they retire by way of pension plans. While they are still working, we encourage employees to make private contributions to their pension plans by offering them subsidies and deferred compensation programs.

Our HR paves the way in many different respects: for the success of the company, for the people in our organization, and for those who join us. After all, for us "Future in Motion" means that we help people to reach their destinations – on roads all around the world by means of individual mobility, and in their careers by helping them to fully develop their potential for skills and abilities in order to create the greatest possible value.

Environment

Sustainable management is a core element of our corporate philosophy. Our aim is to minimize consumption of resources and reduce environmental pollution. We introduced a corporate-wide environmental management system in the 1990s to help us achieve this goal. Today, we are gradually merging this with our energy management system to maximize synergies in terms of resource efficiency.

The strategy of the corporation as a whole as well as our environmental strategy is geared toward global megatrends. These strategies incorporate both the environmental aspects of the entire value chain and the complete life cycles of our products – and outline a set of clear objectives. In all divisions and at all stages of the value chain, we are constantly aware of this environmental responsibility, striving to optimize our use of raw materials and ensure that our business activities are as efficient as possible. This is the approach we take in all areas from research and development, purchasing, logistics, production, and sales to the use and final recycling of our products. This is how we make a major contribution to protecting the environment.

Environmental strategy boosts business

But our environmental strategy does a lot more besides, acting as a substantial booster for our business activities. For example, negative environmental impacts, such as climate change and shortage of raw materials, turn into opportunities for our company and the resulting product innovations give us a competitive edge. Examples include our complete range of products for reducing CO_2 emissions as well as the development initiatives for systematic lightweight design and use of recycled materials.

In the reporting period, Continental generated around €11.6 billion of its consolidated sales with highly energy-efficient products or with products that reduce CO_2 emissions. This is testament to the fact that the clearly defined objectives of our environmental strategy pay off, not only ecologically but economically, too. Conservation of raw materials and process optimizations reduce costs and strengthen our competitiveness, as product innovations focused on protecting the environment and conserving resources satisfy the ever-more demanding requirements of our customers to an ever-greater degree.

Environmental reporting – transparent and verifiable

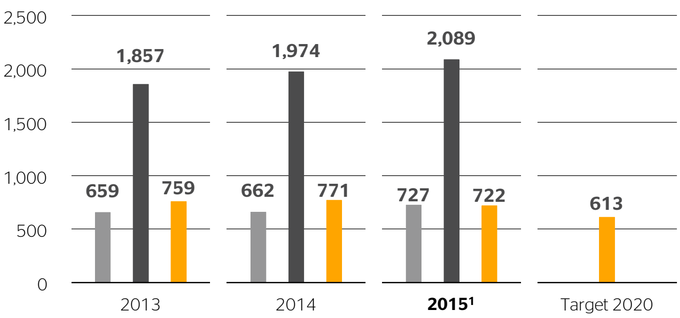
Our environmental reporting is based on the guidelines of the Global Reporting Initiative (GRI). Data is collected based on internal guidelines for environmental reporting, which we tailor to the specific situations of the Automotive Group and Rubber Group.

Our environmental performance figures were audited as part of an independent limited assurance audit by auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft. For fiscal 2014, in addition to CO_2-relevant indicators, the areas of water and waste were included in the audit scope for the first time as well.

We calculate the indicators of direct CO_2 emissions, indirect CO_2 emissions, and specific CO_2 emissions (all specified in metric tons/adjusted sales) based on the Greenhouse Gas (GHG) Protocol – Corporate Accounting and Reporting Standard of the Greenhouse Gas Initiative and also report this data to the Carbon Disclosure Project (CDP). The CDP is a non-profit initiative, which was established in London in 2000. The aims of the CDP are to publish the environmental data of listed companies and assess their environmental performance with respect to CO_2 emissions. Thousands of companies take part in the initiative. Once a year, the CDP also collects data and information on CO_2 emissions, climate risks, and companies' reduction targets and strategies on a voluntary basis and rates them on a 100-point scale. Continental has been reporting its data to the CDP ever since 2009 and scored 94 out of 100 points in the reporting year. We improved our performance by 13 points compared with last year and are among the best three automotive companies in the region of Germany, Austria and Switzerland, where the CDP assessed a total of 350 companies from the automotive sector. The average score in the automotive sector was 86 points.

For more information about the environment and for our latest GRI Report, please visit www.continental-sustainability.com.

CO_2 emissions



Direct CO_2 emissions (1,000 metric tons)
Indirect CO_2 emissions from external energy sources (1,000 metric tons)
Specific CO_2 emissions (100 kg/€ million in adjusted sales)

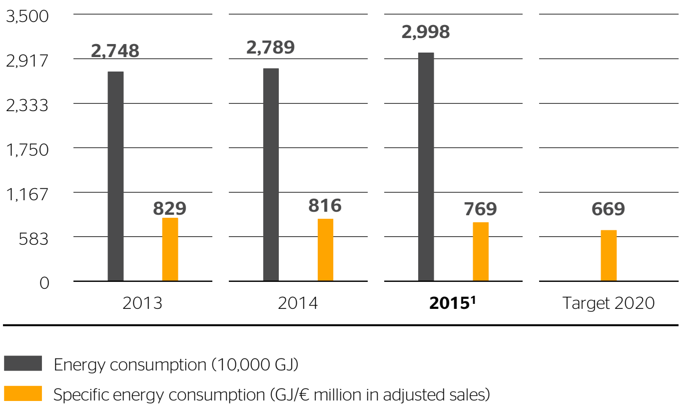
1 Preliminary estimates.

Performance indicators for environmental protection and targets for 2020

We have set ourselves ambitious targets with our environmental strategy. We want to reduce our CO_2 emissions, energy and water consumption, and waste generation by 20% – in relation to business volume and using 2013 as a basis – across all Continental plants by 2020. We likewise want to improve waste figures in terms of the recycling rate and make certification to environmental standard ISO 14001 compulsory for our strategic suppliers as well.

To achieve these goals, we have defined an extensive catalog of various individual measures. It includes numerous projects to continuously improve environmental performance – such as the energy efficiency project "Be Energy Efficient" (BEE) – as well as organizational and technical production optimizations. Substantial investments in efficient energy supply units such as block-type thermal power plants at various locations are already contributing to climate protection. Improvements are also planned for heat control in systems and insulation in vulcanization. With these individual measures, we hope and are aiming over the next few years to make considerable progress in terms of our environmental performance indicators and significantly reduce our environmental footprint.

Energy consumption



1 Preliminary estimates.

Sustainability in production

Continental wants to further improve the environmental performance of the Automotive Group, and thereby increase the sustainability of production, with a new in-house award: the Green Plant Label Award. This award focuses on resource efficiency, primarily in terms of energy, water, and waste. The award is presented in the categories of gold, silver, and bronze, depending on the sustainable solutions that have already been implemented at the individual branches. Seven pilot locations – in Germany, China, Italy, France, Romania and Belgium – were analyzed in 2015. At the start of 2016, the project was rolled out throughout the Automotive Group worldwide. By 2020, it is expected that all production locations will have achieved at least bronze status. Once it has been implemented successfully in the Automotive Group, the in-house award can be introduced to the Rubber Group as well.

Lightweight components to reduce fuel consumption

Our aim is to visibly reduce both our consumption of natural raw materials and the energy demand of our products. This is why we initiated the flagship project Highly Efficient CO_2, which systematically drives the development of lightweight vehicle components, thus significantly reducing the consumption of raw materials during production and the consumption of fuel when driving. This development initiative generates further savings through energy-efficient components. A combination of energy recovery and efficiency management helps to dramatically reduce a vehicle's fuel consumption even further.

Ten years of TIP

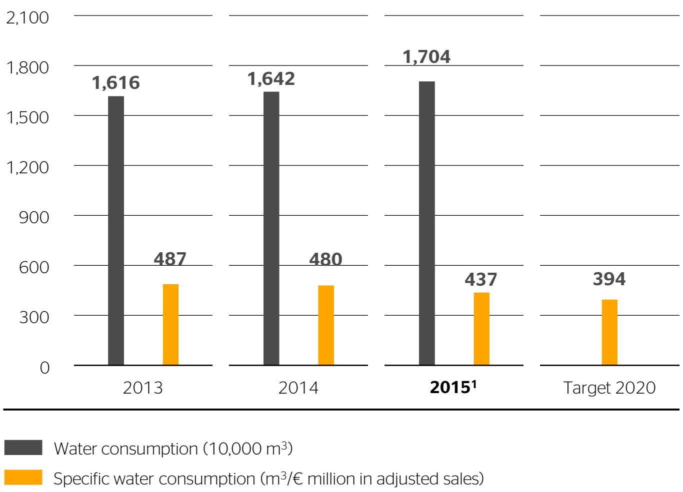
In 2015, the Tire Industry Project (TIP), in collaboration with the World Business Council for Sustainable Development (WBCSD), celebrated its ten-year anniversary. Since 2005, eleven companies – including Continental – have been working together as part of a voluntary initiative worldwide to jointly address the challenges associated with the production of tires, their use in road traffic, and the recycling of used products. Four issues are at the center of their undertakings:

- The raw materials and substances used in production and their potential effects on health
- The effects of tire abrasion on nature and the environment
- The recycling and reuse of old tires
- The use of new nanomaterials to generate ecological and social benefits

Accolades for environmental performance

In October 2015, the Continental plant in Changchun, China, won the 3 Star Green Building Award. This makes Changchun the first plant in the automotive sector to receive this award in China. The award is given to industrial locations that have highly efficient solutions in the areas of energy, water, use of space, environmental management, and recycling, as well as for use of land and creation of compensation areas.

Water consumption



1 Preliminary estimates.

It is now the third time in a row that the Philippine Economic Zone Authority (PEZA) has presented the Continental plant in Calamba with the PEP award (PEZA Environmental Performance, PEP). With this award, PEZA each year honors special achievements in the fields of sustainable environmental compatibility and innovative systems for the continuous improvement of environmental management systems. The award was presented by the President of the Republic of the Philippines.

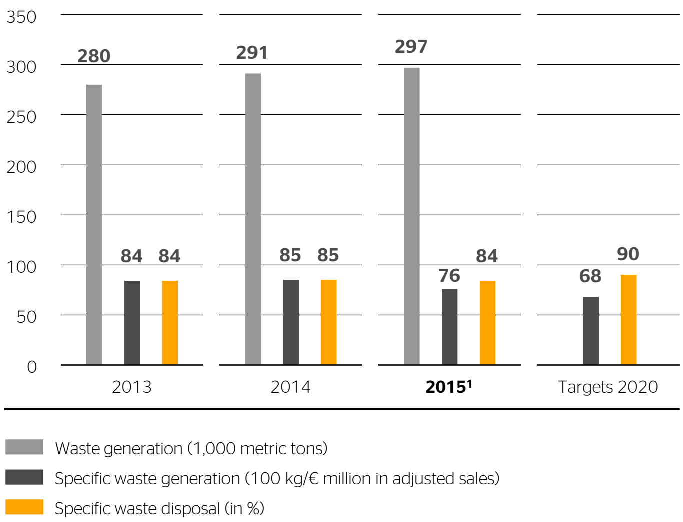
Continental's Mexican location Tijera y Periferico in Guadalajara has been named Supplier of the Year in the Sustainability category by the automotive manufacturer Fiat Chrysler Automobiles. The location is involved in a number of environmental programs and won the award for its commitment to reforestation, minimizing negative effects on the environment, the reduction of greenhouse gases, and the involvement of its employees in environmental campaigns.

Working with suppliers

Within the scope of our environmental strategy for 2020, we have defined a set of clear dimensions with respect to protection of the climate, nature, and the environment as well as health and quality of life. The company's in-house Energy and Environmental Management department assists with the requirements that this creates in terms of implementation within the company. One central aspect is sustainability within the supply chain. The focus here is on further improving networking and collaboration with our suppliers regarding innovative solutions for environmental and energy management. In light of this, Continental set up a development partnership at the Mexican locations of Jalisco and Guanajato. The project objectives include raising suppliers' awareness of environmental and sustainability issues as well as improved environmental and energy management both in partnership with Continental and for the suppliers themselves.

The project aims to provide environmental and energy management training for twelve suppliers at the Mexican locations. The initiative has been set up for a period of two years and aims to intensify networking opportunities. In six to eight supplier workshops as well as custom on-site technical consultations, the environmental and energy managers will provide the participating companies with basic knowledge, success methods, as well as technological and organizational solutions.

Waste generation and disposal



1 Preliminary estimates.

Social Responsibility

Continental operates worldwide, but it takes on social responsibility mostly on a decentralized basis. This applies not only to the business units, but also to the corporation and its locations, as well as to initiatives founded by dedicated company employees and supported in part by the company. Charitable projects, donations, and other activities are therefore initiated and supervised at the discretion of the decentralized units to the greatest extent possible.

In particular emergency situations, Continental provides central support with national projects and challenges, or offers assistance in dealing with international catastrophes. In doing so, the corporation as a whole fulfills its social responsibility.

In the year under review, our commitment once again focused on social welfare, road safety, education, science, and sports. A few examples of projects are described below.

Commitment to social welfare and traffic safety
Responsibility is assumed in many different ways at Continental. We support charitable initiatives and projects of committed employees and thereby help improve living conditions at many locations. However, our understanding of responsibility also includes increasing safety on the roads – not only with our products and systems, but also with a wide range of projects and workshops.

In mid-April 2015, Nepal was hit by the most severe earthquake for several decades. Continental promptly provided support to the German Federal Agency for Technical Relief, which was working in the disaster area. Our donation was used for a drinking water treatment plant. The company's own locations and employees were not affected by the disaster.

In October 2015, the U.S. state of South Carolina saw the heaviest rainfall for centuries. While the Continental plants themselves did not suffer any damage, many employees and their families in the Sumter region were affected. Continental supported the American Red Cross with disaster relief. Direct assistance was also provided by employees. The administrative staff in Fort Mill supplied their colleagues in Sumter with 16,000 bottles of drinking water, because the water there had to be boiled.

For more than two years, employees at the Continental plant in Camaçari, Brazil, have been helping sick children in hospitals as part of the "Os Continentais" initiative. Three times a month, the employees visit the four major hospitals in the federal state of Bahia, bringing along brightly colored hats, huge glasses, red clown noses, and musical instruments. They have already made more than 900 children laugh – with sketches, slapstick routines, and plays. They play music with the children, talk to them about their fears, hug them, and give them encouragement. Many doctors believe in the healing power of laughter. The "Os Contientais" initiative's activities are based on the findings of the U.S. doctor and professional clown Patch Adams, who called for laughter to be recognized as a form of therapy back in the 1960s.

Each year, the Gleaners Community Food Bank distributes an average of over 18,000 metric tons of food to soup kitchens, emergency shelters, and food banks throughout the U.S.A. The charitable organization, which has been supporting people in need for over 37 years, needs help every day with sorting and packaging the goods donated. Continental employees from the Auburn Hills location sorted around 4.5 metric tons of food for immediate aid in 2015. This was enough to provide more than 8,000 meals for families in need.

The employees at the Manila plant in the Philippines have been giving blood for ten years, and in recognition of this, they received an award from the Philippine Red Cross in 2015. Around 150 Continental employees and many of their family members regularly give blood each year. One donation, or blood unit, measures 450 milliliters. Over the past ten years, employees at the plant have donated 1,400 of these units.

"Prinses Harte" is supported by the location in Mechelen, Belgium. This initiative helps children with cancer, trying to make their stay in hospital as pleasant as possible with colorful clothes, funny pajamas, trendy hats, cuddly fleece blankets, pillows, and soft toys.

Since 2012, Continental has been working with "Safe Kids China" on the issue of driving safety for young people. These activities with the slogan "Be a responsible young driver" raise awareness of road safety among young people and promote safe driving through various training courses and campaigns. In October 2015, Continental launched the fourth program for the safety of young drivers in Shanghai. This campaign is also supported by volunteers from the University of Shanghai and by the local traffic police.

Commitment to education and science
Education is the key to the future – for the person, for society as a whole, but also for each individual company. Continental promotes education, helping to make future generations fit for tomorrow's world.

In December 2015, we supported the Welthungerhilfe aid agency in its work at refugee camps in Turkey. With our donation, we made a contribution to improving school education for the children there, which is currently not possible to an adequate extent. Many thousands of Syrian children who have been living at the camps in Turkey with their families for more than four years urgently need support. To make sure they do not grow up to become a lost generation, above all school education needs to be provided. There is often a lack of buses to the nearest school or insufficient money for the fares. Attending school lessons will allow these children, some of whom are severely traumatized, to experience a bit of ordinary daily life again and gain hope for the future.

For the employees at the plant in Manila in the Philippines, taking on responsibility for the disadvantaged members of society is a matter of course. In May 2015, they invited employees from World Vision to the location. The experienced development workers reported on their work and made it clear that education is the only key to escape from the vicious cycle of hunger and poverty in which many children in Philippines are trapped. Several employees then chose to offer school sponsorships to enable socially disadvantaged children and young people to go to school.

Together with 18 other companies and the German Society for International Cooperation (GIZ), Continental is one of the founding members of the “Afrika kommt!” initiative. The aim of this initiative under the patronage of German President Joachim Gauck is to invite young managers from Sub-Saharan Africa to Germany for a year, support their development, and familiarize them with the country. At the same time, the program also lays the foundations for sustainable business cooperation in Africa with German companies. Participants in the project find out about operational structures at German companies, enhance their specialist and management expertise, and acquire cultural knowledge and language skills. This allows them to use their knowledge to establish important contacts between Germany and Africa and take on further management responsibilities in their home country after completing the program.

The employees in Mechelen, Belgium, support “De Vlaspit,” a social initiative to help people who have difficulties integrating into the mainstream labor market. Its goal is to help the long-term unemployed and people with disabilities to find permanent employment.

With his trust “Udne Ki Asha” (I wish to fly), an employee in Bangalore, India, supports the education and training of disadvantaged children. The trust helps set up development centers in poor districts that provide children and youth with academic advice, life-skill training, mentoring and coaching. In the first of these centers, with two full-time supervisors and several volunteers, 25 pupils currently attend afternoon classes in writing, English and mathematics, and participate in weekend activities. By 2020, the trust would like to have set up a total of ten development centers and work with at least 500 pupils.

Commitment to sports

The language of sports is universal. It is understood all around the world and overcomes language, social, and national barriers. For this reason, Continental has been promoting a wide range of competitive and recreational sports projects for over 15 years.

In the Hanover Marathon in June 2015, our employees were named “Most Progressive Company” for the fourth time in a row. This title is awarded to the company with the highest number of runners and the most kilometers run. A total of 907 employees took part in 2015 and covered more than 12,000 kilometers altogether, 2,000 kilometers more than in the previous year. Continental donated the prize to a government-approved special school for children and young people with a wide variety of disabilities.

The Barum Czech Rally Zlin, a renowned car race with a tradition going back 45 years, was held In Otrokovice in the Czech Republic in August 2015. With its local tire plant and its Barum brand, Continental not only gives the race its name, but is also a long-standing partner of this event – and the sponsor of the 2015 campaign “Drive on Marrow,” which aimed to find new bone marrow donors. And it was successful, too. The Czech bone marrow donor register now has 571 new potential donors.

Economic Report › General Conditions

Macroeconomic Development

The German economy continued its expansion in the year under review. This was attributable both to private consumer spending and to private investment activity, higher public spending and foreign trade. According to the German Federal Statistical Office, gross domestic product (GDP) grew by 1.7% in 2015 compared to the previous year and thus exceeded the forecast of 1.3% issued by the International Monetary Fund (IMF) in January 2015.

Thanks to the stronger growth of Germany and Spain, the eurozone also expanded more significantly in 2015 with growth of 1.5% based on current IMF estimates, compared to the 1.2% growth the IMF had anticipated in January 2015. Its development was supported by the expansive monetary policy of the European Central Bank (ECB). In the reporting period, the ECB kept its key interest rate unchanged at 0.05% and in March 2015 it began the asset purchase program it had announced in January 2015.

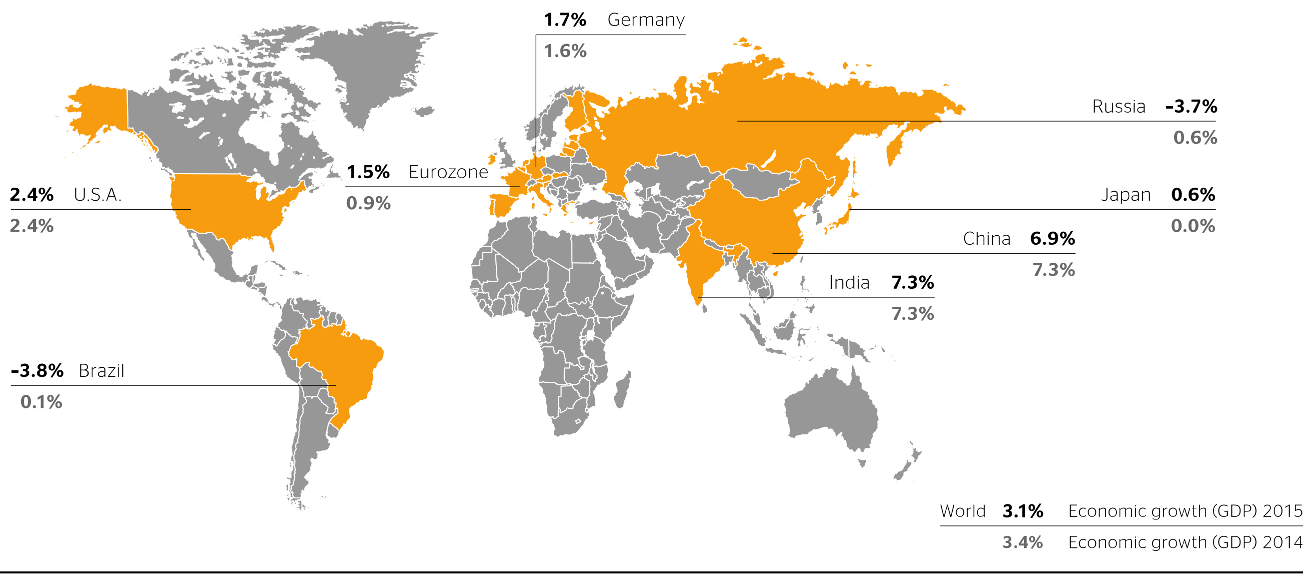
Economic activity in the U.S.A. in the first quarter of 2015 was curbed by the severe winter at the start of the year and the dock workers' strike on the West Coast, but picked up pace again as the year progressed. However, the 2.4% rise in GDP here fell short of the 3.6% forecast by the IMF in January 2015. In December 2015, the improvement over the course of the year and the decrease in the unemployment rate to 5% prompted the U.S. Federal Reserve to initiate the turnaround in interest rates it had announced at the end of 2014 and initially hike up the interest rate by 25 basis points.

Despite the very expansive monetary policy of its central bank, the Japanese economy grew only 0.6% in 2015 based on current expectations, as forecast by the IMF at the beginning of the year. This was mainly due to persistently weak domestic demand, which had a negative impact on industrial production and the service sector. Furthermore, growth in Japanese exports slowed over the course of the year despite the weak yen.

According to the World Economic Outlook (WEO) Update of the IMF from January 2016, emerging and developing economies recorded growth of 4.0% in the year under review, which was 0.6 percentage points lower than in 2014. This was chiefly due to the recessions in Brazil and Russia with GDP declines of 3.8% and 3.7% respectively. As in 2014, China and India were the main growth drivers. According to the IMF, India maintained the previous year's pace of growth with a 7.3% increase in GDP, economic growth in Chinese fell from 7.3% in the previous year to 6.9% in the year under review.

In January 2015, the IMF had forecast a 3.5% expansion in the global economy for the reporting period. However, the IMF's January 2016 WEO Update indicates that the lower growth rates in the U.S.A. and China and the recessions in Brazil and Russia caused global economic growth to slow to 3.1% in 2015 after 3.4% in the previous year.

Year-on-year economic growth (GDP) in 2015



Sources: IMF – World Economic Outlook Update 1/2016, Eurostat, statistical offices of the respective countries, Bloomberg.

Development of Key Customer Sectors

The most important market segment for Continental is the global supply business with the manufacturers of passenger cars and commercial vehicles, accounting for 72% of sales in fiscal 2015 (PY: 73%). The second-biggest market segment for Continental is global replacement tire business for passenger cars and commercial vehicles. Because passenger cars and light commercial vehicles weighing less than 6 metric tons make up a considerably higher share of vehicle production and replacement tire business, their development is particularly important to our economic success.

Continental's biggest sales region is still Europe, which accounted for 49% of sales in the year under review (PY: 53%), followed by NAFTA with 26% (PY: 22%) and Asia with 20% (PY: 20%).

Development of new passenger car registrations
The recovery in demand for passenger cars in Europe (EU28 + EFTA) also continued in 2015. On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), the number of new registrations of passenger cars rose by 9% year-on-year in the reporting period, reaching a level of 14.2 million units. Among the major markets, the highest growth was posted by Spain with 21% and Italy with 15%. Demand for passenger cars rose by 7% in France and by around 6% in both the U.K. and Germany.

In the U.S.A., persistently low fuel prices boosted sales of light commercial vehicles and pickup trucks, which climbed by 13% year-on-year. By contrast, sales of passenger cars declined by 2%. New registrations increased by 951,000 units in 2015, representing growth of 6% overall to 17.39 million units. This also exceeded the previous record of 17.35 million units from 2000.

As expected, Japan posted a significant decline in demand for passenger cars in the first quarter of 2015 compared to the previous year's level, which had been unusually high due to tax-related pre-buy effects. Demand leveled off further as the year progressed, with new registration volumes remaining below the level of the respective prior-year quarters. New registrations of passenger cars were down 10% overall in the reporting period as compared to the previous year.

In China, growth in new passenger car registrations dropped off significantly in 2015, falling from 11% in the first quarter to 2% in the second quarter and 0.1% in the third quarter. In the fourth quarter, the halving of sales tax on purchases of passenger cars with a cubic capacity of less than 1.6 liters resulted in a 20% surge in demand for passenger cars. Overall, new registrations of passenger cars in China increased by around 9% in the reporting period.

India posted a rise in demand for passenger cars of almost 8% in 2015 as a result of the economic upturn. On a quarterly basis, there was a growth rate of 5% in the first quarter, 6% in the second and third quarters, and 15% in the fourth quarter. In Brazil and Russia, demand for passenger cars plummeted in 2015 as a result of declining economic activity. Sales volumes fell by 26% in Brazil and by 36% in Russia in the reporting period.

According to preliminary data, global new passenger car registrations increased by almost 2% to 87.0 million units in the reporting period, particularly thanks to strong demand in China, Europe and the U.S.A.

Development of production of passenger cars and light commercial vehicles
In Europe, the increase in demand for passenger cars in Western Europe and its key export markets U.S.A. and China more than offset the significant decline in demand in Russia and other Eastern European countries in 2015. Preliminary data indicates that production of passenger cars and light commercial vehicles weighing less than 6 metric tons consequently increased by 4% year-on-year in the year under review.

In NAFTA, production of passenger cars and light commercial vehicles in the year under review was curbed only slightly by the severe winter in the U.S.A. and Canada at the beginning of the year and increased again over the course of the year. Thanks to increased demand, manufacturing grew by 3% year-on-year in 2015 according to preliminary figures.

In Asia, preliminary data shows that production of passenger cars and light commercial vehicles was up 1% year-on-year in 2015. This comparatively low level of growth was mainly due to the decline in production in Japan and Indonesia.

New registrations/sales of passenger cars

in millions of units	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	**2015 Total**	Δ Prior Year
Europe (EU28 + EFTA)	3.6	3.8	3.4	3.4	**14.2**	9%
U.S.A.	3.9	4.5	4.5	4.4	**17.4**	6%
Japan	1.3	0.9	1.0	0.9	**4.2**	-10%
Brazil	0.6	0.6	0.6	0.6	**2.5**	-26%
Russia	0.4	0.4	0.4	0.4	**1.6**	-36%
India	0.7	0.7	0.7	0.7	**2.8**	8%
China	5.0	4.5	4.2	6.3	**20.0**	9%
Worldwide	**21.7**	**21.7**	**20.6**	**23.0**	**87.0**	**2%**

Sources: VDA (countries/regions) and Renault (worldwide).

Production of passenger cars and light commercial vehicles

in millions of units	2015	2014	2013	2012	2011
Europe[1]	20.7	19.9	19.2	19.0	20.0
NAFTA	17.5	17.0	16.2	15.4	13.1
South America	3.0	3.8	4.5	4.3	4.3
Asia[2]	46.4	45.8	44.0	42.0	38.9
Other markets	1.0	0.9	0.8	0.7	0.6
Worldwide	**88.6**	**87.4**	**84.7**	**81.5**	**76.9**

Sources: IHS Inc., preliminary figures and own estimates.
1 Western, Central and Eastern Europe, including Russia and Turkey.
2 Asia including Kazakhstan, Uzbekistan, Middle East and Oceania with Australia.

By contrast, there was a rise in production in China and India in the year under review due to increased local demand. The pace of growth in China dropped off considerably over the first nine months of 2015 – in the third quarter of 2015, production volumes were down 8% year-on-year as a result of inventory reduction. It was not until the fourth quarter that tax incentives led to a considerable increase in demand and caused production to pick up significantly.

In South America, the fall in demand in the reporting period led to a significant decline in production of passenger cars and light commercial vehicles. According to preliminary data, production volumes decreased by 21% in 2015.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased by 1% year-on-year in 2015.

Development of production of medium and heavy commercial vehicles

Preliminary data shows that production of commercial vehicles weighing more than 6 metric tons in Europe in 2015 was up 5% on the previous year's level. Production in Eastern Europe, particularly Russia, decreased, whereas in Western Europe it recorded substantial growth as a result of the economic upturn.

In NAFTA, the pace of growth in commercial vehicle production slowed in the second quarter of 2015 due to high figures from the previous year. Production picked up again in the third quarter before slowing considerably in the fourth quarter of 2015 and falling below the comparative figure from the previous year. The rise in production in the reporting period as a whole was encouraging, with preliminary figures indicating growth of 7%, but was down substantially on the previous year's growth rate of 18%.

For Asia, preliminary data shows a decline in commercial vehicle production of 15% in 2015. As a result of the slowdown in its economic growth, China posted considerably lower production volumes, which were only partially offset by manufacturing growth in India and Japan.

In South America, preliminary figures indicate that the recession in Brazil and other countries brought about a slump in commercial vehicle production of 45% in the year under review.

According to preliminary data, global production of medium and heavy commercial vehicles fell by 9% in 2015 due to the decline in production in South America and Asia.

Development of replacement tire markets for passenger cars and light commercial vehicles

After factors such as the comparatively warm winter had resulted in only modest sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons in Europe in the first quarter of 2015, demand in Western Europe then picked up in the second quarter. In the third quarter, it declined again due to the weak sales start to the winter tire season, but then picked up again in the fourth quarter. Sales volumes in Eastern Europe, and particularly in Russia, were lower than in the previous year in 2015. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles in Europe were at the prior-year level in the reporting period.

Production of medium and heavy commercial vehicles

in thousands of units	2015	2014	2013	2012	2011
Europe[1]	569	541	574	580	632
NAFTA	585	546	464	485	450
South America	101	184	246	184	279
Asia[2]	1,575	1,849	1,904	1,784	1,950
Other markets	0	0	0	0	0
Worldwide	**2,830**	**3,120**	**3,188**	**3,033**	**3,312**

Sources: IHS Inc., preliminary figures and own estimates.
1 Western, Central and Eastern Europe, including Russia and Turkey.
2 Asia including Kazakhstan, Uzbekistan, Middle East and Oceania with Australia.

Sales of replacement tires for passenger cars and light commercial vehicles

in millions of units	2015	2014	2013	2012	2011
Europe	324	324	313	311	342
NAFTA	278	276	264	254	258
South America	64	64	63	59	58
Asia	415	397	376	353	339
Other markets	42	41	39	37	34
Worldwide	**1,123**	**1,102**	**1,055**	**1,015**	**1,031**

Sources: LMC International Ltd., preliminary figures and own estimates.

In NAFTA, sales volumes of passenger car and light commercial vehicle replacement tires decreased in the first quarter of 2015 as a result of the import duties imposed for tires imported from China to the U.S.A. Over the rest of the year, Chinese imports were replaced by imports from Thailand and Indonesia and an expansion of local production, causing the situation to normalize. On the basis of preliminary figures, the sales volume in 2015 was up around 1% on the previous year's level.

In Asia, preliminary figures show a further increase in demand for replacement tires for passenger cars and light commercial vehicles of 4% in the reporting period. Preliminary data indicates that sales volumes in China – the most important Asian market – climbed by 8% in 2015. India and Indonesia also posted rising sales volumes in 2015, whereas demand for tires in Japan and South Korea declined slightly.

In South America, the significant downward trend in new registrations and production volumes did not yet have any negative impact on demand for replacement tires for passenger cars and light commercial vehicles in 2015. Although Brazil and Venezuela recorded lower demand, this was offset by growth in other countries. According to preliminary figures, demand for replacement tires on the whole stagnated during the reporting period.

According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles rose by around 2% in 2015.

Development of replacement tire markets for medium and heavy commercial vehicles

In the different European regions, demand for replacement tires for commercial vehicles weighing more than 6 metric tons reflected the economic development of each respective region over the reporting period. While in Russia and other Eastern European countries it declined considerably, Western Europe saw a slight increase. For Europe as a whole, preliminary figures show that sales volumes stagnated at the previous year's comparatively high level.

According to preliminary data, demand in NAFTA – our other core market for replacement commercial vehicle tires alongside Europe – was up by 3% in the reporting period.

In Asia, demand for replacement tires for commercial vehicles weighing more than 6 metric tons followed the economic development of the individual countries for the most part. Declining demand in China was offset by increases in demand in India and the ASEAN countries. Based on preliminary figures, demand for replacement tires for medium and heavy commercial vehicles in Asia on the whole was only slightly higher in 2015 than in the prior year.

Similar to Russia, there was also a decline in demand of around 6% for replacement commercial vehicle tires in South America in the reporting period due to weaker economic activity.

According to preliminary data, global sales volumes of replacement tires for medium and heavy commercial vehicles in the year under review were up slightly on the previous record figure of 2014.

Sales of replacement tires for medium and heavy commercial vehicles

in millions of units	2015	2014	2013	2012	2011
Europe	23.5	23.5	22.7	21.0	23.6
NAFTA	22.8	22.0	20.0	20.0	20.7
South America	13.2	14.0	13.7	12.5	13.0
Asia	85.0	84.8	83.4	79.4	76.1
Other markets	7.3	6.9	6.3	5.9	5.5
Worldwide	**151.8**	**151.4**	**146.2**	**138.9**	**138.8**

Sources: LMC International Ltd., preliminary figures and own estimates.

Development of Raw Material Markets

A wide range of different electronic, electromechanical and mechanical components are used to manufacture our products for the automotive industry. Key input materials for these components include various raw materials such as steel, aluminum, copper, precious metals, and plastics.

Developments in the prices of these materials generally influence our costs indirectly via changes in costs at our suppliers. Depending on the contractual arrangement, these are either passed on to us after a time lag or redefined in upcoming contract negotiations.

Carbon steel and stainless steel are the input materials for many of the mechanical components such as stamped, turned and drawn parts and die casting parts used by Continental. In the year under review, carbon steel prices recorded a further decline of over 10% on average due to a high level of supply and substantial declines in the cost of iron ore and coking coal. Stainless steel prices remained comparatively stable in 2015, falling by just under 3% on average, although the price for the important alloying element nickel was down around 16% on average for the year on a euro basis.

Aluminum is used by Continental primarily for die casting parts and stamped and bent components, while copper is used in particular for electric motors and mechatronic components. The weaker development of the global economy led to a surplus supply of copper and aluminum in the year under review, with the effect that the price decline that had begun in early 2011 continued. In 2015, the average price of copper quoted for the year decreased by more than 19% on a U.S. dollar basis compared to the average price for the previous year. The average price of aluminum in 2015 declined by around 11% on a U.S. dollar basis. However, the price developments on a euro basis showed a different picture, as the significant depreciation of the euro countered these effects. In the year under review, the average price of copper for the year fell by only just under 4% on a euro basis, while the price of aluminum rose by 6%.

We and our suppliers use precious metals such as gold, silver, platinum and palladium to coat a wide range of components. Comparing the average prices per troy ounce in U.S. dollars in 2015 and 2014, the quoted price of platinum decreased by 24%, that of silver by 18%, that of palladium by 14%, and that of gold by 8%. On a euro basis, however, the quoted price of platinum fell by 9% and the price of silver by only 1%, while palladium and gold increased in price by 3% and 10% respectively.

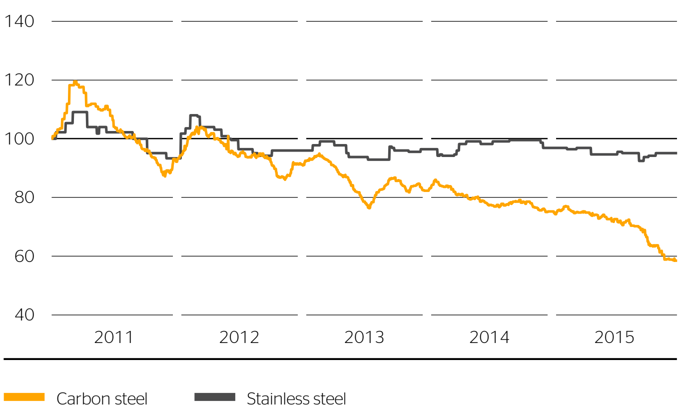
Various plastic granulates, known as resins, are required by our suppliers and by us, primarily for manufacturing housing components. During the year under review, average prices for plastic granulates decreased by up to 20% on a U.S. dollar basis as a result of the continuing decline in the oil price. On a euro basis, the decline was as much as 4%.

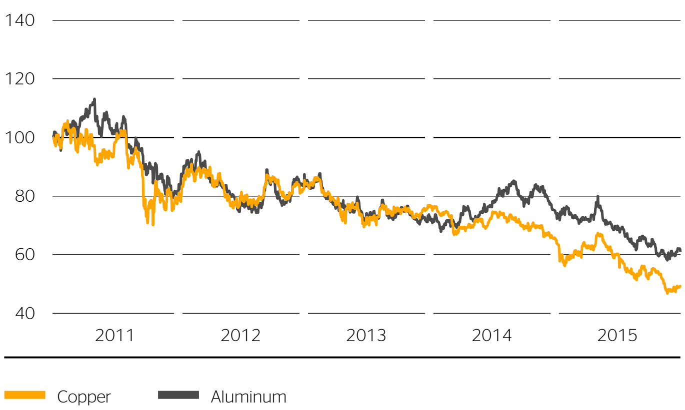
Continental uses various types of natural rubber and synthetic rubber for the production of tires and industrial rubber products in the Rubber Group. It also uses relatively large quantities of carbon black as a filler material and of steel cord and nylon cord as structural materials. Due to the large quantities and direct purchasing of the raw materials, their price development has a significant influence on the earnings of the Rubber Group divisions, particularly the Tire division.

The price of crude oil – the most important basic building block for synthetic rubber input materials such as butadiene and styrene and also for carbon black and various other chemicals – stabilized at around U.S. $50 per barrel in the first quarter of 2015. It climbed again to quoted prices of over U.S. $60 in the second quarter, before dropping to less than U.S. $40 per barrel by the end of 2015 as a result of unchecked production by major oil-exporting countries. The average crude oil price for the year was down by almost half on a U.S. dollar basis compared to the average price from the previous year. On a euro basis, it fell about 36% to an average price of €47 per barrel for the year.

Price development of selected raw materials – Automotive Group

indexed to January 1, 2011

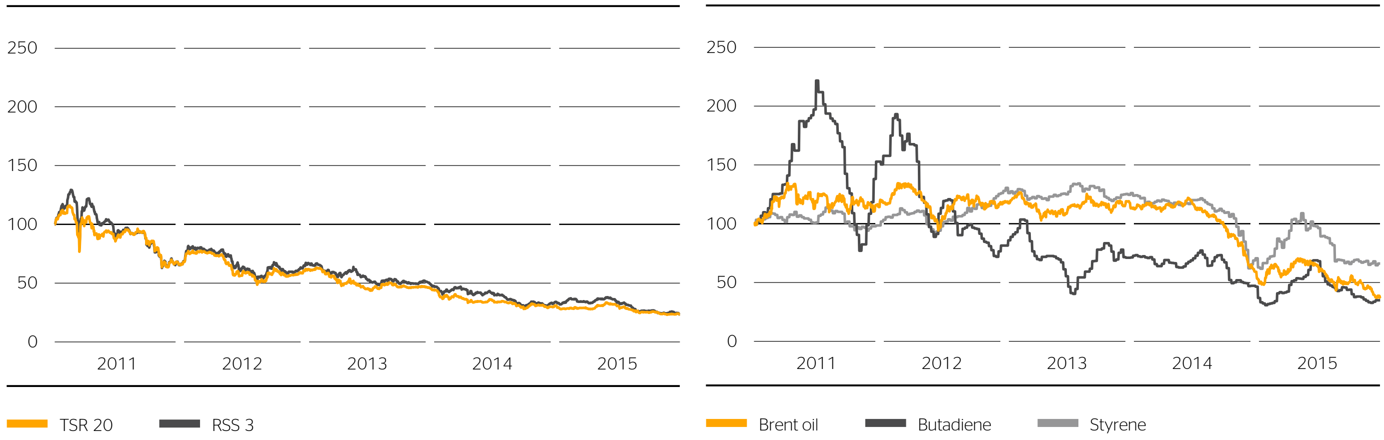




Sources:
Carbon steel: hot-rolled coil Europe from The Steel Index Ltd. (€ per metric ton).
Stainless steel: stainless steel strip 2 mm 304 CR Europe from Metal Bulletin (€ per metric ton).
Copper, aluminum: rolling three-month contracts from the London Metal Exchange (U.S.$ per metric ton).

Price development of selected raw materials – Rubber Group

indexed to January 1, 2011



Sources:
Natural rubber TSR 20, RSS3: rolling one-month contracts from the Singapore Exchange (U.S. $ cents per kg).
Brent crude oil: Europe Brent Forties Oseberg Ekofisk price from Bloomberg (U.S. $ per barrel).
Butadiene, styrene: South Korea export price (FOB) from PolymerUpdate.com (U.S. $ per metric ton).

Owing to the significant decline in the oil price, the average price of butadiene, the main input material for synthetic rubber, also fell by 31% on a U.S. dollar basis in 2015 compared to the previous year. On a euro basis, the average butadiene price for the year was down by around 17%.

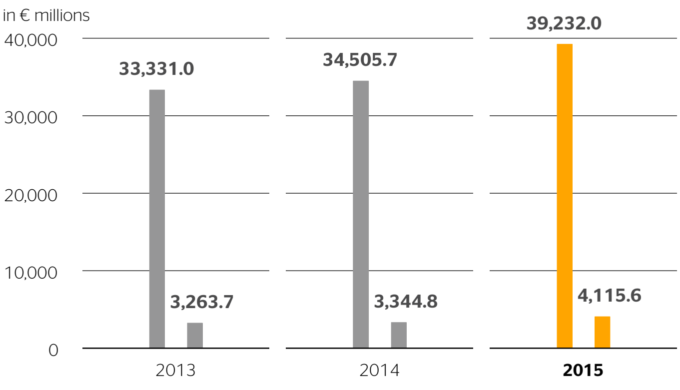
The price of styrene – another input material for synthetic rubber – developed almost in step with the butadiene price in the year under review, with the average price for the year decreasing by 29% on a U.S. dollar basis and by 14% on a euro basis.

The lower synthetic rubber prices also resulted in corresponding pressure on natural rubber prices in the year under review. After having recovered somewhat from the previous year's decline in the first half of 2015, the prices then decreased significantly again during the second half of the year and marked a new seven-year low on a U.S. dollar basis at the end of the year. The average prices in U.S. dollars for natural rubber TSR 20 and ribbed smoked sheets (RSS) were down by around 20% year-on-year in the year under review. In contrast, on a euro basis there was only a moderate price decline of 4%

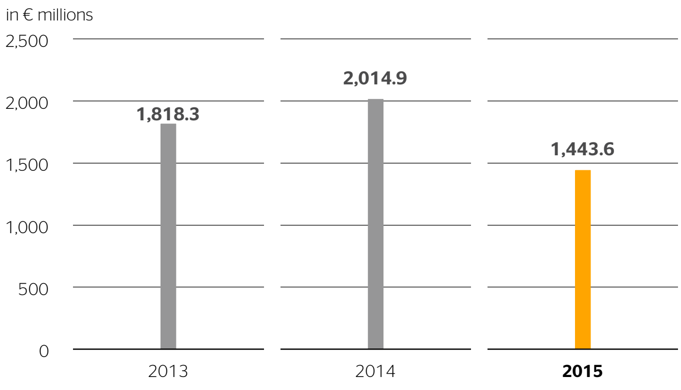
Earnings, Financial and Net Assets Position

- Sales up 13.7%
- Earnings per share at €13.64
- Free cash flow before acquisitions at €2.7 billion

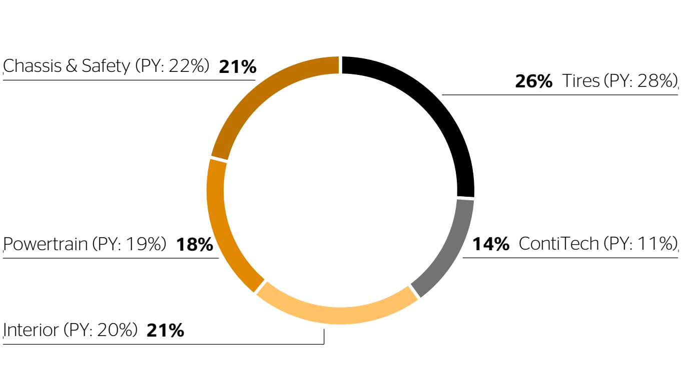
Sales; EBIT



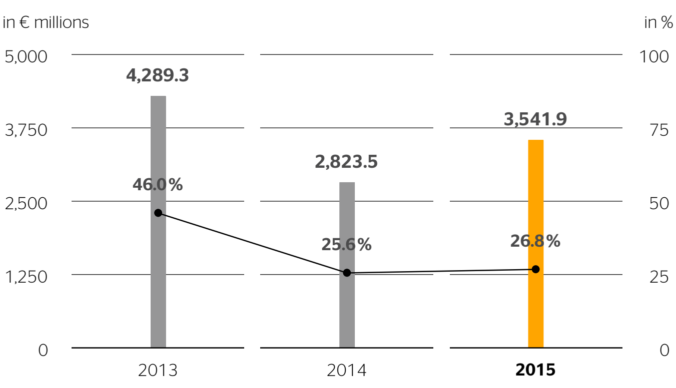
Free cash flow



Sales by division



Net indebtedness / Gearing ratio



Earnings Position

- › Sales up 13.7%
- › Sales up 3.6% before changes in the scope of consolidation and exchange rate effects
- › Adjusted EBIT up 15.3%

Continental Corporation in € millions	**2015**	2014	Δ in %
Sales	39,232.0	34,505.7	13.7
EBITDA	6,001.4	5,133.8	16.9
in % of sales	15.3	14.9	
EBIT	4,115.6	3,344.8	23.0
in % of sales	10.5	9.7	
Net income attributable to the shareholders of the parent	2,727.4	2,375.3	14.8
Earnings per share in €	13.64	11.88	14.8
Research and development expenses	2,449.6	2,137.7	14.6
in % of sales	6.2	6.2	
Depreciation and amortization[1]	1,885.8	1,789.0	5.4
thereof impairment[2]	93.6	178.9	–47.7
Operating assets as at December 31	19,678.5	16,596.1	18.6
Operating assets (average)	19,680.7	16,726.5	17.7
ROCE	20.9	20.0	
Capital expenditure[3]	2,178.8	2,045.4	6.5
in % of sales	5.6	5.9	
Number of employees as at December 31[4]	207,899	189,168	9.9
EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects	4,369.0	3,862.1	13.1
in % of sales	11.1	11.2	
Adjusted sales[5]	37,774.7	34,495.8	9.5
Adjusted operating result (adjusted EBIT)[6]	4,455.5	3,865.9	15.3
in % of adjusted sales	11.8	11.2	

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

Sales up 13.7%
Sales up 3.6% before changes in the scope of consolidation and exchange rate effects

Consolidated sales climbed by €4,726.3 million or 13.7% year-on-year in 2015 to €39,232.0 million (PY: €34,505.7 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 3.6%. The further rise in sales resulted from the slight increase in the production of cars, station wagons and light commercial vehicles combined with a vehicle mix more favorable for us. The growth in the Automotive divisions was strongest in NAFTA.

Changes in the scope of consolidation and positive exchange rate effects contributed to the increase in sales.

The regional distribution of sales changed as follows in 2015 as compared to the previous year:

Sales by region in %	2015	2014
Germany	21	23
Europe excluding Germany	28	30
NAFTA	26	22
Asia	20	20
Other countries	5	5

Adjusted EBIT up 15.3%
The corporation's adjusted EBIT rose by €589.6 million or 15.3% year-on-year in 2015 to €4,455.5 million (PY: €3,865.9 million), equivalent to 11.8% (PY: 11.2%) of adjusted sales.

In the fourth quarter of 2015, the corporation's adjusted EBIT increased by €134.0 million or 14.2% compared with the same quarter of the previous year to €1,075.8 million (PY: €941.8 million), equivalent to 11.1% (PY: 10.6%) of adjusted sales.

EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects up 13.1%
To improve comparability of the operating performance of the corporation including Veyance Technologies, the key figure EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects is reported in 2015.

The corporation's EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects increased in 2015 by €506.9 million or 13.1% year-on-year to €4,369.0 million (PY: €3,862.1 million). The return on sales calculated from this fell to 11.1% (PY: 11.2%).

In 2015, EBIT – as with EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects – was influenced by integration costs and non-recurring expenses for Veyance Technologies totaling €71.6 million.

EBIT up 23.0%
EBIT was up by €770.8 million year-on-year in 2015 to €4,115.6 million (PY: €3,344.8 million), an increase of 23.0%. The return on sales rose to 10.5% (PY: 9.7%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €137.9 million (PY: €194.0 million) in the year under review.

ROCE amounted to 20.9% (PY: 20.0%).

Special effects in 2015
In the Tire division, impairment of property, plant and equipment resulted in expenses totaling €6.8 million. This affected the locations in Modipuram and Partapur, India, in the amount of €5.2 million and the location in Puchov, Slovakia, in the amount of €1.6 million.

The sale of the shares in General Tyre East Africa Ltd., Arusha, Tanzania, resulted in income of €0.9 million in the Tire division.

In the ContiTech division, the location in Salzgitter, Germany, will gradually be scaled back on account of follow-up orders not being received. In this context, restructuring expenses totaling €15.7 million were incurred, of which €0.3 million was attributable to impairment of property, plant and equipment.

The closure of the location in Bowmanville, Canada, resulted in restructuring expenses of €19.9 million in the ContiTech division, of which €7.4 million was attributable to impairment of property, plant and equipment.

Restructuring expenses totaling €8.2 million were incurred in the ContiTech division for the location in Tianjin, China, including impairment losses on property, plant and equipment and intangible assets in the amount of €6.5 million.

Due to the current market situation in the mining business and oil production business, impairment losses totaling €71.9 million on intangible assets and property, plant and equipment were also recognized in the ContiTech division for the Conveyor Belt Group business unit. This related to the locations in Aneng, China, in the amount of €44.8 million; in Bayswater, Australia, in the amount of €25.3 million; in Thetford, U.K., in the amount of €1.3 million; and in Perth, Australia, in the amount of €0.5 million.

Disposals of business operations gave rise to purchase price adjustments resulting in total income of €0.5 million (Interior -€0.3 million; ContiTech €0.8 million).

In addition, there were purchase price adjustments from the purchase of companies resulting in a total gain of €1.3 million (Tires €1.7 million; ContiTech -€0.4 million).

In the ContiTech division, income of €1.6 million resulted from bargain purchases from purchase price allocation.

Restructuring expenses and the reversal of restructuring provisions no longer required resulted in a total positive special effect of €3.9 million (Powertrain €0.1 million; Interior €3.8 million). This includes a reversal of impairment losses amounting to €0.5 million for the Powertrain division.

Overall, impairment losses and reversal of impairment losses on property, plant and equipment resulted in a negative effect of €1.2 million (Chassis & Safety €0.1 million; Powertrain -€1.0 million; Interior -€0.3 million).

Total consolidated expense from special effects in 2015 amounted to €115.5 million.

Special effects in 2014

In the Powertrain division, the acquisition of the remaining shares in the former Emitec Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, made it necessary to recognize an impairment loss on the at-equity accounted investee, leading to expense of €33.8 million, and a negative special effect from the reclassification to profit and loss of the effects previously reported under reserves recognized directly in equity in the amount of €1.9 million.

In view of the increasing competition in the development and production of battery cells for the automobile industry, we and our Korean partner SK Innovation Co., Ltd., Seoul, South Korea, concluded and implemented an agreement to dissolve the joint venture SK Continental E-motion Pte. Ltd., Singapore, Singapore. This led to an impairment loss on the at-equity accounted investee in the amount of €74.3 million in the Powertrain division.

Furthermore, we took this development as a triggering event to adjust the value of property, plant and equipment in the Hybrid Electric Vehicle business unit to the actual utilization of capacity. This led to additional impairment losses on property, plant and equipment in the amount of €69.8 million in the Powertrain division.

After an in-depth quality review, we did not launch a diesel injector that was based on technologies from the time before the Siemens VDO acquisition. Impairment losses of €61.6 million on intangible assets and property, plant and equipment were incurred in the Powertrain division in this context, as well as restructuring expenses of €22.3 million, of which €6.2 million was attributable to impairment losses on property, plant and equipment.

This situation also prompted us to check pumps based on technologies from the time before the Siemens VDO acquisition, primarily in the diesel sector. This resulted in the necessity to recognize impairment losses on property, plant and equipment as part of valuation at the lower of cost or market value. This led to an additional expense of €27.3 million in the Powertrain division.

Further impairment losses on intangible assets and property, plant and equipment resulted in a total negative effect of €9.8 million (Chassis & Safety €4.7 million; Powertrain €3.5 million; Interior €1.6 million).

In the Interior division, the divestment of certain activities of the Infotainment & Connectivity business unit at the location in Rambouillet, France, resulted in a loss of €7.3 million. Impairment losses of €4.2 million on property, plant and equipment were also incurred in this context.

Effective September 30, 2014, certain activities of the Body & Security business unit were sold to a newly established joint venture. This transaction resulted in a positive special effect totaling €1.7 million in the Interior division.

The reversal of restructuring provisions no longer required resulted in a total positive special effect of €10.6 million (Powertrain €9.4 million; Interior €1.2 million).

In connection with the cessation of passenger tire production at the plant in Clairoix, France, a large number of employees at Continental France SNC, Sarreguemines, France, filed claims with the industrial tribunals in Compiègne and Soissons, France, against this subsidiary company and, in some cases, against Continental AG as well. On August 30, 2013, the industrial tribunal in Compiègne ordered Continental France SNC and Continental AG to pay damages for the allegedly unlawful dismissal of employees. Continental's appeal against this ruling was rejected by the Court of Appeal, Amiens, France, on September 30, 2014. Continental has filed another appeal (cassation). However, we cannot rule out the possibility that the obligation to pay damages may be upheld in full or in part after the final resolution of the proceedings. For this reason, an additional provision of €26.1 million was recognized in the Tire division.

There were also positive special effects totaling €0.5 million in the Tire division.

In the ContiTech division, income totaling €2.3 million resulted from bargain purchases from purchase price allocations. €0.7 million of this was attributable to the Fluid Technology business unit and €0.6 million to the Benecke-Kaliko Group business unit. There was also €1.0 million from the final purchase price allocation of a transaction in 2013 in the Conveyor Belt Group business unit.

Total consolidated expense from special effects in 2014 amounted to €323.3 million.

Procurement

The purchasing volume rose by around 12% year-on-year to €25.7 billion in 2015, of which approximately €17.4 billion was attributable to production materials. This increase was largely due to exchange rate effects and the acquisition of Veyance Technologies. The raw material markets continued to develop favorably for us, resulting in a further decrease in average purchase prices for many raw materials compared to the previous year.

Reconciliation of EBIT to adjusted EBIT 2015

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
EBIT	**814.3**	**395.6**	**804.5**	**2,085.2**	**170.6**	**–154.6**	**4,115.6**
Amortization of intangible assets from purchase price allocation (PPA)	0.8	8.2	17.4	7.8	103.7	–	137.9
Changes in the scope of consolidation	2.2	19.9	5.6	11.8	47.0	–	86.5
Special effects							
Impairment[1]	–0.1	1.0	0.3	6.8	71.9	–	79.9
Restructuring[2]	0.0	–0.1	–3.8	–	43.8	–	39.9
Gains and losses from disposals	–	–	0.3	–0.9	–0.8	–	–1.4
Other	–	–	–	–1.7	–1.2	–	–2.9
Adjusted operating result (adjusted EBIT)	**817.2**	**424.6**	**824.3**	**2,109.0**	**435.0**	**–154.6**	**4,455.5**

1 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
2 This includes impairment losses of €14.2 million in the ContiTech division and reversal of impairment losses of €0.5 million in the Powertrain division.

Reconciliation of EBIT to adjusted EBIT 2014

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
EBIT	**680.2**	**–96.8**	**605.9**	**1,829.4**	**433.3**	**–107.2**	**3,344.8**
Amortization of intangible assets from purchase price allocation (PPA)	25.5	64.5	92.3	5.5	6.2	–	194.0
Changes in the scope of consolidation	–	7.7	–	–3.9	–	–	3.8
Special effects							
Impairment[1]	4.7	162.2	5.8	–	–	–	172.7
Restructuring[2]	0.0	12.9	–1.2	26.1	–	–	37.8
Gains and losses from disposals	–	–	5.6	–0.5	–	–	5.1
Other	–	110.0	–	–	–2.3	–	107.7
Adjusted operating result (adjusted EBIT)	**710.4**	**260.5**	**708.4**	**1,856.6**	**437.2**	**–107.2**	**3,865.9**

1 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
2 This includes impairment losses in the Powertrain division of €6.2 million.

Research and development

Expenses for research and development (R&D) rose by €311.9 million or 14.6% year-on-year to €2,449.6 million (PY: €2,137.7 million), corresponding to 6.2% of sales as in the previous year.

In the Chassis & Safety, Powertrain and Interior divisions, costs in connection with initial product development projects in the original equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier by the original equipment manufacturer and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited series production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure which may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three years. In Continental's opinion, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. €78.7 million (PY: €57.9 million) of the development costs incurred in the three divisions in 2015 qualified for recognition as an asset.

The requirements for the capitalization of development activities were not met in the Tire and ContiTech divisions in the year under review or the previous year.

This results in a capitalization ratio of 3.1% (PY: 2.6%) for the corporation.

Depreciation and amortization

Depreciation and amortization increased by €96.8 million to €1,885.8 million (PY: €1,789.0 million), equivalent to 4.8% (PY: 5.2%) of sales. This included impairment losses totaling €93.6 million (PY: €178.9 million).

Reconciliation of EBIT to net income in € millions	2015	2014	Δ in %
Chassis & Safety	814.3	680.2	19.7
Powertrain	395.6	–96.8	508.7
Interior	804.5	605.9	32.8
Tires	2,085.2	1,829.4	14.0
ContiTech	170.6	433.3	–60.6
Other/consolidation	–154.6	–107.2	–44.2
EBIT	**4,115.6**	**3,344.8**	**23.0**
Net interest result	–245.6	–265.3	7.4
Earnings before income taxes	**3,870.0**	**3,079.5**	**25.7**
Income tax expense	–1,090.4	–622.0	–75.3
Net income	**2,779.6**	**2,457.5**	**13.1**
Non-controlling interests	–52.2	–82.2	36.5
Net income attributable to the shareholders of the parent	**2,727.4**	**2,375.3**	**14.8**
Basic earnings per share in €, undiluted	13.64	11.88	14.8

Net interest result

The net interest result improved by €19.7 million year-on-year to €245.6 million (PY: €265.3 million) in 2015.

Interest expense – not including the effects of foreign currency translation, changes in the fair value of derivative instruments and of available-for-sale financial assets – totaled €331.8 million in 2015, which was €48.5 million lower than the figure for the previous year of €380.3 million. At €173.1 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €55.1 million lower than the prior-year figure of €228.2 million. The major portion related to expense of €99.9 million (PY: €101.8 million) from the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and to expense of €21.7 million (PY: €60.8 million) from the utilization of the syndicated loan.

Interest expenses for the bonds decreased by €1.9 million in 2015 compared to the previous year. In this context, the effects of the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 with a volume of U.S. $950.0 million and the considerably lower-interest euro bond with a volume of €500.0 million that was issued by the same company for the partial refinancing of financial liabilities largely offset one another. The U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., had an interest rate of 4.5% p.a. The early redemption took place on September 15, 2015, four years before the bond was due to mature in September 2019. Its redemption price was 102.25%. The premium paid of 2.25% had a negative impact of €19.3 million on the net interest result. There was a positive impact on the net interest result from the issue of a considerably lower-interest euro bond, also by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in November 2015. This bond has a volume of €500.0 million, a term of three years and three months, and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a.

The €39.1 million decline in interest expense for the syndicated loan particularly resulted from a negative effect in the previous year that arose in relation to the early redemption of the existing syndicated loan at the end of April 2014 due to its successful refinancing. In addition, a further reduction in the margin level was achieved with the new syndicated loan agreement. An additional positive impact on the net interest result arose from the early repayments on the term loan totaling €1,150.0 million in the fourth quarter of 2015. The term loan maturing in April 2016 was thereby reduced from €1,500.0 million to €350.0 million as at the end of 2015.

The interest expense on expected pension obligations as well as on long-term employee benefits resulted in interest expense totaling €158.7 million (PY: €152.1 million) in 2015. This does not include the interest expense related to the defined benefit obligations of the pension funds.

Interest income in 2015 increased by €0.9 million year-on-year to €95.4 million (PY: €94.5 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €63.9 million (PY: €66.2 million). This does not include the interest income related to the plan assets of the pension funds.

In contrast to the previous year, valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates made a negative overall contribution to earnings of €22.1 million (PY: positive valuation effect of €17.5 million) in 2015. This included a valuation loss of €36.9 million for the reporting of the early redemption option for the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in 2012 and redeemed early in September 2015. In the same period of the previous year, this had resulted in a valuation gain of €4.7 million. Available-for-sale financial assets gave rise to a positive effect of €12.9 million (PY: €3.0 million).

Income tax expense

Income tax expense for fiscal 2015 amounted to €1,090.4 million (PY: €622.0 million). The tax rate was 28.2% after 20.2% in the previous year.

As in the previous year, foreign tax rate differences, incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets recognized by foreign corporate companies totaling €114.2 million (PY: €52.6 million), of which €35.3 million (PY: €9.1 million) was for previous years. As in the previous year, the tax rate was still negatively affected by non-deductible operating expenses and, in Germany, by non-imputable foreign withholding tax due to insufficient volume.

In the previous year, the reported income tax expense was positively influenced in particular by the recognition of deferred tax assets of €161.2 million in the U.S.A. and the recognition of deferred tax assets on interest carryforwards in Germany of €98.0 million.

Net income attributable to the shareholders of the parent

The net income attributable to the shareholders of the parent increased by €352.1 million in 2015 to €2,727.4 million (PY: €2,375.3 million). This corresponds to earnings per share of €13.64 (PY: €11.88).

Employees

The number of employees in the Continental Corporation rose by 18,731 from 189,168 in 2014 to 207,899. The number of employees in the Automotive Group rose by 7,177 as a result of increased production volumes and the acquisition of Elektrobit Automotive in the Interior division. In the Rubber Group, the increase in the number of employees by 11,490 was attributable to the expansion of production capacity and sales channels and to the acquisition of Veyance Technologies in the ContiTech division.

Employees by region in %	2015	2014
Germany	27	28
Europe excluding Germany	31	32
NAFTA	18	16
Asia	19	19
Other countries	5	5

Financial Position

- › Free cash flow before acquisitions at €2.7 billion
- › Acquisitions of Veyance Technologies and Elektrobit Automotive reflected in key financial figures
- › Net indebtedness at €3.5 billion

Reconciliation of cash flow
EBIT increased by €770.8 million to €4,115.6 million after €3,344.8 million in 2014.

Interest payments resulting in particular from the syndicated loan and the bonds rose by €18.7 million to €204.6 million (PY: €185.9 million).

Income tax payments increased by €240.3 million to €1,015.3 million (PY: €775.0 million).

The cash-effective increase in operating working capital led to a cash outflow of €106.7 million (PY: €207.4 million). This resulted from an increase in operating receivables in the amount of €447.2 million (PY: €246.6 million), which was not offset by the increase in operating liabilities in the amount of €400.0 million (PY: €59.3 million). In addition, inventories increased by €59.5 million (PY: €20.1 million) in the fiscal year.

Cash flow from operating activities rose by €747.3 million year-on-year to €4,915.6 million (PY: €4,168.3 million) in 2015, corresponding to 12.5% (PY: 12.1%) of sales.

Cash flow arising from investing activities amounted to an outflow of €3,472.0 million (PY: €2,153.4 million). Capital expenditure on property, plant and equipment, and software was up €133.4 million from €2,045.4 million to €2,178.8 million before finance leases and the capitalization of borrowing costs. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash outflow of €1,243.1 million (PY: €129.5 million) in 2015. This increase is mainly attributable to the acquisition of Veyance Technologies on January 30, 2015, and the acquisition of Elektrobit Automotive on July 1, 2015.

Free cash flow for fiscal 2015 amounted to €1,443.6 million (PY: €2,014.9 million). This corresponds to a decline of €571.3 million compared with the previous year.

Capital expenditure (additions)
Capital expenditure for property, plant and equipment, and software amounted to €2,178.8 million in 2015. Overall, there was an increase of €133.4 million compared with the previous year's level of €2,045.4 million, with the Chassis & Safety, ContiTech, Interior and Powertrain divisions contributing to this. Capital expenditure amounted to 5.6% (PY: 5.9%) of sales.

Financing and indebtedness
As at the end of 2015, gross indebtedness amounted to €5,244.8 million (PY: €6,431.6 million), down €1,186.8 million on the previous year's level.

Based on quarter-end values, 47.6% (PY: 50.3%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of bonds declined by €299.9 million from €3,084.4 million at the end of 2014 to €2,784.5 million as at the end of fiscal 2015. This decrease is attributable to the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 with a volume of U.S. $950.0 million and the considerably lower-interest euro bond with a volume of €500.0 million that was issued by the same company for the partial refinancing of financial liabilities.

At the start of July 2015, Continental announced the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., with a volume of U.S. $950.0 million and a fixed interest rate of 4.5% p.a. This early redemption took place on September 15, 2015, four years before the bond was due to mature in September 2019. The redemption price of 102.25% was 2.25% higher than the specified redemption price of 100% on maturity in September 2019. On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., successfully placed a euro bond with a nominal volume of €500.0 million with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The issue price was 99.739%. The new bond has a term of three years and three months and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a.

Bank loans and overdrafts amounted to €1,725.7 million (PY: €2,399.5 million) as at December 31, 2015, and were therefore down €673.8 million on the previous year's level.

The syndicated loan was newly concluded in April 2014 with a committed volume of €4.5 billion. At that point in time, the loan consisted of a term loan for an amount of €1.5 billion that matures in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There was a contractual amendment to the revolving tranche in April 2015. All the banks involved approved a one-year extension. This financing commitment is therefore now available to Continental until April 2020. Early repayments totaling €1,150.0 million were made on the term loan in the fourth quarter of 2015. As a result, the Continental AG term loan amounted to only €350.0 million (PY: €1,500.0 million) as at the end of 2015. The committed volume of the syndicated loan likewise declined by €1,150.0 million to €3,350.0 million as at the end of 2015. The revolving credit line, as at the end of 2015, had only been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €297.9 million. The revolving tranche had not been utilized as at the end of 2014.

Other indebtedness decreased by €213.1 million to €734.6 million (PY: €947.7 million) as at the end of 2015. This decrease was primarily due to lower utilization of sale of receivables programs. At the end of 2015, utilization of these programs totaled €638.1 million and was thus €204.8 million lower than the previous year's level of €842.9 million.

On April 29, 2015, the sale of receivables program concluded in April 2014 with Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg, was extended until the end of April 2016. At the same time, the financing volume was reduced from €250.0 million to €245.0 million. As at the end of 2015, €130.0 million (PY: €249.3 million) of this program had been utilized.

The indefinite sale of receivables program in place with Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, Germany, since December 2010 still provides for a financing volume of €150.0 million. At the end of 2015, financing of €75.0 million (PY: €104.4 million) had been utilized under this program.

The sale of receivables program in place with the U.S. banks Wells Fargo Bank N.A., Atlanta, Georgia; Norddeutsche Landesbank, New York branch, New York; and Bank of America N.A., Charlotte, North Carolina, was prolonged by a further year on November 10, 2015. The financing volume is still U.S. $400.0 million. As at the end of 2015, the equivalent of €133.1 million (PY: €0.1 million) of the program had been utilized.

The sale of receivables program originally set up with The Royal Bank of Scotland N.V. Frankfurt branch, Frankfurt am Main, Germany, at the end of April 2012 was terminated in July 2015. As at the end of 2014, utilization amounted to €90.7 million.

In July 2012, a sale of receivables program was agreed with Crédit Agricole Corporate and Investment Bank, Paris, France. The program has a term of up to five years if prolonged by both parties on an annual basis. It was last prolonged in this way on July 21, 2015. At the same time, the parties agreed to reduce the financing volume from the original amount of €300.0 million to €200.0 million. As at December 31, 2015, the program had been utilized in the amount of €200.0 million (PY: €248.4 million).

On January 30, 2013, a sale of receivables program was concluded with Landesbank Baden-Württemberg, Stuttgart, Germany. The agreement, last amended on May 7, 2015, continues until the end of January 2020, if prolonged by both parties on an annual basis. The agreed financing volume has now been reduced to €100.0 million (PY: €150.0 million). However, the agreement grants Continental the option to increase the financing volume to €175.0 million if necessary. This program had been utilized in the amount of €100.0 million (PY: €150.0 million) at the end of 2015.

Cash and cash equivalents, derivative instruments and interest-bearing investments were down significantly by €1,905.2 million at €1,702.9 million (PY: €3,608.1 million). This decrease was largely attributable to cash and cash equivalents, which fell by €1,622.3 million from €3,243.8 million at the end of 2014 to €1,621.5 million at the end of 2015. The main reasons for this decline were the acquisition of Veyance Technologies on January 30, 2015, and the acquisition of Elektrobit Automotive on July 1, 2015, which were financed mostly from cash and cash equivalents. In addition, the early repayments on the term loan under the syndicated loan in the amount of €1,150.0 million were largely financed using free cash flow as at the end of 2015 and available cash and cash equivalents. A decrease in long-term interest-bearing investments in particular is due to the fact that part of the plan assets of Continental Pension Trust e. V. could regain the status of qualifying plan assets in fiscal 2015 as a result of amendments to the articles of incorporation. As a result, cash and cash equivalents and interest-bearing investments amounting to €340.8 million are now reported net of the associated obligations.

Net indebtedness climbed by €718.4 million as compared to the end of 2014 to €3,541.9 million (PY: €2,823.5 million). The gearing ratio increased only slightly year-on-year to 26.8% (PY: 25.6%). Both increases resulted mainly from the acquisitions of Veyance Technologies and Elektrobit Automotive.

Change in net indebtedness

in € millions	**2015**	2014
Cash flow arising from operating activities	4,915.6	4,168.3
Cash flow arising from investing activities	–3,472.0	–2,153.4
Cash flow before financing activities (free cash flow)	**1,443.6**	**2,014.9**
Dividends paid	–650.0	–500.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	–62.5	–45.5
Non-cash changes	–315.7	64.4
Other	–1,068.8	–86.9
Foreign exchange effects	–65.0	18.9
Change in net indebtedness	**–718.4**	**1,465.8**

As at December 31, 2015, Continental had liquidity reserves totaling €5,233.0 million (PY: €7,276.2 million), consisting of cash and cash equivalents of €1,621.5 million (PY: €3,243.8 million) and committed, unutilized credit lines totaling €3,611.5 million (PY: €4,032.4 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on the cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2015, unrestricted cash and cash equivalents totaled €1,381.2 million (PY: €2,870.6 million).

Net Assets Position

- Equity at highest level at €13.2 billion
- Equity ratio at 40.2%
- Gearing ratio at 26.8%

Total assets

At €32,835.7 million (PY: €30,241.1 million), total assets as at December 31, 2015, were €2,594.6 million higher than on the same date in the previous year. The €871.5 million increase in goodwill to €6,640.6 million (PY: €5,769.1 million) and the €893.1 million rise in other intangible assets to €1,336.4 million (PY: €443.3 million) was chiefly a result of the acquisitions of Veyance Technologies and Elektrobit Automotive. Property, plant and equipment increased by €1,092.5 million to €9,538.9 million (PY: €8,446.4 million). Inventories rose by €372.5 million to €3,360.1 million (PY: €2,987.6 million) and trade accounts receivable increased by €876.7 million to €6,722.9 million (PY: €5,846.2 million), both as a result of the growth in business activities. These increases were countered by the €284.1 million decline in long-term derivative instruments and interest-bearing bonds to €17.1 million (PY: €301.2 million). This was due to the reclassification of financial instruments after part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets. Cash and cash equivalents were down €1,622.3 million at €1,621.5 million (PY: €3,243.8 million). This was mainly due to the acquisition of Veyance Technologies on January 30, 2015, and the acquisition of Elektrobit Automotive on July 1, 2015, which were financed mostly from cash and cash equivalents.

Non-current assets

Non-current assets rose by €2,743.3 million year-on-year to €19,666.6 million (PY: €16,923.3 million). This is due primarily to the rise in goodwill of €871.5 million to €6,640.6 million (PY: €5,769.1 million), the increase in other intangible assets of €893.1 million to €1,336.4 million (PY: €443.3 million) and the €1,092.5 million increase in property, plant and equipment to €9,538.9 million (PY: €8,446.4 million). These effects were countered by the €284.1 million reduction in long-term derivative instruments and interest-bearing bonds to €17.1 million (PY: €301.2 million).

Current assets

At €13,169.1 million, current assets were €148.7 million lower than the previous year's figure of €13,317.8 million. In the year under review, inventories rose by €372.5 million to €3,360.1 million (PY: €2,987.6 million) and trade accounts receivable increased by €876.7 million to €6,722.9 million (PY: €5,846.2 million). Cash and cash equivalents were down €1,622.3 million at €1,621.5 million (PY: €3,243.8 million).

Equity

Equity was €2,189.3 million higher than in the previous year at €13,213.9 million (PY: €11,024.6 million). This was due primarily to the increase in the retained earnings of €2,077.5 million.

The gearing ratio rose slightly from 25.6% to 26.8%. The equity ratio improved from 36.5% to 40.2% in the reporting period.

Non-current liabilities

At €7,521.0 million, non-current liabilities were down €1,620.0 million from €9,141.0 million in the previous year. This was primarily due to the €1,902.4 decline in non-current indebtedness to €3,175.0 million (PY: €5,077.4 million). This decline came about because the term loan under the syndicated loan, which previously had a nominal volume of €1,500.0 million, and the liability from the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., with a nominal volume of U.S. $950.0 million were reclassified to short-term indebtedness. Non-current indebtedness increased as a result of the new bond issued in the fourth quarter with a nominal volume of €500.0 million. A further factor was the €182.7 million increase in deferred tax liabilities from €178.5 million to €361.2 million.

Current liabilities

At €12,100.8 million, current liabilities were up €2,025.3 million from €10,075.5 million in the previous year. Trade accounts payable rose by €632.2 million to €5,493.8 million (PY: €4,861.6 million).

Current indebtedness increased by €715.6 million to €2,069.8 million (PY: €1,354.2 million) due to the reclassifications from the non-current portion of indebtedness, the early redemption on September 15, 2015, of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and the early repayment on the term loan in the amount of €1,150.0 million. At €1,968.7 million at the end of the reporting period, other short-term financial liabilities were up €319.5 million on the previous year's figure of €1,649.2 million.

Operating assets

The corporation's operating assets increased by €3,082.4 million year-on-year to €19,678.5 million (PY: €16,596.1 million) as at December 31, 2015.

Total working capital was up €637.5 million to €4,640.2 million (PY: €4,002.7 million). This development was essentially due to the €897.2 million increase in operating receivables to €6,773.9 million (PY: €5,876.7 million) and the €372.5 million rise in inventories to €3,360.1 million (PY: €2,987.6 million). This was countered by the €632.2 million increase in operating liabilities to €5,493.8 million (PY: €4,861.6 million).

Non-current operating assets amounted to €17,960.9 million (PY: €15,038.7 million), up €2,922.2 million year-on-year. Goodwill increased by €871.5 million to €6,640.6 million (PY: €5,769.1 million). In addition to exchange rate effects of €107.0 million, this change resulted from additions of €764.5 million. Property, plant and equipment increased by €1,092.5 million to €9,538.9 million (PY: €8,446.4 million) due to investing activities.

Consolidated statement of financial position

Assets in € millions	**Dec. 31, 2015**	Dec. 31, 2014
Goodwill	6,640.6	5,769.1
Other intangible assets	1,336.4	443.3
Property, plant and equipment	9,538.9	8,446.4
Investments in at-equity accounted investees	345.8	298.5
Long-term other assets	1,804.9	1,966.0
Non-current assets	**19,666.6**	**16,923.3**
Inventories	3,360.1	2,987.6
Trade accounts receivable	6,722.9	5,846.2
Short-term other assets	1,464.6	1,240.2
Cash and cash equivalents	1,621.5	3,243.8
Current assets	**13,169.1**	**13,317.8**
Total assets	**32,835.7**	**30,241.1**

Equity and liabilities in € millions	**Dec. 31, 2015**	Dec. 31, 2014
Total equity	**13,213.9**	**11,024.6**
Non-current liabilities	**7,521.0**	**9,141.0**
Trade accounts payable	5,493.8	4,861.6
Short-term other provisions and liabilities	6,607.0	5,213.9
Current liabilities	**12,100.8**	**10,075.5**
Total equity and liabilities	**32,835.7**	**30,241.1**
Net indebtedness	**3,541.9**	**2,823.5**
Gearing ratio in %	**26.8**	**25.6**

Other intangible assets climbed by €893.1 million to €1,336.4 million (PY: €443.3 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €137.9 million (PY: €194.0 million) reduced the value of intangible assets.

The ContiTech division posted a €1,848.1 million increase in operating assets as a result of the purchase of Veyance Technologies in a share deal.

The acquisition of Elektrobit Automotive in a share deal resulted in increases in operating assets of €447.1 million in the Interior division, €213.5 million in the Chassis & Safety division, and €13.9 million in the Powertrain division.

The acquisition of what is now Continental Advanced Lidar Solutions US, Inc., Wilmington, Delaware, U.S.A., in a share deal increased the Chassis & Safety division's operating assets by €53.7 million.

The acquisition of Hill Tire Company, Inc., Forest Park, Georgia, U.S.A., in a share deal resulted in an €11.3 million rise in the Tire division's operating assets.

Other changes in the scope of consolidation and asset deals did not result in any notable additions or disposals of operating assets at corporation level.

Exchange rate effects increased the corporation's total operating assets by €273.4 million (PY: €394.9 million) in the fiscal year.

Average operating assets of the corporation rose by €2,954.2 million to €19,680.7 million as compared to the previous year (€16,726.5 million).

Automotive Group

Automotive Group in € millions	**2015**	2014	Δ in %
Sales	23,574.5	20,909.2	12.7
EBITDA	2,973.2	2,407.7	23.5
in % of sales	12.6	11.5	
EBIT	2,014.4	1,189.3	69.4
in % of sales	8.5	5.7	
Research and development expenses	2,097.2	1,835.5	14.3
in % of sales	8.9	8.8	
Depreciation and amortization[1]	958.8	1,218.4	-21.3
thereof impairment[2]	0.7	178.9	-99.6
Operating assets as at December 31	11,696.7	10,410.3	12.4
Operating assets (average)	11,237.5	10,504.0	7.0
ROCE	17.9	11.3	
Capital expenditure[3]	1,274.7	1,125.7	13.2
in % of sales	5.4	5.4	
Number of employees as at December 31[4]	115,888	108,711	6.6
Adjusted sales[5]	23,364.7	20,909.2	11.7
Adjusted operating result (adjusted EBIT)[6]	2,066.1	1,679.3	23.0
in % of adjusted sales	8.8	8.0	

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

The Automotive Group comprises three divisions:

› The **Chassis & Safety** division (21% of consolidated sales) develops, produces, and markets intelligent systems to improve driving safety and vehicle dynamics.

› The **Powertrain** division (18% of consolidated sales) integrates innovative and efficient system solutions for the powertrain in vehicles of all classes.

› The **Interior** division (21% of consolidated sales) specializes in information management in vehicles. It develops and produces information, communication, and network solutions.

The 14 business units in total generated 60% of consolidated sales in the year under review.

Key raw materials for the Automotive Group are steel, aluminum, precious metals, copper, and plastics. One point of focus when it comes to purchasing materials and semifinished products is electronics and electromechanical components, which together make up around 43% of the corporation's total purchasing volume for production material.

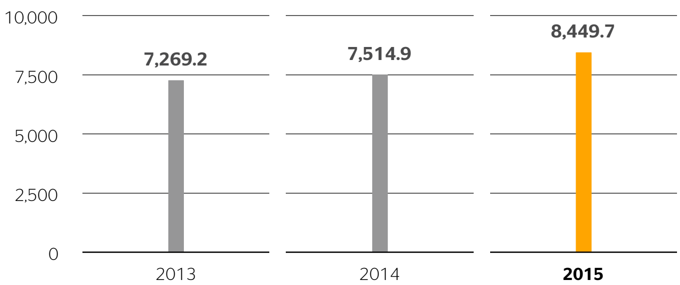
Development of the Chassis & Safety Division

- Sales up 12.4%
- Sales up 5.1% before changes in the scope of consolidation and exchange rate effects
- Adjusted EBIT up 15.0%

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in 2015 increased to 23.1 million. In the Hydraulic Brake Systems business unit, sales of brake boosters were down 7% year-on-year. Sales figures for brake calipers were slightly lower than the previous year's level in the period under review. In the Passive Safety & Sensorics business unit, sales of air bag control units were down year-on-year by approximately 5%. Unit sales of advanced driver assistance systems were up by approximately 57%.

Sales up 12.4%
Sales up 5.1% before changes in the scope of consolidation and exchange rate effects
Sales in the Chassis & Safety division rose by 12.4% year-on-year to €8,449.7 million (PY: €7,514.9 million) in 2015. Before changes in the scope of consolidation and exchange rate effects, sales rose by 5.1%.

Sales in € millions



Adjusted EBIT up 15.0%
The Chassis & Safety division's adjusted EBIT climbed by €106.8 million or 15.0% year-on-year in 2015 to €817.2 million (PY: €710.4 million), equivalent to 9.7% (PY: 9.5%) of adjusted sales.

EBIT up 19.7%
In comparison to the previous year, the Chassis & Safety division posted an increase in EBIT of €134.1 million, or 19.7%, to €814.3 million (PY: €680.2 million) in 2015. The return on sales rose to 9.6% (PY: 9.1%).

ROCE amounted to 19.0% (PY: 17.2%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €0.8 million (PY: €25.5 million).

Special effects in 2015
Impairment losses and reversal of impairment losses on property, plant and equipment resulted in a positive impact from special effects totaling €0.1 million in the Chassis & Safety division in 2015.

Special effects in 2014
For the Chassis & Safety division, there was a total negative impact from special effects of €4.7 million in 2014, which was due solely to impairment losses on intangible assets and property, plant and equipment.

Procurement
The procurement market for Chassis & Safety was stable in 2015 and there were no problems with production supplies. Prices for industrial metals continued their downward trend. However, this was countered by negative exchange rate effects in the eurozone and rising logistics and processing costs, particularly for aluminum.

Research and development
Research and development expenses rose by €61.7 million or 9.8% year-on-year to €691.2 million (PY: €629.5 million), corresponding to 8.2% (PY: 8.4%) of sales.

Depreciation and amortization
Depreciation and amortization rose by €8.1 million compared to fiscal 2014 to €346.0 million (PY: €337.9 million) and amounted to 4.1% (PY: 4.5%) of sales. This included reversal of impairment losses totaling €0.1 million (PY: impairment losses of €4.7 million) in 2015.

Operating assets
Operating assets in the Chassis & Safety division rose by €431.2 million year-on-year to €4,431.8 million (PY: €4,000.6 million) as at December 31, 2015.

Working capital was up €49.9 million at €529.7 million (PY: €479.8 million). Inventories increased by €33.1 million to €380.8 million (PY: €347.7 million). Operating receivables increased by €189.9 million to €1,406.5 million (PY: €1,216.6 million) as at the reporting date. Operating liabilities were up €173.1 million at €1,257.6 million (PY: €1,084.5 million).

Non-current operating assets amounted to €4,591.4 million (PY: €4,087.4 million), up €504.0 million year-on-year. Goodwill increased by €272.6 million to €2,651.4 million (PY: €2,378.8 million). This included exchange rate effects of €33.8 million. The acquisition of Elektrobit Automotive resulted in an increase in goodwill of €213.5 million in the Chassis & Safety division, while the acquisition of Continental Advanced Lidar Solutions US, Inc., Wilmington, Delaware, U.S.A., gave rise to goodwill of €25.3 million. Property, plant and equipment increased by €161.2 million to €1,720.4 million (PY: €1,559.2 million) due to investing activities.

Chassis & Safety in € millions	**2015**	2014	Δ in %
Sales	8,449.7	7,514.9	12.4
EBITDA	1,160.3	1,018.1	14.0
in % of sales	13.7	13.5	
EBIT	814.3	680.2	19.7
in % of sales	9.6	9.1	
Research and development expenses	691.2	629.5	9.8
in % of sales	8.2	8.4	
Depreciation and amortization[1]	346.0	337.9	2.4
thereof impairment[2]	–0.1	4.7	–102.1
Operating assets as at December 31	4,431.8	4,000.6	10.8
Operating assets (average)	4,277.7	3,956.5	8.1
ROCE	19.0	17.2	
Capital expenditure[3]	470.3	411.6	14.3
in % of sales	5.6	5.5	
Number of employees as at December 31[4]	40,062	38,127	5.1
Adjusted sales[5]	8,449.7	7,514.9	12.4
Adjusted operating result (adjusted EBIT)[6]	817.2	710.4	15.0
in % of adjusted sales	9.7	9.5	

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

Other intangible assets climbed by €47.8 million to €117.9 million (PY: €70.1 million).

Amortization of intangible assets from purchase price allocation (PPA) in the amount of €0.8 million (PY: €25.5 million) did not have any significant impact on intangible assets. This was countered by the purchase price allocation (PPA) of €48.9 million resulting from the acquisition of Continental Advanced Lidar Solutions US, Inc., Wilmington, Delaware, U.S.A.

Overall, the acquisition of what is now Continental Advanced Lidar Solutions US, Inc., Wilmington, Delaware, U.S.A., in a share deal resulted in €53.7 million increase in the Chassis & Safety division's operating assets. With the exception of the aforementioned change in goodwill due to the acquisition of Elektrobit Automotive, further changes in the scope of consolidation and asset deals did not result in any additions or disposals of operating assets in the Chassis & Safety division.

Exchange rate effects increased the Chassis & Safety division's total operating assets by €74.3 million (PY: €89.3 million) in the fiscal year.

Average operating assets in the Chassis & Safety division climbed by €321.2 million to €4,277.7 million as compared to fiscal 2014 (€3,956.5 million).

Capital expenditure (additions)
Additions to the Chassis & Safety division rose by €58.7 million year-on-year to €470.3 million (PY: €411.6 million). Capital expenditure amounted to 5.6% (PY: 5.5%) of sales.

In addition to increasing production capacity in Europe, investments were made in expanding the locations in North and South America and Asia. Production capacity for the Vehicle Dynamics and Hydraulic Brake Systems business units was expanded in particular. Important additions related to the creation of new production facilities for electronic brake systems.

Employees
The number of employees in the Chassis & Safety division rose by 1,935 to 40,062 (PY: 38,127). In all business units, the increase was due to an adjustment in line with greater sales volumes. In addition, the expansion of research and development activities in the Advanced Driver Assistance Systems and Vehicle Dynamics business units also led to a rise in the number of employees.

Development of the Powertrain Division

- › **Sales up 8.8%**
- › **Sales up 0.3% before changes in the scope of consolidation and exchange rate effects**
- › **Adjusted EBIT up 63.0%**

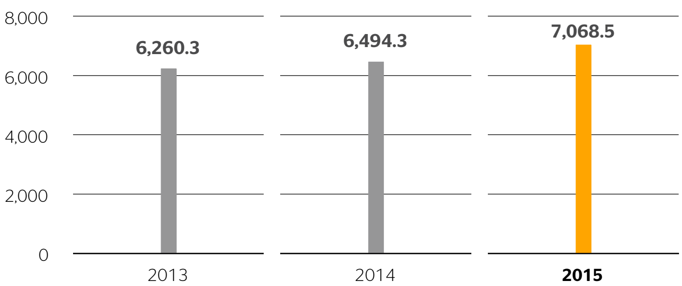
Sales volumes

In the Engine Systems business unit, sales volumes of turbochargers and pumps increased in fiscal 2015, while sales volumes of engine management systems and injectors were down on the previous year's level. The Sensors & Actuators business unit is continuing to record growth. The volume increase here is attributable in particular to the considerably higher sales figures for exhaust sensors, which were boosted by stricter exhaust gas legislation. In the Hybrid Electric Vehicle business unit, sales figures for power electronics and for battery and on-board power supply systems did not reach the previous year's level. Owing to program changeovers at the end of 2015, the sales volume of the Transmission business unit was down slightly year-on-year. The sales volume of the Fuel & Exhaust Management business unit increased due to both organic growth in existing business (formerly Fuel Supply) and the additional sales volume from the integration of Emitec.

Sales up 8.8%
Sales up 0.3% before changes in the scope of consolidation and exchange rate effects

Sales in the Powertrain division rose by 8.8% year-on-year to €7,068.5 million (PY: €6,494.3 million) in 2015. Before changes in the scope of consolidation and exchange rate effects, sales rose by 0.3%.

Sales in € millions



Adjusted EBIT up 63.0%

The Powertrain division's adjusted EBIT rose by €164.1 million or 63.0% year-on-year in 2015 to €424.6 million (PY: €260.5 million), equivalent to 6.1% (PY: 4.0%) of adjusted sales.

EBIT up 508.7%

In comparison to the previous year, the Powertrain division posted an increase in EBIT of €492.4 million, or 508.7%, to €395.6 million (PY: -€96.8 million) in 2015. The return on sales rose to 5.6% (PY: -1.5%).

ROCE amounted to 14.3% (PY: -3.5%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €8.2 million (PY: €64.5 million).

Special effects in 2015

Overall, minor impairment losses and reversal of impairment losses on property, plant and equipment resulted in a negative special effect of €1.0 million in the Powertrain division.

Restructuring expenses and the reversal of restructuring provisions no longer required resulted in a positive special effect of €0.1 million. This included a reversal of impairment losses amounting to €0.5 million.

Special effects in 2015 had a negative impact totaling €0.9 million in the Powertrain division.

Special effects in 2014

In the Powertrain division, the acquisition of the remaining shares in the former Emitec Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, made it necessary to recognize an impairment loss on the at-equity accounted investee, leading to expense of €33.8 million, and a negative special effect from the reclassification to profit and loss of the effects previously reported under reserves recognized directly in equity in the amount of €1.9 million.

In view of the increasing competition in the development and production of battery cells for the automobile industry, we and our Korean partner SK Innovation Co., Ltd., Seoul, South Korea, concluded and implemented an agreement to dissolve the joint venture SK Continental E-motion Pte. Ltd., Singapore, Singapore. This led to an impairment loss on the at-equity accounted investee in the amount of €74.3 million in the Powertrain division.

Furthermore, we took this development as a triggering event to adjust the value of property, plant and equipment in the Hybrid Electric Vehicle business unit to the actual utilization of capacity. This led to additional impairment losses on property, plant and equipment in the amount of €69.8 million.

After an in-depth quality review, we did not launch a diesel injector that was based on technologies from the time before the Siemens VDO acquisition. Impairment losses of €61.6 million on intangible assets and property, plant and equipment were incurred in the Powertrain division in this context, as well as restructuring expenses of €22.3 million, of which €6.2 million was attributable to impairment losses on property, plant and equipment.

Powertrain in € millions	2015	2014	Δ in %
Sales	7,068.5	6,494.3	8.8
EBITDA	730.7	443.3	64.8
in % of sales	10.3	6.8	
EBIT	395.6	–96.8	508.7
in % of sales	5.6	–1.5	
Research and development expenses	708.7	635.1	11.6
in % of sales	10.0	9.8	
Depreciation and amortization[1]	335.1	540.1	–38.0
thereof impairment[2]	0.5	168.4	–99.7
Operating assets as at December 31	2,859.6	2,641.4	8.3
Operating assets (average)	2,767.8	2,733.0	1.3
ROCE	14.3	–3.5	
Capital expenditure[3]	468.4	428.0	9.4
in % of sales	6.6	6.6	
Number of employees as at December 31[4]	35,364	34,529	2.4
Adjusted sales[5]	6,950.3	6,494.3	7.0
Adjusted operating result (adjusted EBIT)[6]	424.6	260.5	63.0
in % of adjusted sales	6.1	4.0	

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

This situation also prompted us to check pumps based on technologies from the time before the Siemens VDO acquisition, primarily in the diesel sector. This resulted in the necessity to recognize impairment losses on property, plant and equipment as part of valuation at the lower of cost or market value. This led to an additional expense of €27.3 million in the Powertrain division.

Further impairment losses on property, plant and equipment resulted in expense of €3.5 million.

The reversal of restructuring provisions no longer required resulted in a positive special effect of €9.4 million.

Special effects in 2014 had a negative impact totaling €285.1 million in the Powertrain division.

Procurement
With the procurement markets for Powertrain remaining consistently stable in 2015, there were no supply shortfalls. Prices for precious and industrial metals traded in U.S. dollars were down on the previous year's level, but offsetting exchange rate effects also had an impact. The procurement cooperation with the Schaeffler Group was successfully continued.

Research and development
Research and development expenses rose by €73.6 million or 11.6% year-on-year to €708.7 million (PY: €635.1 million), corresponding to 10.0% (PY: 9.8%) of sales.

Depreciation and amortization
Depreciation and amortization declined by €205.0 million compared to fiscal 2014 to €335.1 million (PY: €540.1 million) and amounted to 4.7% (PY: 8.3%) of sales. This included impairment losses totaling €0.5 million (PY: €168.4 million) in 2015.

Operating assets
Operating assets in the Powertrain division increased by €218.2 million year-on-year to €2,859.6 million (PY: €2,641.4 million) as at December 31, 2015.

Working capital increased by €3.1 million to €329.4 million (PY: €326.3 million). Inventories were up €17.6 million to €336.7 million (PY: €319.1 million). Operating receivables rose by €53.4 million to €1,154.4 million (PY: €1,101.0 million) as at the reporting date. Total operating liabilities were up €67.9 million at €1,161.7 million (PY: €1,093.8 million).

Non-current operating assets amounted to €2,960.7 million (PY: €2,762.5 million), up €198.2 million year-on-year. Goodwill increased by €41.4 million to €995.8 million (PY: €954.4 million). This included exchange rate effects of €27.5 million. The acquisition of Elektrobit Automotive resulted in a rise in goodwill of €13.9 million in the Powertrain division. Property, plant and equipment, at €1,823.1 million, was €149.0 million above the previous year's level of €1,674.1 million. Other intangible assets climbed by €6.3 million to €81.4 million (PY: €75.1 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €8.2 million (PY: €64.5 million) reduced the value of intangible assets.

With the exception of the aforementioned change in goodwill due to the acquisition of Elektrobit Automotive, changes in the scope of consolidation and asset deals did not result in any additions or disposals of operating assets in the Powertrain division.

Exchange rate effects increased the Powertrain division's total operating assets by €69.2 million (PY: €88.4 million) in the fiscal year.

Average operating assets in the Powertrain division climbed by €34.8 million to €2,767.8 million as compared to fiscal 2014 (€2,733.0 million).

Capital expenditure (additions)
Additions to the Powertrain division increased by €40.4 million year-on-year to €468.4 million (PY: €428.0 million). As in the previous year, capital expenditure amounted to 6.6% of sales.

In the Powertrain division, production capacity was increased at the German locations and in China, the U.S.A., the Czech Republic, and Romania. Important additions related to the Engine Systems and Sensors & Actuators business units. In the Engine Systems business unit, manufacturing facilities for engine injection systems were expanded in particular.

Employees
The number of employees in the Powertrain division rose by 835 compared with the previous year to 35,364 (PY: 34,529). The rise in staff numbers was due to the continuing expansion in research and development and the adjustment in line with greater sales volumes in the Sensors & Actuators and Fuel & Exhaust Management business units. In the Engine Systems and Transmission business units, the number of employees decreased slightly.

Development of the Interior Division

- › Sales up 16.5%
- › Sales up 8.3% before changes in the scope of consolidation and exchange rate effects
- › Adjusted EBIT up 16.4%

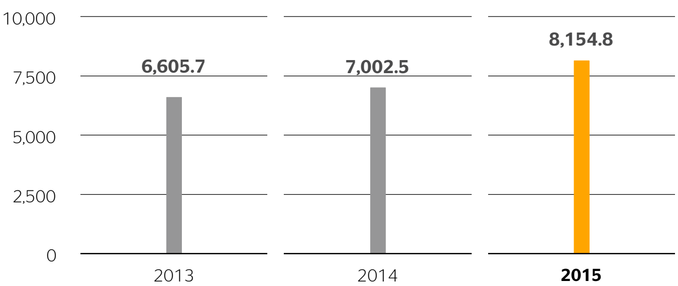
Sales volumes

Sales volumes in the Body & Security business unit were significantly above the previous year's level in fiscal 2015. There were increases particularly in NAFTA and Asia. This was achieved thanks to new projects in the product groups seat control devices, lighting control, and body controllers. Growth in business with tire-pressure monitoring systems and passive start and entry (PASE) systems was also considerably higher than in the previous year. Sales volumes increased significantly year-on-year in the Infotainment & Connectivity business unit. Unit sales of multimedia systems picked up substantially on account of new products on the U.S. market and in China. In radio systems as well, a considerable increase in Asia and the Americas more than compensated for products discontinued in Europe. Sales volumes in the Commercial Vehicles & Aftermarket business unit were above the previous year's level. While replacement parts and aftermarket business posted only slight year-on-year growth due to higher demand in the area of tire-pressure monitoring, the commercial vehicle segment significantly increased its sales volumes as a result of additional business with tolls in Belgium. In the Instrumentation & Driver HMI business unit, sales figures in 2015 were significantly higher than in the previous year. This growth was primarily driven by production starts, increased demand in Europe and NAFTA, and further growth in China. The increase related to the largest product group, instrument clusters, as well as to displays, head-up displays, and touchpads.

Sales up 16.5%
Sales up 8.3% before changes in the scope of consolidation and exchange rate effects

Sales in the Interior division rose by 16.5% year-on-year to €8,154.8 million (PY: €7,002.5 million) in 2015. Before changes in the scope of consolidation and exchange rate effects, sales increased by 8.3%.

Sales in € millions



Adjusted EBIT up 16.4%

The Interior division's adjusted EBIT was up by €115.9 million or 16.4% year-on-year in 2015 to €824.3 million (PY: €708.4 million), equivalent to 10.2% (PY: 10.1%) of adjusted sales.

EBIT up 32.8%

In comparison to the previous year, the Interior division posted an increase in EBIT of €198.6 million or 32.8% to €804.5 million (PY: €605.9 million) in 2015. The return on sales rose to 9.9% (PY: 8.7%).

ROCE amounted to 19.2% (PY: 15.9%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €17.4 million (PY: €92.3 million).

Special effects in 2015

In the Interior division, the disposal of a business operation gave rise to a purchase price adjustment resulting in expense of €0.3 million.

An impairment loss on property, plant and equipment resulted in expense of €0.3 million.

In addition, the reversal of restructuring provisions no longer required resulted in income totaling €3.8 million.

Special effects in 2015 had a positive impact totaling €3.2 million in the Interior division.

Special effects in 2014

In the Interior division, the divestment of certain activities of the Infotainment & Connectivity business unit at the location in Rambouillet, France, resulted in a loss of €7.3 million. Impairment losses of €4.2 million on property, plant and equipment were also incurred in this context.

Further impairment losses on intangible assets and property, plant and equipment resulted in expense of €1.6 million in the Interior division.

The reversal of restructuring provisions no longer required resulted in a positive special effect of €1.2 million.

Effective September 30, 2014, certain activities of the Body & Security business unit were sold to a newly established joint venture. This transaction resulted in a positive special effect totaling €1.7 million in the Interior division.

Special effects in 2014 had a negative impact totaling €10.2 million in the Interior division.

Interior in € millions	**2015**	2014	Δ in %
Sales	8,154.8	7,002.5	16.5
EBITDA	1,082.2	946.3	14.4
in % of sales	13.3	13.5	
EBIT	804.5	605.9	32.8
in % of sales	9.9	8.7	
Research and development expenses	697.3	570.9	22.1
in % of sales	8.6	8.2	
Depreciation and amortization[1]	277.7	340.4	–18.4
thereof impairment[2]	0.3	5.8	–94.8
Operating assets as at December 31	4,405.3	3,768.3	16.9
Operating assets (average)	4,192.0	3,814.5	9.9
ROCE	19.2	15.9	
Capital expenditure[3]	336.0	286.1	17.4
in % of sales	4.1	4.1	
Number of employees as at December 31[4]	40,462	36,055	12.2
Adjusted sales[5]	8,059.9	7,002.5	15.1
Adjusted operating result (adjusted EBIT)[6]	824.3	708.4	16.4
in % of adjusted sales	10.2	10.1	

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

Procurement

The year 2015 was again characterized by stable procurement markets, in which the demand for electronic and electromechanical components was fully met by the suppliers. The share of displays in total procurement volumes has risen further and the size of the displays has increased.

Research and development

Research and development expenses rose by €126.4 million or 22.1% year-on-year to €697.3 million (PY: €570.9 million), corresponding to 8.6% (PY: 8.2%) of sales.

Depreciation and amortization

Depreciation and amortization declined by €62.7 million compared to fiscal 2014 to €277.7 million (PY: €340.4 million) and amounted to 3.4% (PY: 4.9%) of sales. This included impairment losses of €0.3 million (PY: €5.8 million) in 2015.

Operating assets

Operating assets in the Interior division increased by €637.0 million year-on-year to €4,405.3 million (PY: €3,768.3 million) as at December 31, 2015.

Working capital was up by €108.7 million to €674.7 million (PY: €566.0 million). Inventories rose by €70.4 million to €643.0 million (PY: €572.6 million). Operating receivables increased by €251.4 million to €1,367.2 million (PY: €1,115.8 million) as at the reporting date. Operating liabilities were up €213.1 million at €1,335.5 million (PY: €1,122.4 million).

Non-current operating assets amounted to €4,220.9 million (PY: €3,607.3 million), up €613.6 million year-on-year. Goodwill increased by €215.0 million to €2,402.3 million (PY: €2,187.3 million). In addition to exchange rate effects of €31.7 million, the increase was also attributable in the amount of €183.3 million to the acquisition of Elektrobit Automotive. Property, plant and equipment, at €1,229.3 million, was €103.2 million above the previous year's level of €1,126.1 million. Other intangible assets climbed by €267.0 million to €455.3 million (PY: €188.3 million). This increase was mainly due to the acquisition of Elektrobit Automotive, which accounted for €242.0 million. Amortization of intangible assets from purchase price allocation (PPA) in the amount of €17.4 million (PY: €92.3 million) reduced the value of intangible assets.

Overall, the acquisition of Elektrobit Automotive in a share deal resulted in a €447.1 million rise in the Interior division's operating assets. Other changes in the scope of consolidation and asset deals did not result in any additions or disposals of operating assets.

Exchange rate effects increased the Interior division's total operating assets by €60.6 million (PY: €88.3 million) in the fiscal year.

Average operating assets in the Interior division climbed by €377.5 million to €4,192.0 million as compared to fiscal 2014 (€3,814.5 million).

Capital expenditure (additions)

Additions to the Interior division rose by €49.9 million year-on-year to €336.0 million (PY: €286.1 million). As in the previous year, capital expenditure amounted to 4.1% of sales.

In addition to the expansion of production capacity at the German locations, investments were also made at locations in China, the Czech Republic, Mexico, Romania, and the U.S.A. Investments focused primarily on the expansion of manufacturing capacity for the Body & Security and Instrumentation & Driver HMI business units.

Employees

The number of employees in the Interior division rose by 4,407 to 40,462 (PY: 36,055). The rise in staff numbers is due to the continuing expansion in research and development and the adjustment in line with greater volumes. Capacity was boosted in best-cost countries in particular. The increase occurred in the Body & Security, Infotainment & Connectivity, Commercial Vehicles & Aftermarket and Instrumentation & Driver HMI business units. In addition, the global expansion of the Intelligent Transportation Systems business unit and the acquisition of Elektrobit Automotive also caused the number of employees to increase.

Rubber Group

Rubber Group in € millions	**2015**	2014	Δ in %
Sales	15,704.6	13,637.6	15.2
EBITDA	3,181.5	2,832.6	12.3
in % of sales	20.3	20.8	
EBIT	2,255.8	2,262.7	-0.3
in % of sales	14.4	16.6	
Research and development expenses	352.4	302.2	16.6
in % of sales	2.2	2.2	
Depreciation and amortization[1]	925.7	569.9	62.4
thereof impairment[2]	92.9	–	
Operating assets as at December 31	8,085.0	6,288.8	28.6
Operating assets (average)	8,556.6	6,339.2	35.0
ROCE	26.4	35.7	
Capital expenditure[3]	903.4	914.9	-1.3
in % of sales	5.8	6.7	
Number of employees as at December 31[4]	91,603	80,113	14.3
EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects	2,485.2	2,297.7	8.2
in % of sales	15.8	16.8	
Adjusted sales[5]	14,457.1	13,627.7	6.1
Adjusted operating result (adjusted EBIT)[6]	2,544.0	2,293.8	10.9
in % of adjusted sales	17.6	16.8	

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

The Rubber Group comprises two divisions:

- The **Tire** division (26% of consolidated sales) is known for maximizing safety through short braking distances and excellent grip, as well as reducing fuel consumption by minimizing rolling resistance.
- The **ContiTech** division (14% of consolidated sales) develops, manufactures, and markets products for machine and plant engineering, mining, the automotive industry, and other important industries.

The 14 business units in total generated 40% of consolidated sales in the year under review.

In 2015, the Rubber Group continued to benefit from declining prices on the raw material markets. In particular, primary products for rubber compounds recorded further price decreases. This development was partly attributable to slower growth in China. This resulted in good material availability overall and a low price level for important reference materials such as crude oil. However, exchange rate developments had a negative impact. For example, the decline in raw material prices was less significant in the eurozone as a result of the weak euro. Some countries even recorded year-on-year price increases due to exchange rate effects.

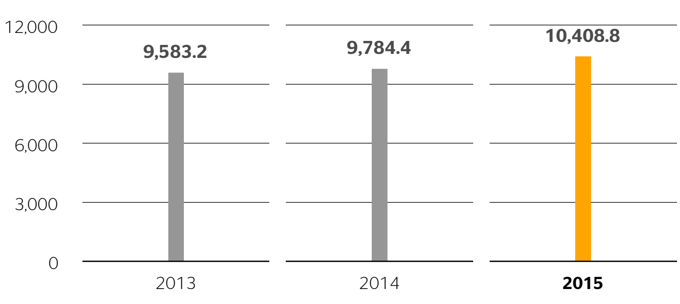
Development of the Tire Division

- Sales up 6.4%
- Sales up 1.0% before changes in the scope of consolidation and exchange rate effects
- Adjusted EBIT up 13.6%

Sales volumes
Sales volumes of passenger and light truck tires to vehicle OEMs were up around 6% on the previous year's level. While we recorded growth in the EMEA region (Europe, the Middle East and Africa) and the APAC region (Asia and Pacific), there was a decline in The Americas (North, Central and South America). In passenger and light truck tire replacement business, sales volumes remained at the previous year's level in the EMEA business unit, while in the other business units they were increased further. In the commercial vehicle tire business, sales figures climbed by around 5% as compared to the same period of the previous year.

Sales up 6.4%
Sales up 1.0% before changes in the scope of consolidation and exchange rate effects
Sales in the Tire division rose by 6.4% year-on-year to €10,408.8 million (PY: €9,784.4 million) in 2015. Before changes in the scope of consolidation and exchange rate effects, sales were up by 1.0%.

Sales in € millions



Adjusted EBIT up 13.6%
The Tire division's adjusted EBIT rose by €252.4 million or 13.6% year-on-year in 2015 to €2,109.0 million (PY: €1,856.6 million), equivalent to 20.4% (PY: 19.0%) of adjusted sales.

EBIT up 14.0%
In comparison to the previous year, the Tire division posted an increase in EBIT of €255.8 million, or 14.0%, to €2,085.2 million (PY: €1,829.4 million) in 2015. The return on sales rose to 20.0% (PY: 18.7%).

ROCE amounted to 39.2% (PY: 37.1%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €7.8 million (PY: €5.5 million).

Special effects in 2015
Impairment losses on property, plant and equipment resulted in expense totaling €6.8 million. This affected the locations in Modipuram and Partapur, India, in the amount of €5.2 million and the location in Puchov, Slovakia, in the amount of €1.6 million.

The sale of the shares in General Tyre East Africa Ltd., Arusha, Tanzania, resulted in income of €0.9 million in the Tire division.

Acquisitions of companies gave rise to purchase price adjustments resulting in total income of €1.7 million.

Special effects in 2015 had a negative impact totaling €4.2 million in the Tire division.

Special effects in 2014
In connection with the cessation of passenger tire production at the plant in Clairoix, France, a large number of employees at Continental France SNC, Sarreguemines, France, filed claims with the industrial tribunals in Compiègne and Soissons, France, against this subsidiary company and, in some cases, against Continental AG as well. On August 30, 2013, the industrial tribunal in Compiègne ordered Continental France SNC and Continental AG to pay damages for the allegedly unlawful dismissal of employees. Continental's appeal against this ruling was rejected by the Court of Appeal, Amiens, France, on September 30, 2014. Continental has filed another appeal (cassation). However, we cannot rule out the possibility that the obligation to pay damages may be upheld in full or in part after the final resolution of the proceedings. For this reason, an additional provision of €26.1 million was recognized in the Tire division.

There were also positive special effects totaling €0.5 million.

Special effects in 2014 had a negative impact totaling €25.6 million in the Tire division.

Procurement
Following a slight increase in raw material prices in the second quarter of 2015, the second half of the year was characterized by falling prices again for the Tire division. The raw material markets were heavily impacted by slower growth in China. In particular, prices for rubber and carbon black developed weakly again, in the latter case driven by a low crude oil price. On average, the price level in 2015 as a whole was thus lower than in the previous year. However, in some countries, such as Brazil and South Africa, there was a considerably less significant positive effect or even an increase in raw material prices due to exchange rate effects. In Europe, the exchange rate also had a negative impact on goods purchased in U.S. dollars.

Tires in € millions	**2015**	2014	Δ in %
Sales	10,408.8	9,784.4	6.4
EBITDA	2,604.3	2,280.8	14.2
in % of sales	25.0	23.3	
EBIT	2,085.2	1,829.4	14.0
in % of sales	20.0	18.7	
Research and development expenses	244.9	216.9	12.9
in % of sales	2.4	2.2	
Depreciation and amortization[1]	519.1	451.4	15.0
thereof impairment[2]	6.8	–	
Operating assets as at December 31	5,076.0	4,882.7	4.0
Operating assets (average)	5,322.2	4,932.0	7.9
ROCE	39.2	37.1	
Capital expenditure[3]	658.2	724.3	–9.1
in % of sales	6.3	7.4	
Number of employees as at December 31[4]	48,955	47,338	3.4
Adjusted sales[5]	10,335.1	9,774.5	5.7
Adjusted operating result (adjusted EBIT)[6]	2,109.0	1,856.6	13.6
in % of adjusted sales	20.4	19.0	

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

Research and development
Research and development expenses increased by €28.0 million or 12.9% year-on-year to €244.9 million (PY: €216.9 million), corresponding to 2.4% (PY: 2.2%) of sales.

Depreciation and amortization
Depreciation and amortization rose by €67.7 million as compared to fiscal 2014 to €519.1 million (PY: €451.4 million) and corresponded to 5.0% (PY: 4.6%) of sales. This included impairment losses totaling €6.8 million in 2015 (there were no impairment losses or reversal of impairment losses in the previous year).

Operating assets
Operating assets in the Tire division increased by €193.3 million year-on-year to €5,076.0 million (PY: €4,882.7 million) as at December 31, 2015.

Working capital was up by €148.9 million to €2,213.8 million (PY: €2,064.9 million). Inventories rose by €20.4 million to €1,352.8 million (PY: €1,332.4 million). Operating receivables increased by €147.2 million to €1,958.2 million (PY: €1,811.0 million) as at the reporting date. Operating liabilities were up €18.7 million at €1,097.2 million (PY: €1,078.5 million).

Non-current operating assets amounted to €3,795.2 million (PY: €3,586.4 million), up €208.8 million year-on-year. This increase was primarily due to the €168.8 million rise in property, plant and equipment to €3,436.1 million (PY: €3,267.3 million). Goodwill increased by €24.1 million to €176.1 million (PY: €152.0 million). In addition to minor exchange rate effects, this development is also attributable in the amount of €15.5 million to the acquisition of A-Z Formen- und Maschinenbau GmbH, Runding-Langwitz, Germany, and AZ-CZECH s.r.o., Meclov, Czech Republic, and in the amount of €7.6 million to the acquisition of Hill Tire Company, Inc., Forest Park, Georgia, U.S.A.

Overall, the acquisition of Hill Tire Company, Inc., Forest Park, Georgia, U.S.A., in a share deal resulted in an €11.3 million rise in the Tire division's operating assets. The acquisition of A-Z Formen- und Maschinenbau GmbH, Runding-Langwitz, Germany, and AZ-CZECH s.r.o., Meclov, Czech Republic, increased operating assets by €7.5 million. Other changes in the scope of consolidation and asset deals did not result in any notable additions or disposals of operating assets.

Exchange rate effects increased the Tire division's total operating assets by €23.0 million (PY: €99.2 million) in the year under review.

Average operating assets in the Tire division increased by €390.2 million to €5,322.2 million compared with fiscal 2014 (€4,932.0 million).

Capital expenditure (additions)
Additions to the Tire division decreased by €66.1 million year-on-year to €658.2 million (PY: €724.3 million). Capital expenditure amounted to 6.3% (PY: 7.4%) of sales.

In the Tire division, production capacity was expanded in Europe, in North and South America, and in Asia. There were major additions relating to the expansion of existing sites in Sumter, South Carolina, U.S.A.; Hefei, China; Otrokovice, Czech Republic; and Puchov, Slovakia. At the tire plant in Korbach, Germany, investments were made in the construction of the new High Technology Performance Center. Quality assurance and cost-cutting measures were also implemented.

Employees
The number of employees in the Tire division increased by 1,617 to 48,955 (PY: 47,338). At the production companies, the increase in staff numbers was due to the ongoing expansion of the plants in Kaluga, Russia; Sumter, South Carolina, U.S.A.; and Hefei, China. The higher number of employees is also attributable to expansion projects in the field of mold supply and at the distribution and retail companies, particularly due to the acquisition of A-Z Formen- und Maschinenbau GmbH, Runding-Langwitz, Germany; AZ-CZECH s.r.o., Meclov, Czech Republic; and Hill Tire Company, Inc., Forest Park, Georgia, U.S.A.

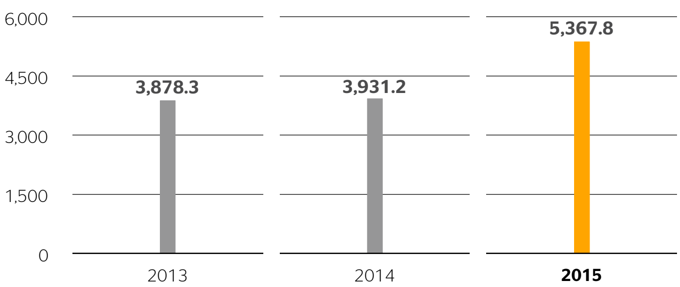
Development of the ContiTech Division

- Sales up 36.5%
- Sales up 3.9% before changes in the scope of consolidation and exchange rate effects
- Adjusted EBIT down 0.5%

Sales up 36.5%
Sales up 3.9% before changes in the scope of consolidation and exchange rate effects
Sales in the ContiTech division rose by 36.5% year-on-year to €5,367.8 million (PY: €3,931.2 million) in 2015. Before changes in the scope of consolidation and exchange rate effects, sales were up by 3.9%.

Both automotive original equipment business and replacement business posted growth in sales in the year under review. In industrial business, sales did not reach the previous year's level.

Sales in € millions



Adjusted EBIT down 0.5%
The ContiTech division's adjusted EBIT fell by €2.2 million or 0.5% year-on-year in 2015 to €435.0 million (PY: €437.2 million), equivalent to 10.4% (PY: 11.1%) of adjusted sales.

EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects down 11.3%
To improve comparability of the operating performance of the ContiTech division including Veyance Technologies, the key figure EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects is reported in 2015.

Compared with the previous year, the ContiTech division reported a decline in EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects of €49.2 million or 11.3% to €388.0 million (PY: €437.2 million) in 2015. The return on sales calculated from this fell to 7.2% (PY: 11.1%).

In 2015, EBIT – as with EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects – was influenced by integration costs and non-recurring expenses for Veyance Technologies totaling €71.6 million.

EBIT down 60.6%
Compared with the previous year, the ContiTech division posted a decrease in EBIT of €262.7 million or 60.6% to €170.6 million (PY: €433.3 million) in 2015. The return on sales fell to 3.2% (PY: 11.0%).

ROCE amounted to 5.3% (PY: 30.8%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €103.7 million (PY: €6.2 million).

Special effects in 2015
In the ContiTech division, the location in Salzgitter, Germany, will gradually be scaled back on account of follow-up orders not being received. In this context, restructuring expenses totaling €15.7 million were incurred, of which €0.3 million was attributable to impairment of property, plant and equipment.

The closure of the location in Bowmanville, Canada, resulted in restructuring expenses of €19.9 million, of which €7.4 million was attributable to impairment of property, plant and equipment.

Restructuring expenses totaling €8.2 million were incurred in the ContiTech division for the location in Tianjin, China, including impairment losses on property, plant and equipment and intangible assets in the amount of €6.5 million.

Due to the current market situation in the mining business and oil production business, impairment losses totaling €71.9 million on intangible assets and property, plant and equipment were also recognized for the Conveyor Belt Group business unit. This related to the locations in Aneng, China, in the amount of €44.8 million; in Bayswater, Australia, in the amount of €25.3 million; in Thetford, U.K., in the amount of €1.3 million; and in Perth, Australia, in the amount of €0.5 million.

Disposals and acquisitions of companies and business operations gave rise to purchase price adjustments resulting in total income of €0.4 million.

Bargain purchases from purchase price allocation resulted in income of €1.6 million.

Special effects in 2015 had a negative impact totaling €113.7 million in the ContiTech division.

Special effects in 2014
In the ContiTech division, income totaling €2.3 million resulted from bargain purchases from purchase price allocations. €0.7 million of this was attributable to the Fluid Technology business unit and €0.6 million to the Benecke-Kaliko Group business unit. There was also €1.0 million from the final purchase price allocation of a transaction in 2013 in the Conveyor Belt Group business unit.

ContiTech in € millions	**2015**	2014	Δ in %
Sales	5,367.8	3,931.2	36.5
EBITDA	577.2	551.8	4.6
in % of sales	10.8	14.0	
EBIT	170.6	433.3	–60.6
in % of sales	3.2	11.0	
Research and development expenses	107.5	85.3	26.0
in % of sales	2.0	2.2	
Depreciation and amortization[1]	406.6	118.5	243.1
thereof impairment[2]	86.1	–	
Operating assets as at December 31	3,009.0	1,406.1	114.0
Operating assets (average)	3,234.4	1,407.2	129.8
ROCE	5.3	30.8	
Capital expenditure[3]	245.2	190.6	28.6
in % of sales	4.6	4.8	
Number of employees as at December 31[4]	42,648	32,775	30.1
EBIT before amortization of intangible assets from purchase price allocation (PPA) and special effects	388.0	437.2	–11.3
in % of sales	7.2	11.1	
Adjusted sales[5]	4,194.0	3,931.2	6.7
Adjusted operating result (adjusted EBIT)[6]	435.0	437.2	–0.5
in % of adjusted sales	10.4	11.1	

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

Procurement
As a result of continued weak demand on the raw material markets, the ContiTech division once again benefited from decreasing prices. In particular, prices for rubber and carbon black were down year-on-year, with the latter material becoming cheaper as a result of sustained low prices for crude oil. However, the price decrease was less significant in the eurozone due to the depreciation of the euro in relation to the U.S. dollar. In some countries, such as Brazil, the exchange rate development even resulted in higher material prices than in the previous year.

Research and development
Research and development expenses increased by €22.2 million or 26.0% year-on-year to €107.5 million (PY: €85.3 million), corresponding to 2.0% (PY: 2.2%) of sales.

Depreciation and amortization
Depreciation and amortization rose by €288.1 million compared to fiscal 2014 to €406.6 million (PY: €118.5 million) and amounted to 7.6% (PY: 3.0%) of sales. This included impairment losses totaling €86.1 million in 2015 (there were no impairment losses or reversal of impairment losses in the previous year).

Operating assets
Operating assets in the ContiTech division increased by €1,602.9 million year-on-year to €3,009.0 million (PY: €1,406.1 million) as at December 31, 2015. This increase resulted primarily from the acquisition of Veyance Technologies.

Working capital was up €326.1 million at €934.1 million (PY: €608.0 million). Inventories increased by €231.0 million to €646.8 million (PY: €415.8 million). Operating receivables rose by €257.6 million to €895.0 million (PY: €637.4 million) as at the reporting date. Operating liabilities were up €162.5 million at €607.7 million (PY: €445.2 million).

Non-current operating assets amounted to €2,382.9 million (PY: €973.9 million), up €1,409.0 million year-on-year. This increase was essentially due to the €571.1 million rise in intangible assets to €611.4 million (PY: €40.3 million) and the €516.9 million rise in property, plant and equipment to €1,331.7 million (PY: €814.8 million). Goodwill also increased by €318.4 million to €415.0 million (PY: €96.6 million), mainly as a result of the acquisition of Veyance Technologies in the amount of €305.4 million and exchange rate effects totaling €13.0 million.

Overall, the acquisition of Veyance Technologies in a share deal resulted in a €1,848.1 million increase in operating assets in the ContiTech division. Other changes in the scope of consolidation and asset deals did not result in any notable additions or disposals of operating assets.

Exchange rate effects increased the ContiTech division's total operating assets by €46.2 million (PY: €29.7 million) in the fiscal year.

Average operating assets in the ContiTech division climbed by €1,827.2 million to €3,234.4 million in comparison to fiscal 2014 (€1,407.2 million).

Capital expenditure (additions)

Additions to the ContiTech division rose by €54.6 million year-on-year to €245.2 million (PY: €190.6 million). Capital expenditure amounted to 4.6% (PY: 4.8%) of sales.

In the ContiTech division, the production facilities at German locations and in China, Hungary, the U.S.A., and Mexico were expanded and established. Production capacity for the Fluid Technology and Benecke-Kaliko Group business units was expanded in particular. There were major additions relating to the construction of new plants for the Benecke-Kaliko Group and Elastomer Coatings business units in Changzhou and Changshu, China. In addition, the division invested in the construction of a production site for the Conveyor Belt Group business unit in Jorf Lasfar, Morocco. Investments were made in all business units to rationalize existing production processes.

Employees

The number of employees in the ContiTech division increased by 9,873 compared with the previous year to 42,648 (PY: 32,775). The increase in the number of employees is particularly due to the acquisition of Veyance Technologies. In addition, employee numbers went up as a result of volume increases in the Fluid Technology and Benecke-Kaliko Group business units. In the Conveyor Belt Group business unit, there was a decrease in the number of employees as a result of restructuring and consolidation programs, particularly at the locations in Tianjin, China, and Santiago de Chile, Chile.

Continental AG ›
Short Version in acc. with *HGB*

In addition to the reporting on the corporation as a whole, the performance of the parent company is presented separately below.

Unlike the consolidated financial statements, the annual financial statements of Continental AG are prepared in accordance with German commercial law (the German Commercial Code, *Handelsgesetzbuch – HGB)* and the German Stock Corporation Act *(Aktiengesetz – AktG)*. The management report of Continental AG has been combined with the consolidated report of the Continental Corporation in accordance with Section 315 (3) *HGB*, as the parent company's future risks and opportunities and its expected development are inextricably linked to that of the corporation as a whole. In addition, the following presentation of the parent company's business performance, including its results, net assets and financial position, provides a basis for understanding the Executive Board's proposal for the distribution of net income.

Continental AG acts solely as a management and holding company for the Continental Corporation. In order to duly reflect the nature of Continental AG as a holding company, its net investment income is presented as its primary earnings figure.

Total assets declined by €774.4 million year-on-year to €18,253.9 million (PY: €19,028.3 million). On the assets side, the change is primarily due to the €259.7 million decrease in short-term securities and the €919.5 million decline in cash and cash equivalents. This was countered by a €451.5 million rise in receivables from affiliated companies to €7,081.7 million (PY: €6,630.2 million).

Net assets and financial position of Continental AG	**Dec. 31, 2015**	Dec. 31, 2014
Assets in € millions		
Intangible assets	39.1	29.0
Property, plant and equipment	2.2	2.1
Investments	10,997.2	11,073.7
Non-current assets	**11,038.5**	**11,104.8**
Inventories	0.0	0.0
Receivables and other assets	7,132.2	6,668.1
Short-term securities	–	259.7
Cash and cash equivalents	59.7	979.2
Current assets	**7,191.9**	**7,907.0**
Prepaid expenses and deferred charges	**23.5**	**16.5**
Total assets	**18,253.9**	**19,028.3**
Shareholders' equity and liabilities in € millions		
Subscribed capital	512.0	512.0
Capital reserves	4,179.1	4,179.1
Revenue reserves	54.7	54.7
Accumulated profits brought forward from the previous year	99.2	413.4
Net income	915.0	335.8
Shareholders' equity	**5,760.0**	**5,495.0**
Provisions	**763.7**	**750.2**
Liabilities	**11,730.2**	**12,783.1**
Deferred income	**–**	**0.0**
Total equity and liabilities	**18,253.9**	**19,028.3**
Gearing ratio in %	81.9	95.1
Equity ratio in %	31.6	28.9

Investments decreased by €76.5 million as compared to the previous year to €10,997.2 million (PY: €11,073.7 million) and now account for 60.3% of total assets after 58.2% in the previous year. This decline was primarily due to the fact that in the year under review it became possible to partially offset the plan assets from the Continental Pension Trust e. V. trust assets against the corresponding pension obligations.

At €23.5 million (PY: €16.5 million), prepaid expenses were up €7.0 million. This rise chiefly resulted from the increase in other prepaid expenses.

On the equity and liabilities side, liabilities to affiliated companies increased by €330.7 million year-on-year to €9,157.3 million (PY: €8,826.6 million), corresponding to 3.7%. This was countered by a €1,385.2 million decline in bank loans and overdrafts to €959.0 million (PY: €2,344.2 million). The decline was particularly attributable to early repayments of €1,150.0 million on the term loan maturing in April 2016 under the syndicated loan. The term loan thus amounted to €350.0 million (PY: €1,500.0 million) as at the end of the reporting period. The decrease was also due to lower utilization of sale of receivables programs. At the end of 2015, sales of receivables were down €210.0 million at €130.0 million (PY: €340.0 million).

Provisions increased by €13.5 million to €763.7 million (PY: €750.2 million) due to the rise of €65.0 million for tax provisions and of €7.6 million for other provisions. This was countered by a €59.1 million decline in provisions for pensions to €180.8 million (PY: €239.9 million). This decline was due to the fact that in the year under review it became possible to partially offset the plan assets from the Continental Pension Trust e. V. trust assets against the corresponding pension obligations.

Equity increased by €265.0 million to €5,760.0 million (PY: €5,495.0 million). The decrease as a result of the dividend payment for 2014 in the amount of €650.0 million was offset by the net income of €915.0 million generated in fiscal 2015. As a result of this and the decline in total assets, the equity ratio climbed from 28.9% to 31.6%.

Net investment income rose by €611.5 million year-on-year to €1,336.2 million (PY: €724.7 million). As in the previous year, it mainly consisted of profit and loss transfers from the subsidiaries. The income from profit transfers essentially resulted from Continental Caoutchouc-Export-GmbH, Hanover, in the amount of €489.4 million; Continental Automotive GmbH, Hanover, in the amount of €295.3 million; Formpolster GmbH, Hanover, in the amount of €263.5 million; and UMG Beteiligungsgesellschaft mbH, Hanover, in the amount of €62.3 million. In addition, investment income of €170.0 million was received from Continental Teves AG & Co. OHG, Frankfurt am Main.

As in the previous year, other operating income and other operating expenses particularly include expenses and income from corporate overheads and cost credits and charges from or for other subsidiaries.

The negative net interest result improved by €17.3 million year-on-year to €100.2 million in fiscal 2015 (PY: €117.5 million). Within this item, interest expense fell by €10.7 million to €149.4 million (PY: €160.1 million), primarily due to the decrease in interest expense owed to affiliated companies. Another positive impact on the net interest result arose from the refinancing of the syndicated loan at the end of April 2014, which resulted in a lower average margin level than in the previous year. In addition, the decline in interest expense was attributable to early repayments totaling €1,150.0 million that were made on the term loan from the syndicated loan in the fourth quarter of 2015.

Interest income was up €6.6 million year-on-year at €49.2 million (PY: €42.6 million), due primarily to the rise in interest and similar income from affiliated companies.

Earnings position of Continental AG in € millions	**2015**	2014
Net investment income	**1,336.2**	**724.7**
General administrative expenses	–151.3	–122.4
Other operating income	182.3	151.7
Other operating expenses	–225.3	–241.7
Income from other securities and long-term loans	14.1	12.9
Net interest result	–100.2	–117.5
Result from ordinary activities	**1,055.8**	**407.7**
Income tax expense	–140.8	–71.9
Net income	**915.0**	**335.8**
Accumulated profits brought forward from the previous year	99.2	413.4
Retained earnings	**1,014.2**	**749.2**

Income tax expense of €140.8 million (PY: €71.9 million) resulted from current expenses in Germany and non-imputable foreign withholding tax.

After taking this income tax expense into account, Continental AG posted net income for the year of €915.0 million (PY: €335.8 million). The after-tax return on equity was 15.9% (PY: 6.1%).

Taking into account the accumulated profits brought forward from the previous year of €99.2 million, retained earnings amounted to €1,014.2 million. The Supervisory Board and the Executive Board will propose to the Annual Shareholders' Meeting the distribution of a dividend of €3.75 per share. With 200,005,983 shares entitled to dividends, the total distribution will amount to €750,022,436.25. The remaining amount is to be carried forward to new account.

We expect a rise in income from profit and loss transfers and investment income from the subsidiaries in fiscal 2016.

Other Information ›
Dependent Company Report

Final declaration from the Executive Board's report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act *(Aktiengesetz – AktG)*
In fiscal 2015, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under Section 312 *AktG*. In line with Section 312 (1) *AktG*, the Executive Board of Continental AG has prepared a report on relations with affiliated companies, which contains the following final declaration:

"We declare that the company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies from January 1 to December 31, 2015, under the circumstances known to us at the time the transactions were made or the measures taken or not taken. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of the 2015 fiscal year. The company did not suffer any detriment because of taking or refraining from measures."

Takeover Disclosures and Notes

Report Pursuant to Section 289 (4) and Section 315 (4) *HGB*

1. Composition of subscribed capital
   The subscribed capital of the company amounts to €512,015,316.48 as of the end of the reporting period and is divided into 200,005,983 no-par-value shares. These shares are, without exception, common shares; different classes of shares have not been issued and have not been provided for in the Articles of Incorporation. Each share bears voting and dividend rights from the time it is issued. Each share entitles the holder to one vote at the Annual Shareholders' Meeting (Article 20 (1) of the Articles of Incorporation).

2. Shareholdings exceeding 10% of voting rights
   For details of the equity interests exceeding 10% of the voting rights (reported level of equity interest), please refer to the notice in accordance with the German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)* under Note 38 to the consolidated financial statements.

3. Bearers of shares with privileges
   There are no shares with privileges granting control.

4. Type of voting right control for employee shareholdings
   The company is not aware of any employees with shareholdings not directly exercising control of voting rights.

5. Provisions for the appointment and dismissal of members of the Executive Board and for the amendment of the Articles of Incorporation
   a) In accordance with the Articles of Incorporation, the Executive Board consists of at least two members; beyond this the number of members of the Executive Board is determined by the Supervisory Board. Members of the Executive Board are appointed and dismissed in accordance with Section 84 of the German Stock Corporation Act *(Aktiengesetz – AktG)* in conjunction with Section 31 of the German Co-determination Act *(Mitbestimmungsgesetz – MitbestG)*. In line with this, the Supervisory Board is responsible for the appointment and dismissal of members of the Executive Board. It passes decisions with a majority of two-thirds of its members. If this majority is not reached, the so-called Mediation Committee must submit a nomination to the Supervisory Board for the appointment within one month of voting. Other nominations can also be submitted to the Supervisory Board in addition to the Mediation Committee's nomination. A simple majority of the votes is sufficient when voting on these nominations submitted to the Supervisory Board. In the event that voting results in a tie, a new vote takes place in which the Chairman of the Supervisory Board has the casting vote in accordance with Section 31 (4) *MitbestG*.

   b) Amendments to the Articles of Incorporation are made by the Annual Shareholders' Meeting. In Article 20 (3) of the Articles of Incorporation, the Annual Shareholders' Meeting has exercised the option granted in Section 179 (1) Sentence 2 *AktG* to confer on the Supervisory Board the power to make amendments affecting only the wording of the Articles of Incorporation.

      In accordance with Article 20 (2) of the Articles of Incorporation, resolutions of the Annual Shareholders' Meeting to amend the Articles of Incorporation are usually adopted by a simple majority and, insofar as a capital majority is required, by a simple majority of the capital represented unless otherwise stipulated by mandatory law or the Articles of Incorporation. The law prescribes a mandatory majority of three quarters of the share capital represented when resolutions are made, for example, for amendments to the Articles of Incorporation involving substantial capital measures, such as resolutions concerning the creation of authorized or contingent capital.

6. Authorizations of the Executive Board, particularly with regard to its options for issuing or withdrawing shares
   a) The Executive Board can issue new shares only on the basis of resolutions by the Shareholders' Meeting. As at the end of the reporting period, the Executive Board has not been authorized to issue new shares in connection with a capital increase (authorized capital) or to issue convertible bonds, warrant-linked bonds or other financial instruments that could entitle the bearers to subscribe to new shares.

   b) The Executive Board may only buy back shares under the conditions codified in Section 71 *AktG*. The Annual Shareholders' Meeting has not authorized the Executive Board to acquire treasury shares in line with Section 71 (1) Number 8 *AktG*.

7. Material agreements of the company subject to a change of control following a takeover bid and their consequences
   The following material agreements are subject to a change of control at Continental AG:

   a) The agreement concluded on April 24, 2014, for a syndicated loan of €4,500.0 million (€3,350.0 million as at December 31, 2015) grants each creditor the right to terminate the agreement prematurely and to demand repayment of the loans granted by it if one person or several persons acting in concert acquire control of Continental AG and subsequent negotiations concerning a continuation of the loan do not lead to an agreement. The term "control" is defined as the holding of more than 50% of the voting rights or if Continental AG concludes a domination agreement as defined under Section 291 *AktG* with Continental AG as the company dominated.

b) The bonds issued by Continental AG on July 9 and on September 2, 2013, at a nominal amount of €750 million each, the bond issued by a subsidiary of Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, on September 12, 2013, also at a nominal amount of €750 million and guaranteed by Continental AG, and the bond issued by another subsidiary of Continental AG, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., on November 19, 2015, at a nominal amount totaling €500 million entitle each bondholder to demand that the respective issuer redeem or acquire the bonds held by the bondholder at a price established in the bond conditions in the event of a change of control at Continental AG. The bond conditions define a change of control as the sale of all or substantially all of the company's assets to third parties that are not affiliated with the company, or as one person or several persons acting in concert, pursuant to Section 2 (5) of the German Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz – WpÜG)*, holding more than 50% of the voting rights in Continental AG by means of acquisition or as a result of a merger or other form of combination with the participation of Continental AG. The holding of voting rights by Schaeffler GmbH (operating as Schaeffler Verwaltung Zwei GmbH following the changes in its legal form), its legal successors or its affiliated companies does not constitute a change of control within the meaning of the bond conditions.

   If a change of control occurs as described in the agreements above and a contractual partner or bondholder exercises its respective rights, it is possible that required follow-up financing may not be approved under the existing conditions, which could therefore lead to higher financing costs.

c) In 1996, Compagnie Financière du Groupe Michelin, "Senard et Cie", Granges-Paccot, Switzerland, and Continental AG founded MC Projects B.V., Maastricht, Netherlands, with each owning 50%. Michelin contributed the rights to the Uniroyal brand for Europe to the company. MC Projects B.V. licenses these rights to Continental. According to the agreements, this license can be terminated without notice if a major competitor in the tire business acquires more than 50% of the voting rights of Continental. In this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company of Continental Barum s.r.o. in Otrokovice, Czech Republic, to 51%. In the case of such a change of control and the exercise of these rights, there could be losses in sales of the Tire division and a reduction in the production capacity available to it.

8. **Compensation agreements of the company with members of the Executive Board or employees for the event of a takeover bid**
   No compensation agreements have been concluded between the company and the members of the Executive Board or employees providing for the event of a takeover bid.

Remuneration of the Executive Board

The total remuneration of the members of the Executive Board comprises a number of remuneration components. Specifically, these components comprise fixed remuneration, variable remuneration elements including components with a long-term incentive effect, additional benefits, and retirement benefits. Further details including individual remuneration are specified in the Remuneration Report contained in the Corporate Governance Report starting on page 17. The Remuneration Report is a part of the Corporate Management Report.

Corporate Governance Declaration Pursuant to Section 289a *HGB*

The Corporate Governance Declaration pursuant to Section 289a of the German Commercial Code *(Handelsgesetzbuch – HGB)* is available to our shareholders at www.continental-corporation.com under the Corporate Governance section of our Investor Relations site.

Report on Subsequent Events

As at February 8, 2016, there were no events or developments that could have materially affected the measurement and presentation of individual asset and liability items as at December 31, 2015.

Report on Risks and Opportunities

Continental's overall risk situation is analyzed and managed corporation-wide using the risk and opportunity management system.

The management of the Continental Corporation is geared toward creating added value and ensuring a well-balanced financing structure. For us, this means sustainably increasing the value of each individual business unit and the corporation as a whole. The aim is that Continental generates a long-term return on capital (ROCE) that exceeds our weighted-average costs of capital. We evaluate the risks and opportunities that arise responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks that could impair business and, in extreme cases, endanger the company's existence. We accept manageable risks if the resulting opportunities lead us to expect to achieve a sustainable growth in value.

Risk and Opportunity Management and Internal Control System

Pursuant to sections 289 (5) and 315 (2) of the German Commercial Code (*Handelsgesetzbuch – HGB*), the main characteristics of the internal control and risk management system in respect of the accounting process must be described. All parts of the risk management system and internal control system which could have a material effect on the annual and consolidated financial statements must be included in the reporting.

To ensure that risks are detected in time, that their causes are analyzed, and that the risks are assessed and avoided or at least minimized, there is a uniform corporation-wide risk management system, which also comprises the early detection system for risks to the company as a going concern in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktiengesetz – AktG*). The risk management system regulates the identification, recording, assessment, documentation and reporting of risks and is integrated into the company's strategy, planning, and budgeting processes. By including risk management in the management and reporting systems, Continental ensures that risk management is an integral component of business processes in the corporation.

In order to operate successfully as a company in our complex business sector and to ensure the effectiveness, efficiency and propriety of accounting and compliance with the relevant legal and sub-legislative regulations, Continental AG has created an effective, integrated internal control system that encompasses all relevant business processes. The internal control system forms an integral part of the risk management system. A summarized presentation is therefore given below. The risk management system also includes the compliance management system, which is described in detail in the Corporate Governance Declaration on page 21.

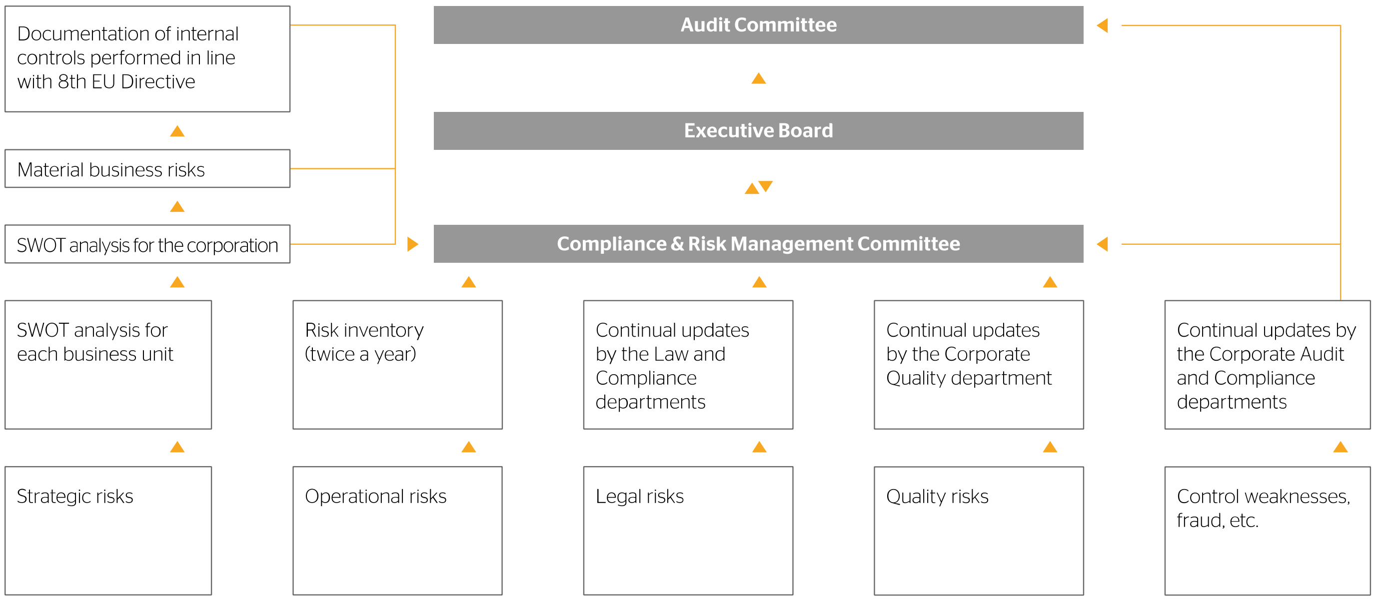
The Executive Board is responsible for the risk management system and the internal control system. The Supervisory Board and the Audit Committee monitor and review its effectiveness. For this purpose, the internal control system includes regulations on reporting to the Supervisory Board, the Audit Committee, the Executive Board and the Compliance & Risk Management Committee.

The risk management system and the internal control system include all subsidiaries significant to the consolidated financial statements. Key elements of the corporation-wide control systems are the clear allocation of responsibilities and controls inherent in the system when preparing the financial statements. The dual control principle and separation of functions are fundamental principles of this organization. In addition, Continental's management ensures accounting that complies with the requirements of law via guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems and regulations on the involvement of internal and external specialists.

The effectiveness of the accounting-related internal control system is evaluated in major areas through effectiveness testing of the reporting units. The results of the effectiveness tests must be recorded in the Continental Corporation's reporting systems on a quarterly basis and are then evaluated by the corporation's management.

If any weaknesses are identified, the corporation's management initiates the necessary measures.

Risk reporting



As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards, safety regulations) and deal with the corresponding effects on the automotive sector, our production factors and the composition and further development of our product portfolio.

Early risk identification and assessment

Responsibility for identifying and assessing material risks is distributed among various levels and organizational units within the Continental Corporation.

For purposes of risk identification, assessment and reporting, the management of each unit of the organization analyzes the material risks relating to that unit. Local management can utilize various instruments for this, such as local operations management handbooks, centrally developed function-specific questionnaires and the "Internal-Controls@Continental" system's process and control descriptions, which are available for all major companies. In line with this, the key controls in business processes (e.g. purchase to pay, order to cash, asset management, HR, IT authorizations and the financial statement process) are controlled on a quarterly basis and reviewed with respect to their effectiveness.

Corporate functions such as Compliance, HR, Quality, Law, Purchasing, Insurance, Systems & Standards and Finance & Treasury also conduct additional audits with respect to the implementation of the respective corporate guidelines relevant to each area and analyze the respective processes in terms of efficiency and potential weak points. The aim is to monitor compliance with the guidelines, identify potential risks in processes and to support the standardization of the operating processes.

The risks identified within the framework described above are categorized and assessed according to specified criteria. Risks are normally assessed according to their negative impact on the unit's operating result.

The risks and their effects are assessed primarily according to qualitative criteria and assigned to different categories. A quantification of the individual risks is carried out only for risks that can be classified in corresponding fluctuation margins.

In addition to the risk analyses carried out by the local management and the corporate functions, the corporation's auditing department also performs audits.

Continental AG has set up a Compliance & Anti-Corruption Hotline to give the employees and third parties outside the corporation the opportunity to report violations of legal regulations, its fundamental values, and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also accounting manipulation, can be reported anonymously, where permissible by law, via the hotline. Tips received by the hotline are examined, pursued and dealt with fully by Corporate Audit and the Compliance department, as required, with the assistance of other departments.

Risk reporting
As with risk assessment, the reporting of the identified and analyzed risks is also allocated to various organizational levels.

Using an extensive risk inventory, the units regularly report any changes to previously reported risks plus any new developments that could turn into material risks. Any new material risks arising between regular reporting dates have to be reported immediately. This also includes risks identified in the audits by the corporate functions. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting at corporation and division level so that the causes of potential risks can be identified early on.

The Compliance & Risk Management Committee informs the Executive Board of Continental on a regular basis of existing risks, their assessment and the measures taken. In addition, there is reporting to the management levels below the Executive Board according to their area of responsibility. The Audit Committee of the Supervisory Board is also informed regularly of the major risks, any weaknesses in the control system and measures taken. Moreover, the auditors are to report to the Audit Committee of the Supervisory Board regarding any weaknesses in the accounting-related internal control system which the auditors identified as part of their audit activities.

Risk management
The responsible management initiates suitable countermeasures that are also documented in the reporting systems for each risk identified and assessed as material. The Compliance & Risk Management Committee monitors and consolidates the identified risks at the corporation level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves these measures, and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Regular audits of the risk management process by the corporation's auditors guarantee its efficiency and further development.

Material Risks

The order of the risks presented within the four categories reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks to us. The risks are presented in gross terms.

Financial Risks

The financial risks described below would, in the event of the respective risk occurring, ultimately influence all of Continental's borrowing costs as a result of rising interest rates. If borrowing rates increase by one percentage point, interest expenses of the gross indebtedness would rise in a range from €30 million to €40 million.

Continental's current investment-grade credit rating could be downgraded.
If the present global economic situation and the level of production in the automotive sector prove not to be lasting, this could have negative effects on Continental's liquidity and lead to a deterioration of its credit rating. Any such downgrade could have adverse effects on Continental's options for obtaining funding as well as its financing costs and interest expenses. A downgrade of Continental's credit rating could also impact Continental's liquidity position if its suppliers change the terms of payment offered to Continental for this reason, for example by requesting payment in advance. These consequences could be exacerbated if credit insurers were to restrict coverage for Continental's accounts payable.

Continental is exposed to risks in connection with its financing agreements and the syndicated loan.
Continental is subject to risks in connection with its financing agreements, especially the three bonds that Continental issued in the amount of €750.0 million each in July 2013 (due in 2018) and in September 2013 (due in 2017 and 2020) as part of its Debt Issuance Programme launched in May 2013. As part of this program, Continental issued a further bond in the amount of €500.0 million in November 2015 (due in 2019). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

Furthermore, Continental is subject to risks related to the syndicated loan. In order to finance its current business activities as well as its investments and payment obligations, Continental concluded a new syndicated loan agreement in April 2014. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG. The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail on pages 104 and 105 in the report in accordance with Section 289 (4) and Section 315 (4) *HGB*. The loans described here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

Furthermore, in addition to other obligations, this syndicated loan agreement also requires Continental to comply with a financial covenant. This provides for a maximum leverage ratio (calculated as the ratio of Continental's consolidated net indebtedness to consolidated adjusted EBITDA) of 3.00.

Owing to the market and operational risks presented below, it cannot be ruled out that under certain extreme circumstances it may not be possible for Continental to comply with the ratio described above. If Continental fails in this obligation, the creditors are entitled to declare their facilities immediately due and payable. At the end of fiscal 2015, Continental had already repaid a substantial portion of this syndicated loan. The remaining amount of €350.0 million is due in April 2016, whereas the revolving credit line of €3.0 billion is not due until April 2020. This was utilized as at the end of fiscal 2015 in an amount of €297.9 million.

The leverage ratio was 0.48 as at December 31, 2015. The financial covenant was complied with at all times.

Continental is exposed to risks in connection with interest rate changes and hedging.
Continental is exposed to risks associated with changes in variable interest rates, as a number of Continental's credit facilities (in particular the facilities granted under the syndicated loan) bear interest at a floating rate. Therefore, an increase or decrease in interest rates would affect Continental's current interest expenses and its future refinancing costs. These risks are monitored and evaluated as part of our interest rate management activities and managed by means of derivative interest rate hedging instruments as needed. However, the future use of derivative interest rate hedging instruments is also generally dependent on the availability of adequate credit lines. The availability of additional credit lines could be negatively affected by disruptions in the financial markets, Continental's indebtedness and its credit rating. Moreover, any hedging transactions executed in the form of derivative instruments could result in losses.

Regarding the risks from the use of financial instruments, we refer to the information provided in Note 28 of the Notes to the Consolidated Statement of Financial Position.

Continental cannot dispose freely of all of the corporation's reported liquidity.
Limitations that can negatively impact the availability of capital are understood as comprising all existing limitations on liquidity. In the Continental Corporation, this relates to the following items: pledging of cash and cash equivalents and other financial assets (e.g. assignment of receivables in connection with sale of receivables programs), and balances in countries with exchange restrictions or otherwise restricted access to liquidity. Taxes payable on the transfer of cash assets from one country to another are not as a rule considered to represent a limitation on liquidity.

Unrestricted cash and cash equivalents totaled €1.4 billion at the end of the fiscal year.

Continental is exposed to risks associated with changes in currency exchange rates and hedging.
Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in foreign exchange rates could intensify or reduce fluctuations in the prices of raw materials, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Corporation can result in cash inflows and outflows which are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Corporation (transaction risk). In particular, Continental is exposed to fluctuations in the U.S. dollar, Mexican peso, Czech koruna, Chinese renminbi, Romanian leu, South Korean won, Japanese yen and Hungarian forint. To the extent that cash outflows of the respective subsidiary of the Continental Corporation in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net foreign currency exposure is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to foreign exchange risks arising from external and internal loan agreements, which result from cash inflows and outflows in currencies which are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Corporation. These foreign exchange risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses. Continental's net foreign investments are, as a rule, not hedged against exchange rate fluctuations. In addition, a number of Continental's consolidated companies report their results in currencies other than the euro, which requires Continental to convert the relevant items into euros when preparing Continental's consolidated financial statements (translation risk). Translation risks are generally not hedged.

If the exchange rate of each functional currency of the subsidiaries of the Continental Corporation changes by 10% compared to the deviating transaction currencies of these companies – essentially, the euro and the U.S. dollar – ceteris paribus, this could negatively impact Continental's earnings by as much as €30 million due to the transaction-related net foreign currency risk from financial instruments.

Risks Related to the Markets in which Continental Operates

Continental could be exposed to significant risks in connection with a global financial and economic crisis.
Continental generates a large percentage (72%) of its sales from automobile manufacturers (original equipment manufacturers, OEMs). The remainder of Continental's sales is generated from the replacement or industrial markets, mainly in the replacement markets for passenger, van and truck tires, and to a lesser extent in the non-automotive end-markets of the other divisions.

During the global economic crisis in 2008 and 2009, automotive sales and production deteriorated substantially, resulting in a sharp decline in demand for Continental's products among its OEM customers. At present it is not known if the current economic situation in Europe will persist. If this is not the case, automobile production in this region could fall again and remain at a low level for an extended period of time. This would impact Continental's business and earnings situation, especially in Europe, where Continental generated approximately 49% of its sales in 2015. A prolonged weakness in or deterioration of the European automotive market would be likely to adversely affect Continental's sales and results of operations. Tax increases that reduce consumers' disposable income could be another factor to weaken demand on the vehicle markets in Europe. Especially in the member states of the EU, tax increases are a likely response to the increase in public debt and the EU's aid measures for its member states. Furthermore, Continental's five largest OEM customers (Daimler, Fiat-Chrysler, Ford, General Motors, and VW) generated approximately 44% of the Continental Corporation's sales in 2015. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Continental operates in a cyclical industry.
Global production of vehicles and, as a result, sales to OEM customers (from whom Continental currently generates 72% of its sales) experience major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and consumer spending and preferences, which can be affected by a number of factors, including fuel costs and the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers, or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. Since its business is characterized by high

fixed costs, Continental is subject to the risk of underutilization of its facilities (particularly in the Automotive Group) or having insufficient capacity to meet customer demand if the markets in which Continental is active either decline or grow faster than Continental has anticipated.

The automotive supply industry is characterized by intense competition, which could reduce Continental's sales or put continued pressure on its sales prices.
The automotive supply industry is highly competitive and has been characterized by rapid technological change, high capital expenditure requirements, intense pricing pressure from major customers, periods of oversupply and continuous advancements in process technologies and manufacturing facilities. As OEMs are increasingly affected by innovation and cost-cutting pressures from competitors, they seek price reductions in both the initial bidding process and during the term of the contract with their suppliers. In particular, vehicle manufacturers expect lower prices from suppliers for the same, and in some cases even enhanced functionality, as well as a consistently high product quality. Should Continental be unable to offset continued price reductions through improved operating efficiencies and reduced expenditures, price reductions could impact profit margins. In addition, Continental's existing competitors, in particular its competitors from Asia, may pursue an aggressive pricing policy and offer conditions to customers that are more favorable than Continental's. Aside from this, the markets in which Continental is active are characterized by a trend toward consolidation. Increased consolidation among Continental's competitors or between Continental's competitors and any of its OEM customers could allow competitors to further benefit from economies of scale, offer more comprehensive product portfolios and increase the size of their serviceable markets. This could require Continental to accept considerable reductions in its profit margins and the loss of market share due to price pressure. Furthermore, competitors may gain control over or influence suppliers or customers of Continental by shareholdings in such companies, which could adversely affect Continental's supplier relationships.

Continental is exposed to fluctuations in prices of raw materials, electronic components and energy.
For the divisions of the Automotive Group, cost increases could result, in particular, from rising steel and electronic components prices, while the divisions of the Rubber Group are mainly affected by the development of prices for oil, natural rubber and synthetic rubber. To date, prices for steel and electronic components, oil, natural and synthetic rubber have at times been subject to substantial fluctuations around the world. Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. Therefore, if Continental is unable to compensate for or pass on its increased costs to customers, such price increases could have a significant adverse impact on Continental's results of operations.

As a manufacturer dependent on large quantities of energy for production purposes, Continental is also affected by changes in energy prices. If Continental is unable to compensate for or pass on its increased costs resulting from rising energy prices to customers, such price increases could also have an adverse impact on Continental's earnings situation.

If the prices for commodities, electronic components or energy rise by 10% without it being possible to pass on these price increases to our customers, ceteris paribus, this would negatively impact Continental's earnings in a range from €150 million to €250 million.

Continental generates by far the greatest share of its total sales in Europe and, in particular, in Germany.
In 2015, Continental generated 49% of its total sales in Europe and 21% in Germany alone. By comparison, 26% of Continental's total sales in 2015 were generated in NAFTA, 20% in Asia, and 5% in other countries. Therefore, in the event of an economic downturn in Europe or in Germany in particular, Continental's business and earnings situation could be affected more extensively than its competitors'. Furthermore, the automotive and tire markets in Europe and NAFTA are largely saturated. Continental is therefore seeking to generate more sales in emerging markets, particularly Asia, to mitigate the effects of its strong focus on Europe and Germany. In the current global economic situation, adverse changes in the geographical distribution of automotive demand could also cause Continental to suffer. The current level of automotive production is driven mainly by solid demand from the European and North American markets, while demand in Asia consolidated at a high level and gained momentum again only as a result of tax incentives. In other key emerging economies such as Brazil or Russia, demand even fell by a double-digit percentage as a result of the current recession in those countries. It is not known if the current development in North America and Europe will prove sustainable. If demand falls in Asia after the expiration of purchase incentives and is not compensated for by an increase on another regional market, this could adversely affect demand for Continental products.

Continental is exposed to risks associated with the market trends and developments that could affect the vehicle mix sold by OEMs.
Continental currently generates 72% of its sales from OEMs, mainly in its Automotive Group. Global production of vehicles and, as a result, business with OEM customers are currently subject to a number of market trends and technical developments that may affect the vehicle mix sold by OEMs.

- Due to increasingly stringent consumption and emission standards throughout the industrial world, including the EU, the U.S.A. and Japan, car manufacturers are increasingly being forced to develop environmentally compatible technologies aimed at lowering fuel consumption as well as CO_2 and particulate emissions. These developments have caused a trend toward lower-consumption vehicles. The emerging markets are focusing strongly on the small car segment as their introduction to mobility.

- In recent years, the market segment of affordable cars (those costing less than U.S. $10,000/€9,000) has grown steadily, particularly in emerging markets such as China, India, Brazil and Eastern Europe.

- Over the past decade, hybrid electric vehicles, which combine a conventional internal-combustion-engine drive system with an electric drive system, have become increasingly popular. Their market share will increase further in the coming years. Furthermore, the first purely electric vehicles that use one or more electric motors for propulsion have already been launched. If the industry is able to develop electric vehicles in line with consumers' expectations, these could gain a considerable market share in the medium to long term.

As a result of the market trends described above and technical developments, the vehicle mix sold by Continental's customers has shifted considerably in the last few years and may also change further in future. As a technology leader, Continental is reacting to this development with a balanced and innovative product portfolio.

Risks Related to Continental's Business Operations

Continental depends on its ability to develop and bring to the market innovative products in a timely manner, which includes providing sufficient funds for this purpose.
The future success of Continental depends on its ability to develop and launch new as well as improved products in a timely manner. The automotive market in particular is characterized by a trend toward higher performance and simultaneously more fuel-efficient, less polluting and quieter engines, growing demands by customers and stricter regulations with respect to engine efficiency and by the trend toward affordable cars and hybrid and electric vehicles. Furthermore, several manufacturers are aiming to introduce partially, highly and fully automated vehicles in the coming years. Depending on the situation, these vehicles will deal with tasks, either partially or fully, that are currently performed by the driver. This will require that all relevant systems be connected without fault. These new developments could entail technical challenges, the mastering of which could be very time-consuming for Continental. Consequently, Continental may be unable to develop innovative products and adapt them to market conditions quickly enough. Furthermore, developing new and improved products is very costly and therefore requires a substantial amount of funding. If Continental is unable to provide sufficient funding to finance its development activities, it could lose its competitive position in a number of important and rapidly growing sub-markets. Continental spends significant resources on research and development, especially in the divisions of its Automotive Group, but also in the Rubber Group. In the business year, Continental's research and development (R&D) expenses in relation to total sales accounted for more than 6%. If Continental devotes resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to be commercially viable, all or part of these significant R&D expenses may be lost.

Continental depends on a limited number of key suppliers for certain products.
Continental is subject to the risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source input products from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers in the Rubber Group as well as with respect to certain products manufactured in the Automotive Group. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to interruptions in production and, therefore, have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitoring them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations for any reason (e.g. insolvency, destruction of production plants or refusal to perform following a change in control), Continental may be unable to source input products from other suppliers upon short notice at the required volume. The economic crisis in 2009, in addition to the natural disasters in Japan and Thailand, have shown how quickly the financing strength and ability of some automotive suppliers to deliver can be impaired, even resulting in insolvency. This mainly affected Tier-2 and Tier-3 suppliers (suppliers who sell their products to Tier-1 or Tier-2 suppliers respectively), while Tier-1 suppliers (suppliers who sell their products to OEMs directly) were not affected to the same degree. Such developments and events can cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time. All of this could lead to order cancellations or even claims for damages. Furthermore, Continental's reputation amongst OEM customers could suffer, with the possible consequence that they select a different supplier.

Continental is exposed to warranty and product liability claims.
Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recall campaigns or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental has long been subject to continuing efforts by its customers to change contract terms and conditions concerning warranty and recall participation. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Besides this, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

Continental's operations depend on qualified executives and key employees.
Continental's success depends on its Executive Board members, other qualified executives, and employees in key functions. The loss of executives or key employees could have a considerable adverse effect on market position and prospects of Continental. Considerable expertise could be lost or access thereto gained by competitors. Due to the intense competition in the automotive industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. There is no guarantee that Continental will be successful in retaining these executives and the employees in key positions or in attracting new employees with corresponding qualifications. Continental tries to retain the commitment of its qualified executives and key employees through interesting development perspectives and performance-based remuneration systems.

Continental is exposed to risks in connection with its pension commitments.
Continental provides defined benefit pension plans in Germany, the U.S.A., the U.K. and certain other countries. As of December 31, 2015, the pension obligations amounted to €5,807.4 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional pension trust arrangements in connection with the acquisition of Siemens VDO. As of December 31, 2015, Continental's net pension obligations (pension obligations less pension plan assets) amounted to €3,235.5 million.

Continental's externally invested pension plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds, it does not determine their individual investment alternatives. The assets are invested in different asset classes including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested pension plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest rate changes in connection with its pension commitments, as an interest rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain U.S.-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the risk that these costs will increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points, ceteris paribus, this would lead to a rise in net pension obligations in a range from €400 million to €500 million.

Continental is exposed to risks in connection with its interest in MC Projects B.V. and its interests in other companies.
Continental and Compagnie Financière du Groupe Michelin, "Senard et Cie", Granges-Paccot, Switzerland (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business. Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czech Republic – Continental's largest tire plant in Europe – to 51%. These events could have an adverse effect on the business, financial and earnings position of Continental's Tire division.

Furthermore, Continental conducts its business in part via companies in which it does not hold a 100% interest. Continental's ability to fully exploit the strategic potential in markets in which it operates through associated companies would be impaired if it were unable to agree with its partners or other interest groups on a strategy and the implementation thereof. Moreover, Continental could be subjected to fiduciary obligations to its partners or other shareholders, which could prevent or impede its ability to unilaterally expand in a business area in which the company in question operates. Additionally, there is a risk that the transfer of know-how and/or trade secrets to partners in the context of such collaborations could result in a drain of expertise from Continental. In particular, after a potential separation from a collaboration partner, there is no guarantee that the know-how and/or trade secrets transferred to such partner will not be used or disclosed to third parties, thereby adversely affecting Continental's competitive position.

Continental's operations rely on complex IT systems and networks.
Continental relies heavily on centralized, standardized information technology systems and networks to support business processes, as well as internal and external communications. These systems and networks are potentially vulnerable to damage or interruption from a variety of sources. Although Continental has taken precautions to manage its risks related to system and network disruptions, an extended outage in a data center or telecommunications network or a similar event could lead to an extended unanticipated interruption of Continental's systems or networks. Furthermore, Continental has outsourced all its SAP operations and certain other business-critical systems to an external service provider, making it and thus Continental vulnerable to damage and loss caused by fire, natural hazards, terrorism, power failure, or other disturbance at such third-party's facilities and networks. Continental's systems and networks are also subject to the risk that third parties could attempt to spy on confidential information that is saved, processed or communicated in the systems and networks. If the precautions taken by Continental to provide adequate protection of its systems, networks and information are insufficient, the knowledge or use of its information by third parties could result in disadvantages for Continental.

Continental could be adversely affected by property loss and business interruption.
Fire, natural hazards, terrorism, power failures, or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability, especially in emerging economies. In particular, as a result of the continuing conflict in Ukraine, there is a risk that Russia will respond to the sanctions imposed by the EU and the U.S.A. by imposing further countersanctions. In the past fiscal year, Continental's sales in Russia and in the Ukraine represented less than 1% of its consolidated sales. Continental's fixed assets in this region also correspond to less than 1% of its total assets. Furthermore, the risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

Legal, Environmental and Taxation Risks

Continental could be held liable for soil, water or groundwater contamination or for risks related to hazardous materials.
Many of the sites at which Continental operates have been used for industrial purposes for many years, leading to risks of contamination and the resulting site restoration obligations. Moreover, Continental could be responsible for the remediation of areas adjacent to its sites if these areas were contaminated due to Continental's activities, that is, if Continental were to be found the polluter of these areas. Furthermore, soil, water and/or groundwater contamination has been discovered at a number of sites operated by Continental in the past, including Mayfield, Kentucky, U.S.A.; Adelheidsdorf, Germany; Culpeper, Virginia, U.S.A.; Gifhorn, Germany; Mechelen, Belgium; and Varzea Paulista, Brazil. The responsible authorities could assert claims against Continental, as the owner and/or tenant of the affected plots, for the examination or remediation of such soil and/or groundwater contamination, or order Continental to dispose of or treat contaminated soil excavated in the course of construction. Continental could also be sued for damages by the owner of plots leased by Continental or of other properties, if the authorities were to pursue claims against the relevant owner of the property and if Continental had caused the contamination.

On several of the sites where contamination has been discovered, remediation activities have already taken place upon order by or agreement with the competent authorities. Costs typically incurred in connection with such claims are generally difficult to predict. Moreover, if any contamination were to become a subject of public discussion, there is a risk that Continental's general reputation or its relations with its customers could be harmed.

Furthermore, at some of the sites at which Continental operates, hazardous materials were used in the past, such as asbestos-containing building materials used for heat insulation. The health and safety of third parties (e.g. former employees) may have been affected due to the use of such hazardous materials and Continental could therefore be exposed to related damage claims in the future.

Continental faces similar risks with respect to former sites which it has since sold. Even if Continental has contractually excluded or limited its liability vis-à-vis a purchaser, it could be held responsible for currently unknown contamination on properties which it previously owned or used. Likewise, there can be no assurance that environmentally hazardous substances will not pollute the environment or that Continental will not be called upon to remove such contamination.

Continental could become subject to additional burdensome environmental or safety regulations and additional regulations could adversely affect demand for Continental's products and services.

As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the U.S.A. Moreover, Continental's sites and operations necessitate various permits and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated significant investments and Continental assumes that further significant investments in this regard will be required in the future.

Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.

Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors will copy Continental's know-how without incurring any expenses of their own.

Furthermore, prior to the acquisition of Siemens VDO by Continental, Siemens AG (i) contributed to Siemens VDO industrial property rights, know-how and software that were exclusively attributed to the "Siemens VDO Automotive" business operations, (ii) granted to Siemens VDO non-exclusive rights to use industrial property rights, know-how and software that were not exclusively attributed to the "Siemens VDO Automotive" business operations as of the contribution date, including certain industrial property rights of Siemens AG related to electric motors and voice recognition systems, and (iii) granted to Siemens VDO exclusive rights to use certain industrial property rights of Siemens AG related to the piezo fuel-injection system. At the same time, Siemens AG retained non-exclusive, irrevocable, unrestricted, transferable and royalty-free rights to use such contributed industrial property rights, inventions on which such rights are based, know-how and software. As a consequence, Siemens AG may still use the industrial property rights, inventions on which such rights are based, know-how and software which were contributed to Siemens VDO, or for which non-exclusive rights of use were granted to Siemens VDO, to compete with Continental on the market or could license such industrial property to third parties, thereby materially adversely affecting Continental's competitive position.

Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated, under certain circumstances, in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change-of-control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

There is a risk that Continental could infringe on the industrial property rights of third parties.
There is a risk that Continental could infringe on industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

Continental could be threatened with fines and claims for damages for alleged or actual antitrust behavior.
In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Indústria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian competition authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €2.8 million) on CBIA, which was then reduced to BRL 10.8 million (around €2.5 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. The court of first instance appealed to by CBIA upheld the decision. However, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, in addition, third parties may claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth (CTSA), a company that is 100% owned by Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

In October 2012, Continental Automotive Systems US, Inc., Auburn Hills, Michigan, U.S.A., and two of Continental's South Korean subsidiaries became aware of investigations by the U.S. Department of Justice (DOJ) and the Korean Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of U.S. and South Korean antitrust law in instrument cluster business. On December 23, 2013, the authorities announced that they had imposed a fine of KRW 45,992 million (around €36 million) on Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE). On November 13, 2014, the criminal court also imposed a fine of KRW 200 million (around €156,000). On June 25, 2015, the Seoul High Court, Seoul, South Korea, vacated the administrative fine imposed by the KFTC on CAE's appeal against the amount of the fine. The KFTC has appealed this decision. On November 24, 2014, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, entered into an agreement in which the two companies admit to charges of violating U.S. antitrust law and agree to pay a fine of U.S. $4.0 million (around €3.7 million). The competent U.S. court confirmed the agreement on April 1, 2015. Claims for damages by alleged victims remain unaffected by the fines imposed. Continental has conducted internal audits in certain business units to check compliance with antitrust law. These audits revealed anticompetitive behavior with respect to product groups. Continental took measures to end this behavior. There is a risk that antitrust authorities may conduct investigations due to this behavior and impose fines and that third parties, especially customers, may file claims for damages. The amount of such fines and any subsequent claims is unknown from the current perspective, but could be significant. It also cannot be ruled out that future internal audits may reveal further actual or potential violations of antitrust law that in turn could result in fines and claims for damages. In addition, alleged or actual antitrust behavior could seriously disrupt the relationships with business partners.

In September 2014, the European Commission conducted a search at a subsidiary of Continental. The Commission alleges that there were indications of violations against EU antitrust law. In another case, a subsidiary of Continental received a request for information from the European Commission. However, it is not clear whether or in what amount the Commission will impose fines on Continental and/or its subsidiaries. Requests for information and searches are preliminary steps in investigations of suspected antitrust conduct and provide no indication of their results. If the European Commission finds that Continental and/or its subsidiaries can be charged with antitrust violations, it could impose a fine that, taking into account the sales of Continental or the subsidiary in question and the severity and duration of violations, cannot exceed 10% of the consolidated sales of the company involved in the previous year. Even if the European Commission only ascertains antitrust violations of a subsidiary, it cannot be ruled out that it will nonetheless hold the parent company jointly liable for a fine. In addition to the risk of fines, there is also the possibility of claims for damages by third parties in the event of a violation of EU antitrust law.

Continental could be subject to tax risks attributable to previous tax assessment periods.

Additional tax expenses could accrue at the level of the company or its subsidiaries in relation to previous tax assessment periods which have not been subject to a tax audit yet. The last completed tax audit for the company and its German subsidiaries related to the assessment periods up to and including 2007. A routine tax audit for the company and its German subsidiaries is currently being conducted by the German tax authorities for the assessment periods of 2008 to 2010. Tax audits are also pending in foreign jurisdictions for essentially the same assessment periods. As a result of the aforementioned tax audits, a material increase in the company's or its subsidiaries' tax burden is currently not expected. It cannot however be ruled out that tax audits may lead to an additional tax burden.

Continental is exposed to risks from legal disputes.

Companies from the Continental Corporation are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in future. These proceedings could involve substantial claims for damages or payments, particularly in the U.S.A. For more information on legal disputes, see Note 33.

Material Opportunities

There are opportunities for Continental if the macroeconomic development is better than anticipated.
If the general economic conditions develop better than we have anticipated, we expect that global demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in replacement business that would be expected as a consequence, sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage.

There are opportunities for Continental if the sales markets develop better than anticipated.
If demand for automobiles and replacement tires develops better than we have anticipated, particularly on the European market, this would have positive effects on Continental's sales and earnings due to the high share of sales generated in this region (49%).

There are opportunities for Continental if there is a stable price level on the raw material markets relevant to us.
Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components and energy. For the Automotive Group divisions, this particularly relates to the cost of steel and electronic components. If we succeed even better than before in offsetting possible cost increases or compensating for them through higher prices for our products, this would then have a positive effect on Continental's earnings. The earnings situation of the Rubber Group divisions is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular settle down at the level of 2015, this could have a positive impact on Continental's earnings. We currently anticipate that prices, particularly for rubbers, will rise again over the course of 2016 as a result of the assumed increase in demand on the global tire replacement and industrial markets.

There are opportunities for Continental from changes in the legal framework.
Further tightening of the regulatory provisions on fuel consumption and emission standards for motor vehicles in developing markets, too, could trigger higher demand for Continental's products. With our comprehensive portfolio of gasoline and diesel systems including sensors, actuators and tailor-made electronics, through to fuel supply systems, engine management and transmission control units, down to systems and components for hybrid and electric drives, as well as with tires with optimized rolling resistance and tires for hybrid vehicles, we are already providing solutions that enable compliance with such changes in the legal framework and can therefore react fast to changes that arise in the regulatory provisions. An increase in the installation rates for these products due to increased regulatory provisions would have a positive influence on our sales and earnings.

Additional legal regulations with the aim of further improving traffic safety would also provide an opportunity for a rise in demand for Continental's products. We are already among the leading providers of electronic brake systems and control electronics for airbags and seat belts. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years, including emergency brake assist, lane departure warning and blind spot detection systems, as well as the head-up display. At present, these systems are mainly optionally installed in luxury vehicles.

There are opportunities for Continental from an intensified trend toward vehicle hybridization.
If the trend toward vehicle hybridization intensifies, with the effect that hybrid technology then represents more of a cost-effective alternative than previously expected due to economies of scale, this would have a positive impact on Continental, since Continental is already well positioned on these future markets with its products.

There are opportunities for Continental from the intelligent interconnection of advanced driver assistance systems and driver information systems with the Internet.
By intelligently connecting advanced driver assistance systems and driver information systems with the Internet, we are laying the foundations for gradually making automated driving possible in the coming years. We also plan to implement fully automated driving in the coming decade by means of collaborations with leading providers from the technology and Internet sector. To this end, we are developing new cross-divisional system, service and software solutions that can offer substantial growth potential for Continental with positive effects on its future sales and attainable margins.

There are opportunities for Continental involving digitalization and the intelligent use of automotive data.
Continental is convinced that the car of the future will be connected to the Internet. For that reason, we founded the Intelligent Transportation Systems (ITS) business unit, which is to develop new business ideas from our knowledge of the car and the "connectedness" of the car and its users with the Internet. Experts estimate potential sales of more than €57 billion resulting from the digitalization of the physical world and the corresponding possibility of using the Internet of Everything for the automotive industry by 2020. Accordingly, the goal of the ITS business unit is to make the most of this potential for Continental. With additional sales in this field, Continental would come closer to achieving its strategic goal of greater independence from the automotive industry.

Urbanization presents Continental with opportunities
Forecasts predict that by 2050 more than two-thirds of the world's population will live in large cities. The vehicle fleet will then have grown to over two billion vehicles by that time, and the majority of these vehicles will be used in large cities. This will pose huge challenges in terms of infrastructure, safety, and vehicle emissions. In view of Continental's broad portfolio of safety technologies, products for zero-emission mobility, and solutions for intelligently connecting vehicles with one another and with the infrastructure, this trend will bring opportunities for Continental to generate sales in the future. At the same time, it will also enhance the opportunities arising from digitalization, electrification, and automated driving.

Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the risk situation of the Continental Corporation has not changed significantly in the past fiscal year.

Economic stabilization in Europe, which has been ongoing since 2012, picked up pace in 2015. In the current year, it remains to be seen how lasting the continuing economic recovery will be. NAFTA, however, has exceeded the pre-crisis level considerably, and time will tell whether the prevailing situation permits further growth above the record volumes achieved in 2015. Furthermore, growth in China, the world's largest car market, is progressively returning to normal levels. Accordingly, market risks in conjunction with falling demand remain high.

However, despite the changes in individual risks, the analysis in the corporation-wide risk management system did not reveal any risks that, individually or collectively, pose a threat to the company or the corporation as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the corporation as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Corporation presents a reasonable risk and opportunities situation to which our strategic goals have been aligned accordingly.

Report on Expected Developments › Future General Conditions

Forecast of Macroeconomic Development

In its January 2016 World Economic Outlook Update, the International Monetary Fund (IMF) forecasts stable growth of an unchanged 1.7% for Germany in the current fiscal year. The IMF also expects the gross domestic product (GDP) of the eurozone to grow by 1.7% in 2016. In its assessment, the continuing upturn in domestic demand, supported by the low oil price and favorable financing options, will more than offset the diminishing contribution of foreign trade.

For the U.S.A., the IMF anticipates an increase in GDP growth to 2.6% in the current year, driven by further improvement on the real estate and labor market and – despite the turnaround in interest rates – continued low lending rates. By contrast, the current strength of the U.S. dollar is expected to hold back industrial production. The low oil price is also likely to have a significant negative impact on activity in the raw materials sector. Furthermore, the monetary policy of the U.S. Federal Reserve could slightly curb economic activity over the course of the year.

For Japan, the IMF anticipates a moderate upturn in economic growth. After posting growth of 0.6% in the previous year, GDP is expected to rise by 1.0% in 2016. The IMF anticipates a positive impact here from the low oil price and favorable lending conditions as well as from rising income and a further increase in government spending.

According to the IMF, emerging and developing economies are likely to record GDP growth of 4.3% in 2016. The main growth drivers will once again be India and China, with GDP increases of 7.5% and 6.3% respectively. While the economic recession in Russia is expected to slow to a GDP decline of 1.0% in 2016, the IMF anticipates another significant decrease in economic output of 3.5% in Brazil.

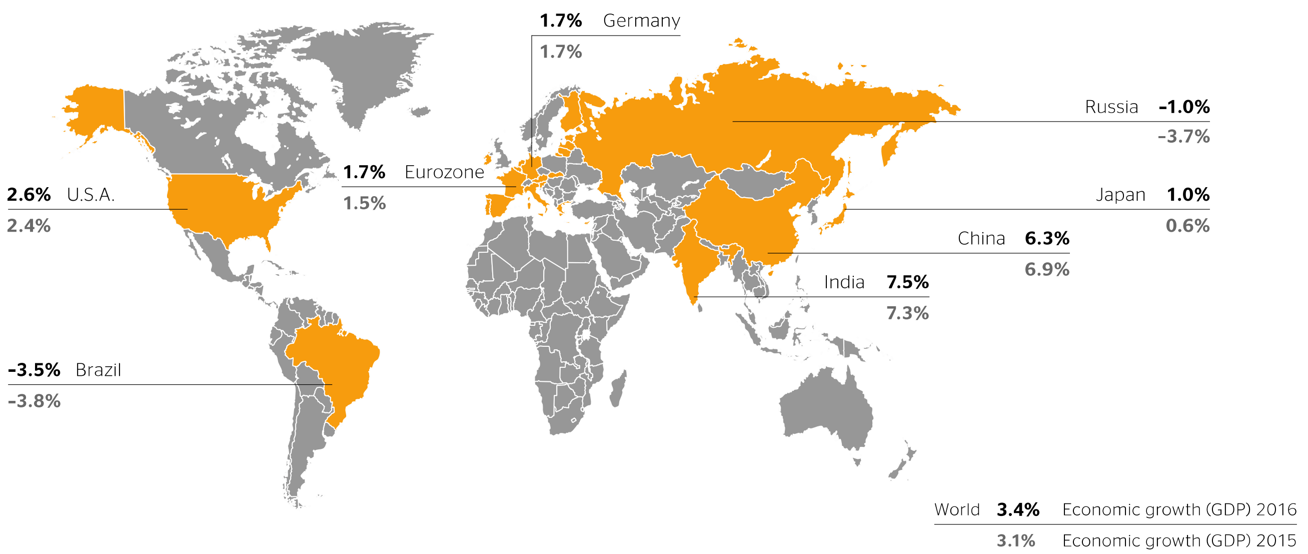
Based on these estimates, the IMF forecasts an increase in global economic growth of 0.3 percentage points to 3.4% for 2016.

In its World Economic Outlook Update from January 2016, the IMF particularly sees considerable risks with regard to lower growth in China and further appreciation of the U.S. dollar as a result of the turnaround in interest rates in the U.S.A. This is also likely to lead to a rise in financing costs on a global level.

In addition, the IMF anticipates high volatility in global risk appetite and expects this to give rise to risks that could potentially result in sudden upheavals on the capital markets. This is likely to affect emerging and developing economies in particular.

Furthermore, an escalation of geopolitical tensions could impact the economy in the region concerned and also global trade in general.

Year-on-year economic growth (GDP) forecast for 2016



Sources: IMF – World Economic Outlook Update 1/2016, Eurostat, statistical offices of the respective countries, Bloomberg.

Forecast for Key Customer Sectors

Forecast for production of passenger cars and light commercial vehicles
For the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons, we currently anticipate growth of 1.5% to nearly 90 million units in 2016.

China is once again expected to generate the most growth in production worldwide. The pace of growth here is likely to slow to around 3% to 4%, corresponding to an increase in production of approximately 0.8 million to 1.0 million units in absolute terms. We also expect India, Japan and Iran to record rises in production volumes due to catch-up effects. For Asia as a whole, we anticipate a 2% rise in production to 47.5 million units. With regard to passenger car production in Europe, we anticipate growth of 2% in 2016. For the Western part of Europe, we anticipate a further increase in domestic demand, combined with generally stagnating export figures. For Eastern Europe, we currently expect passenger car demand and production to stabilize. For NAFTA, we consider a stagnation of manufacturing figures to be very probable in view of the high level of production already achieved. There are sales opportunities arising from the still comparatively old pool of passenger cars in the U.S.A., where the average car is over eleven years old. In addition, the persistently low gasoline prices are likely to help boost demand. By contrast, in South America we anticipate a further decline in production of 5% due to the continuing recession.

Forecast for production of medium and heavy commercial vehicles
Following a significant decline in the previous year, we anticipate that global production of commercial vehicles weighing more than 6 metric tons will only stabilize in 2016 and will fall slightly short of the previous year's volume with a decrease of around 0.5%.

The further decline will chiefly be due to the slump in commercial vehicle production in NAFTA of around 10% that is to be feared following the considerably lower incoming orders in the fourth quarter of 2015. However, in 2016 we anticipate an additional increase in production by as much as 4% in Europe, a turnaround in Asia with growth of nearly 2%, and a slight decrease in production of about 3% in South America.

Forecast for replacement tire markets for passenger cars and light commercial vehicles
The positive trend in demand for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons is expected to continue in almost all regions in 2016. On a global level, we expect demand to increase by 2% again.

Around three-quarters of this is likely to be attributable to the Asian market again with growth of 5%, which will still be driven by demand in China as a result of the increased vehicle stock, as well as by rising demand in India and Indonesia. In Europe, demand for replacement tires for passenger cars and light commercial vehicles in Eastern Europe should stabilize in 2016 and improve slightly over the course of the year, which could cause sales volumes in Europe as a whole to grow by almost 2%. For NAFTA, we anticipate a 2% increase in demand as a result of increasing mileage and growth in the vehicle stock. By contrast, we currently expect sales volumes in South America to decline by 3%, as the continuing weak figures for original equipment business will gradually also be reflected in demand for replacement tires for passenger cars and light commercial vehicles.

Forecast for replacement tire markets for medium and heavy commercial vehicles
Global demand for replacement tires for commercial vehicles weighing more than 6 metric tons should grow by another 2% in 2016 due to increasing tonnage in most countries and regions.

Following the decline in the previous year, we currently expect European sales volumes of replacement tires for medium and heavy commercial vehicles to increase by 3%. At the same time, we anticipate growth in demand of around 2% in both NAFTA and Asia. For South America, however, we forecast a further decline in demand for replacement tires for medium and heavy commercial vehicles of 4% due to the continuing recession and the resulting low transport volumes.

Forecast for vehicle production and sales volumes in the tire replacement business

	Vehicle production				Replacement sales of tires			
	of passenger cars and light commercial vehicles in millions of units		of medium and heavy commercial vehicles in thousands of units		for passenger cars and light commercial vehicles in millions of units		for medium and heavy commercial vehicles in millions of units	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Europe	21.1	20.7	590	569	329	324	24.2	23.5
NAFTA	17.5	17.5	528	585	283	278	23.2	22.8
South America	2.9	3.0	98	101	62	64	12.7	13.2
Asia	47.5	46.4	1,600	1,575	436	415	87.0	85.0
Other markets	1.0	1.0	0	0	41	42	7.3	7.3
Worldwide	**89.9**	**88.6**	**2,816**	**2,830**	**1,151**	**1,123**	**154.4**	**151.8**

Sources:
Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey; Asia incl. Kazakhstan, Uzbekistan, Middle East and Oceania with Australia).
Tire replacement business: LMC International Ltd.
Preliminary figures and own estimates.

Outlook for the Continental Corporation

Comparison of the past fiscal year against forecast
Continental achieved, and in some cases significantly exceeded, the key figures from its forecast for fiscal 2015 issued in February 2015. The outlook was regularly reviewed and adjusted when the quarterly reports were published. With the publication of the financial report as at September 30, 2015, we increased, in particular, the target for free cash flow before acquisitions finally to more than €2 billion in view of its positive development over the course of the year. Due primarily to positive exchange rate effects, we were able to exceed the sales forecast of more than €38.3 billion we had set for the corporation at the beginning of 2015. By contrast, the contribution to sales from the first-time consolidation of Veyance Technologies fell short of our expectations due to the difficult market situation in the oil and gas business as well as in the mining business. The contribution from positive exchange rate effects totaled €2.2 billion. Veyance Technologies contributed €1.1 billion to sales.

We comfortably achieved our own targets for the adjusted EBIT margin in both the Automotive Group and the Rubber Group. The development of raw material costs had a positive impact on adjusted EBIT, particularly in the Rubber Group.

Boosted by the good development of free cash flow, the net interest result was lower than expected. The tax rate was slightly below our forecast of approximately 30%. As a result of the higher EBIT and the positive development in working capital as at the end of the year, free cash flow before acquisitions was once again higher than we had anticipated in our most recent forecast in November 2015.

Order situation
The Automotive Group continued to experience a positive trend in incoming orders in the past fiscal year. All together, the Automotive divisions Chassis & Safety, Powertrain, and Interior acquired orders for a total value of slightly more than €30 billion for the entire duration of the deliveries for the vehicles. These lifetime sales are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the agreed cost reductions, and the development of key raw material prices. The volume of orders calculated in this way represents a reference point for the resultant sales achievable in the medium term that may be subject to deviations if these factors change. Should the assumptions prove to be correct, the lifetime sales are a good indicator for the sales volumes that can be achieved in the Automotive Group in four to five years.

The replacement tire business accounts for a large proportion of the Tire division's sales, which is why it is not possible to calculate a reliable figure for order volumes. The same applies to the ContiTech division, which since 2016 has consisted of nine business units operating in various markets and industrial sectors, each in turn with their own relevant factors. Consolidating the order figures from the various ContiTech business units would thus be meaningful only to a limited extent.

Outlook for the Continental Corporation
For fiscal 2016, we anticipate an increase in global light vehicle production (passenger cars, station wagons and light commercial vehicles) of 1.5% to nearly 90 million units. We expect demand on Continental's key replacement passenger tire markets – Europe and NAFTA – to grow by a total of 10 million replacement tires or 2% in each case. Based on these market assumptions and assuming constant exchange rates, we anticipate an increase in consolidated sales to approximately €41 billion in 2016.

We have set ourselves the goal for the corporation of comfortably achieving a consolidated adjusted EBIT margin of more than 10.5% for fiscal 2016. With regard to the development of the adjusted EBIT margin, the lower expectation in comparison to the previous year is mainly attributable to the inclusion of Veyance Technologies in the comparative figures for 2015. For the Automotive Group, we anticipate sales growth of more than 5% to approximately €25 billion with an adjusted EBIT margin of at least 8.5%. For the Rubber Group, we expect sales to grow to more than €16 billion and the adjusted EBIT margin to be around 15.5%.

In 2016, we anticipate a positive contribution of approximately €100 million from lower raw material prices in the Rubber Group. This is based on the assumption of an average price of U.S. $1.50 per kilogram (2015: U.S. $1.44 per kilogram) for natural rubber (TSR 20) and U.S. $0.90 per kilogram (2015: U.S. $0.90 per kilogram) for butadiene, a base material for synthetic rubber. The anticipated positive effect will result primarily from the recent sharp drop in the price of oil. For the Rubber Group, every U.S. $10 decline in the average price of crude oil equates to a positive annual gross effect on EBIT of around U.S. $50 million. The average price of North Sea Brent was around U.S. $52 in 2015.

Comparison of fiscal 2015 against forecast

	Corporation				Automotive Group		Rubber Group	
	Sales	Adjusted EBIT margin	Capital expenditure in % of sales	Free cash flow[1]	Sales	Adjusted EBIT margin	Sales	Adjusted EBIT margin
2015 forecast	> €38.3 billion	> 10.5%	~ 6%	> €1.5 billion	> €23 billion	> 8.5%	> €15.3 billion	> 15%
2015 reported	**€39.2 billion**	**11.8%**	**5.6%**	**€2.7 billion**	**€23.6 billion**	**8.8%**	**€15.7 billion**	**17.6%**

1 Before acquisitions.

As a result of the partial repayment of the term loan and the refinancing of the U.S. dollar bond in fiscal 2015, we anticipate a negative net interest result of less than €250 million in 2016. The tax rate should be around 30% in 2016.

For 2016, we expect special effects to total approximately €100 million. Amortization from purchase price allocations, which results primarily from the Veyance Technologies and Elektrobit Automotive acquisitions, is expected to total approximately €150 million and to affect primarily the ContiTech and Interior divisions.

In fiscal 2016, the capital expenditure ratio before financial investments will again amount to around 6% of sales. Approximately 57% of capital expenditure will be attributable to the Automotive Group and 43% to the Rubber Group.

The largest projects within the Chassis & Safety division in 2016 are once again the global expansion of production capacity for the MK 100 and MK C1 brake generations in the Vehicle Dynamics business unit, the expansion of the production facility in Mexico for electric parking brakes, and investments in the expansion of capacity for radar sensors and surround view systems in the Advanced Driver Assistance Systems business unit. In its Engine Systems business unit, the Powertrain division is investing primarily in the expansion of capacity for diesel high-pressure injectors in Germany as well as in the expansion of global production capacity for turbochargers. Further investments are also planned in the Hybrid Electric Vehicle business unit for 48-Volt Eco Drive projects in China.

Capital expenditure in the Interior division will focus on the expansion of production capacity for instrument clusters in Eastern Europe and NAFTA.

In the Tire division, capital expenditure will focus on the continuation of the ongoing investment projects (capacity expansions as well as quality-assurance and cost-cutting measures) in 2016. There will be a particular focus on expanding passenger tire production in Eastern Europe, China, and NAFTA. In the area of commercial vehicle tires, one emphasis will be on the expansion of production capacity in NAFTA. In the ContiTech division, investments in 2016 will concentrate on the relocation of a plant in the Mobile Fluid Systems business unit and the expansion of production in the Benecke-Kaliko Group business unit.

As at the end of 2015, Continental's net indebtedness amounted to €3.5 billion. In the future, we intend to continue strengthening industrial business in particular, in line with our objective of reducing our dependency on the automotive original equipment sector. The acquisition of further companies for this purpose has not been ruled out. Another focus will be the selective reinforcement of our technological expertise in future-oriented fields within the Automotive Group. For 2016 we are planning on free cash flow of at least €1.8 billion before acquisitions.

The start to 2016 in a difficult environment has confirmed our expectations for the full year.

Consolidated Financial Statements

Statement of the Executive Board

The Executive Board of Continental AG is responsible for the preparation, completeness, and integrity of the consolidated financial statements, the management report for the corporation and Continental AG, and the other information provided in the annual report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and include any necessary and appropriate estimates. The management report for the corporation and Continental AG contains an analysis of the net assets, financial and earnings position of the corporation, as well as further information provided in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*).

An effective internal management and control system is employed to ensure that the information used for the preparation of the consolidated financial statements, including the management report for the corporation and Continental AG as well as for internal reporting, is reliable. This includes standardized guidelines at corporation level for accounting and risk management in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktiengesetz – AktG*) and an integrated financial control system as part of the corporation's value-oriented management, plus audits by Corporate Audit. The Executive Board is thus in a position to identify significant risks at an early stage and to take countermeasures.

KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, Germany, was engaged as the auditor for fiscal 2015 by the Annual Shareholders' Meeting of Continental AG. The audit mandate was issued by the Audit Committee of the Supervisory Board. KPMG audited the consolidated financial statements prepared in accordance with IFRS and the management report for the corporation and Continental AG. The auditor issued the report presented on the following page.

The consolidated financial statements, the management report for the corporation and Continental AG, the auditor's report, and the risk management system in accordance with Section 91 (2) *AktG* are discussed in detail by the Audit Committee of the Supervisory Board together with the auditor. These documents relating to the annual financial statements and these reports will then be discussed with the entire Supervisory Board, also in the presence of the auditor, at the meeting of the Supervisory Board held to approve the financial statements.

Hanover, February 8, 2016

The Executive Board

Independent Auditor's Report

We have audited the consolidated financial statements prepared by the Continental Aktiengesellschaft, Hanover, comprising the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements together with the management report for the Group and the company for the fiscal year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a paragraph 1 *HGB* are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 *HGB* and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a paragraph 1 *HGB* and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, February 19, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer	Papenberg
Wirtschaftsprüfer	Wirtschaftsprüfer

Consolidated Statement of Income

in € millions	See Note	2015	2014
Sales		**39,232.0**	**34,505.7**
Cost of sales		-29,056.8	-25,839.6
Gross margin on sales		**10,175.2**	**8,666.1**
Research and development expenses		-2,449.6	-2,137.7
Selling and logistics expenses		-2,179.0	-1,840.6
Administrative expenses		-925.5	-762.8
Other expenses and income	6	-567.7	-507.4
Income from at-equity accounted investees	8	61.4	-73.8
Other income from investments	8	0.8	1.0
Earnings before interest and taxes		**4,115.6**	**3,344.8**
Interest income	9	95.4	94.5
Interest expense	9	-341.0	-359.8
Net interest result		**-245.6**	**-265.3**
Earnings before taxes		**3,870.0**	**3,079.5**
Income tax expense	10	-1,090.4	-622.0
Net income		**2,779.6**	**2,457.5**
Non-controlling interests		-52.2	-82.2
Net income attributable to the shareholders of the parent		2,727.4	2,375.3
Basic earnings per share in €	35	**13.64**	**11.88**
Diluted earnings per share in €	35	**13.64**	**11.88**

Consolidated Statement of Comprehensive Income

in € millions	2015	2014[1]
Net income	**2,779.6**	**2,457.5**
Reclassification within equity not affecting net income	0.1	-6.3
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans[2]	-80.9	-599.6
Fair value adjustments[2]	-62.9	-933.2
Reclassification from disposals of pension obligations	-0.1	0.8
Portion for at-equity accounted investees[3, 4]	-0.1	4.2
Currency translation[2]	-35.2	-37.8
Tax on other comprehensive income	17.4	366.4
Items that may be reclassified subsequently to profit or loss		
Currency translation[2]	159.3	383.5
Difference from currency translation[2]	149.5	382.5
Reclassification adjustments to profit and loss	1.0	0.6
Portion for at-equity accounted investees[3]	8.8	0.4
Available-for-sale financial assets	-14.3	9.2
Fair value adjustments	-1.4	12.2
Reclassification adjustments to profit and loss	-12.9	-3.0
Cash flow hedges	-5.7	0.1
Fair value adjustments	-0.8	–
Reclassification adjustments to profit and loss	-4.9	–
Portion for at-equity accounted investees[3]	0.0	0.1
Tax on other comprehensive income	23.2	16.4
Other comprehensive income	**81.6**	**-190.4**
Comprehensive income	**2,861.3**	**2,260.8**
Attributable to non-controlling interests	-76.7	-98.9
Attributable to the shareholders of the parent	2,784.6	2,161.9

1 The prior-year comparative figures have been restated in accordance with the 2015 structure.
2 Including non-controlling interests.
3 Including taxes.
4 The prior-year period includes a share of €6.3 million from reclassification in equity in accordance with IAS 19.

Consolidated Statement of Financial Position

Assets

in € millions	See Note	Dec. 31, 2015	Dec. 31, 2014
Goodwill	11	6,640.6	5,769.1
Other intangible assets	11	1,336.4	443.3
Property, plant and equipment	12	9,538.9	8,446.4
Investment property	13	16.0	17.5
Investments in at-equity accounted investees	14	345.8	298.5
Other investments	15	14.1	10.7
Deferred tax assets	16	1,669.7	1,573.4
Defined benefit assets	24	18.9	1.6
Long-term derivative instruments and interest-bearing investments	28	17.1	301.2
Long-term other financial assets	17	47.6	41.9
Long-term other assets	18	21.5	19.7
Non-current assets		**19,666.6**	**16,923.3**
Inventories	19	3,360.1	2,987.6
Trade accounts receivable	20	6,722.9	5,846.2
Short-term other financial assets	17	434.7	382.5
Short-term other assets	18	803.9	731.3
Income tax receivables		149.7	60.3
Short-term derivative instruments and interest-bearing investments	28	64.3	63.1
Cash and cash equivalents	21	1,621.5	3,243.8
Assets held for sale	22	12.0	3.0
Current assets		**13,169.1**	**13,317.8**
Total assets		**32,835.7**	**30,241.1**

Equity and liabilities

in € millions	See Note	Dec. 31, 2015	Dec. 31, 2014
Subscribed capital		512.0	512.0
Capital reserves		4,155.6	4,155.6
Retained earnings		9,481.8	7,404.3
Other comprehensive income		–1,363.1	–1,399.8
Equity attributable to the shareholders of the parent		**12,786.3**	**10,672.1**
Non-controlling interests		427.6	352.5
Total equity	23	**13,213.9**	**11,024.6**
Provisions for pension liabilities and similar obligations	24	3,532.7	3,483.7
Deferred tax liabilities	16	361.2	178.5
Long-term provisions for other risks and obligations	25	301.5	306.3
Long-term indebtedness	27	3,175.0	5,077.4
Long-term other financial liabilities	29	94.9	48.7
Long-term other liabilities	31	55.7	46.4
Non-current liabilities		**7,521.0**	**9,141.0**
Trade accounts payable	30	5,493.8	4,861.6
Income tax payables	26	719.8	577.3
Short-term provisions for other risks and obligations	25	845.5	732.7
Short-term indebtedness	27	2,069.8	1,354.2
Short-term other financial liabilities	29	1,968.7	1,649.2
Short-term other liabilities	31	1,001.2	900.2
Liabilities held for sale	32	2.0	0.3
Current liabilities		**12,100.8**	**10,075.5**
Total equity and liabilities		**32,835.7**	**30,241.1**

Consolidated Statement of Cash Flows

in € millions	See Note	2015	2014
Net income		**2,779.6**	**2,457.5**
Income tax expense	10	1,090.4	622.0
Net interest result	9	245.6	265.3
EBIT		**4,115.6**	**3,344.8**
Interest paid		-204.6	-185.9
Interest received		31.1	28.2
Income tax paid	10, 26	-1,015.3	-775.0
Dividends received		48.0	33.7
Depreciation, amortization, impairment and reversal of impairment losses	6, 11, 12, 13	1,885.8	1,789.0
Income from at-equity accounted and other investments, incl. impairment and reversal of impairment losses	8, 14	-62.2	71.3
Gains from the disposal of assets, companies and business operations		-16.9	-13.6
Changes in			
inventories	19	-59.5	-20.1
trade accounts receivable	20	-447.2	-246.6
trade accounts payable	30	400.0	59.3
pension and similar obligations	24	57.2	-20.5
other assets and liabilities		183.6	103.7
Cash flow arising from operating activities		**4,915.6**	**4,168.3**
Cash flow from the disposal of property, plant and equipment, and intangible assets	11, 12	35.7	86.4
Capital expenditure on property, plant and equipment, and software	11, 12	-2,178.8	-2,045.4
Capital expenditure on intangible assets from development projects and miscellaneous	11	-85.8	-64.9
Cash flow from the disposal of companies and business operations	5	13.8	-0.5
Acquisition of companies and business operations	5	-1,256.9	-129.0
Cash flow arising from investing activities		**-3,472.0**	**-2,153.4**
Cash flow before financing activities (free cash flow)		**1,443.6**	**2,014.9**
Changes in short-term debt		-774.1	-323.2
Proceeds from the issuance of long-term debt		549.2	1,565.0
Principal repayments on long-term debt		-2,133.4	-1,604.6
Successive purchases		-27.3	0.0
Dividends paid		-650.0	-500.0
Dividends paid to and cash changes from equity transactions with non-controlling interests		-62.5	-45.5
Cash and cash equivalents arising from first consolidation of subsidiaries		0.5	0.4
Cash flow arising from financing activities		**-3,097.6**	**-907.9**
Change in cash and cash equivalents		**-1,654.0**	**1,107.0**
Cash and cash equivalents as at January 1		3,243.8	2,044.8
Effect of exchange rate changes on cash and cash equivalents		31.7	92.0
Cash and cash equivalents as at December 31	21	**1,621.5**	**3,243.8**

Consolidated Statement of Changes in Equity

					Difference from					
in € millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Remeasurement of defined benefit plans[3]	Currency translation[4]	Financial instruments[5]	Subtotal	Non-controlling interests	**Total**
As at Jan. 1, 2014	**512.0**	**4,155.6**	**5,535.3**	**-18.4**	**-741.2**	**-435.9**	**3.8**	**9,011.2**	**311.0**	**9,322.2**
Net income	—	—	2,375.3	—	—	—	—	2,375.3	82.2	**2,457.5**
Comprehensive income	—	—	-6.3	—	-598.4	384.8	6.5	-213.4	16.7	**-196.7**
Net profit for the period	**—**	**—**	**2,369.0**	**—**	**-598.4**	**384.8**	**6.5**	**2,161.9**	**98.9**	**2,260.8**
Dividends paid	—	—	-500.0	—	—	—	—	-500.0	-47.1	**-547.1**
Successive purchases	—	—	—	-0.1	—	—	—	-0.1	—	**-0.1**
Other changes[6]	—	—	—	-0.9	—	—	—	-0.9	-10.3	**-11.2**
As at Dec. 31, 2014	**512.0**	**4,155.6**	**7,404.3**	**-19.4**	**-1,339.6**	**-51.1**	**10.3**	**10,672.1**	**352.5**	**11,024.6**
Net income	—	—	2,727.4	—	—	—	—	2,727.4	52.2	**2,779.6**
Comprehensive income	—	—	0.1	—	-81.0	152.1	-14.0	57.2	24.5	**81.7**
Net profit for the period	**—**	**—**	**2,727.5**	**—**	**-81.0**	**152.1**	**-14.0**	**2,784.6**	**76.7**	**2,861.3**
Dividends paid/resolved	—	—	-650.0	—	—	—	—	-650.0	-69.3	**-719.3**
Successive purchases	—	—	—	-21.2	—	—	—	-21.2	-11.5	**-32.7**
Other changes[6]	—	—	—	0.8	—	—	—	0.8	79.2	**80.0**
As at Dec. 31, 2015	**512.0**	**4,155.6**	**9,481.8**	**-39.8**	**-1,420.6**	**101.0**	**-3.7**	**12,786.3**	**427.6**	**13,213.9**

See Notes 2, 5 and 23 to the consolidated financial statements.
1 Divided into 200,005,983 shares outstanding.
2 The amount in the reporting period resulted from the successive purchases of shares in fully consolidated companies and a subsequent purchase price adjustment. The prior-year period also includes effects from the first-time consolidation of previously non-consolidated subsidiaries as well as an effect from the acquisition of treasury stock in at-equity accounted investees.
3 Includes shareholder's portion of -€0.1 million (PY: -€1.5 million) in non-realized gains and losses from pension obligations of at-equity accounted investees.
4 Includes shareholder's portion of €8.8 million (PY: €0.4 million) in the foreign currency translation of at-equity accounted investees.
5 Changes in the difference arising from financial instruments, including deferred taxes, was mainly due to available-for-sale financial assets and changes in the fair values of the cash flow hedges (-€3.8 million) to the interest and currency hedging.
6 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Notes to the Consolidated Financial Statements

1. Segment Reporting

Notes to segment reporting
In accordance with the provisions of IFRS 8, *Operating Segments*, Continental AG's segment reporting is based on the management approach with regard to segment identification, under which information regularly provided to the chief operating decision maker for decision-making purposes is considered decisive.

Given the affinity of certain products, these have been combined as segments. This can mainly be seen in product requirements, market trends, customer groups and distribution channels.

The activities of the Continental Corporation are divided into the following segments:

Chassis & Safety develops, produces, and markets intelligent systems to improve driving safety and vehicle dynamics.

Powertrain integrates innovative and efficient system solutions for the powertrains in vehicles of all classes.

Interior specializes in information management in vehicles. It develops and produces information, communication and network solutions.

Tires is known for maximizing safety through short braking distances and excellent grip as well as reducing fuel consumption by minimizing rolling resistance.

ContiTech develops, manufactures, and markets products for machine and plant engineering, mining, the automotive industry, and other important industries.

Other/consolidation
This comprises centrally managed subsidiaries and affiliates, such as holding, financing and insurance companies, as well as the holding function of Continental AG and certain effects of consolidation. It also contains the effects on earnings of uncertain risks, particularly those in connection with contractual and similar claims or obligations representing, among other things, risks from investments that cannot currently be assigned to the individual operating units.

Internal control and reporting within the Continental Corporation are based on International Financial Reporting Standards (IFRS) as described in Note 2. The corporation measures the performance of its segments on the basis of their adjusted operating result (adjusted EBIT). Their performance is expressed as the return on sales (adjusted EBIT divided by adjusted sales) and as the return on capital employed (ROCE), which represents EBIT as a percentage of average operating assets. Intersegment sales and other proceeds are determined at arm's length prices. For administrative services performed by centrally operated companies or by the corporation's management, costs are calculated on an arm's length basis in line with utilization. Where direct allocation is not possible, costs are assigned according to the services performed.

The segment assets comprise the operating assets of the assets side of the statement of financial position as at the end of the reporting period. The segment liabilities show the operating asset parts on the liabilities side of the statement of financial position.

Capital expenditure relates to additions to property, plant and equipment, and software, as well as additions to capitalized finance leases and capitalized borrowing costs in line with IAS 23. Depreciation and amortization include the scheduled diminution of and the impairment on intangible assets, property, plant and equipment, and investment properties as well as the impairment on goodwill. This figure does not include impairment on financial investments.

Non-cash expenses/income mainly include the changes in provisions for pension liabilities – except for contributions to or withdrawals from the associated funds – and the profit or loss of and impairment and reversal of impairment losses on the value of at-equity accounted investees.

In the segment information broken down by country and region, sales are allocated on the basis of the domicile of the respective customers; in contrast, capital expenditure and segment assets are allocated on the basis of the domicile of the respective companies.

Viewed across all segments, Continental recorded sales totaling €5,647.1 million (PY: €5,656.1 million) with a group of companies under common control in the year under review.

In 2015, more than 20% of sales were generated in Germany. Otherwise, there were no countries, except the U.S.A. and China, in which more than 10% of sales were made in the period under review.

For information on the objectives, policies and processes for managing capital, please see the Corporate Management section of the Management Report.

Segment report for 2015

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	8,427.2	6,994.1	8,144.4	10,387.7	5,278.6	–	39,232.0
Intercompany sales	22.5	74.4	10.4	21.1	89.2	–217.6	–
Sales (total)	**8,449.7**	**7,068.5**	**8,154.8**	**10,408.8**	**5,367.8**	**–217.6**	**39,232.0**
EBIT (segment result)	814.3	395.6	804.5	2,085.2	170.6	–154.6	4,115.6
in % of sales	9.6	5.6	9.9	20.0	3.2	–	10.5
thereof income from at-equity accounted investees	22.1	2.6	23.4	12.1	0.3	0.9	61.4
Capital expenditure[1]	470.3	468.4	336.0	658.2	245.2	0.7	2,178.8
in % of sales	5.6	6.6	4.1	6.3	4.6	–	5.6
Depreciation and amortization[2]	346.0	335.1	277.7	519.1	406.6	1.3	1,885.8
thereof impairment[3]	–0.1	0.5	0.3	6.8	86.1	–	93.6
Internally generated intangible assets	10.5	6.3	61.8	–	–	0.1	78.7
Significant non-cash expenses/income	2.0	–26.0	–2.4	–1.1	–9.9	4.4	–33.0
Segment assets	6,524.4	4,566.1	6,380.3	7,235.6	4,028.0	24.9	28,759.3
thereof investments in at-equity accounted investees	96.0	50.3	103.0	87.4	1.7	7.4	345.8
Segment liabilities	2,092.6	1,706.5	1,975.0	2,159.6	1,019.0	128.1	9,080.8
Operating assets as at December 31	4,431.8	2,859.6	4,405.3	5,076.0	3,009.0	–103.2	19,678.5
Operating assets (average)	4,277.7	2,767.8	4,192.0	5,322.2	3,234.4	–113.4	19,680.7
ROCE	19.0	14.3	19.2	39.2	5.3	–	20.9
Number of employees as at December 31[4]	40,062	35,364	40,462	48,955	42,648	408	207,899
Adjusted sales[5]	8,449.7	6,950.3	8,059.9	10,335.1	4,194.0	–214.3	37,774.7
Adjusted operating result (adjusted EBIT)[6]	817.2	424.6	824.3	2,109.0	435.0	–154.6	4,455.5
in % of adjusted sales	9.7	6.1	10.2	20.4	10.4	–	11.8

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

Segment report for 2014

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	7,480.4	6,430.7	6,994.3	9,768.3	3,832.0	–	34,505.7
Intercompany sales	34.5	63.6	8.2	16.1	99.2	–221.6	–
Sales (total)	**7,514.9**	**6,494.3**	**7,002.5**	**9,784.4**	**3,931.2**	**–221.6**	**34,505.7**
EBIT (segment result)	680.2	–96.8	605.9	1,829.4	433.3	–107.2	3,344.8
in % of sales	9.1	–1.5	8.7	18.7	11.0	–	9.7
thereof income from at-equity accounted investees	19.3	–113.0	18.7	0.2	0.2	0.8	–73.8
Capital expenditure[1]	411.6	428.0	286.1	724.3	190.6	4.8	2,045.4
in % of sales	5.5	6.6	4.1	7.4	4.8	–	5.9
Depreciation and amortization[2]	337.9	540.1	340.4	451.4	118.5	0.7	1,789.0
thereof impairment[3]	4.7	168.4	5.8	–	–	–	178.9
Internally generated intangible assets	15.3	2.2	40.4	–	–	–	57.9
Significant non-cash expenses/income	16.4	–125.2	5.7	14.3	–1.4	1.4	–88.8
Segment assets	5,773.8	4,279.5	5,426.9	6,866.8	2,107.0	26.5	24,480.5
thereof investments in at-equity accounted investees	75.6	47.5	79.6	87.3	1.5	7.0	298.5
Segment liabilities	1,773.2	1,638.1	1,658.6	1,984.1	700.9	129.5	7,884.4
Operating assets as at December 31	4,000.6	2,641.4	3,768.3	4,882.7	1,406.1	–103.0	16,596.1
Operating assets (average)	3,956.5	2,733.0	3,814.5	4,932.0	1,407.2	–116.7	16,726.5
ROCE	17.2	–3.5	15.9	37.1	30.8	–	20.0
Number of employees as at December 31[4]	38,127	34,529	36,055	47,338	32,775	344	189,168
Adjusted sales[5]	7,514.9	6,494.3	7,002.5	9,774.5	3,931.2	–221.6	34,495.8
Adjusted operating result (adjusted EBIT)[6]	710.4	260.5	708.4	1,856.6	437.2	–107.2	3,865.9
in % of adjusted sales	9.5	4.0	10.1	19.0	11.1	–	11.2

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

Reconciliation of EBIT to net income

in € millions	2015	2014
Chassis & Safety	814.3	680.2
Powertrain	395.6	–96.8
Interior	804.5	605.9
Tires	2,085.2	1,829.4
ContiTech	170.6	433.3
Other/consolidation	–154.6	–107.2
EBIT	**4,115.6**	**3,344.8**
Net interest result	–245.6	–265.3
Earnings before taxes	**3,870.0**	**3,079.5**
Income tax expense	–1,090.4	–622.0
Net income	**2,779.6**	**2,457.5**
Non-controlling interests	–52.2	–82.2
Net income attributable to the shareholders of the parent	**2,727.4**	**2,375.3**

Segment report by region

in € millions	Germany	Europe excluding Germany	NAFTA	Asia	Other countries	Continental Corporation
External sales 2015	**8,380.5**	**11,040.7**	**10,236.9**	**7,990.0**	**1,583.9**	**39,232.0**
External sales 2014	8,106.5	10,313.4	7,636.3	6,887.9	1,561.6	34,505.7
Capital expenditure 2015[1]	**597.2**	**628.0**	**428.8**	**448.7**	**76.1**	**2,178.8**
Capital expenditure 2014[1]	566.2	685.3	369.8	328.3	95.8	2,045.4
Segment assets as at Dec. 31, 2015	**9,735.9**	**7,089.3**	**6,298.4**	**5,103.2**	**532.5**	**28,759.3**
Segment assets as at Dec. 31, 2014	8,748.0	6,519.9	4,390.9	4,144.4	677.3	24,480.5
Number of employees as at Dec. 31, 2015[2]	**55,408**	**65,363**	**38,493**	**39,138**	**9,497**	**207,899**
Number of employees as at Dec. 31, 2014[2]	52,411	60,462	31,414	35,612	9,269	189,168

1 Capital expenditure on property, plant and equipment, and software.
2 Excluding trainees.

Reconciliation of total assets to operating assets

in € millions	Dec. 31, 2015	Dec. 31, 2014
Total assets	**32,835.7**	**30,241.1**
Cash and cash equivalents	1,621.5	3,243.8
Current and non-current derivative instruments, interest-bearing investments	81.4	364.3
Other financial assets	108.8	114.1
Less financial assets	**1,811.7**	**3,722.2**
Less other non-operating assets	**445.3**	**404.7**
Deferred tax assets	1,669.7	1,573.4
Income tax receivables	149.7	60.3
Less income tax assets	**1,819.4**	**1,633.7**
Segment assets	**28,759.3**	**24,480.5**
Total liabilities and provisions	**19,621.8**	**19,216.5**
Current and non-current indebtedness	5,244.8	6,431.6
Interest payable and other financial liabilities	48.4	91.8
Less financial liabilities	**5,293.2**	**6,523.4**
Deferred tax liabilities	361.2	178.5
Income tax payables	719.8	577.3
Less income tax liabilities	**1,081.0**	**755.8**
Less other non-operating liabilities	**4,166.8**	**4,052.9**
Segment liabilities	**9,080.8**	**7,884.4**
Operating assets	**19,678.5**	**16,596.1**

2. General Information and Accounting Principles

Continental Aktiengesellschaft (Continental AG), whose registered office is Vahrenwalder Strasse 9, Hanover, Germany, is the parent company of the Continental Corporation and a listed stock corporation. It is registered in the commercial register (HRB No. 3527) of the Hanover Local Court *(Amtsgericht)*. Continental AG is a supplier to the automotive industry, with worldwide operations. The areas of business and main activities in which Continental AG is engaged are described in more detail in Note 1 on Segment Reporting. By way of resolution of the Executive Board of February 8, 2016, the consolidated financial statements of Continental AG for fiscal 2015 were approved and will be submitted to the electronic German Federal Gazette *(elektronischer Bundesanzeiger)* and published there.

The consolidated financial statements of Continental AG as at December 31, 2015, have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, in accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Section 315a (1) of the German Commercial Code *(Handelsgesetzbuch – HGB)*. The term IFRS also includes the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for fiscal 2015 have been applied, subject to endorsement by the European Union.

The consolidated financial statements have been prepared on the basis of amortized cost, except for those financial assets categorized as available-for-sale and derivative instruments recognized at fair value.

The annual financial statements of companies included in the corporation have been prepared using accounting principles consistently applied throughout the corporation, in accordance with IFRS 10. The end of the reporting period for the subsidiary financial statements is the same as the end of the reporting period for the consolidated financial statements.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros. Please note that differences may arise as a result of the use of rounded amounts and percentages.

Consolidation principles

All major subsidiaries that Continental AG controls in accordance with the provisions of IFRS 10 have been included in the consolidated financial statements and fully consolidated. To meet this definition, Continental AG must have the decision-making power to control the relevant activities and a right to variable returns from the associated company. Furthermore, it must be able to use its decision-making power to determine the amount of these returns. The companies consolidated may therefore also include companies that are controlled by Continental AG irrespective of the share of voting rights by way of other substantial rights such as contractual agreements, as is the case with structured units included in the consolidated financial statements.

The consolidation of subsidiaries is based on the purchase method, by offsetting the acquisition cost against the proportion of net assets attributed to the parent company at fair value at the date of acquisition. Intangible assets not previously recognized in the separate financial statements of the acquired company are carried at fair value. Intangible assets identified in the course of a business combination, including for example brand names, patents, technology, customer relationships and order backlogs, are recognized separately at the date of acquisition only if the requirements under IAS 38 for an intangible asset are met. Measurement at the time of acquisition is usually provisional only. Increases or reductions of assets and liabilities that become necessary within 12 months after the acquisition are adjusted retrospectively to the date of acquisition accordingly. Significant adjustments are presented in the notes to the financial statements.

Any positive remaining amount is capitalized as goodwill. The share of non-controlling interests is measured using the pro rata (remeasured) net assets of the subsidiary. In order to ensure the recoverability of goodwill arising from an as yet incomplete measurement and the corresponding purchase price allocation, the goodwill is allocated provisionally to the affected business units as at the end of the reporting period. This provisional allocation can deviate significantly from the final allocation. Any negative difference that arises is recognized in other income after the fair value of the acquired assets and liabilities has again been reviewed.

The shares in the net assets of subsidiaries that are not attributable to the corporation are shown under "non-controlling interests" as a separate component of total equity.

For the term during which Continental or any of its subsidiaries have made binding offers to minority shareholders to purchase their shares in subsidiaries, those non-controlling interests are reported as financial liabilities and not as equity. These financial liabilities are recognized at fair value, which corresponds to the price offered. In the event that the offer was made simultaneously at the time of the business combination, then the fair value of the binding purchase offer is considered part of the total cost of acquisition. On the other hand, if that offer was made separately from the business combination, then any difference between the binding purchase offer and the carrying amount of the non-controlling interests at the time that offer is made is recognized outside profit or loss.

Once control has been obtained, any differences arising from successive purchases of shares from non-controlling interests between the purchase price and the carrying amount of those non-controlling interests are recognized outside profit or loss.

Where there are successive purchases of shares resulting in control, the difference between the carrying amount and the fair value at the time of first-time consolidation for those shares already held is recognized in profit and loss under other expenses and income.

Significant investments where Continental AG can exert significant influence on the associated companies are accounted for using the equity method. Associates are included using the equity method in which the carrying amount is adjusted to reflect the share in the associate's net equity. If the annual financial statements of the associates are not available, the pro rata earnings or losses are recognized as necessary based on estimated amounts. Goodwill arising from first-time consolidation is reported using the equity method. Goodwill is not amortized but the carrying amount of investments in associates consolidated using the equity method is tested for impairment if there are relevant indications.

Companies that are dormant or have only a low level of business activity and therefore no significant impact on the net assets, financial and earnings position of the Continental Corporation are not included in the consolidated financial statements. Such companies are recognized in the consolidated financial statements at cost unless there are listings for these shares on the capital markets and unless the calculation of fair value is expected to provide a significant improvement of the presentation of financial statements.

Intercompany receivables and liabilities, in addition to income and expenses, are eliminated on consolidation. Intercompany profits arising from internal transactions, and dividend payments made within the corporation, are eliminated on consolidation. Deferred taxes on the elimination of intercompany transactions are carried in the amount derived from the average income tax rate for the corporation.

Currency translation

The assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated into euros at the year-end middle rates (closing rate). The statement of comprehensive income is translated at the average exchange rates for the year. Differences resulting from currency translation are recognized in the difference from currency translation in equity until the disposal of the subsidiary, without recognizing deferred taxes.

In the separate financial statements of Continental AG and its subsidiaries, foreign currency receivables and liabilities are measured on recognition at the transaction rate and adjusted at the end of the reporting period to the related spot rates. Gains and losses arising on foreign currency translation are recognized in profit or loss, except for certain loans. Foreign currency adjustments relating to the translation of intercompany financing made in the functional currency of one of the parties, are recognized in the difference from currency translation in equity if repayment of these intercompany loans is not expected in the foreseeable future.

Goodwill is recognized directly as an asset of the subsidiary acquired and therefore also translated into euros for subsidiaries whose functional currencies are not the euro at the end of the reporting period using the middle rate (closing rate). Differences resulting from foreign currency translation are recognized in the difference from currency translation in equity.

The following table summarizes the exchange rates used in currency translation that had a material effect on the consolidated financial statements:

Currencies		Closing rate		Average rate for the year	
€1 in		**Dec. 31, 2015**	Dec. 31, 2014	**2015**	2014
Brazil	BRL	4.32	3.23	3.69	3.12
Switzerland	CHF	1.08	1.20	1.07	1.21
China	CNY	7.08	7.54	6.97	8.19
Czech Republic	CZK	27.02	27.73	27.29	27.54
United Kingdom	GBP	0.74	0.78	0.73	0.81
Hungary	HUF	315.27	315.09	309.94	308.71
Japan	JPY	131.34	145.17	134.31	140.39
South Korea	KRW	1,282.88	1,322.31	1,256.06	1,399.08
Mexico	MXN	18.97	17.88	17.60	17.67
Malaysia	MYR	4.70	4.25	4.33	4.35
Philippines	PHP	51.14	54.49	50.52	59.02
Romania	RON	4.53	4.48	4.45	4.44
U.S.A.	USD	1.09	1.22	1.11	1.33
South Africa	ZAR	17.06	14.06	14.15	14.41

Revenue recognition

Only sales of products and services resulting from the ordinary business activities of the company are shown as revenue. Continental recognizes revenue for product sales when there is proof or an agreement to the effect that delivery has been made and the risks have been transferred to the customer. In addition, it must be possible to reliably measure the amount of revenue and the recoverability of the receivable must be assumed.

Revenues from made-to-order production are recognized using the percentage-of-completion method. The ratio of costs already incurred to the estimated total costs associated with the contract serves as the basis of calculation. Expected losses from these contracts are recognized in the reporting period in which the current estimated total costs exceed the sales expected from the respective contract. The percentage-of-completion method is of no significance to the Continental Corporation.

Product-related expenses

Costs for advertising, sales promotion and other sales-related items are expensed as incurred. Provisions are recognized for probable warranty claims on sold products on the basis of past experience, as well as legal and contractual terms. Additional provisions are recognized for specific known cases.

Research and development expenses

Research and development expenses comprise expenditure on research and development and expenses for customer-specific applications, prototypes and testing. Advances and reimbursements from customers are netted against expenses at the time they are invoiced. In addition, the expenses are reduced by the amount relating to the application of research results from the development of new or substantially improved products, if the related activity fulfills the recognition criteria for internally generated intangible assets set out in IAS 38. This portion of the expenses is capitalized as an asset and amortized over a period of three years from the date that the developed products become marketable. However, expenses for customer-specific applications, pre-production prototypes or tests for products already being marketed (application engineering) do not qualify as development expenditure which may be recognized as an intangible asset. Furthermore, expenses incurred directly in connection with the start-up of new operations or the launch of new products or processes are recognized directly in profit or loss.

New developments for the original equipment business are not marketable until Continental AG has been nominated as the supplier for the particular vehicle platform or model and, furthermore, has successfully fulfilled preproduction release stages. Moreover, these release stages serve as the prerequisite to demonstrate the technical feasibility of the product, especially given the high demands imposed on comfort and safety technology. Accordingly, development costs are recognized as an asset only as at the date of nomination as supplier and fulfillment of a specific pre-production release stage. The development is considered to be completed once the final approval for the unlimited production is granted. Only very few development projects fulfill the recognition criteria.

Although suppliers are nominated by original equipment manufacturers with the general obligation to supply products over the entire life of the particular model or platform, these supply agreements constitute neither long-term contracts nor firm commitments, in particular because the original equipment manufacturers make no commitments in regard of the purchase quantities. For this reason, all pre-production expenses – with the exception of the capitalized development costs as previously described – are recognized immediately in profit or loss.

Interest and investment income and expenses
Interest income and expenses are recognized for the period to which they relate. Distributions from financial instruments categorized as available-for-sale are recognized at the time of payment.

Dividends receivable are recognized upon the legal entitlement to payment.

Earnings per share
Earnings per share are calculated on the basis of the weighted average number of shares outstanding. Treasury stock is deducted for the period it is held. Diluted earnings per share also include shares from the potential exercise of option or conversion rights. The corresponding expenses that would no longer be incurred after the conversion or exchange are eliminated.

Statement of financial position classification
Assets and liabilities are reported as non-current assets and liabilities in the statement of financial position if they have a remaining term of over one year and, conversely, as current assets and liabilities if the remaining term is shorter. Liabilities are treated as current if there is no unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Provisions for pensions and other post-employment obligations as well as deferred tax assets and liabilities are shown as non-current. If assets and liabilities have both current and non-current portions, the amounts are classified separately and shown as current and non-current assets or liabilities.

Goodwill
Goodwill corresponds to the difference between the purchase cost and the fair value of the acquired assets and liabilities of a business combination. Goodwill is not subject to amortization; it is tested for impairment at least annually and, if necessary, impaired.

Intangible assets
Purchased intangible assets are carried at acquisition costs and internally generated intangible assets at their production costs, provided that the conditions for recognition of an internally generated intangible asset are met in accordance with IAS 38. If intangible assets have finite useful lives, they are amortized on a straight-line basis over a useful life of three to eight years. Intangible assets with indefinite useful lives are tested at least annually for impairment and, if necessary, impaired.

Property, plant and equipment
Property, plant and equipment is carried at cost less straight-line depreciation. If necessary, additional impairment losses are recognized on the affected items.

Production cost consists of the direct costs and attributable material and manufacturing overheads, including depreciation.

Under certain conditions, portions of the borrowing costs are capitalized as part of the acquisition cost. This also applies to finance leases and investment property.

As soon as an asset is available for its intended use, subsequent cost is capitalized only to the extent the related modification changes the function of the asset or increases its economic value and the cost can be clearly identified. All other subsequent expenditure is recognized as current maintenance expense.

Property, plant and equipment is broken down into the lowest level of the components that have significantly different useful lives and, to the extent integrated in other assets, when they are likely to be replaced or overhauled during the overall life of the related main asset. Maintenance and repair costs are recognized in profit or loss as incurred. The corporation has no property, plant or equipment that by the nature of its operation and deployment can be repaired and serviced only in intervals over several years. The useful lives are up to 25 years for buildings and land improvements; up to 20 years for technical equipment and machinery; and up to 12 years for operating and office equipment.

Government grants
Government grants are reported if there is reasonable assurance that the conditions in place in connection with the grants will be fulfilled and that the grants will be awarded.

Monetary grants that are directly attributable to depreciable fixed assets are deducted from the cost of the assets in question. All other monetary grants are recognized as income in line with planning and are presented alongside the corresponding expenses. Non-monetary government grants are recognized at fair value.

Investment property
Land and buildings held for the purpose of generating rental income instead of production or administrative purposes are carried at depreciated cost. Depreciation is charged on a straight-line basis over the useful lives, which correspond to those for real estate in use by the company.

Leases
Continental leases property, plant and equipment, especially buildings. If the substantial risks and rewards from the use of the leased asset are controlled by Continental, the agreement is treated as a finance lease and an asset and related financial liability are recognized. In the case of an operating lease, where the economic ownership remains with the lessor, only the lease payments are recog-

nized as incurred and charged to income. Other arrangements, particularly service contracts, are also treated as leases to the extent they require the use of a particular asset to fulfill the arrangement and the arrangement conveys a right to control the use of the asset.

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). Impairment is assessed by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal and the present value of the expected future cash flows from the continued use of the asset (value in use). If the carrying amount is higher than the recoverable amount, the difference is recognized as an impairment loss. If the indications for the prior recognition of impairment no longer apply, the impairment losses are reversed for intangible assets, property, plant and equipment, and investment property.

Capitalized goodwill is tested for impairment once per year in the fourth quarter at the level of cash-generating units (CGU). CGUs are the strategic business units that come below the segments (sub-segments) and are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This represents the lowest level at which goodwill is monitored for internal management purposes. The impairment test is performed by comparing the carrying amount of the business unit including its goodwill and the recoverable amount of this business unit. The recoverable amount in this case is the value in use calculated on the basis of discounted cash flows before interest and taxes. An impairment loss is recognized to the extent the carrying amount exceeds the recoverable amount for a business unit. If the reasons for this cease to apply in future, impairment losses on goodwill are not reversed.

The expected cash flows for the business units are derived from long-term planning that covers the next five years and is approved by the management. The plans are based in particular on assumptions for macroeconomic developments, as well as trends in sales prices, raw material prices and exchange rates. In addition to these current market forecasts, past developments and experience are also taken into account. The perpetuity beyond the period of five years is extrapolated using the expected long-term growth rates for the individual business units. For the two cash-generating units High Voltage Power Applications and Low Voltage & Control Unit Applications of the Hybrid Electric Vehicle (HEV) business unit, a detailed model with long-term detailed planning was used as a basis due to the specific situation of a start-up. Owing to the finite project terms in the Steering CGU, the planning period was extended until the projects end in 2023.

The main assumptions when calculating the value in use of a CGU are the free cash flows, the discount rate and its parameters, and the long-term growth rate.

Annual impairment testing was performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. In the prior year, a uniform interest rate of 11.2% before taxes was used to discount cash flows. To account for the increasing differentiation of the corresponding peer group assessment parameters, different discount rates have been used since 2015. In the year under review, for the CGUs of the Automotive Group, the cash flows were discounted with an interest rate before taxes of 11.7%; for the Rubber Group the interest rate was 9.7%. These two pre-tax WACCs are based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is 1.4% and the market risk premium 6.25% in both cases. Borrowing costs were calculated as the total of the risk-free interest rate plus the credit spreads of peer group companies rated by Standard & Poor's, Moody's or Fitch. The sources of this information were data from Bloomberg and Bonds-Online.

The long-term growth rate for the CGUs of the Interior, Chassis & Safety and Powertrain segments was 1.5% in the year under review (PY: 1.0%). For the CGUs of the Tire and ContiTech segments, the long-term growth rate was 0.5% (PY: 0.5%). These growth rates do not exceed the long-term average growth rates for the fields of business in which the CGUs operate.

The impairment testing of goodwill for 2015 determined no requirements for impairment. If the same valuation model had been kept from the prior period, there also would have been no goodwill impairment in the period under review.

Assuming a 0.5 percentage point increase in the discount rate to 12.2% before taxes for the Automotive Group and 10.2% before taxes for the Rubber Group would not result in goodwill impairment. There would be no asset impairment. Reducing long-term growth rates by 0.5 percentage points would not have resulted in goodwill impairment. There would be no asset impairment. If sales in perpetuity would decline by 5.0%, this would not result in goodwill impairment. There would be no asset impairment.

Assets held for sale and related liabilities

Individual non-current assets or a group of non-current assets and related liabilities are classified separately as held for sale in the statement of financial position if their disposal has been resolved and is probable. Assets held for sale are recognized at the lower of their carrying amount and their fair value less costs to sell, and are no longer depreciated once they are classified as held for sale.

Financial instruments

A financial instrument in accordance with IAS 32 is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include non-derivative financial instruments such as trade accounts receivable and payable, securities and financial receivables or liabilities and other financial liabilities. They also include derivative instruments that are used to hedge against risks from changes in exchange rates and interest rates.

Non-derivative financial instruments
Non-derivative financial instruments are recognized at the settlement date, i.e. the date at which the asset is delivered to or by Continental AG.

Non-derivative financial assets are classified under one of the following four categories according to the purpose for which they are held. The classification is reviewed at the end of each reporting period and affects whether the financial asset is reported as non-current or current as well as determining whether measurement is at cost or fair value.

- Changes in the fair value of financial assets at fair value through profit and loss – which are either designated as such (fair value option) on initial recognition or are classified as held for trading – are recognized immediately in the income statement. In addition, they are reported as current financial assets if they are either held for trading purposes or are expected to be realized within 12 months of the end of the reporting period. The fair value option is not applied in the Continental Corporation.

- Held-to-maturity financial assets – which have fixed or determinable payments as well as a fixed maturity and are intended to be held until that maturity, together with the ability to retain these assets until maturity – are recognized at amortized cost and reported as non-current or current financial assets in accordance with their term. Any impairment is reported in profit or loss. No financial assets are classified as held-to-maturity at present.

- Loans and receivables – which have fixed or determinable payments and are not quoted in an active market – are measured at amortized cost less any necessary impairment. They are reported in the statement of financial position in accordance with their term as non-current or current financial assets.

- Financial assets – which were categorized as available for sale – are measured at fair value and reported as non-current or current financial assets according to the expected date of sale. Unrealized gains or losses are recognized in other reserves in equity, net of tax effects, until the date of derecognition. In the event of a significant or long-lasting decline in fair value to below cost, the impairment is recognized immediately in profit or loss. Reversal of impairment losses on equity instruments is recognized outside profit or loss. Reversal of impairment losses on debt instruments is recognized in profit or loss. Unless there is a price quoted on an active market and unless the calculation of fair value is expected to provide a significant improvement of the presentation of financial statements, for example in the case of investments in unconsolidated affiliated companies or other equity investments, the assets are measured at cost.

Liabilities arising from non-derivative financial instruments may be recognized either at amortized cost or at fair value through profit and loss. In the consolidated financial statements of Continental AG, all non-derivative financial liabilities are generally measured at amortized cost, which as a rule comprises the remaining principal balance and issuing costs, net of any unamortized premium or discount. Liabilities from finance leases are shown at the present value of the remaining lease payments based on the implicit lease interest rate. Financial obligations with fixed or determinable payments that comprise neither financial liabilities nor derivative financial liabilities and are not quoted in an active market are reported in the statement of financial position under other financial liabilities in accordance with their term.

In the case of information reported in accordance with IFRS 7, classification is in line with the items disclosed in the statement of financial position and/or the measurement category used in accordance with IAS 39.

Hybrid financial instruments
Financial instruments that have both a debt and an equity component are classified and measured separately by those components. Instruments under this heading primarily include bonds with warrants and convertible bonds. In the case of convertible bonds, the fair value of the share conversion rights is recognized separately in capital reserves at the date the bond is issued and therefore deducted from the liability incurred by the bond. Fair values of conversion rights from bonds with below-market interest rates are calculated based on the present value of the difference between the coupon rate and the market rate of interest. The interest expense for the debt component is calculated for the term of the bond based on the market interest rate at the date of issue for a comparable bond without conversion rights. The difference between the deemed interest and the coupon rate increases the carrying amount of the bond indebtedness. In the event of maturity or conversion, the equity component previously recognized in capital reserves at the date of issue is offset against the accumulated retained earnings in accordance with the option permitted by IAS 32.

Derivative instruments
Derivative instruments are only used to hedge statement of financial position items or forecast cash flows, and are measured at their fair values. The fair value is generally the market or exchange price. In the absence of an active market, the fair value is determined using financial models, for example by discounting expected future cash flows at the market rate of interest or by applying recognized option pricing models. Derivative instruments are recognized at the date when the obligation to buy or sell the instrument arises.

Changes in the fair values of derivative instruments used for fair value hedging purposes to offset fluctuations in the market value of recognized assets or liabilities are charged to income together with the changes in value of the hedged item. Changes in the fair values of derivative instruments used to hedge future cash flows where effectiveness is demonstrated are recognized in the difference from financial instruments in equity until the associated hedged transaction is settled.

In the hedging of foreign currency risks from net investments in foreign operations the effective portion of the change in value of the hedges together with the effect from the currency translation of the net investment is recognized in the difference from currency translation in equity. The accumulated currency effects are not reclassified in profit and loss until the foreign operations are sold or liquidated.

If the criteria for hedge accounting are not met or the hedge becomes ineffective, the changes in fair value of the specific derivative instrument are recognized in net income as incurred, independently of the hedged item.

Embedded derivatives
Non-derivative host contracts are regularly inspected for embedded derivatives, for example, contractual payment terms neither in the functional currency of one of the contractual partners nor in a typical trading currency. Embedded derivatives must be separated from the host contract if the assessment finds that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Embedded derivatives to be separated are measured at fair value and corresponding changes in value are charged to income.

Receivables
Receivables are carried at their nominal value. Valuation allowances on special items are recognized in specific cases where default is known, or based on experience. Default risks leading to lower payment inflows usually manifest themselves in financial difficulties, non-fulfillment, probable insolvency or breach of contract on the part of the customer.

Continental sells some of its trade accounts receivable under sale of receivables programs with banks. Receivables are recognized in the statement of financial position when the risks and rewards, in particular credit and default risk, have not been essentially transferred. The repayment obligations from these sales are, as a rule, then shown as short-term financial liabilities.

Inventories
Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is generally determined using the weighted-average method. Production cost includes direct costs, production-related material costs, overheads and depreciation. Inventory risks resulting from decreased marketability or excessive storage periods are accounted for with write-downs.

Other assets
Other assets are recognized at amortized cost. Allowances are recognized as appropriate to reflect any possible risk related to recoverability.

Accounting for income taxes
Income taxes are measured using the concept of the statement of financial position liability method in accordance with IAS 12. Tax expenses and refunds that relate to income are recognized as income taxes. Accordingly, late payment fines and interest arising from subsequently assessed taxes are reported as tax expenses as soon as it becomes probable that the recognition of a reduction in taxes will be rejected.

Current taxes owed on income are recognized as expenses when they are incurred.

Deferred taxes include expected tax payments and refunds from temporary differences between the carrying amounts in the consolidated financial statements and the related tax bases, as well as from the utilization of loss carryforwards. No deferred tax is recognized for non-tax-deductible goodwill. The deferred tax assets and liabilities are measured at the applicable tax rates related to the period when the temporary differences are expected to reverse. Changes in tax rates are recognized once the rate has been substantially enacted. Deferred tax assets are not recognized if it is not probable that they will be realized in the future.

Provisions for pension liabilities and similar obligations
The retirement benefits offered by the corporation comprise both defined benefit and defined contribution plans.

Pension liabilities under defined benefit plans are actuarially measured pursuant to IAS 19 (revised 2011), using the projected unit credit method that reflects salary, pension, and employee fluctuation trends. The discount rate to determine the present value is based on long-term loans in the respective capital market. Actuarial gains and losses are recognized outside profit or loss. Expenses for the interest cost on pension liabilities and income from the pension funds are reported separately in the net interest result.

Accordingly, the interest effects of other long-term employee benefits are reported in the net interest result. Pension liabilities for some companies of the corporation are covered by pension funds. Furthermore, plan assets comprise all assets, as well as claims from insurance contracts, that are held exclusively toward payments to those entitled to pensions and are not available to meet the claims of other creditors. Pension obligations and plan assets are reported on a net basis in the statement of financial position.

The other post-employment benefits also shown under the provision for pension and other post-employment liabilities relate to obligations to pay for health costs for retired workers in the U.S.A. and Canada in particular.

Defined contribution plans represent retirement benefits where the company only contributes contractually fixed amounts for current service entitlements, which are generally invested by independent, external asset managers until the date of retirement of the employee. The fixed amounts are partly dependent on the level of the employee's own contribution. The company gives no guarantees of the value of the asset after the fixed contribution, either at the retirement date or beyond. The entitlement is therefore settled by the contributions paid in the year.

Provisions for other risks and obligations
Provisions are recognized when a legal or constructive obligation has arisen that is likely to result in a future cash outflow to third parties and the amount can be reliably determined or estimated. The provisions are recognized as at the end of the reporting period at the value at which the obligations could probably be settled or transferred to a third party. Non-current provisions such as litigation or environmental risks are discounted to their present value. The resulting periodic interest charge for the provisions is shown under the net interest result including an effect from a change in interest.

Non-financial liabilities
Current non-financial liabilities are carried at their payable amount. Non-current non-financial liabilities are measured at amortized cost.

Share-based remuneration
Cash-settled share-based remuneration is measured at fair value using the Monte Carlo simulation model. The liabilities are recognized under other financial liabilities until the end of the holding period.

Estimates
Proper and complete preparation of the consolidated financial statements requires management to make estimates and assumptions affecting the assets, liabilities and disclosures in the notes, as well as the income and expenses for the period.

The most important estimates relate to the determination of the useful lives of intangible assets and property, plant and equipment; the impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates; the recoverability of amounts receivable and other assets as well as income taxes receivable; the financial modeling parameters for stock option plans; the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other post-employment obligations; and the probabilities of claims and amounts of settlements for warranty, litigation or environmental risks.

The assumptions and estimates are based on the information currently available at the date of preparation of the consolidated financial statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary.

Consolidated Statement of Cash Flows
The statement of cash flows shows the sources during the period that generated cash and cash equivalents as well as the application of cash and cash equivalents. This includes all cash and cash equivalents and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value.

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on the cash and cash equivalents. In the Continental Corporation, the cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents.

Financial investments are considered to be cash equivalents only if they have a remaining term not exceeding three months.

3. New Accounting Pronouncements

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Section 315a (1) of the German Commercial Code *(Handelsgesetzbuch – HGB)* Continental AG has prepared its consolidated financial statements in compliance with the IFRS as adopted by the European Union under the endorsement procedure. Thus IFRS are only required to be applied following endorsement of a new standard by the European Union.

The following endorsed standards, interpretations issued in relation to published standards and amendments that were applicable to the consolidated financial statements of Continental AG became effective in 2015 and have been adopted accordingly:
IFRIC 21, *Levies*, provides guidance on when to recognize a liability for a levy imposed by a government, other than income taxes. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and the accounting for a liability to pay a levy whose timing and amount is certain. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is required to be applied for annual periods beginning on or after June 17, 2014. The interpretation had no significant effect on the consolidated financial statements of Continental AG.

Under the IASB's sixth annual improvements project *(Improvements to IFRSs, December 2013, Cycle 2011-2013)*, the following amendments will become effective at a later date:

- The amendment to IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, clarifies in the basis for conclusions the meaning of "effective IFRSs."

- The amendment to IFRS 3, *Business Combinations*, clarifies the scope of IFRS 3. Consequently, the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself is excluded from the scope of the standard.

- The amendment to IFRS 13, *Fair Value Measurement*, clarifies that the portfolio exception of IFRS 13 applies to all contracts within the scope of, and accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, or IFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities in IAS 32, *Financial Instruments: Presentation*.

- The amendment to IAS 40, *Investment Property*, clarifies that a determination whether a specific transaction meets the definition of a business combination as defined in IFRS 3, *Business Combinations*, and includes an investment property as defined in IAS 40 requires the separate application of both standards.

The amendments are required to be applied for annual periods beginning on or after January 1, 2015. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The following standards, interpretations issued in relation to published standards, and amendments have already been endorsed by the EU but will not take effect until a later date:
The amendments to IFRS 11, *Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)*, provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, *Business Combinations*, it shall apply, to the extent of its share all of the principles on business combinations accounting in IFRS 3, and other IFRSs, except for those principles that conflict with the guidance of IFRS 11. The information that is required in those IFRSs in relation to business combinations shall be disclosed. The amendments and the consequential amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 1, *Presentation of Financial Statements (Disclosure Initiative)*, provide improved presentation and disclosure guidelines. The amendments address materiality and aggregation, presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments and the consequential amendments to other standards are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 16, *Property, Plant and Equipment*, and IAS 38, *Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)*, clarify when a method of depreciation or amortization based on revenue may be appropriate. Depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. For intangible assets the amendment introduces a rebuttable presumption that amortization based on revenue generated by using the asset is not appropriate. The presumption may only be rebutted where the intangible asset is expressed as a measure of revenue; or where highly correlation between revenue and the consumption of the economic benefits can be demonstrated. The amendments and the consequential amendment to IFRIC 12, *Service Concession Arrangements*, are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 16, *Property, Plant and Equipment,* and IAS 41, *Agriculture (Agriculture: Bearer Plants),* require bearer plants to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The amendments and the consequential amendments to other standards are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 19, *Employee Benefits (Defined Benefit Plans: Employee Contributions)*, clarify the accounting for contributions from employees or third parties with regard to defined benefit plans. IAS 19 (revised 2011) requires that contributions that are set out in the formal terms of a defined benefit plan and that are linked to the service rendered are required to be attributed to periods of service as a reduction of service cost (negative benefit). The amendments provide for an option in respect of such contributions. If the amount of the contributions depends on the number of years of service, the amendments require that those contributions must be attributed to periods of service using the projected unit credit method. If the amount of the contributions is independent of the number of years of service, the entity is permitted to recognize such contributions as a reduction of service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. The amendments are required to be applied for annual periods beginning on or after February 1, 2015. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 27, *Separate Financial Statements (Equity Method in Separate Financial Statements)*, introduce the equity method as one of the options to account for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendments and the consequential amendments to other standards are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any effect on the future consolidated financial statements of Continental AG.

Under the IASB's fifth annual improvements project *(Improvements to IFRSs, December 2013, Cycle 2010-2012)*, the following amendments will become effective at a later date:

- The amendment to IFRS 2, *Share-based Payment*, clarifies the definition of 'vesting condition' by introducing separate definitions for 'performance condition' and 'service condition'. Furthermore, the amendment clarifies the definition of 'market condition'. The amendment is required to be applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- The amendment to IFRS 3, *Business Combinations*, clarifies that an obligation to pay contingent consideration that meets the definition of a financial instrument shall be classified as a financial liability or as equity on the basis of the definitions in IAS 32, *Financial Instruments: Presentation*. Furthermore, the standard clarifies that non-equity contingent considerations, whether financial or non-financial, are measured at fair value at each reporting date, with changes in fair value recognized in profit or loss. Consequential amendments have been made to IFRS 9, *Financial Instruments*, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and IAS 39, *Financial Instruments: Recognition and Measurement*. The amendment is required to be applied to business combinations for which the acquisition date is on or after July 1, 2014.

- The amendments to IFRS 8, *Operating Segments*, require disclosure of the judgment made by management when operating segments have been aggregated. Furthermore, the amendments require a reconciliation of the total of the reportable segments' assets to the entity's assets if segment assets are reported.

- The amendment to IFRS 13, *Fair Value Measurement*, clarifies in the basis for conclusions that the consequential amendments to IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 9, *Financial Instruments*, do not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial. The bases for conclusions on IAS 39 and IFRS 9 have been amended accordingly.

- The amendment to IAS 16, *Property, Plant and Equipment*, and the amendment to IAS 38, *Intangible Assets*, clarify the calculation of the accumulated depreciation at the revaluation date when the revaluation method is used.

- The amendment to IAS 24, *Related Party Disclosures*, clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The amendments are required to be applied for annual periods beginning on or after February 1, 2015. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

Under the IASB's seventh annual improvement project (*Improvements to IFRSs, September 2014, Cycle 2012-2014*), the following amendments will become effective at a later date:

- The amendments to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, introduce guidance in cases of reclassifications from 'held for sale' to 'held for distribution to owners' (or vice versa). Such reclassifications without any time lag are considered a continuation of the original plan of disposal. Furthermore the amendments clarify that assets that no longer meet the criteria for held for distribution to owners (and not meet the criteria for held for sale) should be treated as assets that cease to be classified as held for sale.

- The amendments to IFRS 7, *Financial Instruments: Disclosures*, provide guidance to clarify whether servicing contracts constitute continuing involvement in a transferred financial asset for the purposes of applying the transfer disclosure requirements. Furthermore the amendments address the applicability of the amendments to IFRS 7 regarding the offsetting of financial assets and financial liabilities to condensed interim financial statements. Correspondingly IFRS 1, *First-time Adoption of International Financial Reporting Standards*, was amended.

- The amendment to IAS 19, *Employee Benefits*, addresses the determination of the discount rate used to discount post-employment benefit obligations. The amendment clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level.

- The amendment to IAS 34, *Interim Financial Reporting*, clarifies the meaning of disclosure of information "elsewhere in the interim financial report." The amendment clarifies that disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other part of the interim financial report that is available to users of the financial statement on the same terms and at the same time as the interim financial statements.

The amendments are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The following standards, interpretations issued in relation to published standards, and amendments are not yet endorsed by the EU and will become effective at a later date:
The amendments to IAS 7, *Statements of Cash Flows (Disclosure Initiative)*, are intended to improve information about an entity's financing activities. The amendments are required to be applied for annual periods beginning on or after January 1, 2017. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 12, *Income Taxes (Recognition of Deferred Tax Assets for Unrealized Losses)* address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes give rise to deductible temporary differences, regardless of whether it is expected to hold the debt instrument until maturity or to sell the debt instrument. The amendments specify how to determine future taxable profits regarding the accounting of deferred tax assets. Furthermore, the amendments clarify that an entity in general has to assess a deductible temporary difference in combination with all of its other deductible temporary differences. If tax law restricts the utilization of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments are required to be applied for annual periods beginning on or after January 1, 2017. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

IFRS 9, *Financial Instruments*, replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes new requirements on the classification and measurement of financial instruments, especially financial assets. For calculating impairment the standard replaces the incurred loss model with an expected credit loss model. Furthermore IFRS 9 introduces a new (general) hedge accounting model with the aim of aligning risk management more closely with the accounting. The standard introduces new presentation requirements and extensive new disclosure requirements. The final IFRS 9 and the consequential amendments to other standards and interpretations are required to be applied for annual periods beginning on or after January 1, 2018. As a result of the current implementation project, it is obvious that the standard and the consequential amendments are expected to have no significant effects on the future consolidated financial statements of Continental AG with respect to classification and measurement as well as hedge accounting. The analysis of the requirements regarding the impairment has not yet been completed, so that no clear statement can be made whether the standard and the consequential amendments are expected to have a significant effect on the future consolidated financial statements of Continental AG.

The amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)*, eliminate an inconsistency between both standards. The amendments clarify that the accounting treatment for sales or contribution of assets between an investor and its associates or joint venture depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business in accordance with IFRS 3, *Business Combinations*. In case the non-monetary assets constitute a business full gain or loss will be recognized by the investor. If the definition of a business is not met, the gain or loss is recognized by the investor to the extent of the other investor's interests. With the amendments to IFRS 10 and IAS 28, *Effective Date of Amendments to IFRS 10 and IAS 28*, the IASB has decided to defer indefinitely the effective date of the amendments. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures (Investment Entities: Applying the Consolidation Exception)*, clarify the application of the consolidation exception for investment entities. The exception from preparing consolidated financial statements is available to intermediate parent entities that are subsidiaries of investment entities when the investment entity parent measures its subsidiaries at fair value. If an investment entity parent has a subsidiary that is itself an investment entity and provides investment-related services or activities, the investment entity parent shall measure that subsidiary at fair value. In case such subsidiary is not an investment entity, it acts as an extension of the parent entity and will be consolidated. A non-investment entity that has an interest in an associate or joint venture that is an investment entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. An investment entity that measures all of its subsidiaries at fair value shall present the disclosures relating to investment entities required by IFRS 12. The amendments are required to be applied for annual periods beginning on or after January 1, 2016. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

IFRS 15, *Revenue from Contracts with Customers*, replaces existing revenue recognition guidance and supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. In accordance with IFRS 15, the amount is to be recognized as revenue which is expected for the transfer of promised goods or services to customers in exchange for those goods or services. The relevant point in time or period of time is primarily the transfer of control of the goods or services (control approach). To determine when to recognize revenue, and at what amount a five-step model has to be applied in accordance with the core principle. With the amendments to IFRS 15, *Effective Date of IFRS 15*, the IASB has decided to defer the effective date of IFRS 15 by one year. As a result, the standard and the consequential amendments to other standards and interpretations are required to be applied for annual periods beginning on or after January 1, 2018. Currently an implementation project is running to implement the requirements of IFRS 15 and the consequential amendments in the Continental Corporation. As part of this, the effects are currently being analyzed, especially with regard to goods without an alternative use, variable consideration of the transaction price, and multi-component contracts. It cannot be ruled out that the application of IFRS 15 will have an effect on the amount of and the point in time at which sales are recognized in the Continental Corporation in the future. A final statement regarding the effects cannot be made before the IASB has issued its clarification of IFRS 15, which will lead to changes in the standard in the future.

IFRS 16, *Leases,* replaces the existing guidance for the accounting of leases and supersedes IAS 17, *Leases*; IFRIC 4, *Determining Whether an Arrangement Contains a Lease*; SIC-15, *Operating Leases – Incentives*; and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for the lessee and the lessor. IFRS 16 includes significant changes to lessee accounting with the removal of the distinction between finance lease and operating lease and the general recognition of all leases in the statement of financial position. In accordance with IFRS 16 the lessee shall recognize a right-of-use asset and a corresponding lease liability. Regarding the lessor accounting, the standard maintains the requirements of IAS 17. The standard and the consequential amendments to other standards and interpretations are required to be applied for annual periods beginning on or after January 1, 2019. The standard and the consequential amendments are expected to have a significant effect on the future consolidated financial statements of Continental AG.

4. Companies Consolidated and Information on Subsidiaries and Investments

Companies consolidated
In addition to the parent company, the consolidated financial statements include 502 (PY: 458) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associated companies. Of these, 386 (PY: 344) are fully consolidated and 116 (PY: 114) are accounted for using the equity method.

The number of consolidated companies has increased by a total of 44 since the previous year. Four companies were formed, 48 were acquired and three previously unconsolidated units were included in consolidation for the first time. One company was liquidated, two were deconsolidated, and two were sold. In addition, the number of companies consolidated was reduced by six as a result of mergers.

The additions to the scope of consolidation in 2015 essentially resulted from the acquisition of Veyance Technologies and Elektrobit Automotive. The effects of these are shown under Note 5.

A total of 47 (PY: 39) companies whose assets and liabilities, expenses and income, individually and combined, are not material for the net assets, financial and earnings position of the corporation, are not included in consolidation. 46 (PY: 38) of these are affiliated companies, 9 (PY: 8) of which are currently inactive. One further company not included in consolidation (PY: 1) is an associated company. This unit is active.

Information on subsidiaries and investments
As at December 31, 2015, non-controlling interests were not of significance to the corporation. There are no significant restrictions in terms of access to or the use of assets of the corporation due to statutory, contractual or regulatory restrictions or property rights of non-controlling interests.

With a share of voting rights of 51% each, Noisetier SAS, Paris, France, and Continental Teves Taiwan Co., Ltd., Tainan, Taiwan, are not fully consolidated as, under the companies' statutes, these interests are not enough to direct the relevant activities of these investments.

Continental AG consolidates ten structured entities. These structured entities are characterized, among other things, by limited activities and a narrowly defined business purpose. Continental holds no voting rights or investments in the fully consolidated structured entities. However, Continental directs the business activities of these entities on the basis of contractual rights. The shareholders therefore have no influence. Furthermore, Continental is also exposed to variable returns from these units and can influence these by directing business activities. There are no significant shares or rights in non-consolidated structured entities.

Further information on equity investments and an overview of the German corporations and partnerships that utilized the exemption provisions of Section 264 (3) of the German Commercial Code *(Handelsgesetzbuch – HGB)* and Section 264b *HGB* can be found in Note 39.

5. Acquisition and Disposal of Companies and Business Operations

Acquisition of companies and business operations
Once all agreed conditions had been met, the agreement that was concluded on February 10, 2014, with The Carlyle Group, Washington D.C., U.S.A., regarding the acquisition of Veyance Technologies, was closed on January 30, 2015. The acquisition took place by way of the merger of South Acquisition Corp., Inc., Wilmington, Delaware, U.S.A., a wholly owned subsidiary of the Continental Corporation, with EPD Holdings Inc., Wilmington, Delaware, U.S.A., which up to then had been a wholly owned subsidiary of The Carlyle Group, Washington D.C., U.S.A. Veyance Technologies operates globally in the field of rubber and plastics technology. It posted sales in 2014 of approximately €1.5 billion, around 90% of which was generated in the industrial business. At the end of 2014, it had a workforce of about 8,500 employees in its 27 plants worldwide. Conveyor belts, hoses and power transmission belts are the focus of its product range. The acquisition should strengthen in particular the ContiTech segment's Conveyor Belt Group, Fluid Technology, and Power Transmission Group business units in regions where ContiTech has little or no representation. With the additional business in markets such as the U.S.A. and South America, but also in Mexico, China, and South Africa, ContiTech aims in the future to achieve some 60% of its sales with customers outside of the automotive original equipment sector. The purchase price was €678.0 million and was paid in cash. The total incidental acquisition costs incurred since 2013 of €20.5 million were recognized as other expenses. The purchase price allocation resulted in intangible assets of €720.7 million and goodwill of €305.3 million for the ContiTech segment. This goodwill resulted from the skills and professional aptitude of the workforce and from expectations regarding the improved geographical market coverage of the group of companies following the transaction. This particularly relates to regions in which ContiTech operated only to a limited extent in the past, such as North America, Latin America, and South Africa. Furthermore, synergies are expected in the procurement of manufacturing materials and from the production processes. If the transaction had already been completed on January 1, 2015, net income after taxes would have been €21.1 million lower and sales would have been up by €122.5 million. Since the transaction was closed on January 30, 2015, Veyance Technologies has generated sales of €1,145.2 million and contributed net income after taxes of -€267.5 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

As part of the acquisition of Veyance Technologies, assets and liabilities recognized in the consolidated statement of financial position for the first time were posted at the following amounts:

Acquired net assets in € millions	Fair value at date of first-time consolidation
Other intangible assets	727.4
Property, plant and equipment	494.4
Other investments	1.8
Net deferred taxes	–10.0
Defined benefit assets	1.3
Long-term derivative instruments and interest-bearing investments	0.0
Long-term other financial assets	2.2
Long-term other assets	0.2
Inventories	238.2
Trade accounts receivable	277.3
Short-term other financial assets	16.6
Short-term other assets	17.9
Income tax receivables	1.4
Cash and cash equivalents	98.0
Net assets and debts held for sale	27.8
Provisions for pension liabilities and similar obligations	–97.0
Long-term provisions for other risks and obligations	–1.3
Long-term indebtedness	–897.5
Long-term other liabilities	–4.1
Trade accounts payable	–150.5
Income tax payables	–45.5
Short-term provisions for other risks and obligations	–15.8
Short-term indebtedness	–135.5
Short-term other financial liabilities	–59.0
Short-term other liabilities	–41.1
Purchased net assets	**447.2**
Purchase price	678.0
Non-controlling interests	74.5
Goodwill	**305.3**

In the ContiTech segment, an asset deal with a purchase price of €1.1 million was also concluded. Assets of €2.7 million were identified in purchase price allocation. A bargain purchase effect totaling €1.6 million was recognized as other expenses and income. This transaction had no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

The Tire segment continued to expand its business in tire molding technology. In a share deal, Continental Caoutchouc-Export-GmbH, Hanover, Germany, acquired the business of A-Z Formen- und Maschinenbau GmbH, Runding-Langwitz, Germany, and AZ-CZECH s.r.o., Meclov, Czech Republic, for a purchase price of €35.0 million effective January 7, 2015. A total of €7.0 million of this was paid in cash. In addition, the transaction resulted in a purchase price liability of €28.0 million. The purchase price allocation resulted in goodwill of €15.5 million and intangible assets of €6.2 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

In order to further expand the commercial tire trade and tire retreading area in the Tire segment, BestDrive, LLC, Wilmington, Delaware, U.S.A., acquired Hill Tire Company, Inc., Forest Park, Georgia, U.S.A., and FAD Enterprises, LLC, Forest Park, Georgia, U.S.A., effective June 1, 2015. The purchase price of €10.7 million was paid in cash. The purchase price allocation resulted in goodwill of €7.6 million and intangible assets of €1.2 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

There were also further asset deals in the Tire segment. The purchase prices totaled €1.4 million. Intangible assets of €0.5 million were identified in purchase price allocation. These transactions had no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

The Continental Corporation is systematically expanding its systems and software expertise for solutions in the automotive industry. An agreement to acquire Elektrobit Automotive GmbH based in Erlangen, Germany, was signed on May 18, 2015. Elektrobit Automotive was owned by the Finnish Elektrobit Corporation, Helsinki, Finland. The acquisition was closed on July 1, 2015, following approval by the antitrust authorities. Elektrobit Automotive is a software-solutions specialist and has been working together with Continental for more than ten years. Sales of €171.4 million were generated in fiscal 2014. Elektrobit Automotive employed around 1,300 professionals at nine locations as at December 31, 2014. In addition, its associated company e.solutions GmbH, Ingolstadt, Germany, employed approximately 600 engineers. The purchase price of €600.0 million was paid in cash. The incidental acquisition costs of €6.0 million were recognized as other expenses. The net assets acquired amount to €189.2 million. The purchase price allocation resulted in intangible assets of €240.1 million in the Interior segment. After taking deferred taxes into account, goodwill therefore amounts to €410.8 million, which is distributed among the cash-generating units of the Automotive Group in line with the anticipated synergies. If the transaction had already been completed as at January 1, 2015, sales would have been up by €102.0 million. Since the transaction was closed, Elektrobit Automotive has contributed net income after taxes of -€14.4 million and sales of €91.6 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

With effective of October 1, 2015, Continental Automotive Systems, Inc., Wilmington, Delaware, U.S.A., acquired a new company that was spun off from Advanced Scientific Concepts, Inc., Santa Barbara, California, U.S.A., for the purpose of this transaction and has now become Continental Advanced Lidar Solutions US, Inc., Wilmington, Delaware, U.S.A., as well as ASCAR, Inc., Santa Barbara, California, U.S.A. The acquisition enhances its technology portfolio in the areas of automated driving and active safety systems in the Chassis & Safety segment. The purchase price was €57.0 million. A total of €35.5 million of this was paid in cash. There is a purchase price liability for contingent consideration in the amount of €17.5 million. In addition, a deferred item for consideration transferred to the seller in the form of a free license agreement was recognized as a liability in the amount of €4.0 million. The purchase price allocation resulted in intangible assets of €48.9 million and goodwill of €25.3 million. The incidental acquisition costs of €0.7 million were recognized as other expenses. If the transaction had already been completed as at January 1, 2015, net income after taxes would have been €1.9 million lower and sales would have been up by €1.7 million. Since the transaction was closed on October 1, 2015, the two companies have contributed net income after taxes of €2.2 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

Two successive purchases were completed in the review period. The resulting difference between the respective purchase price and the value of the shares acquired of €3.3 million in total was reported directly in equity.

In addition, Continental Holding France SAS, Sarreguemines, France, acquired the remaining shares in Alencon Pneus SAS, Alencon, France, from SNDF, Alencon, France, for a purchase price of €21.5 million effective July 17, 2015. These transactions had no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

The assets and liabilities included in the consolidated statement of financial position for the first time as a result of the aforementioned transactions were carried in the following amounts:

Acquired net assets in € millions	Fair value at date of first-time consolidation
Other intangible assets	298.8
Property, plant and equipment	18.6
Investments in at-equity accounted investees	13.8
Deferred tax assets	1.2
Long-term other financial assets	0.3
Inventories	26.7
Trade accounts receivable	25.6
Short-term other financial assets	6.6
Short-term other assets	1.8
Income tax receivables	1.6
Short-term derivative instruments and interest-bearing investments	3.5
Cash and cash equivalents	13.4
Provisions for pension liabilities and similar obligations	–5.3
Deferred tax liabilities	–93.2
Long-term provisions for other risks and obligations	0.0
Long-term indebtedness	–2.8
Long-term other liabilities	–0.1
Trade accounts payable	–14.4
Income tax payables	–0.7
Short-term provisions for other risks and obligations	–6.8
Short-term indebtedness	–9.9
Short-term other financial liabilities	–4.5
Short-term other liabilities	–26.6
Purchased net assets	**247.6**
Purchase price	705.2
Goodwill	**459.2**
Negative difference	–1.6

Disposal of companies and business operations

In an asset deal effective January 1, 2015, Profi Reifen- und Autoservice GmbH, Wiener Neudorf, Austria, sold its complete-wheel assembly activity at the site in Kalsdorf, Austria, to PTG Automotive Solutions and Services GmbH, Kalsdorf, Austria. This transaction resulted in a loss of €0.1 million that was reported as other expenses and income. In addition, the shares in General Tyre East Africa Ltd., Arusha, Tanzania, were sold effective August 21, 2015. This transaction resulted in a gain of €0.9 million that was reported as other expenses and income. These transactions had no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

As part of the acquisition of Veyance Technologies in January 2015, ContiTech agreed with the antitrust authorities in the U.S.A. and Brazil to sell Veyance Technologies' North American air springs operations. These operations were sold for a purchase price of €20.8 million to the group of EnPro Industries, Inc., based in Charlotte, North Carolina, U.S.A., effective July 1, 2015. This transaction had no material effect on the net assets, financial and earnings position of the Continental Corporation as at December 31, 2015.

Notes to the Consolidated Statement of Income

6. Other Expenses and Income

in € millions	2015	2014
Other expenses	-776.4	-724.2
Other income	208.7	216.8
Other expenses and income	**-567.7**	**-507.4**

Other expenses

in € millions	2015	2014
Expenses for provisions	297.3	252.2
Realized and unrealized foreign currency exchange losses	122.5	16.9
Impairment on property, plant and equipment, and intangible assets	95.3	178.9
Expenses for termination benefits	70.3	40.1
Litigation and environmental risks	58.5	51.6
Valuation allowances for doubtful accounts	34.0	21.7
Losses on the sale of property, plant and equipment, and from scrapping	10.2	13.5
Incidental acquisition costs from acquisitions of companies and business operations	9.9	19.5
Compensation to customers and suppliers	6.0	67.4
Losses on the sale of companies and business operations	0.3	7.3
Other	72.1	55.1
Other expenses	**776.4**	**724.2**

Other expenses increased by €52.2 million to €776.4 million (PY: €724.2 million) in the reporting period.

Additions to specific warranty provisions and provisions for restructuring measures resulted in expenses totaling €297.3 million (PY: €252.2 million). In the ContiTech segment, the location in Salzgitter, Germany, will gradually be scaled back on account of follow-up orders not being received. There were restructuring expenses in this context totaling €15.4 million. The closure of the location in Bowmanville, Canada, resulted in restructuring expenses of €12.5 million in the ContiTech segment.

In the year under review, expenses of €122.5 million (PY: €16.9 million) were incurred as a result of foreign currency translations from operating receivables and liabilities in foreign currencies not classified as indebtedness.

Impairment on intangible assets and property, plant and equipment amounted to €95.3 million (PY: €178.9 million) in the reporting period. Due to the current market situation, impairment losses totaling €71.9 million on intangible assets and property, plant and equipment were recognized for the Conveyor Belt Group business unit. This related to the locations in Aneng, China, in the amount of €44.8 million; in Bayswater, Australia, in the amount of €25.3 million; in Thetford, U.K., in the amount of €1.3 million; and in Perth, Australia, in the amount of €0.5 million.

Personnel adjustments not related to restructuring led to expenses for severance payments of €70.3 million (PY: €40.1 million).

In connection with provisions for litigation and environmental risks, there were expenses of €58.5 million (PY: €51.6 million).

The cost resulting from creditworthiness allowances on receivables was €34.0 million (PY: €21.7 million). This also included a valuation allowance for a receivable of €12.0 million from a non-consolidated company in Venezuela.

Losses of €10.2 million (PY: €13.5 million) arose on the sale of property, plant and equipment, and scrapping activities in 2015.

Incidental acquisition costs of €9.9 million (PY: €19.5 million) were incurred for the acquisition of companies and business operations, mainly in relation to the acquisitions of Veyance Technologies and Elektrobit Automotive.

Compensation from customer and supplier claims that are not warranties resulted in expenses of €6.0 million (PY: €67.4 million) in the reporting period.

Disposals of companies and business operations resulted in losses of €0.3 million (PY: €7.3 million).

The “Other” item also includes expenses for other taxes and losses due to force majeure.

Other income

in € millions	2015	2014
Gain on the reversal of provisions	100.4	69.8
Compensation from customers and suppliers	26.5	23.2
Gain on the sale of property, plant and equipment	17.1	20.0
Gain from the reimbursement of customer tooling expenses	4.1	10.3
Litigation and environmental risks	3.5	16.5
Gain on the sale of companies and business operations	1.7	2.2
Reversal of impairment losses on property, plant and equipment	1.7	–
Other	53.7	74.8
Other income	**208.7**	**216.8**

Other income fell by €8.1 million to €208.7 million (PY: €216.8 million) in the reporting period.

The reversal of specific warranty provisions and provisions for restructuring measures resulted in income of €100.4 million (PY: €69.8 million) in the reporting period.

Income of €17.1 million (PY: €20.0 million) was generated from the sale of property, plant and equipment in the period under review.

Reimbursements for customer tooling resulted in income of €4.1 million (PY: €10.3 million) in 2015.

The reversal of provisions for litigation and environmental risks resulted in income totaling €3.5 million (PY: €16.5 million).

Disposals of companies and business operations resulted in income of €1.7 million (PY: €2.2 million) in 2015.

Reversal of impairment losses on property, plant and equipment resulted in total income of €1.7 million (PY: –).

Other income includes, among other things, proceeds from license agreements and income from insurance compensation due to damage to property, plant and equipment caused by force majeure. In addition, government grants amounting to €9.0 million (PY: €7.9 million) that were not intended for investments in non-current assets were recognized in profit or loss in the “Other” item.

7. Personnel Expenses

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

in € millions	2015	2014
Wages and salaries	7,454.5	6,318.7
Social security contributions	1,423.7	1,248.8
Pension and post-employment benefit costs	286.4	189.7
Personnel expenses	**9,164.6**	**7,757.2**

Compared to the 2014 reporting year, personnel expenses rose by €1,407.4 million to €9,164.6 million (PY: €7,757.2 million). This rise is due in particular to global recruitment activities and the acquisitions of Veyance Technologies and Elektrobit Automotive.

The average number of employees in 2015 was 204,662 (PY: 185,976). As at the end of the year, there were 207,899 (PY: 189,168) employees in the Continental Corporation. Please also see the comments in the Management Report.

8. Income from Investments

in € millions	2015	2014
Share of income from at-equity accounted investees	61.4	35.8
Impairment and reversal of impairment losses on investments in at-equity accounted investees	–	-108.1
Other[1]	–	-1.5
Income from at-equity accounted investees	**61.4**	**-73.8**
Income from other investments	0.8	0.9
Reversal of impairment losses	–	0.1
Other income from investments	**0.8**	**1.0**

1 Included in the previous year the buyback of treasury shares in an at-equity accounted investee and the reclassification to profit and loss of reserves recognized directly in equity in conjunction with the inclusion in consolidation of a formerly at-equity accounted investee.

Please see Note 14 for information on impairment and reversal of impairment losses for at-equity accounted investees. Net investment income particularly includes the share of earnings of companies accounted for using the equity method in the amount of €61.4 million (PY: €35.8 million).

9. Net Interest Result

in € millions	2015	2014
Interest and similar income	31.5	28.3
Interest income from long-term employee benefits and from pension funds	63.9	66.2
Interest income	**95.4**	**94.5**
Interest and similar expenses	-172.1	-214.7
Finance lease expenses	-2.5	-2.8
Gains/losses from foreign currency translation	12.7	-25.7
Losses/gains from changes in the fair value of derivative instruments	-34.8	43.2
Gains from available-for-sale financial assets	12.9	3.0
Interest expense for long-term provisions and liabilities	1.5	-10.7
Interest expense from pension obligations and other long-term employee benefits	-158.7	-152.1
Interest expense	**-341.0**	**-359.8**
Net interest result	**-245.6**	**-265.3**

The net interest result decreased by €19.7 million year-on-year to €245.6 million (PY: €265.3 million) in 2015.

Interest expense – not including the effects of foreign currency translation, changes in the fair value of derivative instruments and of available-for-sale financial assets – totaled €331.8 million in 2015, which was €48.5 million lower than the figure for the previous year of €380.3 million. At €173.1 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €55.1 million lower than the prior-year figure of €228.2 million. The major portion related to expense of €99.9 million (PY: €101.8 million) from the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and to expense of €21.7 million (PY: €60.8 million) from the utilization of the syndicated loan.

Interest expense for the bonds decreased by €1.9 million in 2015 compared to the previous year. In this context, the effects of the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 with a volume of U.S. $950.0 million and the considerably lower-interest euro bond with a volume of €500.0 million that was issued by the same company for the partial refinancing of financial liabilities largely offset one another. The U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., had an interest rate of 4.5% p.a. The early redemption took place on September 15, 2015, four years before the bond was due to mature in September 2019. Its redemption price was 102.25%. The premium paid of 2.25% had a negative impact of €19.3 million on the net interest result. There was a positive impact on the net interest result from the issue of a considerably lower-interest euro bond, also by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in November 2015. This bond has a volume of €500.0 million, a term of three years and three months, and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a.

The €39.1 million decline in interest expense for the syndicated loan particularly resulted from a negative effect in the previous year that arose in relation to the early redemption of the existing syndicated loan at the end of April 2014 due to its successful refinancing. In addition, a further reduction in the margin level was achieved with the new syndicated loan agreement. An additional positive impact on the net interest result arose from the early repayments on the term loan totaling €1.15 billion in the fourth quarter of 2015. The term loan maturing in April 2016 was thereby reduced from €1.5 billion to €350.0 million as at the end of 2015.

The interest expense on expected pension obligations as well as on long-term employee benefits resulted in interest expense totaling €158.7 million (PY: €152.1 million) in 2015.

Interest income in 2015 increased by €0.9 million year-on-year to €95.4 million (PY: €94.5 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €63.9 million (PY: €66.2 million).

In contrast to the previous year, valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates made a negative overall contribution to earnings of €22.1 million (PY: positive valuation effect of €17.5 million) in 2015. This included a valuation loss of €36.9 million for the reporting of the early redemption option for the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in 2012 and redeemed early in September 2015. In the same period of the previous year, this had resulted in a valuation gain of €4.7 million. Available-for-sale financial assets gave rise to a positive effect of €12.9 million (PY: €3.0 million).

10. Income Tax Expense

The domestic and foreign income tax expense of the corporation is as follows:

in € millions	2015	2014
Current taxes (domestic)	-166.7	-109.4
Current taxes (foreign)	-889.3	-678.1
Deferred taxes (domestic)	-95.8	20.9
Deferred taxes (foreign)	61.4	144.6
Income tax expense	**-1,090.4**	**-622.0**

The average domestic tax rate in 2015 was 30.4% (PY: 30.2%). This takes into account a corporate tax rate of 15.0% (PY: 15.0%), a solidarity surcharge of 5.5% (PY: 5.5%) and a trade tax rate of 14.6% (PY: 14.4%).

The following table shows the reconciliation of the expected to the reported tax expense:

in € millions	**2015**	2014[1]
Earnings before taxes	**3,870.0**	**3,079.5**
Expected tax expense at the domestic tax rate	–1,176.5	–930.0
Foreign tax rate differences	188.1	164.3
Non-deductible expenses and non-imputable withholding taxes	–121.9	–106.7
Non-recognition of deferred tax assets unlikely to be realized	–114.2	–52.6
First-time recognition of deferred tax assets likely to be realized	34.7	262.1
Realization of previously non-recognized deferred taxes	17.7	28.2
Incentives and tax holidays	88.8	79.0
Local income tax with different tax base	–31.5	–19.6
Taxes for previous years	18.6	–31.2
Tax effect from at-equity accounted investees	17.9	10.3
Effects from changes in enacted tax rate	–10.1	–5.2
Effects from sale of or impairment on investments	—	–22.8
Other	–2.0	2.2
Income tax expense	**–1,090.4**	**–622.0**
Effective tax rate in %	**28.2**	**20.2**

1 The prior-year comparative figures have been restated in accordance with the 2015 structure.

The reduction in the expected tax expense from the difference in foreign tax rates primarily reflects the volume of activities in Eastern Europe and Asia.

As in the previous year, the item non-deductible expenses and non-imputable withholding taxes related in part to Germany was due to an insufficient volume of imputable tax for foreign withholding taxes.

In the year under review, the effect of not recognizing deferred tax assets in foreign corporate companies amounted to a total of €114.2 million (PY: €52.6 million). Of this, €35.3 million (PY: €9.1 million) was attributable to the reduction in recognizing deferred tax assets as a result of the review of the carrying amount as at the reporting date. This was countered by the effect of recognizing deferred tax assets totaling €34.7 million that are likely to be utilized in the future. Please see Note 16.

The tax effects from government incentives and tax holidays increased in comparison to the previous year. In addition to the ongoing utilization of incentives in Europe and Asia as in the previous year, the utilization of government incentives in the U.S.A. had a further positive impact in the reporting year.

In the year under review, local income taxes of €31.5 million (PY: €19.6 million) were incurred with a different tax base, mainly in Hungary and the U.S.A.

The result of at-equity accounted investees included in net income resulted in tax income of €17.9 million (PY: €10.3 million) in the year under review.

The effects of the change in tax rate relate to the remeasurement of deferred tax assets and liabilities due to changes in the law already taking effect with regard to future applicable tax rates.

The following table shows the total income tax expense including the items reported under reserves recognized directly in equity:

in € millions	Dec. 31, 2015	Dec. 31, 2014
Income tax expense (acc. to Consolidated Statement of Income)	–1,090.4	–622.0
Tax income on other comprehensive income	40.5	381.4
Remeasurement of defined benefit plans	17.4	364.0
Portion for at-equity accounted investees	–0.1	0.8
Currency translation	17.1	19.4
Available-for-sale financial assets	4.1	–2.8
Cash flow hedges	2.0	0.0
Total income tax expense	**–1,049.9**	**–240.6**

Notes to the Consolidated Statement of Financial Position

11. Goodwill and Other Intangible Assets

in € millions	Goodwill	Internally generated intangible assets[1]	Purchased intangible assets[1]	Advances to suppliers	Total other intangible assets
As at January 1, 2014					
Cost	**8,077.5**	343.7	3,698.3	15.7	**4,057.7**
Accumulated amortization	**-2,556.6**	-199.4	-3,300.6	–	**-3,500.0**
Book value	**5,520.9**	**144.3**	**397.7**	**15.7**	**557.7**
Net change in 2014					
Book value	**5,520.9**	144.3	397.7	15.7	**557.7**
Foreign currency translation	**101.1**	0.5	6.1	0.1	**6.7**
Additions	**–**	57.9	62.2	17.4	**137.5**
Additions from first consolidation of subsidiaries[2]	**147.1**	–	65.4	–	**65.4**
Reclassification to assets held for sale	**–**	–	0.0	–	**0.0**
Transfers	**–**	–	12.7	-12.7	**0.0**
Disposals	**–**	–	-0.3	-1.6	**-1.9**
Amortization	**–**	-58.5	-249.3	–	**-307.8**
Impairment[3]	**–**	-14.1	-0.2	–	**-14.3**
Book value	**5,769.1**	**130.1**	**294.3**	**18.9**	**443.3**
As at December 31, 2014					
Cost	**8,332.1**	403.2	3,952.3	18.9	**4,374.4**
Accumulated amortization	**-2,563.0**	-273.1	-3,658.0	–	**-3,931.1**
Book value	**5,769.1**	**130.1**	**294.3**	**18.9**	**443.3**
Net change in 2015					
Book value	**5,769.1**	130.1	294.3	18.9	**443.3**
Foreign currency translation	**107.0**	0.0	26.7	-0.1	**26.6**
Additions	**–**	78.7	81.8	8.5	**169.0**
Additions from first consolidation of subsidiaries[2]	**764.5**	–	1,026.2	–	**1,026.2**
Transfers	**–**	–	16.8	-16.8	**0.0**
Disposals	**–**	–	-0.1	-0.3	**-0.4**
Amortization	**–**	-51.6	-205.7	–	**-257.3**
Impairment[3]	**–**	–	-71.0	–	**-71.0**
Book value	**6,640.6**	**157.2**	**1,169.0**	**10.2**	**1,336.4**
As at December 31, 2015					
Cost	**9,210.4**	322.5	2,090.4	10.2	**2,423.1**
Accumulated amortization	**-2,569.8**	-165.3	-921.4	–	**-1,086.7**
Book value	**6,640.6**	**157.2**	**1,169.0**	**10.2**	**1,336.4**

1 The fully amortized intangible assets that are no longer used, resulting primarily from the purchase price allocation for the Siemens VDO acquisition, have been disposed of.
2 Including subsequent adjustment from purchase price allocations.
3 Impairment also includes necessary reversal of impairment losses.

Acquisitions of companies in 2015 resulted in an addition to goodwill totaling €764.5 million (PY: €147.1 million). As a result of subsequent changes in the preliminary purchase price allocations, goodwill did not change significantly in the year under review or in the prior year.

The carrying amount of goodwill relates principally to the acquisitions of Siemens VDO (2007), Continental Teves (1998), the automotive electronics business from Motorola (2006), Elektrobit Automotive (2015), Veyance Technologies (2015), and Continental Temic (2001).

The table below shows the goodwill of each cash-generating unit, in line with the current organizational structure in the respective fiscal year:

	Goodwill		
in € millions	**Dec. 31, 2015**		Dec. 31, 2014
Vehicle Dynamics	1,300.9	Vehicle Dynamics	1,202.8
Hydraulic Brake Systems	412.1	Hydraulic Brake Systems	401.7
Passive Safety & Sensorics	550.9	Passive Safety & Sensorics	522.8
Advanced Driver Assistance Systems	368.0	Advanced Driver Assistance Systems	238.0
Continental Engineering Services	19.5	Continental Engineering Services	13.5
Chassis & Safety	**2,651.4**	**Chassis & Safety**	**2,378.8**
Engine Systems	455.4	Engine Systems	434.2
Fuel & Exhaust Management	79.2	Fuel & Exhaust Management	78.4
Sensors & Actuators	210.2	Sensors & Actuators	203.2
Transmission	251.0	Transmission	238.6
Powertrain	**995.8**	**Powertrain**	**954.4**
Instrumentation & Driver HMI	597.7	Instrumentation & Driver HMI	499.5
Infotainment & Connectivity	568.7	Infotainment & Connectivity	506.7
Body & Security	717.7	Body & Security	678.1
Commercial Vehicles & Aftermarket	518.2	Commercial Vehicles & Aftermarket	503.0
Interior	**2,402.3**	**Interior**	**2,187.3**
Passenger Tire Original Equipment	2.0	Passenger Tire Original Equipment	2.0
Passenger Tire Replacement Business — EMEA	133.6	Passenger Tire Replacement Business — EMEA	118.2
Commercial Vehicles Tires	40.5	Commercial Vehicles Tires	31.8
Tires	**176.1**	**Tires**	**152.0**
Air Spring Systems	19.6	Air Spring Systems	1.0
Benecke-Kaliko Group	11.2	Benecke-Kaliko Group	11.2
Compounding Technology	1.8	Compounding Technology	1.8
Conveyor Belt Group	119.2	Conveyor Belt Group	5.6
Elastomer Coatings	14.2	Elastomer Coatings	14.2
Fluid Technology	200.0	Fluid Technology	55.8
Power Transmission Group	48.4	Power Transmission Group	6.4
Vibration Control	0.6	Vibration Control	0.6
ContiTech	**415.0**	**ContiTech**	**96.6**
Continental Corporation	**6,640.6**	**Continental Corporation**	**5,769.1**

The additions to acquired intangible assets from consolidation changes are primarily attributable to customer relationships and know-how. Other additions related mainly to software in the amount of €74.7 million (PY: €55.0 million).

Amounts reported under internally generated intangible assets represent capitalized development costs. €78.7 million (PY: €57.9 million) of the total development costs incurred in 2015 qualified for recognition as an asset under IAS 38.

Amortization of intangible assets amounted to €257.3 million (PY: €307.8 million), €205.8 million (PY: €246.2 million) of which is included in the consolidated statement of income under the cost of sales and €51.5 million (PY: €61.6 million) of which is included in administrative expenses.

The acquired intangible assets include carrying amounts adjusted for translation-related currency effects and not subject to amortization in the amount of €112.2 million (PY: €80.9 million). These relate in particular to the VDO brand name in the amount of €71.2 million, the Elektrobit brand name in the amount of €30.4 million, the Phoenix brand name in the amount of €4.2 million, and the Matador brand name in the amount of €3.2 million. The remaining purchased intangible assets mainly comprise the carrying amount of software amounting to €143.2 million (PY: €100.0 million), which is amortized on a straight-line basis as scheduled.

12. Property, Plant and Equipment

in € millions	Land, land rights and buildings[1]	Technical equipment and machinery	Other equipment, factory and office equipment	Advances to suppliers and assets under construction	Total
As at January 1, 2014					
Cost	3,447.4	12,140.1	1,846.6	1,318.5	**18,752.6**
Accumulated depreciation	-1,351.4	-8,296.2	-1,367.6	-9.4	**-11,024.6**
Book value	**2,096.0**	**3,843.9**	**479.0**	**1,309.1**	**7,728.0**
thereof finance leases	31.6	1.3	0.7	—	**33.6**
Net change in 2014					
Book value	2,096.0	3,843.9	479.0	1,309.1	**7,728.0**
Foreign currency translation	15.5	118.1	6.9	34.2	**174.7**
Additions	97.8	691.4	129.4	1,054.2	**1,972.8**
Additions from first consolidation of subsidiaries	30.9	37.7	10.1	3.4	**82.1**
Amounts disposed of through disposal of subsidiaries	0.0	0.0	0.0	—	**0.0**
Reclassification to/from assets held for sale	-0.1	0.0	-0.3	—	**-0.4**
Transfers	205.2	684.8	148.0	-1,038.0	**0.0**
Disposals	-9.4	-26.9	-2.8	-5.5	**-44.6**
Depreciation	-136.1	-984.7	-180.7	—	**-1,301.5**
Impairment[2]	-6.4	-136.2	-12.4	-9.7	**-164.7**
Book value	**2,293.4**	**4,228.1**	**577.2**	**1,347.7**	**8,446.4**
As at December 31, 2014					
Cost	3,769.1	13,361.9	2,234.7	1,364.6	**20,730.3**
Accumulated depreciation	-1,475.7	-9,133.8	-1,657.5	-16.9	**-12,283.9**
Book value	**2,293.4**	**4,228.1**	**577.2**	**1,347.7**	**8,446.4**
thereof finance leases	28.1	0.8	0.3	—	**29.2**
Net change in 2015					
Book value	2,293.4	4,228.1	577.2	1,347.7	**8,446.4**
Foreign currency translation	0.0	53.5	-1.6	15.4	**67.3**
Additions	76.2	736.3	164.0	1,119.0	**2,095.5**
Additions from first consolidation of subsidiaries	161.8	314.4	11.8	25.0	**513.0**
Amounts disposed of through disposal of subsidiaries	0.0	0.0	0.0	—	**0.0**
Reclassification to/from assets held for sale	0.0	0.0	0.0	—	**0.0**
Transfers	180.0	854.0	114.2	-1,146.4	**1.8**
Disposals	-2.9	-19.8	-3.6	-2.0	**-28.3**
Depreciation	-162.7	-1,163.4	-208.1	—	**-1,534.2**
Impairment[2]	-8.6	-14.0	0.0	0.0	**-22.6**
Book value	**2,537.2**	**4,989.1**	**653.9**	**1,358.7**	**9,538.9**
As at December 31, 2015					
Cost	4,157.3	15,053.0	2,458.6	1,365.8	**23,034.7**
Accumulated depreciation	-1,620.1	-10,063.9	-1,804.7	-7.1	**-13,495.8**
Book value	**2,537.2**	**4,989.1**	**653.9**	**1,358.7**	**9,538.9**
thereof finance leases	24.7	0.8	0.2	—	**25.7**

1 Investment property is shown separately under Note 13.
2 Impairment also includes necessary reversal of impairment losses.

The additions to property, plant and equipment from changes in consolidation essentially relate to the acquisition of Veyance Technologies in the amount of €494.4 million. Please see Note 5.

Investments in the Chassis & Safety segment focused on both increasing production capacity in Europe and expanding the locations in North and South America and Asia. Production capacity for the Vehicle Dynamics and Hydraulic Brake Systems business units was expanded in particular. Important additions related to the creation of new production facilities for electronic brake systems.

In the Powertrain segment, production capacity was increased at the German locations and in China, the U.S.A., the Czech Republic, and Romania. Important additions related to the Engine Systems and Sensors & Actuators business units. In the Engine Systems business unit, manufacturing facilities for engine injection systems were expanded in particular.

In the Interior segment, there were major investments in expanding production capacity at German locations and in China, the Czech Republic, Mexico, Romania, and the U.S.A. These investments focused on the Body & Security and Instrumentation & Driver HMI business units.

In the Tire segment, production capacity was expanded in Europe, in North and South America, and in Asia. There were major additions relating to the expansion of existing production sites in Sumter, South Carolina, U.S.A.; Hefei, China; Otrokovice, Czech Republic; and Puchov, Slovakia. At the tire plant in Korbach, Germany, investments were made in the construction of the new High Technology Performance Center. Quality assurance and cost-cutting measures were also implemented.

Investments in the ContiTech segment focused on the expansion of production facilities at German locations and in China, Hungary, the U.S.A., and Mexico. Production capacity for the Fluid Technology and Benecke-Kaliko Group business units was expanded in particular. There were major additions relating to the construction of new plants for the Benecke-Kaliko Group and Elastomer Coatings business units in Changzhou and Changshu, China. In addition, the division invested in the construction of a production site for the Conveyor Belt Group business unit in Jorf Lasfar, Morocco. Investments were made in all business units to rationalize existing production processes.

Please see Note 6 for information on impairment losses and reversal of the same.

Government investment grants of €13.6 million (PY: €10.6 million) were deducted directly from cost, including for the plants in Trutnov and Frenstat, Czech Republic.

As in the previous year, no borrowing costs were capitalized when applying IAS 23.

Property, plant and equipment includes buildings, technical equipment and other facilities assigned to the corporation as the beneficial owner on the basis of the lease agreement. These relate primarily to administration and manufacturing buildings. The leases have an average term of 25 years for buildings and five to ten years for technical equipment. The effective interest rate of the main leases is between 4.6% and 8.5% (PY: between 5.0% and 8.4%). The main leases do not include prolongation or purchase options.

There are restrictions on title and property, plant and equipment pledged as security for liabilities in the amount of €17.4 million (PY: €10.3 million).

13. Investment Property

in € millions	**2015**	2014
Cost as at January 1	30.3	38.5
Accumulated depreciation as at January 1	-12.8	-18.1
Net change		
Book value as at January 1	**17.5**	**20.4**
Foreign currency translation	0.0	-0.5
Additions	–	0.2
Disposals	–	-1.8
Reclassifications	-0.9	0.0
Depreciation	-0.6	-0.8
Book value as at December 31	**16.0**	**17.5**
Cost as at December 31	29.2	30.3
Accumulated depreciation as at December 31	-13.2	-12.8

The fair value – determined using the gross rental method – of land and buildings accounted for as investment property as at December 31, 2015, amounted to €20.4 million (PY: €20.9 million). Rental income in 2015 amounted to €3.3 million (PY: €3.4 million), while associated maintenance costs of €1.4 million (PY: €1.4 million) were incurred.

14. Investments in At-Equity Accounted Investees

in € millions	**2015**	2014
As at January 1	**298.5**	**450.0**
Additions	24.2	13.7
Changes in the consolidation method, and transfers	-0.9	-61.4
Share of income	61.4	35.8
Impairment and reversal of impairment losses	–	-108.1
Dividends received	-47.3	-32.9
Changes in other comprehensive income of at-equity accounted investees	8.8	-2.9
Foreign currency translation	1.1	4.3
As at December 31	**345.8**	**298.5**

Investments in at-equity accounted investees include carrying amounts of joint ventures in the amount of €221.4 million (PY: €202.2 million) and of associates in the amount of €124.4 million (PY: €96.3 million).

At €46.3 million, the changes in the consolidation method in the previous year related to the shares in the exhaust technology specialist formerly known as Emitec Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, which was reclassified to fully consolidated companies following the acquisition of the remaining shares and now operates as Continental Emitec GmbH, Lohmar, Germany, effective October 24, 2014. On February 3, 2014, the investment carrying amount of €15.1 million in Alphapeak Ltd., Lichfield, U.K., was reclassified to fully consolidated companies owing to the acquisition of the remaining 50% of shares. Effective February 3, 2014, this company is now operating under the name Continental Engineering Services Ltd., Lichfield, U.K.

The acquisition of the remaining 50% of shares in the former Emitec Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, from the former co-shareholder GKN Driveline International GmbH, Lohmar, Germany, made it necessary to recognize an impairment loss of €33.8 million on the at-equity accounted investee in the previous year.

In view of the increasing competition in the development and production of battery cells for the automobile industry, Continental and its Korean partner SK Innovation Co., Ltd., Seoul, South Korea, concluded and, as at December 18, 2014, implemented an agreement to dissolve the joint venture SK Continental E-motion Pte. Ltd., Singapore, Singapore. This led to an impairment loss on the carrying amount of the investment of €74.3 million in the Powertrain segment in the previous year.

A significant joint venture of the Rubber Group in the Passenger and Light Truck Tire Original Equipment business unit is MC Projects B.V., Maastricht, Netherlands, plus its subsidiaries. The company that is jointly controlled by Continental Global Holding Netherlands B.V., Maastricht, Netherlands, and COMPAGNIE FINANCIÈRE DU GROUPE MICHELIN, "Sendard et Cie," Granges-Paccot, Switzerland, which each hold 50% of the voting rights, essentially operates in the field of delivering tire-wheel assemblies for the automotive manufacturers. Michelin contributed the rights to the Uniroyal brand for Europe to the joint venture. MC Projects B.V. licenses these rights to Continental.

The following shares were held in significant joint ventures in the Automotive Group:

- Continental Aktiengesellschaft, Hanover, Germany, holds a 49% of the voting rights in Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China, which is jointly controlled with Huayu Automotive Systems Co., Ltd., Shanghai, China. The key business purpose of the company is the production of hydraulic braking systems for the Chinese market; it is assigned to the Hydraulic Brake Systems and Vehicle Dynamics business units.

- SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, is jointly controlled by Continental Automotive GmbH, Hanover, Germany, and Faurecia Automotive GmbH, Stadthagen, Germany. Both shareholders hold 50% of the voting rights. The object of the company and its subsidiaries is essentially the development, assembly and distribution of cockpits and other modules for the automotive industry. The company therefore belongs to the Instrumentation & Driver HMI business unit.

The figures taken from the last two available sets of IFRS annual financial statements (2014 and 2013) for the main joint ventures above are as follows. Amounts are stated at 100%. Furthermore, the pro rata net assets have been reconciled to the respective carrying amount. All shares are accounted for using the equity method.

	MC Projects B.V.		**Shanghai Automotive Brake Systems Co., Ltd.**		**SAS Autosystemtechnik GmbH & Co. KG**	
in € millions	2014	2013	2014	2013	2014	2013
Dividends received	10.0	–	16.5	14.9	15.0	20.0
Current assets	138.9	134.5	225.4	196.6	437.1	462.6
thereof cash and cash equivalents	35.5	22.9	41.1	44.2	98.6	110.0
Non-current assets	68.5	71.0	87.1	62.9	84.5	77.1
Total assets	207.4	205.5	312.5	259.4	521.6	539.7
Current liabilities	77.6	83.6	139.9	121.8	418.2	437.5
thereof other short-term financial liabilities	2.2	2.1	–	–	–	–
Non-current liabilities	6.1	6.5	12.0	–	5.2	11.3
thereof long-term financial liabilities	1.3	1.3	–	–	–	–
Total liabilities	83.7	90.1	151.9	121.8	423.4	448.7
Sales	132.3	152.9	418.8	379.7	3,199.0	3,000.6
Interest income	1.4	0.5	0.9	0.6	0.3	0.4
Interest expense	0.4	0.4	–	–	0.6	0.3
Depreciation and amortization	10.3	11.6	9.9	9.4	17.2	16.1
Earnings from continued operations	10.0	–0.6	39.5	33.6	35.5	44.1
Other comprehensive income	–1.8	–0.1	–	–	1.8	–3.3
Income tax expense	7.1	6.1	6.3	10.5	15.7	16.5
Earnings after taxes	8.3	–0.6	39.5	33.6	37.2	40.9
Contingent liabilities	–	–	–	–	46.6	43.7
Net assets	123.7	115.4	160.6	137.6	98.2	91.0
Share of net assets	61.8	57.7	78.7	67.4	49.1	45.5
Goodwill	–	–	10.6	10.6	20.3	20.3
Foreign currency translation	–	–	–10.7	–8.8	–	–
Gain on the sale of shares in investments	–	–	–	–0.5	–	–
Change in other comprehensive income prior year	–	–	–7.0	–1.1	–0.9	1.4
Share of earnings prior year	–5.3	2.8	0.0	0.0	–	0.1
Carrying amount	56.5	60.5	71.7	67.6	68.5	67.3

IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, is a material associate. Continental Automotive GmbH, Hanover, Germany, holds 20% of the shares and voting rights. The company, together with its subsidiaries, essentially performs development services for the automotive industry and is assigned to the Engine Systems business unit.

The figures taken from the last two available sets of IFRS annual financial statements (2014 and 2013) for IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, are as follows. Amounts are stated at 100%. Furthermore, the pro rata net assets have been reconciled to the respective carrying amount, which is accounted for using the equity method.

	IAV GmbH Ingenieurgesellschaft Auto und Verkehr	
in € millions	2014	2013
Dividends received	0.2	0.2
Current assets	248.3	222.0
Non-current assets	194.1	148.9
Total assets	442.4	370.9
Current liabilities	182.4	150.4
Non-current liabilities	86.5	68.2
Total liabilities	268.9	218.6
Sales	663.7	585.7
Earnings from continued operations	19.7	22.3
Other comprehensive income	2.1	–
Earnings after taxes	21.7	22.3
Contingent liabilities	83.1	81.2
Net assets	173.4	152.3
Share of net assets	34.7	30.5
Goodwill	12.7	12.7
Change in other comprehensive income prior year	–0.4	0.0
Share of earnings prior year	0.4	–0.4
Carrying amount	47.5	42.8

The figures taken from the last two available sets of annual financial statements (2014 and 2013) for the joint ventures and associates that are not material to the corporation are summarized as follows. Amounts are stated in line with the investment ratio.

	Associated companies		Joint ventures	
in € millions	2014	2013	2014	2013
Earnings from continued operations	4.9	3.1	0.6	0.4
Earnings after taxes	**4.9**	**3.1**	**0.6**	**0.4**

15. Other Investments

in € millions	Dec. 31, 2015	Dec. 31, 2014
Investments in unconsolidated affiliated companies	7.7	4.7
Other participations	6.4	6.0
Other investments	**14.1**	**10.7**

Other investments are carried at cost, unless there are listings for these shares on the capital markets and unless the calculation of fair value is expected to provide a significant improvement for the presentation of financial statements. There is no intention to sell these at the current time. The additions of €3.4 million in the year under review partly resulted from the acquisition of Veyance Technologies.

16. Deferred Taxes

Deferred tax assets and liabilities are composed of the following items:

	Dec. 31, 2015		Dec. 31, 2014[1]	
in € millions	Assets	Liabilities	Assets	Liabilities
Other intangible assets and goodwill	80.9	470.9	119.2	226.3
Property, plant and equipment	114.6	312.4	108.3	186.7
Inventories	286.6	86.6	262.5	85.9
Other assets	195.9	239.1	188.6	268.8
Pension liabilities and similar obligations less defined benefit assets	797.5	34.0	691.2	23.0
Provisions for other risks and obligations	206.7	12.1	189.7	17.8
Indebtedness	277.6	17.1	269.1	19.7
Other differences	215.5	144.6	165.0	135.1
Allowable tax credits	32.9	–	51.8	–
Tax losses carried forward and limitation of interest deduction	417.1	–	312.8	–
Offsetting (IAS 12.74)	-955.6	-955.6	-784.8	-784.8
Amount recognized in statement of financial position	**1,669.7**	**361.2**	**1,573.4**	**178.5**
Net deferred taxes	**1,308.5**	**–**	**1,394.9**	**–**

1 The prior-year comparative figures have been restated in accordance with the 2015 structure.

Deferred taxes are measured in accordance with IAS 12 at the tax rate applicable for the periods in which they are expected to be realized. Since 2008, there has been a limit on the deductible interest that can be carried forward in Germany; the amount deductible under tax law is limited to 30% of taxable income before depreciation, amortization and interest.

In particular, the development of deferred taxes was influenced by various acquisitions and by the change in actuarial gains and losses from pensions and similar obligations in the year under review. Please see Notes 5 and 24.

Deferred tax assets were up €96.3 million to €1,669.7 million (PY: €1,573.4 million). This was chiefly due to a rise in deferred taxes on pension liabilities and similar obligations and to tax losses carried forward and limitation of interest deduction. The latter increased in the year under review to €417.1 million (PY: €312.8 million). This development was primarily influenced by the recognition of deferred taxes on tax losses carried forward due to the acquisition of Veyance Technologies in the U.S.A. This was offset by the utilization of tax losses carried forward and limitation of interest deduction in the amount of €504.5 million (PY: €379.6 million).

Deferred tax liabilities increased by €182.7 million as compared to the previous year. This change particularly results from deferred taxes on other intangible assets and goodwill as well as property, plant and equipment.

As at December 31, 2015, the corporate tax losses carried forward amounted to €2,954.2 million (PY: €2,536.2 million). The majority of the corporation's tax losses carried forward relates to foreign subsidiaries and is mostly limited in the time period they can be carried forward.

Deferred tax assets were not recognized in relation to the following items, because it is currently not deemed sufficiently likely that they will be utilized.

in € millions	Dec. 31, 2015	Dec. 31, 2014
Temporary differences	76.6	60.2
Tax losses carried forward and limitation of interest deduction	409.2	378.0
Allowable tax credits	37.3	41.1
Total unrecognized deferred tax assets	**523.1**	**479.3**

As at December 31, 2015, some corporation companies and tax groups that reported a loss recognized total deferred tax assets of €155.8 million (PY: €71.1 million), which arose from current losses, tax losses carried forward and a surplus of deferred tax assets. Given that future taxable income is expected, it is sufficiently probable that these deferred tax assets can be realized.

The temporary differences from retained earnings of foreign companies amount to a total of €596.0 million (PY: €487.7 million).

Deferred tax liabilities were not taken account, since remittance to the parent company cannot be ruled out in the short and medium term.

The measurement differences from assets or liabilities held for sale are included in the “Other assets” and “Other differences” items.

17. Other Financial Assets

	Dec. 31, 2015		Dec. 31, 2014	
in € millions	Current	Non-current	Current	Non-current
Amounts receivable from related parties	60.6	0.3	47.1	0.3
Loans to third parties	–	47.3	–	33.2
Amounts receivable from employees	19.3	–	19.5	–
Amounts receivable for customer tooling	240.8	–	210.2	–
Other amounts receivable	114.0	–	105.7	8.4
Other financial assets	**434.7**	**47.6**	**382.5**	**41.9**

The receivables from related parties are mainly attributable to receivables from operating service business with at-equity accounted investees and shareholders, as well as loans to associates.

Loans to third parties mainly relate to tenants' loans for individual properties and include loans to customers with various maturities.

Receivables from employees relate mainly to preliminary payments for hourly wages and for other advances.

The receivables from the sale of customer tooling relate to costs that have not yet been invoiced. The rise of €30.6 million as compared to the previous year resulted essentially from the Automotive Group.

In particular, other financial receivables include investment subsidies for research and development expenses not yet utilized and amounts receivable from suppliers. The carrying amounts of the other financial assets are essentially their fair values. Impairment amounting to a total of €14.4 million (PY: €3.6 million) was recognized for the probable default risk on other financial assets. Expenses of €10.8 million (PY: income of €0.2 million) were incurred in the period under review.

18. Other Assets

	Dec. 31, 2015		Dec. 31, 2014	
in € millions	**Current**	**Non-current**	Current	Non-current
Tax refund claims (incl. VAT and other taxes)	477.4	–	433.7	–
Prepaid expenses	144.1	–	119.4	–
Others	182.4	21.5	178.2	19.7
Other assets	**803.9**	**21.5**	**731.3**	**19.7**

The tax refund claims primarily resulted from VAT receivables from the purchase of production materials.

In particular, prepaid expenses include rent and maintenance services paid for in advance and license fees. Among other things, the "Others" item includes other deferred or advanced costs.

Impairment totaling €5.3 million (PY: €5.5 million) was recognized for the probable default risk on other assets. As in the previous year, neither expenses nor income arose in a significant amount in the reporting period.

19. Inventories

in € millions	**Dec. 31, 2015**	Dec. 31, 2014
Raw materials and supplies	1,106.9	995.2
Work in progress	450.6	366.7
Finished goods and merchandise	1,802.6	1,625.7
Inventories	**3,360.1**	**2,987.6**

Write-downs recognized on inventories increased by €34.8 million to €355.6 million (PY: €320.8 million).

20. Trade Accounts Receivable

in € millions	Dec. 31, 2015	Dec. 31, 2014[1]
Trade accounts receivable	6,831.7	5,951.9
Allowances for doubtful accounts	–108.8	–105.7
Trade accounts receivable	**6,722.9**	**5,846.2**

1 The prior-year comparative figures have been restated in accordance with the 2015 structure.

The carrying amounts of the trade accounts receivable, net of allowances for doubtful accounts, are their fair values.

The risk provision is calculated on the basis of corporation-wide standards. Customer relationships are analyzed at regular intervals. Individual valuation allowances are distinguished from general portfolio allowances for trade accounts receivable measured at amortized cost. Trade accounts receivable for which individual valuation allowances must be recognized are not taken into account in calculating the general portfolio allowance.

The allowance for doubtful accounts essentially includes estimates and assessments of individual receivables based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments.

Individual allowances are recognized if the customer displays significant financial difficulties or there is a high probability of insolvency. Corresponding expenses are recognized in the allowances for doubtful accounts. If there is evidence of uncollectibility, the receivables are derecognized. If creditworthiness improves, the allowance is reversed.

Accordingly, the specific valuation allowances and general portfolio allowances for trade accounts receivable developed as follows in the year under review:

in € millions	2015	2014[1]
As at January 1	**105.7**	**96.3**
Additions	51.7	41.4
Utilizations	–19.4	–14.0
Reversals	–29.6	–19.1
Foreign currency translation	0.4	1.1
As at December 31	**108.8**	**105.7**

1 The prior-year comparative figures have been restated in accordance with the 2015 structure.

The Continental Corporation uses several programs for the sale of receivables. When the risks and rewards of receivables, in particular credit and default risks, have not been primarily transferred, the receivables are still recognized as assets in the statement of financial position.

Under the existing sale of receivables programs, the contractual rights to the receipt of payment inflows have been assigned to the corresponding contractual parties. The transferred receivables have short remaining terms. As a rule, therefore, the values recognized in the balance sheet as at the reporting date in the amount of €1,963.6 million (PY: €2,082.8 million) are approximately equivalent to their fair value. The respective liabilities with a fair value of €638.8 million (PY: €840.9 million) and a carrying amount of €638.1 million (PY: €842.9 million) represent the liquidation proceeds from the sale of the receivables.

On April 29, 2015, the sale of receivables program concluded in April 2014 with Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg, was extended until the end of April 2016. At the same time, the financing volume was reduced from €250.0 million to €245.0 million. As at the end of 2015, €130.0 million (PY: €249.3 million) of this program had been utilized.

The indefinite sale of receivables program in place with Landesbank Hessen-Thüringen Girozentrale, Frankfurt am Main, Germany, since December 2010 still provides for a financing volume of €150.0 million. At the end of 2015, financing of €75.0 million (PY: €104.4 million) had been utilized under this program.

The sale of receivables program in place with the U.S. banks Wells Fargo Bank N.A., Atlanta, Georgia; Norddeutsche Landesbank, New York branch, New York; and Bank of America N.A., Charlotte, North Carolina, was prolonged by a further year on November 10, 2015. The financing volume is still U.S. $400.0 million. As at the end of 2015, the equivalent of €133.1 million (PY: €0.1 million) of the program had been utilized.

The sale of receivables program originally set up with The Royal Bank of Scotland N.V. Frankfurt branch, Frankfurt am Main, Germany, at the end of April 2012 was terminated in July 2015. As at the end of 2014, utilization amounted to €90.7 million.

In July 2012, a sale of receivables program was agreed with Crédit Agricole Corporate and Investment Bank, Paris, France. The program has a term of up to five years if prolonged by both parties on an annual basis. It was last prolonged in this way on July 21, 2015. At the same time, the parties agreed to reduce the financing volume from the original amount of €300.0 million to €200.0 million. As at December 31, 2015, the program had been utilized in the amount of €200.0 million (PY: €248.4 million).

On January 30, 2013, a sale of receivables program was concluded with Landesbank Baden-Württemberg, Stuttgart, Germany. The agreement, last amended on May 7, 2015, continues until the end of January 2020, if prolonged by both parties on an annual basis. The agreed financing volume has now been reduced to €100.0 million (PY: €150.0 million). However, the agreement grants Continental the option to increase the maximum financing volume to €175.0 million if necessary. This program had been utilized in the amount of €100.0 million (PY: €150.0 million) at the end of 2015.

The trade accounts receivable for which specific valuation allowances have not been recognized are broken down into the following maturity periods:

			thereof overdue in the following maturity periods					
in € millions	**Book value**	thereof not overdue	less than 15 days	15–29 days	30–59 days	60–89 days	90–119 days	120 days and more
December 31, 2015								
Trade accounts receivable[1]	**5,430.1**	5,015.3	172.8	54.2	79.9	19.6	18.0	70.3
December 31, 2014[2]								
Trade accounts receivable[1]	**5,216.2**	4,887.1	128.0	66.5	62.4	15.9	10.3	46.0

1 The difference between this figure and the first table in this Note of €1,401.6 million (PY: €735.7 million) resulted from receivables for which specific valuation allowances have been recognized.
2 The prior-year comparative figures have been restated in accordance with the 2015 structure.

Based on the customers' payment history and analysis of their creditworthiness, the Continental Corporation expects that the overdue receivables not written down and the receivables not overdue will be settled in full and no valuation allowance will be required. The receivables as at December 31, 2015, do not include any amounts from the percentage-of-completion method.

21. Cash and Cash Equivalents

Cash and cash equivalents include all liquid funds and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value.

As at the reporting date, cash and cash equivalents amounted to €1,621.5 million (PY: €3,243.8 million), €1,381.2 million (PY: €2,870.6 million) of which was unrestricted.

For information on the interest rate risk and the sensitivity analysis for financial assets and liabilities, please see Note 28.

22. Assets Held for Sale

in € millions	Dec. 31, 2015	Dec. 31, 2014
Individual assets held for sale	2.8	2.6
Assets of a disposal group	9.2	0.4
Assets held for sale	**12.0**	**3.0**

The assets held for sale in the amount of €12.0 million (PY: €3.0 million) particularly include the planned disposal of the steel cord conveyor belt operations of Veyance Technologies in Brazil. As part of the acquisition of Veyance Technologies in January 2015, ContiTech agreed with the antitrust authorities to sell these operations. In addition, assets held for sale also include smaller properties.

23. Equity

Number of shares outstanding	2015	2014
As at January 1	**200,005,983**	**200,005,983**
Change in the period	–	–
As at December 31	**200,005,983**	**200,005,983**

The subscribed capital of Continental AG was unchanged year-on-year. At the end of the reporting period it amounted to €512,015,316.48 and was composed of 200,005,983 no-par-value shares with a notional value of €2.56 per share.

The authorization of the Executive Board, with the approval of the Supervisory Board, to increase the share capital by up to €70.0 million by issuing new shares against cash or contributions in kind by April 26, 2015 was not utilized. The authorized capital has accordingly lapsed.

The authorization of the Executive Board to issue subscription rights to new shares in the company in line with the 2008 stock option plan and the 2004 stock option plan has expired. There are no longer any subscription rights under the two stock option plans. The condition for increasing the share capital by up to €16.5 million still by issuing new shares in the company can therefore no longer be met.

The authorization of the Executive Board, limited until April 26, 2015, to issue convertible bonds and/or warrant-linked bonds and other financial instruments that grant a right to subscribe to new Continental shares was not utilized. The condition for increasing the share capital by up to €51.0 million by issuing up to 19,921,875 new bearer shares therefore was not met and can no longer be met. The contingent capital was deleted from the Articles of Incorporation by way of a Supervisory Board resolution from April 30, 2015.

The change in conditional capital is shown in the table below:

in € thousands	2015	2014
Conditional capital as at January 1	**67,463**	**67,463**
Disposals	-67,463	–
Conditional capital as at December 31	**–**	**67,463**

Under the German Stock Corporation Act *(Aktiengesetz – AktG)*, the dividends distributable to the shareholders are based solely on Continental AG's retained earnings as at December 31, 2015, of €1,014.2 million (PY: €749.2 million), as reported in the annual financial statements prepared in accordance with the German Commercial Code. The Supervisory Board and the Executive Board will propose to the Annual Shareholders' Meeting the distribution of a dividend of €3.75 per share. With 200,005,983 no-par-value shares entitled to dividends, the total distribution thus amounted to €750,022,436.25. The remaining amount is to be carried forward to new account.

24. Provisions for Pension Liabilities and Similar Obligations

Provisions for pension liabilities and similar obligations are shown in the following items of the statement of financial position:

in € millions	Dec. 31, 2015	Dec. 31, 2014
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	3,261.6	3,240.7
Provisions for other post-employment benefits	229.9	212.9
Provisions for similar obligations	41.2	30.1
Provisions for pension liabilities and similar obligations	**3,532.7**	**3,483.7**
Defined benefit assets (difference between pension obligations and related funds)	**18.9**	**1.6**

Pension plans

In addition to statutory pension insurance, the majority of employees are also entitled to defined benefit or defined contribution plans after the end of their employment.

Our pension strategy is focusing on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system. Many defined benefit plans were closed for new employees or future service and replaced by defined contribution plans.

In countries in which defined contribution plans are not possible for legal or economic reasons, defined benefit plans were optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

Defined benefit plans

Defined benefit plans include pension plans, termination indemnities regardless of the reason for the end of employment and other post-employment benefits. As a result of the significant increase in the number of employees in recent years and the high level of acquisition activity, pension obligations essentially relate to active employees. The defined benefit pension plans cover 151,146 beneficiaries, including 103,097 active employees, 18,351 former employees with vested benefits and 29,698 retirees and surviving dependents. The pension obligations are concentrated in four countries: Germany, the U.S.A., the U.K. and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligation is 15 years. This term is based on the present value of the obligation.

Germany

In Germany, Continental provides pension benefits through the cash balance plan, prior commitments and deferred compensation.

The retirement plan regulation applicable to active members is based primarily on the cash balance plan and thus on benefit modules. When the insured event occurs, the retirement plan assets are paid out as a lump-sum benefit, in installments or as a pension, depending on the amount of the retirement plan assets. There are no material minimum guarantees in relation to a particular amount of retirement benefits.

Pension plans transferred to or assumed by Continental in the context of acquisitions (Siemens VDO, Temic, Teves, Phoenix) were included in the cash balance plans. For the main German companies, the cash balance plan is partly covered by funds in contractual trust arrangements (CTAs). In Germany there are no legal or regulatory minimum allocation obligations.

The CTAs are legally independent from the company and manage the plan assets as trustees in accordance with the respective CTAs.

Part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets in fiscal 2015 as a result of amendments to the articles of incorporation. As a result, assets amounting to €341.3 million were reported net of the associated obligations. The remaining share of Continental Pension Trust e. V. that was not netted amounts to €475.6 million and includes shares in ContiTech AG, Hanover, Germany, that were taken into account in the consolidation.

Some prior commitments were granted through two legally independent pension contribution funds. Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG, and Pensionskasse von 1925 der Phoenix AG VVaG have been closed since March 1, 1984 and July 1, 1983, respectively. The pension funds are smaller associations within the meaning of Section 53 of the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz – VAG*) and are subject to the supervision of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). The investment regulations are in accordance with the legal requirements and risk structure of the obligations. The pension funds have tariffs with an interest rate of 3.5%. Under the German Company Pensions Law (*Betriebsrentengesetz – BetrAVG*), Continental is ultimately liable for the implementation path of the pension fund. In accordance with IAS 19, the pension obligations covered by the pension fund are therefore defined benefit pension plans. The pension funds met their minimum net funding requirement as at December 31, 2015. However, given that only the plan members are entitled to the assets and amounts generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

The company also supports private contribution through deferred compensation schemes.

Deferred compensation is essentially offered through a fully-funded multi-employer plan (*Höchster Pensionskasse VVaG*) for contributions up to 4% of the assessment ceiling in social security. The pension fund ensures guaranteed minimum interest for which Continental is ultimately liable under the German Company Pensions Law. The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse is a combined defined benefit plan for several companies and Continental has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan.

Entitled employees can use the cash balance plan for deferred compensation contributions above the 4% assessment ceiling. This section is funded by insurance annuity contracts.

U.S.A.
Owing to its acquisition history, Continental has various defined benefit plans in the U.S.A., which were closed to new entrants and frozen to accretion of further benefits in a period from April 1, 2005, to December 31, 2011. The acquisition of Veyance Technologies also included an open defined benefit plan for unionized employees.

The closed defined benefit plans are commitments on the basis of the average final salary for employees of the Tire and Automotive segments and cash balance commitments for former Siemens VDO employees. The defined benefit plans for unionized and non-unionized employees are based on a pension multiplier per year of service.

Closed defined benefit plans were replaced by defined contribution plans. Defined contribution plans apply to the majority of active employees in the U.S.A.

The plan assets of the defined benefit plans are managed in a master trust. Investment supervision was delegated to the Pension Committee, a body appointed within the corporation. The legal and regulatory framework for the plans is based on the U.S. Employee Retirement Income Security Act (ERISA). The valuation of the financing level is required on the basis of this law. The interest rate used for this calculation is the average rate over a period of 25 years and therefore currently higher than the interest rate used to discount obligations under IAS 19. The statutory valuation therefore gives rise to a lower obligation than that in line with IAS 19. There is a regulatory requirement to ensure minimum funding of 80% in the defined benefit plans to prevent benefit curtailments.

United Kingdom
Continental maintains four defined benefit plans as a result of its history of acquisitions in the United Kingdom. All plans are commitments on the basis of the average or final salary. The four plans were closed to new employees in the period between April 1, 2002 and November 30, 2004. Continental offers defined contribution plans for all employees who have joined the company since that time.

Our pension strategy in the U.K. focuses on reducing risks and includes the option of partially or completely funding by purchasing annuities.

The funding conditions are defined by the U.K. Pensions Regulator and the corresponding laws and regulations. The defined benefit plans are managed by trust companies. The boards of trustees of these companies have an obligation solely to the good of the beneficiaries on the basis of the trust agreement and the law.

The necessary funding is determined every three years through technical valuations in line with local provisions. The obligations are measured using a discounting rate based on government bonds and other conservatively selected actuarial assumptions. Compared to IAS 19, which derives the discounting rate from senior corporate bonds, this usually results in a higher obligation. Three of the four defined benefit plans had a funding deficit on the basis of the most recent technical valuation. The trustees and the company have agreed on a recovery plan that provides for additional temporary annual payments. The valuation process must be completed within 15 months of the valuation date. The technical valuations will be completed in 2016 for two plans and in 2017 for the other two plans.

The last technical valuations of the four defined benefit pension plans took place with their valuation dates between December 2011 and March 2013 and led to the following result:

- Continental Teves UK Employee Benefit Scheme (assessment as at December 31, 2011): As part of the assessment, an agreement on a minimum annual endowment of GBP 1.4 million over a period of four years was resolved.

- Continental Group Pension and Life Assurance Scheme (assessment as at April 5, 2012): As part of the assessment, an agreement on a minimum annual endowment of GBP 1.8 million and an annual adjustment of 3% over a period of six years and ten months was resolved.

- Mannesmann UK Pension Scheme (assessment as at March 31, 2013): The plan is fully endowed, meaning that there is no need for additional payments.

- Phoenix Dunlop Oil & Marine Pension Scheme (assessment as at December 31, 2012): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 1.5 million and an annual adjustment of 3.5% over a period of seven years. Thereafter, there will be an annual payment of GBP 0.7 million and an annual adjustment of 3.5% over a period of another three years.

Canada

As part of the acquisition of Veyance Technologies, Continental took on six defined benefit pension plans (one plan for non-unionized employees and five plans for unionized employees). The pension plans are based mainly on a pension multiplier per year of service. Due to the announced closure in Bowmanville, funding for the Bowmanville pension plan will be completely funded by purchasing annuities over the next two years.

Fluctuations in the amount of the pension obligation resulting from exchange rate effects are subject to the same risks as the overall business development. These relate mainly to the currencies of the U.S.A., Canada and the U.K. and have no material impact on Continental. For information on the effects of interest rate risks and longevity risk on the pension obligations, please refer to the sensitivities described later on in this section.

The pension obligations for Germany, the U.S.A., Canada, the U.K. and other countries, as well as the amounts for the Continental Corporation as a whole, are shown in the tables below.

The reconciliation of the changes in the defined benefit obligations from the beginning to the end of the year is as follows:

	2015						2014					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Defined benefit obligations as at January 1	**3,482.9**	**1,081.1**	**78.7**	**367.5**	**255.4**	**5,265.6**	**2,605.5**	**863.5**	**69.1**	**292.0**	**222.1**	**4,052.2**
Foreign currency differences	–	123.2	-9.2	21.7	0.1	**135.8**	–	123.2	3.0	22.2	4.9	**153.3**
Current service cost	151.3	7.0	2.5	4.8	22.5	**188.1**	104.8	–	0.4	3.8	17.8	**126.8**
Service cost from plan amendments	–	–	0.1	–	0.0	**0.1**	0.7	–	–	–	0.7	**1.4**
Curtailments/settlements	–	–	5.6	–	-6.9	**-1.3**	–	-18.1	-1.6	–	-6.3	**-26.0**
Interest on defined benefit obligations	84.8	49.9	5.2	14.1	8.9	**162.9**	90.8	42.0	3.2	13.2	9.1	**158.3**
Actuarial gains/losses from changes in demographic assumptions	–	-41.2	0.7	0.5	3.2	**-36.8**	-0.4	73.4	3.5	–	-0.8	**75.7**
Actuarial gains/losses from changes in financial assumptions	-145.2	-79.4	-9.7	-17.0	-1.0	**-252.3**	644.2	107.8	5.5	44.6	21.0	**823.1**
Actuarial gains/losses from experience adjustments	328.0	13.0	0.0	-2.7	2.7	**341.0**	89.6	-5.1	-0.8	0.0	-0.9	**82.8**
Net changes in the scope of consolidation	5.6	112.7	77.0	–	3.8	**199.1**	39.6	–	–	–	-0.5	**39.1**
Employee contributions	–	–	0.3	0.8	0.0	**1.1**	–	–	–	0.7	0.3	**1.0**
Other changes	–	–	–	-0.8	-0.5	**-1.3**	–	–	–	-0.6	1.0	**0.4**
Benefit payments	-93.3	-67.3	-10.8	-10.3	-12.9	**-194.6**	-91.9	-105.6	-3.6	-8.4	-13.0	**-222.5**
Defined benefit obligations as at December 31	**3,814.1**	**1,199.0**	**140.4**	**378.6**	**275.3**	**5,807.4**	**3,482.9**	**1,081.1**	**78.7**	**367.5**	**255.4**	**5,265.6**

The reconciliation of the changes in the plan assets from the beginning to the end of the year is as follows:

	2015						2014					
in € millions	Germany	U.S.A.	CAN	U.K.	Other	Total	Germany	U.S.A.	CAN	U.K.	Other	Total
Fair value of plan assets as at January 1	**736.1**	**772.2**	**67.5**	**344.1**	**115.8**	**2,035.7**	**710.3**	**714.9**	**63.4**	**289.9**	**103.7**	**1,882.2**
Foreign currency differences	–	88.1	-8.1	19.8	-0.8	**99.0**	–	91.4	2.5	21.3	3.2	**118.4**
Interest income from pension funds	13.1	34.4	4.5	13.3	4.5	**69.8**	36.6	35.2	3.0	13.2	5.2	**93.2**
Actuarial gains/losses from plan assets	-2.7	-25.8	-1.3	9.4	-1.2	**-21.6**	11.0	28.5	1.8	19.1	-0.1	**60.3**
Employer contributions	3.1	18.0	6.5	10.5	17.6	**55.7**	1.7	13.3	0.6	9.0	14.8	**39.4**
Employee contributions	–	–	0.3	0.8	0.3	**1.4**	–	–	–	0.7	0.3	**1.0**
Curtailments/settlements	–	–	–	–	–	**–**	–	–	–	–	-4.9	**-4.9**
Net changes in the scope of consolidation	0.3	57.3	66.2	–	1.2	**125.0**	2.1	–	–	–	-0.5	**1.6**
Other changes	341.3	-6.5	-0.3	-0.9	-6.1	**327.5**	–	-5.5	-0.2	-0.7	0.9	**-5.5**
Benefit payments	-25.4	-67.2	-10.8	-10.3	-6.9	**-120.6**	-25.6	-105.6	-3.6	-8.4	-6.8	**-150.0**
Fair value of plan assets as at December 31	**1,065.8**	**870.5**	**124.5**	**386.7**	**124.4**	**2,571.9**	**736.1**	**772.2**	**67.5**	**344.1**	**115.8**	**2,035.7**

The carrying amount of pension provisions rose by €3.6 million as compared to the previous year. This was due to offsetting actuarial gains and losses, a slight increase in the discount rate, and adjustments owing to experience adjustments in the valuation. The latter are especially due to a change in the assumption regarding the way pensions are paid out, in line with the payment options granted. In Germany, it was assumed that the majority of beneficiaries upon reaching retirement age would opt for regular pension payments instead of a one-off payout. This led to an addition to the total amount of the valuation basis and consequently to an increase in defined benefit obligations and to actuarial losses. Defined benefit assets representing the net assets from pension obligations and related funds increased by €17.3 million year-on-year. This was chiefly due to the surplus of plan assets in the U.K.

€5,723 million (PY: €5,177.2 million) of the defined benefit obligations as at December 31, 2015, related to plans that are fully or partially funded and €84.4 million (PY: €88.4 million) relates to plans that are unfunded.

The rise in defined benefit obligations of €541.8 million compared to December 31, 2014, resulted in particular from changes in the scope of consolidation and actuarial gains and losses.

Plan assets in Germany included the CTA assets amounting to €679.3 million (PY: €333.6 million), pension contribution fund assets of €286.5 million (PY: €306.7 million) and insurance annuity contracts amounting to €97.5 million (PY: €93.7 million).

In the year under review, plan assets increased by €536.2 million to €2,571.9 million. This was chiefly due to the fact that part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets, resulting in an increase of €341.3 million to €679.3 million (PY: €333.6 million). Changes in the scope of consolidation also contributed to the increase in plan assets. Actuarial gains and losses on plan assets in Germany resulted from the actuarial gains of €9.9 million (PY: actuarial losses of €10.6 million) on official retirement funds and actuarial gains of €2.8 million (PY: €11.1 million) from the CTA.

In the Continental Corporation there are pension funds for previously defined contributions in Germany that have been closed to new entrants since July 1, 1983, and March 1, 1984, respectively. As at December 31, 2015, the minimum net funding requirement was exceeded; Continental AG has no requirement to make additional contributions. The pension fund assets had a fair value of €286.5 million as at December 31, 2015 (PY: €306.7 million). The pension funds have tariffs with an interest rate of 3.50%, for which Continental AG is ultimately liable under the German Company Pensions Law. Under this law, the pension obligations constitute a defined benefit pension plan; this plan must be reported in line with the development of pension provisions. However, given that only the plan members are entitled to the assets and income generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

The following table shows the reconciliation of the funded status to the amounts contained in the statement of financial position:

	Dec. 31, 2015						Dec. 31, 2014					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Funded status[1]	**–2,748.3**	**–328.5**	**–15.9**	**8.1**	**–150.9**	**–3,235.5**	**–2,746.8**	**–308.9**	**–11.2**	**–23.4**	**–139.6**	**–3,229.9**
Asset ceiling	–	–	–1.3	–5.5	–0.4	**–7.2**	–	–	–0.3	–6.2	–2.7	**–9.2**
Carrying amount	**–2,748.3**	**–328.5**	**–17.2**	**2.6**	**–151.3**	**–3,242.7**	**–2,746.8**	**–308.9**	**–11.5**	**–29.6**	**–142.3**	**–3,239.1**

1 Difference between plan assets and defined benefit obligations.

The net amount recognized comprises the following items of the statement of financial position:

	Dec. 31, 2015						Dec. 31, 2014					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Defined benefit assets	–	–	1.3	15.9	1.7	**18.9**	–	–	1.5	–	0.1	**1.6**
Pension provisions	–2,748.3	–328.5	–18.5	–13.3	–153.0	**–3,261.6**	–2,746.8	–308.9	–13.0	–29.6	–142.4	**–3,240.7**
Carrying amount	**–2,748.3**	**–328.5**	**–17.2**	**2.6**	**–151.3**	**–3,242.7**	**–2,746.8**	**–308.9**	**–11.5**	**–29.6**	**–142.3**	**–3,239.1**

The pension plan of Continental Automotive Trading UK Ltd., Birmingham, U.K., reports plan assets as at the end of the fiscal year that exceed the defined benefit obligations. The recognition of such an asset is limited to the present value of the benefits to the corporation (asset ceiling). As at December 31, 2015, this present value is €0.0 million (PY: €0.0 million).

The assumptions used to measure the pension obligations – in particular the discount factors for determining the interest on expected pension obligations and the expected return on plan assets, as well as the long-term salary growth rates and the long-term pension trend – are specified for each country.

In the principal pension plans, the following weighted-average valuation factors as at December 31 of the year have been used:

	2015					2014				
in %	**Germany[1]**	**U.S.A.**	**CAN**	**U.K.**	**Other**	Germany[1]	U.S.A.	CAN	U.K.	Other
Discount rate	2.35	4.50	4.10	3.80	3.50	2.15	4.00	4.00	3.60	3.54
Long-term salary growth rate	3.00	3.50	3.50	4.14	3.60	3.00	3.50	3.50	3.90	3.39

1 Not including the pension contribution funds.

Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2015, for the key countries: Germany 1.75% (PY: 1.75%), Canada 1.6% (PY: 1.6%), U.K. 3.1% (PY: 3.1%). For the U.S.A., the long-term pension trend does not constitute a significant measurement parameter.

Net pension cost can be summarized as follows:

	2015						2014					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	151.3	7.0	2.5	4.8	22.5	**188.1**	104.8	–	0.4	3.8	17.8	**126.8**
Service cost from plan amendments	–	–	0.1	–	–	**0.1**	0.7	–	–	–	0.7	**1.4**
Curtailments/settlements	–	–	5.6	–	-6.9	**-1.3**	–	-18.1	-1.6	–	-1.3	**-21.0**
Interest on defined benefit obligations	84.8	49.9	5.2	14.1	8.9	**162.9**	90.8	42.0	3.2	13.2	9.1	**158.3**
Expected return on plan assets	-13.1	-34.4	-4.5	-13.3	-4.5	**-69.8**	-36.6	-35.2	-3.0	-13.2	-5.2	**-93.2**
Effect of change of asset ceiling	–	–	–	–	0.3	**0.3**	–	–	0.1	–	0.4	**0.5**
Other pension income and expenses	–	1.9	0.3	–	0.5	**2.7**	–	0.9	0.3	–	0.1	**1.3**
Net pension cost	**223.0**	**24.4**	**9.2**	**5.6**	**20.8**	**283.0**	**159.7**	**-10.4**	**-0.6**	**3.8**	**21.6**	**174.1**

Curtailments and settlements in 2015 particularly relate to the plan formula in Canada and the resulting increase in the defined benefit pension obligation for the Bowmanville plan. This was offset by the effect of the settlement combined with a switch from defined benefit to defined contribution pension obligations in other countries.

The table below shows the reconciliation of changes in actuarial gains and losses at the start and end of the reporting year:

	2015						2014					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Actuarial gains/losses as at Jan. 1[1]	**-1,343.8**	**-371.1**	**-12.8**	**-74.4**	**-58.2**	**-1,860.3**	**-621.4**	**-218.9**	**-8.9**	**-49.6**	**-39.1**	**-937.9**
Actuarial gains/losses from defined benefit obligations	-182.8	107.6	9.0	19.2	-4.9	**-51.9**	-733.4	-176.1	-8.2	-44.6	-19.3	**-981.6**
Actuarial gains/losses from plan assets	-2.7	-25.8	-1.3	9.4	-1.2	**-21.6**	11.0	23.9	1.8	18.9	-0.1	**55.5**
Actuarial gains/losses from asset ceiling	–	–	-1.0	0.9	2.1	**2.0**	–	–	2.5	0.9	0.3	**3.7**
Actuarial gains/losses as at Dec. 31	**-1,529.3**	**-289.3**	**-6.1**	**-44.9**	**-62.2**	**-1,931.8**	**-1,343.8**	**-371.1**	**-12.8**	**-74.4**	**-58.2**	**-1,860.3**

1 Amounts including minority interests, but adjusted for effects of investments consolidated using the equity method, not including pension funds and companies with an asset ceiling.

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation due to changes in the actuarial assumptions made. Firstly, a slight increase in the discounting factor compared to 2014 resulted in actuarial gains in all key countries in the 2015 reporting period. Secondly, these gains were more than offset overall by losses due to differing events in Germany. By contrast, the actuarial gains incurred in the 2014 reporting period were due to a significant decrease in the discounting factor compared to 2013.

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

If the other assumptions are maintained, a one-half percentage point increase or decrease in the discount rate used to discount pension obligations would have had the following impact on the pension obligations as at the end of the reporting period:

	Dec. 31, 2015					Dec. 31, 2014				
in € millions	Germany[1]	U.S.A.	CAN	U.K.	Other	Germany[1]	U.S.A.	CAN	U.K.	Other
0.5% increase										
Effects on service and interest cost	–9.8	–1.6	–0.2	0.0	0.6	–10.5	1.8	0.2	0.0	–0.4
Effects on benefit obligations	–330.4	–64.3	–9.7	–31.4	–27.0	–238.5	–61.4	–4.8	–28.8	–16.6
0.5% decrease										
Effects on service and interest cost	10.9	1.2	0.1	–0.2	–0.1	11.9	–1.5	–0.2	0.0	1.3
Effects on benefit obligations	384.0	70.9	10.7	35.7	33.6	271.1	68.1	5.3	32.8	18.6

1 Not including the pension contribution funds.

A one-half percentage point increase or decrease in the long-term salary growth rate would have had the following impact on the pension obligations as at the end of the reporting period:

	Dec. 31, 2015				Dec. 31, 2014			
in € millions	Germany	U.S.A.[1]	CAN	U.K.	Germany	U.S.A.[1]	CAN	U.K.
0.5% increase								
Effects on benefit obligations	1.8	–	0.9	5.1	2.1	–	0.1	4.6
0.5% decrease								
Effects on benefit obligations	–1.5	–	–0.9	–4.8	–2.0	–	–0.1	–4.3

1 Any change in the long-term salary growth rate would have no effect on the value of the benefit obligations.

A one-half percentage point increase or decrease in the long-term pension trend would have had the following impact on the pension obligations as at the end of the reporting period:

	Dec. 31, 2015				Dec. 31, 2014			
in € millions	Germany	U.S.A.[1]	CAN	U.K.	Germany	U.S.A.[1]	CAN	U.K.
0.5% increase								
Effects on benefit obligations	148.6	–	3.6	22.7	105.8	–	3.8	20.9
0.5% decrease								
Effects on benefit obligations	–135.0	–	–3.3	–21.3	–97.2	–	–3.5	–20.0

1 Any change in the long-term pension trend would have no effect on the value of the benefit obligations.

Changes in the discount rate and the salary and pension trends do not have a linear effect on the defined benefit obligations (DBO) owing to the financial models used (particularly due to the compounding of interest rates). For this reason, the net periodic pension cost derived from the pension obligations does not change by the same amount as a result of an increase or decrease in the actuarial assumptions.

In addition to the aforementioned sensitivities, the impact of a one-year-longer life expectancy on the value of benefit obligations was computed for the key countries. A one-year increase in life expectancy would lead to a €177.2 million (PY: €91.8 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €134.3 million (PY: €53.4 million), U.S.A. €28.5 million (PY: €27.0 million), U.K. €11.1 million (PY: €9.6 million), and Canada €3.3 million (PY: €1.8 million). In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on Prof. Klaus Heubeck's Richttafeln 2005 G. For foreign pension plans, comparable criteria are used for the respective country.

Pension funds

The structure of the corporation's plan assets is reviewed by the investment committees on an ongoing basis taking into account the forecast pension obligations. In doing so, the investment committees regularly review the investment decisions taken, the underlying expected returns of the individual asset classes reflecting empirical values and the selection of the external fund managers.

The portfolio structures of the pension plan assets at the measurement date for the fiscal years 2015 and 2014 are as follows:

in %	**2015**					2014				
Asset class	**Germany[1]**	**U.S.A.**	**CAN**	**U.K.**	**Other**	Germany[1]	U.S.A.	CAN	U.K.	Other
Equity instruments	1	52	55	23	11	2	69	49	25	12
Debt securities	62	39	44	44	56	62	26	51	46	52
Real estate	6	–	–	1	1	11	4	–	1	1
Absolute return[2]	11	–	–	25	24	–	–	–	23	22
Cash, cash equivalents and other[3]	20	9	1	7	8	25	1	–	5	13
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

1 The portfolio structure of the fund assets in Germany excludes the pension contribution funds, whose assets are invested mainly in fixed-income securities.
2 This refers to investment products that aim to achieve a positive return regardless of market fluctuations.
3 For Germany, diversified growth funds were classified as this type of asset in the year under review. The prior-year comparative figures have been restated in accordance with the 2015 structure.

The following table shows the cash contributions made by the company to the pension funds for 2015 and 2014 as well as the expected contributions for 2016:

in € millions	2016 (expected)	**2015**	2014
Germany	0.1	3.1	1.7
U.S.A.	23.3	18.0	13.3
CAN	4.2	6.5	0.6
U.K.	10.5	10.5	9.0
Other	8.8	17.6	14.8
Total	**46.9**	**55.7**	**39.4**

The following overview contains the pension benefit payments made in the reporting year and the previous year, as well as the undiscounted, expected pension benefit payments for the next ten years:

in € millions	Germany	U.S.A.	CAN	U.K.	Other	**Total**
Benefits paid						
2014	91.9	105.6	3.6	8.4	13.0	**222.5**
2015	93.3	67.3	10.8	10.3	12.9	**194.6**
Benefit payments as expected						
2016	108.7	71.7	6.8	9.6	10.8	**207.6**
2017	104.0	73.2	7.1	9.6	11.2	**205.1**
2018	107.8	74.0	7.0	10.6	13.5	**212.9**
2019	98.9	75.4	7.2	12.6	16.9	**211.0**
2020	103.7	75.4	7.3	12.3	16.6	**215.3**
Total of years 2021 to 2025	618.5	383.5	39.1	77.1	133.5	**1,251.7**

The pension payments from 2014 onwards relate to lump-sum amounts in connection with fixed service cost benefit plans, as well as annual pension benefits. Furthermore, the earliest eligible date for retirement has been assumed when determining future pension payments. The actual retirement date could occur later. Therefore the actual payments in future years for present plan members could be lower than the amounts assumed.

For the current and four preceding reporting periods, the amounts of the defined benefit obligations, plan assets, funded status, as well as the experience adjustments to plan liabilities and to plan assets are as follows:

in € millions	**2015**	2014	2013	2012	2011
Defined benefit obligations	5,807.4	5,265.6	4,052.2	4,126.7	3,365.3
Plan assets	2,571.9	2,035.7	1,882.2	1,814.4	1,752.1
Funded status	–3,235.5	–3,229.9	–2,170.0	–2,312.3	–1,613.2
Experience adjustments to plan liabilities	51.9	981.6	–117.5	768.7	2.3
Experience adjustments to plan assets	–21.6	55.5	112.7	76.0	–50.9

Other post-employment benefits

Certain subsidiaries – primarily in the U.S.A. and Canada – grant eligible employees healthcare and life insurance on retirement if they have fulfilled certain conditions relating to age and years of service. The amount and entitlement can be altered. Certain retirement benefits, in particular for pensions and healthcare costs, are provided in the U.S.A. for hourly paid workers at unionized tire plants under the terms of collective pay agreements. No separate plan assets have been set up for these obligations.

The weighted average term of the defined benefit pension obligation is 12 years. This term is based on the present value of the obligation.

The reconciliation of the changes in the defined benefit obligations and the financing status from the beginning to the end of the year is as follows:

in € millions	2015	2014
Defined benefit obligations as at January 1	**212.0**	**173.8**
Foreign currency differences	16.5	21.8
Current service cost	2.3	1.2
Service cost from plan amendments	—	0.5
Curtailments/settlements	–2.8	–0.2
Interest on healthcare and life insurance benefit obligations	9.7	8.3
Actuarial gains/losses from changes in demographic assumptions	–3.5	7.8
Actuarial gains/losses from changes in financial assumptions	–11.9	16.4
Actuarial gains/losses from experience adjustments	–6.8	–3.0
Net changes in the scope of consolidation	27.6	—
Benefit payments	–13.2	–14.6
Defined benefit obligations/net amount recognized as at December 31	**229.9**	**212.0**

The increase in defined benefit obligations is particularly due to changes in the scope of consolidation as a result of the acquisition of Veyance Technologies.

The assumptions used for the discount rate and cost increases to calculate the healthcare and life insurance benefits vary according to conditions in the U.S.A. and Canada. The following weighted average valuation factors as at December 31 of the year have been used:

in %	2015	2014
Discount rate	4.46	4.00
Rate of increase in healthcare and life insurance benefits in the following year	5.85	6.29
Long-term rate of increase in healthcare and life insurance benefits	5.07	4.92

The net cost of healthcare and life insurance benefit obligations can be broken down as follows:

in € millions	2015	2014
Current service cost	2.3	1.2
Service cost from plan amendments	—	0.5
Curtailments/settlements	–2.8	–0.2
Interest on healthcare and life insurance benefit obligations	9.7	8.3
Net loss/income	**9.2**	**9.8**

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

The following table shows the effects of a 0.5% increase or decrease in the cost trend for healthcare and life insurance obligations:

in € millions	2015	2014
0.5% increase		
Effects on service and interest cost	0.5	0.1
Effects on benefit obligations	4.5	1.8
0.5% decrease		
Effects on service and interest cost	0.1	–0.1
Effects on benefit obligations	–1.1	–1.8

A one-half percentage point increase or decrease in the discount rate specified above for calculating the net cost of healthcare and life insurance benefit obligations would have had the following effect on net cost:

in € millions	2015	2014
0.5% increase		
Effects on service and interest cost	0.6	0.4
Effects on benefit obligations	–9.4	–10.3
0.5% decrease		
Effects on service and interest cost	–0.3	–0.4
Effects on benefit obligations	13.8	11.4

The following table shows the payments made for other post-employment benefits in the reporting year and the previous year, as well as the undiscounted, expected benefit payments for the next ten years:

in € millions	
Benefits paid	
2014	14.6
2015	13.2
Benefit payments as expected	
2016	16.3
2017	16.4
2018	16.4
2019	16.4
2020	16.3
Total of years 2021 to 2025	81.0

The amounts for the defined benefit obligations, funded status and experience adjustments to plan liabilities for the current and four preceding reporting periods are as follows:

in € millions	2015	2014	2013	2012	2011
Defined benefit obligations	229.9	212.0	173.8	213.6	202.2
Funded status	–229.9	–212.0	–173.8	–213.6	–202.2
Experience adjustments to plan liabilities	–22.2	21.2	–22.9	20.7	6.2

Provisions for obligations similar to pensions
Some companies of the corporation have made commitments to employees for a fixed percentage of the employees' compensation. These entitlements are paid out when the employment relationship is terminated. In the fiscal year, expenses for these obligations amounted to €8.8 million (PY: €2.5 million).

Defined contribution pension plans
The Continental Corporation offers its employees pension plans in the form of defined contribution plans, particularly in the U.S.A., the U.K., Japan and China. Not including social security contributions, the expenses for the defined contribution pension plans amounted to €73.6 million (PY: €59.3 million) in the fiscal year. The year-on-year increase resulted mainly from the newly concluded compensation plans, changes in the scope of consolidation, and the switch from defined benefit to defined contribution plans.

25. Provisions for Other Risks and Obligations

	Dec. 31, 2015		Dec. 31, 2014	
in € millions	**Current**	**Non-current**	Current	Non-current
Restructuring provisions	68.4	15.9	63.0	22.2
Litigation and environmental risks	94.5	111.3	70.8	106.1
Other employee benefits	–	129.7	–	124.4
Warranties	451.5	2.0	358.6	1.0
Other provisions	231.1	42.6	240.3	52.6
Provisions for other risks and obligations	**845.5**	**301.5**	**732.7**	**306.3**

The provisions for other risks developed as follows:

in € millions	**Restructuring provisions**	**Litigation and environmental risks**	**Other employee benefits**	**Warranties**	**Other provisions**
As at Jan. 1, 2015	**85.2**	**176.9**	**124.4**	**359.6**	**292.9**
Additions	25.9	76.0	42.6	444.2	208.2
Utilizations	-22.6	-55.8	-33.5	-239.1	-108.2
Net changes in the scope of consolidation	0.5	3.8	0.2	12.8	6.7
Reversals	-4.2	-3.5	-5.3	-127.4	-131.2
Interest	0.1	-2.6	1.3	–	-0.1
Foreign currency translation	-0.6	11.0	0.0	3.4	5.4
As at Dec. 31, 2015	**84.3**	**205.8**	**129.7**	**453.5**	**273.7**

The utilization of restructuring provisions primarily relates to the implementation of the restructuring measure resolved in previous years at the German location in Dortmund and the implementation of the restructuring measure resolved this year at the German location in Salzgitter.

Reversal of restructuring provisions are due in particular to the location at Wetzlar, Germany.

The addition to restructuring provisions was caused by the restructuring in Salzgitter, Germany, and in Bowmanville, Canada.

As in the previous year, the additions to litigation and environmental risks relate in particular to product liability risks from the tire activities in the U.S.A. and the additional payments to be made by ContiTech AG, Hanover, Germany, to former shareholders of Phoenix AG as stipulated this year. Please see Note 33.

Utilization mainly includes the product liability risks from tire activities mentioned above.

Other employee benefits include provisions for partial early retirement programs and anniversary and other long-service benefits. The provisions for partial early retirement are calculated using a discount rate of 1.35% (PY: 1.5%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 2.35% (PY: 2.15%). In accordance with the option under IAS 19, the interest component is reported in the net interest result.

The changes in provisions for warranties include utilization of €239.1 million (PY: €227.8 million) and reversals of €127.4 million (PY: €112.8 million), partially offset by additions of €444.2 million (PY: €353.8 million), in particular for specific individual cases in the Automotive Group.

Please see Note 5 for information on changes in the scope of consolidation.

The other provisions also cover risks from operations, such as those in connection with compensation from customer and supplier claims that are not warranties. They also include provisions for tire recycling obligations.

26. Income Tax Liabilities

Tax liabilities developed as follows:

in € millions	2015	2014
As at January 1	**577.3**	**588.2**
Additions	714.8	523.2
Utilizations and advance payments for the current fiscal year	-592.5	-531.6
Reversals	-27.7	-15.8
Additions from the first consolidation of subsidiaries	46.2	7.2
Foreign currency translation	1.7	6.1
As at December 31	**719.8**	**577.3**

When reconciling the income tax liabilities with the income taxes paid in the statement of cash flows, the cash changes in income tax receivables must be included in addition to the utilizations and current advance payments shown here.

27. Indebtedness

	Dec. 31, 2015			Dec. 31, 2014		
in € millions	**Total**	**Current**	**Non-current**	Total	Current	Non-current
Bonds	**2,784.5**	2.9	2,781.6	**3,084.4**	2.6	3,081.8
Bank loans and overdrafts[1]	**1,725.7**	1,569.1	156.6	**2,399.5**	698.8	1,700.7
Derivative instruments	**12.9**	11.4	1.5	**22.3**	20.3	2.0
Finance lease liabilities	**40.7**	10.7	30.0	**48.0**	6.7	41.3
Liabilities from sale of receivables programs	**638.1**	438.1	200.0	**842.9**	594.5	248.4
Other indebtedness[2]	**42.9**	37.6	5.3	**34.5**	31.3	3.2
Indebtedness	**5,244.8**	**2,069.8**	**3,175.0**	**6,431.6**	**1,354.2**	**5,077.4**

1 Thereof €2.7 million (PY: €4.9 million) secured by land charges, mortgages and similar securities.
2 Other indebtedness in 2015 included a book value of €16.6 million from the utilization of a commercial paper program. No commercial papers had been issued as at the end of 2014.

Continental's key bond issues

in € millions Issuer/type	Amount of issue Dec. 31, 2015	Carrying amount Dec. 31, 2015	Stock market value Dec. 31, 2015	Amount of issue Dec. 31, 2014	Carrying amount Dec. 31, 2014	Stock market value Dec. 31, 2014	Coupon p.a.	Issue/maturity and fixed interest until	Issue price
CRoA U.S. dollar bond[1]	–	–	–	781.6	800.9	816.5	4.500%	2012 / 09.2015	100.000%
CGF euro bond	750.0	747.2	770.1	750.0	745.0	784.8	2.500%	2013 / 03.2017	99.595%
CAG euro bond	750.0	743.2	800.1	750.0	740.7	812.4	3.000%	2013 / 07.2018	98.950%
CRoA euro bond	500.0	497.0	501.4	–	–	–	0.500%	2015 / 02.2019	99.739%
CAG euro bond	750.0	742.7	831.0	750.0	741.2	844.7	3.125%	2013 / 09.2020	99.228%
Total	**2,750.0**	**2,730.1**	**2,902.6**	**3,031.6**	**3,027.8**	**3,258.4**			

1 Originally due to mature in September 2019, early redemption on September 15, 2015 at 102.25%.

The carrying amount of bonds declined by €299.9 million from €3,084.4 million at the end of 2014 to €2,784.5 million as at the end of fiscal 2015. This decrease is attributable to the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 with a volume of U.S. $950.0 million and the considerably lower-interest euro bond with a volume of €500.0 million that was issued by the same company for the partial refinancing of financial liabilities.

At the start of July 2015, Continental announced the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., with a volume of U.S. $950.0 million and a fixed interest rate of 4.5% p.a. The early redemption took place on September 15, 2015, four years before the bond was due to mature in September 2019. The redemption price of 102.25% was 2.25% higher than the specified redemption price of 100% on maturity in September 2019. This U.S. dollar bond was the last bond in the portfolio for which the early redemption option provided for in the terms was measured as an embedded derivative in accordance with IAS 39. With the redemption of the bond on September 15, 2015, the embedded derivative was derecognized, impacting profit and loss.

On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., successfully placed a euro bond with a nominal volume of €500.0 million with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The issue price was 99.739%. The new bond has a term of three years and three months and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a. (see also comments in Note 28).

The carrying amount of the bonds also includes the U.S. dollar bonds issued in the years 2011 to 2013 by Continental Tire Andina S.A., Cuenca, Ecuador, at a total of €4.4 million (PY: €6.6 million) and a private placement issued by Continental AG at 100.0% at the end of August 2013 with a volume of €50.0 million, an interest rate of 3.9% p.a., and a term of 12 years.

Breakdown of credit lines and available financing from banks

in € millions Company	Type[1]	Dec. 31, 2015 Amount of issue	Dec. 31, 2015 Carrying amount	Dec. 31, 2014 Amount of issue	Dec. 31, 2014 Carrying amount	Interest	Maturity
CAG, CRoA, CGF, Conti Autom. Benelux[2]	SL	3,000.0	297.9	3,000.0	–	Euribor/USD Libor +	2020[2]
	SL	350.0	349.8	1,500.0	1,496.8	margin	2016[3]
Conti Mabor	LBL	11.3	10.8	–	–	0%[4]	2021[5]
	LBL	0.6	0.6	5.5	5.2	0%[4]	2016[5]
	LBL	–	–	2.8	2.6	0%[4]	2016
CAG	LBL	50.0	50.0	50.0	50.0	Euribor + margin	2019
Conti Tire do Brasil	LBL	30.8	30.8	50.7	50.7	variable[6] + margin	2018[7]
	LBL	19.6	19.6	18.6	18.6	variable[6] + margin	2019[7]
Continental Kaluga	LBL	26.0	26.0	30.8	30.8	7.4% + margin	2020[8]
	LBL	16.8	16.8	19.9	19.9	MosPrime + margin	2020[8]
Conti Autom. (Thail.) Co., Ltd.	LBL	11.7	11.7	19.5	19.5	Euribor + margin	2017[5]
	LBL	24.2	24.2	29.6	29.6	Euribor + margin	2020[5]
Various bank lines		1,814.1	894.2	1,712.7	675.8	mainly variable	mainly < 1 year
Credit lines and available financing from banks		**5,355.1**		**6,440.1**			
Bank loans and overdrafts			**1,725.7**		**2,399.5**		

1 SL: syndicated loan; LBL: long-term bank loan.
2 Contractual amendment to the revolving tranche in April 2015 combined with a one-year extension of the term until April 2020.
3 Early repayments on the term loan totaling €1.15 billion in the fourth quarter of 2015.
4 Interest-free development loan.
5 Semi-annual repayments.
6 Different variable interest bases.
7 Monthly repayments.
8 Quarterly repayments.

Abbreviations

- CAG, Continental Aktiengesellschaft, Hanover, Germany
- CGF, Conti-Gummi Finance B.V., Maastricht, Netherlands
- Conti Autom. Benelux, Continental Automotive Benelux BVBA, Mechelen, Belgium
- Conti Autom. (Thail.) Co., Ltd., Continental Automotive (Thailand) Co., Ltd., Rayong, Thailand
- Conti Mabor, Continental Mabor Indústria de Pneus S.A., Lousado, Portugal
- Continental Kaluga, OOO “Continental Kaluga,” Kaluga, Russia
- Conti Tire do Brasil, Continental do Brasil Produtos Automotivos Ltda., Camacari, Brazil
- CRoA, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A.

On December 31, 2015, there were credit lines and available financing from banks in the amount of €5,355.1 million (PY: €6,440.1 million). A nominal amount of €3,611.5 million of this had not been utilized as at the end of the reporting period (PY: €4,032.4 million). €2,702.1 million (PY: €3,000.0 million) of this relates to the revolving tranche of the syndicated loan, which was utilized in a volume of €297.9 million (PY: –) as at the end of 2015. In the year under review, the Continental Corporation utilized its commercial paper programs, its sale of receivables programs and its various bank lines to meet short-term credit requirements.

Bank loans and overdrafts amounted to €1,725.7 million (PY: €2,399.5 million) as at December 31, 2015, and were therefore down €673.8 million on the previous year's level.

The syndicated loan was newly concluded in April 2014 with a committed volume of €4,500.0 million. The loan consisted of a term loan for an amount of €1,500.0 million that matures in April 2016 and a revolving credit line for €3,000.0 million that has been granted until April 2019. There was a contractual amendment to the revolving tranche in April 2015. All the banks involved approved a one-year extension. This financing commitment is therefore now available to Continental until April 2020. Early repayments totaling €1,150.0 million were made on the term loan in the fourth quarter of 2015. As a result, the Continental AG term loan amounted to only €350.0 million (PY: €1,500.0 million) as at the end of 2015. The committed volume of the syndicated loan likewise declined by €1,150.0 million to €3,350.0 million as at the end of 2015. The revolving credit line, as at the end of 2015, had only been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €297.9 million. The revolving tranche had not been utilized as at the end of 2014.

As in the previous year, the agreed financial covenants were also complied with as at the end of the respective quarter in 2015. Please see Note 28 for the maturity structure of indebtedness.

Finance lease liabilities

The future payment obligations resulting from finance leases are shown in the table below:

Dec. 31, 2015, in € millions	2016	2017	2018	2019	2020	from 2021	**Total**
Minimum lease payments	12.5	10.4	6.2	3.8	3.7	11.3	**47.9**
Interest component	1.8	1.4	1.1	0.8	0.7	1.4	**7.2**
Finance lease liabilities	**10.7**	**9.0**	**5.1**	**3.0**	**3.0**	**9.9**	**40.7**

Dec. 31, 2014, in € millions	2015	2016	2017	2018	2019	from 2020	**Total**
Minimum lease payments	9.0	12.6	10.5	6.4	3.9	15.4	**57.8**
Interest component	2.3	1.9	1.5	1.2	0.8	2.1	**9.8**
Finance lease liabilities	**6.7**	**10.7**	**9.0**	**5.2**	**3.1**	**13.3**	**48.0**

The fair value of the lease liabilities is €44.8 million (PY: €54.2 million). The effective interest rate of the main leases is between 4.6% and 8.5% (PY: between 5.0% and 8.4%).

28. Financial Instruments

The carrying amounts and fair values of financial assets and liabilities in the various measurement categories, classified by statement of financial position category, as well as the summarized non-current and current items, are as follows:

in € millions	Measurement category in acc. with IAS 39	**Carrying amount as at Dec. 31, 2015**	**Fair value as at Dec. 31, 2015**	Carrying amount as at Dec. 31, 2014	Fair value as at Dec. 31, 2014
Other investments	AfS	14.1	14.1	10.7	10.7
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as effective hedging instruments	n. a.	4.2	4.2	–	–
Derivative instruments not accounted for as effective hedging instruments	HfT	43.4	43.4	80.2	80.2
Available-for-sale financial assets	AfS	16.7	16.7	266.8	266.8
Other receivables with a financing character	LaR	17.1	17.1	17.3	17.3
Trade accounts receivable	LaR	6,722.9	6,722.9	5,846.2	5,846.2
Other financial assets	LaR	482.3	482.3	424.4	424.4
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,600.5	1,600.5	2,960.5	2,960.5
Available-for-sale financial assets	AfS	21.0	21.0	283.3	283.3
Financial assets		**8,922.2**	**8,922.2**	**9,889.4**	**9,889.4**
Indebtedness					
Derivative instruments accounted for as effective hedging instruments	n. a.	0.9	0.9	4.9	4.9
Derivative instruments not accounted for as effective hedging instruments	HfT	12.0	12.0	17.4	17.4
Finance lease liabilities	n. a.	40.7	44.8	48.0	54.2
Other indebtedness	OL	5,191.2	5,381.0	6,361.3	6,609.1
Trade accounts payable	OL	5,493.8	5,493.8	4,861.6	4,861.6
Other financial liabilities	OL	2,063.6	2,062.8	1,697.9	1,697.2
Financial liabilities		**12,802.2**	**12,995.3**	**12,991.1**	**13,244.4**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		43.4		80.2	
Loans and receivables (LaR)		8,822.8		9,248.4	
Available-for-sale financial assets (AfS)		51.8		560.8	
Financial liabilities held for trading (HfT)		12.0		17.4	
Financial liabilities measured at amortized cost (OL)		12,748.6		12,920.8	

Abbreviations

- AfS: available for sale
- HfT: held for trading
- LaR: loans and receivables
- n. a.: not applicable, not assigned to any measurement category
- OL: other liability, financial liabilities measured at amortized cost

Derivative instruments that meet the requirements of hedge accounting are not allocated to any IAS 39 measurement category, since they are explicitly excluded from the individual measurement categories.

Derivative instruments for which effective hedge accounting is not applied are classified as financial assets or liabilities held for trading.

Finance lease liabilities are not assigned to an IAS 39 measurement category as they are accounted for under IAS 17.

The measurement methods applied are described in the notes to the consolidated financial statements under General Information and Accounting Principles (Note 2).

Cash and cash equivalents, trade accounts receivable, trade accounts payable and other financial assets and liabilities generally have short remaining maturities. As a result, the carrying amounts as at the end of the reporting period are, as a rule, approximately their fair values.

As in the previous year, other investments are carried at cost.

The fair values of other indebtedness and of finance lease liabilities were determined by discounting all future cash flows at the applicable interest rates for the corresponding residual maturities, taking into account a company-specific credit spread.

The total of the positive carrying amounts is equivalent to the maximum default risk of the Continental Corporation from financial assets.

The following table shows the fair values of financial assets and liabilities and the respective levels of the fair value hierarchy in accordance with IFRS 13 relevant for calculating fair value.

- Level 1: quoted prices on the active market for identical instruments.
- Level 2: quoted prices on the active market for a similar instrument or a measurement method for which all major input factors are based on observable market data.
- Level 3: measurement method for which the major input factors are not based on observable market data.

In addition to the fair values of financial instruments measured at fair value as set out in IAS 39, the table also includes financial instruments measured at amortized cost, which have a different fair value. Financial instruments measured at amortized cost whose carrying amounts are approximately equivalent to their fair value are not shown in the table.

in € millions		**Dec. 31, 2015**	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	37.7	28.8	8.9	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	4.2	–	4.2	–
Derivative instruments not accounted for as effective hedging instruments	HfT	43.4	–	43.4	–
Financial assets measured at fair value		**85.3**	**28.8**	**56.5**	**0.0**
Derivative instruments accounted for as effective hedging instruments	n. a.	0.9	–	0.9	–
Derivative instruments not accounted for as effective hedging instruments	HfT	12.0	–	12.0	–
Financial liabilities measured at fair value		**12.9**	**–**	**12.9**	**–**
Finance lease liabilities	n. a.	44.8	–	44.8	–
Other indebtedness	OL	5,381.0	2,907.0	1,329.2	1,144.8
Other financial liabilities	OL	2,062.8	–	34.7	2,028.1
Financial liabilities not measured at fair value		**7,488.6**	**2,907.0**	**1,408.7**	**3,172.9**

in € millions		**Dec. 31, 2014**[1]	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	550.1	541.5	8.6	0.0
Derivative instruments not accounted for as effective hedging instruments	HfT	80.2	–	80.2	–
Financial assets measured at fair value		**630.3**	**541.5**	**88.8**	**0.0**
Derivative instruments accounted for as effective hedging instruments	n. a.	4.9	–	4.9	–
Derivative instruments not accounted for as effective hedging instruments	HfT	17.4	–	17.4	–
Financial liabilities measured at fair value		**22.3**	**–**	**22.3**	**–**
Finance lease liabilities	n. a.	54.2	–	54.2	–
Other indebtedness	OL	6,609.1	3,265.4	2,072.0	1,271.7
Other financial liabilities	OL	1,697.2	–	28.0	1,669.2
Financial liabilities not measured at fair value		**8,360.5**	**3,265.4**	**2,154.2**	**2,940.9**

1 The prior-year comparative figures have been restated in accordance with the 2015 structure.

There are currently no financial assets or liabilities in the Continental Corporation which are measured according to level 3 of the fair value hierarchy.

The corporation recognizes possible reclassifications between the different levels of the fair value hierarchy as at the end of the reporting period in which a change occurred. In 2015, as in the previous year, there were no transfers between the different levels of the fair value hierarchy.

The net gains and losses by measurement category were as follows:

		From remeasurement			Net gains and losses	
in € millions	From interest	At fair value	Currency translation	Impairment losses	**2015**	2014
Loans and receivables	26.0	—	48.2	–33.5	40.7	47.3
Available-for-sale financial assets	5.5	12.9	—	—	18.4	8.0
Financial assets and financial liabilities held for trading	—	–34.4	—	—	–34.4	42.3
Financial liabilities at amortized cost	–172.1	—	–31.9	—	–204.0	–250.9
Net gains and losses	**–140.6**	**–21.5**	**16.3**	**–33.5**	**–179.3**	**–153.3**

Interest income and expense from financial instruments is reported in the net interest result (see Note 9). No interest income was generated from impaired financial assets.

The valuation allowance for loans and receivables essentially resulted from trade accounts receivable. Gains and losses on financial assets or liabilities held for trading that were determined during subsequent measurement include both interest rate and exchange rate effects.

The changes in value of the available-for-sale financial assets that were recognized directly in equity amounted to -€1.4 million (PY: €12.2 million) in the reporting year. In addition, €12.9 million (PY: €3.0 million) was taken from equity and recognized in profit or loss.

Collateral

As at December 31, 2015, a total of €2,096.7 million (PY: €2,564.9 million) of financial assets had been pledged as collateral. As in the previous year, also in the year under review, collateral mainly consists of trade accounts receivable; the remainder relates to pledged cash or other financial assets. Trade accounts receivable sold under sale of receivables programs as well as the aforementioned collateral in the form of trade accounts receivable are shown in Note 20.

Hedging policy and derivative instruments

The international nature of its business activities and the resulting financing requirements mean that the Continental Corporation is exposed to exchange rate and interest rate fluctuations. Where foreign currency risks are not fully compensated by offsetting delivery and payment flows, exchange rate forecasts are constantly updated to ensure that risks can be hedged as necessary in individual cases using appropriate financial instruments. In addition, long and short-term interest rate movements are monitored continuously and controlled as required using derivative instruments. Thus, interest rate and currency derivative instruments allow debt to be accessed with any required interest and currency structure, regardless of the location at which the financing is required.

The use of hedging instruments is covered by corporate-wide policies, adherence to which is regularly reviewed by internal auditors. Internal settlement risks are minimized through the clear segregation of functional areas.

1. Currency management

The international nature of the corporation's business activities results in deliveries and payments in various currencies. Currency exchange fluctuations involve the risk of losses because assets denominated in currencies with a falling exchange rate lose value, while liabilities denominated in currencies with a rising exchange rate become more expensive. At Continental the net exposure, calculated primarily by offsetting exports against imports in the individual currencies, is regularly recorded and measured. For several years now, the corporation has been using a natural hedge approach to reduce currency risks so that the difference between receipts and payments in any one currency is kept as low as possible. Expected exchange rate developments are also monitored and analyzed accordingly. Exchange rate risks are hedged as necessary using appropriate financial instruments. There are tight limits with regard to currency management for open positions, which considerably reduce the risks from hedging activities. For hedging, it is allowed to use only those derivative instruments that can be reported and measured in the risk management system. It is generally not permitted to use financial instruments that do not meet these criteria. The corporation's net foreign investments are, as a rule, not hedged against exchange rate fluctuations.

Operational foreign currency risk

Continental compiles its subsidiaries' actual and expected foreign currency payments at a global level for currency management purposes. These future cash flows represent the corporation's transaction exposure and are measured as the net cash flow per currency on a trailing 12-month basis. The foreign exchange and interest rate committee convenes on a weekly basis to review and initiate hedging measures. These must not exceed 30% of the 12-month exposure per currency without Executive Board permission.

As at December 31, 2015, currency risks from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and are not allocated to net indebtedness existed in the major currencies of the U.S. dollar with a net exposure of -€499.5 million (PY: -€212.5 million) and the euro with a net exposure of -€174.4 million (PY: -€274.3 million).

Financial foreign currency risks

In addition, currency risks also result from external and internal loan agreements that are denominated in a currency other than the functional currency of the respective subsidiary. As at December 31, 2015, the net exposure of the major currencies euro and U.S. dollar amounted to -€652.0 million (PY: €143.2 million) and €890.9 million (PY: €90.3 million) respectively. These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards, currency swaps and cross-currency interest rate swaps.

Sensitivity analysis

IFRS 7 requires a presentation of the effects of hypothetical changes of currency prices on income and equity using a sensitivity analysis. The changes to the currency prices are related to all financial instruments outstanding as at the end of the reporting period. Forecast transactions are not included in the sensitivity analysis. To determine the transaction-related net foreign currency risk, financial instruments with transaction currencies that differ from the functional currencies are identified and a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed. The following table shows, before income taxes, the overall effect as measured using this approach, as well as the individual effects resulting from the euro and the U.S. dollar, as major transaction currencies, on the difference from currency translation and from financial instruments in equity and on net income.

	2015		2014	
in € millions	**Total equity**	**Net income**	Total equity	Net income
Local currency +10%				
Total	**93.7**	**–26.9**	**90.2**	**–28.3**
thereof EUR	50.5	–10.0	51.4	–27.7
thereof USD	43.2	–0.5	38.8	13.3
Local currency –10%				
Total	**–93.7**	**26.9**	**–90.2**	**28.3**
thereof EUR	–50.5	10.0	–51.4	27.7
thereof USD	–43.2	0.5	–38.8	–13.3

Effects of translation-related currency risk

A large number of the subsidiaries are located outside the euro currency zone. As Continental AG's reporting currency in the consolidated financial statements is the euro, the financial statements of these companies are translated into euros. With regard to managing the risks of translation-related currency effects, it is assumed that investments in foreign companies are entered into for the long term and that earnings are reinvested. Translation-related effects that arise when the value of net asset items translated into euros changes as a result of currency fluctuations are recognized directly in equity in the consolidated financial statements.

2. Interest rate management

Variable interest agreements pose the risk of rising interest rates for liabilities and falling interest rates for interest-bearing financial investments. These risks are valuated and assessed as part of our interest rate management activities and managed by means of derivative interest rate hedging instruments as needed. The corporation's interest-bearing net indebtedness is the subject of these activities. All interest rate hedges serve exclusively to manage identified interest rate risks. Once a year, a range is determined for the targeted share of fixed-interest indebtedness in relation to total gross indebtedness.

The corporation is not exposed to a risk of fluctuation in the fair value of long-term financial liabilities due to market changes in fixed interest rates as the lenders do not have the right to demand early repayment in the event of changing rates, and these liabilities are recognized at amortized cost. If the corporation has the right to redeem instruments before maturity, such redemption is considered only if this is advantageous from the Continental Corporation's perspective.

Interest rate risk

The profile of interest-bearing financial instruments allocated to net indebtedness, taking into account the effect of the Continental Corporation's derivative instruments, is as follows:

in € millions	2015	2014
Fixed-interest instruments		
Financial assets	0.6	0.1
Financial liabilities	-2,922.6	-3,275.2
Floating-rate instruments		
Financial assets	1,654.7	3,527.8
Financial liabilities	-2,309.3	-3,134.1

In accordance with IFRS 7, effects of financial instruments on income and equity resulting from interest rate changes must be presented using a sensitivity analysis.

Fair value sensitivity analysis

The main effects resulted from the changes in the U.S. dollar and euro interest rates and are presented below; tax effects were not taken into account in the analysis:

- An increase in U.S. dollar interest rates of 100 basis points in 2015 would not have led to any change in the net interest result (PY: increase in expense of €15.2 million) and would have increased equity by €15.0 million (PY: –).

- A decline in U.S. dollar interest rates of 100 basis points would not have led to any change in the net interest result (PY: improvement of €31.4 million) and would have reduced equity by €15.6 million (PY: –).

- An increase in euro interest rates of 100 basis points in 2015 would particularly have reduced equity by €15.6 million (PY: –).

- A decline in euro interest rates of 100 basis points would particularly have increased equity by €16.2 million (PY: –).

Cash flow sensitivity analysis

The following table shows the effects an increase or a decrease in interest rates of 100 basis points would have had on the net interest result. The effects essentially resulted from floating-rate financial instruments. In the scenario in which there is a decrease in the pertinent interest rates, it was assumed that the Continental Corporation would not receive any interest payments for variable interest-bearing liabilities, and that it can still largely avoid negative interest rates for variable interest-bearing investments. Consequently, the analysis includes a minimum interest rate for the pertinent currencies of 0%. This analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged. The same assumption applied to 2014.

in € millions	2015	2014
Interest rate increase +100 basis points		
Total	**-6.5**	**3.9**
thereof EUR	-11.0	-10.1
thereof CNY	3.0	5.0
thereof KRW	0.7	0.9
thereof MXN	1.7	1.7
thereof USD	-2.8	3.7
Interest rate decline -100 basis points		
Total	**-5.2**	**-9.1**
thereof EUR	0.0	0.7
thereof CNY	-3.0	-5.0
thereof KRW	-0.7	-0.9
thereof MXN	-1.7	-1.7
thereof USD	1.2	-0.5

3. Counterparty risk

Derivative instruments are subject to default risk to the extent that counterparties may not meet their payment obligations either in part or in full. To limit this risk, contracts are entered into with selected banks only. The development of contractual partners' creditworthiness is continuously monitored, particularly by monitoring the rating classifications and the market assessment of default risk using the respective credit default swap rates.

4. Liquidity risks

A liquidity forecast is prepared by central cash management on a regular basis.

Cost-effective, adequate financing is necessary for the subsidiaries' operating business. Various marketable financial instruments are used for this purpose. They comprise overnight money, term borrowing, the commercial paper issue, sale of receivables programs, the syndicated loan with a committed nominal amount of €3.35 billion (PY: €4.5 billion) and other bilateral loans. Furthermore, approximately 53% of gross indebtedness is financed on the capital market in the form of long-term bonds. Capital expenditure by subsidiaries is primarily financed through equity and loans from banks or subsidiaries. There are also cash-pooling arrangements with subsidiaries to the extent they are possible and justifiable in the relevant legal and tax situation. If events lead to unexpected financing requirements, the Continental Corporation can draw upon existing liquidity and fixed credit lines from banks. For detailed information on the existing used and unused committed credit lines, please refer to Note 27.

The financial liabilities of €12,802.2 million (PY: €12,991.1 million) result in the following undiscounted cash outflows in the next five years and thereafter:

Dec. 31, 2015, in € millions	2016	2017	2018	2019	2020	thereafter	**Total**
Other indebtedness incl. interest payments	–2,131.3	–1,057.7	–826.9	–599.5	–782.0	–62.7	**–5,460.1**
Derivative instruments[1]	–19.1	–8.6	–10.8	–	–	–	**–38.5**
Finance lease liabilities	–12.5	–10.4	–6.2	–3.8	–3.7	–11.3	**–47.9**
Trade accounts payable	–5,493.8	–	–	–	–	–	**–5,493.8**
Other financial liabilities	–1,969.1	–34.2	–27.7	–10.7	–24.8	–	**–2,066.5**

1 Not including embedded derivatives as they do not give rise to cash outflows.

Dec. 31, 2014, in € millions	2015	2016	2017	2018	2019	thereafter	**Total**
Other indebtedness incl. interest payments	–1,457.8	–1,678.2	–1,135.6	–854.7	–899.8	–838.1	**–6,864.2**
Derivative instruments[1]	–21.5	–	–	–3.5	–	–	**–25.0**
Finance lease liabilities	–9.0	–12.6	–10.5	–6.4	–3.9	–15.4	**–57.8**
Trade accounts payable	–4,861.6	–	–	–	–	–	**–4,861.6**
Other financial liabilities	–1,649.2	–21.5	–17.6	–10.3	–1.2	–0.3	**–1,700.1**

1 Not including embedded derivatives as they do not give rise to cash outflows.

In the analysis, foreign currency amounts were translated using the spot exchange rate current as at the end of the reporting period into euros. For floating-rate non-derivative financial instruments, the future interest payment flows were forecast using the most recently contractually fixed interest rates. Forward interest rates were used to determine the floating rate payments for derivative instruments. The analysis only includes cash outflows from financial liabilities. The net payments are reported for derivative instruments that are liabilities as at the end of the reporting period. Cash inflows from financial assets were not included.

The cash outflows in the maturity analysis are not expected to occur at significantly different reference dates or in significantly different amounts.

Global netting agreements and similar agreements

Continental AG concludes business in the form of derivative instruments on the basis of the German Master Agreement on Financial Derivatives Transactions *(Deutscher Rahmenvertrag für Finanztermingeschäfte)*. Fundamentally there is the option to combine the amounts owed by each counterparty under such agreements on the same day in respect of all outstanding transactions in the same currency into a single net amount to be paid by one party to another.

The German Master Agreement on Financial Derivatives Transactions does not meet the criteria for offsetting in the statement of financial position. This is due to the fact that Continental AG has no legal right to the netting of the amounts recognized at the current time. The right to netting can be enforced only when future events occur, such as the insolvency of or default by a contractual party. In such cases, all outstanding transactions under the agreement are ended, the fair value is calculated as at this time, and just a single net amount is paid to settle all transactions.

At some Brazilian and South Korean subsidiaries, there are local framework agreements on the basis of which these companies have concluded derivative instruments. These agreements also do not meet the criteria for offsetting in the statement of financial position.

The following table shows the carrying amounts of the reported stand-alone derivative instruments, their offsetting in the statement of financial position, and any potential arising from the agreements shown subject to the occurrence of certain future events:

in € millions	Carrying amounts gross	Amounts netted in accordance with IAS 32.42	Carrying amounts net	Respective financial instruments not netted	Net amount
Dec. 31, 2015					
Financial assets					
Derivative instruments	47.4	–	47.4	–7.5	**39.9**
Financial liabilities					
Derivative instruments	–12.6	–	–12.6	7.5	**–5.1**
Dec. 31, 2014					
Financial assets					
Derivative instruments	46.4	–	46.4	–8.7	**37.7**
Financial liabilities					
Derivative instruments	–21.8	–	–21.8	8.7	**–13.1**

5. Default risk

Credit risk from trade accounts receivable and financial receivables includes the risk that receivables will be collected late or not at all. These risks are analyzed and monitored by central and local credit managers. The responsibilities of the central credit management function also include pooled receivables risk management. Contractual partners' creditworthiness and payment history are analyzed on a regular basis. However, default risk cannot be excluded with absolute certainty, and any remaining risk is addressed by establishing portfolio valuation allowances on the basis of experience or charging impairment losses for specific individual risks. Default risk for non-derivative financial amounts receivable is also limited by ensuring that agreements are entered into with partners with proven creditworthiness only or that collateral is provided or trade credit insurance is agreed. For information on determining creditworthiness, please see Note 20. Financial assets that are neither past due nor impaired accordingly have a prime credit rating.

Further information about risks and risk management can be found in the “Report on Risks and Opportunities” section of the Corporate Management Report.

Measurement of derivative instruments

Derivative instruments are measured at fair value, which is generally determined by discounting the expected cash flows on the basis of yield curves. Accordingly, the fair value of currency forwards is calculated as the difference from the nominal amounts discounted with the risk-free interest rates of the respective currencies and translated at the current spot exchange rate. This takes into account the credit spread in general. To calculate the fair value of interest rate swaps and cross-currency interest rate swaps, the future cash flows are discounted with the interest rates for the respective maturities, with deposit rates used as short-term interest rates whilst long-term interest rates are based on the swap rates in the respective currency.

As at December 31, 2015, positive fair values of embedded derivatives amounted to €0.3 million (PY: €33.8 million) while negative fair values of embedded derivatives amounted to €0.3 million (PY: €0.5 million).

The following overview shows the fair values and nominal values of the stand-alone derivative instruments as at the end of the reporting period:

in € millions	Dec. 31, 2015		Dec. 31, 2014	
Fair value	**Assets**	**Liabilities**	Assets	Liabilities
Cash flow hedges (effective)				
Cross-currency interest rate swaps	–	0.9	–	–
Hedge of a net investment				
Currency swaps	4.2	–	–	4.9
Other derivative instruments				
Currency swap/currency forwards	43.2	11.7	46.4	16.9
Total fair value	**47.4**	**12.6**	**46.4**	**21.8**
long-term	–	1.2	–	1.5
short-term	47.4	11.4	46.4	20.3
Nominal values				
Cash flow hedges	500.0		–	
Hedge of a net investment	219.0		188.3	
Currency swap/currency forwards	1,794.6		1,411.4	
Total of nominal values	**2,513.6**		**1,599.7**	

In the case of highly effective and longer term hedges, Continental usually applies hedge accounting as set out in IAS 39.

As in the previous year, the Continental Corporation designated currency swaps as hedging instruments in hedges of net investments in foreign operations in the year under review. The currency swaps serve to hedge the currency risks of long-term, intragroup foreign currency loans that are classified as net investments in a foreign operation in accordance with IAS 21. The changes in the values of these loans due to exchange rates are offset by the recognition of changes in the value of the currency swaps in consolidated equity. A sensitivity analysis was performed to prospectively measure effectiveness. Effectiveness was demonstrated retrospectively using the dollar offset method by comparing the changes in the value of the hedging instruments with the changes in the value of the hedged transactions. The results of retrospective effectiveness testing fell within a range of 80% to 125%, meaning that the hedges used by the corporation could be considered highly effective. As in the previous year, these hedges did not result in an ineffectiveness to be recognized in profit or loss as at the end of the year under review.

In the case of a cash flow hedge, changes in the fair value of the derivative instruments are recognized directly in equity as changes in other comprehensive income until the relevant hedged transaction has taken effect in profit or loss.

The Continental Corporation has designated cross-currency interest rate swaps as cash flow hedges. The cash flow hedges are used to secure the bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., on November 19, 2015. The currency risks of Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., are hedged against firstly by the denomination in euros, and secondly the euro-based fixed interest rate is exchanged for a U.S.-dollar-based fixed interest rate. In this context, the market valuation of these hedges resulting in accumulated expenses of €5.9 million before taxes, or €3.8 million after taxes, being recognized directly in equity as at December 31, 2015. The interest and principal payments from the hedged transactions that are secured under these cash flow hedges will impact profit and loss in the years up until 2019. The critical term match was performed to prospectively measure effectiveness. Effectiveness was demonstrated retrospectively using a regression analysis based on the dollar offset method. The results of retrospective effectiveness testing fell within a range of 80% to 125%, meaning that the hedges used by the corporation could be considered highly effective. As at the end of the year under review, these hedges did not result in an ineffectiveness to be recognized in profit or loss.

29. Other Financial Liabilities

	Dec. 31, 2015		Dec. 31, 2014	
in € millions	**Current**	**Non-current**	Current	Non-current
Liabilities to related parties	196.5	0.6	175.5	0.5
Interest payable	37.6	–	48.9	–
Liabilities for payroll and personnel related costs	870.3	–	743.3	–
Liabilities for selling expenses	811.0	–	615.0	–
Termination benefits	32.1	–	22.3	–
Purchase prices payable on company acquisitions	10.2	38.4	21.8	5.6
Miscellaneous financial liabilities	11.0	55.9	22.4	42.6
Other financial liabilities	**1,968.7**	**94.9**	**1,649.2**	**48.7**

The liabilities to related parties relate in particular to liabilities to associates for services provided. The clear rise resulted from a corporate company formed in 2010 that sources significant portions of its merchandise from an at-equity accounted investee.

Interest payable at the end of 2015 is due mainly to deferred interest for the bonds issued. The decrease compared to the end of 2014 was particularly attributable to the early redemption of the U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in 2012 with a volume of U.S. $950.0 million. This bond with an interest rate of 4.5% p.a. was repaid on September 15, 2015. In November 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., issued a considerably lower-interest euro bond with a volume of €500.0 million and an interest rate of 0.5% p.a., which is being used for the partial refinancing of financial liabilities.

Liabilities for selling expenses relate in particular to obligations from bonus agreements with customers and deferred price reductions granted.

The purchase price obligations from company acquisitions mainly comprise the acquisitions implemented this year in Germany, the Czech Republic, and the U.S.A. Please see Note 5.

The miscellaneous financial liabilities also include an amount of €13.1 million (PY: €14.7 million) representing, in particular, an obligation to Chase Community Equity, LLC, Wilmington, Delaware, U.S.A., a subsidiary of JP Morgan Chase Bank, N.A., New York, U.S.A., in connection with greenfield project and plant expansion investments.

Liabilities for payroll and personnel related costs
The Continental value sharing bonus is a program allowing Continental employees to share in net income. The amount of profits shared is calculated on the basis of key internal figures. For this, €150.7 million (PY: €125.5 million) were recognized in liabilities for staff costs for the period under review.

Liabilities for payroll and personnel related costs also include long term incentive (LTI) plans as well as the amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board (performance bonus, deferral).

All LTI plans up to 2013 are classified and assessed as “other long-term employee benefits” under IAS 19. The LTI plans for the years starting from 2014 and the deferral are classified as cash-settled share-based remuneration; hence they are recognized at fair value in accordance with IFRS 2.

The costs of LTI plans, amounting to €52.6 million (PY: €48.9 million) was recognized in the respective function costs.

› **2011 LTI plan:** In 2011, senior executives of the Continental Corporation were granted a long-term incentive (LTI) bonus, which depends on their job grade and the degree to which they achieve their targets. This bonus is intended to allow for participation in the long-term, sustainable increase in the corporation’s value and profitability.

The LTI is issued in annual tranches (LTI tranches). Tranche 2011/15, with a term of four years, was issued in 2011. The term commences on the date of the Executive Board resolution concerning the issue of the respective tranche. The 2011/15 tranche was resolved on August 22, 2011.

For each beneficiary of an LTI tranche, the Executive Board of Continental AG specifies the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement, which can lie between 0% (no payment) and 300% (maximum payment). The degree of achievement of two target criteria is decisive for the payment and amount of the LTI bonus. The first target criterion consists of the weighted average of the Continental Value Contribution (CVC) of the Continental Corporation over a period of four fiscal years, starting from the fiscal year in which the LTI tranche is issued. The weighted average in terms of the LTI is calculated by adding together 10% of the CVC of the first fiscal year of the LTI tranche, 20% of the CVC of the second fiscal year of the LTI tranche, 30% of the CVC of the third fiscal year of the LTI tranche and 40% of the CVC of the fourth fiscal year of the LTI tranche. The second target criterion comprises the ratio of free cash flow in the Continental Corporation to consolidated sales. The key variable for measuring this target criterion is based on the last full fiscal year prior to expiry of the respective LTI tranche. The degree of target achievement for both target criteria can lie between 0% and 300%. The key variables for determining the degree of target achievement are defined for each target criterion upon issue of an LTI tranche. The ultimate degree of target achievement used to calculate the LTI bonus to be paid out is determined through the addition of the two equally weighted target criteria. The basis for calculating the LTI bonus comprises the individual bonus amount in the event of 100% target achievement promised upon issue of an LTI tranche. The LTI bonus is paid as a gross one-off payment normally at the end of the second full calendar month following expiry of the LTI tranche at the latest but not before the end of July.

After the expiry of the 2011/15 LTI tranche in August 2015, the bonus was paid out by utilizing other financial liabilities in October 2015.

- **2012 LTI plan:** In 2012, the 2012/16 tranche was issued with a term of four years. The term commences on the date of the Executive Board resolution concerning the issue of the respective tranche. The 2012/16 tranche was resolved on July 6, 2012, and its basic features are the same as the 2011 LTI plan.

- **2013 LTI plan:** In 2013, the 2013/17 tranche, with a term of four years, was issued to the senior executives of the Continental Corporation and the members of the Executive Board. The term commences on the date of the Executive Board resolution concerning the issue of the respective tranche. The 2013/17 tranche was resolved on June 24, 2013, by the Executive Board for senior executives and on September 25, 2013, by the Supervisory Board for the members of the Executive Board. Its basic features are the same as the 2011 LTI plan.

- **2014 and 2015 LTI plan:** In 2014, senior executives of the Continental Corporation and members of the Executive Board were granted a new long-term incentive (LTI) bonus, the basic structure of which was altered. This bonus is still intended to allow for participation in the long term, sustainable increase in the corporation's value and profitability. The LTI bonus still depends on job grade and degree of target achievement and is issued in annual tranches (LTI tranches). The 2015/18 tranche, whose basic features are the same as the 2014 LTI plan, was accordingly issued in 2015.

The term of the 2014/17 tranche, which was resolved on March 12, 2014, by the Supervisory Board for the members of the Executive Board and on June 23, 2014, by the Executive Board for senior executives, begins retroactively as at January 1, 2014 and is four years.

The term of the 2015/18 tranche, which was resolved on March 18, 2015, by the Supervisory Board for the members of the Executive Board and on June 4, 2015, by the Executive Board for senior executives, begins retroactively as at January 1, 2015 and is four years.

For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specifies the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The LTI bonus can range between 0% (no payment) and 200% (maximum payment).

The degree of achievement of two target criteria is decisive for the payment and amount of the LTI bonus. The first target criterion is the equally weighted average of the Continental Value Contribution (CVC) of the Continental Corporation over a period of four fiscal years, starting from the fiscal year in which the LTI tranche is issued. The equally weighted average is calculated by adding together 25% of the CVC of the four fiscal years of the term of the LTI tranche. The second target criterion is the total shareholder return (TSR) on Continental shares as at the end of the term in relation to the beginning of the LTI tranche. The share price used in calculating the TSR is the arithmetic mean of closing prices in XETRA trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the three months October to December before the issue and expiry of the LTI tranche. In addition, all dividends paid during the term of the LTI tranche are taken into account for the TSR.

The scale for determining the degree of target achievement is defined by the Supervisory Board or the Executive Board when the respective LTI tranche is issued. These key data are identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion can lie between 0% and 200%. Between 0% and the maximum value target achievement is calculated on a straight-line basis. There is no cap for the second target criterion. The ultimate degree of target achievement used to calculate the LTI bonus to be paid out was determined by multiplying the two target criteria. The LTI bonus to be paid out is determined by multiplying the degree of target achievement by the target bonus. The total maximum achievable LTI bonus is 200% of the target bonus.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. This means that log-normal distributed processes are simulated for the price of Continental shares. The Monte Carlo simulation takes into account the average value accumulation of share prices in the respective reference period, TSR dividends and the restriction for the distribution amount.

The following parameters were used as at the measurement date of December 31, 2015:

- Constant zero rates as of the measurement date of December 31, 2015, of -0.34% as at the due date and -0.30% as at the expected payment date for the 2014 LTI plan and of -0.27% as at the due date and -0.21% as at the expected payment date for the 2015 LTI plan.
- Interest rate based on the yield curve for government bonds.
- Dividend payments as the arithmetic mean based on publicly available estimates for the years 2016 to 2018; the dividend amounted to €3.25 per share in 2015.
- Historic volatilities on the basis of daily XETRA closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2014 LTI plan is 28.18%. The volatility for the 2015 LTI plan is 27.27%.

As at the end of the reporting period, the fair values amounted to €34.0 million for the 2014 LTI plan (PY: €27.0 million) and €34.9 million for the 2015 LTI plan. The vesting level of the 2014 LTI plan is 50%. The 2015 LTI plan is vested at a level of 25%. The liabilities for payroll and personnel-related costs for LTI resulted in expenses of €10.4 million for the 2014 LTI plan (PY: €6.7 million) and €8.7 million for the 2015 LTI plan in the period under review.

- **Performance bonus (deferral):** A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares. The measurement model also takes into account the average value accumulation of share prices in the respective reference period and the restriction for the distribution amount.

  The following parameters were used as at the measurement date of December 31, 2015:

  - Constant zero rates as of the measurement date of December 31, 2015, of -0.42% for the 2012 tranche, -0.37% for the 2013 tranche, and -0.32% for the 2014 tranche.
  - Interest rate based on the yield curve for government bonds.
  - Dividend payments as the arithmetic mean based on publicly available estimates for 2016 and 2017; the dividend amounted to €3.25 per share in 2015, and Continental AG distributed a dividend of €2.50 per share in 2014.
  - Historic volatilities on the basis of daily XETRA closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2012 tranche is 29.52%, for the 2013 tranche 30.00%, and for the 2014 tranche 27.57%.

As at December 31, 2015, commitments with a fair value of €20.4 million (PY: €28.1 million) are attributable to Executive Board members active at the end of the reporting period; this is equivalent to 88,438 virtual shares (PY: 156,533 virtual shares).

30. Trade Accounts Payable

Trade accounts payable amounted to €5,493.8 million (PY: €4,861.6 million) as at the end of the fiscal year. The liabilities are measured at amortized cost. The full amount is due within one year. The liabilities do not include any amounts from the percentage-of-completion method. For information on liquidity risk, currency risk and the sensitivity analysis for trade accounts payable, please see Note 28.

31. Other Liabilities

	Dec. 31, 2015		Dec. 31, 2014	
in € millions	**Current**	**Non-current**	Current	Non-current
Liabilities for workers' compensation	36.6	34.0	33.5	33.1
Liabilities for social security	163.7	–	152.2	–
Liabilities for vacation	166.7	–	141.8	–
Liabilities for VAT and other taxes	287.2	–	254.8	–
Deferred income	111.5	16.6	80.8	10.0
Others	235.5	5.1	237.1	3.3
Other liabilities	**1,001.2**	**55.7**	**900.2**	**46.4**

Deferred income includes advance payments by customers for deliveries of goods and for services to be performed. Government grants are also reported here.

32. Liabilities Held for Sale

in € millions	**Dec. 31, 2015**	Dec. 31, 2014
Individual liabilities held for sale	–	–
Liabilities of a disposal group	2.0	0.3
Liabilities held for sale	**2.0**	**0.3**

Liabilities held for sale in the amount of €2.0 million (PY: €0.3 million) particularly resulted from the planned disposal of the steel cord conveyor belt operations of Veyance Technologies in Brazil. As part of the acquisition of Veyance Technologies in January 2015, ContiTech agreed with the antitrust authorities to sell these operations.

Other Disclosures

33. Litigation and Damage Claims

Continental AG and its subsidiaries are involved in lawsuits and regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

Product liability
In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship, as well as to claims from alleged breaches of contract, or resulting from product recalls or government proceedings. These include lawsuits in the U.S.A. for property damage, personal injury, and death caused by alleged defects in our products. Claims for material and immaterial damages, and in some cases punitive damages, are being asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the U.S.A. are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

Proceedings relating to ContiTech AG
The proceedings regarding rescission and nullification by Phoenix AG shareholders brought against the resolutions adopted by the Shareholders' Meeting of the company held on December 28, 2004, for approval of a management and profit and loss transfer agreement and the merger agreement with ContiTech AG, Hanover, Germany, and against confirmatory resolutions by the Annual Shareholders' Meeting of Phoenix AG on May 19, 2005, have been substantively concluded since 2009. On September 16, 2011, the Hamburg Regional Court *(Landgericht)* ruled on the judicial review proceedings on the appropriateness of compensation and settlement under the management and profit and loss transfer agreement and the conversion ratio established in the merger agreement, ordering ContiTech AG, Hanover, Germany, to make additional payments. Upon appeals by ContiTech AG, Hanover, Germany, the Hanseatic Higher Regional Court of Hamburg amended the decisions of the Regional Court by rulings issued on December 11, 2015, and imposed considerably reduced additional payment obligations on ContiTech AG, Hanover, Germany. The court increased the settlement under the management and profit and loss transfer agreement and as a result of the merger by €2.10 plus interest per share. It also determined that an additional cash payment of €4.77 plus interest per share was to be made to shareholders of Phoenix AG who did not submit their shares in ContiTech AG, Hanover, Germany, that were received in the context of the merger. The compensatory payment to be paid under the management and profit and loss transfer agreement was increased by €0.49 per share in gross terms, or €0.37 per share in net terms, for each full fiscal year. The judicial review proceedings are thus concluded with final legal effect.

The actions of rescission and nullification by shareholders of ContiTech AG, Hanover, Germany, against resolutions adopted by the Annual Shareholders' Meeting of the company on August 22, 2007, regarding the approval of the conclusion of a management and profit and loss transfer agreement between this company as the controlled company and ContiTech-Universe Verwaltungs-GmbH, Hanover, Germany, as the controlling company and regarding the squeeze-out of minority shareholders were concluded in 2009 by a dismissal, which is final. In 2012, partial settlement agreements were entered in the records of the Hanover Regional Court (*Landgericht*) in the judicial review proceedings regarding the appropriateness of the settlement and compensation payment under the management and profit and loss transfer agreement and the settlement for the squeeze-out. Under these settlements, a payment of €3.50 plus interest per share on top of the exit compensation under the management and profit and loss transfer agreement and on account of the squeeze-out was agreed, as was – merely declaratory – a higher compensatory payment under the management and profit and loss transfer agreement. In October 2012, the Hanover Regional Court had awarded additional payments of the same amount. Upon appeals by some petitioners, the Celle Higher Regional Court (*Oberlandesgericht*) revoked the rulings on July 17, 2013, and remanded the matter to the Regional Court for a new hearing and ruling.

Regulatory proceedings
In May 2005, the Brazilian antitrust authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Indústria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint by a third party of alleged anticompetitive behavior in the area of the commercialization of tachographs. On August 18, 2010, the Brazilian competition authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €2.8 million) on CBIA, which was then reduced to BRL 10.8 million (around €2.5 million). CBIA refutes the accusation. The court of first instance appealed to by CBIA initially upheld the ruling of the competition authorities. However, on further appeal of CBIA, the court of second instance annulled the ruling and remanded the matter. In case an infringement of Brazilian antitrust law is found, in addition, third parties may claim damages from CBIA.

In October 2006, the South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a company that is now wholly owned by Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA and other companies had violated South African antitrust law and referred the matter to the competent Competition Tribunal for a decision. CTSA denies all allegations of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may claim damages from CTSA in case of an infringement of South African competition law.

In a case that had come to light at the start of 2010 as a result of searches at several companies, the European Commission imposed fines on a number of automotive suppliers on July 10, 2013, for anti-competitive conduct in the field of supplying wire harnesses for automotive applications. These companies included S-Y Systems Technologies Europe GmbH, Regensburg, Germany (S-Y), and its French subsidiary, which had to pay a fine of €11.1 million due to cartel agreements with regard to one automotive manufacturer. Continental held a 50% share of S-Y until January 29, 2013. Class action lawsuits filed by alleged victims against S-Y and other companies are pending in Canada. A claim for damages brought against S-Y was settled out of court. Further claims cannot be ruled out.

In October 2012, Continental Automotive Systems US, Inc., Auburn Hills, Michigan, U.S.A., and two South Korean subsidiaries of Continental became aware of investigations by the U.S. Department of Justice (DOJ) and the Korean Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of U.S. and South Korean antitrust law in instrument cluster business. On December 23, 2013, the KFTC announced that it had imposed fines on Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), and another automotive supplier, for violations of antitrust law in instrument cluster business. The fine imposed on CAE amounts to KRW 45,992 million (around €36 million). On November 13, 2014, the criminal court also imposed a fine of KRW 200 million (around €156,000). On June 25, 2015, the Seoul High Court, Seoul, South Korea, vacated the administrative fine imposed by the KFTC on CAE's appeal against the amount of the fine. The KFTC has filed an appeal. CAE has appealed both of these rulings. On November 24, 2014, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, entered into an agreement in which the two companies admit to charges of violating U.S. antitrust law and agree to pay a fine of U.S. $4.0 million (approximately €3.7 million). The competent U.S. court confirmed the agreement on April 1, 2015. Claims for damages by alleged victims remain unaffected by the fines imposed.

In September 2014, the European Commission conducted a search at a subsidiary of Continental. The Commission alleges that there were indications of violations against EU antitrust law. In another case, another subsidiary of Continental received a request for information from the European Commission. However, it is not clear whether or in what amount the Commission will impose fines on Continental and/or its subsidiaries. Requests for information and searches are preliminary steps in investigations of suspected antitrust conduct and provide no indication of their results. If the European Commission finds that Continental and/or its subsidiaries can be charged with antitrust violations, it could impose a fine that, taking into account the sales of Continental or the subsidiary in question and the severity and duration of violations, cannot exceed 10% of the consolidated sales of the company involved in the previous year. Even if the European Commission only ascertains antitrust violations of a subsidiary, it cannot be ruled out that it will nonetheless hold the parent company jointly liable for a fine. In addition to the risk of fines, there is also the possibility of claims for damages by third parties in the event of a violation of EU antitrust law.

Industrial tribunal proceedings

In connection with the cessation of passenger tire production at the plant in Clairoix, France, a large number of employees at Continental France SNC, Sarreguemines, France, filed claims with the industrial tribunals in Compiègne and Soissons, France, against this subsidiary company and, in some cases, against Continental AG as well. On August 30, 2013, the industrial tribunal in Compiègne ordered Continental France SNC, Sarreguemines, France, and Continental AG to pay damages for the allegedly unlawful dismissal of employees. Continental's appeal against this ruling was rejected by the Court of Appeal, Amiens, France, on September 30, 2014. Continental has filed another appeal (cassation). However, we cannot rule out the possibility that the obligation to pay damages may be upheld in full or in part after the final resolution of the proceedings.

34. Contingent Liabilities and Other Financial Obligations

in € millions	Dec. 31, 2015	Dec. 31, 2014
Liabilities on guarantees	23.4	69.9
Liabilities on warranties	1.9	3.0
Other financial obligations	32.0	55.6
Other contingent liabilities	12.6	10.0
Contingent liabilities and other financial obligations	**69.9**	**138.5**

The contingent liabilities primarily related to guarantees for the liabilities of affiliated companies and third parties not included in consolidation and to contractual warranties. In particular, they include a guarantee for a major project by a business segment disposed of in the previous years in the amount of €21.0 million (PY: €26.4 million). To the best of our knowledge, the underlying obligations will be fulfilled in all cases. Utilization is not anticipated.

The other financial obligations relate in part to the acquisition of companies now owned by the corporation and to UEFA sponsorship.

The Continental Corporation could be subject to obligations relating to environmental issues under governmental laws and regulations, or as a result of various claims and proceedings that are pending or that might be made or initiated against it. Estimates of future expenses in this area are naturally subject to many uncertainties, such as the enactment of new laws and regulations, the development and application of new technologies and the identification of contaminated land or buildings for which the Continental Corporation is legally liable.

Open purchase commitments for property, plant and equipment amounted to €473.8 million (PY: €407.9 million).

In 2015, expenses for operating leases and rental agreements amounted to €248.5 million (PY: €196.0 million).

Future liabilities relating to operating leases and rental agreements with an original or remaining term of more than one year as at December 31, 2015, for which the corporation is not the beneficial owner, and for which the related assets are therefore not recognized as property, plant and equipment, are shown in the table below for 2016 and cumulatively for the years 2017 through 2020, and likewise cumulatively from 2021:

Dec. 31, 2015, in € millions	2016	2017–2020	from 2021
Operating leases and rental agreements	291.0	510.1	361.7

Dec. 31, 2014, in € millions	2015	2016–2019	from 2020
Operating leases and rental agreements	248.5	425.3	216.5

35. Earnings per Share

Basic earnings per share rose to €13.64 in 2015 (PY: €11.88), the same amount as diluted earnings per share. In both the period under review and the previous year, there were no dilutive effects such as interest savings on convertible bonds or warrant-linked bonds (after taxes). There were also no dilutive effects from stock option plans or the assumed exercise of convertible bonds.

in € millions/millions of shares	2015	2014
Net income attributable to the shareholders of the parent	2,727.4	2,375.3
Weighted average number of shares issued	200.0	200.0
Earnings per share in €	**13.64**	**11.88**

36. Events after the End of the Reporting Period

There were no significant events after December 31, 2015.

37. Auditor's Fees

For fiscal 2015, a global fee of €10.4 million (PY: €9.3 million) was agreed for the audit of the consolidated financial statements and the separate financial statements of the subsidiaries.

The following fees were recognized as an expense specifically for the auditor of Continental AG elected by the Annual Shareholders' Meeting.

The following fees relate only to services directly connected with Continental AG and its German subsidiaries:

in € millions	2015	2014
Audit of financial statements	3.3	3.2
Other assurance services	1.1	0.9
Tax advisory services	0.2	0.1
Other services provided to the parent company or its subsidiaries	0.1	0.1
Total	**4.7**	**4.3**

KPMG AG Wirtschaftsprüfungsgesellschaft and its registered branches are deemed the auditor.

38. Transactions with Related Parties

Remuneration of the Executive Board and the Supervisory Board
The remuneration of the corporation's key management personnel that must be disclosed in accordance with IAS 24 comprises the remuneration of the active members of the Executive Board and the Supervisory Board.

The remuneration of the active members of the Executive Board in the respective years was as follows:

in € thousands	2015	2014
Short-term benefits	17,688	15,229
Service cost relating to post-employment benefits	4,890	2,415[1]
Termination benefits	1,335	1,619
Share-based payment	20,356	14,712
Total	**44,269**	**33,975**

1 Including past service cost resulting from the plan amendment.

The basic elements of the Executive Board remuneration system and the amounts granted to the Executive Board and the Supervisory Board in the year under review are explained in the Remuneration Report, which supplements the Corporate Governance Report and is part of the joint Management Report with the Continental Corporation.

The total remuneration granted to the Executive Board of Continental AG in 2015 amounted to €29.3 million (PY: €25.0 million). That total remuneration also includes a newly granted long term incentive plan totaling €5.7 million (PY: €5.2 million) and the long-term component of variable remuneration totaling €5.8 million (PY: €4.7 million), which is converted into virtual shares of the company. In 2015, this resulted in the long-term component for 2014 being converted into 21,523 virtual shares.

Moreover, former members of the Executive Board and their surviving dependents received payments totaling €7.3 million (PY: €7.2 million). Provisions for pension obligations for former members of the Executive Board and their surviving dependents amounted to €111.6 million (PY: €109.8 million).

Remuneration paid to the members of Continental AG's Supervisory Board, including meeting fees, totaled €4.5 million in the past fiscal year (PY: €4.2 million).

As in 2014, no advances or loans were granted to members of Continental AG's Executive Board or Supervisory Board in 2015.

Transactions with related parties other than subsidiaries:

	Services rendered		Services received		Accounts receivable		Accounts payable	
in € millions	2015	2014	2015	2014	2015	2014	2015	2014
Non-consolidated companies	18.3	10.7	7.2	3.6	14.2	11.3	12.3	5.4
At-equity accounted investees	196.2	112.3	19.1	11.1	33.8	21.7	177.8	162.7
Associated companies	3.3	2.4	0.1	0.1	1.2	1.2	0.0	0.0
Schaeffler Group	66.3	62.8	98.6	95.7	11.7	13.2	7.0	7.9
Total	**284.1**	**188.2**	**125.0**	**110.5**	**60.9**	**47.4**	**197.1**	**176.0**

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's length basis.

Notices in Accordance with the German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)*

From the start of the fiscal year to the time of the preparation of the financial statements, we received the following notifications in accordance with Section 21 (1) *WpHG* on holdings in Continental AG. In the event of the threshold stated in this provision being reached, exceeded or falling below on multiple occasions by the same party, only the most recent notification has been shown here. Notifications from earlier fiscal years about the existence of voting rights shares of at least 3% are still disclosed as at the end of the reporting period.

By way of letter dated May 8, 2015, we received notification that:

- the share of voting rights in Continental AG held by BlackRock, Inc., Wilmington, Delaware, United States, exceeded the threshold of 3% of voting rights on May 6, 2015, and amounted to 3.02% (6,039,259 voting rights) at this time.

  1.17% of these voting rights (2,332,717 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

  1.96% of these voting rights (3,914,375 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 *WpHG*.

By way of letter dated May 11, 2015, we received notification that:

- the share of voting rights in Continental AG held by BlackRock Holdco 2, Inc., Wilmington, Delaware, United States, exceeded the threshold of 3% of voting rights on May 7, 2015, and amounted to 3.15% (6,300,668 voting rights) at this time.

  1.23% of these voting rights (2,454,072 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

  0.0001% of these voting rights (119 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 2 in conjunction with Sentence 2 *WpHG*.

  2.08% of these voting rights (4,154,353 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 *WpHG*.

- the share of voting rights in Continental AG held by BlackRock Financial Management, Inc., Wilmington, Delaware, United States, exceeded the threshold of 3% of voting rights on May 7, 2015, and amounted to 3.15% (6,300,668 voting rights) at this time.

  1.23% of these voting rights (2,454,072 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

  0.0001% of these voting rights (119 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 2 in conjunction with Sentence 2 *WpHG*.

  0.03% of these voting rights (67,389 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 6 *WpHG*.

  2.05% of these voting rights (4,092,573 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 *WpHG*.

By way of letter dated January 4, 2016, we received notification that:

- the share of voting rights in Continental AG held by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- the share of voting rights in Continental AG held by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- the share of voting rights in Continental AG held by Schaeffler Verwaltung Zwei GmbH, Herzogenaurach, Germany, on December 31, 2015, amounted to 35.99%.
- the share of voting rights in Continental AG held by Schaeffler Verwaltungs GmbH, Herzogenaurach, Germany, on December 31, 2015, amounted to 10.01%. Another 35.99% of the voting rights in Continental AG are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to Schaeffler Holding GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to Schaeffler Management GmbH, Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to Schaeffler Holding LP, Dallas, Texas, U.S.A., on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

- 46.00% of the voting rights in Continental AG are attributed to Mrs. Maria-Elisabeth Schaeffler-Thumann on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

- 46.00% of the voting rights in Continental AG are attributed to Mr. Georg F. W. Schaeffler on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

As a result of the withdrawal of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, from Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, the investment held by Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, in Continental AG accrued to Schaeffler Verwaltung Zwei GmbH, Herzogenaurach, Germany. The investment held by Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany, and by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, in Continental AG accordingly ceased to exist. As a result of a subsequent further accrual and termination without liquidation of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, this company's notification obligation in accordance with WpHG ceased to apply on January 1, 2016.

In 2015 and until February 8, 2016, inclusively, the members of the Executive Board held shares representing a total interest of less than 1% of the share capital of the company. Shares representing 46.0% of the share capital of the company were attributable to the members of the Supervisory Board Mrs. Maria-Elisabeth Schaeffler-Thumann and Mr. Georg F. W. Schaeffler. In 2015 and until February 8, 2016, inclusively, the other members of the Supervisory Board held shares representing a total interest of less than 1% of the share capital of the company.

39. List of Shareholdings of the Corporation

Further information on equity investments can be found in the list of the corporation's shareholdings in accordance with Section 313 of the German Commercial Code (*Handelsgesetzbuch – HGB*), which is published as part of the consolidated financial statements in the electronic German Federal Gazette (*elektronischer Bundesanzeiger*). The consolidated financial statements with the list of the corporation's shareholdings are also made available for inspection by the shareholders in the business premises at the company's headquarters from the date on which the Annual Shareholders' Meeting is convened, and from that point in time are available together with the additional documents and information in accordance with Section 124a of the German Stock Corporation Act (*Aktiengesetz – AktG*) online at www.continental-ir.com.

Statutory exemption provisions applying to German companies

The following German companies and partnerships utilized the exemption provisions of Section 264 (3) *HGB* and Section 264b *HGB*:

Company	Registered office
ADC Automotive Distance Control Systems GmbH	Lindau
Alfred Teves Beteiligungsgesellschaft mbH	Frankfurt am Main
Babel Grundstücksverwaltungsgesellschaft mbH	Schwalbach am Taunus
balance GmbH, Handel und Beratungsservice im Gesundheitswesen	Hanover
Benecke-Kaliko AG	Hanover
Beneform GmbH	Hanover
CAS München GmbH	Hanover
CAS-One Holdinggesellschaft mbH	Hanover
Conseo GmbH	Hamburg
Conti Temic microelectronic GmbH	Nuremberg
Conti Versicherungsdienst Versicherungsvermittlungsges. mbH	Hanover
Continental Aftermarket GmbH	Eschborn
Continental Automotive GmbH	Hanover
Continental Automotive Grundstücksges. mbH	Frankfurt am Main
Continental Automotive Grundstücksvermietungsges. mbH & Co. KG	Frankfurt am Main
Continental Caoutchouc-Export-GmbH	Hanover
Continental Emitec GmbH	Lohmar
Continental Engineering Services & Products GmbH	Ingolstadt
Continental Engineering Services GmbH	Frankfurt am Main
Continental Finance GmbH	Hanover
Continental Mechanical Components Germany GmbH	Roding
Continental Reifen Deutschland GmbH	Hanover
Continental Safety Engineering International GmbH	Alzenau
Continental Teves AG & Co. oHG	Frankfurt am Main
Continental Trading GmbH	Schwalbach am Taunus
ContiTech AG	Hanover
ContiTech Antriebssysteme GmbH	Hanover
ContiTech Elastomer-Beschichtungen GmbH	Hanover
ContiTech Kühner Beteiligungsgesellschaft mbH	Hanover
ContiTech Kühner GmbH & Cie. KG	Oppenweiler
ContiTech Luftfedersysteme GmbH	Hanover
ContiTech MGW GmbH	Hannoversch Münden
ContiTech Schlauch GmbH	Hanover
ContiTech Techno-Chemie GmbH	Karben
ContiTech Transportbandsysteme GmbH	Hanover
ContiTech Verwaltungs-GmbH	Hanover

Company	Registered office
ContiTech Vibration Control GmbH	Hanover
ContiTech-Universe Verwaltungs-GmbH	Hanover
Eddelbüttel + Schneider GmbH	Hamburg
eStop GmbH	Schwalbach am Taunus
Formpolster GmbH	Hanover
Gerap Grundbesitz- und Verwaltungsgesellschaft mit beschränkter Haftung	Frankfurt am Main
Göppinger Kaliko GmbH	Eislingen
inotec Innovative Technologie GmbH	Kohren-Sahlis
Max Kammerer GmbH	Frankfurt am Main
OTA Grundstücks- und Beteiligungsverwaltung GmbH	Frankfurt am Main
Phoenix Beteiligungsgesellschaft mbH	Hamburg
Phoenix Compounding Technology GmbH	Hamburg
Phoenix Conveyor Belt Systems GmbH	Hamburg
Phoenix Fluid Handling Industry GmbH	Hamburg
Phoenix Sechste Verwaltungsgesellschaft mbH	Hamburg
Phoenix Service GmbH & Co. KG	Hamburg
Phoenix Vermögensverwaltungsgesellschaft mbH	Hamburg
Präzisionstechnik Geithain GmbH	Geithain
REG Reifen-Entsorgungsgesellschaft mbH	Hanover
STEINEBRONN BETEILIGUNGS-GMBH	Oppenweiler
TEMIC Automotive Electric Motors GmbH	Berlin
TON Tyres Over Night Trading GmbH	Schondra-Schildeck
UMG Beteiligungsgesellschaft mbH	Hanover
Union-Mittelland-Gummi-GmbH & Co. Grundbesitz KG	Hanover
Vergölst GmbH	Bad Nauheim

40. German Corporate Governance Code/Declaration in Accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz)*

The declaration required in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz)* was issued by the Executive Board and the Supervisory Board in December 2015, and is available to our shareholders on the following website: www.continental-corporation.com in the Investor Relations section under Corporate Governance.

Further Information

Responsibility Statement by the Company's Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the corporation, and the 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.

Hanover, February 8, 2016

Continental AG
The Executive Board

Other Directorships – The Executive Board

List of the positions held by the Executive Board members on statutory supervisory boards and on comparable controlling bodies of companies in Germany and abroad in accordance with Section 285 No. 10 of the German Commercial Code *(Handelsgesetzbuch – HGB)*:

Dr. Elmar Degenhart
Chairman
Corporate Communications
Corporate Quality and Environment
Continental Business System
Automotive Central Functions

- ContiTech AG, Hanover* (Chairman)

José A. Avila
Powertrain Division

- Continental Emitec GmbH (formerly Emitec Gesellschaft für Emissionstechnologie mbH), Lohmar*

Dr. Ralf Cramer
Continental China

- Continental Automotive Changchun Co., Ltd., Changchun, China* (Chairman)
- Continental Automotive Holding Co., Ltd., Shanghai, China* (Chairman)
- Continental Automotive Interior Wuhu Co., Ltd., Wuhu, China* (Chairman)
- Continental Automotive Jinan Co., Ltd., Jinan, China* (Chairman)
- Continental Automotive Systems Changshu Co., Ltd., Changshu, China* (Chairman)
- Continental Automotive Systems (Shanghai) Co., Ltd., Shanghai, China* (Chairman)
- Continental Automotive Systems (Tianjin) Co., Ltd., Tianjin, China* (Chairman)
- Continental Brake Systems (Shanghai) Co., Ltd., Shanghai, China* (Chairman)
- Continental Tires (China) Co., Ltd., Hefei, China* (Chairman)
- Elektrobit Automotive Software (Shanghai) Co., Ltd., Shanghai, China* (Chairman)

Hans-Jürgen Duensing
ContiTech Division
(Member of the Executive Board since May 1, 2015)

- Benecke-Kaliko AG, Hanover* (Chairman)
- ContiTech Antriebssysteme GmbH, Hanover* (Chairman)
- ContiTech Elastomer Beschichtungen GmbH, Hanover* (Vice Chairman)
- ContiTech Luftfedersysteme GmbH, Hanover* (Vice Chairman)
- ContiTech MGW GmbH, Hann. Münden* (Vice Chairman)
- ContiTech Schlauch GmbH, Hanover* (Chairman)
- ContiTech Techno-Chemie GmbH, Karben* (Vice Chairman)
- ContiTech Transportbandsysteme GmbH, Hanover* (Vice Chairman)
- ContiTech Vibration Control GmbH, Hanover* (Chairman)
- Phoenix Compounding Technology GmbH, Hamburg* (Vice Chairman)
- ContiTech North America, Inc., Wilmington, Delaware, U.S.A.*
- EPD Holdings, Inc., Wilmington, Delaware, U.S.A.* (Director)
- Veyance Technologies, Inc., Fairlawn, Ohio, U.S.A.* (Director)

Frank Jourdan
Chassis & Safety Division

- Continental Automotive Corporation, Yokohama, Japan*
- Continental Automotive Mexicana S.A. de C.V., Morelos, Mexico*

Helmut Matschi
Interior Division

- Continental Automotive GmbH, Hanover* (Chairman)

Dr. Ariane Reinhart
Human Relations, Director of Labor Relations
Sustainability

Wolfgang Schäfer
Finance, Controlling, Compliance, Law and IT

- Continental Reifen Deutschland GmbH, Hanover*
- Continental Automotive, Inc., Wilmington, Delaware, U.S.A.*
- Continental Automotive Systems, Inc., Wilmington, Delaware, U.S.A.*
- Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A.*

Nikolai Setzer
Tire Division
Corporate Purchasing

- Continental Reifen Deutschland GmbH, Hanover* (Chairman)
- Continental Tire Holding US, LLC, Wilmington, Delaware, U.S.A.*
- Continental Tire the Americas, LLC, Fort Mill, South Carolina, U.S.A.*

* Companies pursuant to Section 100 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG)*.

Other Directorships – The Supervisory Board

Memberships of other statutory supervisory boards and of comparable controlling bodies of companies in Germany and abroad in accordance with Section 285 No. 10 of the German Commercial Code *(Handelsgesetzbuch – HGB)*:

Prof. Dr.-Ing. Wolfgang Reitzle, Chairman
Chairman of the Board of Directors of Lafarge Holcim Ltd., Zurich, Switzerland
- Ivoclar Vivadent AG, Schaan, Liechtenstein
- Axel Springer SE, Berlin
- Hawesko Holding AG, Hamburg
- Medical Park AG, Amerang

Hartmut Meine*, Vice Chairman
District manager of IG Metall (Metalworkers' Union) for Lower Saxony and Saxony-Anhalt
- KME Germany GmbH, Osnabrück
- Volkswagen AG, Wolfsburg (until November 2015)

Dr. Gunter Dunkel
Chairman of the Board of Management of Norddeutsche Landesbank Girozentrale
- Bremer Landesbank Kreditanstalt Oldenburg Girozentrale, Bremen**
- Deutsche Hypothekenbank AG, Hanover** (Chairman)
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg, Luxembourg** (Chairman)
- NORD/LB Vermögensmanagement Luxembourg S.A., Luxembourg, Luxembourg** (Chairman)

Hans Fischl*
Works Council for the Regensburg Location
Vice Chairman of the Corporate Works Council of Continental AG and Member of the Central Works Council of Continental Automotive GmbH

Prof. Dr.-Ing. Peter Gutzmer
Deputy CEO and Member of the Executive Board, CTO of Schaeffler AG, Herzogenaurach

Peter Hausmann*
Member of the Central Board of Executive Directors, IG Bergbau, Chemie, Energie (Mining, Chemical and Energy Industries Union)
- Bayer AG, Leverkusen
- Henkel AG & Co. KGaA, Düsseldorf
- 50Hertz Transmission GmbH, Berlin (Vice Chairman)
- Vivawest GmbH, Gelsenkirchen
- Covestro AG, Leverkusen
- Covestro Deutschland AG, Leverkusen

Michael Iglhaut*
Works Council for the Frankfurt Location

Prof. Dr. Klaus Mangold
Chairman of the Supervisory Board of Rothschild GmbH
- Alstom Deutschland AG, Mannheim (Chairman)
- TUI AG, Hanover (Chairman)
- Alstom S.A., Paris, France
- Baiterek JSC, Astana, Kazakhstan
- Swarco AG, Wattens, Austria

Sabine Neuß
Member of the Management Board of Linde Material Handling GmbH, Aschaffenburg
- Juli Motorenwerk, s.r.o., Moravany, Czech Republic
- Linde Xiamen Forklift Truck Corp., Xiamen, China**

Prof. Dr. Rolf Nonnenmacher
Certified Accountant, self employed, Berg
- ProSiebenSat.1 Media SE, Unterföhring
- Covestro AG, Leverkusen
- Covestro Deutschland AG, Leverkusen

Dirk Nordmann*
Chairman of the Works Council for the Vahrenwald Plant, ContiTech Antriebssysteme GmbH, Hanover
- ContiTech Luftfedersysteme GmbH, Hanover

Artur Otto*
Head of Marketing & Business Development Automotive Systems & Technology
(until April 30, 2015)

Klaus Rosenfeld
Chief Executive Officer of Schaeffler AG, Herzogenaurach

Georg F. W. Schaeffler
Co-owner of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach
- Schaeffler AG, Herzogenaurach** (Chairman)

Maria-Elisabeth Schaeffler-Thumann
Co-owner of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach
- Schaeffler AG, Herzogenaurach** (Vice Chairperson)

Jörg Schönfelder*
Chairman of the Works Council for the Korbach Plant and Chairman of the European Works Council
- Continental Reifen Deutschland GmbH, Hanover

Stefan Scholz*
Head of Finance & Treasury
(Member of the Supervisory Board since April 30, 2015)
- Supervisory Board of Phoenix Pensionskasse von 1925, Hamburg

Kirsten Vörkel*
Chairperson of the Works Council of Continental Automotive GmbH, Dortmund
Vice Chairperson of the Central Works Council of Continental Automotive GmbH, Hanover
Member of the Corporate Works Council of Continental AG, Hanover

Elke Volkmann*
Second Authorized Representative of the IG Metall Administrative Office for North Hesse, Kassel
- Krauss-Maffei Wegmann Verwaltungs GmbH, Munich

Erwin Wörle*
Member of the Works Council of Conti Temic microelectronic GmbH, Ingolstadt
- Conti Temic microelectronic GmbH, Nuremberg (Vice Chairman)

Prof. KR Ing. Siegfried Wolf
Chairman of the Board of Directors of Russian Machines LLC, Moscow, Russia
- Banque Baring Brothers Sturdza SA, Geneva, Switzerland
- GAZ Group, Nizhny Novgorod, Russia (Chairman)
- SBERBANK Europe AG, Vienna, Austria (Chairman)
- Glavstroy OJSC, Moscow, Russia (Chairman until September 15, 2015)
- Österreichische Industrieholding AG, Vienna, Austria (Chairman until March 20, 2015)
- Schaeffler AG, Herzogenaurach
- MIBA AG Mitterbauer Beteiligungs AG, Laakirchen, Austria (since June 25, 2015)
- STRABAG SE, Vienna, Austria (until June 12, 2015)
- Transstroy Corporation, Moscow, Russia (until September 15, 2015)

* Employee representative.
** Companies pursuant to Section 100 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG).*

Members of the Supervisory Board Committees:

1. Chairman's Committee and Mediation Committee required under Section 27 (3) of the German Co-determination Act *(Mitbestimmungsgesetz)*
- Prof. Dr.-Ing. Wolfgang Reitzle
- Hartmut Meine
- Georg F. W. Schaeffler
- Jörg Schönfelder

2. Audit Committee
- Prof. Dr. Rolf Nonnenmacher
- Peter Hausmann
- Dirk Nordmann
- Klaus Rosenfeld
- Georg F. W. Schaeffler
- Erwin Wörle

3. Nomination Committee
- Prof. Dr. Rolf Nonnenmacher
- Prof. Dr.-Ing. Wolfgang Reitzle
- Georg F. W. Schaeffler
- Maria-Elisabeth Schaeffler-Thumann

Ten-Year Review – Corporation

		2015	2014	2013	2012[6]	2011	2010	2009	2008	2007	2006
Balance sheet											
Non-current assets	in € millions	19,666.6	16,923.3	15,569.5	15,685.7	15,075.5	14,887.9	14,724.6	16,348.4	17,383.9	5,877.9
Current assets	in € millions	13,169.1	13,317.8	11,251.3	11,764.4	10,962.9	9,502.6	8,324.6	8,339.5	10,353.7	4,975.1
Total assets	in € millions	32,835.7	30,241.1	26,820.8	27,450.1	26,038.4	24,390.5	23,049.2	24,687.9	27,737.6	10,853.0
Shareholders' equity (excl. non-controlling interests)	in € millions	12,786.3	10,672.1	9,011.2	7,779.0	7,146.1	5,859.6	3,772.6	5,265.4	6,583.2	4,470.8
Non-controlling interests	in € millions	427.6	352.5	311.0	377.4	397.2	343.3	289.1	264.5	272.9	239.1
Total equity (incl. non-controlling interests)	in € millions	13,213.9	11,024.6	9,322.2	8,156.4	7,543.3	6,202.9	4,061.7	5,529.9	6,856.1	4,709.9
Equity ratio[1]	in %	40.2	36.5	34.8	29.7	29.0	25.4	17.6	22.4	24.7	43.4
Capital expenditure[2]	in € millions	2,178.8	2,045.4	1,981.1	2,019.4	1,711.3	1,296.4	860.1	1,595.2	896.9	805.0
Net indebtedness	in € millions	3,541.9	2,823.5	4,289.3	5,319.9	6,772.1	7,317.0	8,895.5	10,483.5	10,856.4	1,181.0
Gearing ratio	in %	26.8	25.6	46.0	65.2	89.8	118.0	219.0	189.6	158.3	25.1
Income statement											
Sales	in € millions	39,232.0	34,505.7	33,331.0	32,736.2	30,504.9	26,046.9	20,095.7	24,238.7	16,619.4	14,887.0
Share of foreign sales	in %	78.6	76.6	76.2	75.4	73.7	72.8	71.0	68.5	69.2	67.6
Cost of sales[3]	in %	74.1	74.9	76.6	78.3	79.0	77.8	80.0	80.4	75.8	75.3
Research and development expenses[3]	in %	6.2	6.2	5.6	5.3	5.3	5.6	6.7	6.2	5.0	4.5
Selling expenses[3]	in %	5.6	5.3	5.0	4.8	4.7	5.0	5.6	4.9	5.5	5.7
Administrative expenses[3]	in %	2.4	2.2	2.1	2.0	2.1	2.5	3.0	3.2	2.7	3.0
EBITDA	in € millions	6,001.4	5,133.8	5,095.0	4,967.4	4,228.0	3,587.6	1,591.2	2,771.4	2,490.6	2,301.5
EBITDA[3]	in %	15.3	14.9	15.3	15.2	13.9	13.8	7.9	11.4	15.0	15.5
Personnel expenses	in € millions	9,164.6	7,757.2	7,124.5	6,813.7	6,354.3	5,891.7	5,199.8	5,746.3	3,652.7	3,175.2
Depreciation and amortization[4]	in € millions	1,885.8	1,789.0	1,831.3	1,781.2	1,631.1	1,652.4	2,631.6	3,067.6	814.8	699.6
Net income attributable to the shareholders of the parent	in € millions	2,727.4	2,375.3	1,923.1	1,905.2	1,242.2	576.0	-1,649.2	-1,123.5	1,020.6	981.9
Dividend and earnings per share											
Dividend for the fiscal year	in € millions	750.0[5]	650.0	500.0	450.0	300.0	–	–	–	323.4	293.1
Number of shares as at December 31	in millions	200.0	200.0	200.0	200.0	200.0	200.0	169.0	169.0	161.7	146.5
Net income (per share) attributable to the shareholders of the parent	in €	13.64	11.88	9.62	9.53	6.21	2.88	-9.76	-6.84	6.79	6.72
Employees											
Annual average	in thousands	204.7	186.0	175.4	169.0	159.7	142.7	133.4	148.4	93.9	81.6

1 Including non-controlling interests.
2 Capital expenditure on property, plant and equipment, and software.
3 As a percentage of sales.
4 Excluding impairment on financial investments.
5 Subject to the approval of the Annual Shareholders' Meeting on April 29, 2016.
6 IAS 19 (revised 2011), Employee Benefits, has been applied since 2012.

Glossary of Financial Terms

American Depositary Receipt (ADR). ADRs securitize the ownership of shares and can refer to one, several, or even a portion of a share. ADRs are traded on U.S. stock exchanges in the place of foreign shares or shares that may not be listed on U.S. stock exchanges.

Capital Employed. Capital employed refers to the funds used by the company to generate its sales.

Continental Value Contribution (CVC). The CVC represents the absolute amount of additional value created, and the delta CVC represents the change in absolute value creation compared to the prior year. This change in the absolute contribution measured by delta CVC allows us to monitor the extent to which management units generate value-creating growth or employ resources more efficiently.

The CVC is measured by subtracting the weighted average cost of capital (WACC) from the return on capital employed (ROCE) and multiplying this by the average operating assets for the fiscal year. The WACC calculated for the Continental Corporation corresponds to the required minimum return. The cost of capital is calculated as the weighted average ratio of the cost of equity and borrowing costs.

Currency swap. Swap of principal payable or receivable in one currency into similar terms in another currency. Often used when issuing loans denominated in a currency other than that of the lender.

Defined Benefit Obligation (DBO). DBO is defined as the present value of all vested and non-vested benefits calculated on the basis of estimated salary levels at retirement. The only actuarial method that may be used to calculate the DBO is the projected unit credit method. DBO corresponds to PBO (projected benefit obligation).

Derivative instruments. Transactions used to manage interest rate and/or currency risks.

Dividend payout ratio. The dividend payout ratio is the ratio between the dividend for the fiscal year and the earnings per share.

EBIT. Earnings Before Interest and Taxes. EBIT represents the results of operations.

EBITDA. Earnings Before Interest, Taxes, Depreciation and Amortization.

Finance lease. Under a finance lease, the lessor transfers the investment risk to the lessee. This means that the lessor bears only the credit risk and any agreed services. The lessee is the beneficial owner of the leased asset. Finance leases are characterized by a fixed basic term during which the lease may not be terminated by the lessee.

Free cash flow. The sum of cash flows arising from operating and investing activities is defined as free cash flow or cash flow before financing activities.

GDP. Gross domestic product is a measure of the economic performance of a national economy. It specifies the value of all goods and services produced within a country in a year.

Gearing ratio. The gearing ratio represents the net indebtedness divided by total equity, expressed as a percentage.

Hedging. Securing a transaction against risks, such as fluctuations in exchange rates, by entering into an offsetting hedge transaction, typically in the form of a forward contract.

IAS. International Accounting Standards. Accounting standards of the IASB.

IASB. International Accounting Standards Board. The authority that defines the International Financial Reporting Standards.

IFRIC. International Financial Reporting Interpretations Committee (predecessor of the International Financial Reporting Standards Interpretations Committee, IFRS IC).

IFRS. International Financial Reporting Standards. Accounting standards of the IASB.

Interest rate swap. An interest rate swap is the exchange of interest payments between two parties. For example, this allows variable interest to be exchanged for fixed interest, or vice versa.

Net indebtedness. The net amount of interest-bearing financial liabilities as recognized in the balance sheet, cash and cash equivalents, the positive fair values of the derivative instruments as well as other interest-bearing investments.

Operating assets. Operating assets are the assets less liabilities as reported in the balance sheet, without recognizing the net indebtedness, discounted trade bills, deferred tax assets, income tax receivables and payables, as well as other financial assets and debts. Average operating assets are calculated as at the end of the quarterly periods and, according to our definition, correspond to the capital employed.

Operating lease. A form of lease that is largely similar to rental. Leased assets are recognized in the lessor's balance sheet and capitalized.

PPA. Purchase Price Allocation. PPA is the process of breaking down the purchase price and assigning the values to the identified assets, liabilities, and contingent liabilities following a business combination. Subsequent adjustments to the opening balance sheet – resulting from differences between the preliminary and final fair values at the date of initial consolidation – are recognized as PPA.

Rating. Standardized indicator for the international finance markets that assesses and classifies the creditworthiness of a debtor. The classification is the result of an economic analysis of the debtor by specialist rating companies.

Return On Capital Employed (ROCE). We define ROCE as the ratio of EBIT to average operating assets for the fiscal year.

SIC. Standing Interpretations Committee (predecessor to the IFRIC).

Weighted Average Cost of Capital (WACC). The WACC represents the weighted average cost of the required return on equity and net interest-bearing liabilities.

Financial Calendar

2016	
Preliminary figures for fiscal 2015	January 11
Annual Financial Press Conference	March 3
Analyst and Investor Conference Call	March 3
Annual Shareholders' Meeting (including key figures for the first quarter of 2016)	April 29
Financial Report as at March 31, 2016	May 4
Half-Year Financial Report as at June 30, 2016	August 3
Financial Report as at September 30, 2016	November 10

2017	
Preliminary figures for fiscal 2016	January
Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting (including key figures for the first quarter of 2017)	April 28
Financial Report as at March 31, 2017	May
Half-Year Financial Report as at June 30, 2017	August
Financial Report as at September 30, 2017	November

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The Future in Motion