Continental
The Future in Motion

Q2

Half-Year Financial Report
as at June 30, 2016

The Horizons of Digitalization

Continental Shares and Bonds

Stock markets impacted by concerns about the economy and Brexit vote

The continuing decrease in prices for many raw materials – particularly crude oil – again gave rise to concerns about the global economy at the start of 2016, triggering a downward trend on stock markets worldwide. As a result, the DAX fell below the 10,000 point mark at the beginning of January. In early February, somewhat more cautious statements regarding economic development made by the U.S. Federal Reserve (Fed) and weaker economic data from the U.S.A. and China caused a further slump in prices. In addition, these statements put strain on the U.S. dollar in relation to the euro, resulting in an additional negative impact on European export stocks. In this context, the DAX fell to around 8,700 points by February 11, 2016 – a decrease of 19% compared to its 2015 year-end level of 10,743.01 points.

Mid-February 2016 saw the start of a recovery phase on the markets after prices for crude oil and other raw materials stabilized. However, weak foreign-trade data from China caused sentiment to deteriorate in the first half of March. The announcement of the additional measures of the European Central Bank (ECB) – which included lowering the key interest rate to 0.0% and the interest rate on deposits to -0.4%, as well as expanding the monthly bond purchase program from €60 billion to €80 billion until March 2017 – did not have any significant impact on the stock markets in mid-March. Weaker economic data from Germany and the U.S.A. however did result in falling share prices.

Starting mid-April 2016, the steady recovery in prices for crude oil and other raw materials, combined with positive economic data from Europe, China, and the U.S.A., caused share prices to increase again. As a result, the DAX exceeded the level of 10,000 points, climbing to more than 10,400 points by April 21. Following the publication of the initial estimate of the U.S. economy's annualized growth for the first quarter of 2016, which was lower than expected at +0.5% compared to the prior period, stock market sentiment deteriorated again in early May and the DAX fell below the level of 10,000 points once more. Better-than-expected corporate earnings in Europe and the U.S.A. for the first quarter of 2016 had only a stabilizing effect over the remainder of the month. At the end of May, growing expectations of an interest rate hike by the Fed in June strengthened the U.S. dollar and weakened the euro. The DAX also benefited from positive economic data and again rose above the level of 10,000 points.

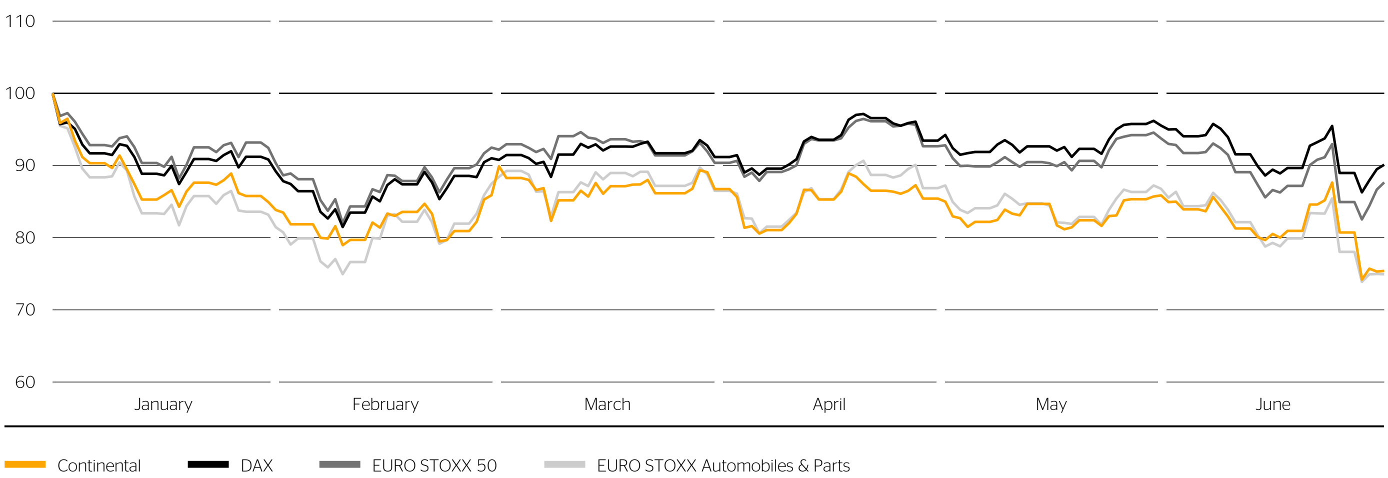
In early June 2016, sentiment shifted again after polls in the U.K. showed growing support among voters for an exit from the European Union in the upcoming referendum. Fears of the so-called Brexit increased until mid-June and pushed the DAX down to a level of 9,500 points, which was also partly due to continuing uncertainty regarding the future monetary policy of the major central banks. A week before the referendum on June 23, 2016, approval of the Brexit was increasingly regarded by investors as unlikely on the basis of new polls. This resulted in a rapid recovery in share prices. The unexpected vote against remaining in the European Union by 51.9% of the votes cast led to a plunge in prices on the international capital markets. This had a particularly strong impact on the European stock markets. The DAX fell by around 1,000 points in two trading days and closed at 9,268.66 points on June 27.

Over the following trading days, the markets settled and the DAX closed the first half of 2016 at 9,680.09 points. It was thus down 2.9% in the second quarter and 9.9% in the first half of the year. The EURO STOXX 50 declined by 4.7% to 2,864.74 points in the second quarter. Its price decrease in the first half of 2016 amounted to 12.3%.

Performance by Continental shares in line with sector

During the first half of 2016, Continental's shares mostly followed the price development of the index for European automotive stocks, the EURO STOXX Automobiles & Parts. In addition to a decline in the general stock market sentiment, automotive companies worldwide were impacted during the first half of the year by growing

Price performance of Continental shares in the first half of 2016 versus selected stock indexes indexed to January 1, 2016



	June 30, 2016	in % vs. December 31, 2015
Continental shares (XETRA price)	169.30	–24.6
DAX	9,680.09	–9.9
EURO STOXX 50	2,864.74	–12.3
EURO STOXX Automobiles & Parts	406.44	–25.1

concerns about demand for passenger cars in the U.S.A., China, and Japan. Furthermore, analysts lowered their expectations and recommendations for the sector. European automotive companies additionally suffered from the deterioration of export prospects due to the appreciation of the euro. In addition to bank and insurance stocks, the Brexit vote also had a particularly negative impact on European automotive stocks at the end of June 2016.

Following the decline at the beginning of the year, the Continental share price stabilized at around €180 in mid-February 2016. Over the remainder of the first half of the year, it moved sideways in a range of between €175 and €203. It hit its lowest value in the reporting period after the Brexit vote in the course of June 27, 2016, at €165.85. Continental shares closed the first half of 2016 at €169.30, having fallen by 15.4% in the second quarter. Compared to their closing price from 2015, the cumulative decrease in the first half of 2016 came to 24.6%, or 23.1% if reinvestment of the distributed dividend is assumed. The EURO STOXX Automobiles & Parts fell by 15.6% in the second quarter and by 25.1% in the first half of 2016.

Stable performance of euro bonds

The four Continental euro bonds remained at a low yield level during the first half of 2016 and displayed a relatively stable price development.

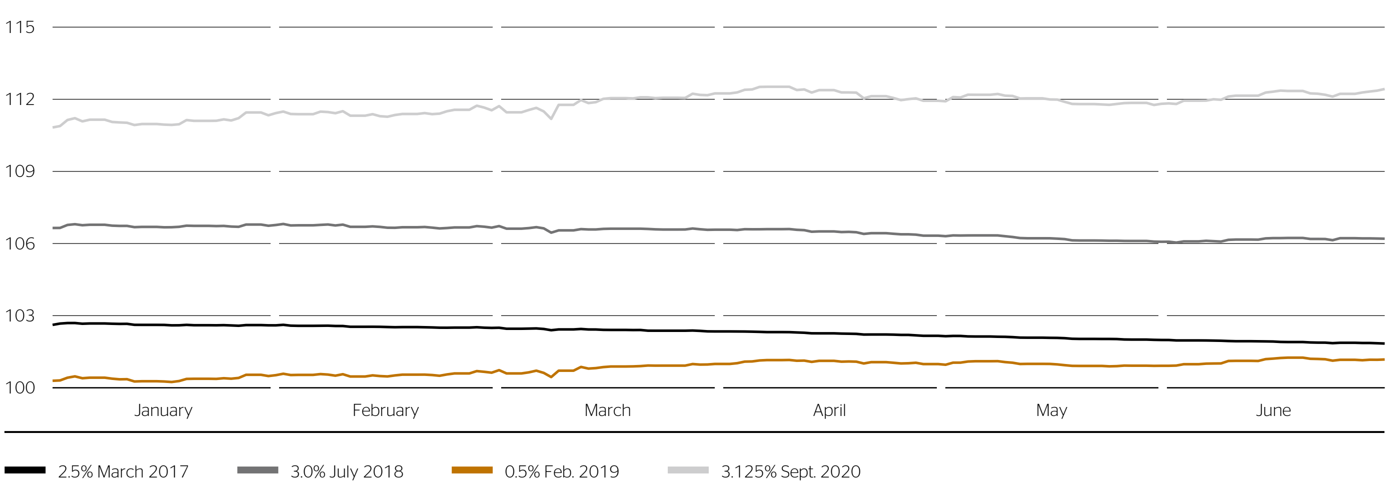
The shorter-term Continental euro bonds posted slight price decreases due to their approaching maturity. The 2.5% euro bond maturing on March 20, 2017, fell 84.0 basis points below its closing price for 2015, quoting at 101.839% as at the end of June 2016. Over the first half of the year, the price of the 3.0% euro bond maturing on July 16, 2018, declined by 47.4 basis points to 106.208%.

In the first half of 2016, the longer-term Continental euro bonds benefited from the falling interest rate level for corporate bonds in the eurozone. This was attributable to the decision taken by the ECB in March 2016, and implemented since June 2016, to extend its bond purchases to euro-denominated corporate bonds with an investment grade rating. Furthermore, in June they benefited from investors' increased demand for bonds in the run-up to the Brexit referendum and also afterwards. By the end of June 2016, the 0.5% euro bond maturing on February 19, 2019, had risen by 90.4 basis points to 101.180%. The 3.125% euro bond maturing on September 9, 2020, increased by 163.9 basis points and was quoting at 112.437% at the end of the first half of the year.

CDS premium virtually unchanged after volatile first quarter

The turbulence on the raw material and stock markets at the beginning of the reporting period resulted in rising premiums for insuring against credit risks (credit default swap, CDS). By February 12, 2016, the five-year CDS premium for Continental had increased by more than 40 basis points to about 105 basis points from its level of 63.400 basis points at the end of 2015. Over the remainder of the first half of the year, the ECB's decision to expand its measures, which was increasingly expected and was then taken in March 2016, resulted in falling interest rates in the eurozone and a decrease in CDS premiums for euro-denominated corporate bonds.

Price performance of Continental bonds in the first half of 2016



The Continental CDS premium closed the first half of 2016 at 68.749 basis points near the start of the year. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to -14.930 basis points on June 30, 2016 (December 31, 2015: -16.466 basis points).

Improvement in Continental's credit rating

On May 11, 2016, the rating agency Standard & Poor's upgraded Continental AG from BBB with a positive outlook to BBB+ with a stable outlook. The other two major rating agencies each maintained their credit ratings for Continental AG during the first half of 2016.

June 30, 2016	**Rating**	**Outlook**
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB	positive
Moody's[3]	Baa1	stable

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

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

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

The latest information about Continental shares has also been available on Twitter under @Continental_IR since the end of February 2016.

Key Figures for the Continental Corporation

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015	**2016**	2015
Sales	20,041.7	19,598.6	10,191.0	10,029.7
EBITDA	3,218.6	3,036.5	1,713.1	1,633.3
in % of sales	16.1	15.5	16.8	16.3
EBIT	2,290.3	2,161.2	1,249.6	1,183.3
in % of sales	11.4	11.0	12.3	11.8
Net income attributable to the shareholders of the parent	1,638.8	1,448.6	904.9	791.9
Earnings per share in €	8.19	7.24	4.52	3.96
Adjusted sales[1]	19,846.7	19,598.6	10,136.4	10,029.7
Adjusted operating result (adjusted EBIT)[2]	2,398.0	2,242.8	1,303.0	1,232.6
in % of adjusted sales	12.1	11.4	12.9	12.3
Free cash flow	959.0	282.0	470.0	553.3
Net indebtedness as at June 30	3,446.2	4,235.6		
Gearing ratio in %	25.8	34.1		
Number of employees as at June 30[3]	214,905	205,288		

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.

Key Figures for the Core Business Areas

	January 1 to June 30		Second Quarter	
Automotive Group in € millions	**2016**	2015	**2016**	2015
Sales	12,168.5	11,908.3	6,157.5	5,996.2
EBITDA	1,465.0	1,504.1	766.0	776.7
in % of sales	12.0	12.6	12.4	13.0
EBIT	941.8	1,046.9	502.0	544.4
in % of sales	7.7	8.8	8.2	9.1
Depreciation and amortization[1]	523.2	457.2	264.0	232.3
thereof impairment[2]	5.0	–	1.7	–
Capital expenditure[3]	497.0	472.6	295.3	267.9
in % of sales	4.1	4.0	4.8	4.5
Operating assets as at June 30	11,962.3	10,898.3		
Number of employees as at June 30[4]	121,035	112,697		
Adjusted sales[5]	12,085.0	11,908.3	6,113.1	5,996.2
Adjusted operating result (adjusted EBIT)[6]	983.8	1,052.2	527.5	546.9
in % of adjusted sales	8.1	8.8	8.6	9.1

	January 1 to June 30		Second Quarter	
Rubber Group in € millions	**2016**	2015	**2016**	2015
Sales	7,896.3	7,714.7	4,044.6	4,045.4
EBITDA	1,804.8	1,612.6	970.6	903.7
in % of sales	22.9	20.9	24.0	22.3
EBIT	1,400.8	1,195.3	772.1	686.4
in % of sales	17.7	15.5	19.1	17.0
Depreciation and amortization[1]	404.0	417.3	198.5	217.3
thereof impairment[2]	3.0	–	-0.4	–
Capital expenditure[3]	422.1	342.7	226.2	190.9
in % of sales	5.3	4.4	5.6	4.7
Operating assets as at June 30	8,524.0	8,724.9		
Number of employees as at June 30[4]	93,469	92,203		
Adjusted sales[5]	7,784.8	7,714.7	4,034.4	4,045.4
Adjusted operating result (adjusted EBIT)[6]	1,466.5	1,271.6	800.0	733.2
in % of adjusted sales	18.8	16.5	19.8	18.1

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.

Corporate Management Report

Brake system MK C1 has worldwide debut in the new Alfa Romeo Giulia model

Continental supplies Alfa Romeo with its new MK C1 brake system for the new Giulia. The MK C1 offers faster braking force for advanced driver assistance systems and can help prevent accidents and reduce accident severity by means of short braking distances. The electronic brake system MK C1 is more dynamic, lighter and more compact than conventional brake systems. It also reduces pedal vibrations. This enables the driver to always feel the same force-path characteristics in the pedal – thus providing a high level of comfort. With the MK C1, the brake actuation feature, the brake booster and the control systems (ABS and ESC) are combined into a compact, weight-saving braking module. The system weighs up to three to four kilograms less than a conventional braking system, depending on the basis of comparison.

New turbocharger with innovative RAAX™ turbine technology now in production in Audi A3

The first turbocharger with the innovative RAAX™ turbine technology from Continental is now in production in the Audi A3's new 2.0-liter gasoline engine. As denoted in the name RAAX™ (which stands for radial-axial), the new turbocharger's most important innovation is its modified turbine design. Unlike the most common type of gasoline turbocharger – the radial turbocharger, which features a radial exhaust gas inlet – the new turbocharger has a radial-axial (semi-radial/semi-axial) inlet path. The associated special blade design allows a substantial reduction of approximately 40% in the rotational moment of inertia of the turbine wheels. This means the turbocharger responds faster to engine load changes, so boost pressure is developed more quickly and turbo lag is minimized. In addition to this significant improvement in response, RAAX™ technology also results in up to 3% greater efficiency in the engine-relevant operating range, leading to reduced emissions.

Continental wins Toyota's annual Technology & Development Award

This annual Technology & Development Award recognizes suppliers whose innovations allow Toyota vehicles to be appealing through the use of the latest technology. Continental received the award for the development of the multi-function camera with lidar (MFL) which integrates a camera and an infrared lidar (light detection and ranging sensor) into a single compact unit. This sensor module is able to detect objects ahead of the vehicle, and when there is a possibility of collision it prompts the driver to brake with an audio and visual alert. If the driver fails to brake in time, the system automatically applies the brakes. In addition to this pre-collision system, the multi-function camera with lidar is contributing to realizing other active safety functions like lane departure warning and the automatic high beam in the Toyota Safety Sense C package. Continental now supplies this sensor module for more than ten Toyota models worldwide.

Continental integrates gesture-based control into the steering wheel

A quick swipe with the thumb, a light wave with the hand, and drivers can already accept the incoming call, activate the required driving mode, or start their favorite song. Gesture-based control is known from the world of entertainment electronics, and has been making inroads into vehicles for some time now. In May 2016, we unveiled an innovation project that, for the first time ever, focuses the detection zone of gestures on the steering wheel. This is possible by virtue of a sensor integrated in the instrument cluster. Where previous gesture-based control systems in the area of the center console meant that drivers had to take their hands off the steering wheel or take their eyes off the road, the field of action in the solution developed by Continental is much more focused. With gestures in a clearly defined area on the steering wheel, we can minimize distraction and thus increase safety. This narrowing down also prevents the driver from unintentionally starting gesture-based control by means of their usual everyday gestures, and thus making unwanted selections.

Expansion of radial agricultural tire production in Portugal

Continental is investing about €50 million in its agricultural tires business. The production of Continental-branded premium agricultural tires will be built up in Lousado, Portugal. Start of production is scheduled for 2017. Besides the investment in the manufacturing plant, Continental is investing a further €2.5 million in a new research and development center to accelerate the growth of the agricultural tires portfolio. The center will do research in close cooperation with the central research and development department in Hanover. We are already producing cross-ply tires for the agricultural sector in Port Elizabeth, South Africa, and Petaling Jaya, Malaysia.

Surface scanner makes conveyor belt damage visible

Conveyor belts are the heart of many transport systems. Their importance becomes particularly clear when damage occurs. If this results in an extended system downtime, the entire production chain frequently collapses. This in turn results in high losses for the operators. To allow conveyor belt systems to run free of faults and cost-effectively, even when subjected to high loads, the operators are focusing more and more on prevention. Innovative electronic conveyor belt monitoring systems make it possible to identify the precise condition of the transport systems at any time. With the Conti Inspect systems for servicing, and the Conti Protect systems for monitoring during operation, we provide the right solutions for these jobs. All the systems meet high-quality standards and therefore guarantee a high level of safety.

Economic Report

Macroeconomic development

Adjusted for price changes as well as seasonal and calendar effects, Germany's gross domestic product (GDP) grew by 0.7% in the first quarter of 2016 compared to the fourth quarter of 2015 and by 1.6% compared to the same period of the previous year. This growth was stronger than expected. Positive impetus came mainly from within Germany: Private households and the state increased their consumption, while capital expenditure also saw growth, particularly in the construction industry. This growth was held back somewhat by the development of foreign trade, since imports rose faster than exports. Slightly lower growth is currently forecast for the second quarter, as the usual spring upturn due to pre-buy effects in the first quarter is likely to have been somewhat weaker as a result of the mild winter. In its July 2016 World Economic Outlook Update, the International Monetary Fund (IMF) raised its growth projection for Germany's GDP by 0.1 percentage points to 1.6% for 2016 as a result of the stronger-than-expected development in the reporting period.

The eurozone saw a similar development to that of the German economy in the first quarter of 2016, with eurozone GDP rising by 0.6% compared to the previous quarter and by 1.7% compared to the first quarter of 2015. Most countries recorded an increase in private and government spending and in capital expenditure. The economic development was supported further by the monetary policy of the European Central Bank (ECB), which stepped up its expansive measures again in March 2016. Most economists currently expect the pace of growth from the first quarter to be maintained in the second quarter. Due to the approval of the Brexit by British voters, the IMF is expecting growth in the second half of 2016 to be somewhat lower than in the first half year. In July, it raised its forecast for GDP growth in the eurozone in 2016 by 0.1 percentage points to 1.6%.

The U.S. economy in the first quarter of 2016 was in better condition than had been expected. According to the third estimate of the Bureau of Economic Analysis, U.S. GDP rose by 1.1% compared to the fourth quarter of 2015 and by 2.1% compared to the first quarter of 2015. Although the increase in consumer spending slowed down, government spending recorded a somewhat stronger increase again. Exports also rose slightly, whereas imports recorded a small decline. GDP was curbed by decreasing private investments. Economists forecast that these will increase again in the second quarter, but imports are expected to grow more significantly than exports. The U.S. Federal Reserve (Fed) acted cautiously during the first half of the year, postponing its next increase in the key interest rate until the second half of the year. In July 2016, the IMF adapted its expectations of the development, and again lowered its forecast for GDP growth in the U.S.A. by 0.2 percentage points to 2.2% for the current year.

The Japanese economy was curbed by the appreciation of the Japanese yen in the first half of 2016. The Japanese central bank's introduction of a negative interest rate of 0.1% for some deposits from commercial banks had only a short-term effect with regard to currency depreciation at the end of January 2016. Although Japan's GDP grew substantially by 1.9% again in the first quarter of 2016 compared to the declining fourth quarter of 2015, its growth in comparison to the first quarter of 2015 came to only 0.1%. The growth rate is not currently expected to pick up in the second quarter, either. In its July forecast, the IMF lowered its growth projection for Japan by 0.2 percentage points to 0.3% for 2016.

The IMF maintained its July forecast for emerging and developing economies, continuing to expect growth of 4.1% for 2016. China and India are still the main growth drivers here. For China, which posted a 6.7% increase in GDP for both the first and second quarters of 2016, the IMF raised its projection in July by 0.1 percentage points to 6.6% for 2016 as a whole. For India, the IMF lowered its GDP forecast of 7.5% to 7.4% for 2016. The IMF increased its GDP forecast for 2016 by 0.5 percentage points to -3.3% for Brazil and by 0.6 percentage points to -1.2% for Russia, since in both countries the recession in the first quarter was milder than expected and the prices for key raw materials stabilized in the reporting period.

In its July forecast, the IMF lowered its projection for global economic growth in the current year by 0.1 percentage points to 3.1%. In light of the uncertainty and postponed investment decisions caused by the Brexit vote, the IMF currently sees risks for the economy of the U.K. along with the corresponding negative effects for other countries in Europe as well, in particular starting in 2017. At the same time, it pointed out the risk of turbulence on the financial markets resulting from new bank crises in individual countries. In addition, political and geopolitical tensions in various countries are slowing down economic development noticeably. Furthermore, the IMF continues to see a risk of slower growth in advanced economies, and still recommends initiating structural reforms and fiscal policy measures in addition to expansive monetary policy measures.

Development of new passenger car registrations

Demand for passenger cars in Europe (EU28 + EFTA) continued to grow in the first half of 2016. On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), the number of new passenger car registrations rose by 9% to 8.1 million units compared to the previous year. In addition to the continuing economic recovery, this strong demand was also attributable to the low interest rates and relatively high replacement demand. Among the major markets, this development was particularly pronounced in Italy, with an increase of 19% in the period under review. Spain and France posted increases of 12% and 8% respectively. Demand for passenger cars rose by 7% in Germany and by 3% in the U.K. On a quarterly basis, the year-on-year growth rate for Europe increased by 8% in the first quarter to 10% in the second quarter. Spain and Germany in particular recorded a strong recovery in demand in the second quarter, whereas in the U.K. there was a slight decline due to the high basis from the previous year.

New registrations/sales of passenger cars

in millions of units	H1 2016	H1 2015	Change	Q2 2016	Q2 2015	Change
Europe (EU28 + EFTA)	8.1	7.4	9%	4.2	3.8	10%
U.S.A.	8.6	8.5	1%	4.5	4.5	0%
Japan	2.1	2.3	–5%	0.9	0.9	–2%
Brazil	1.0	1.3	–25%	0.5	0.6	–22%
Russia	0.7	0.8	–14%	0.4	0.4	–11%
India	1.4	1.4	4%	0.7	0.7	7%
China	10.6	9.5	12%	5.2	4.5	15%
Worldwide	**44.4**	**43.3**	**2%**	**22.3**	**21.6**	**3%**

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

In the U.S.A., demand for light commercial vehicles, especially pickup trucks, rose by 11% year-on-year in the first half of 2016 due to low fuel prices and favorable financing rates. By contrast, demand for passenger cars fell by almost 9%. Overall, there was a 1% increase in new registrations to 8.6 million units. On a quarterly basis, new registrations increased by 3% to 4.1 million in the first quarter. With 4.5 million new registrations, the second quarter just reached the high level of the previous year.

In Japan, the subdued economic situation and low level of consumer confidence resulted in a 5% decline in demand for passenger cars to 2.1 million units in the first half of 2016. While demand fell by 7% year-on-year in the first quarter of 2016, in the second quarter there was a slight stabilization in demand for passenger cars with a decrease of 2%.

In China, the halving of sales tax on purchases of passenger cars with a cubic capacity of less than 1.6 liters at the start of the fourth quarter of 2015 continued to have a positive impact in the reporting period. According to the VDA, passenger car sales volumes increased by 12% to 10.6 million units in the first half of 2016. In the other BRIC countries, demand developed in line with the respective macroeconomic situation. While volumes in India increased by 4% in the reporting period, they fell by 25% in Brazil and by 14% in Russia.

According to preliminary data, global new passenger car registrations increased by 1% year-on-year in the first quarter of 2016 and, primarily as a result of demand picking up in Western Europe and China, by 3% in the second quarter of 2016. Overall, there was a 2% increase in new registrations to 44.4 million units in the first half of 2016.

Development of production of passenger cars and light commercial vehicles

The situation in Europe was still varied in the period under review. In Western Europe, the rise in demand for passenger cars also resulted in higher production of passenger cars and light commercial vehicles weighing less than 6 metric tons in most countries. After production in Germany had been curbed by a lower number of working days in the first quarter of 2016 as compared to the same quarter of the previous year, it picked up considerably in the second quarter. In Eastern Europe and particularly in Russia, by contrast, the continuing decline in demand resulted in a corresponding decline in production figures. Preliminary data and estimates indicate that passenger car production in Europe grew by around 4% year-on-year in the first half of 2016. Following the Brexit vote, we anticipate declines in demand for passenger cars in the U.K. in particular in the second half of the year. For 2016 as a whole, we thus continue to anticipate a 2% increase in production of passenger cars and light commercial vehicles in Europe.

In NAFTA, increased demand meant that production of light commercial vehicles, particularly pickup trucks, was expanded in the first half of 2016, whereas passenger car production decreased year-on-year. Preliminary data indicates that total production of passenger cars and light commercial vehicles increased by 3% in the period under review. However, we anticipate a slight decline in demand in the second half of the year, as well as a year-on-year decrease in production figures due to the high level of production achieved and the rising comparative basis. For 2016 as a whole, we are maintaining our forecast of an overall stagnation of the production volume.

Asia also presented a mixed picture in the reporting period compared to the previous year. Particularly in China as well as in India, there was a further increase in production of passenger cars and light commercial vehicles as a result of increased demand. By contrast, production volumes decreased in Japan and South Korea in particular. Preliminary data shows that production in Asia as a whole grew by around 2% year-on-year in the first half of 2016. For 2016 as a whole, we continue to anticipate a 3% increase for Asia.

In South America, low demand led to a further decrease in production of passenger cars and light commercial vehicles. According to preliminary data, production volumes decreased by 21% in the first half of 2016. For the second half of 2016, we anticipate stabilization at the current level. For 2016 as a whole, we continue to expect a 15% decline in production.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased year-on-year by around 2% in the first half of 2016. For 2016 as a whole, we are maintaining our forecast of 1.5%.

Development of production of medium and heavy commercial vehicles

In Europe, the rise in goods transportation by road, particularly in Western Europe, resulted in increased demand for trucks in the first half of 2016. Production of commercial vehicles weighing more than 6 metric tons consequently increased by 5% according to preliminary data. In the second half of the year, we currently expect the positive momentum from the second quarter to continue and anticipate an increase of 6% – compared to our previous forecast of 4% – in production of medium and heavy commercial vehicles for 2016 as a whole.

According to preliminary figures, commercial vehicle production in NAFTA decreased by around 10% year-on-year in the period under review as expected. This was attributable to the slump in incoming orders in the fourth quarter of 2015, but incoming orders in the first half of 2016 were also down year-on-year. As a result, we now expect a decline in production of 12% compared to our previous forecast of 10% for 2016 as a whole.

In China, production of medium and heavy commercial vehicles has recovered somewhat in the current year after the significant decline in the previous year. India also recorded rising production volumes. By contrast, production in Japan was down on the previous year's level. For Asia as a whole, we currently anticipate an increase in commercial vehicle production of 3% in 2016 compared to our previous forecast of 2%.

According to preliminary data, South America posted a decline in commercial vehicle production of around 30%. However, this downward trend is likely to slow in the second half of the year owing to the lower comparative basis. For 2016 as a whole, we are maintaining our forecast of -15% for commercial vehicle production in South America.

Based on our somewhat more positive assessment of the development in Europe and Asia, we are raising our forecast for global production of medium and heavy commercial vehicles in the current year from -1% to 0%.

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

In Europe – Continental's most important market for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons – the recovery in demand that began in the previous year continued in the first half of 2016. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by around 2% year-on-year in the reporting period. For the year as a whole, we also continue to anticipate market growth of just under 2%.

In NAFTA, there was a 2% increase in demand for replacement tires for passenger cars and light commercial vehicles in the period under review. For the remainder of the year, we still expect that demand for replacement tires will grow in light of the rise in the number of miles driven. Due to the rising comparative basis, we are maintaining our forecast of 2% growth for the year as a whole.

Asia is experiencing a further increase in demand for replacement tires for passenger cars and light commercial vehicles in the current year. Particularly in China – the most important Asian market – preliminary data indicates that demand rose by 8% in the first half of 2016. In India, too, the growing economy resulted in increasing sales volumes of replacement tires. For Asia as a whole, we still foresee a 5% increase in replacement tire volumes for passenger cars and light commercial vehicles in 2016.

In South America, preliminary figures indicate that the persistently difficult economic situation in the reporting period brought about a decline in demand for replacement tires for passenger cars and light commercial vehicles. For 2016 as a whole, we currently anticipate a decline in volumes of 5%, rather than our previous forecast of 7%.

We are maintaining our overall forecast of growth in global demand for replacement passenger car and light commercial vehicle tire volumes of 2% in 2016.

Development of replacement tire markets for medium and heavy commercial vehicles

According to preliminary data, demand for replacement tires for medium and heavy commercial vehicles in Europe rose by 3% in the period under review. Demand mainly increased in Western Europe, whereas in Eastern Europe it generally stagnated. For the year as a whole, we still expect demand in Europe to pick up by 3%.

In NAFTA, preliminary data indicates that demand for replacement tires for medium and heavy commercial vehicles grew by 3% in the first half of 2016. For 2016 as a whole, we continue to anticipate growth of 2% due to the rising comparative basis.

In Asia, demand for replacement tires for medium and heavy commercial vehicles in the current year followed the economic development of the individual countries. According to preliminary data, demand increased by around 3% in Asia as a whole in the first half of 2016. For 2016 as a whole, we are still forecasting a 2% increase in demand for replacement tires for medium and heavy commercial vehicles in Asia.

In South America, demand for replacement tires for medium and heavy commercial vehicles also declined by around 5% in the reporting period due to weaker economic activity. We also currently anticipate a decrease of 5% for the year as a whole, compared to our previous forecast of 9%.

We currently anticipate growth in global demand for replacement tires for medium and heavy commercial vehicles of around 2% in 2016 rather than the previously forecast 1%.

Earnings, Financial and Net Assets Position of the Continental Corporation

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015	**2016**	2015
Sales	20,041.7	19,598.6	10,191.0	10,029.7
EBITDA	3,218.6	3,036.5	1,713.1	1,633.3
in % of sales	16.1	15.5	16.8	16.3
EBIT	2,290.3	2,161.2	1,249.6	1,183.3
in % of sales	11.4	11.0	12.3	11.8
Net income attributable to the shareholders of the parent	1,638.8	1,448.6	904.9	791.9
Earnings per share in €	8.19	7.24	4.52	3.96
Research and development expenses	1,442.9	1,274.3	726.8	631.3
in % of sales	7.2	6.5	7.1	6.3
Depreciation and amortization[1]	928.3	875.3	463.5	450.0
thereof impairment[2]	8.0	–	1.3	–
Capital expenditure[3]	919.9	815.8	522.1	459.0
in % of sales	4.6	4.2	5.1	4.6
Operating assets as at June 30	20,370.1	19,504.6		
Number of employees as at June 30[4]	214,905	205,288		
Adjusted sales[5]	19,846.7	19,598.6	10,136.4	10,029.7
Adjusted operating result (adjusted EBIT)[6]	2,398.0	2,242.8	1,303.0	1,232.6
in % of adjusted sales	12.1	11.4	12.9	12.3
Net indebtedness as at June 30	3,446.2	4,235.6		
Gearing ratio in %	25.8	34.1		

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.

Earnings Position

Sales up 2.3%
Sales up 4.1% before changes in the scope of consolidation and exchange rate effects
Consolidated sales for the first six months of 2016 climbed by 2.3% year-on-year to €20,041.7 million (PY: €19,598.6 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 4.1%.

Adjusted EBIT up 6.9%
Adjusted EBIT for the corporation increased by €155.2 million or 6.9% year-on-year to €2,398.0 million (PY: €2,242.8 million) in the first six months of 2016, corresponding to 12.1% (PY: 11.4%) of adjusted sales.

EBIT up 6.0%
EBIT rose by €129.1 million or 6.0% compared to the previous year to €2,290.3 million (PY: €2,161.2 million) in the first half of 2016. The return on sales rose to 11.4% (PY: 11.0%).

Special effects in the first half of 2016
In the Interior division, a purchase price adjustment resulted in expense of €0.1 million.

Impairment losses on property, plant and equipment resulted in expense totaling €5.0 million in the Powertrain division.

In addition, there were negative special effects from restructuring expenses of €1.0 million in the Powertrain division.

In the ContiTech division, the temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €10.6 million, of which €3.4 million was attributable to impairment of property, plant and equipment.

In addition, in the ContiTech division there was a negative special effect from restructuring expenses totaling €0.2 million, which included €0.4 million from reversal of impairment losses on property, plant and equipment.

In relation to the assets held for sale in the steel cord business in Brazil, there were expenses totaling €5.7 million resulting from market value adjustments in the ContiTech division.

An impairment loss and a reversal of an impairment loss on property, plant and equipment in the ContiTech division did not result in any effect on earnings overall.

Total consolidated expense from special effects in the first six months of 2016 amounted to €22.6 million.

Special effects in the first half of 2015
In the ContiTech division, the location in Salzgitter, Germany, is gradually being scaled back on account of follow-up orders not being received. There were restructuring expenses in this context totaling €13.8 million.

Minor special effects resulted in an expense of €0.3 million in the Tire division and an expense of €0.4 million in the ContiTech division.

Total consolidated expense from special effects in the first six months of 2015 amounted to €14.5 million.

Research and development expenses
In the first six months of 2016, research and development expenses rose by 13.2% compared with the same period of the previous year to €1,442.9 million (PY: €1,274.3 million), representing 7.2% (PY: 6.5%) of sales. €1,258.8 million (PY: €1,100.8 million) of this relates to the Automotive Group, corresponding to 10.3% (PY: 9.2%) of sales, and €184.1 million (PY: €173.5 million) to the Rubber Group, corresponding to 2.3% (PY: 2.2%) of sales.

Net interest result
The negative net interest result improved by €50.4 million year-on-year to €48.6 million (PY: €99.0 million) in the first half of 2016.

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 €152.7 million in the first six months of 2016 (PY: €177.7 million). At €70.6 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €26.8 million lower than the prior-year figure of €97.4 million. The major portion related to expense of €42.7 million (PY: €54.6 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 €5.0 million (PY: €10.6 million) from the utilization of the syndicated loan.

The interest cost on pension obligations as well as long-term employee benefits resulted in interest expense totaling €82.1 million (PY: €80.3 million) in the first six months of 2016. This does not include the interest expense related to the defined benefit obligations of the pension funds.

Interest income in the first half of 2016 increased by €0.3 million year-on-year to €49.6 million (PY: €49.3 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €36.8 million (PY: €33.5 million). This does not include the interest income related to the plan assets covering the defined benefit obligations of the pension funds.

Valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates made a positive overall contribution to earnings of €54.4 million (PY: €19.6 million) in the first six months of 2016. This was attributable in particular to the development of the Mexican peso, the Brazilian real, and the Canadian dollar in relation to the U.S. dollar. Available-for-sale financial assets did not give rise to any significant effect in the first half of 2016 (PY: positive effect of €9.8 million).

Income tax expense
Income tax expense in the first half of 2016 amounted to €567.1 million (PY: €571.2 million). The tax rate in the reporting period was 25.3% after 27.7% for the same period of the previous year.

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent was up 13.1% to €1,638.8 million (PY: €1,448.6 million), with earnings per share of €8.19 (PY: €7.24).

Financial Position

Reconciliation of cash flow
EBIT increased by €129.1 million year-on-year to €2,290.3 million (PY: €2,161.2 million).

Interest payments resulting in particular from the bonds declined by €27.5 million to €63.1 million (PY: €90.6 million).

Income tax payments fell by €24.4 million to €544.0 million (PY: €568.4 million).

At €467.8 million as at June 30, 2016, the net cash outflow arising from the increase in operating working capital was €115.0 million lower than the figure for the previous year of €582.8 million.

At €1,981.9 million as at June 30, 2016, cash provided by operating activities was €268.1 million higher than the previous year's figure of €1,713.8 million.

Cash flow arising from investing activities amounted to an outflow of €1,022.9 million (PY: €1,431.8 million) in the first six months of 2016. Capital expenditure on property, plant and equipment, and software was up €104.1 million from €815.8 million to €919.9 million before finance leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies and business operations resulted in a total cash outflow of €76.7 million (PY: €601.9 million).

The free cash flow in the first half of 2016 resulted in an inflow of €959.0 million (PY: €282.0 million), €677.0 million more than in the same period of the previous year.

Financing and indebtedness
As at June 30, 2016, the corporation's net indebtedness was down significantly by €789.4 million year-on-year to €3,446.2 million (PY: €4,235.6 million). This decrease, which is attributable mostly to the very good free cash flow as at the end of 2015, also includes the reduction in long-term interest-bearing investments in particular. The reduction was due to the fact that part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets in fiscal 2015 on the basis of amendments to the articles of incorporation, which resulted in the long-term interest-bearing investments being offset against the associated obligations. At the end of the first half of 2016, €347.0 million was thus reported net of the associated obligations.

As at June 30, 2016, the corporation's net indebtedness was down €95.7 million in comparison to December 31, 2015, when it had amounted to €3,541.9 million. The gearing ratio improved to 25.8% (PY: 34.1%) as at the end of the first half of 2016.

There was a change in the portfolio of bonds in the second half of 2015: 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 a fixed interest rate of 4.5% p.a. was redeemed early as at September 15, 2015, i.e. four years before it was due to mature in September 2019. The redemption price was 102.25%. On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., placed a euro bond with a nominal volume of €500.0 million 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.

At the time the syndicated loan was concluded in April 2014 with a committed volume of €4.5 billion, it 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 were two contractual amendments to the term of the revolving tranche. In April 2015 and in April 2016, all the banks involved approved a one-year extension in each case. This financing commitment is therefore available to Continental until April 2021. The term loan (PY: €1.5 billion) was fully repaid early by the end of March 2016. Early repayments totaling €1,150.0 million were already made in the fourth quarter of 2015. The remaining utilization in the amount of only €350.0 million was repaid at the end of March 2016. As a result, the committed volume of the syndicated loan, which consists of the revolving tranche only, likewise declined by €1.5 billion to €3.0 billion from the end of March 2016. As at the end of June 2016, the revolving credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €354.4 million (PY: €245.9 million).

As at June 30, 2016, Continental had liquidity reserves totaling €5,265.5 million (PY: €6,413.8 million), consisting of cash and cash equivalents of €1,720.1 million (PY: €2,349.7 million) and committed, unutilized credit lines totaling €3,545.4 million (PY: €4,064.1 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 June 30, 2016, unrestricted cash and cash equivalents totaled €1,261.9 million (PY: €2,022.9 million).

Change in net indebtedness

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015	**2016**	2015
Cash flow arising from operating activities	1,981.9	1,713.8	1,011.1	1,030.2
Cash flow arising from investing activities	–1,022.9	–1,431.8	–541.1	–476.9
Cash flow before financing activities (free cash flow)	**959.0**	**282.0**	**470.0**	**553.3**
Dividends paid	–750.0	–650.0	–750.0	–650.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	–26.7	–40.9	–26.0	–39.0
Non-cash changes	–25.3	47.4	–5.1	17.5
Other	–25.1	–1,043.9	–20.2	–11.3
Foreign exchange effects	–36.2	–6.7	–31.6	–7.4
Change in net indebtedness	**95.7**	**–1,412.1**	**–362.9**	**–136.9**

Capital expenditure (additions)

In the first half of 2016, capital expenditure on property, plant and equipment, and software amounted to €919.9 million (PY: €815.8 million). The capital expenditure ratio after six months is 4.6% (PY: 4.2%).

A total of €497.0 million (PY: €472.6 million) of this capital expenditure was attributable to the Automotive Group, representing 4.1% (PY: 4.0%) of sales. The Automotive Group invested primarily in production facilities for the manufacture of new products and implementation of new technologies, with investments being focused on expanding and establishing manufacturing capacity at best-cost locations. In the Chassis & Safety division, there were major additions relating to the expansion of production facilities for the Hydraulic Brake Systems and Vehicle Dynamics business units. Manufacturing facilities for electronic brake systems were expanded in particular. In the Powertrain division, there were major investments in expanding production capacity for the Engine Systems, Sensors & Actuators, and Fuel & Exhaust Management business units. In the Interior division, production capacity was expanded for the Instrumentation & Driver HMI and Body & Security business units.

The Rubber Group invested €422.1 million (PY: €342.7 million), equivalent to 5.3% (PY: 4.4%) of sales. In the Tire division, production capacity was expanded in North America as well as at European best-cost locations. There were major additions relating to the expansion of existing production sites in Sumter, South Carolina, U.S.A.; Hefei, China; Puchov, Slovakia; and Otrokovice, Czechia. Quality assurance and cost-cutting measures were also implemented. In the ContiTech division, there were major additions relating to the expansion of production capacity for the Mobile Fluid Systems, Benecke-Kaliko Group and Conveyor Belt Group business units. Investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €34,429.9 million (PY: €33,605.3 million), total assets as at June 30, 2016, were €824.6 million higher than on the same date in the previous year. The €453.6 million increase in goodwill to €6,621.9 million (PY: €6,168.3 million) and the €139.5 million rise in other intangible assets to €1,280.3 million (PY: €1,140.8 million) was chiefly a result of the acquisition of Elektrobit Automotive. Property, plant and equipment increased by €374.5 million to €9,596.7 million (PY: €9,222.2 million). Deferred tax assets were up €312.5 million at €1,952.6 million (PY: €1,640.1 million). This was countered by the development of long-term derivative instruments and interest-bearing investments, which decreased by €291.5 million to €21.1 million (PY: €312.6 million). Inventories increased by €199.4 million to €3,804.9 million (PY: €3,605.5 million). Trade accounts receivable also rose by €180.2 million to €7,264.5 million (PY: €7,084.3 million). At €1,720.1 million, cash and cash equivalents were down €629.6 million from €2,349.7 million in the same period of the previous year.

Equity including non-controlling interests was up €936.7 million at €13,358.5 million as compared to €12,421.8 million as at June 30, 2015. This was due primarily to the increase in the retained earnings of €2,167.7 million. Equity was reduced by dividends in the amount of €750.0 million resolved by the Annual Shareholders' Meeting. Other comprehensive income changed by -€1,209.8 million to -€2,109.8 million (PY: -€900.0 million). Despite the acquisition of Elektrobit Automotive, the gearing ratio improved from 34.1% to 25.8%. The equity ratio rose to 38.8% (PY: 37.0%).

At €34,429.9 million, total assets were up €1,594.2 million compared with December 31, 2015 (PY: €32,835.7 million). In relation to the individual items of the statement of financial position, this is due primarily to the rise in deferred tax assets of €282.9 million to €1,952.6 million (PY: €1,669.7 million), the increase in inventories of €444.8 million to €3,804.9 million (PY: €3,360.1 million) and the €541.6 million increase in trade accounts receivable to €7,264.5 million (PY: €6,722.9 million).

Equity including non-controlling interests was up €144.6 million at €13,358.5 million as compared to €13,213.9 million at the end of 2015. Equity was reduced by dividends in the amount of €750.0 million resolved by the Annual Shareholders' Meeting. The positive net income attributable to the shareholders of the parent resulted in an increase of €1,638.8 million. Other comprehensive income changed by -€746.7 million to -€2,109.8 million (PY: -€1,363.1 million). The gearing ratio improved from 26.8% to 25.8%.

Employees

As at the end of the second quarter of 2016, the corporation had 214,905 employees. This represents a rise of 7,006 in comparison to the end of 2015. This number of employees in the Automotive Group rose by 5,147 as a result of increased production volumes and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels led to an increase of 1,866 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 9,617.

Development of the Divisions

	January 1 to June 30		Second Quarter	
Chassis & Safety in € millions	**2016**	2015	**2016**	2015
Sales	4,448.0	4,278.1	2,246.2	2,142.1
EBITDA	614.8	590.7	312.0	293.4
in % of sales	13.8	13.8	13.9	13.7
EBIT	433.5	424.2	220.3	209.3
in % of sales	9.7	9.9	9.8	9.8
Depreciation and amortization[1]	181.3	166.5	91.7	84.1
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	191.3	168.2	108.7	95.9
in % of sales	4.3	3.9	4.8	4.5
Operating assets as at June 30	4,533.8	4,168.6		
Number of employees as at June 30[4]	41,460	38,948		
Adjusted sales[5]	4,448.0	4,278.1	2,246.2	2,142.1
Adjusted operating result (adjusted EBIT)[6]	439.2	424.6	223.5	209.4
in % of adjusted sales	9.9	9.9	10.0	9.8

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.

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first six months of 2016 increased by 4% year-on-year. In the Hydraulic Brake Systems business unit, sales of brake boosters fell by 3% year-on-year. Sales figures for brake calipers were down 9% on the previous year's level, whereas the portion of brake calipers installed in electric parking brakes rose by the same percentage. In the Passive Safety & Sensorics business unit, sales of air bag control units rose by 5% year-on-year. Unit sales of advanced driver assistance systems were up by 45%.

Sales up 4.0%
Sales up 5.7% before changes in the scope of consolidation and exchange rate effects
Sales of the Chassis & Safety division were up 4.0% at €4,448.0 million (PY: €4,278.1 million) in the first six months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 5.7%.

Adjusted EBIT up 3.4%
Adjusted EBIT for the Chassis & Safety division increased by €14.6 million or 3.4% year-on-year to €439.2 million (PY: €424.6 million) in the first six months of 2016, corresponding to 9.9% of adjusted sales as in the previous year.

EBIT up 2.2%
Compared with the same period of the previous year, the Chassis & Safety division reported an increase in EBIT of €9.3 million or 2.2% to €433.5 million (PY: €424.2 million) in the first half of 2016. The return on sales fell to 9.7% (PY: 9.9%).

Special effects
There were no special effects in the Chassis & Safety division in either the first half of 2016 or the same period of the previous year.

	January 1 to June 30		Second Quarter	
Powertrain in € millions	**2016**	2015	**2016**	2015
Sales	3,655.0	3,646.3	1,841.5	1,819.8
EBITDA	360.6	360.7	201.8	183.5
in % of sales	9.9	9.9	11.0	10.1
EBIT	175.3	197.7	108.8	101.0
in % of sales	4.8	5.4	5.9	5.6
Depreciation and amortization[1]	185.3	163.0	93.0	82.5
thereof impairment[2]	5.0	–	1.7	–
Capital expenditure[3]	157.1	170.3	96.2	103.6
in % of sales	4.3	4.7	5.2	5.7
Operating assets as at June 30	2,950.4	2,729.7		
Number of employees as at June 30[4]	37,590	35,971		
Adjusted sales[5]	3,635.4	3,646.3	1,826.0	1,819.8
Adjusted operating result (adjusted EBIT)[6]	189.1	201.8	116.5	103.0
in % of adjusted sales	5.2	5.5	6.4	5.7

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.

Powertrain

Sales volumes
In the first six months of 2016, sales volumes of turbochargers, engine control units, and pumps in the Engine Systems business unit increased year-on-year, while sales volumes of injectors were down on the previous year's level. The Sensors & Actuators business unit is continuing to record growth. Boosted by stricter exhaust gas legislation, higher sales figures were achieved for exhaust gas sensors in particular. 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 fiscal 2015, the sales volume of the Transmission business unit was down slightly year-on-year in the first six months of 2016. The sales volume in the Fuel & Exhaust Management business unit increased in comparison to the same period of the previous year.

Sales up 0.2%
Sales up 2.2% before changes in the scope of consolidation and exchange rate effects
Sales of the Powertrain division were up 0.2% at €3,655.0 million (PY: €3,646.3 million) in the first six months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 2.2%.

Adjusted EBIT down 6.3%
Adjusted EBIT for the Powertrain division decreased by €12.7 million or 6.3% year-on-year to €189.1 million (PY: €201.8 million) in the first six months of 2016, corresponding to 5.2% (PY: 5.5%) of adjusted sales.

EBIT down 11.3%
Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €22.4 million or 11.3% to €175.3 million (PY: €197.7 million) in the first half of 2016. The return on sales fell to 4.8% (PY: 5.4%).

Special effects in the first half of 2016
Impairment losses on property, plant and equipment resulted in expense totaling €5.0 million.

In addition, restructuring expenses resulted in a negative special effect totaling €1.0 million.

For the Powertrain division, the total negative impact from special effects in the first six months of 2016 amounted to €6.0 million.

Special effects in the first half of 2015
There were no special effects in the Powertrain division in the first half of 2015.

	January 1 to June 30		Second Quarter	
Interior in € millions	**2016**	2015	**2016**	2015
Sales	4,122.8	4,032.2	2,099.8	2,057.0
EBITDA	489.6	552.7	252.2	299.8
in % of sales	11.9	13.7	12.0	14.6
EBIT	333.0	425.0	172.9	234.1
in % of sales	8.1	10.5	8.2	11.4
Depreciation and amortization[1]	156.6	127.7	79.3	65.7
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	148.6	134.1	90.4	68.4
in % of sales	3.6	3.3	4.3	3.3
Operating assets as at June 30	4,478.1	4,000.0		
Number of employees as at June 30[4]	41,985	37,778		
Adjusted sales[5]	4,058.1	4,032.2	2,070.4	2,057.0
Adjusted operating result (adjusted EBIT)[6]	355.5	425.8	187.5	234.5
in % of adjusted sales	8.8	10.6	9.1	11.4

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.

Interior

Sales volumes

Sales volumes in the Body & Security business unit were significantly above the previous year's level in the first half of 2016. There were increases particularly in NAFTA and Asia. In the Infotainment & Connectivity business unit, sales volumes were down year-on-year, primarily due to expiring series of multimedia and connectivity systems in Europe and the Americas and of radio systems in Europe. This decrease was only partially offset by production starts and the significant rise in sales volumes in Asia. Sales figures in the Commercial Vehicles & Aftermarket business unit were below the previous year's level. This was due primarily to the weaker market for tachograph business in Russia and Brazil in the area of commercial vehicles and the lack of toll business in Western Europe compared to the prior year. By contrast, the replacement parts and aftermarket business was able to exceed the previous year's sales volumes despite stable demand in brake business, particularly in Germany. In the Instrumentation & Driver HMI business unit, sales figures in the first six months of 2016 were higher than in the previous year. There was a particularly strong increase on the European market in the Display Solutions product group as a result of production starts and increased demand.

Sales up 2.2%
Sales up 3.4% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division were up 2.2% at €4,122.8 million (PY: €4,032.2 million) in the first six months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 3.4%.

Adjusted EBIT down 16.5%

Adjusted EBIT for the Interior division decreased by €70.3 million or 16.5% year-on-year to €355.5 million (PY: €425.8 million) in the first six months of 2016, corresponding to 8.8% (PY: 10.6%) of adjusted sales.

EBIT down 21.6%

Compared with the same period of the previous year, the Interior division reported a decline in EBIT of €92.0 million or 21.6% to €333.0 million (PY: €425.0 million) in the first half of 2016. The return on sales fell to 8.1% (PY: 10.5%).

Special effects in the first half of 2016

In the Interior division, a purchase price adjustment resulted in expense of €0.1 million.

Special effects in the first half of 2015

There were no special effects in the Interior division in the first half of 2015.

	January 1 to June 30		Second Quarter	
Tires in € millions	**2016**	2015	**2016**	2015
Sales	5,205.4	5,064.2	2,692.7	2,644.4
EBITDA	1,431.5	1,314.3	773.4	734.6
in % of sales	27.5	26.0	28.7	27.8
EBIT	1,175.4	1,058.1	645.4	604.1
in % of sales	22.6	20.9	24.0	22.8
Depreciation and amortization[1]	256.1	256.2	128.0	130.5
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	327.1	233.0	180.4	132.1
in % of sales	6.3	4.6	6.7	5.0
Operating assets as at June 30	5,520.3	5,402.2		
Number of employees as at June 30[4]	51,374	49,079		
Adjusted sales[5]	5,186.8	5,064.2	2,682.6	2,644.4
Adjusted operating result (adjusted EBIT)[6]	1,180.4	1,062.3	647.4	606.7
in % of adjusted sales	22.8	21.0	24.1	22.9

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.

Tires

Sales volumes
After the first six months of 2016, sales figures for passenger and light truck tires in both original equipment business and tire replacement business were up on the previous year's level. Sales figures in commercial vehicle tire business were also around 8% higher than in the previous year.

Sales up 2.8%
Sales up 6.2% before changes in the scope of consolidation and exchange rate effects
Sales of the Tire division were up 2.8% at €5,205.4 million (PY: €5,064.2 million) in the first six months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 6.2%.

Adjusted EBIT up 11.1%
Adjusted EBIT for the Tire division climbed by €118.1 million or 11.1% year-on-year to €1,180.4 million (PY: €1,062.3 million) in the first six months of 2016, corresponding to 22.8% (PY: 21.0%) of adjusted sales.

EBIT up 11.1%
Compared with the same period of the previous year, the Tire division reported an increase in EBIT of €117.3 million or 11.1% to €1,175.4 million (PY: €1,058.1 million) in the first half of 2016. The return on sales rose to 22.6% (PY: 20.9%).

Special effects in the first half of 2016
There were no special effects in the Tire division in the first half of 2016.

Special effects in the first half of 2015
For the Tire division, the total negative impact from special effects in the first six months of 2015 amounted to €0.3 million.

	January 1 to June 30		Second Quarter	
ContiTech in € millions	**2016**	2015	**2016**	2015
Sales	2,735.7	2,687.1	1,376.6	1,418.8
EBITDA	373.3	298.3	197.2	169.1
in % of sales	13.6	11.1	14.3	11.9
EBIT	225.4	137.2	126.7	82.3
in % of sales	8.2	5.1	9.2	5.8
Depreciation and amortization[1]	147.9	161.1	70.5	86.8
thereof impairment[2]	3.0	–	-0.4	–
Capital expenditure[3]	95.0	109.7	45.8	58.8
in % of sales	3.5	4.1	3.3	4.1
Operating assets as at June 30	3,003.7	3,322.7		
Number of employees as at June 30[4]	42,095	43,124		
Adjusted sales[5]	2,642.8	2,687.1	1,376.5	1,418.8
Adjusted operating result (adjusted EBIT)[6]	286.1	209.3	152.6	126.5
in % of adjusted sales	10.8	7.8	11.1	8.9

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.

ContiTech

Sales up 1.8%
Sales up 1.8% before changes in the scope of consolidation and exchange rate effects
Sales of the ContiTech division were up 1.8% year-on-year at €2,735.7 million (PY: €2,687.1 million) in the first six months of 2016. Also before changes in the scope of consolidation and exchange rate effects, sales were up by 1.8%. The two business units Mobile Fluid Systems and Benecke-Kaliko Group recorded a positive sales development. Aftermarket business in the Power Transmission Group business unit also significantly exceeded the previous year's level. By contrast, sales in the Conveyor Belt Group business unit were down year-on-year as a result of continuing restraint with regard to investments in the mining industry. The Industrial Fluid Systems business unit was also unable to match the previous year's sales, as the current low oil price is resulting in a lack of investment in the oil industry.

Adjusted EBIT up 36.7%
Adjusted EBIT for the ContiTech division rose by €76.8 million or 36.7% year-on-year to €286.1 million (PY: €209.3 million) in the first six months of 2016, corresponding to 10.8% (PY: 7.8%) of adjusted sales.

EBIT up 64.3%
Compared with the same period of the previous year, the ContiTech division reported an increase in EBIT of €88.2 million or 64.3% to €225.4 million (PY: €137.2 million) in the first half of 2016. The return on sales rose to 8.2% (PY: 5.1%).

Special effects in the first half of 2016
The temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €10.6 million, of which €3.4 million was attributable to impairment of property, plant and equipment.

In addition, there was a negative special effect from restructuring expenses totaling €0.2 million, which included €0.4 million from reversal of impairment losses on property, plant and equipment.

In relation to the assets held for sale in the steel cord business in Brazil, there were expenses totaling €5.7 million resulting from market value adjustments.

An impairment loss and a reversal of an impairment loss on property, plant and equipment did not result in any effect on earnings overall.

For the ContiTech division, the total negative impact from special effects in the first six months of 2016 amounted to €16.5 million.

Special effects in the first half of 2015

In the ContiTech division, the location in Salzgitter, Germany, is gradually being scaled back on account of follow-up orders not being received. There were restructuring expenses in this context totaling €13.8 million.

In addition, smaller special effects resulted in expense totaling €0.4 million.

For the ContiTech division, the total negative impact from special effects in the first six months of 2015 amounted to €14.2 million.

Report on Risks and Opportunities

There were no material changes in risks and opportunities during the reporting period. For details of the main risks and opportunities, please refer to the information provided in the 2015 Annual Report.

Report on Expected Developments and Outlook

After the gratifying development in the first six months of fiscal 2016 in a volatile economic environment, we are confirming our sales forecast of about €41 billion for the year on the whole assuming constant currency exchange rates. The negative impact from exchange rate effects was €564 million for the first half of 2016. We are also adhering to our goal of achieving organic growth of 4% to 5%. Our sales forecast is still around €25 billion for the Automotive Group and more than €16 billion for the Rubber Group.

As expected, the operating performance of the Automotive Group improved in the second quarter after a sluggish start in the first. In the Rubber Group, the very satisfying operating performance continued, even exceeding the good values achieved in the first quarter. We are therefore raising our forecast for the corporation's adjusted EBIT margin from about 11% to more than 11% for the current year. For the Automotive Group, we confirm our forecast of at least 8.5% for the adjusted EBIT margin. For the Rubber Group, we are upping our forecast for the adjusted EBIT margin from more than 16% to more than 17%.

For the Rubber Group, we are increasing our estimate for the positive effect resulting from lower raw material costs from about €100 million to about €150 million in 2016. We are lowering our estimate for the average price of natural rubber (TSR 20) for 2016 from U.S. $1.50 per kilogram to U.S. $1.40 per kilogram, and lifting our estimate for the price of butadiene, a base material for synthetic rubber, from U.S. $0.90 per kilogram to U.S. $1.00 per kilogram. The positive effect for fiscal 2016 is higher also due to the lower year-on-year average price for crude oil in the respective quarters.

We also confirm the following aspects of our forecast published on March 3, 2016: We still anticipate negative special effects of around €100 million. The amortization from purchase price allocation, which results primarily from the acquisitions of Veyance Technologies and Elektrobit Automotive, is expected to total around €150 million. In fiscal 2016, the capital expenditure ratio before financial investments will make up around 6% of sales. The negative net interest result will be better than €250 million.

The corporation's tax rate is expected to be lower than 30% (previously around 30%).

We are confirming the outlook for free cash flow before acquisitions of at least €2 billion for the current fiscal year.

Consolidated Financial Statements ›
Consolidated Statement of Income

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015	**2016**	2015
Sales	**20,041.7**	**19,598.6**	**10,191.0**	**10,029.7**
Cost of sales	–14,609.2	–14,501.2	–7,359.6	–7,355.1
Gross margin on sales	**5,432.5**	**5,097.4**	**2,831.4**	**2,674.6**
Research and development expenses	–1,442.9	–1,274.3	–726.8	–631.3
Selling and logistics expenses	–1,109.2	–1,074.7	–561.2	–553.8
Administrative expenses	–498.1	–459.3	–254.4	–244.8
Other expenses and income	–128.9	–156.1	–59.9	–78.4
Income from at-equity accounted investees	36.6	27.8	20.2	16.6
Other income from investments	0.3	0.4	0.3	0.4
Earnings before interest and tax	**2,290.3**	**2,161.2**	**1,249.6**	**1,183.3**
Interest income	49.6	49.3	24.8	21.5
Interest expense	–98.2	–148.3	–39.6	–64.8
Net interest result	**–48.6**	**–99.0**	**–14.8**	**–43.3**
Earnings before tax	**2,241.7**	**2,062.2**	**1,234.8**	**1,140.0**
Income tax expense	–567.1	–571.2	–311.3	–326.8
Net income	**1,674.6**	**1,491.0**	**923.5**	**813.2**
Non-controlling interests	–35.8	–42.4	–18.6	–21.3
Net income attributable to the shareholders of the parent	1,638.8	1,448.6	904.9	791.9
Basic earnings per share in €	**8.19**	**7.24**	**4.52**	**3.96**
Diluted earnings per share in €	**8.19**	**7.24**	**4.52**	**3.96**

Consolidated Statement of Comprehensive Income

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015	**2016**	2015
Net income	**1,674.6**	**1,491.0**	**923.5**	**813.2**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	-557.7	105.2	-193.4	393.6
Fair value adjustments[1]	-833.8	204.4	-279.6	566.1
Currency translation[1]	10.3	-32.1	-3.4	13.0
Tax on other comprehensive income	265.8	-67.1	89.6	-185.5
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	-185.3	420.5	24.9	-323.9
Difference from currency translation[1]	-185.3	413.5	24.9	-330.9
Portion for at-equity accounted investees	–	7.0	–	7.0
Available-for-sale financial assets	1.1	-10.1	1.0	-6.2
Fair value adjustments	1.2	-0.3	1.1	-5.7
Reclassification adjustments to profit and loss	-0.1	-9.8	-0.1	-0.5
Cash flow hedges	-2.6	–	0.7	–
Fair value adjustments	3.5	–	-12.2	–
Reclassification adjustments to profit and loss	-6.1	–	12.9	–
Tax on other comprehensive income	7.8	9.6	10.3	3.3
Other comprehensive income	**-736.7**	**525.2**	**-156.5**	**66.8**
Comprehensive income	**937.9**	**2,016.2**	**767.0**	**880.0**
Attributable to non-controlling interests	-43.3	-71.1	-32.7	-1.1
Attributable to the shareholders of the parent	894.6	1,945.1	734.3	878.9

1 Including non-controlling interests.

Consolidated Statement of Financial Position

Starting from the year under review, 2016, the structure of the equity and liabilities side is presented in an adjusted form to increase transparency with regards to employee benefits. All of the following figures from comparative periods are accordingly adjusted.

Assets in € millions	**June 30, 2016**	*Dec. 31, 2015*	June 30, 2015
Goodwill	6,621.9	*6,640.6*	6,168.3
Other intangible assets	1,280.3	*1,336.4*	1,140.8
Property, plant and equipment	9,596.7	*9,538.9*	9,222.2
Investment property	15.6	*16.0*	17.4
Investments in at-equity accounted investees	371.8	*345.8*	312.0
Other investments	39.7	*14.1*	12.9
Deferred tax assets	1,952.6	*1,669.7*	1,640.1
Defined benefit assets	36.0	*18.9*	3.0
Long-term derivative instruments and interest-bearing investments	21.1	*17.1*	312.6
Long-term other financial assets	49.8	*47.6*	35.4
Long-term other assets	23.3	*21.5*	20.5
Non-current assets	**20,008.8**	***19,666.6***	**18,885.2**
Inventories	3,804.9	*3,360.1*	3,605.5
Trade accounts receivable	7,264.5	*6,722.9*	7,084.3
Short-term other financial assets	504.9	*434.7*	464.5
Short-term other assets	921.2	*803.9*	930.1
Income tax receivables	153.2	*149.7*	128.4
Short-term derivative instruments and interest-bearing investments	42.8	*64.3*	106.3
Cash and cash equivalents	1,720.1	*1,621.5*	2,349.7
Assets held for sale	9.5	*12.0*	51.3
Current assets	**14,421.1**	***13,169.1***	**14,720.1**
Total assets	**34,429.9**	***32,835.7***	**33,605.3**

Equity and liabilities in € millions	**June 30, 2016**	*Dec. 31, 2015*	June 30, 2015
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	10,370.6	*9,481.8*	8,202.9
Other comprehensive income	–2,109.8	*–1,363.1*	–900.0
Equity attributable to the shareholders of the parent	**12,928.4**	***12,786.3***	**11,970.5**
Non-controlling interests	430.1	*427.6*	451.3
Total equity	**13,358.5**	***13,213.9***	**12,421.8**
Long-term employee benefits	4,644.6	*3,696.5*	3,676.9
Deferred tax liabilities	356.9	*361.2*	276.4
Long-term provisions for other risks and obligations	184.7	*171.8*	197.2
Long-term indebtedness	2,402.6	*3,175.0*	2,775.0
Long-term other financial liabilities	40.3	*94.9*	88.0
Long-term other liabilities	20.4	*21.6*	14.8
Non-current liabilities	**7,649.5**	***7,521.0***	**7,028.3**
Short-term employee benefits	1,186.6	*1,269.4*	1,093.3
Trade accounts payable	6,043.1	*5,493.8*	5,552.8
Income tax payables	774.5	*719.8*	677.7
Short-term provisions for other risks and obligations	753.5	*845.5*	811.6
Short-term indebtedness	2,827.6	*2,069.8*	4,229.2
Short-term other financial liabilities	1,065.8	*1,066.4*	996.2
Short-term other liabilities	766.5	*634.1*	775.2
Liabilities held for sale	4.3	*2.0*	19.2
Current liabilities	**13,421.9**	***12,100.8***	**14,155.2**
Total equity and liabilities	**34,429.9**	***32,835.7***	**33,605.3**

Consolidated Statement of Cash Flows

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015[1]	**2016**	2015[1]
Net income	**1,674.6**	**1,491.0**	**923.5**	**813.2**
Income tax expense	567.1	571.2	311.3	326.8
Net interest result	48.6	99.0	14.8	43.3
EBIT	**2,290.3**	**2,161.2**	**1,249.6**	**1,183.3**
Interest paid	-63.1	-90.6	-16.7	-18.9
Interest received	12.1	16.1	6.7	7.4
Income tax paid	-544.0	-568.4	-326.6	-299.0
Dividends received	18.6	27.8	3.6	10.6
Depreciation, amortization, impairment and reversal of impairment losses	928.3	875.3	463.5	450.0
Income from at-equity accounted and other investments, incl. impairment and reversal of impairment losses	-36.9	-28.2	-20.5	-17.0
Gains/losses from the disposal of assets, companies and business operations	-3.4	-12.1	-2.1	-6.0
Changes in				
inventories	-457.5	-263.0	-258.0	-82.1
trade accounts receivable	-621.6	-713.8	-46.3	141.3
trade accounts payable	611.3	394.0	330.0	-110.5
employee benefits and other provisions	-84.3	15.7	-325.5	-259.4
other assets and liabilities	-67.9	-100.2	-46.6	30.5
Cash flow arising from operating activities	**1,981.9**	**1,713.8**	**1,011.1**	**1,030.2**
Cash flow from the disposal of property, plant and equipment, and intangible assets	13.6	19.9	9.4	9.7
Capital expenditure on property, plant and equipment, and software	-919.9	-815.8	-522.1	-459.0
Capital expenditure on intangible assets from development projects and miscellaneous	-39.9	-34.0	-29.4	-16.8
Cash flow from the disposal of companies and business operations	5.1	-1.7	5.1	–
Acquisition of companies and business operations	-81.8	-600.2	-4.1	-10.8
Cash flow arising from investing activities	**-1,022.9**	**-1,431.8**	**-541.1**	**-476.9**
Cash flow before financing activities (free cash flow)	**959.0**	**282.0**	**470.0**	**553.3**
Change in indebtedness	-22.9	-582.6	357.1	186.1
Successive purchases	-22.4	-11.1	-20.2	-11.1
Dividends paid	-750.0	-650.0	-750.0	-650.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-26.7	-40.9	-26.0	-39.0
Cash and cash equivalents arising from first consolidation of subsidiaries	0.6	–	–	–
Cash flow arising from financing activities	**-821.4**	**-1,284.6**	**-439.1**	**-514.0**
Change in cash and cash equivalents	**137.6**	**-1,002.6**	**30.9**	**39.3**
Cash and cash equivalents at the beginning of the reporting period	1,621.5	3,243.8	1,693.8	2,372.3
Effect of exchange rate changes on cash and cash equivalents	-39.0	108.5	-4.6	-61.9
Cash and cash equivalents at the end of the reporting period	**1,720.1**	**2,349.7**	**1,720.1**	**2,349.7**

1 The prior-year comparative figures have been adjusted in accordance with the current structure.

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from remeasurement of defined benefit plans	Difference from currency translation[3]	Difference from financial instru-ments[4]	Subtotal	Non-controlling interests	Total
As at Jan. 1, 2015	**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	–	–	1,448.6	–	–	–	–	1,448.6	42.4	**1,491.0**
Comprehensive income	–	–	–	–	105.2	397.9	-6.6	496.5	28.7	**525.2**
Net profit for the period	**–**	**–**	**1,448.6**	**–**	**105.2**	**397.9**	**-6.6**	**1,945.1**	**71.1**	**2,016.2**
Dividends paid/resolved	–	–	–650.0	–	–	–	–	–650.0	-46.3	**-696.3**
Successive purchases	–	–	–	3.3	–	–	–	3.3	-5.2	**-1.9**
Other changes[5]	–	–	–	–	–	–	–	–	79.2	**79.2**
As at June 30, 2015	**512.0**	**4,155.6**	**8,202.9**	**-16.1**	**–1,234.4**	**346.8**	**3.7**	**11,970.5**	**451.3**	**12,421.8**
As at Jan. 1, 2016	**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**
Net income	–	–	1,638.8	–	–	–	–	1,638.8	35.8	**1,674.6**
Comprehensive income	–	–	–	–	-558.0	-184.0	-2.2	-744.2	7.5	**-736.7**
Net profit for the period	**–**	**–**	**1,638.8**	**–**	**-558.0**	**-184.0**	**-2.2**	**894.6**	**43.3**	**937.9**
Dividends paid/resolved	–	–	-750.0	–	–	–	–	-750.0	-40.0	**-790.0**
Successive purchases	–	–	–	-2.7	–	–	–	-2.7	-0.8	**-3.5**
Other changes[5]	–	–	–	0.2	–	–	–	0.2	–	**0.2**
As at June 30, 2016	**512.0**	**4,155.6**	**10,370.6**	**-42.3**	**-1,978.6**	**-83.0**	**-5.9**	**12,928.4**	**430.1**	**13,358.5**

1 Divided into 200,005,983 shares outstanding.
2 The amount in the reporting period resulted from the successive purchase of shares in a fully consolidated company, a subsequent purchase price adjustment and the first-time consolidation of previously non-consolidated subsidiaries.
3 Included in the previous year shareholder's portion of €7.0 million in the foreign currency translation of at-equity accounted investees.
4 The change in the difference arising from financial instruments, including deferred taxes, was mainly due to changes in the fair values of the cash flow hedges of -€3.2 million (PY: –) for interest and currency hedging and to available-for-sale financial assets of €1.0 million (PY: -€6.6 million).
5 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to June 30, 2016

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	4,434.9	3,610.7	4,117.5	5,194.3	2,684.3	–	20,041.7
Intercompany sales	13.1	44.3	5.3	11.1	51.4	–125.2	–
Sales (total)	**4,448.0**	**3,655.0**	**4,122.8**	**5,205.4**	**2,735.7**	**–125.2**	**20,041.7**
EBIT (segment result)	433.5	175.3	333.0	1,175.4	225.4	–52.3	2,290.3
in % of sales	9.7	4.8	8.1	22.6	8.2	–	11.4
Depreciation and amortization[1]	181.3	185.3	156.6	256.1	147.9	1.1	928.3
thereof impairment[2]	–	5.0	–	–	3.0	–	8.0
Capital expenditure[3]	191.3	157.1	148.6	327.1	95.0	0.8	919.9
in % of sales	4.3	4.3	3.6	6.3	3.5	–	4.6
Operating assets as at June 30	4,533.8	2,950.4	4,478.1	5,520.3	3,003.7	–116.2	20,370.1
Number of employees as at June 30[4]	41,460	37,590	41,985	51,374	42,095	401	214,905
Adjusted sales[5]	4,448.0	3,635.4	4,058.1	5,186.8	2,642.8	–124.4	19,846.7
Adjusted operating result (adjusted EBIT)[6]	439.2	189.1	355.5	1,180.4	286.1	–52.3	2,398.0
in % of adjusted sales	9.9	5.2	8.8	22.8	10.8	–	12.1

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.

Segment report for the period from January 1 to June 30, 2015

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	4,265.0	3,610.6	4,028.1	5,053.6	2,641.3	–	19,598.6
Intercompany sales	13.1	35.7	4.1	10.6	45.8	–109.3	–
Sales (total)	**4,278.1**	**3,646.3**	**4,032.2**	**5,064.2**	**2,687.1**	**–109.3**	**19,598.6**
EBIT (segment result)	424.2	197.7	425.0	1,058.1	137.2	–81.0	2,161.2
in % of sales	9.9	5.4	10.5	20.9	5.1	–	11.0
Depreciation and amortization[1]	166.5	163.0	127.7	256.2	161.1	0.8	875.3
thereof impairment[2]	–	–	–	–	–	–	–
Capital expenditure[3]	168.2	170.3	134.1	233.0	109.7	0.5	815.8
in % of sales	3.9	4.7	3.3	4.6	4.1	–	4.2
Operating assets as at June 30	4,168.6	2,729.7	4,000.0	5,402.2	3,322.7	–118.6	19,504.6
Number of employees as at June 30[4]	38,948	35,971	37,778	49,079	43,124	388	205,288
Adjusted sales[5]	4,278.1	3,646.3	4,032.2	5,064.2	2,687.1	–109.3	19,598.6
Adjusted operating result (adjusted EBIT)[6]	424.6	201.8	425.8	1,062.3	209.3	–81.0	2,242.8
in % of adjusted sales	9.9	5.5	10.6	21.0	7.8	–	11.4

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 to adjusted sales and EBIT to adjusted operating result (adjusted EBIT) can be reconciled as at June 30, 2016, as follows:

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**4,448.0**	**3,655.0**	**4,122.8**	**5,205.4**	**2,735.7**	**–125.2**	**20,041.7**
Changes in the scope of consolidation[1]	–	–19.6	–64.7	–18.6	–92.9	0.8	–195.0
Adjusted sales	**4,448.0**	**3,635.4**	**4,058.1**	**5,186.8**	**2,642.8**	**–124.4**	**19,846.7**
EBIT	**433.5**	**175.3**	**333.0**	**1,175.4**	**225.4**	**–52.3**	**2,290.3**
Amortization of intangible assets from purchase price allocation (PPA)	0.2	5.5	18.0	3.8	41.4	–	68.9
Changes in the scope of consolidation[1]	5.5	2.3	4.4	1.2	2.8	–	16.2
Special effects							
Impairment[2]	–	5.0	–	–	0.0	–	5.0
Restructuring[3]	–	1.0	–	–	10.8	–	11.8
Gains and losses from disposals of companies and business operations	–	–	0.1	–	–	–	0.1
Other	–	–	–	–	5.7	–	5.7
Adjusted operating result (adjusted EBIT)	**439.2**	**189.1**	**355.5**	**1,180.4**	**286.1**	**–52.3**	**2,398.0**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 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.
3 This includes impairment losses and reversal of impairment losses in the ContiTech segment amounting to €3.0 million.

Sales to adjusted sales and EBIT to adjusted operating result (adjusted EBIT) can be reconciled as at June 30, 2015, as follows:

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**4,278.1**	**3,646.3**	**4,032.2**	**5,064.2**	**2,687.1**	**–109.3**	**19,598.6**
Changes in the scope of consolidation[1]	–	–	–	–	–	–	–
Adjusted sales	**4,278.1**	**3,646.3**	**4,032.2**	**5,064.2**	**2,687.1**	**–109.3**	**19,598.6**
EBIT	**424.2**	**197.7**	**425.0**	**1,058.1**	**137.2**	**–81.0**	**2,161.2**
Amortization of intangible assets from purchase price allocation (PPA)	0.4	4.1	0.8	3.9	57.9	–	67.1
Changes in the scope of consolidation[1]	–	–	–	–	–	–	–
Special effects							
Impairment[2]	–	–	–	–	–	–	–
Restructuring	–	–	–	–	13.8	–	13.8
Gains and losses from disposals of companies and business operations	–	–	–	–	–	–	–
Other	–	–	–	0.3	0.4	–	0.7
Adjusted operating result (adjusted EBIT)	**424.6**	**201.8**	**425.8**	**1,062.3**	**209.3**	**–81.0**	**2,242.8**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 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.

Reconciliation of EBIT to net income

	January 1 to June 30		Second Quarter	
in € millions	**2016**	2015	**2016**	2015
Chassis & Safety	433.5	424.2	220.3	209.3
Powertrain	175.3	197.7	108.8	101.0
Interior	333.0	425.0	172.9	234.1
Tires	1,175.4	1,058.1	645.4	604.1
ContiTech	225.4	137.2	126.7	82.3
Other/consolidation	–52.3	–81.0	–24.5	–47.5
EBIT	**2,290.3**	**2,161.2**	**1,249.6**	**1,183.3**
Net interest result	–48.6	–99.0	–14.8	–43.3
Earnings before tax	**2,241.7**	**2,062.2**	**1,234.8**	**1,140.0**
Income tax expense	–567.1	–571.2	–311.3	–326.8
Net income	**1,674.6**	**1,491.0**	**923.5**	**813.2**
Non-controlling interests	–35.8	–42.4	–18.6	–21.3
Net income attributable to the shareholders of the parent	**1,638.8**	**1,448.6**	**904.9**	**791.9**

Segment reporting
Given the affinity of certain products, these have been combined as segments. This can be seen especially in product requirements, market trends, customer groups and distribution channels.

Information on the development of Continental Corporation's five divisions can be found in the Corporate Management Report as at June 30, 2016.

Accounting principles
These interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and the interpretations of the former Standing Interpretations Committee (SIC). The interim financial statements were prepared in compliance with IAS 34, Interim Financial Reporting. The same accounting policies have been applied in the interim financial statements as in the consolidated financial statements for 2015. These methods are described in detail in the 2015 Annual Report. In addition, the IFRS amendments and new regulations effective as at June 30, 2016, have also been applied in the interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2015 Annual Report.

The IFRS amendments and new regulations effective as at June 30, 2016, had no material effect on the reporting of the Continental Corporation.

Income tax expense is calculated based on the estimated, weighted average annual tax rate expected for the year as a whole. Tax effects of specific significant items that can only be allocated to the respective period under review are taken into account.

Although certain elements of the corporation's business are seasonal, the overall comparability of the interim consolidated financial statements is not compromised. All significant effects in the current period are shown in this report. Changes in the recognition or measurement of assets and liabilities within the scope of company acquisitions are presented retrospectively once the final purchase price allocation has been determined.

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.

Companies consolidated
In addition to the parent company, the consolidated financial statements include 507 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, 391 are fully consolidated and 116 are accounted for using the equity method.

The number of consolidated companies has increased by a total of five since December 31, 2015. One company was acquired, five companies were formed and one previously unconsolidated unit was included in consolidation for the first time. In addition, the number of companies consolidated decreased by two as a result of a merger and a deconsolidation.

Since June 30, 2015, the number of consolidated companies has increased by a total of 11. The additions to the consolidated group essentially result from the acquisition of Elektrobit Automotive. Companies no longer included in the scope of consolidation are mostly attributable to mergers.

Acquisition and disposal of companies and business operations

A share deal took place in the Tire segment. The purchase price of €11.3 million was paid in cash. The provisional purchase price allocation resulted in goodwill of €8.0 million and intangible assets of €1.6 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at June 30, 2016.

In the Powertrain segment, an asset deal with a purchase price of €26.7 million was concluded. The provisional purchase price allocation resulted in goodwill of €1.3 million and intangible assets of €25.0 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at June 30, 2016.

An acquisition of remaining shares in a company was completed in the period under review. The resulting difference between the purchase price and the value of the shares acquired of €0.2 million was reported under other comprehensive income.

Impairment

The corporation immediately reviews other intangible assets and property, plant and equipment, investment property, financial investments and goodwill as soon as there is an indication of impairment (triggering event). No significant impairment resulted from these reviews in the period under review.

Income tax expense

Income tax expense in the first half of 2016 amounted to €567.1 million (PY: €571.2 million). The tax rate in the reporting period was 25.3% after 27.7% for the same period of the previous year.

Adjusted presentation of the structure of the equity and liabilities side

The structure of the equity and liabilities side has been adjusted starting from the year under review, 2016, so as to increase the transparency of the presentation of employee benefits. As a result, from the comparative values as at December 31, 2015, an amount of €129.7 million from long-term provisions for other risks and obligations and an amount of €34.1 million from long-term other liabilities were reported under long-term employee benefits. As at June 30, 2015, an amount of €129.7 million from long-term provisions for other risks and obligations and an amount of €40.1 million from long-term other liabilities were reported under long-term employee benefits.

Long-term employee benefits

Compared to December 31, 2015, the remeasurement of defined benefit pension plans as at June 30, 2016, resulted in a €572.7 million decrease in other comprehensive income due to the drop in discount rates. The corresponding reduction in equity contrasted with a rise in long-term employee benefits of €836.0 million.

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the U.K., and not for other benefit obligations. In the period from January 1 to June 30, 2016, the companies of the Continental Corporation paid €36.9 million (PY: €15.4 million) into these pension funds.

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. At the end of the second quarter of 2016, assets in an amount of €347.2 million were thus reported net of the associated obligations.

Payments for retirement benefit obligations totaled €101.7 million (PY: €107.4 million) in the period from January 1 to June 30, 2016. Payments for obligations similar to pensions totaled €8.0 million (PY: €8.4 million).

The net pension cost of the Continental Corporation can be summarized as follows:

	January 1 to June 30, 2016						January 1 to June 30, 2015					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	74.3	2.8	0.9	2.1	11.3	**91.4**	75.6	3.5	1.3	2.3	9.9	**92.6**
Interest on defined benefit obligations	44.2	25.6	2.9	6.7	4.4	**83.8**	40.3	24.6	2.7	7.2	3.9	**78.7**
Expected return on plan assets	–12.4	–18.6	–2.6	–6.9	–2.2	**–42.7**	–3.6	–17.2	–2.3	–7.1	–1.6	**–31.8**
Effect of change of asset ceiling	—	—	0.0	—	0.0	**0.0**	—	—	0.0	—	0.2	**0.2**
Other pension income and expenses	—	1.0	0.1	—	—	**1.1**	—	0.8	0.0	—	0.3	**1.1**
Net pension cost	**106.1**	**10.8**	**1.3**	**1.9**	**13.5**	**133.6**	**112.3**	**11.7**	**1.7**	**2.4**	**12.7**	**140.8**

Net cost of healthcare and life insurance obligations of the Continental Corporation in the U.S.A. and Canada consist of the following:

	January 1 to June 30	
in € millions	**2016**	2015
Current service cost	0.9	1.2
Interest on healthcare and life insurance benefit obligations	5.1	4.8
Net cost of obligations similar to pensions	**6.0**	**6.0**

Indebtedness

There was a change in the portfolio of bonds in the second half of 2015: 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 a fixed interest rate of 4.5% p.a. was redeemed early as at September 15, 2015, i.e. four years before it was due to mature in September 2019. The redemption price was 102.25%. On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., placed a euro bond with a nominal volume of €500.0 million 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.

At the time the syndicated loan was concluded in April 2014 with a committed volume of €4.5 billion, it 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 were two contractual amendments to the term of the revolving tranche. In April 2015 and in April 2016, all the banks involved approved a one-year extension in each case. This financing commitment is therefore available to Continental until April 2021. The term loan (PY: €1.5 billion) was fully repaid early by the end of March 2016. Early repayments totaling €1,150.0 million were already made in the fourth quarter of 2015. The remaining utilization in the amount of only €350.0 million was repaid at the end of March 2016. As a result, the committed volume of the syndicated loan, which consists of the revolving tranche only, likewise declined by €1.5 billion to €3.0 billion from the end of March 2016. As at the end of June 2016, the revolving credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €354.4 million (PY: €245.9 million).

For more information on indebtedness and net interest result from financial activities, please refer to the Corporate Management Report as at June 30, 2016.

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 June 30, 2016**	**Fair value as at June 30, 2016**	Carrying amount as at Dec. 31, 2015	Fair value as at Dec. 31, 2015
Other investments	AfS	39.7	39.7	14.1	14.1
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as effective hedging instruments	n. a.	2.6	2.6	4.2	4.2
Derivative instruments not accounted for as effective hedging instruments	HfT	29.2	29.2	43.4	43.4
Available-for-sale financial assets	AfS	16.5	16.5	16.7	16.7
Other receivables with a financing character	LaR	15.6	15.6	17.1	17.1
Trade accounts receivable	LaR	7,264.5	7,264.5	6,722.9	6,722.9
Other financial assets	LaR	554.7	554.7	482.3	482.3
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,697.6	1,697.6	1,600.5	1,600.5
Available-for-sale financial assets	AfS	22.5	22.5	21.0	21.0
Financial assets		**9,642.9**	**9,642.9**	**8,922.2**	**8,922.2**
Indebtedness					
Derivative instruments accounted for as effective hedging instruments	n. a.	2.9	2.9	0.9	0.9
Derivative instruments not accounted for as effective hedging instruments	HfT	35.8	35.8	12.0	12.0
Finance lease liabilities	n. a.	37.6	41.5	40.7	44.8
Other indebtedness	OL	5,153.9	5,349.9	5,191.2	5,381.0
Trade accounts payable	OL	6,043.1	6,043.1	5,493.8	5,493.8
Other financial liabilities	OL	1,106.1	1,105.6	2,063.6	2,062.8
Financial liabilities		**12,379.4**	**12,578.8**	**12,802.2**	**12,995.3**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		29.2		43.4	
Loans and receivables (LaR)		9,532.4		8,822.8	
Available-for-sale financial assets (AfS)		78.7		51.8	
Financial liabilities held for trading (HfT)		35.8		12.0	
Financial liabilities measured at amortized cost (OL)		12,303.1		12,748.6	

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

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.

A detailed description of the measurement methods used for the individual financial instruments can be found in the 2015 Annual Report.

in € millions		**June 30, 2016**	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	39.0	30.1	8.9	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	2.6	–	2.6	–
Derivative instruments not accounted for as effective hedging instruments	HfT	29.2	–	29.2	–
Financial assets measured at fair value		**70.8**	**30.1**	**40.7**	**0.0**
Derivative instruments accounted for as effective hedging instruments	n. a.	2.9	–	2.9	–
Derivative instruments not accounted for as effective hedging instruments	HfT	35.8	–	35.8	–
Financial liabilities measured at fair value		**38.7**	**–**	**38.7**	**–**
Finance lease liabilities	n. a.	41.5	–	41.5	–
Other indebtedness	OL	5,349.9	2,912.5	1,147.7	1,289.7
Other financial liabilities	OL	1,105.6	–	23.9	1,081.7
Financial liabilities not measured at fair value		**6,497.0**	**2,912.5**	**1,213.1**	**2,371.4**

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**

Litigation and compensation claims
In the proceedings against Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), as well as other companies in connection with suspected antitrust violations in the instrument cluster business, the Supreme Court of South Korea rejected CAE's appeal on March 24, 2016. CAE had lodged the appeal against the fine imposed by criminal courts, originally in an amount of KRW200 million (around €156,000), then reduced to KRW100 million (around €78,000) in response to a prior appeal of CAE. Otherwise, there were no significant new findings in the reporting period with regard to litigation and compensation claims. For further information, please refer to the information provided in the 2015 Annual Report.

Contingent liabilities and other financial obligations
The implementation of a new system for risk management will make it possible to quantify non-recorded risks in more detail. As a result of this additional information, the value of contingent liabilities and other financial obligations will increase as at the end of 2016.

Appropriation of net income
As at December 31, 2015, Continental AG reported net retained earnings of €1,014.2 million (PY: €749.2 million). On April 29, 2016, the Annual Shareholders' Meeting in Hanover resolved to distribute a dividend of €3.75 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution thus amounted to €750,022,436.25. The remaining amount was carried forward to new account.

In 2015, a dividend of €3.25 per share was distributed by Continental AG to its shareholders for 2014. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €650,019,444.75. The remaining amount was carried forward to new account.

Earnings per share
Basic earnings per share increased to €8.19 (PY: €7.24) in the first half of 2016 and to €4.52 (PY: €3.96) in the period from April 1 to June 30, 2016. These figures were the same for the diluted earnings per share.

Transactions with related parties
In the period under review there were no material changes in transactions with related parties compared to December 31, 2015. For further information, please refer to the information provided in the 2015 Annual Report.

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

Significant Events after June 30, 2016

There were no significant events after June 30, 2016.

Hanover, July 25, 2016

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company's Legal Representatives

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

Hanover, July 25, 2016

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed interim consolidated financial statements of Continental Aktiengesellschaft – comprising the consolidated statement of financial position, consolidated statement of income and comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and explanatory notes to the consolidated financial statements – together with the interim corporate management report of Continental Aktiengesellschaft, Hanover, for the period from January 1 to June 30, 2016, that are part of the semi annual report according to section 37w of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)*. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim corporate management report in accordance with the requirements of the *WpHG* applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim corporate management report based on our review.

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

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

Hanover, August 1, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer	Papenberg
Wirtschaftsprüfer	Wirtschaftsprüfer

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

Publication Details

This Half-Year Financial Report has also been published in German.
The 2015 Annual Report is available in English and German.

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