Continental
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Financial Report as at March 31, 2014

Continental Shares and Bonds

Equity markets without clear trends

After a year-end rally in the second half of December 2013, there was slight consolidation on the global equity markets in the first half of January 2014. Better than anticipated U.S. economic data for retail and the manufacturing industry led to rising share prices again from mid-January. The German stock index DAX reached a new all-time high of 9,794 points on January 21, 2014, and the EURO STOXX 50 also marked a new five-year high.

Later the same week, disappointing economic data from China and fears of rapid tightening of U.S. monetary policy brought about a change in sentiment on the markets. Owing to the deterioration in the economic prospects for some emerging countries, their currencies depreciated considerably in relation to the euro and the U.S. dollar towards the end of January. To stabilize their national currency, the central banks of these countries generally reacted by significantly raising their key interest rates. For example, the Turkish central bank doubled its key interest rate. The announcement by the U.S. Federal Reserve (Fed) that it would reduce its monthly asset purchases (tapering) by another U.S. $10 billion in February in spite of the market turbulence intensified this downward trend. In the U.S.A., the Dow Jones Index fell by more than 6% to 15,350 points by the start of February. The Japanese NIKKEI 225 index fell by more than 10% to 14,000 points. In Europe, the DAX declined by 6% to around 9,100 points while the EURO STOXX 50 dropped by 7% to 2,950 points.

Positive economic data for Europe and better than anticipated figures of European and U.S. companies for the final quarter of 2013 subsequently led to a recovery in share prices. This recovery was supported by statements from the new Fed Chair Janet Yellen, who raised the prospect of continuing its highly accommodative policy “for a considerable time” after the end of the asset purchases. She was also optimistic regarding the economic outlook for the U.S.A. Towards the end of February, the equity markets in Europe and the U.S.A. returned to around the same level as at the beginning of the year.

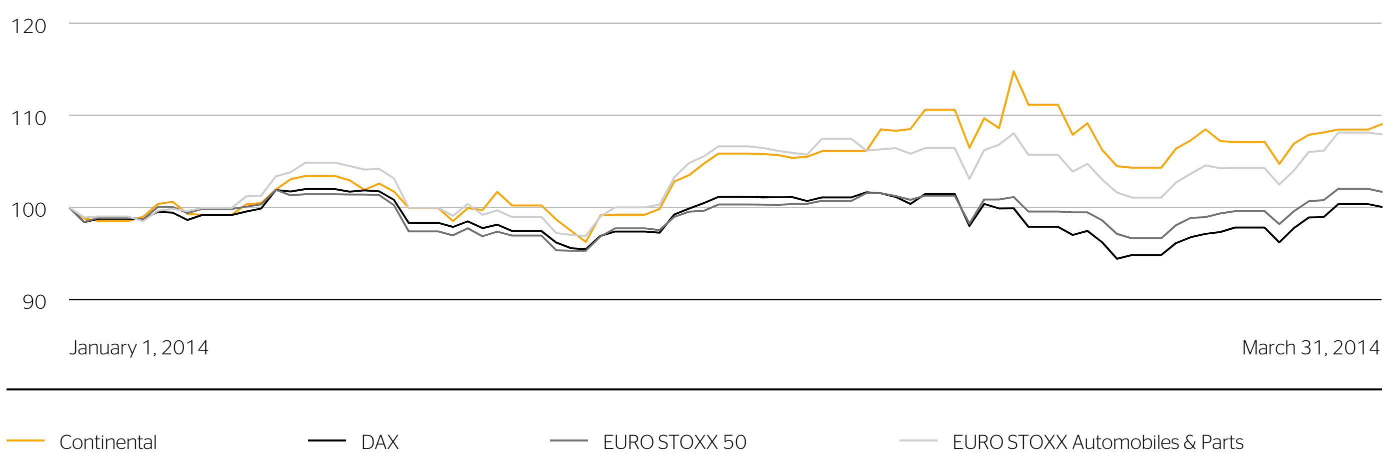
From March 2014, the global equity markets were negatively impacted by the political crisis in Ukraine and the subsequent conflict between Ukraine and Russia over the Crimean peninsula. Thanks to further encouraging economic data from Europe and the U.S.A., the DAX nonetheless ended the first quarter of 2014 unchanged in comparison to its level at the beginning of the year, while the EURO STOXX 50 even reached its highest level in five-and-a-half years.

Continental share price up by a gratifying 9%

In mid-January 2014, Continental shares benefited from the announcement of initial key data for fiscal 2013, climbing to around €165. The change in sentiment on the markets also adversely affected Continental shares, which marked their lowest level for the year to date on February 5, 2014, at €152.60. The general market recovery and positive light-vehicle production data and tire sales volumes brought about a rapid recovery in share prices in the automotive sector in February.

Continental’s announcement on February 10, 2014, of the agreement to purchase Veyance Technologies, Inc., Fairlawn, Ohio, U.S.A., received an equally positive response from both analysts and investors. Continental’s share price increased further and was at just under €170 in mid-February. Prior to the annual financial press conference, Continental shares rose above the €170 mark, climbing to €173.15.

Share price performance vs. selected stock indexes (indexed to January 1, 2014)



	March 31, 2014	in % vs. Dec. 31, 2013
Continental shares (XETRA price)	173.90	9.1
DAX	9,555.91	0.0
EURO STOXX 50	3,161.60	1.7
EURO STOXX Automobiles & Parts	495.98	7.9

The announcement of the business figures at the annual financial press conference for 2013 and a slight improvement in the outlook for fiscal 2014 caused Continental shares to rise to a new all-time high of €183.25 during the course of March 6, 2014. However, the share price then dropped to €165 by mid-March in the wake of the Crimea crisis. Continental shares also benefited from the subsequent general market recovery, closing the first quarter of 2014 with an increase of 9.1% to €173.90. They thus outperformed both the DAX (0.0%) and the EURO STOXX 50 (1.7%) as well as the EURO STOXX Automobiles & Parts (7.9%).

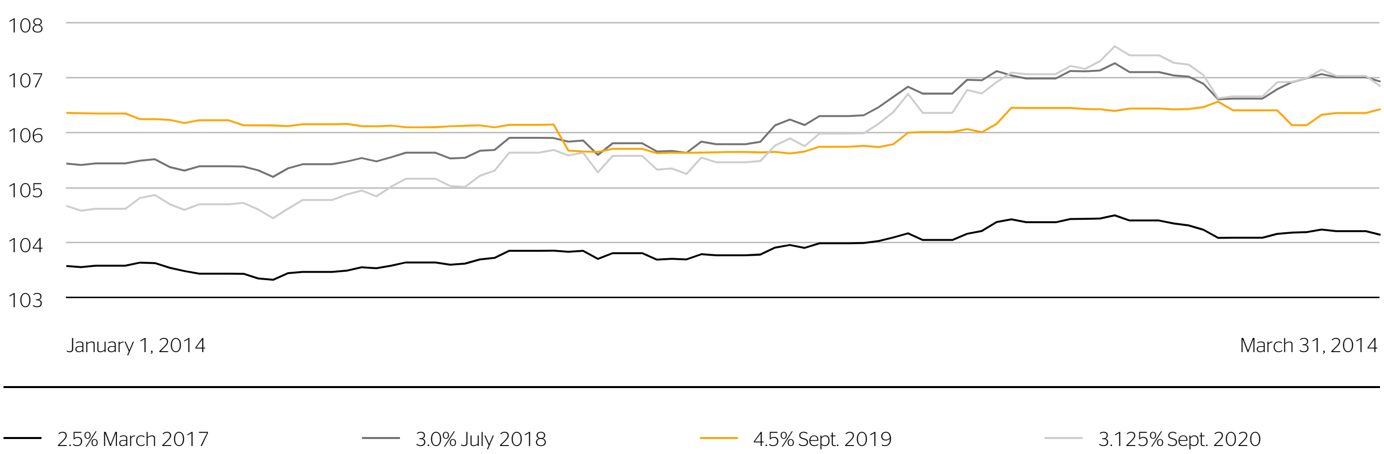
At the beginning of the second quarter of 2014, Continental shares initially continued their rising trend, before renewed tensions in eastern Ukraine led to a decline in share prices. As at April 23, 2014, Continental shares were quoted at €174.65.

Further price increases in euro bonds
The three Continental euro bonds issued in the second half of 2013 recorded further price increases during the first quarter of 2014. They benefited in particular from the announcement of the good business figures for 2013 and the significant reduction of net indebtedness. In the days following the annual financial press conference, all three euro bonds rose to new highs. During March 2014, the Crimea crisis led to higher market interest rates for euro-denominated corporate bonds and also caused the prices of the Continental euro bonds to decrease again.

Nonetheless, at the end of the first quarter of 2014 the 2.5% euro bond was still 56.4 basis points higher than its closing price from the previous year at 104.142%. At 106.932% and 106.846% respectively, the longer-term 3.0% and 3.125% euro bonds were even higher than their 2013 closing prices by 148.7 and 216.8 basis points respectively.

Sideways trend in the U.S. dollar bond
The currency turbulence in many emerging economies led to rising risk premiums for U.S. dollar corporate bonds and also had a slight negative impact on the 4.5% Continental U.S. dollar bond in the first few weeks of 2014. At the end of February there was increased demand here as well, again leading to an increase in prices. At the end of March, the 4.5% U.S. dollar bond was quoting at 106.431%, up slightly on its 2013 closing price of 106.364%.

Price performance of the Continental bonds



Further decrease in Continental CDS premium

The downward trend in the premium for insuring against credit risks (credit default swap, CDS) for Continental AG initially continued at the beginning of the year. At 69.353 basis points on January 6, 2014, the five-year CDS for Continental senior bonds was temporarily 10 basis points lower than its 2013 year-end value (79.508 basis points), reaching a new six-year low. Later, turbulence on the financial markets also led to rising risk premiums for Continental bonds. The five-year CDS increased by around 20 basis points by the start of February and then decreased again. The announcement of the Veyance acquisition only resulted in a temporary widening of the spread in relation to the Markit iTraxx Europe reference index. At the end of the first quarter of 2014, the Continental CDS premium was lower than its 2013 year-end value again at 75.838 basis points, almost reaching the level of Markit iTraxx Europe index of 75.770 basis points.

Continental credit rating unchanged despite acquisition

Continental's credit rating did not change during the first quarter of 2014. Following the announcement of the agreement to purchase Veyance Technologies, Inc., Fairlawn, Ohio, U.S.A., for approximately €1.4 billion, the three major rating agencies Fitch, Moody's and Standard & Poor's confirmed their ratings for Continental AG.

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

Dec. 31, 2013	Rating	Outlook
Fitch[1]	BBB	stable
Moody's[2]	Baa3	stable
Standard & Poor's[3]	BBB	stable

1 Solicited rating since November 7, 2013.
2 Solicited rating until January 31, 2014.
3 Solicited rating since May 19, 2000.

Further information on Continental shares, the Continental bonds and the credit rating can be found on the Internet at www.continental-ir.com.

Key Figures for the Continental Corporation

	January 1 to March 31	
in € millions	**2014**	2013
Sales	8,390.1	8,033.3
EBITDA	1,295.8	1,169.4
in % of sales	15.4	14.6
EBIT	903.2	747.4
in % of sales	10.8	9.3
Net income attributable to the shareholders of the parent	588.3	441.2
Earnings per share in €	2.94	2.21
Adjusted sales[1]	8,355.8	7,997.7
Adjusted operating result (adjusted EBIT)[2]	953.1	796.2
in % of adjusted sales	11.4	10.0
Free cash flow	63.5	-311.1
Net indebtedness as at March 31	4,242.2	5,613.1
Gearing ratio in %	43.2	64.2
Number of employees as at March 31[3]	182,138	172,907

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

Automotive Group in € millions	January 1 to March 31 2014	2013
Sales	5,128.8	4,911.2
EBITDA	634.2	602.8
in % of sales	12.4	12.3
EBIT	374.6	303.1
in % of sales	7.3	6.2
Depreciation and amortization[1]	259.6	299.7
– thereof impairment[2]	–	–
Capital expenditure[3]	159.0	172.5
in % of sales	3.1	3.5
Operating assets as at March 31	10,482.7	11,226.0
Number of employees as at March 31[4]	105,517	100,839
Adjusted sales[5]	5,128.1	4,875.6
Adjusted operating result (adjusted EBIT)[6]	422.9	351.0
in % of adjusted sales	8.2	7.2

Rubber Group in € millions	January 1 to March 31 2014	2013
Sales	3,271.3	3,132.0
EBITDA	689.1	595.1
in % of sales	21.1	19.0
EBIT	556.2	472.9
in % of sales	17.0	15.1
Depreciation and amortization[1]	132.9	122.2
– thereof impairment[2]	–	–
Capital expenditure[3]	181.6	258.8
in % of sales	5.6	8.3
Operating assets as at March 31	6,018.3	5,929.2
Number of employees as at March 31[4]	76,296	71,770
Adjusted sales[5]	3,237.7	3,132.0
Adjusted operating result (adjusted EBIT)[6]	557.8	476.2
in % of adjusted sales	17.2	15.2

1 Excluding impairments 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 as at March 31, 2014

Collaboration with Nokia's HERE mapping software unit
On January 14, 2014, Continental and HERE, a leading provider of mapping and location services, announced that they would intensify their collaboration in bringing the connected car to life, focusing on Electronic Horizon, future automated driving functionalities, and Intelligent Transportation Systems (ITS). The collaboration will begin with the development of high-precision map technology for Continental's Electronic Horizon platform, which will enable vehicles to accurately determine the position – within 10 to 20 centimeters – of everything on the road around them.

Start of operations at fuel laboratory
On January 17, 2014, we commenced operations at a new fuel laboratory at the Regensburg location. The laboratory will be used to research how the properties of a wide range of fuels affect engine components and functions. Modern combustion engines are becoming increasingly eco-friendly, as their efficiency is constantly being enhanced. The ever more efficient utilization of fuel is playing a significant role here.

Agreement with The Carlyle Group for the purchase of Veyance Technologies
On February 10, 2014, we announced that we had concluded an agreement with The Carlyle Group, Washington D.C., U.S.A., for the purchase of Veyance Technologies, Inc., Fairlawn, Ohio, U.S.A. With around 9,000 employees, it posted sales in 2013 of approximately €1.5 billion, 90% of which was generated in the industrial business. As soon as the respective antitrust authorities have given their approval, we shall have moved a step closer to our strategic goal of further increasing the share of our sales derived from industrial clients and the aftermarket.
Veyance Technologies provides reinforcement for the ContiTech division in markets in which ContiTech has little or no presence – primarily in the U.S.A. and South America. Locations in Mexico, Canada, China, Australia, and South Africa offer additional opportunities.

New BMW R 1200 RT fitted with ContiRoadAttack 2 Gran Turismo
The ContiRoadAttack 2 Gran Turismo sport touring tire will be part of the original equipment for the new BMW R 1200 RT motorcycle. Its strengthened construction with a second carcass layer provides improved stability for heavy touring bikes. In addition, its wear resistance and thus also its mileage have been improved. The new motorcycle tire therefore offers secure vehicle control and easy handling.

Continental tires of various sizes take the lead in summer tire tests
In the test by ADAC and Stiftung Warentest, the ContiEcoContact 5 was praised for its balance and top results on dry surfaces. It was the winner in the small and compact vehicle category, achieving particularly good values for wear and fuel consumption. The ContiPremiumContact 5 took first place in the test by "auto motor und sport". Highlighted were, for example, the best result for deceleration and cornering on wet and dry surfaces. The ContiSportContact 5 landed first place in the test by "Auto Zeitung". It performed best with regards to braking on both wet and dry roads and proved impressive in terms of handling. With its well-balanced handling characteristics, particularly short braking distances and precise steering responses, the ContiSportContact 5 SUV took the top position among the tire models tested by "AutoBild allrad". In the test by "AutoBild sportscars", the ContiSportContact 5 P achieved first place in the race for lap times, wet grip and braking distances. To mark the 50th anniversary of the "auto motor und sport" tire tests, the editorial team evaluated all of the tests performed and chose the premium Continental brand as the overall winner in 50 years of tire tests.

New tire range for commercial vehicles helps save fuel
The new Conti EcoPlus tire range for commercial goods transportation is perfectly adapted to provide maximum optimization of rolling resistance for a significant reduction in fuel consumption. With rolling resistance reductions of up to 26% compared to the previous series, ambitious fuel efficiency targets have been achieved thanks to newly adapted polymer rubber compounds for treads and sidewalls, the two-layer construction (cap base concept) of the treads, and their special profile design.

Award for touchpad in the new Mercedes-Benz C-Class
At the "Daimler Supplier Awards" ceremony, Daimler AG presented Continental with the "Special Award for Innovation" for the touchpad in the new Mercedes-Benz C-Class. The touchpad constitutes an important step toward a holistic human machine interface. The aim is to allow car drivers to intuitively comprehend what they need to know. The vehicles of the future are expected to anticipate what information drivers require in the respective driving situation. In the future, other of the carmaker's model lines will also use the touchpad.

Continental wins "Automotive News PACE Award"
In early 2014, we received the Automotive News PACE (Premier Automotive Suppliers' Contribution to Excellence, PACE) Award for the third time in the past two years – this time for the pressure-sensor-based pedestrian protection system (PPS SATellite). The pedestrian protection system, which has been in volume production since 2011, was developed by Continental in collaboration with Daimler AG. The system is intended to help automotive manufacturers that sell vehicles in Europe to meet the upcoming standards of the Euro New Car Assessment Programme (NCAP), which require measures to reduce injury in pedestrian collisions. The pedestrian protection system activates within 10 to 15 milliseconds of impact by slightly lifting the hood of the vehicle. The resulting increase in the distance between the relatively soft hood and the solid engine block absorbs the impact energy, mitigating the effects of accidents and injuries.

Economic Report

Macroeconomic development

The German economy expanded in the first quarter of 2014 thanks to higher industrial production, growing private consumer spending and rising corporate investment. The comparatively good economic situation was also recently reflected in consumer confidence, which improved further from January to April 2014. In its April forecast, the International Monetary Fund (IMF) once again improved its assessment of economic development in Germany and raised its growth projection for gross domestic product (GDP) for 2014 by 0.2 percentage points to 1.7%.

Buoyed by Germany's positive development, the stabilization of the eurozone continued in the first quarter of 2014. France, Spain and Italy also posted a slight upturn. However, the economic situation remains tense in Southern European countries in particular, due to high unemployment and modest demand among private households. The low utilization of capacity at many companies also results in pricing pressure and falling inflation rates. Nonetheless, the European Central Bank (ECB) maintained its monetary policy in the reporting period and kept its key interest rate unchanged at 0.25%. For the future, however, the ECB has not ruled out further unconventional measures such as the purchasing of bonds (quantitative easing) if inflation remains very low. The IMF raised its April estimate for eurozone GDP growth by 0.1 percentage points to 1.2% for the current year.

In the U.S.A., the severe winter in the first few weeks of this year slowed economic growth. The construction sector was particularly hard hit and did not recover again until March 2014. Industrial production and private consumer spending declined slightly in January compared to the previous month, but picked up again after the end of the cold spell. In March 2014, the unemployment rate remained constant at 6.7%. The economy was supported by the expansive monetary policy of the U.S. Federal Reserve (Fed), which kept the key interest rate below 0.1%. Based on the improved general economic situation, the Fed reduced its asset purchasing program by U.S. $10 billion in both January and February and announced a reduction of another U.S. $10 billion to U.S. $55 billion for April. In April, the IMF reiterated its forecast of 2.8% GDP growth for the U.S.A. in 2014.

The Japanese economy continued to benefit from the depreciation of the yen, which declined in value by an average of more than 10% year-on-year in relation to the euro and the U.S. dollar in the first quarter of 2014. The very expansive monetary policy of the Bank of Japan, which continued the quantitative measures it had begun last year, also supported the economy. As a result of the increase in excise duties to take effect from April 1, 2014, significant advanced purchasing effects were also observed, which accordingly had a positive impact on Japanese GDP in the reporting quarter. This was reflected particularly in a substantial increase in demand for passenger cars. However, a decline in the rate of private consumer spending is anticipated in the second quarter of 2014. In addition, the effects of the expiring economic stimulus programs are expected to decrease over the remainder of the year. In April, the IMF reduced its growth forecast for 2014 as a whole by 0.3 percentage points to 1.4%.

For emerging and developing economies, the IMF lowered its April forecast by 0.2 percentage points due to weaker economic data for a number of major emerging economies. Growth of 4.9% is now expected for this group of countries in the current year. This growth is still primarily driven by China, which announced slightly lower growth of 7.4% for the first quarter of 2014. In its April forecast, the IMF still expects Chinese GDP to grow by 7.5% in 2014 as a whole. It also still anticipates growth of 5.4% for India. However, in April the IMF lowered its 2014 GDP forecast for Brazil by 0.5 percentage points to 1.8% and for Russia by 0.6 percentage points to 1.3%.

In its April 2014 World Economic Outlook, the IMF reduced its growth forecast for the global economy slightly by 0.1 percentage points to 3.6% for the current year. The IMF believes that there are considerable risks in emerging and developing economies. The increased cost of capital for many countries could rise further, which would curb investments and economic growth. In addition, the IMF warns of a continued decline in inflation rates in advanced economies, particularly in the eurozone, and recommends also using "unconventional measures" in monetary policy to tackle these deflationary trends.

Development of new car registrations

The recovery in demand for passenger cars in Europe (EU28+EFTA) continued in the first quarter of 2014. 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 8% in the reporting quarter compared to the very weak equivalent quarter of the previous year. However, at 3.35 million units it was lower than the figure for the first quarter of 2012 of 3.44 million units and still considerably lower than the average for the pre-crisis years 2006 to 2008 of 4.23 million units. Among the major markets, the U.K. and Spain posted the highest increases of more than 10% in each case. New registrations climbed by over 5% in both Germany and Italy and by 3% in France.

In the U.S.A., demand for passenger cars increased slightly in the first quarter of 2014, growing by 1% in comparison to the strong equivalent quarter of the previous year. The unusually cold winter resulted in a 3% year-on-year decline in unit sales of passenger cars in January 2014 and stagnating sales figures in February. Not until March was there a year-on-year increase of 6%.

New registrations/sales of passenger cars in millions of units

	Q1 2014	Q1 2013	Change
Europe (EU28+EFTA)	3.4	3.1	8%
U.S.A.	3.7	3.7	1%
Japan	1.6	1.3	21%
Brazil	0.8	0.8	-2%
Russia	0.6	0.6	-2%
India	0.7	0.7	-7%
China	4.5	3.9	14%
Worldwide	**21.3**	**20.3**	**5%**

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

In Japan, the increase in excise duties as at April 1, 2014, resulted in many passenger car purchases being made early in the first three months of 2014. New car registrations shot up by 21% year-on-year to 1.6 million units in the first quarter of 2014. In the following quarters, unit sales of passenger cars are however expected to be lower than in the corresponding period of the previous year.

In China, unit sales of passenger cars reached a new record high in the reporting period. The number of new registrations climbed by 14% to 4.5 million in the first quarter of 2014. By contrast, sales figures for passenger cars were down year-on-year in the other BRIC countries, in line with slowing economic growth.

According to preliminary data, global new car registrations increased by 5% year-on-year to 21.3 million units in the first quarter of 2014.

Development of light vehicle production

Higher demand for passenger cars in Europe and its key export markets U.S.A. and China resulted in an increase in European light vehicle production in the reporting period. According to preliminary data, light vehicle production in Europe rose by 5% in comparison to the low figure from the previous year and totaled 5.1 million units in the first quarter of 2014. We expect production volumes to be roughly equivalent to the previous year's figures in the remaining quarters of the reporting year and continue to anticipate growth of 1% in European light vehicle production for 2014 as a whole.

In Asia, there was a mixed picture in the reporting period: There was a significant rise in vehicles manufactured in China and Japan due to strong increases in local demand, whereas light vehicle production in India and the ASEAN states was down considerably year-on-year. Based on preliminary figures, light vehicle production in Asia as a whole is expected to grow by 5% year-on-year in the first quarter of 2014. For the year as a whole, we still anticipate growth of 4% for Asia due to the expected decline in production volumes in Japan and the rising comparative basis.

In NAFTA, preliminary data indicate that light vehicle production in the first quarter of 2014 was curbed only slightly by the severe winter. Production grew by 4% year-on-year in the reporting period. We still expect production to increase by just over 3% in NAFTA in 2014.

In South America, production volumes decreased in the first quarter of 2014 as a result of declining economic growth. As before, we anticipate a 4% decline in light vehicle production here in 2014.

On the basis of preliminary data, global light vehicle production increased year-on-year by 4% in the first quarter of 2014. For 2014 as a whole, we are still expecting a rise in production of around 2% to 86 million units.

Development of heavy vehicle production

Based on initial data, heavy vehicle production in Europe was down year-on-year in the first quarter of 2014, as expected, after the introduction of the EU emission standard Euro 6 as at January 1, 2014, resulted in truck purchases being made early in the fourth quarter of 2013. We anticipate slight increases in heavy vehicle production over the remainder of 2014, which should almost offset the decline in the first quarter.

According to preliminary figures, heavy vehicle production in NAFTA rose by 10% in the reporting period compared to the weak equivalent quarter of the previous year. For 2014 as a whole, we still expect a 7% rise in production.

As a result of the slower economic growth in various emerging economies, we continue to anticipate growth in heavy vehicle production of 2% in Asia and a slight decrease in volumes in South America in the current year.

In our opinion, global production of heavy vehicles is likely to increase by around 2% in 2014.

Development of passenger and light truck tire replacement markets

In Europe, Continental's most important replacement tire market, preliminary data indicates that demand for replacement passenger and light truck tires rose by 6% in the reporting quarter compared to the weak equivalent quarter of the previous year. For the year as a whole, we still expect the market to grow by 2%.

NAFTA also recorded growing demand for replacement tires in the first quarter of 2014, with sales volumes of replacement passenger and light truck tires increasing by 7%. We anticipate a slight decrease in growth over the remainder of the year and are still forecasting a 2% increase for the year as a whole.

Following encouraging initial figures for Asia and South America, we are maintaining our previous estimate of increases in replacement passenger and light truck tire volumes of 6% and 4% respectively for these regions.

We are maintaining our previous overall forecast for 2014 of global growth in demand for replacement passenger and light truck tires of 3%.

Development of commercial vehicle tire replacement markets

Boosted by the economic upturn, the recovery in demand for replacement commercial vehicle tires continued in Europe in the first quarter of 2014. According to preliminary figures, the relatively weak sales volumes from the comparative quarter were exceeded by 15%. Owing to the rising comparative basis over the remainder of the year, we still anticipate growth of 3% for 2014 as a whole.

In NAFTA, our other core market for replacement commercial vehicle tires, demand was up 9% in the first quarter of 2014. We still expect growth of 2% for 2014 as a whole due to the increasing comparative figures from the previous year.

For Asia and South America, we still consider growth of 4% in each case in 2014 to be realistic in view of the varying development of major sales markets.

Worldwide, we continue to anticipate a 4% increase in demand for replacement commercial vehicle tires.

Earnings, Financial and Net Assets Position of the Continental Corporation

	January 1 to March 31	
in € millions	**2014**	2013
Sales	8,390.1	8,033.3
EBITDA	1,295.8	1,169.4
in % of sales	15.4	14.6
EBIT	903.2	747.4
in % of sales	10.8	9.3
Net income attributable to the shareholders of the parent	588.3	441.2
Earnings per share in €	2.94	2.21
Research and development expenses	544.1	499.8
Depreciation and amortization[1]	392.6	422.0
– thereof impairment[2]	–	–
Capital expenditure[3]	340.9	431.4
in % of sales	4.1	5.4
Operating assets as at March 31	16,404.1	17,121.2
Number of employees as at March 31[4]	182,138	172,907
Adjusted sales[5]	8,355.8	7,997.7
Adjusted operating result (adjusted EBIT)[6]	953.1	796.2
in % of adjusted sales	11.4	10.0
Net indebtedness as at March 31	4,242.2	5,613.1
Gearing ratio in %	43.2	64.2

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

Earnings Position

Sales up 4.4%
Sales up 8.3% before changes in the scope of consolidation and exchange rate effects
Consolidated sales for the first three months of 2014 climbed by 4.4% year-on-year to €8,390.1 million (PY: €8,033.3 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 8.3%.

Adjusted EBIT up 19.7%
Adjusted EBIT for the corporation increased by €156.9 million or 19.7% year-on-year to €953.1 million (PY: €796.2 million) in the first three months of 2014, corresponding to 11.4% (PY: 10.0%) of adjusted sales.

EBIT up 20.8%
EBIT rose by €155.8 million or 20.8% compared to the previous year to €903.2 million (PY: €747.4 million) in the first quarter of 2014. The return on sales rose to 10.8% (PY: 9.3%).

Special effects in the first quarter of 2014
Minor special effects resulted in income of €0.2 million in the Tire division and income of €1.2 million in the ContiTech division.

Total consolidated income from special effects in the first three months of 2014 amounted to €1.4 million.

Special effects in the first quarter of 2013
On January 1, 2013, the closing took place for SK Continental E-motion Pte. Ltd., Singapore, Singapore, a company jointly managed by SK Innovation Co., Ltd., Seoul, South Korea, and

Continental, after the agreement to form the company was signed in July 2012. The transaction resulted in income of €25.8 million in the Powertrain division.

As at January 29, 2013, Continental had sold its shares in S-Y Systems Technologies Europe GmbH, Regensburg, Germany, to Yazaki Europe Ltd., Hertfordshire, U.K. The transaction resulted in income of €54.6 million in the Interior division.

Based on a possible obligation, a provision of €35.0 million was recognized in the Interior division.

There was a negative special effect of €0.7 million in the ContiTech division.

Owing to the anticipated higher cash outflow for the syndicated loan resulting from rising interest margins, the carrying amount was adjusted as an expense in 2009 and 2010. However, in 2011 the carrying amount was adjusted as income due to signs of decreasing margins and the associated anticipated lower cash outflow for the syndicated loan. These deferrals were amortized over the term of the loan, reducing or increasing expenses accordingly. The amortization of the carrying amount adjustments led to a positive effect totaling €2.4 million in the first quarter of 2013.

Total consolidated income from special effects in the first three months of 2013 amounted to €47.1 million.

Research and development expenses
In the first three months of 2014, research and development expenses rose by 8.9% compared with the same period of the previous year to €544.1 million (PY: €499.8 million), representing 6.5% (PY: 6.2%) of sales. €468.6 million (PY: €426.2 million) of this relates to the Automotive Group, corresponding to 9.1% (PY: 8.7%) of sales, and €75.5 million (PY: €73.6 million) to the Rubber Group, corresponding to 2.3% (PY: 2.3%) of sales.

Net interest expense
Net interest expense fell by €43.1 million year-on-year to €80.0 million (PY: €123.1 million) in the first quarter of 2014. This decrease was due in particular to lower interest expenses for bonds.

In the first three months of 2014, interest expense totaled €114.2 million, which was €35.8 million lower than the figure for the first quarter of 2013 of €150.0 million. At €73.5 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €38.7 million lower than the prior year figure of €112.2 million. The major portion related to the expenses from the utilization of the syndicated loan and the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A. While the cost of the syndicated loan almost matched the previous year's level in the first three months of 2014 at €29.9 million (PY: €30.1 million), interest expense for the aforementioned bonds decreased by €39.2 million from €64.3 million to €25.1 million. This decrease resulted in particular from the successful refinancing of the four bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010 with a total volume of €3.0 billion with new, considerably lower-interest bonds with a total volume of €2.25 billion and from the utilization of cash and cash equivalents in the second half of 2013. The average nominal interest rate of the new bonds is 2.875% p.a., while for the bonds redeemed early in the previous year it was 7.464% p.a. For details of the bonds redeemed early in 2013 and the bonds issued in 2013, please refer to the 2013 Annual Report. The interest cost on expected pension obligations as well as on long-term employee benefits resulted in interest expense totaling €40.7 million (PY: €37.8 million) in the first quarter of 2014.

Interest income for the first three months of 2014 increased by €4.9 million year-on-year to €26.6 million (PY: €21.7 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €19.2 million (PY: €15.7 million).

In the first quarter of 2014, valuation effects from changes in the fair value of derivative instruments, from the development of exchange rates and from available-for-sale financial assets resulted in a positive contribution totaling €7.6 million (PY: €5.2 million).

Income tax expense
Income tax expense in the first three months of 2014 amounted to €215.6 million (PY: €161.0 million). The tax rate in the reporting period was 26.2% after 25.8% for the same period of the previous year. This was due in particular to a different distribution by country for earnings before taxes compared to 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 33.3% to €588.3 million (PY: €441.2 million), with earnings per share of €2.94 (PY: €2.21).

Financial Position

Cash flow

EBIT increased by €155.8 million year-on-year to €903.2 million (PY: €747.4 million).

Interest payments resulting in particular from the syndicated loan and the bonds declined by €121.3 million to €60.8 million (PY: €182.1 million).

Income tax payments decreased by €25.9 million to €178.3 million (PY: €204.2 million).

At €850.7 million as at March 31, 2014, the net cash outflow arising from the increase in operating working capital was €27.3 million lower than the figure for the previous year of €878.0 million.

At €418.8 million as at March 31, 2014, the net cash inflow arising from operating activities was €460.2 million higher than the previous year's net cash outflow of €41.4 million.

Cash flow arising from investing activities amounted to an outflow of €355.3 million (PY: €269.7 million) in the first three months of 2014. Capital expenditure on property, plant and equipment, and software was down €90.4 million from €431.3 million to €340.9 million before finance leases and the capitalization of borrowing costs.

Acquisitions and sales of companies and business operations resulted in a total cash outflow of €17.5 million (PY: cash inflow of €164.1 million) in the first quarter of 2014.

The free cash flow in the first quarter of 2014 improved by €374.6 million compared with the first three months of 2013 to €63.5 million (PY: -€311.1 million).

Financing and indebtedness

As at March 31, 2014, the corporation's net indebtedness was down €1,370.9 million year-on-year from €5,613.1 million to €4,242.2 million. Net indebtedness was also down €47.1 million in comparison to December 31, 2013, when it had amounted to €4,289.3 million. The gearing ratio improved to 43.2% (PY: 64.2%) as at the end of March 2014.

Following the successful refinancing of the syndicated loan in January 2013, further steps were implemented in 2013 to improve the financial and maturity structure while at the same time reducing interest costs. Continental had issued three euro bonds with an issue volume totaling €2.25 billion in the third quarter of 2013 under the Debt Issuance Programme (DIP) for the issuance of bonds set up in May 2013 with a maximum volume of €5.0 billion. The issue proceeds were used for the partial refinancing of the four bonds issued in 2010 by Conti-Gummi Finance B.V., Maastricht, Netherlands, with a total volume of €3.0 billion, which were redeemed early in the period from July to November 2013. Cash and cash equivalents were also used to redeem these bonds. In addition to the improvement in the maturity profile of indebtedness, this will also significantly reduce future interest expenses. The average interest rate on the new bonds is 2.875% p.a., while the average interest rate for the 2010 bonds redeemed early was 7.464% p.a. For details of the bonds redeemed early in 2013 and all of the bonds issued in 2013, please refer to the 2013 Annual Report.

The committed volume of the syndicated loan has remained at €4.5 billion since its refinancing in January 2013. The operational and financial strength achieved in 2013 is reflected particularly in the upgrades to the investment grade category by the three major rating agencies. The improved credit standing will be reflected in the agreements of the syndicated loan agreement as well. Plans are to redeem the existing syndicated loan early at the end of April 2014 by utilizing a new syndicated loan agreement. The new loan will also have a total volume of €4.5 billion and will consist of a term loan of €1.5 billion and a revolving credit line of €3.0 billion. The term loan was consequently reclassified to short-term indebtedness as at March 31, 2014. As at the end of the first quarter of 2014, the syndicated loan had been utilized only by Continental AG in a nominal amount of €1,500.0 million (PY: utilization by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in a nominal amount of €2,122.8 million).

As at March 31, 2014, Continental had liquidity reserves totaling €5,962.0 million (PY: €5,006.7 million), consisting of cash and cash equivalents of €2,008.0 million (PY: €1,962.7 million) and committed, unutilized credit lines totaling €3,954.0 million (PY: €3,044.0 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts, liquid funds from the contractual trust arrangements (CTAs), and balances in the following countries with foreign exchange restrictions: Argentina, Brazil, Chile, Greece, India, and Serbia. Taxes to be paid on the transfer of cash assets from one country (e.g. China) to another (e.g. Germany) are not considered to represent a restriction on cash and cash equivalents. Unrestricted cash and cash equivalents totaled €1,770.7 million.

Change in net indebtedness

	January 1 to March 31	
in € millions	**2014**	2013
Cash flow arising from operating activities	418.8	-41.4
Cash flow arising from investing activities	-355.3	-269.7
Cash flow before financing activities (free cash flow)	**63.5**	**-311.1**
Dividends paid and repayment of capital to non-controlling interests	-0.9	-1.0
Non-cash changes	-0.5	31.9
Other	-1.3	-4.1
Foreign exchange effects	-13.7	-8.9
Change in net indebtedness	**47.1**	**-293.2**

Capital expenditure (additions)

In the first quarter of 2014, capital expenditure on property, plant and equipment, and software amounted to €340.9 million (PY: €431.4 million). The capital expenditure ratio after three months is 4.1% (PY: 5.4%).

€159.0 million (PY: €172.5 million) of this capital expenditure was attributable to the Automotive Group, representing 3.1% (PY: 3.5%) of sales. The Automotive Group primarily invested in production facilities for the manufacture of new products and implementation of new technologies, with investment being focused on expanding and establishing manufacturing capacity at best-cost locations. In the Chassis & Safety division, production capacity for the Hydraulic Brake Systems and Vehicle Dynamics business units was expanded in particular. Important additions related to the creation of new production facilities for electronic brake systems. In the Powertrain division, investments focused on expanding production capacity for the Engine Systems and Sensors & Actuators business units. In the Interior division, production capacity was expanded for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €181.6 million (PY: €258.8 million), equivalent to 5.6% (PY: 8.3%) of sales. In the Tire division, production capacity was established and expanded at European best-cost locations and in North America. There were major additions relating to the construction of new plants in Sumter, South Carolina, U.S.A., and Kaluga, Russia, and the expansion of existing sites in Mount Vernon, Illinois, U.S.A.; Otrokovice, Czech Republic; Puchov, Slovakia; and Lousado, Portugal. Quality assurance and cost-cutting measures were also implemented. In the ContiTech division, production capacity for the Fluid Technology, Conveyor Belt Group and Vibration Control business units was expanded in particular. Production capacity was increased at the German locations and in Brazil, China, Serbia, Slovakia and Mexico. The division invested in the construction of new plants for the Fluid Technology business unit at the locations in Kaluga, Russia, and Macae, Brazil. Investments were also made in all business units to rationalize existing production processes.

Net Assets Position

At €27,794.7 million, total assets as at March 31, 2014, were €461.4 million (PY: €28,256.1 million) lower than on the same date in 2013. This decrease was mainly attributable to the €111.9 million decline in goodwill from €5,639.6 million to €5,527.7 million as a result of impairment as at the end of 2013 and to the €341.6 million decline in other intangible assets to €501.6 million (PY: €843.2 million) as a result of amortization from purchase price allocation (PPA). Long-term derivative instruments and interest-bearing investments declined by €189.9 million from €459.5 million to €269.6 million as a result of exercising the early redemption options in 2013 that were contained in the bonds issued in 2010. Inventories fell by €129.2 million to €3,102.0 million (PY: €3,231.2 million). These factors were countered by the €124.8 million increase in property, plant and equipment to €7,728.3 million (PY: €7,603.5 million). Trade accounts receivable rose by €169.3 million from €5,886.5 million to €6,055.8 million.

Equity including non-controlling interests was up €1,083.4 million to €9,821.6 million as compared to €8,738.2 million as at March 31, 2013. This was due primarily to the increase in the retained earnings of €1,620.2 million. Other comprehensive income changed by -€476.2 million to -€1,284.3 million (PY: -€808.1 million), due in particular to the change in the difference from currency translation. The gearing ratio improved from 64.2% to 43.2%.

At €27,794.7 million, total assets were up €973.9 million compared with December 31, 2013 (PY: €26,820.8 million). This resulted in particular from the rise in trade accounts receivable of €740.0 million to €6,055.8 million (PY: €5,315.8 million) and the increase in inventories of €271.1 million to €3,102.0 million (PY: €2,830.9 million). At €2,008.0 million (PY: €2,044.8 million), cash and cash equivalents were down €36.8 million.

Equity including non-controlling interests was up €499.4 million to €9,821.6 million as compared to €9,322.2 million at the end of 2013. This was due primarily to the positive net income attributable to the shareholders of the parent of €588.3 million. The gearing ratio fell from 46.0% to 43.2%.

Employees

As at the end of the first quarter of 2014, the corporation had 182,138 employees, representing a rise of 4,376 in comparison to the end of 2013. The number of employees in the Automotive Group rose by 2,300 as a result of production ramp-ups and expansion of research and development. In the Rubber Group, increased volumes and further expansion of production capacity led to an increase of 2,063 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 9,231.

Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31 2014	2013
Sales	1,878.2	1,792.9
EBITDA	254.0	241.8
in % of sales	13.5	13.5
EBIT	172.3	155.3
in % of sales	9.2	8.7
Depreciation and amortization[1]	81.7	86.5
– thereof impairment[2]	—	—
Capital expenditure[3]	57.4	72.4
in % of sales	3.1	4.0
Operating assets as at March 31	3,881.6	4,094.1
Number of employees as at March 31[4]	37,174	35,310
Adjusted sales[5]	1,877.5	1,792.9
Adjusted operating result (adjusted EBIT)[6]	179.2	168.5
in % of adjusted sales	9.5	9.4

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.

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first three months of 2014 increased to 5.7 million. In the Hydraulic Brake Systems business unit, sales of brake boosters rose by around 8% while sales of brake calipers also increased by about 7%. The Passive Safety & Sensorics business unit also achieved an equally positive development in sales volumes of airbag control units compared to the same period in 2013. Sales of advanced driver assistance systems were up by more than 50%.

Sales up 4.8%
Sales up 8.7% before changes in the scope of consolidation and exchange rate effects
Sales of the Chassis & Safety division were up 4.8% at €1,878.2 million (PY: €1,792.9 million) in the first three months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 8.7%.

Adjusted EBIT up 6.4%
Adjusted EBIT for the Chassis & Safety division increased by €10.7 million or 6.4% year-on-year to €179.2 million (PY: €168.5 million) during the first three months of 2014, corresponding to 9.5% (PY: 9.4%) of adjusted sales.

EBIT up 10.9%
Compared with the same period of 2013, the Chassis & Safety division reported an increase in EBIT of €17.0 million or 10.9% to €172.3 million (PY: €155.3 million) in the first quarter of 2014. The return on sales rose to 9.2% (PY: 8.7%).

Special effects
There were no special effects in the Chassis & Safety division in either the first quarter of 2014 or the same period of the previous year.

	January 1 to March 31	
Powertrain in € millions	**2014**	2013
Sales	1,579.1	1,526.1
EBITDA	157.0	158.9
in % of sales	9.9	10.4
EBIT	64.5	52.1
in % of sales	4.1	3.4
Depreciation and amortization[1]	92.5	106.8
– thereof impairment[2]	–	–
Capital expenditure[3]	55.2	53.0
in % of sales	3.5	3.5
Operating assets as at March 31	2,788.4	2,981.8
Number of employees as at March 31[4]	33,404	31,996
Adjusted sales[5]	1,579.1	1,526.1
Adjusted operating result (adjusted EBIT)[6]	81.0	59.6
in % of adjusted sales	5.1	3.9

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.

Powertrain

Sales volumes

In the first quarter of 2014, the Powertrain division's sales volumes increased in nearly all product fields year-on-year. Only the Engine Systems business unit posted a slight decline in sales volumes. This was attributable to a number of product phase-outs in the past fiscal year, which will not be offset until the ramp-up of new products in the second half of 2014. The Sensors & Actuators business unit in particular is posting growth, with higher sales figures for exhaust sensors as a result of stricter environmental regulations in China and other Asian countries.

Sales up 3.5%
Sales up 6.4% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division were up 3.5% at €1,579.1 million (PY: €1,526.1 million) in the first three months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 6.4%.

Adjusted EBIT up 35.9%

Adjusted EBIT for the Powertrain division increased by €21.4 million or 35.9% year-on-year to €81.0 million (PY: €59.6 million) in the first three months of 2014, corresponding to 5.1% (PY: 3.9%) of adjusted sales.

EBIT up 23.8%

Compared with the same period of 2013, the Powertrain division reported an increase in EBIT of €12.4 million or 23.8% to €64.5 million (PY: €52.1 million) in the first three months of 2014. The return on sales rose to 4.1% (PY: 3.4%).

Special effects in the first quarter of 2014

There were no special effects in the Powertrain division in the first quarter of 2014.

Special effects in the first quarter of 2013

On January 1, 2013, the closing took place for SK Continental E-motion Pte. Ltd., Singapore, Singapore, a company jointly managed by SK Innovation Co., Ltd., Seoul, South Korea, and Continental, after the agreement to form the company was signed in July 2012. The transaction resulted in income of €25.8 million in the Powertrain division.

Interior in € millions	January 1 to March 31 2014	2013
Sales	1,699.1	1,620.1
EBITDA	223.2	202.1
in % of sales	13.1	12.5
EBIT	137.8	95.7
in % of sales	8.1	5.9
Depreciation and amortization[1]	85.4	106.4
– thereof impairment[2]	–	–
Capital expenditure[3]	46.4	47.2
in % of sales	2.7	2.9
Operating assets as at March 31	3,812.7	4,150.1
Number of employees as at March 31[4]	34,939	33,533
Adjusted sales[5]	1,699.1	1,584.5
Adjusted operating result (adjusted EBIT)[6]	162.7	122.9
in % of adjusted sales	9.6	7.8

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.

Interior

Sales volumes

Sales volumes in the Body & Security business unit were up on the previous year's level after the first three months of 2014, in particular with North American and European customers. Business with Asian customers was up slightly on the previous year's level. Unit sales of audio components were down year-on-year in the Infotainment & Connectivity business unit. This was primarily due to declining demand in Europe, while Asia recorded a slight increase. Unit sales of multimedia systems picked up significantly in Asia and on the U.S. market on account of new products. There was a decline in the device connectivity segment that was countered by an increase in the telematics segment. Sales volumes in the Commercial Vehicles & Aftermarket business unit were above the previous year's level. This was mainly due to higher demand in replacement-parts and aftermarket business, particularly in NAFTA and Western Europe, which compensated for the weaker demand for commercial vehicles in Asia, especially China and India, as a result of the general economic conditions. Before consolidation changes, sales figures in the Instrumentation & Driver HMI business unit were higher than in the first three months of 2013 with higher demand on the European market and constant growth in North America and Asia.

Sales up 4.9%
Sales up 11.5% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division were up 4.9% at €1,699.1 million (PY: €1,620.1 million) in the first three months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 11.5%.

Adjusted EBIT up 32.4%

Adjusted EBIT for the Interior division increased by €39.8 million or 32.4% year-on-year to €162.7 million (PY: €122.9 million) in the first three months of 2014, corresponding to 9.6% (PY: 7.8%) of adjusted sales.

EBIT up 44.0%

Compared with the same period of 2013, the Interior division reported an increase in EBIT of €42.1 million or 44.0% to €137.8 million (PY: €95.7 million) in the first quarter of 2014. The return on sales climbed to 8.1% (PY: 5.9%).

Special effects in the first quarter of 2014

There were no special effects in the Interior division in the first quarter of 2014.

Special effects in the first quarter of 2013

As at January 29, 2013, Continental had sold its shares in S-Y Systems Technologies Europe GmbH, Regensburg, Germany, to Yazaki Europe Ltd., Hertfordshire, U.K. The transaction resulted in income of €54.6 million in the Interior division.

Based on a possible obligation, a provision of €35.0 million was recognized in the Interior division.

For the Interior division, the total positive impact from special effects in the first three months of 2013 amounted to €19.6 million.

Tires in € millions	January 1 to March 31 2014	2013
Sales	2,318.3	2,222.2
EBITDA	545.4	459.2
in % of sales	23.5	20.7
EBIT	440.7	365.2
in % of sales	19.0	16.4
Depreciation and amortization[1]	104.7	94.0
– thereof impairment[2]	–	–
Capital expenditure[3]	142.3	230.4
in % of sales	6.1	10.4
Operating assets as at March 31	4,656.6	4,688.3
Number of employees as at March 31[4]	45,685	43,202
Adjusted sales[5]	2,296.1	2,222.2
Adjusted operating result (adjusted EBIT)[6]	442.5	366.3
in % of adjusted sales	19.3	16.5

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

Tires

Sales volumes

Sales volumes of passenger and light truck tires were up year-on-year in both OEM business and tire replacement business. There was particularly strong growth in the EMEA region (Europe, the Middle East and Africa) and the Americas (North, Central and South America). Sales figures in commercial vehicle tire business were also up around 13% on the previous year's level.

Sales up 4.3%
Sales up 7.8% before changes in the scope of consolidation and exchange rate effects

Sales of the Tire division were up 4.3% at €2,318.3 million (PY: €2,222.2 million) in the first three months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 7.8%.

Adjusted EBIT up 20.8%

Adjusted EBIT for the Tire division climbed by €76.2 million or 20.8% year-on-year to €442.5 million (PY: €366.3 million) in the first three months of 2014, corresponding to 19.3% (PY: 16.5%) of adjusted sales.

EBIT up 20.7%

Compared with the same period of 2013, the Tire division reported an increase in EBIT of €75.5 million or 20.7% to €440.7 million (PY: €365.2 million) in the first quarter of 2014. The return on sales increased to 19.0% (PY: 16.4%).

Special effects in the first quarter of 2014

For the Tire division, the total positive impact from special effects in the first three months of 2014 amounted to €0.2 million.

Special effects in the first quarter of 2013

There were no special effects in the Tire division in the first quarter of 2013.

	January 1 to March 31	
ContiTech in € millions	**2014**	2013
Sales	973.4	941.6
EBITDA	143.7	135.9
in % of sales	14.8	14.4
EBIT	115.5	107.7
in % of sales	11.9	11.4
Depreciation and amortization[1]	28.2	28.2
– thereof impairment[2]	–	–
Capital expenditure[3]	39.4	28.4
in % of sales	4.0	3.0
Operating assets as at March 31	1,361.8	1,240.8
Number of employees as at March 31[4]	30,611	28,568
Adjusted sales[5]	962.0	941.6
Adjusted operating result (adjusted EBIT)[6]	115.3	109.9
in % of adjusted sales	12.0	11.7

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.

ContiTech

Sales up 3.4%
Sales up 4.7% before changes in the scope of consolidation and exchange rate effects
Sales of the ContiTech division were up 3.4% at €973.4 million (PY: €941.6 million) in the first three months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 4.7%. Both automotive replacement business and original equipment (OE) business posted growth in sales. In industrial business, sales did not reach the previous year's level.

Adjusted EBIT up 4.9%
Adjusted EBIT for the ContiTech division rose by €5.4 million or 4.9% year-on-year to €115.3 million (PY: €109.9 million) in the first three months of 2014, corresponding to 12.0% (PY: 11.7%) of adjusted sales.

EBIT up 7.2%
Compared with the same period of 2013, the ContiTech division reported an increase in EBIT of €7.8 million or 7.2% to €115.5 million (PY: €107.7 million) in the first quarter of 2014. The return on sales increased to 11.9% (PY: 11.4%).

Special effects in the first quarter of 2014
For the ContiTech division, the total positive impact from special effects in the first three months of 2014 amounted to €1.2 million.

Special effects in the first quarter of 2013
For the ContiTech division, the total negative impact from special effects in the first three months of 2013 amounted to €0.7 million.

Report on Expected Developments and Outlook

Following an encouraging start to fiscal 2014, we are reiterating our recent forecast of March 6, 2014. We still anticipate an increase in consolidated sales to around €35 billion. A persistently unfavorable development in many currency pairs important to Continental can continue to negatively influence the sales forecast, hence the negative currency translation effect could be higher than the approximately €700 million that was still assumed in March 2014.

The goal of comfortably achieving a consolidated adjusted EBIT margin of more than 10% is supported by the continuing positive development in rubber prices. We are now forecasting a drop in costs for the Rubber Group of €80 million for the year as a whole. We have lowered our estimate for the average price of natural rubber (TSR 20) in 2014 from U.S. $2.50 per kilogram to U.S. $2.30 per kilogram. As a result, we are increasing our original goal of comfortably reaching a consolidated adjusted EBIT margin of 10% to 10.5% in 2014.

Despite the non-recurring expenses in conjunction with the expected successful renegotiation of the syndicated loan, we anticipate net interest expenses of less than €400 million in 2014. The tax rate will be under 30% in the current year. For the corporation, we still expect special effects totaling approximately €50 million. We are confirming the capital expenditure ratio before financial investments at around 6% of sales. The goal of achieving a free cash flow before acquisitions of more than €1.2 billion is supported by the good development in working capital in the first quarter.

The effects of the takeover of Veyance Technologies, Inc., Fairlawn, Ohio, U.S.A., on the outlook for fiscal 2014 depend heavily on when it is consolidated for the first time and therefore can only be quantified once the transaction has been closed. Closing is expected in the fourth quarter of 2014.

Consolidated Financial Statements as at March 31, 2014

Consolidated Statement of Income

	January 1 to March 31	
in € millions	**2014**	2013
Sales	**8,390.1**	**8,033.3**
Cost of sales	-6,294.4	-6,244.3
Gross margin on sales	**2,095.7**	**1,789.0**
Research and development expenses	-544.1	-499.8
Selling and logistics expenses	-430.9	-406.5
Administrative expenses	-178.9	-171.8
Other expenses and income	-47.0	33.8
Income from at-equity accounted investees	8.4	7.2
Other income from investments	0.0	-4.5
Earnings before interest and taxes	**903.2**	**747.4**
Interest income[1]	26.6	21.7
Interest expense[1,2]	-106.6	-144.8
Net interest expense	**-80.0**	**-123.1**
Earnings before taxes	**823.2**	**624.3**
Income tax expense	-215.6	-161.0
Net income	**607.6**	**463.3**
Non-controlling interests	-19.3	-22.1
Net income attributable to the shareholders of the parent	588.3	441.2
Basic earnings per share in €	**2.94**	**2.21**
Diluted earnings per share in €	**2.94**	**2.21**

1 Including interest effects from pension obligations, from other long-term employee benefits, and from pension funds. In the prior year, the resulting income was reported under interest expense; the comparative figures for the prior year have been adjusted accordingly.
2 Including gains and losses from foreign currency translation, from changes in the fair value of derivative instruments as well as from available-for-sale financial assets.

Consolidated Statement of Comprehensive Income

	January 1 to March 31	
in € millions	**2014**	2013
Net income	**607.6**	**463.3**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans[1]	-61.0	61.4
Fair value adjustments[1]	-92.2	69.8
Portion for at-equity accounted investees[2]	–	-1.1
Tax on other comprehensive income	31.2	-7.3
Items that may be reclassified subsequently to profit or loss		
Currency translation[1]	-36.5	78.3
Difference from currency translation[1]	-36.8	78.1
Reclassification adjustments to profit and loss	0.3	0.2
Portion for at-equity accounted investees[2]	–	–
Available-for-sale financial assets	3.1	0.8
Fair value adjustments	3.4	1.9
Reclassification adjustments to profit and loss	-0.3	-1.1
Cash flow hedges	–	–
Fair value adjustments	–	–
Reclassification adjustments to profit and loss	–	–
Portion for at-equity accounted investees[2]	–	–
Tax on other comprehensive income	-0.9	-4.7
Other comprehensive income	**-95.3**	**135.8**
Comprehensive income	**512.3**	**599.1**
Attributable to non-controlling interests	-16.6	-16.1
Attributable to the shareholders of the parent	495.7	583.0

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

Assets in € millions	**March 31, 2014**	*Dec. 31, 2013*	March 31, 2013
Goodwill	5,527.7	*5,520.9*	5,639.6
Other intangible assets	501.6	*557.7*	843.2
Property, plant and equipment	7,728.3	*7,728.0*	7,603.5
Investment property	20.1	*20.4*	19.7
Investments in at-equity accounted investees	428.3	*450.0*	448.8
Other investments	7.7	*7.9*	6.9
Deferred tax assets	956.3	*928.4*	876.1
Defined benefit assets	6.1	*6.0*	2.0
Long-term derivative instruments and interest-bearing investments	269.6	*285.1*	459.5
Other long-term financial assets	19.9	*45.0*	21.2
Other long-term assets	20.2	*20.1*	14.1
Non-current assets	**15,485.8**	***15,569.5***	**15,934.6**
Inventories	3,102.0	*2,830.9*	3,231.2
Trade accounts receivable	6,055.8	*5,315.8*	5,886.5
Other short-term financial assets	362.3	*336.2*	318.5
Other short-term assets	648.0	*601.2*	718.3
Income tax receivables	64.3	*69.3*	83.9
Short-term derivative instruments and interest-bearing investments	35.1	*18.3*	77.6
Cash and cash equivalents	2,008.0	*2,044.8*	1,962.7
Assets held for sale	33.4	*34.8*	42.8
Current assets	**12,308.9**	***11,251.3***	**12,321.5**
Total assets	**27,794.7**	***26,820.8***	**28,256.1**

Total equity and liabilities in € millions	**March 31, 2014**	*Dec. 31, 2013*	March 31, 2013
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	6,123.6	*5,535.3*	4,503.4
Other comprehensive income	-1,284.3	*-1,191.7*	-808.1
Equity attributable to the shareholders of the parent	**9,506.9**	***9,011.2***	**8,362.9**
Non-controlling interests	314.7	*311.0*	375.3
Total equity	**9,821.6**	***9,322.2***	**8,738.2**
Provisions for pension liabilities and similar obligations	2,504.3	*2,391.1*	2,538.5
Deferred tax liabilities	133.7	*113.2*	297.2
Long-term provisions for other risks and obligations	263.7	*266.9*	302.0
Long-term portion of indebtedness	3,574.8	*5,041.2*	5,639.0
Other long-term financial liabilities	32.2	*16.2*	13.0
Other long-term liabilities	42.5	*42.2*	56.1
Non-current liabilities	**6,551.2**	***7,870.8***	**8,845.8**
Trade accounts payable	4,756.8	*4,596.3*	4,504.9
Income tax payables	597.1	*588.2*	677.2
Short-term provisions for other risks and obligations	607.3	*631.1*	597.3
Indebtedness	2,980.1	*1,596.3*	2,473.9
Other short-term financial liabilities	1,564.8	*1,448.0*	1,502.0
Other short-term liabilities	915.8	*767.9*	916.8
Current liabilities	**11,421.9**	***9,627.8***	**10,672.1**
Total equity and liabilities	**27,794.7**	***26,820.8***	**28,256.1**

Consolidated Statement of Cash Flows

	January 1 to March 31	
in € millions	**2014**	2013
Net income	**607.6**	**463.3**
Income tax expense	215.6	161.0
Net interest expense	80.0	123.1
EBIT	**903.2**	**747.4**
Interest paid	-60.8	-182.1
Interest received	7.0	7.2
Income tax paid	-178.3	-204.2
Dividends received	15.6	15.6
Depreciation, amortization, impairment and reversal of impairment losses	392.6	422.0
Income from at-equity accounted and other investments, incl. impairment and reversal of impairment losses	-8.4	-2.7
Gains from the disposal of assets, companies and business operations	-7.0	-82.3
Other non-cash items	—	-2.4
Changes in		
inventories	-268.1	-195.3
trade accounts receivable	-759.8	-799.0
trade accounts payable	177.2	116.3
pension and similar obligations	0.5	-2.5
other assets and liabilities	205.1	120.6
Cash flow arising from operating activities	**418.8**	**-41.4**
Proceeds on the disposal of property, plant and equipment, and intangible assets	17.8	4.8
Capital expenditure on property, plant and equipment, and software	-340.9	-431.3
Capital expenditure on intangible assets from development projects and miscellaneous	-14.7	-7.3
Proceeds on the disposal of companies and business operations	0.2	250.3
Acquisition of companies and business operations	-17.7	-86.2
Cash flow arising from investing activities	**-355.3**	**-269.7**
Cash flow before financing activities (free cash flow)	**63.5**	**-311.1**
Change in indebtedness	-83.5	-157.6
Successive purchases	—	-4.6
Dividends paid and repayment of capital to non-controlling interests	-0.9	-1.0
Cash and cash equivalents arising from first consolidation of subsidiaries	0.2	0.4
Cash flow arising from financing activities	**-84.2**	**-162.8**
Change in cash and cash equivalents	**-20.7**	**-473.9**
Cash and cash equivalents at the beginning of the reporting period	2,044.8	2,397.2
Effect of exchange rate changes on cash and cash equivalents	-16.1	39.4
Cash and cash equivalents at the end of the reporting period	**2,008.0**	**1,962.7**

Consolidated Statement of Changes in Equity

						Difference from					
in € millions	Number of shares[1] (thousands)	Subscribed capital	Capital reserves	Retained earnings	Successive purchases[2]	remeasurement of defined benefit plans[3]	currency translation	financial instruments[4]	Subtotal	Non-controlling interests	**Total**
As at Jan. 1, 2013	**200,006**	**512.0**	**4,155.6**	**4,062.2**	**-19.2**	**-1,012.5**	**77.1**	**3.8**	**7,779.0**	**377.4**	**8,156.4**
Net income	–	–	–	441.2	–	–	–	–	441.2	22.1	**463.3**
Comprehensive income	–	–	–	–	–	61.4	79.8	0.6	141.8	-6.0	**135.8**
Net profit for the period	**–**	**–**	**–**	**441.2**	**–**	**61.4**	**79.8**	**0.6**	**583.0**	**16.1**	**599.1**
Dividends paid/resolved	–	–	–	–	–	–	–	–	–	-13.4	**-13.4**
Successive purchases	–	–	–	–	0.3	–	–	–	0.3	-4.8	**-4.5**
Other changes	–	–	–	–	0.6	–	–	–	0.6	–	**0.6**
As at March 31, 2013	**200,006**	**512.0**	**4,155.6**	**4,503.4**	**-18.3**	**-951.1**	**156.9**	**4.4**	**8,362.9**	**375.3**	**8,738.2**
As at Jan. 1, 2014	**200,006**	**512.0**	**4,155.6**	**5,535.3**	**-18.4**	**-741.2**	**-435.9**	**3.8**	**9,011.2**	**311.0**	**9,322.2**
Net income	–	–	–	588.3	–	–	–	–	588.3	19.3	**607.6**
Comprehensive income	–	–	–	–	–	-61.0	-34.1	2.5	-92.6	-2.7	**-95.3**
Net profit for the period	**–**	**–**	**–**	**588.3**	**–**	**-61.0**	**-34.1**	**2.5**	**495.7**	**16.6**	**512.3**
Dividends paid/resolved	–	–	–	–	–	–	–	–	–	-12.9	**-12.9**
Successive purchases	–	–	–	–	–	–	–	–	–	–	**–**
Other changes	–	–	–	–	0.0	–	–	–	0.0	–	**0.0**
As at March 31, 2014	**200,006**	**512.0**	**4,155.6**	**6,123.6**	**-18.4**	**-802.2**	**-470.0**	**6.3**	**9,506.9**	**314.7**	**9,821.6**

1 Shares outstanding.
2 The amount in the reporting period results from the first-time inclusion of a subsidiary not previously included in consolidation. The prior-year period also includes additional effects from the step acquisition of shares in a fully consolidated company and a subsequent purchase price adjustment.
3 This prior-year amount includes the shareholder's portion of -€1.1 million in non-realized gains and losses from pension obligations of companies accounted for under the equity method.
4 The difference arising from financial instruments, including deferred taxes, results from available-for-sale financial assets.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to March 31, 2014

in € millions	Chassis & Safety	Powertrain	Interior
External sales	1,869.1	1,561.5	1,697.6
Intercompany sales	9.1	17.6	1.5
Sales (total)	**1,878.2**	**1,579.1**	**1,699.1**
EBITDA	254.0	157.0	223.2
in % of sales	13.5	9.9	13.1
EBIT (segment result)	172.3	64.5	137.8
in % of sales	9.2	4.1	8.1
Depreciation and amortization[1]	81.7	92.5	85.4
– thereof impairment[2]	–	–	–
Capital expenditure[3]	57.4	55.2	46.4
in % of sales	3.1	3.5	2.7
Operating assets as at March 31	3,881.6	2,788.4	3,812.7
Number of employees as at March 31[4]	37,174	33,404	34,939

in € millions	Tires	ContiTech	Other/Consolidation	Continental Corporation
External sales	2,315.1	946.8	–	8,390.1
Intercompany sales	3.2	26.6	-58.0	–
Sales (total)	**2,318.3**	**973.4**	**-58.0**	**8,390.1**
EBITDA	545.4	143.7	-27.5	1,295.8
in % of sales	23.5	14.8	–	15.4
EBIT (segment result)	440.7	115.5	-27.6	903.2
in % of sales	19.0	11.9	–	10.8
Depreciation and amortization[1]	104.7	28.2	0.1	392.6
– thereof impairment[2]	–	–	–	–
Capital expenditure[3]	142.3	39.4	0.2	340.9
in % of sales	6.1	4.0	–	4.1
Operating assets as at March 31	4,656.6	1,361.8	-97.0	16,404.1
Number of employees as at March 31[4]	45,685	30,611	325	182,138

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.

Segment report for the period from January 1 to March 31, 2013

in € millions	Chassis & Safety	Powertrain	Interior
External sales	1,783.1	1,510.9	1,616.8
Intercompany sales	9.8	15.2	3.3
Sales (total)	**1,792.9**	**1,526.1**	**1,620.1**
EBITDA	241.8	158.9	202.1
in % of sales	13.5	10.4	12.5
EBIT (segment result)	155.3	52.1	95.7
in % of sales	8.7	3.4	5.9
Depreciation and amortization[1]	86.5	106.8	106.4
– thereof impairment[2]	–	–	–
Capital expenditure[3]	72.4	53.0	47.2
in % of sales	4.0	3.5	2.9
Operating assets as at March 31	4,094.1	2,981.8	4,150.1
Number of employees as at March 31[4]	35,310	31,996	33,533

in € millions	Tires	ContiTech	Other/Consolidation	Continental Corporation
External sales	2,218.8	903.7	–	8,033.3
Intercompany sales	3.4	37.9	-69.6	–
Sales (total)	**2,222.2**	**941.6**	**-69.6**	**8,033.3**
EBITDA	459.2	135.9	-28.5	1,169.4
in % of sales	20.7	14.4	–	14.6
EBIT (segment result)	365.2	107.7	-28.6	747.4
in % of sales	16.4	11.4	–	9.3
Depreciation and amortization[1]	94.0	28.2	0.1	422.0
– thereof impairment[2]	–	–	–	–
Capital expenditure[3]	230.4	28.4	0.0	431.4
in % of sales	10.4	3.0	–	5.4
Operating assets as at March 31	4,688.3	1,240.8	-33.9	17,121.2
Number of employees as at March 31[4]	43,202	28,568	298	172,907

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.

Reconciliation of EBIT to Net Income

	January 1 to March 31	
in € millions	**2014**	2013
Chassis & Safety	172.3	155.3
Powertrain	64.5	52.1
Interior	137.8	95.7
Tires	440.7	365.2
ContiTech	115.5	107.7
Other/consolidation	-27.6	-28.6
EBIT	**903.2**	**747.4**
Net interest expense	-80.0	-123.1
Earnings before taxes	**823.2**	**624.3**
Income tax expense	-215.6	-161.0
Net income	**607.6**	**463.3**
Non-controlling interests	-19.3	-22.1
Net income attributable to the shareholders of the parent	**588.3**	**441.2**

Accounting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union, and the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC). The interim report was prepared in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim report as in the consolidated financial statements for 2013. These methods are described in detail in the 2013 Annual Report. In addition, the IFRS amendments and new regulations effective as at March 31, 2014, have also been applied in the interim report. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2013 Annual Report.

The IFRS amendments and new regulations effective as at March 31, 2014, had no material effect on the reporting of the Continental Corporation.

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

Although certain elements of the corporation's business are seasonal, the overall comparability of the interim consolidated financial statements is not compromised. All significant effects in the current period are shown in 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 euro. Unless otherwise stated, all amounts are shown in millions of euro. Please note that differences may arise as a result of the use of rounded amounts and percentages.

Provisions for pension liabilities and similar obligations

Since January 1, 2014, a discount rate has been used in the measurement of German pension obligations that uses a broader base of corporate bonds on account of a change in method. This change in method had no significant effect on the amount of pension provisions as at March 31, 2014.

The remeasurement of defined benefit pension plans as at March 31, 2014, resulted in a €62.0 million decrease in reserves recognized directly in equity due to the drop in discount rates. The reduction in equity contrasted with a rise in pension liabilities and similar obligations of €93.1 million.

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

	January 1 to March 31, 2014						January 1 to March 31, 2013					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	26.0	–	0.1	0.9	4.3	**31.3**	24.4	–	0.2	0.9	4.0	**29.5**
Interest on defined benefit obligations	22.5	10.2	0.8	3.2	2.3	**39.0**	21.3	3.3	0.8	2.8	2.1	**30.3**
Expected return on plan assets	-2.7	-8.6	-0.7	-3.2	-1.2	**-16.4**	-5.7	-6.6	-0.6	-2.9	-1.2	**-17.0**
Effect of change of asset ceiling	–	–	0.0	–	0.1	**0.1**	–	–	–	–	–	**–**
Other pension income and expenses	–	0.2	0.0	–	0.1	**0.3**	–	–	–	–	0.1	**0.1**
Net pension cost	**45.8**	**1.8**	**0.2**	**0.9**	**5.6**	**54.3**	**40.0**	**-3.3**	**0.4**	**0.8**	**5.0**	**42.9**

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 March 31	
in € millions	**2014**	2013
Current service cost	0.3	0.4
Interest on healthcare and life insurance benefit obligations	2.0	2.0
Net cost of obligations similar to pensions	**2.3**	**2.4**

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. The companies of the Continental Corporation paid €7.6 million (PY: €12.1 million) into these pension funds in the period from January 1 to March 31, 2014.

In the period from January 1 to March 31, 2014, payments for retirement benefit obligations totaled €47.9 million (PY: €45.6 million). Payments for obligations similar to pensions totaled €3.4 million (PY: €3.7 million).

Companies consolidated
In addition to the parent company, the consolidated financial statements include 442 domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the definitions of IFRS 10 or that are classified as joint arrangements in accordance with IFRS 11. Of these, 321 are fully consolidated and 121 are accounted for using the equity method.

Since December 31, 2013, the number of consolidated companies has decreased by a total of one. One company was formed and two entities not included in consolidation were included in consolidation for the first time. One company was liquidated and three companies were deconsolidated.

Since March 31, 2013, the number of consolidated companies has decreased by a total of two. In particular, the additions to the scope of consolidation relate to the newly formed companies of the Automotive Group and structured entities included in consolidation for the first time. Companies no longer included in the scope of consolidation essentially relate to mergers within the Rubber Group.

Acquisition and sale of companies and business operations
The ContiTech segment is continuing the targeted expansion of its drive belt business in China and acquired the business of a local manufacturer. An agreement to this effect between ContiTech Power Transmission (Sanmen) Ltd., Taizhou, China, and Taizhou FUJU Rubber Belt Manufacture Co., Ltd, Taizhou, China, was closed on January 13, 2014. The provisional purchase price was €6.3 million and was paid in cash. The incidental acquisition costs of €0.2 million were recognized as other operational expenses. The current, provisional purchase price allocation resulted in acquired net assets of €6.3 million. Other than

this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at March 31, 2014.

Continental is meeting the rising demand for engineering services with the acquisition of the remaining 50% in Alphapeak Ltd., Lichfield, U.K., effective February 3, 2014. Effective February 3, 2014, this company is now operating as Continental Engineering Services Ltd., Lichfield, U.K. The purchase price was €0.3 million. The current, provisional purchase price allocation resulted in provisional acquired net assets of €1.0 million and provisional goodwill of €14.0 million for the Chassis & Safety segment. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at March 31, 2014.

To strengthen the sales network in the Tire segment, Vergölst GmbH, Bad Nauheim, Germany, concluded an asset deal effective March 1, 2014, with ESKA Reifendienst GmbH, Regensburg, Germany, and L.A.C.K. GmbH & Co. KG, Icking, Germany, to take over the operating activities of the companies. The provisional purchase price was €4.7 million. The current, provisional purchase price allocation resulted in acquired net assets of €4.7 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at March 31, 2014. Adam Touring GmbH, Dietikon, Switzerland, closed a further asset deal on March 1, 2014. The provisional purchase price was €0.5 million. As part of the provisional purchase price allocation, intangible assets of €0.2 million were identified. The effect of this transaction on the net assets, financial and earnings position as at March 31, 2014, was immaterial.

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

Appropriation of net income
As at December 31, 2013, Continental AG reported net retained earnings of €913.4 million (PY: €866.5 million). The distribution of a dividend of €2.50 per share to the shareholders of Continental AG for the past fiscal year will be proposed to the Annual Shareholders' Meeting to be held in Hanover on April 25, 2014. With 200,005,983 shares entitled to dividends, the total distribution will therefore amount to €500,014,957.50. The remaining amount is to be carried forward to new account.

In 2013, a dividend of €2.25 per share was distributed by Continental AG to its shareholders for 2012. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €450,013,461.75. The remaining amount was carried forward to new account.

Earnings per share
After the first three months of 2014, basic earnings per share amounted to €2.94 (PY: €2.21), the same amount as diluted earnings per share.

Contingent liabilities and other financial obligations
As at March 31, 2014, there were no material changes in the contingent liabilities and other financial obligations as described in the 2013 Annual Report.

Transactions with related parties
In the period under review there were no material changes in transactions with related parties compared to December 31, 2013. For further information, please refer to the comments in the 2013 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.

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

Information on the development of Continental Corporation's five divisions can be found in the Corporate Management Report as at March 31, 2014.

Indebtedness and net income from financial activities
As at March 31, 2014, the corporation's net indebtedness was down €1,370.9 million year-on-year from €5,613.1 million to €4,242.2 million. Net indebtedness was also down €47.1 million in comparison to December 31, 2013, when it had amounted to €4,289.3 million. The gearing ratio improved to 43.2% (PY: 64.2%) as at the end of March 2014.

Following the successful refinancing of the syndicated loan in January 2013, further steps were implemented in 2013 to improve the financial and maturity structure while at the same time reducing interest costs. Continental had issued three euro bonds with an issue volume totaling €2.25 billion in the third quarter of 2013 under the Debt Issuance Programme (DIP) for the issuance of bonds set up in May 2013 with a maximum volume of €5.0 billion. The issue proceeds were used for the partial refinancing of the four bonds issued in 2010 by Conti-Gummi Finance B.V., Maastricht, Netherlands, with a total volume of €3.0 billion, which were redeemed early in the period from July to November 2013. Cash and cash equivalents were also used to redeem these bonds. In addition to the improvement in the maturity profile of indebtedness, this will also significantly reduce future interest expenses. The average interest rate on the new bonds is 2.875% p.a., while the average interest rate for the 2010 bonds redeemed early was 7.464% p.a. For details of the bonds redeemed early in 2013 and all of the bonds issued in 2013, please refer to the 2013 Annual Report.

The committed volume of the syndicated loan has remained at €4.5 billion since its refinancing in January 2013. The operational and financial strength achieved in 2013 is reflected particularly in the upgrades to the investment grade category by the three major rating agencies. The improved credit standing will be reflected in the agreements of the syndicated loan agreement as well. Plans are to redeem the existing syndicated loan early at the end of April 2014 by utilizing a new syndicated loan agreement. The new loan will also have a total volume of €4.5 billion and will consist of a term loan of €1.5 billion and a revolving credit line of €3.0 billion. The term loan was consequently reclassified to short-term indebtedness as at March 31, 2014. As at the end of the first quarter of 2014, the syndicated loan had been utilized only by Continental AG in a nominal amount of €1,500.0 million (PY: utilization by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in a nominal amount of €2,122.8 million).

As at March 31, 2014, Continental had liquidity reserves totaling €5,962.0 million (PY: €5,006.7 million), consisting of cash and cash equivalents of €2,008.0 million (PY: €1,962.7 million) and committed, unutilized credit lines totaling €3,954.0 million (PY: €3,044.0 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts, liquid funds from the contractual trust arrangements (CTAs), and balances in the following countries with foreign exchange restrictions: Argentina, Brazil, Chile, Greece, India, and Serbia. Taxes to be paid on the transfer of cash assets from one country (e.g. China) to another (e.g. Germany) are not considered to represent a restriction on cash and cash equivalents. Unrestricted cash and cash equivalents totaled €1,770.7 million.

For more information on net income from financial activities, we refer to the Corporate Management Report as at March 31, 2014.

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 March 31, 2014**	**Fair value as at March 31, 2014**	Carrying amount as at Dec. 31, 2013	Fair value as at Dec. 31, 2013
Other investments	AfS	7.7	7.7	7.9	7.9
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as hedging instruments	n. a.	3.4	3.4	3.0	3.0
Derivative instruments not accounted for as hedging instruments	HfT	32.5	32.5	30.0	30.0
Available-for-sale financial assets	AfS	239.3	239.3	257.8	257.8
Other receivables with a financing character	LaR	29.5	29.5	12.6	12.6
Trade accounts receivable	LaR	6,055.8	6,055.8	5,315.8	5,315.8
Other financial assets	LaR	382.2	382.2	381.2	381.2
Cash and cash equivalents					
Cash and cash equivalents	LaR	2,007.9	2,007.9	2,044.8	2,044.8
Available-for-sale financial assets	AfS	0.1	0.1	0.0	0.0
Financial assets		**8,758.4**	**8,758.4**	**8,053.1**	**8,053.1**
Indebtedness					
Derivative instruments not accounted for as hedging instruments	HfT	13.6	13.6	13.7	13.7
Financial lease liabilities	n. a.	52.6	57.3	54.2	56.9
Other indebtedness	FLAC	6,488.7	6,681.6	6,569.6	6,757.5
Trade accounts payable	FLAC	4,756.8	4,756.8	4,596.3	4,596.3
Other financial liabilities	FLAC	1,597.0	1,596.4	1,464.2	1,463.6
Financial liabilities		**12,908.7**	**13,105.7**	**12,698.0**	**12,888.0**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		32.5		30.0	
Loans and receivables (LaR)		8,475.4		7,754.4	
Available-for-sale financial assets (AfS)		247.1		265.7	
Financial liabilities held for trading (HfT)		13.6		13.7	
Financial liabilities measured at amortized cost (FLAC)		12,842.5		12,630.1	

Abbreviations

- AfS, available for sale
- FLAC, financial liability at amortized cost
- HfT, held for trading
- LaR, loans and receivables

The table below shows the fair values of financial assets and liabilities that are measured at fair value in accordance with IAS 39. It also includes the classes of financial instruments for which the fair value was calculated for comparison with the carrying amount. It does not contain information on the fair value for financial assets and liabilities not measured at fair value if the carrying amount is an appropriate approximation of the fair value. The levels of the fair value hierarchy are defined as follows:

- 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.

There are currently no financial assets or liabilities in the Continental Corporation which are measured according to level 3 of the fair value hierarchy. There were no transfers between the different levels of the fair value hierarchy.

A detailed description of the measuring methods used for the individual financial instruments can be found in the 2013 Annual Report.

in € millions		**March 31, 2014**	Level 1	Level 2	Cost
Other investments	AfS	7.7	–	–	7.7
Available-for-sale financial assets	AfS	239.4	228.6	10.8	0.0
Derivative instruments accounted for as hedging instruments	n. a.	3.4	–	3.4	–
Derivative instruments not accounted for as hedging instruments	HfT	32.5	–	32.5	–
Financial assets valued at fair value		**283.0**	**228.6**	**46.7**	**7.7**
Derivative instruments not accounted for as hedging instruments	HfT	13.6	–	13.6	–
Financial liabilities valued at fair value		**13.6**	**–**	**13.6**	**–**
Financial lease liabilities	n. a.	57.3	–	57.3	–
Other indebtedness	FLAC	6,681.6	3,125.3	2,119.5	1,436.8
Other financial liabilities	FLAC	1,596.4	–	12.6	1,583.8
Financial liabilities not valued at fair value		**8,335.3**	**3,125.3**	**2,189.4**	**3,020.6**

in € millions		Dec. 31, 2013	Level 1	Level 2	Cost
Other investments	AfS	7.9	–	–	7.9
Available-for-sale financial assets	AfS	257.8	247.2	10.6	0.0
Derivative instruments accounted for as hedging instruments	n. a.	3.0	–	3.0	–
Derivative instruments not accounted for as hedging instruments	HfT	30.0	–	30.0	–
Financial assets valued at fair value		**298.7**	**247.2**	**43.6**	**7.9**
Derivative instruments not accounted for as hedging instruments	HfT	13.7	–	13.7	–
Financial liabilities valued at fair value		**13.7**	**–**	**13.7**	**–**
Financial lease liabilities	n. a.	56.9	–	56.9	–
Other indebtedness	FLAC	6,757.5	3,095.1	2,259.0	1,403.4
Other financial liabilities	FLAC	1,463.6	–	13.2	1,450.4
Financial liabilities not valued at fair value		**8,278.0**	**3,095.1**	**2,329.1**	**2,853.8**

Income tax expense
Income tax expense in the first three months of 2014 amounted to €215.6 million (PY: €161.0 million). The tax rate in the reporting period was 26.2% after 25.8% for the same period of the previous year. This was due in particular to a different distribution by country for earnings before taxes compared to the same period of the previous year.

Litigation and compensation claims
In the proceedings against Continental Automotive Korea Ltd., Seongnam-si, South Korea, and Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), as well as other companies in connection with suspected violations of South Korean antitrust law in the instrument cluster business, the Korea Fair Trade Commission (KFTC) announced on December 23, 2013, that it was imposing a fine of KRW 45,992 million (around €32 million). CAE has appealed this ruling.

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 comments in the 2013 Annual Report.

Review by an independent auditor
The interim management report and the condensed interim financial statements have not been audited in accordance with Section 317 of the German Commercial Code *(Handelsgesetzbuch – HGB)* or reviewed by a qualified auditor.

Significant events after March 31, 2014

There were no significant events after March 31, 2014.

Hanover, April 23, 2014

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2014	
Annual Financial Press Conference	March 6
Analyst Telephone Conference	March 6
Annual Shareholders' Meeting	April 25
Financial Report as at March 31, 2014	May 6
Half-Year Financial Report as at June 30, 2014	July 31
Financial Report as at September 30, 2014	November 4

2015	
Annual Financial Press Conference	March
Analyst Telephone Conference	March
Annual Shareholders' Meeting	April 30
Financial Report as at March 31, 2015	May
Half-Year Financial Report as at June 30, 2015	August
Financial Report as at September 30, 2015	November

Contact Details
This interim report is also published in German. The 2013 Annual Report is also available in English and German.

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