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Half-Year Financial Report as at June 30, 2014

Continental Shares and Bonds

Equity markets record slight positive trend in first half of 2014

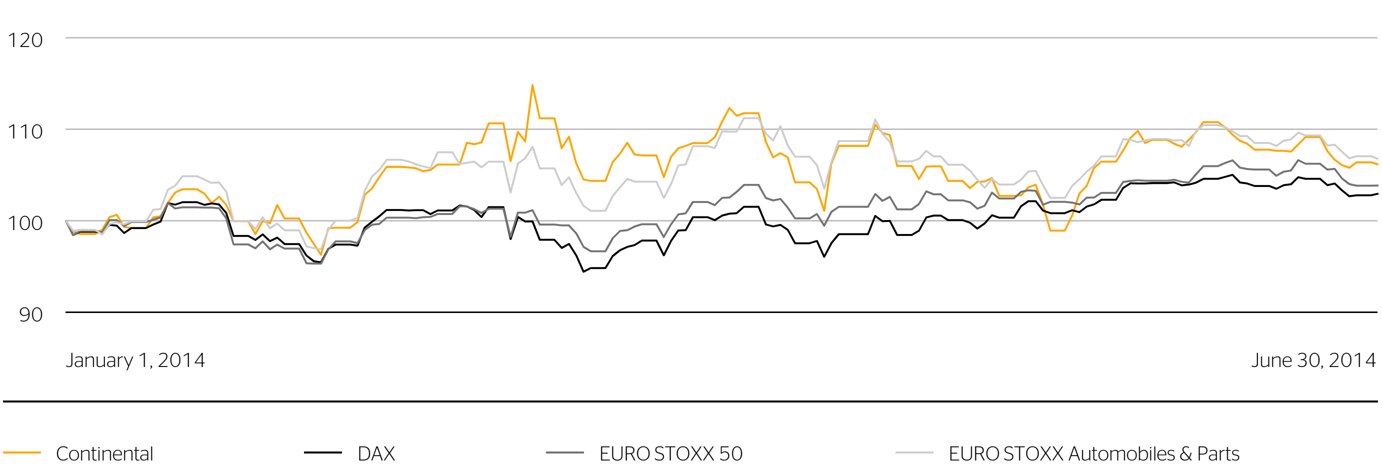
After the previous year's share price increases, there was initially slight consolidation on the global equity markets at the beginning of the year. Disappointing economic data from China and fears of a rapid tightening of U.S. monetary policy, combined with the deterioration in economic prospects for some emerging countries, resulted in share price losses in late January. Positive economic data for Europe and better-than-anticipated company figures for fiscal 2013 led to a recovery in share prices in February 2014. This development was supported by statements from the U.S. Federal Reserve (Fed) that it would continue its highly accommodative policy "for a considerable time." In the first half of March 2014, the global equity markets were negatively impacted by the 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 rose by 1.7%.

In the first half of April, growing tensions in eastern Ukraine again led to a decline in share prices worldwide. The good results generated by U.S. and European companies in the first quarter of 2014 and the positive economic data from Germany and the U.S.A. caused prices to increase again as the year progressed. In mid-May, the European stock markets were temporarily negatively impacted by weaker-than-expected growth figures for the eurozone in the first quarter of 2014. The expansive monetary policy of the Fed and the European Central Bank (ECB) boosted the economy again in the second quarter. Although the Fed gradually reduced its asset purchasing program as expected, it once again raised the prospect of continuing its low-interest policy. Hints from ECB representatives as to further easing of its monetary policy also raised increasing expectations of interest rate cuts among investors with regard to the eurozone. The benchmark indexes in the U.S.A. and Europe consequently rose to new record highs by the start of June. The presentation of ECB's new package of measures on June 5, 2014 – with a cut in the ECB key interest rate to 0.15% and for the first time a negative remuneration rate for excess reserves at -0.1% – caused the DAX in the following days to rise above the 10,000 points mark for the first time. Subsequently, negative reports from European companies, intensifying hostilities in Iraq and weaker-than-anticipated economic data from Europe and the U.S.A. again led to falling prices. The DAX closed the first half of 2014 with an increase of 2.9% to 9,833 points. This was slightly lower than the 3.8% rise in the EURO STOXX 50.

Continental share price up by 6.1% in first half of year

Continental shares, which had still benefited in mid-January 2014 from the announcement of initial key data for fiscal 2013, were adversely affected by the negative capital market environment in late January. On February 5, 2014, they marked their lowest level for the year to date 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, including the Continental shares. This development was also supported by the announcement on February 10, 2014, of the agreement to purchase Veyance Technologies, Inc., Fairlawn, Ohio, U.S.A. The publication 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. Although Continental shares were also negatively impacted by the Crimea crisis in March, they closed the first quarter of 2014 with an increase of 9.1%.

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



	June 30, 2014	in % vs. Dec. 31, 2013
Continental shares (XETRA-price)	169.15	6.1
DAX	9,833.07	2.9
EURO STOXX 50	3,228.24	3.8
EURO STOXX Automobiles & Parts	490.48	6.7

At the beginning of the second quarter of 2014, Continental shares initially rose to almost €180, before the tensions in eastern Ukraine led to a decline in share prices in mid-April. Shortly after this, an improvement in sentiment on the capital markets and positive analyst assessments of Continental AG's business performance resulted in a rapid recovery in the Continental share price. The publication of initial key data for the first quarter of 2014 on April 25, 2014, the day of the Annual Shareholders' Meeting, was used by investors for profit-taking. In mid-May, doubts about the economic recovery in Europe increasingly led to shifts from shares from the cyclical automotive sector to more defensive sectors. As a result, the prices of automotive shares, including Continental shares, recorded much sharper declines than the market as a whole. Starting from May 19, 2014, there was a significant recovery in the automotive sector. Continental shares benefited from positive analyst comments again, climbing back above €175 by mid-June before profit-taking led to price decreases. At the end of the second quarter of 2014, they were quoting at €169.15, which is 2.7% below their closing price for the first quarter.

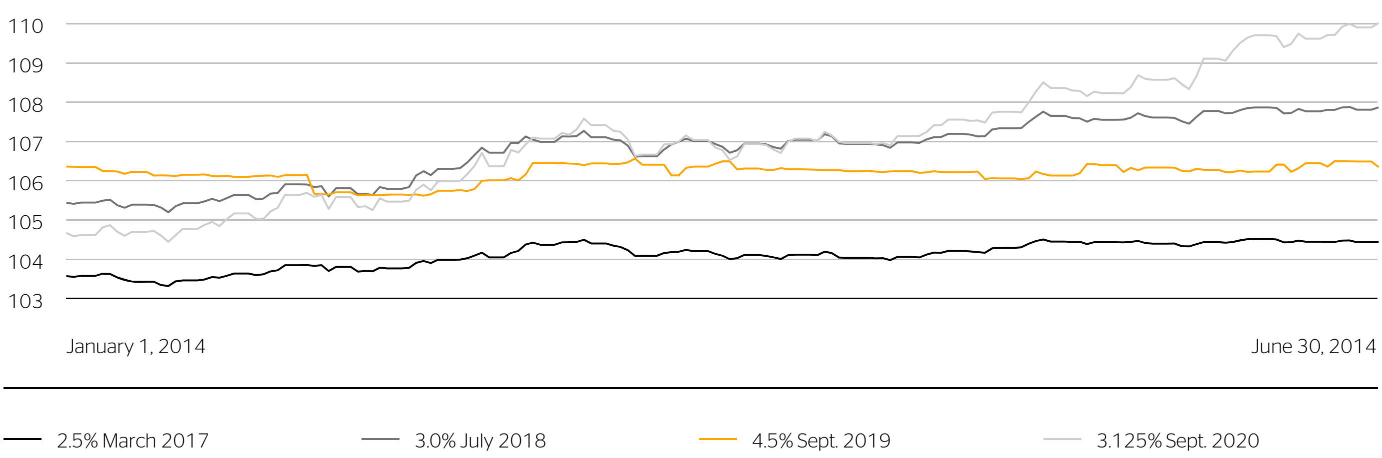
In the first half of 2014, Continental shares marked an increase of 6.1% in comparison to their 2013 closing price. They thus outperformed the DAX (2.9%) as well as the EURO STOXX 50 (3.8%) and fell just short of the EURO STOXX Automobiles & Parts (6.7%). Assuming the dividend distribution of €2.50 (paid as at April 28, 2014) had been immediately reinvested, this would have resulted in a total yield from Continental shares of 7.7% for the first half of 2014.

Early in the third quarter of 2014, positive U.S. labor-market data as well as car sales figures for Europe and the U.S.A. initially boosted the equity markets. Then the mood on the stock markets darkened substantially as a result of disappointing industrial production figures for the eurozone for May and the escalation of the conflicts in eastern Ukraine and the Near East. As at July 21, 2014, Continental shares were quoted at €162.00.

Substantial price increases in euro bonds

The three Continental euro bonds issued in the second half of 2013 recorded substantial price increases during the first half of 2014. In the first quarter, they benefited from the announcement of the good business figures for 2013 and the significant reduction of net indebtedness. In the second quarter of 2014, the ECB's expansive monetary policy measures resulted in falling market interest rates, primarily in the medium- and long-term range. This significantly benefited in particular the Continental euro bond maturing in 2020.

Price performance of the Continental bonds



At the end of the first half of 2014, the 2.5% euro bond, at 104.444%, was 86.6 basis points higher than its closing price from the previous year. At 107.864% and 110.012% respectively, the longer-term 3.0% and 3.125% euro bonds were also higher than their 2013 closing prices by as much as 241.9 and 533.4 basis points respectively.

Sideways trend in the U.S. dollar bond

At the end of January, the 4.5% Continental U.S. dollar bond was impacted slightly by the market turbulence described above. Following the announcement of the substantial reduction in net indebtedness as at the end of 2013, it increased again and by the end of March it was quoting at slightly above its 2013 closing price of 106.364%. It remained virtually unchanged in the second quarter and closed the first half of 2014 at 106.348%.

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 was temporarily 10 basis points lower than its 2013 year-end value (79.508 basis points). 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 but 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. Following the announcement of the new ECB measures, the Continental CDS premium marked a new six-year low of 59.182 basis points during the course of June 10, 2014. At the end of the first half of 2014, it was considerably lower at 67.982 basis points than its 2013 year-end value and only 5.748 basis points higher than its reference index.

Continental credit rating unchanged despite acquisition

Continental's credit rating did not change during the first half 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.

June 30, 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 June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Sales	16,918.1	16,574.3	8,528.0	8,541.0
EBITDA	2,605.8	2,479.3	1,310.0	1,309.9
in % of sales	15.4	15.0	15.4	15.3
EBIT	1,810.1	1,630.6	906.9	883.2
in % of sales	10.7	9.8	10.6	10.3
Net income attributable to the shareholders of the parent	1,303.8	1,141.9	715.5	700.7
Earnings per share in €	6.52	5.71	3.58	3.50
Adjusted sales[1]	16,842.9	16,502.3	8,487.1	8,504.6
Adjusted operating result (adjusted EBIT)[2]	1,958.3	1,776.3	1,005.2	980.1
in % of adjusted sales	11.6	10.8	11.8	11.5
Free cash flow	574.8	-88.2	511.3	222.9
Net indebtedness as at June 30	4,272.8	6,011.9		
Gearing ratio in %	42.4	68.5		
Number of employees as at June 30[3]	186,278	174,713		

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

Key Figures for the Core Business Areas

	January 1 to June 30		Second Quarter	
Automotive Group in € millions	**2014**	2013	**2014**	2013
Sales	10,304.8	10,070.7	5,176.0	5,159.5
EBITDA	1,245.9	1,241.7	611.7	638.9
in % of sales	12.1	12.3	11.8	12.4
EBIT	721.4	636.6	346.8	333.5
in % of sales	7.0	6.3	6.7	6.5
Depreciation and amortization[1]	524.5	605.1	264.9	305.4
– thereof impairment[2]	4.6	0.9	4.6	0.9
Capital expenditure[3]	389.3	384.3	230.3	211.8
in % of sales	3.8	3.8	4.4	4.1
Operating assets as at June 30	10,570.6	11,224.0		
Number of employees as at June 30[4]	106,827	101,832		
Adjusted sales[5]	10,303.7	9,998.7	5,175.6	5,123.1
Adjusted operating result (adjusted EBIT)[6]	864.5	780.6	441.6	429.6
in % of adjusted sales	8.4	7.8	8.5	8.4

	January 1 to June 30		Second Quarter	
Rubber Group in € millions	**2014**	2013	**2014**	2013
Sales	6,633.1	6,524.0	3,361.8	3,392.0
EBITDA	1,414.0	1,285.8	724.9	690.7
in % of sales	21.3	19.7	21.6	20.4
EBIT	1,143.0	1,042.4	586.8	569.5
in % of sales	17.2	16.0	17.5	16.8
Depreciation and amortization[1]	271.0	243.4	138.1	121.2
– thereof impairment[2]	–	-1.6	–	-1.6
Capital expenditure[3]	404.0	482.3	222.4	223.5
in % of sales	6.1	7.4	6.6	6.6
Operating assets as at June 30	6,314.9	6,012.5		
Number of employees as at June 30[4]	79,126	72,574		
Adjusted sales[5]	6,559.0	6,524.0	3,321.3	3,392.0
Adjusted operating result (adjusted EBIT)[6]	1,148.2	1,046.5	590.4	570.3
in % of adjusted sales	17.5	16.0	17.8	16.8

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

Corporate Management Report as at June 30, 2014

Changes in Continental's Executive Board
At its meeting on April 25, 2014, the Supervisory Board of Continental AG extended the contracts of Executive Board members Wolfgang Schäfer (Finance, Controlling, Compliance, Law and IT) and José A. Avila (Powertrain division) by another five years until the end of December 2019. The mandate of Elke Strathmann, Executive Board member for Human Resources (HR) and Director of Labor Relations, was terminated by mutual agreement with immediate effect. At the same meeting, the Supervisory Board resolved to appoint Dr. Ariane Reinhart as the successor of Elke Strathmann. Chief Financial Officer Wolfgang Schäfer was temporarily appointed Director of Labor Relations until Dr. Ariane Reinhart assumes her position on October 1, 2014. Until then, he will provisionally be responsible for managing HR as well.

Changes in Continental's Supervisory Board
The newly formed Supervisory Board of Continental AG commenced its work on April 25, 2014. The body counts four women among its members. Prior to this, the shareholders had elected the ten shareholder representatives at the Annual Shareholders' Meeting. The ten employee representatives had already been elected in March 2014. The term of office of the previous Supervisory Board members had ended at the end of the Annual Shareholders' Meeting on April 25, 2014. The new term of office will last until the end of the 2019 Annual Shareholders' Meeting.

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. Veyance operates globally in the field of rubber and plastics technology. 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.

Acquisition of remaining 50% of shares in Emitec
On April 30, 2014, we announced our intention to acquire all of the shares in Emitec-Gesellschaft für Emissionstechnologie mbH that are currently held by our co-partner GKN Driveline International GmbH. With the intended acquisition of the exhaust gas specialist, Continental will emerge as a supplier of exhaust aftertreatment systems. The closing of the transaction is subject to regulatory approval. Based in Lohmar, near Bonn, Germany, Emitec is a leading supplier of emissions technologies and was founded in 1986. Its product portfolio includes metal catalytic converters, particulate filter components, and dosing modules for selective catalytic reduction (SCR). SCR, which reduces nitric oxide in emissions by injecting a urea-water solution into the exhaust system, is set to become increasingly important in the future. Ever more stringent emissions limits in the years ahead will make it necessary for virtually all diesel vehicles to be equipped with an SCR system.

Tire sales in France strengthened
Effective June 27, 2014, Continental Holding France SAS, Sarreguemines, France, acquired 100% of the shares in both MPI SAS, Mandelieu, France, and REPARATION PNEUMATIQUES DU SUD EST (REPNEU) SAS, Grasse, France. The group of companies has just under 1,000 employees working at 114 own sites. With this, our sales network on the French tire market has grown to include more than 400 controlled outlets.

Conti.eContact achieves top ratings on EU Tire Label
The Conti.eContact, which was originally launched in 2011 with electric vehicles in mind, was refined to meet the needs of hybrid models. Thanks to the introduction of numerous new technologies and processes, this new summer tire is the first from Continental to achieve the top A rating on the EU Tire Label for both wet grip and rolling resistance, while making no significant compromises in terms of the many other performance parameters. With immediate effect, six tire sizes for 17" and 18" rims are available. They are specially designed for models such as the Opel Ampera, BMW 5 ActiveHybrid, Lexus LS 600h and Porsche Cayenne S Hybrid as well as other cars and SUVs with hybrid drive. Given that this is a new vehicle segment that also involves highly complex manufacturing processes, production is initially starting on a small scale at the tire plant in Sarreguemines, France.

Dandelion rubber wins GreenTec Award 2014
On May 8, 2014, Continental and the Fraunhofer Institute for Molecular Biology and Applied Ecology (IME) at the University of Münster were honored with the GreenTec Award 2014 for their joint development project "RUBIN – Industrial Emergence of Natural Rubber from Dandelion." A 60-member panel of experts from industry, academia, associations, and the media considered this project to be an outstanding example of commitment to the environment and pioneering environmental technology in the category "Automobility." The GreenTec Awards, of which there are 14 different categories, are Europe's biggest environmental and business awards and were first presented in 2008. With the dandelion rubber project, we are pushing a very promising technology to make our tire production more efficient and sustainable through the use of rubber from dandelion root.

Economic Report

Macroeconomic development

The German economy expanded by 0.8% in the first quarter of 2014 compared to the fourth quarter of 2013 thanks to higher industrial production, growing private consumer spending and rising corporate investment. This development was boosted by the comparatively mild winter. The low level of unemployment combined with persistently low interest rates resulted in greater willingness to spend among consumers. In its June forecast, the Bundesbank anticipates that the gross domestic product (GDP) of Germany will grow by 1.9% in 2014. The surprisingly declining figures for industrial production in May, which were published in mid-July, were not included in this forecast.

In the first quarter of 2014, the eurozone posted 0.2% GDP growth in comparison to the fourth quarter of 2013, mainly owing to the expansion of the German and Spanish economies. By contrast, France stagnated while Italy and other countries even recorded a slight decline in economic activity. On the basis of various sentiment indicators and due to the upturn in the service sector, growth in the eurozone is expected to pick up slightly in the second quarter of 2014. However, the economic situation remains tense, particularly in Southern European countries, due to high unemployment and modest demand among private households. The expansive monetary policy measures resolved by the European Central Bank in early June are expected to provide a boost to the economy in the second half of 2014. Owing to the surprising decline in industrial production in May in Germany, France, Italy and other countries, the International Monetary Fund (IMF) lowered its estimate for eurozone GDP growth in the current year from 1.2% to 1.1% in mid-July 2014.

In the U.S.A., the severe winter caused a substantial decline in economic growth of an annualized 2.9% in the first quarter of 2014. This had a particularly strong impact on the construction sector, but industrial production and private consumer spending also decreased significantly. However, recently published data from the manufacturing industry and the real-estate market and rising employment mean that a significant upturn in growth can be expected in the second quarter. The economy is also supported by the expansive monetary policy of the U.S. Federal Reserve (Fed), which kept its interest rate corridor at 0% to 0.25% and raised the prospect of continuing its highly accommodative policy for an extended period if the inflation rate remains below 2% and its own targets for reducing unemployment are not achieved. Based on the improved general economic situation, the Fed gradually reduced its asset purchasing program by U.S. $10 billion several times in the period under review, starting from a level of U.S. $75 billion in January, and announced a further reduction of U.S. $10 billion to U.S. $35 billion for July 2014. Due to the drop in growth in the first quarter, the IMF lowered its forecast for U.S. GDP growth in 2014 from 2.8% to 2.0% in its annual "Health Check of the U.S. Economy" in June 2014.

The Japanese economy posted growth of 1.6% in the first quarter of 2014 compared to the fourth quarter of 2013. It benefited from the depreciation of the yen, the Bank of Japan's highly expansive monetary policy, and significant pre-buy effects due to the increase in excise duties as at April 1, 2014. Nonetheless, the Japanese economy proved robust in the second quarter. The decline in industrial production was moderate and various sentiment indicators improved over the course of the second quarter. However, the effect of the expiring economic stimulus programs and of currency depreciation is expected to decrease over the remainder of the year. In its "Global Economic Prospects" study from June 2014, the World Bank forecasts GDP growth of 1.3% for Japan for the current year.

For emerging and developing economies, the World Bank anticipates growth of 4.8% for the current year in its study. This growth is still primarily driven by China, which announced growth of 7.5% for the second quarter of 2014. The World Bank expects Chinese GDP to grow by 7.6% in 2014 as a whole. For India, it is forecasting GDP growth of 5.5%. It anticipates considerably lower economic growth for Brazil and Russia, at 1.3% and 0.5% respectively.

The World Bank lowered its growth forecast for the global economy in the current year to 2.8%, after having forecast growth of 3.2% in its January study. It cited the lower growth in the U.S.A. due to weather conditions, the turbulence on the financial markets, and the conflict in Ukraine as the reasons for this change. It sees risks in the rising cost of capital in many emerging and developing economies, deflationary trends in advanced economies, and a further escalation of the Ukraine conflict.

The World Bank's expectations for global economic growth from June 2014 are considerably lower than the IMF's last estimate from April 2014, in which it had lowered its forecast for the global economy in the current year only slightly by 0.1 percentage points to 3.6%. The IMF will announce its current forecast for the global economy in its "World Economic Outlook Update" on July 24, 2014.

Development of new car registrations

The recovery in demand for passenger cars in Europe (EU28+EFTA) continued at a slower pace in the first half 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 6% in the reporting period. On a quarterly basis, growth slowed from 8% in the first quarter to 4% in the second quarter of 2014. At 3.4 million and 3.5 million respectively, the number of new registrations in these two quarters was still considerably lower than the average for the pre-crisis years 2006 to 2008 of 4.2 million units. Among the major markets, the highest growth in the first half of 2014 was posted by Spain with 18%, where vehicle purchases were boosted by a government incentive program, and the United Kingdom with 11%. Comparatively low increases were recorded in France and Italy with 3% each and Germany with 2%.

New registrations/sales of passenger cars in millions of units

	H1 2014	H1 2013	Change	**Q2 2014**	Q2 2013	Change
Europe (EU28+EFTA)	6.9	6.5	6%	3.5	3.4	4%
U.S.A.	8.1	7.8	4%	4.4	4.1	7%
Japan	2.6	2.3	11%	1.0	1.0	-2%
Brazil	1.6	1.7	-7%	0.8	0.9	-12%
Russia	1.2	1.3	-8%	0.6	0.7	-12%
India	1.3	1.3	-3%	0.6	0.6	1%
China	8.9	7.7	14%	4.4	3.8	15%
Worldwide	**42.9**	**41.2**	**4%**	**21.6**	**20.9**	**3%**

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

In the U.S.A., demand for passenger cars recovered in the second quarter of 2014 after marking a rise of only 1% in the first quarter of 2014 due to the cold winter. The number of new registrations climbed by 7% in the second quarter, resulting in an increase of 4% for the first half of the year.

In Japan, where the increase in excise duties as at April 1, 2014, had resulted in a 21% surge in new passenger car registrations in the first three months of 2014, demand then normalized in the second quarter of 2014. Compared to the second quarter of the previous year, it decreased by only 2%. In total, roughly 11% more new passenger cars were registered in Japan in the first half of 2014.

In China, unit sales of passenger cars rose by 14% in the reporting period, reaching new record highs for sales volumes in the first and second quarter of a year. On a quarterly basis, growth was at 14% in the first quarter and 15% in the second quarter of 2014.

In the other BRIC countries, demand for passenger cars was down year-on-year in the first half of 2014 due to slowing economic growth. On a quarterly basis, India posted a slight increase of 1% again in the second quarter after a 7% downturn in the first quarter. By contrast, unit sales of passenger cars in Brazil and Russia both fell by 12% in the second quarter after a 2% decline in the first quarter.

According to preliminary data, global new car registrations increased by 4% year-on-year to 42.9 million units in the first half of 2014.

Development of light vehicle production

Higher demand for passenger cars in Europe, the U.S.A. and China resulted in a 4% increase in European light vehicle production in the first half of 2014. In the first quarter of 2014, it climbed by 8% to 5.2 million units in comparison to the low figure from the previous year. It remained at this level in the second quarter, resulting in growth of only just under 1% in comparison to the considerably higher prior-year basis. In the second half of 2014, we expect production volumes to be roughly equivalent to the previous year's figures. We now anticipate an increase in European light vehicle production of 2% for 2014 as a whole, rather than our previous forecast of 1%.

In NAFTA, light vehicle production was scarcely affected by the severe winter, with preliminary data indicating a year-on-year increase of 4% in the reporting period. We currently expect light vehicle production in the second half of 2014 to be almost as high as in the first half. On this basis, we now anticipate a rise in production of around 5% for NAFTA in the current year, rather than our previous forecast of "just over 3%."

According to preliminary figures, light vehicle production in Asia increased by 5% in the first half of 2014. There was a very mixed picture here: In China, the number of vehicles manufactured rose significantly due to a strong increase in local demand. Light vehicle production was also expanded considerably in some ASEAN countries such as Indonesia. In Japan, by contrast, it decreased in the second quarter of 2014 compared to the considerably higher volume in the first quarter of 2014, but not as much as had been anticipated and even slightly exceeded the previous year's figures. In India, light vehicle production stabilized at roughly the same level in the second quarter of 2014 after a downturn of 10% in the first quarter. In the second half of the year, we expect the stabilization in Japan and India to continue and anticipate a further rise in volumes in China and the ASEAN countries with slightly slower growth rates. For 2014 as a whole, we still expect a 4% rise in light vehicle production in Asia.

In South America, preliminary data indicate that the deterioration in the economic situation brought about a decline in light vehicle production of 17% in the reporting period. We still anticipate a slight stabilization in production figures in the second half of the year, although this is likely to remain below the previous year's level. Based on the weak first half of the year, we are lowering our forecast for 2014 as a whole from -4% to -10%.

On the basis of preliminary data, global light vehicle production increased year-on-year by around 3% in the first half of 2014. For 2014 as a whole, we are still expecting a rise in production of around 2% to approximately 87 million units in comparison to the updated prior-year volume of 84.7 million units.

Development of heavy vehicle production
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, had resulted in truck purchases being made early in the fourth quarter of 2013. According to preliminary figures, heavy vehicle production normalized in the second quarter, with the effect that unit sales for the first half of 2014 were only slightly lower than the previous year's level. We do not anticipate any major upturn over the remainder of the year and are lowering our forecast for 2014 on the whole from -1% to -3%.

According to preliminary figures, heavy vehicle production in NAFTA rose by 15% in the reporting period compared to the weak equivalent period of the previous year. For 2014 as a whole, we are therefore increasing our estimate from 7% to 11%.

For Asia, we continue to anticipate growth in heavy vehicle production of 2% in 2014 as a result of the weaker economic growth in various Asian countries.

For South America, in light of the weak data for heavy vehicle production in the first half of 2014 and the high comparative basis from the third quarter of 2013, we now do not expect a slight turnaround until the final quarter of the current year. We are lowering our forecast for South American heavy vehicle production from -4% to -12%.

Instead of 2%, we now anticipate an increase of only around 1% in global production of heavy vehicles 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 5% in the reporting period compared to the relatively weak equivalent period of the previous year. However, growth in the second half of the year is likely to be lower due to the higher comparative basis. For 2014 as a whole, we are increasing our growth forecast from 2% to 3% due to the stronger development of the first half of the year.

Demand for replacement passenger and light truck tires in NAFTA climbed by 6% in the first half of 2014. We also expect to see slower growth here over the remainder of the year due to higher prior-year figures. For the year as a whole, we now anticipate somewhat stronger growth of 3% instead of the previously forecast 2%.

On the basis of preliminary figures for the first half of 2014, we continue to expect a 6% rise in replacement passenger and light truck tire volumes in Asia.

For South America, we anticipate at best stagnating demand for replacement passenger and light truck tires in the second half of 2014 as a result of the weaker economic situation and the high prior-year basis. Together with the increase of around 4% in the first half of 2014, it currently seems likely that demand for replacement passenger and light truck tires will therefore increase by 2% rather than 4% in 2014 as a whole.

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 half of 2014. However, growth slowed in the second quarter as expected due to the higher comparative basis. According to preliminary data, sales volumes increased by 6% in the first half of the year. For 2014 as a whole, we are therefore increasing our forecast from 3% to 5%.

In NAFTA, our other core market for replacement commercial vehicles tires, demand was up by 9% in the first half of 2014. For the second half of the year, we anticipate smaller increases owing to the rise in the comparative basis. For 2014 as a whole, we are raising our forecast from 2% to 6% on the basis of the strong figures for the first half of the year.

For Asia, we still consider growth of 4% in 2014 to be realistic in view of the preliminary figures.

We are lowering our market forecast for South America from +4% to -3% after declining sales figures in the second quarter.

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

Earnings, Financial and Net Assets Position of the Continental Corporation

	January 1 to June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Sales	16,918.1	16,574.3	8,528.0	8,541.0
EBITDA	2,605.8	2,479.3	1,310.0	1,309.9
in % of sales	15.4	15.0	15.4	15.3
EBIT	1,810.1	1,630.6	906.9	883.2
in % of sales	10.7	9.8	10.6	10.3
Net income attributable to the shareholders of the parent	1,303.8	1,141.9	715.5	700.7
Earnings per share in €	6.52	5.71	3.58	3.50
Research and development expenses	1,073.8	987.0	529.7	487.2
Depreciation and amortization[1]	795.7	848.7	403.1	426.7
– thereof impairment[2]	4.6	-0.7	4.6	-0.7
Capital expenditure[3]	793.9	867.0	453.0	435.6
in % of sales	4.7	5.2	5.3	5.1
Operating assets as at June 30	16,753.1	17,164.6		
Number of employees as at June 30[4]	186,278	174,713		
Adjusted sales[5]	16,842.9	16,502.3	8,487.1	8,504.6
Adjusted operating result (adjusted EBIT)[6]	1,958.3	1,776.3	1,005.2	980.1
in % of adjusted sales	11.6	10.8	11.8	11.5
Net indebtedness as at June 30	4,272.8	6,011.9		
Gearing ratio in %	42.4	68.5		

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.

Earnings Position

Sales up 2.1%
Sales up 5.7% before changes in the scope of consolidation and exchange rate effects
Consolidated sales for the first six months of 2014 climbed by 2.1% year-on-year to €16,918.1 million (PY: €16,574.3 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 5.7%.

Adjusted EBIT up 10.2%
Adjusted EBIT for the corporation increased by €182.0 million or 10.2% year-on-year to €1,958.3 million (PY: €1,776.3 million) in the first six months of 2014, corresponding to 11.6% (PY: 10.8%) of adjusted sales.

EBIT up 11.0%
EBIT rose by €179.5 million or 11.0% compared to the previous year to €1,810.1 million (PY: €1,630.6 million) in the first half of 2014. The return on sales rose to 10.7% (PY: 9.8%).

Special effects in the first half of 2014
In the Powertrain division, the planned acquisition of the remaining shares in Emitec-Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, made it necessary to recognize an impairment loss on the previous carrying amount of the at-equity accounted investee, leading to expense of €34.5 million.

In the Interior division, the divestment of certain activities of the Infotainment & Connectivity business unit at the location in Rambouillet, France, resulted in a loss of €6.9 million. Impairment losses of €4.2 million on intangible assets and property, plant and equipment were also incurred in this context.

Further impairment losses on property, plant and equipment resulted in expense of €0.4 million in the Interior division.

In the ContiTech division, income totaling €2.4 million resulted from bargain purchases from purchase price allocations, of which €1.4 million was attributable to the Fluid Technology business unit and €1.0 million resulted from the final purchase price allocation of a transaction in 2013 in the Conveyor Belt Group business unit.

Minor positive special effects resulted in income totaling €0.3 million (Interior €0.1 million; Tires €0.2 million).

Total consolidated expense from special effects in the first six months of 2014 amounted to €43.3 million.

Special effects in the first half 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 €25.0 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.

The reversal of restructuring provisions no longer required at the former location in Elkhart, Indiana, U.S.A., resulted in a positive special effect of €0.6 million (Chassis & Safety €0.3 million; Powertrain €0.3 million).

Impairment losses and reversal of the same on property, plant and equipment resulted in a positive overall effect of €0.7 million (Powertrain -€0.9 million; Tires €1.6 million).

There was a negative special effect of €0.8 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 half of 2013.

Total consolidated income from special effects in the first six months of 2013 amounted to €47.5 million.

Research and development expenses

In the first half of 2014, research and development expenses rose by 8.8% compared with the same period of the previous year to €1,073.8 million (PY: €987.0 million), representing 6.3% (PY: 6.0%) of sales. €921.4 million (PY: €841.6 million) of this relates to the Automotive Group, corresponding to 8.9% (PY: 8.4%) of sales, and €152.4 million (PY: €145.4 million) to the Rubber Group, corresponding to 2.3% (PY: 2.2%) of sales.

Net interest expense

Net interest expense fell by €219.9 million year-on-year to €140.5 million (PY: €360.4 million) in the first half of 2014. This decrease was due in particular to lower interest expenses for bonds.

Interest expense – not including the effects of foreign currency translation, changes in the fair value of derivative instruments and of available-for-sale financial assets – totaled €207.4 million in the first six months of 2014, which was €170.6 million lower than the figure for the first half of 2013 of €378.0 million. At €131.0 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €175.4 million lower than the prior year figure of €306.4 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.

The cost of the syndicated loan almost matched the previous year's level in the first two quarters of 2014 at €50.4 million (PY: €47.7 million), even including a negative special effect attributable to the early redemption of the existing syndicated loan at the end of April 2014 due to its successful refinancing. By contrast, interest expenses for the bonds mentioned above decreased significantly by €171.8 million to €50.3 million after €222.1 million in the same period of the previous year. 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. Another reason for the higher expenses in the prior-year period was the carrying amount adjustments that had to be recognized in the second quarter of 2013 already due to the planning of the early redemption of these bonds and the anticipated higher cash outflow associated with this. This had a negative impact of €89.1 million in the previous year. These carrying amount adjustments were amortized over the expected shorter remaining term of the bonds, reducing expenses accordingly. 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 €76.4 million (PY: €71.6 million) in the first half of 2014.

Interest income in the first six months of 2014 increased by €4.8 million year-on-year to €46.3 million (PY: €41.5 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €33.5 million (PY: €27.5 million).

In contrast to the previous year, valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates in the first half of 2014 made a positive contribution to earnings. Together with the continued positive valuation effects from available-for-sale financial assets, this resulted in total income of €20.6 million (PY: expense of €23.9 million).

Income tax expense
Income tax expense in the first half of 2014 amounted to €323.9 million (PY: €83.8 million). The tax rate in the reporting period was 19.4% after 6.6% for the same period of the previous year. In the period under review, this was due in particular to the recognition of deferred tax assets on interest carryforwards in Germany of €98.0 million, the future utilization of which is considered likely. The tax rate in the previous year was influenced in particular by the recognition of deferred tax assets in the U.S.A. in the amount of €256.2 million, the future utilization of which was considered likely given the ongoing positive business performance.

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent was up 14.2% to €1,303.8 million (PY: €1,141.9 million), with earnings per share of €6.52 (PY: €5.71).

Financial Position

Cash flow

EBIT increased by €179.5 million year-on-year to €1,810.1 million (PY: €1,630.6 million).

Interest payments resulting in particular from the syndicated loan and the bonds declined by €142.0 million to €97.4 million (PY: €239.4 million).

Income tax payments decreased by €68.2 million to €352.0 million (PY: €420.2 million).

At €785.3 million as at June 30, 2014, the net cash outflow arising from the increase in operating working capital was €276.8 million lower than the figure for the previous year of €1,062.1 million.

At €1,443.5 million as at June 30, 2014, the net cash inflow arising from operating activities was €819.1 million higher than the previous year's figure of €624.4 million.

Cash flow arising from investing activities amounted to an outflow of €868.7 million (PY: €712.6 million) in the first six months of 2014. Capital expenditure on property, plant and equipment, and software was down €72.8 million from €866.7 million to €793.9 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 €67.4 million (PY: cash inflow of €158.0 million) in the first half of 2014.

The free cash flow in the first half of 2014 improved by €663.0 million compared with the first six months of 2013 to €574.8 million (PY: -€88.2 million).

Financing and indebtedness

As at June 30, 2014, the corporation's net indebtedness was down €1,739.1 million year-on-year from €6,011.9 million to €4,272.8 million. Net indebtedness was also down slightly by €16.5 million in comparison to December 31, 2013, when it had amounted to €4,289.3 million. The gearing ratio improved to 42.4% (PY: 68.5%) as at the end of June 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.

To reflect Continental's improved operating performance and its improved rating in the financing conditions, the existing syndicated loan was replaced by a new syndicated loan at the end of April 2014. The committed volume of the new syndicated loan is still €4.5 billion and consists of a term loan of €1.5 billion and a revolving credit line of €3.0 billion. The term loan has a term of two years, while the revolving credit line has a term of five years. In addition to further simplification of the documentation required, the interest margin, which is now geared towards Continental's rating again, was also reduced significantly. As at the end of the second quarter of 2014, the syndicated loan had been utilized only by Continental AG in a nominal amount of €1,500.0 million (PY: €2,229.6 million). In the previous year, the loan was utilized by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A.

As at June 30, 2014, Continental had liquidity reserves totaling €5,847.6 million (PY: €4,548.6 million), consisting of cash and cash equivalents of €1,919.4 million (PY: €1,578.9 million) and committed, unutilized credit lines totaling €3,928.2 million (PY: €2,969.7 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 €1,672.6 million.

Change in net indebtedness

	January 1 to June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Cash flow arising from operating activities	1,443.5	624.4	1,024.7	665.8
Cash flow arising from investing activities	-868.7	-712.6	-513.4	-442.9
Cash flow before financing activities (free cash flow)	**574.8**	**-88.2**	**511.3**	**222.9**
Dividends paid	-500.0	-450.0	-500.0	-450.0
Dividends paid and repayment of capital to non-controlling interests	-26.5	-19.7	-25.6	-18.7
Non-cash changes	23.0	-79.9	23.5	-111.8
Other	-48.8	-48.0	-47.5	-43.9
Foreign exchange effects	-6.0	-6.2	7.7	2.7
Change in net indebtedness	**16.5**	**-692.0**	**-30.6**	**-398.8**

Capital expenditure (additions)

In the first half of 2014, capital expenditure on property, plant and equipment, and software amounted to €793.9 million (PY: €867.0 million). The capital expenditure ratio after six months is 4.7% (PY: 5.2%).

€389.3 million (PY: €384.3 million) of this capital expenditure was attributable to the Automotive Group, representing 3.8% (PY: 3.8%) 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 Vehicle Dynamics and Hydraulic Brake Systems business units was expanded in particular. Important additions related to the creation of new production facilities for electronic brake systems. In the Powertrain 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. At the location in Wuhu, China, the division invested in the construction of a new plant for the Instrumentation & Driver HMI business unit.

The Rubber Group invested €404.0 million (PY: €482.3 million), equivalent to 6.1% (PY: 7.4%) 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, investments were made primarily for the expansion of production capacity, with capacity being increased at the German locations and in Brazil, China, and the U.S.A. In addition, 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 €28,240.7 million (PY: €27,844.6 million), total assets as at June 30, 2014, were €396.1 million higher than on the same date in 2013. This was primarily due to the €367.5 million rise in property, plant and equipment to €7,924.0 million (PY: €7,556.5 million) and the €340.5 million increase in cash and cash equivalents, which amounted to €1,919.4 million (PY: €1,578.9 million). This was partially offset by a €259.9 million decline in other intangible assets to €470.7 million (PY: €730.6 million) owing to amortization from purchase price allocation (PPA). Short-term derivative instruments and interest-bearing investments declined by €181.7 million from €223.6 million to €41.9 million as a result of exercising the early redemption options in 2013 that were contained in the bonds issued in 2010.

Equity including non-controlling interests was up €1,299.8 million to €10,076.1 million as compared to €8,776.3 million as at June 30, 2013. This was due primarily to the increase in the retained earnings of €1,585.0 million. Equity was reduced by dividends in the amount of €500.0 million resolved at the Annual Shareholders' Meeting. Other comprehensive income changed by -€283.9 million to -€1,262.5 million (PY: -€978.6 million), due in particular to the change in the difference from currency translation. The gearing ratio improved from 68.5% to 42.4%. The equity ratio rose to 35.7% (PY: 31.5%).

At €28,240.7 million (PY: €26,820.8 million), total assets were up €1,419.9 million compared with December 31, 2013. This resulted in particular from the rise in trade accounts receivable of €634.4 million to €5,950.2 million (PY: €5,315.8 million) and the increase in inventories of €347.7 million to €3,178.6 million (PY: €2,830.9 million). At €1,919.4 million (PY: €2,044.8 million), cash and cash equivalents were down €125.4 million.

Equity including non-controlling interests was up €753.9 million to €10,076.1 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 €1,303.8 million. The gearing ratio fell from 46.0% to 42.4%.

Employees

As at the end of the second quarter of 2014, the corporation had 186,278 employees, representing a rise of 8,516 in comparison to the end of 2013. The number of employees in the Automotive Group rose by 3,610 as a result of increased volumes, production ramp-ups and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels and acquisitions by the ContiTech division led to an increase of 4,893 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 11,565.

Development of the Divisions

	January 1 to June 30		Second Quarter	
Chassis & Safety in € millions	**2014**	2013	**2014**	2013
Sales	3,746.7	3,653.7	1,868.5	1,860.8
EBITDA	496.0	492.1	242.0	250.3
in % of sales	13.2	13.5	13.0	13.5
EBIT	331.6	318.0	159.3	162.7
in % of sales	8.9	8.7	8.5	8.7
Depreciation and amortization[1]	164.4	174.1	82.7	87.6
– thereof impairment[2]	–	–	–	–
Capital expenditure[3]	148.6	149.2	91.2	76.8
in % of sales	4.0	4.1	4.9	4.1
Operating assets as at June 30	3,915.9	4,104.5		
Number of employees as at June 30[4]	37,766	35,637		
Adjusted sales[5]	3,745.6	3,653.7	1,868.1	1,860.8
Adjusted operating result (adjusted EBIT)[6]	346.0	344.6	166.8	176.1
in % of adjusted sales	9.2	9.4	8.9	9.5

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

Chassis & Safety

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first six months of 2014 increased to 11.2 million. In the Hydraulic Brake Systems business unit, sales of brake boosters rose by around 10% year-on-year while sales of brake calipers also increased further. 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 driver assistance systems were up about 50% at 2.8 million units.

Sales up 2.5%
Sales up 6.4% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division were up 2.5% at €3,746.7 million (PY: €3,653.7 million) in the first six 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 0.4%

Adjusted EBIT for the Chassis & Safety division increased by €1.4 million or 0.4% year-on-year to €346.0 million (PY: €344.6 million) during the first six months of 2014, corresponding to 9.2% (PY: 9.4%) of adjusted sales.

EBIT up 4.3%

Compared with the same period of 2013, the Chassis & Safety division reported an increase in EBIT of €13.6 million or 4.3% to €331.6 million (PY: €318.0 million) in the first half of 2014. The return on sales rose to 8.9% (PY: 8.7%).

Special effects in the first half of 2014

There were no special effects in the Chassis & Safety division in the first half of 2014.

Special effects in the first half of 2013

The reversal of restructuring provisions no longer required at the former location in Elkhart, Indiana, U.S.A., resulted in a positive special effect of €0.3 million.

	January 1 to June 30		Second Quarter	
Powertrain in € millions	**2014**	2013	**2014**	2013
Sales	3,177.5	3,132.6	1,598.4	1,606.5
EBITDA	282.3	327.4	125.3	168.5
in % of sales	8.9	10.5	7.8	10.5
EBIT	97.4	110.4	32.9	58.3
in % of sales	3.1	3.5	2.1	3.6
Depreciation and amortization[1]	184.9	217.0	92.4	110.2
– thereof impairment[2]	–	0.9	–	0.9
Capital expenditure[3]	135.8	128.6	80.6	75.6
in % of sales	4.3	4.1	5.0	4.7
Operating assets as at June 30	2,835.0	3,045.0		
Number of employees as at June 30[4]	33,654	32,359		
Adjusted sales[5]	3,177.5	3,132.6	1,598.4	1,606.5
Adjusted operating result (adjusted EBIT)[6]	165.0	152.8	84.0	93.2
in % of adjusted sales	5.2	4.9	5.3	5.8

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.

Powertrain

Sales volumes

Sales volumes in the Transmission and Fuel Supply business units were up significantly year-on-year in the first half of 2014. The same applies to the Sensors & Actuators business unit, where the slight decline in unit sales of actuators was more than offset by a strong increase in exhaust sensor volumes, which were boosted by stricter environmental regulations in Asia, particularly in China. Engine Systems posted growth in engine management systems and turbochargers. By contrast, sales volumes of injectors and pumps were down on the previous year's level. There was a similar situation in the Hybrid Electric Vehicle business unit, where falling sales figures for electric motors and battery systems were offset by rising volumes in the field of on-board power supply systems.

Sales up 1.4%
Sales up 4.5% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division were up 1.4% at €3,177.5 million (PY: €3,132.6 million) in the first six months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales increased by 4.5%.

Adjusted EBIT up 8.0%

Adjusted EBIT for the Powertrain division increased by €12.2 million or 8.0% year-on-year to €165.0 million (PY: €152.8 million) in the first six months of 2014, corresponding to 5.2% (PY: 4.9%) of adjusted sales.

EBIT down 11.8%

Compared with the same period of 2013, the Powertrain division reported a decline in EBIT of €13.0 million or 11.8% to €97.4 million (PY: €110.4 million) in the first half of 2014. The return on sales fell to 3.1% (PY: 3.5%).

Special effects in the first half of 2014

In the Powertrain division, the planned acquisition of the remaining shares in Emitec-Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, made it necessary to recognize an impairment loss on the previous carrying amount of the at-equity accounted investee, leading to expense of €34.5 million.

Special effects in the first half 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 €25.0 million in the Powertrain division.

A write-down on property, plant and equipment resulted in an expense of €0.9 million for the Sibiu location in Romania.

The reversal of restructuring provisions no longer required at the former location in Elkhart, Indiana, U.S.A., resulted in a positive special effect of €0.3 million.

The positive impact from special effects in the Powertrain division amounted to €24.4 million in the first six months of 2013.

	January 1 to June 30		Second Quarter	
Interior in € millions	**2014**	2013	**2014**	2013
Sales	3,433.0	3,343.4	1,733.9	1,723.3
EBITDA	467.7	422.2	244.5	220.1
in % of sales	13.6	12.6	14.1	12.8
EBIT	292.5	208.2	154.7	112.5
in % of sales	8.5	6.2	8.9	6.5
Depreciation and amortization[1]	175.2	214.0	89.8	107.6
– thereof impairment[2]	4.6	–	4.6	–
Capital expenditure[3]	104.9	106.5	58.5	59.3
in % of sales	3.1	3.2	3.4	3.4
Operating assets as at June 30	3,819.8	4,074.5		
Number of employees as at June 30[4]	35,407	33,836		
Adjusted sales[5]	3,433.0	3,271.4	1,733.9	1,686.9
Adjusted operating result (adjusted EBIT)[6]	353.6	283.2	190.9	160.3
in % of adjusted sales	10.3	8.7	11.0	9.5

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

Interior

Sales volumes

Sales volumes in the Body & Security business unit were up on the previous year's level after the first six months of 2014. Sales with North American and European customers in particular recorded a substantial increase. 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 saw a significant increase and new products. 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 partially offset 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 growth 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. In the Instrumentation & Driver HMI business unit, sales figures in the first half of 2014 were higher than in the same period of 2013 before consolidation changes. This was primarily attributable to considerably higher demand in China and increased sales volumes in North America and Europe.

Sales up 2.7%
Sales up 8.9% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division were up 2.7% at €3,433.0 million (PY: €3,343.4 million) in the first six 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 8.9%.

Adjusted EBIT up 24.9%

Adjusted EBIT for the Interior division increased by €70.4 million or 24.9% year-on-year to €353.6 million (PY: €283.2 million) in the first six months of 2014, corresponding to 10.3% (PY: 8.7%) of adjusted sales.

EBIT up 40.5%

Compared with the same period of 2013, the Interior division reported an increase in EBIT of €84.3 million or 40.5% to €292.5 million (PY: €208.2 million) in the first half of 2014. The return on sales rose to 8.5% (PY: 6.2%).

Special effects in the first half of 2014

In the Interior division, the divestment of certain activities of the Infotainment & Connectivity business unit at the location in Rambouillet, France, resulted in a loss of €6.9 million. Impairment losses of €4.2 million on intangible assets and property, plant and equipment were also incurred in this context.

Further impairment losses on property, plant and equipment resulted in expense of €0.4 million.

There was also a positive special effect in the amount of €0.1 million.

For the Interior division, the total negative impact from special effects in the first six months of 2014 amounted to €11.4 million.

Special effects in the first half 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.

The positive impact from special effects in the Interior division amounted to €19.6 million in the first six months of 2013.

	January 1 to June 30		Second Quarter	
Tires in € millions	**2014**	2013	**2014**	2013
Sales	4,724.2	4,641.2	2,405.9	2,419.0
EBITDA	1,137.3	992.4	591.9	533.2
in % of sales	24.1	21.4	24.6	22.0
EBIT	923.1	805.5	482.4	440.3
in % of sales	19.5	17.4	20.1	18.2
Depreciation and amortization[1]	214.2	186.9	109.5	92.9
– thereof impairment[2]	–	-1.6	–	-1.6
Capital expenditure[3]	316.6	408.3	174.3	177.9
in % of sales	6.7	8.8	7.2	7.4
Operating assets as at June 30	4,896.4	4,711.5		
Number of employees as at June 30[4]	47,715	43,635		
Adjusted sales[5]	4,673.6	4,641.2	2,377.5	2,419.0
Adjusted operating result (adjusted EBIT)[6]	927.2	806.0	484.7	439.7
in % of adjusted sales	19.8	17.4	20.4	18.2

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.

Tires

Sales volumes

Sales volumes of passenger and light truck tires to vehicle OEMs were up on the previous year in the first six months of 2014. This was attributable in particular to the EMEA region (Europe, the Middle East and Africa). In the passenger and light truck tire replacement business, sales volumes increased further in all regions. The commercial vehicle tire business also recorded a year-on-year rise in sales volumes.

Sales up 1.8%
Sales up 4.9% before changes in the scope of consolidation and exchange rate effects

Sales of the Tire division were up 1.8% at €4,724.2 million (PY: €4,641.2 million) in the first six months of 2014 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales climbed by 4.9%.

Adjusted EBIT up 15.0%

Adjusted EBIT for the Tire division climbed by €121.2 million or 15.0% year-on-year to €927.2 million (PY: €806.0 million) in the first six months of 2014, corresponding to 19.8% (PY: 17.4%) of adjusted sales.

EBIT up 14.6%

Compared with the same period of 2013, the Tire division reported an increase in EBIT of €117.6 million or 14.6% to €923.1 million (PY: €805.5 million) in the first half of 2014. The return on sales rose to 19.5% (PY: 17.4%).

Special effects in the first half of 2014

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

Special effects in the first half of 2013

Reversal of impairment losses on property, plant and equipment had a positive effect totaling €1.6 million in the Tire division in the first half of 2013.

	January 1 to June 30		Second Quarter	
ContiTech in € millions	**2014**	2013	**2014**	2013
Sales	1,952.0	1,940.3	978.6	998.7
EBITDA	276.6	293.4	132.9	157.5
in % of sales	14.2	15.1	13.6	15.8
EBIT	219.8	236.9	104.3	129.2
in % of sales	11.3	12.2	10.7	12.9
Depreciation and amortization[1]	56.8	56.5	28.6	28.3
– thereof impairment[2]	–	–	–	–
Capital expenditure[3]	87.4	74.0	48.0	45.6
in % of sales	4.5	3.8	4.9	4.6
Operating assets as at June 30	1,418.5	1,300.9		
Number of employees as at June 30[4]	31,411	28,939		
Adjusted sales[5]	1,928.5	1,940.3	966.5	998.7
Adjusted operating result (adjusted EBIT)[6]	220.8	240.4	105.5	130.5
in % of adjusted sales	11.4	12.4	10.9	13.1

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

ContiTech

Sales up 0.6%
Sales up 1.8% before changes in the scope of consolidation and exchange rate effects
Sales of the ContiTech division were up 0.6% year-on-year at €1,952.0 million (PY: €1,940.3 million) in the first six months of 2014. Before changes in the scope of consolidation and exchange rate effects, sales rose by 1.8%. Both automotive original equipment (OE) business and replacement business posted growth in sales. In industrial business, sales did not reach the previous year's level.

Adjusted EBIT down 8.2%
Adjusted EBIT for the ContiTech division declined by €19.6 million or 8.2% year-on-year to €220.8 million (PY: €240.4 million) in the first six months of 2014, corresponding to 11.4% (PY: 12.4%) of adjusted sales.

EBIT down 7.2%
Compared with the same period of 2013, the ContiTech division reported a decrease in EBIT of €17.1 million or 7.2% to €219.8 million (PY: €236.9 million) in the first half of 2014. The return on sales fell to 11.3% (PY: 12.2%).

Special effects in the first half of 2014
In the ContiTech division, income totaling €2.4 million resulted from bargain purchases from purchase price allocations, of which €1.4 million was attributable to the Fluid Technology business unit and €1.0 million resulted from the final purchase price allocation of a transaction in 2013 in the Conveyor Belt Group business unit.

Special effects in the first half of 2013
For the ContiTech division, the total negative impact from special effects in the first six months of 2013 amounted to €0.8 million.

Report on Risks and Opportunities

There were no material changes in opportunities and risks during the reporting period. For details of the main risks and opportunities, please refer to our comments in the 2013 Annual Report.

Report on Expected Developments and Outlook

In the first half of 2014, consolidated sales climbed by 2.1% to €16.9 billion. Growth was slowed by negative currency translation effects of around €600 million. As such, more than 85% of the negative currency translation effects we had assumed for the year as a whole already arose in the first half of the year. Due to the continued unfavorable development in many currency pairs that are important to Continental, we must reduce our sales forecast for the current year from around €35 billion to around €34.5 billion. We now estimate that the negative impact from exchange rate effects will total approximately €1 billion for the year as a whole. This affects sales of both the Automotive Group and the Rubber Group. For the year as a whole, we currently anticipate an increase in sales to around €20.8 billion (previously €21 billion) in the Automotive Group and about €13.8 billion (previously €14 billion) in the Rubber Group.

However, based on the positive development of adjusted EBIT we are also raising our adjusted EBIT margin target for the year as a whole from at least 10.5% to around 11%. This target is supported by the continuing favorable development of natural rubber prices, for which we are currently anticipating an average price for the year of U.S. $2.10 per kilogram. In May this year, we had forecast a price of U.S. $2.30 per kilogram. This results in an additional positive effect of around €80 million for the year, which is expected to cause the total positive effect for the Rubber Group to increase to €160 million for the whole year. We expect the adjusted EBIT margin for the Automotive Group to amount to more than 8% in the current year, with that of the Rubber Group exceeding 16%.

Following the impairment loss of €34.5 million on the previous carrying amount of the at-equity accounted investee Emitec-Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, as part of the planned acquisition of the remaining shares, we are raising our forecast for anticipated negative special effects in 2014 from €50 million to €100 million.

After a significant reduction in the first half of the year, we expect net interest expense to amount to considerably less than €400 million for the year as a whole. Due to the recognition of deferred tax assets on interest carryforwards in Germany in the amount of €98 million, the future utilization of which is considered likely, the tax rate will be under 25% in the current year. We still anticipate a capital expenditure ratio of around 6% of consolidated sales before financial investments. In line with the positive development in the first half of the year, we expect free cash flow before acquisitions to amount to more than €1.5 billion at the end of 2014.

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 be quantified only once the transaction has been closed.

Consolidated Financial Statements as at June 30, 2014

Consolidated Statement of Income

	January 1 to June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Sales	**16,918.1**	**16,574.3**	**8,528.0**	**8,541.0**
Cost of sales	-12,694.9	-12,776.1	-6,400.5	-6,531.8
Gross margin on sales	**4,223.2**	**3,798.2**	**2,127.5**	**2,009.2**
Research and development expenses	-1,073.8	-987.0	-529.7	-487.2
Selling and logistics expenses	-873.4	-818.7	-442.5	-412.2
Administrative expenses	-381.2	-352.1	-202.3	-180.3
Other expenses and income	-67.3	-24.7	-20.3	-58.5
Income from at-equity accounted investees	-17.7	14.8	-26.1	7.6
Other income from investments	0.3	0.1	0.3	4.6
Earnings before interest and taxes	**1,810.1**	**1,630.6**	**906.9**	**883.2**
Interest income[1]	46.3	41.5	19.7	19.8
Interest expense[1,2]	-186.8	-401.9	-80.2	-257.1
Net interest expense	**-140.5**	**-360.4**	**-60.5**	**-237.3**
Earnings before taxes	**1,669.6**	**1,270.2**	**846.4**	**645.9**
Income tax expense	-323.9	-83.8	-108.3	77.2
Net income	**1,345.7**	**1,186.4**	**738.1**	**723.1**
Non-controlling interests	-41.9	-44.5	-22.6	-22.4
Net income attributable to the shareholders of the parent	1,303.8	1,141.9	715.5	700.7
Basic earnings per share in €	**6.52**	**5.71**	**3.58**	**3.50**
Diluted earnings per share in €	**6.52**	**5.71**	**3.58**	**3.50**

1 Including interest effects of pension obligations, of other long-term employee benefits, and of 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 June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Net income	**1,345.7**	**1,186.4**	**738.1**	**723.1**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	-166.6	133.4	-105.6	72.0
Fair value adjustments[1]	-244.3	148.7	-152.1	78.9
Portion for at-equity accounted investees[2]	0.2	-1.1	0.2	0.5
Tax on other comprehensive income	77.5	-14.2	46.3	-7.4
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	95.7	-185.5	132.2	-263.8
Difference from currency translation[1]	96.9	-185.1	133.7	-263.2
Reclassification adjustments to profit and loss	0.3	0.2	–	–
Portion for at-equity accounted investees[2]	-1.5	-0.6	-1.5	-0.6
Available-for-sale financial assets	8.6	-2.2	5.5	-3.0
Fair value adjustments	10.0	0.0	6.6	-1.9
Reclassification adjustments to profit and loss	-1.4	-2.2	-1.1	-1.1
Tax on other comprehensive income	-3.0	4.8	-2.1	9.5
Other comprehensive income	**-65.3**	**-49.5**	**30.0**	**-185.3**
Comprehensive income	**1,280.4**	**1,136.9**	**768.1**	**537.8**
Attributable to non-controlling interests	-47.4	-24.1	-30.8	-8.0
Attributable to the shareholders of the parent	1,233.0	1,112.8	737.3	529.8

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

Assets in € millions	**June 30, 2014**	*Dec. 31, 2013*	June 30, 2013
Goodwill	5,605.4	*5,520.9*	5,605.7
Other intangible assets	470.7	*557.7*	730.6
Property, plant and equipment	7,924.0	*7,728.0*	7,556.5
Investment property	19.9	*20.4*	19.4
Investments in at-equity accounted investees	410.6	*450.0*	450.9
Other investments	10.6	*7.9*	6.9
Deferred tax assets	1,106.3	*928.4*	1,102.7
Defined benefit assets	7.5	*6.0*	2.1
Long-term derivative instruments and interest-bearing investments	299.8	*285.1*	261.2
Other long-term financial assets	33.4	*45.0*	22.3
Other long-term assets	21.2	*20.1*	12.8
Non-current assets	**15,909.4**	***15,569.5***	**15,771.1**
Inventories	3,178.6	*2,830.9*	3,160.3
Trade accounts receivable	5,950.2	*5,315.8*	5,922.1
Other short-term financial assets	381.0	*336.2*	342.9
Other short-term assets	761.3	*601.2*	727.7
Income tax receivables	67.0	*69.3*	81.4
Short-term derivative instruments and interest-bearing investments	41.9	*18.3*	223.6
Cash and cash equivalents	1,919.4	*2,044.8*	1,578.9
Assets held for sale	31.9	*34.8*	36.6
Current assets	**12,331.3**	***11,251.3***	**12,073.5**
Total assets	**28,240.7**	***26,820.8***	**27,844.6**

Total equity and liabilities in € millions	**June 30, 2014**	*Dec. 31, 2013*	June 30, 2013
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	6,339.1	*5,535.3*	4,754.1
Other comprehensive income	-1,262.5	*-1,191.7*	-978.6
Equity attributable to the shareholders of the parent	**9,744.2**	***9,011.2***	**8,443.1**
Non-controlling interests	331.9	*311.0*	333.2
Total equity	**10,076.1**	***9,322.2***	**8,776.3**
Provisions for pension liabilities and similar obligations	2,682.9	*2,391.1*	2,471.1
Deferred tax liabilities	152.0	*113.2*	288.8
Long-term provisions for other risks and obligations	283.4	*266.9*	290.4
Long-term portion of indebtedness	5,041.6	*5,041.2*	3,274.2
Other long-term financial liabilities	44.9	*16.2*	12.4
Other long-term liabilities	42.9	*42.2*	55.5
Non-current liabilities	**8,247.7**	***7,870.8***	**6,392.4**
Trade accounts payable	4,728.0	*4,596.3*	4,376.2
Income tax payables	619.9	*588.2*	625.8
Short-term provisions for other risks and obligations	591.5	*631.1*	593.8
Indebtedness	1,492.3	*1,596.3*	4,801.4
Other short-term financial liabilities	1,405.6	*1,448.0*	1,342.9
Other short-term liabilities	1,078.7	*767.9*	933.7
Liabilities held for sale	0.9	*–*	2.1
Current liabilities	**9,916.9**	***9,627.8***	**12,675.9**
Total equity and liabilities	**28,240.7**	***26,820.8***	**27,844.6**

Consolidated Statement of Cash Flows

	January 1 to June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Net income	**1,345.7**	**1,186.4**	**738.1**	**723.1**
Income tax expense	323.9	83.8	108.3	-77.2
Net interest expense	140.5	360.4	60.5	237.3
EBIT	**1,810.1**	**1,630.6**	**906.9**	**883.2**
Interest paid	-97.4	-239.4	-36.6	-57.3
Interest received	12.6	15.8	5.6	8.6
Income tax paid	-352.0	-420.2	-173.7	-216.0
Dividends received	16.1	20.6	0.5	5.0
Depreciation, amortization, impairment and reversal of impairment losses	795.7	848.7	403.1	426.7
Income from at-equity accounted and other investments, incl. impairment and reversal of impairment losses	17.4	-14.9	25.8	-12.2
Gains from the disposal of assets, companies and business operations	-3.4	-84.2	3.6	-1.9
Other non-cash items	–	-2.4	–	–
Changes in				
inventories	-294.3	-194.6	-26.2	0.7
trade accounts receivable	-578.0	-928.8	181.8	-129.8
trade accounts payable	87.0	61.3	-90.2	-55.0
pension and similar obligations	4.3	-9.2	3.8	-6.7
other assets and liabilities	25.4	-58.9	-179.7	-179.5
Cash flow arising from operating activities	**1,443.5**	**624.4**	**1,024.7**	**665.8**
Proceeds on the disposal of property, plant and equipment, and intangible assets	26.0	11.8	8.2	7.0
Capital expenditure on property, plant and equipment, and software	-793.9	-866.7	-453.0	-435.4
Capital expenditure on intangible assets from development projects and miscellaneous	-33.4	-15.7	-18.7	-8.4
Proceeds on the disposal of companies and business operations	0.2	248.5	–	-1.8
Acquisition of companies and business operations	-67.6	-90.5	-49.9	-4.3
Cash flow arising from investing activities	**-868.7**	**-712.6**	**-513.4**	**-442.9**
Cash flow before financing activities (free cash flow)	**574.8**	**-88.2**	**511.3**	**222.9**
Change in indebtedness	-185.4	-199.3	-101.9	-41.7
Successive purchases	–	-48.5	–	-43.9
Dividends paid	-500.0	-450.0	-500.0	-450.0
Dividends paid and repayment of capital to non-controlling interests	-26.5	-19.7	-25.6	-18.7
Cash and cash equivalents arising from first consolidation of subsidiaries	0.2	0.4	–	–
Cash flow arising from financing activities	**-711.7**	**-717.1**	**-627.5**	**-554.3**
Change in cash and cash equivalents	**-136.9**	**-805.3**	**-116.2**	**-331.4**
Cash and cash equivalents at the beginning of the reporting period	2,044.8	2,397.2	2,008.0	1,962.7
Effect of exchange rate changes on cash and cash equivalents	11.5	-13.0	27.6	-52.4
Cash and cash equivalents at the end of the reporting period	**1,919.4**	**1,578.9**	**1,919.4**	**1,578.9**

Consolidated Statement of Changes in Equity

						Difference from					
in € millions	Number of shares[1] (thousands)	Subscribed capital	Capital reserves	Retained earnings	Successive pur-chases[2]	remeasurement of defined benefit plans[3]	currency trans-lation[4]	financial instru-ments[5]	Sub-total	Non-control-ling 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	–	–	–	1,141.9	–	–	–	–	1,141.9	44.5	**1,186.4**
Comprehensive income	–	–	–	–	–	134.9	-162.7	-1.3	-29.1	-20.4	**-49.5**
Net profit for the period	**–**	**–**	**–**	**1,141.9**	**–**	**134.9**	**-162.7**	**-1.3**	**1,112.8**	**24.1**	**1,136.9**
Dividends paid	–	–	–	-450.0	–	–	–	–	-450.0	-19.7	**-469.7**
Successive purchases	–	–	–	–	0.7	–	–	–	0.7	-48.6	**-47.9**
Other changes	–	–	–	–	0.6	–	–	–	0.6	–	**0.6**
As at June 30, 2013	**200,006**	**512.0**	**4,155.6**	**4,754.1**	**-17.9**	**-877.6**	**-85.6**	**2.5**	**8,443.1**	**333.2**	**8,776.3**
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	–	–	–	1,303.8	–	–	–	–	1,303.8	41.9	**1,345.7**
Comprehensive income	–	–	–	–	–	-166.4	89.5	6.1	-70.8	5.5	**-65.3**
Net profit for the period	**–**	**–**	**–**	**1,303.8**	**–**	**-166.4**	**89.5**	**6.1**	**1,233.0**	**47.4**	**1,280.4**
Dividends paid	–	–	–	-500.0	–	–	–	–	-500.0	-26.5	**-526.5**
Successive purchases	–	–	–	–	–	–	–	–	–	–	**–**
Other changes	–	–	–	–	0.0	–	–	–	0.0	–	**0.0**
As at June 30, 2014	**200,006**	**512.0**	**4,155.6**	**6,339.1**	**-18.4**	**-907.6**	**-346.4**	**9.9**	**9,744.2**	**331.9**	**10,076.1**

1 Shares outstanding.
2 The amount in the reporting period results from the first-time consolidation of a previously non-consolidated subsidiary. The prior-year period also includes additional effects from the step acquisitions of shares in fully consolidated companies and a subsequent purchase price adjustment.
3 Includes shareholder's portion of €0.2 million (PY: -€1.1 million) in non-realized gains and losses from pension obligations of at-equity accounted investees.
4 Includes shareholder's portion of -€1.5 million (PY: -€0.6 million) in the foreign currency translation of at-equity accounted investees.
5 The difference arising from financial instruments, including deferred taxes, is mainly due to available-for-sale financial assets.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to June 30, 2014

in € millions	Chassis & Safety	Powertrain	Interior
External sales	3,728.7	3,144.7	3,430.0
Intercompany sales	18.0	32.8	3.0
Sales (total)	**3,746.7**	**3,177.5**	**3,433.0**
EBITDA	496.0	282.3	467.7
in % of sales	13.2	8.9	13.6
EBIT (segment result)	331.6	97.4	292.5
in % of sales	8.9	3.1	8.5
Depreciation and amortization[1]	164.4	184.9	175.2
– thereof impairment[2]	–	–	4.6
Capital expenditure[3]	148.6	135.8	104.9
in % of sales	4.0	4.3	3.1
Operating assets as at June 30	3,915.9	2,835.0	3,819.8
Number of employees as at June 30[4]	37,766	33,654	35,407

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	4,716.9	1,897.8	–	16,918.1
Intercompany sales	7.3	54.2	-115.3	–
Sales (total)	**4,724.2**	**1,952.0**	**-115.3**	**16,918.1**
EBITDA	1,137.3	276.6	-54.1	2,605.8
in % of sales	24.1	14.2	–	15.4
EBIT (segment result)	923.1	219.8	-54.3	1,810.1
in % of sales	19.5	11.3	–	10.7
Depreciation and amortization[1]	214.2	56.8	0.2	795.7
– thereof impairment[2]	–	–	–	4.6
Capital expenditure[3]	316.6	87.4	0.6	793.9
in % of sales	6.7	4.5	–	4.7
Operating assets as at June 30	4,896.4	1,418.5	-132.5	16,753.1
Number of employees as at June 30[4]	47,715	31,411	325	186,278

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 June 30, 2013

in € millions	Chassis & Safety	Powertrain	Interior
External sales	3,632.8	3,100.8	3,336.2
Intercompany sales	20.9	31.8	7.2
Sales (total)	**3,653.7**	**3,132.6**	**3,343.4**
EBITDA	492.1	327.4	422.2
in % of sales	13.5	10.5	12.6
EBIT (segment result)	318.0	110.4	208.2
in % of sales	8.7	3.5	6.2
Depreciation and amortization[1]	174.1	217.0	214.0
– thereof impairment[2]	–	0.9	–
Capital expenditure[3]	149.2	128.6	106.5
in % of sales	4.1	4.1	3.2
Operating assets as at June 30	4,104.5	3,045.0	4,074.5
Number of employees as at June 30[4]	35,637	32,359	33,836

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	4,634.2	1,870.3	–	16,574.3
Intercompany sales	7.0	70.0	-136.9	–
Sales (total)	**4,641.2**	**1,940.3**	**-136.9**	**16,574.3**
EBITDA	992.4	293.4	-48.2	2,479.3
in % of sales	21.4	15.1	–	15.0
EBIT (segment result)	805.5	236.9	-48.4	1,630.6
in % of sales	17.4	12.2	–	9.8
Depreciation and amortization[1]	186.9	56.5	0.2	848.7
– thereof impairment[2]	-1.6	–	–	-0.7
Capital expenditure[3]	408.3	74.0	0.4	867.0
in % of sales	8.8	3.8	–	5.2
Operating assets as at June 30	4,711.5	1,300.9	-71.8	17,164.6
Number of employees as at June 30[4]	43,635	28,939	307	174,713

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 June 30		Second Quarter	
in € millions	**2014**	2013	**2014**	2013
Chassis & Safety	331.6	318.0	159.3	162.7
Powertrain	97.4	110.4	32.9	58.3
Interior	292.5	208.2	154.7	112.5
Tires	923.1	805.5	482.4	440.3
ContiTech	219.8	236.9	104.3	129.2
Other/consolidation	-54.3	-48.4	-26.7	-19.8
EBIT	**1,810.1**	**1,630.6**	**906.9**	**883.2**
Net interest expense	-140.5	-360.4	-60.5	-237.3
Earnings before taxes	**1,669.6**	**1,270.2**	**846.4**	**645.9**
Income tax expense	-323.9	-83.8	-108.3	77.2
Net income	**1,345.7**	**1,186.4**	**738.1**	**723.1**
Non-controlling interests	-41.9	-44.5	-22.6	-22.4
Net income attributable to the shareholders of the parent	**1,303.8**	**1,141.9**	**715.5**	**700.7**

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 June 30, 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 June 30, 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 June 30, 2014.

Compared to December 31, 2013, the remeasurement of defined benefit pension plans as at June 30, 2014, resulted in a €162.9 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 €239.7 million.

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

	January 1 to June 30, 2014						January 1 to June 30, 2013					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	52.0	0.0	0.2	1.7	8.7	**62.6**	48.8	0.0	0.3	1.8	8.0	**58.9**
Interest on defined benefit obligations	45.0	20.4	1.5	6.5	4.7	**78.1**	42.6	6.5	1.6	5.5	4.2	**60.4**
Expected return on plan assets	-5.5	-17.1	-1.4	-6.5	-2.5	**-33.0**	-11.5	-13.3	-1.2	-5.7	-2.3	**-34.0**
Effect of change of asset ceiling	–	–	0.1	–	0.1	**0.2**	–	–	–	–	0.2	**0.2**
Other pension income and expenses	–	0.4	0.0	–	0.3	**0.7**	–	–	–	–	–	**–**
Net pension cost	**91.5**	**3.7**	**0.4**	**1.7**	**11.3**	**108.6**	**79.9**	**-6.8**	**0.7**	**1.6**	**10.1**	**85.5**

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

	January 1 to June 30	
in € millions	**2014**	2013
Current service cost	0.7	0.9
Interest on healthcare and life insurance benefit obligations	4.1	4.1
Net cost of obligations similar to pensions	**4.8**	**5.0**

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 €18.0 million (PY: €21.7 million) into these pension funds in the period from January 1 to June 30, 2014.

In the period from January 1 to June 30, 2014, payments for retirement benefit obligations totaled €96.1 million (PY: €85.7 million). Payments for obligations similar to pensions totaled €6.8 million (PY: €7.4 million).

Companies consolidated

In addition to the parent company, the consolidated financial statements include 453 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, 326 are fully consolidated and 127 are accounted for using the equity method.

Since December 31, 2013, the number of consolidated companies has increased by a total of ten. Six companies were formed, six were acquired and three previously unconsolidated units were included in consolidation for the first time. Two companies were liquidated and three were deconsolidated.

Since June 30, 2013, the number of consolidated companies has increased by a total of eight. In particular, the additions to the scope of consolidation relate to the newly formed companies of the Automotive Group and acquisitions in the Rubber Group. 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

Effective June 27, 2014, Continental Holding France SAS, Sarreguemines, France, acquired 100% of shares in both MPI SAS, Mandelieu, France, and REPARATION PNEUMATIQUES DU SUD EST (REPNEU) SAS, Grasse, France, with the aim of expanding the sales network on the French tire market. The provisional purchase price totals €40.9 million, €26.9 million of which was paid in cash. A liability of €14.0 million is due one year after closing. The incidental acquisition costs of €0.2 million were recognized as other operational expenses. As part of the provisional purchase price allocation, intangible assets of €14.1 million and goodwill of €48.7 million were identified. If the transaction had already been completed as at January 1, 2014, net income after taxes would have been €3.6 million lower and sales would have been up by €73.6 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at June 30, 2014.

To strengthen the sales network in the Tire segment, Vergölst GmbH, Hanover, 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 is €5.1 million, €0.4 million of which is accounted for by purchase price liabilities. The current, provisional purchase price allocation resulted in intangible assets of €0.7 million. Adam Touring GmbH, Dietikon, Switzerland, closed a further asset deal on March 1, 2014. The purchase price was €0.5 million. Intangible assets of €0.2 million were identified in purchase price allocation. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at June 30, 2014.

Continental is meeting the rising demand for engineering services with the acquisition of the remaining 50% in Alphapeak Ltd., Lichfield, U.K., as at February 3, 2014. Also 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 provisional purchase price allocation resulted in acquired net assets of €2.2 million and goodwill of €12.8 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 June 30, 2014.

The ContiTech segment has selectively expanded its business in the Power Transmission Group and Fluid Technology with asset and share deals. The purchase prices amount to €10.2 million, €0.6 million of which is accounted for by purchase price liabilities. The incidental acquisition costs of €0.4 million were recognized as other operational expenses. As part of the provisional purchase price allocation, intangible assets of €0.8 million and goodwill of €3.2 million were capitalized. In addition, a bargain purchase effect of €1.4 million was recognized in profit or loss. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at June 30, 2014.

Effective June 30, 2014, Continental Automotive France SAS, Toulouse, France, divested certain activities of the Interior segment's Infotainment & Connectivity business unit at the Rambouillet location in France. This transaction resulted in a loss of €6.9 million, which is reported in other income and expenses and corresponds to the purchase price liability. Impairment losses of €4.2 million on intangible assets and property, plant and equipment were also incurred in this context.

Impairment
The corporation immediately reviews goodwill, intangible assets and property, plant and equipment, investment property and financial assets 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.

The planned acquisition of the outstanding 50% of shares in the exhaust technology specialist Emitec-Gesellschaft für Emissionstechnologie mbH, Lohmar, Germany, from the co-partner GKN Driveline International GmbH, Lohmar, Germany, made it necessary to recognize an impairment loss of €34.5 million on the previous carrying amount of the at-equity accounted investee.

Appropriation of net income
As at December 31, 2013, Continental AG reported net retained earnings of €913.4 million (PY: €866.5 million). On April 25, 2014, the Annual Shareholders' Meeting resolved to distribute a dividend of €2.50 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €500,014,957.50. The remaining amount was 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
Basic earnings per share increased to €6.52 (PY: €5.71) in the first half of 2014 and to €3.58 (PY: €3.50) in the period from April 1 to June 30, 2014. These figures were the same for the diluted earnings per share.

Contingent liabilities and other financial obligations
As at June 30, 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 June 30, 2014.

Indebtedness and net income from financial activities
To reflect Continental's improved operating performance and its improved rating in the financing conditions, the existing syndicated loan was replaced by a new syndicated loan at the end of April 2014. The committed volume of the new syndicated loan is still €4.5 billion and consists of a term loan of €1.5 billion and a revolving credit line of €3.0 billion. The term loan has a term of two years, while the revolving credit line has a term of five years. In addition to further simplification of the documentation required, the interest margin, which is now geared towards Continental's rating again, was also reduced significantly.

For more information on indebtedness and net income from financial activities, we refer to the Corporate Management Report as at June 30, 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 June 30, 2014**	**Fair value as at June 30, 2014**	Carrying amount as at Dec. 31, 2013	Fair value as at Dec. 31, 2013
Other investments	AfS	10.6	10.6	7.9	7.9
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as hedging instruments	n. a.	–	–	3.0	3.0
Derivative instruments not accounted for as hedging instruments	HfT	43.7	43.7	30.0	30.0
Available-for-sale financial assets	AfS	262.7	262.7	257.8	257.8
Other receivables with a financing character	LaR	35.3	35.3	12.6	12.6
Trade accounts receivable	LaR	5,950.2	5,950.2	5,315.8	5,315.8
Other financial assets	LaR	414.4	414.4	381.2	381.2
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,848.2	1,848.2	2,044.8	2,044.8
Available-for-sale financial assets	AfS	71.2	71.2	0.0	0.0
Financial assets		**8,636.3**	**8,636.3**	**8,053.1**	**8,053.1**
Indebtedness					
Derivative instruments accounted for as hedging instruments	n. a.	0.6	0.6	–	–
Derivative instruments not accounted for as hedging instruments	HfT	11.7	11.7	13.7	13.7
Financial lease liabilities	n. a.	52.0	56.0	54.2	56.9
Other indebtedness	FLAC	6,469.6	6,725.7	6,569.6	6,757.5
Trade accounts payable	FLAC	4,728.0	4,728.0	4,596.3	4,596.3
Other financial liabilities	FLAC	1,450.5	1,445.9	1,464.2	1,463.6
Financial liabilities		**12,712.4**	**12,967.9**	**12,698.0**	**12,888.0**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		43.7		30.0	
Loans and receivables (LaR)		8,248.1		7,754.4	
Available-for-sale financial assets (AfS)		344.5		265.7	
Financial liabilities held for trading (HfT)		11.7		13.7	
Financial liabilities measured at amortized cost (FLAC)		12,648.1		12,630.1	

Abbreviations

- AfS: available for sale
- FLAC: financial liability at amortized cost
- HfT: held for trading
- LaR: loans and receivables
- n. a.: not applicable (effective hedging instruments are not part of the measurement categories of IAS 39).

The tables below show the fair values of financial assets and liabilities that are measured at fair value in accordance with IAS 39. They also include the classes of financial instruments for which the fair value was calculated for comparison with the carrying amount. They do 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		**June 30, 2014**	Level 1	Level 2	Cost
Other investments	AfS	10.6	–	–	10.6
Available-for-sale financial assets	AfS	333.9	322.9	11.0	0.0
Derivative instruments not accounted for as hedging instruments	HfT	43.7	–	43.7	–
Financial assets valued at fair value		**388.2**	**322.9**	**54.7**	**10.6**
Derivative instruments accounted for as hedging instruments	n. a.	0.6	–	0.6	–
Derivative instruments not accounted for as hedging instruments	HfT	11.7	–	11.7	–
Financial liabilities valued at fair value		**12.3**	**–**	**12.3**	**–**
Financial lease liabilities	n. a.	56.0	–	56.0	–
Other indebtedness	FLAC	6,725.7	3,164.6	2,110.8	1,450.3
Other financial liabilities	FLAC	1,445.9	–	8.2	1,437.7
Financial liabilities not valued at fair value		**8,227.6**	**3,164.6**	**2,175.0**	**2,888.0**

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 half of 2014 amounted to €323.9 million (PY: €83.8 million). The tax rate in the reporting period was 19.4% after 6.6% for the same period of the previous year. In the period under review, this was due in particular to the recognition of deferred tax assets on interest carryforwards in Germany of €98.0 million, the future utilization of which is considered likely. The tax rate in the previous year was influenced in particular by the recognition of deferred tax assets in the U.S.A. in the amount of €256.2 million, the future utilization of which was considered likely given the ongoing positive business performance.

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 €33 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.

Significant events after June 30, 2014

There were no significant events after June 30, 2014.

Hanover, July 21, 2014

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company’s Legal Representatives

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

Hanover, July 21, 2014

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed interim consolidated financial statements of Continental Aktiengesellschaft – comprising the Consolidated Statement of Income and Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and selected Explanatory Notes to the Consolidated Financial Statements – together with the interim corporate management report of Continental Aktiengesellschaft, for the period from January 1 to June 30, 2014, that are part of the semi annual report according to § 37 w German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)*. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim corporate management report in accordance with the requirements of the *WpHG* applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim corporate management report based on our review.

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

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

Hanover, July 28, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Marc Ufer Wirtschaftsprüfer	Dirk Papenberg Wirtschaftsprüfer

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 5
Analyst Telephone Conference	March 5
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 Half-Year Financial Report has also been published in German. The 2013 Annual Report is available in English and German.

If you wish to receive copies of any of these reports, please contact:
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The Annual Report and the interim reports are available on the Internet at:

www.continental-corporation.com

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