



Q1

Financial Report
as at March 31, 2016

The Horizons of Digitalization

Continental Shares and Bonds

Weak start to the year on stock markets

The continuing decrease in prices for many raw materials – particularly crude oil – in January again gave rise to concerns about the global economy at the beginning of 2016, triggering a downward trend on the stock markets worldwide. As a result of the decline in the price of crude oil – amounting to around 25% by January 20, 2016, as compared to the start of the year – the benchmark indexes for the stock markets in Europe, the U.S.A., and Asia fell by more than 10%. The Asian stock markets were also negatively impacted by the weaker-than-expected economic data from China.

Starting from January 21, 2016, the recovery in crude oil prices caused the stock markets to stabilize as well. This was supported by investors' growing hopes of additional expansive measures by the European Central Bank (ECB), as it had been indicated that such measures might be taken in March 2016.

At the end of January, somewhat more cautious statements by the U.S. Federal Reserve (Fed) led many investors to increasingly doubt the stability of the economic recovery in the U.S.A. and thus a further increase in the key interest rate in the U.S.A. in March 2016. Combined with weaker economic data from the U.S.A. and China, this resulted in renewed concerns about the economy and falling share prices in early February. The downward trend was intensified by further decreases in raw material prices after leading crude-oil-exporting nations could not come to an agreement regarding a reduction in production volumes. Various European bank stocks also came under selling pressure due to fears of loan defaults in the energy sector. In addition, the Fed's statements resulted in depreciation of the U.S. dollar in relation to the euro by around 5%, putting additional strain on European export stocks. In this context, the DAX fell to around 8,700 points by February 11, 2016 – a decrease of 19% compared to its 2015 year-end level of 10,743.01 points.

Mid-February 2016 saw the start of a recovery phase for crude oil and other raw materials, which particularly benefited stocks with a strong focus on raw materials. However, very weak foreign-trade data from China caused sentiment to deteriorate again in the first half of March.

The announcement of the expansion of the ECB measures – lowering the key interest rate to 0.0% and the interest rate on deposits to -0.4%, as well as increasing monthly bond purchases from €60 billion to €80 billion until March 2017 – did not have any significant positive impact on the stock markets in mid-March. Instead, there was increasing uncertainty among investors with regard to the economic situation. The Fed's wait-and-see attitude and the postponement of the interest rate hike expected for March in the U.S.A. intensified concerns about the economy in the U.S.A. and other regions of the world.

Whereas the Dow Jones index recouped its losses again in the second half of the quarter and closed the first quarter of 2016 with a slight increase, the DAX and the EURO STOXX 50 closed the quarter with losses. At the end of March, the DAX was down 7.2% at 9,965.51 points, while the EURO STOXX 50 fell 8.0% to 3,004.93 points.

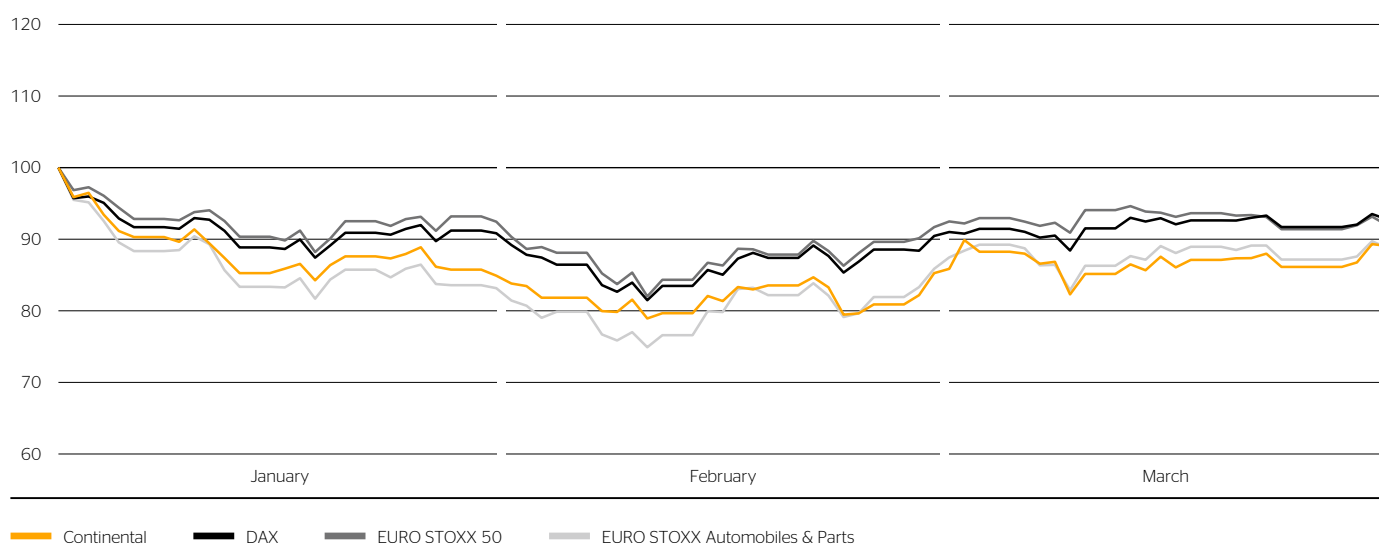
Performance by Continental shares in line with sector

During the first quarter of 2016, Continental's shares mostly followed the price development of the index for European automotive stocks, the EURO STOXX Automobiles & Parts.

In addition to a decline in the general market sentiment, the European automotive sector was also impacted during the quarter by concerns about demand for passenger cars in the U.S.A. and China as well as the deterioration of export prospects due to the appreciation of the euro.

Price performance of Continental shares in the first quarter of 2016 versus selected stock indexes

indexed to January 1, 2016



	March 31, 2016	December 31, 2015	in % vs.
Continental shares (XETRA price)	200.00		-10.9
DAX	9,965.51		-7.2
EURO STOXX 50	3,004.93		-8.0
EURO STOXX Automobiles & Parts	481.59		-11.2

Continental shares hit their lowest value in the reporting period in the course of February 11, 2016, at €175.60. The share price then rose again in the following weeks and – after the publication of the business figures for 2015 – it again briefly surpassed the €200 mark on March 3, 2016. It closed the first quarter of 2016 at €200.00, down 10.9% on the closing price for 2015. The EURO STOXX Automobiles & Parts fell by 11.2% in the first quarter of 2016.

Stable performance of euro bonds

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

The shorter-term Continental euro bonds posted slight price decreases. The 2.5% euro bond maturing on March 20, 2017, fell 32.7 basis points below its closing price for 2015, quoting at 102.352% as at the end of March 2016. The 3.0% euro bond maturing on July 16, 2018, fluctuated only slightly during the course of the quarter, falling by 10.4 basis points to 106.578% by the end of March.

In the first quarter of 2016, the longer-term Continental euro bonds benefited from the falling interest rates for corporate bonds in the eurozone. This was attributable to the ECB's decision in March 2016

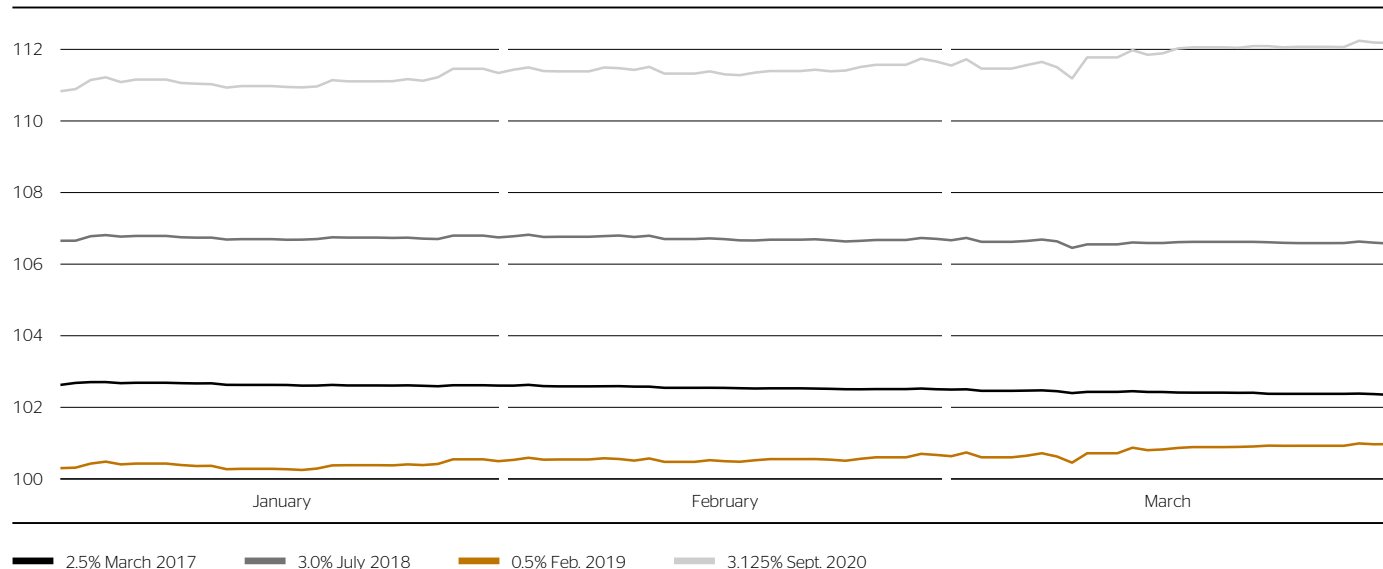
to extend its bond purchases to euro-denominated corporate bonds with an investment grade rating. By the end of March 2016, the 0.5% euro bond maturing on February 19, 2019, had risen by 69.7 basis points to 100.973%. The 3.125% euro bond maturing on September 9, 2020, increased by 138.1 basis points and was quoting at 112.179% at the end of the quarter.

Volatile development of Continental's CDS premium

The turbulence on the raw material and stock markets at the beginning of the first quarter of 2016 resulted in rising premiums for insuring against credit risks (credit default swap, CDS). By February 12, 2016, the five-year CDS premium for Continental had increased by more than 40 basis points from its level of 63.400 basis points at the end of 2015.

Interest rates in the eurozone as well as CDS premiums for euro-denominated corporate bonds decreased once again, as a result of growing expectations among many market participants that the ECB would expand its measures, as had been implied for March 2016. After the announcement of the ECB measures, the Continental CDS premium was quoting at around 54 basis points. At the end of the first quarter of 2016, it was at 59.705 basis points. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to -13.050 basis points on March 31, 2016 (December 31, 2015: -16.466 basis points).

Price performance of Continental bonds in the first quarter of 2016



Continental credit rating unchanged

The three major rating agencies each maintained their credit ratings for Continental AG during the first quarter of 2016.

March 31, 2016	Rating	Outlook
Standard & Poor's ¹	BBB	positive
Fitch ²	BBB	positive
Moody's ³	Baa1	stable

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

1 Contracted rating since May 19, 2000.

2 Contracted rating since November 7, 2013.

3 Non-contracted rating since February 1, 2014.

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

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

Key Figures for the Continental Corporation

in € millions	January 1 to March 31	
	2016	2015
Sales	9,850.7	9,568.9
EBITDA	1,505.5	1,403.2
in % of sales	15.3	14.7
EBIT	1,040.7	977.9
in % of sales	10.6	10.2
Net income attributable to the shareholders of the parent	733.9	656.7
Earnings per share in €	3.67	3.28
Adjusted sales ¹	9,710.3	9,568.9
Adjusted operating result (adjusted EBIT) ²	1,095.0	1,010.2
in % of adjusted sales	11.3	10.6
Free cash flow	489.0	-271.3
Net indebtedness as at March 31	3,083.3	4,098.7
Gearing ratio in %	23.1	33.5
Number of employees as at March 31 ³	212,417	202,496

¹ Before changes in the scope of consolidation.

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

³ Excluding trainees.

Key Figures for the Core Business Areas

Automotive Group in € millions	January 1 to March 31	
	2016	2015
Sales	6,011.0	5,912.1
EBITDA	699.0	727.4
in % of sales	11.6	12.3
EBIT	439.8	502.5
in % of sales	7.3	8.5
Depreciation and amortization ¹	259.2	224.9
thereof impairment ²	3.3	–
Capital expenditure ³	201.7	204.7
in % of sales	3.4	3.5
Operating assets as at March 31	11,595.3	10,829.9
Number of employees as at March 31 ⁴	119,161	111,432
Adjusted sales ⁵	5,971.9	5,912.1
Adjusted operating result (adjusted EBIT) ⁶	456.3	505.3
in % of adjusted sales	7.6	8.5

Rubber Group in € millions	January 1 to March 31	
	2016	2015
Sales	3,851.7	3,669.3
EBITDA	834.2	708.9
in % of sales	21.7	19.3
EBIT	628.7	508.9
in % of sales	16.3	13.9
Depreciation and amortization ¹	205.5	200.0
thereof impairment ²	3.4	–
Capital expenditure ³	195.9	151.8
in % of sales	5.1	4.1
Operating assets as at March 31	8,366.3	8,798.6
Number of employees as at March 31 ⁴	92,858	90,680
Adjusted sales ⁵	3,750.4	3,669.3
Adjusted operating result (adjusted EBIT) ⁶	666.5	538.4
in % of adjusted sales	17.8	14.7

¹ Excluding impairment on financial investments.

² Impairment also includes necessary reversal of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Corporate Management Report

Continental invites stakeholders to a global dialog on automated driving

In January 2016, we launched 2025AD.com, a public and independent website promoting a global conversation on automated driving. Experts and consumers alike will have the opportunity to discuss all technical, legal and social aspects of future mobility on 2025AD.com. The website offers manufacturer-independent information as well as easy-to-understand graphics and facts about automated driving. International guest authors share their respective views in numerous contributions. A multimedia timeline clarifies when we can expect to see which functions, and which technology is already being used in production today. The website 2025AD.com will report on the latest developments in the area of automated driving, as well as invite users to open discussion through other social media channels such as Facebook, Twitter, and LinkedIn.

Employee bonus increased again

The Continental Corporation has once again increased its value-sharing bonus for employees worldwide. For fiscal 2015, the company distributed a record sum of around €150 million to eligible employees. The value-sharing bonus has increased steadily over the years. The company's value added is the foundation of the program. The basis for calculating the amounts distributed varies from country to country, taking into account both legal regulations as well as local prices and salaries. Accordingly, the average amount each employee receives is around €600 or €1,200 depending on the country. For the employees, this represents a year-on-year increase of some 20%.

Local production of driving safety technologies ABS and ESC to start in India

In January 2016, we announced that the production of anti-lock brake systems (ABS) and electronic stability control (ESC) units would start this year in India. A new assembly line for ABS and ESC for passenger cars and later ABS for two-wheelers is planned for our Gurgaon plant. By the end of 2016, the first ABS/ESC products made in India will be delivered to a leading vehicle manufacturer. India is one of the world's largest markets for compact cars and two-wheelers. By adjusting the design to satisfy local requirements, we are adapting our portfolio and producing locally.

Continental selects new tire plant site in the U.S. state of Mississippi

In February 2016, we announced that a new tire plant would be located in Mississippi, U.S.A., from where it will also serve the North American market in the future. Continental reached an agreement with the state of Mississippi to purchase an undeveloped site close to the town of Clinton for the construction of a commercial vehicle tire plant in an initial step. Continental has announced a long-term investment totaling approximately \$1.4 billion and the creation of 2,500 jobs by the end of the next decade. In addition to commercial vehicle tires, it will also be possible to manufacture passenger car and light truck tires as well as specialty tires. The project is part of our global growth strategy.

Plant in China opened

In March 2016, following a year of construction, a new plant was opened in Changzhou, China, to manufacture the environmentally friendly, low-emission and non-allergenic automotive interior materials Acella Eco and Acella Eco green. Production has been running since the end of 2015 with an approximately 100-strong workforce; 50 more jobs are to be added over the next few months. Around €40 million was invested in the first phase of expansion. The new plant has doubled our capacity for Acella in China, and we are now well positioned to respond to the high level of demand from the Chinese automotive industry for high-quality and environmentally friendly surface materials.

New radio platform developed

Car radios today have to fulfill a large number of features such as digital and analog reception, connectivity with smartphones and other audio sources, large touchscreens, voice-operated control and the integration of smartphone apps. Even for vehicles in more price-driven segments, radios have evolved from simple tuners and amplifiers to proper entertainment hubs. With the dawn of the connected vehicle, as well as different standards and operating systems from consumer electronics, the trends show that the complexity of car radios is increasing. To cope with these challenges, Continental has developed a new vehicle radio platform, which allows control of numerous individual functions on one processor, ultimately reducing the space required for the hardware to a minimum.

Continental presents a 48-volt mild hybrid with connected Energy Management for the first time

Dynamic data on the latest traffic situation provide the digital input for Continental's connected Energy Management (cEM). At the Consumer Electronics Show in Las Vegas, Nevada, U.S.A., we presented the system in a demo vehicle for the first time. The vehicle is fitted with a mild hybrid engine equipped with Continental's 48-Volt Eco Drive system. Compared to the Golf VI base model with its 1.2 liter TSI engine and 12-volt start-stop function, up to 21% of fuel can be saved. In addition, cEM extends the sailing and recuperation phases in the 48-volt hybrid, during which time the combustion engine is switched off and disconnected from the drive train. This can add another 3% to 4% of fuel efficiency and in turn CO₂ savings.

Economic Report

Macroeconomic development

In the first quarter of 2016, German economic growth will likely turn out somewhat lower than originally expected. Current data for January and February 2016 show a mixed picture: While industrial production and both public and consumer spending continued to increase, there was only a slight change in foreign trade. In its April 2016 World Economic Outlook, the International Monetary Fund (IMF) lowered its growth projection for Germany's gross domestic product (GDP) by 0.2 percentage points to 1.5% for 2016. The leading German economic research institutes are also forecasting growth at almost the same level. In their latest spring report, they projected a 1.6% increase for the current year.

The eurozone is likely to have seen development similar to that of the German economy in the first quarter of 2016. Most countries recorded a slight increase in consumer spending and industrial production. However, various sentiment indicators deteriorated slightly over the course of the quarter. The economic development was supported further by the monetary policy of the European Central Bank (ECB), which stepped up its expansive measures again in March 2016. In April, the IMF lowered its estimate for GDP growth in the eurozone also by 0.2 percentage points to 1.5% for 2016.

In the U.S.A., various sentiment indicators saw a slight dip in the first quarter of 2016. There was also a surprising stagnation in consumer spending. Several economists consequently lowered their expectations for GDP growth in the U.S.A. for the first three months of the current year from 1.5% to 1.0%. The U.S. Federal Reserve (Fed) also acted more cautiously during the quarter, postponing the increase in the key interest rate that had originally been anticipated for March 2016. In April 2016, the IMF lowered its projection for GDP growth in the U.S.A. by 0.2 percentage points to 2.4% for the current year.

The Japanese economy was curbed by the appreciation of the Japanese yen in the first quarter of 2016. The Japanese central bank's introduction of a negative interest rate of 0.1% for some deposits from commercial banks had only a short-term effect with regard to currency depreciation at the end of January 2016. In addition to exports, industrial production also slowed as domestic demand did not pick up. In its April forecast, the IMF halved its growth projection for Japan by 0.5 percentage points to 0.5% for 2016.

As a result of declining prices on the raw material markets, the IMF also lowered its forecast in April for the group of emerging and developing economies, in view of the worsening economic prospects for countries that export raw materials. After previously forecasting growth of 4.3%, the IMF now anticipates 4.1% for 2016. China and India are still the main growth drivers here. For China, which posted a 6.7% increase in GDP for the first quarter of 2016, the IMF raised its projection in April by 0.2 percentage points to 6.5% for 2016 as a whole. For India, the IMF maintained its GDP forecast of 7.5% for 2016. However, based on weaker economic data for the first quarter, it lowered its 2016 GDP forecast for Brazil by 0.3 percentage points to -3.8% and for Russia by 0.8 percentage points to -1.8%.

In its April forecast, the IMF lowered its projection for global economic growth in the current year also by 0.2 percentage points to 3.2%. The IMF continues to see opportunities for crude-oil-importing countries from stronger growth stimuli due to decreased crude oil prices. At the same time, it points to the risk of further currency depreciation in emerging and developing economies, which would accordingly have a negative impact on local demand. Furthermore, the IMF sees a risk of slower growth in advanced economies, and recommends initiating structural reforms and fiscal policy measures in addition to expansive monetary policy measures.

Development of new passenger car registrations

Demand for passenger cars in Europe (EU28 + EFTA) continued to grow in the first quarter of 2016. On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), the number of new passenger car registrations rose by 8% to 3.9 million units compared to the equivalent quarter of the previous year. In addition to the continuing economic recovery, this was also attributable to the low interest rates and relatively high replacement demand. Among the major markets, this development was particularly pronounced in Italy, with growth of 21% in the period under review. France and Spain posted increases of 8% and 7% respectively. Demand rose by 5% in the U.K. and by more than 4% in Germany.

In the U.S.A., demand for light commercial vehicles, especially pick-up trucks, rose by 10% year-on-year in the first quarter of 2016 due to low fuel prices and favorable lending rates. By contrast, demand for passenger cars fell by 5%. Overall, there was a 3% increase in new registrations to just under 4.1 million units – the U.S.A.'s highest sales volume at the start of a year since 2001.

In Japan, the subdued economic situation and low level of consumer confidence resulted in a 7% decline in demand for passenger cars to approximately 1.2 million units in the first quarter of 2016.

In China, the halving of sales tax on purchases of passenger cars with a cubic capacity of less than 1.6 liters at the start of the fourth quarter of 2015 continued to have a positive impact in the reporting period. According to the VDA, passenger car sales volumes increased by 9% to 5.5 million units in the first three months of 2016, marking a new record for a first quarter. In the other BRIC countries, demand developed in line with the respective macro-economic situation. While volumes in India increased by another 2% in the first quarter of 2016, they fell by 28% in Brazil and by 17% in Russia.

According to preliminary data, global new passenger car registrations increased by 1.5% year-on-year to 22.1 million units in the first quarter of 2016.

New registrations/sales of passenger cars

in millions of units	Q1 2016	Q1 2015	Change
Europe (EU28 + EFTA)	3.9	3.6	8%
U.S.A.	4.1	3.9	3%
Japan	1.2	1.3	-7%
Brazil	0.5	0.6	-28%
Russia	0.3	0.4	-17%
India	0.7	0.7	2%
China	5.5	5.0	9%
Worldwide	22.1	21.7	1%

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

Development of production of passenger cars and light commercial vehicles

The situation in Europe was again varied in the period under review. In Western Europe, the rise in demand for passenger cars also resulted in higher production of passenger cars and light commercial vehicles weighing less than 6 metric tons. This particularly benefited manufacturers with plants in France, Spain and Italy, whereas production in Germany fell by 1% according to the VDA. This was partly due to the lower number of working days compared to the same period of the previous year and the fact that the Easter school holidays started earlier than in the previous year. In Eastern Europe, by contrast, the continuing decline in demand in Russia resulted in a corresponding decline in production figures. Preliminary data and estimates indicate that passenger car production in Europe grew by around 2% year-on-year in the first quarter of 2016. For 2016 as a whole, we continue to anticipate a 2% increase.

In NAFTA, increased demand meant that production of light commercial vehicles, particularly pickup trucks, was expanded in the first quarter of 2016, whereas passenger car production decreased year-on-year. Preliminary data indicates that total production of passenger cars and light commercial vehicles increased by 4% in the period under review. For 2016 as a whole, we still expect stagnating production volumes due to the high level of production achieved and the rising comparative basis.

Asia also presented a mixed picture in the reporting period compared to the previous year. Particularly in China as well as in India, there was a further increase in production of passenger cars and light commercial vehicles as a result of increased demand. By contrast, production volumes in Japan, South Korea and the ASEAN countries decreased. Preliminary data shows that production in Asia as a whole grew by 1% year-on-year in the first quarter of 2016. As a result of the somewhat better-than-expected production volumes in China, we now foresee growth of 3% for Asia rather than the previously forecast 2% for 2016 as a whole.

In South America, another decline in demand led to a further decrease in production of passenger cars and light commercial vehicles. According to preliminary data, production volumes decreased by 27% in the first quarter of 2016. For 2016 as a whole,

we now therefore foresee a more substantial decline in production of 15%, rather than our previous forecast of 5%.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased by 1% year-on-year in the first quarter of 2016. For 2016 as a whole, we are maintaining our forecast of 1.5%.

Development of production of medium and heavy commercial vehicles

In Europe, initial data show that production of commercial vehicles weighing more than 6 metric tons increased, particularly in Western Europe, where the rise in goods transportation by road was also reflected in increased demand for trucks. For 2016 as a whole, we still anticipate a 4% increase in production of medium and heavy commercial vehicles in Europe.

According to preliminary figures, commercial vehicle production in NAFTA decreased by 12% year-on-year in the period under review as expected. This was attributable to the slump in incoming orders in the fourth quarter of 2015. For 2016 as a whole, we continue to expect a 10% decline in production.

In China, production of medium and heavy commercial vehicles has already recovered somewhat in the current year after the significant decline in the previous year. Based on preliminary data, it rose by 3% in the first quarter. We also expect rising production volumes in India. By contrast, production in the ASEAN countries is likely to decline in 2016. For Asia as a whole, we are still assuming there will be an increase in commercial vehicle production of almost 2% in 2016.

According to preliminary data, South America posted another abrupt decline in commercial vehicle production of more than 30% in the first quarter of 2016. However, this downward trend is likely to slow in the following quarters owing to the lower comparative basis. For 2016 as a whole, we are lowering our forecast for commercial vehicle production in South America from -3% to -15%.

As a result of the decrease in the forecast for South America, we are also lowering our forecast for global commercial vehicle production from -0.5% to -1%.

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

In Europe - Continental's most important market for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons - the recovery in demand that began in 2015 also continued in the first quarter of 2016. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by 2% year-on-year in the reporting period. We also expect a slight increase in volumes in the following quarters and are still forecasting market growth of almost 2% for the year as a whole.

In NAFTA, there was a 5% increase in demand for replacement tires for passenger cars and light commercial vehicles in the period under review. However, this represents only a normalization of tire sales volumes, which had decreased by 6% in the equivalent quarter of the previous year as a result of the import duties imposed for tires imported from China to the U.S.A. For the remainder of the year, we expect that demand for replacement tires will grow in light of the rise in the number of miles driven. We are maintaining our forecast of 2% growth for the year as a whole due to the rising comparative basis.

According to initial figures, Asia saw a further increase in demand for replacement tires for passenger cars and light commercial vehicles. Particularly in China - the most important Asian market - preliminary data indicate that demand rose by 9% in the first quarter of 2016. In India, the growing economy is likely to have resulted in increasing sales volumes of replacement tires. By contrast, we anticipate generally stagnating demand in Japan, South Korea and the ASEAN countries. For Asia as a whole, we still foresee a 5% increase in replacement tire volumes for passenger cars and light commercial vehicles in 2016.

In South America, preliminary figures indicate that the persistently difficult economic situation in the reporting period brought about a 5% decline in demand for replacement tires for passenger cars and light commercial vehicles. For 2016 as a whole, we now foresee a 7% decline in volumes rather than our previous forecast of 3% due to the deterioration of the economic situation.

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

Development of replacement tire markets for medium and heavy commercial vehicles

According to preliminary data, demand for replacement tires for medium and heavy commercial vehicles in Europe rose by 2% in the period under review. Whereas in Western Europe it increased by 3%, in most Eastern European countries it stagnated. For the year as a whole, we still expect demand in Europe to pick up by 3% overall.

In NAFTA, preliminary data indicate that demand for replacement tires for medium and heavy commercial vehicles grew by 4% in the first quarter of 2016. For 2016 as a whole, we continue to anticipate growth of 2% due to the rising comparative basis.

In Asia, demand is likely to follow the economic development of the individual countries. For Asia as a whole, we still expect demand for replacement tires for medium and heavy commercial vehicles to grow by 2% in 2016.

In South America, demand for replacement tires for medium and heavy commercial vehicles also declined in the reporting period due to weaker economic activity. For the year as a whole, we are therefore lowering our forecast from -4% to -9%.

As a result, we are also adjusting our forecast for growth in global demand for replacement tires for medium and heavy commercial vehicles and now foresee an increase of 1% for 2016 as a whole rather than the previously forecast 2%.

Earnings, Financial and Net Assets Position of the Continental Corporation

in € millions	January 1 to March 31	
	2016	2015
Sales	9,850.7	9,568.9
EBITDA	1,505.5	1,403.2
in % of sales	15.3	14.7
EBIT	1,040.7	977.9
in % of sales	10.6	10.2
Net income attributable to the shareholders of the parent	733.9	656.7
Earnings per share in €	3.67	3.28
Research and development expenses	716.1	643.0
in % of sales	7.3	6.7
Depreciation and amortization ¹	464.8	425.3
thereof impairment ²	6.7	–
Capital expenditure ³	397.8	356.8
in % of sales	4.0	3.7
Operating assets as at March 31	19,882.2	19,538.5
Number of employees as at March 31 ⁴	212,417	202,496
Adjusted sales ⁵	9,710.3	9,568.9
Adjusted operating result (adjusted EBIT) ⁶	1,095.0	1,010.2
in % of adjusted sales	11.3	10.6
Net indebtedness as at March 31	3,083.3	4,098.7
Gearing ratio in %	23.1	33.5

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 2.9%

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

Consolidated sales for the first three months of 2016 climbed by 2.9% year-on-year to €9,850.7 million (PY: €9,568.9 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 3.6%.

Adjusted EBIT up 8.4%

Adjusted EBIT for the corporation increased by €84.8 million or 8.4% year-on-year to €1,095.0 million (PY: €1,010.2 million) in the first three months of 2016, corresponding to 11.3% (PY: 10.6%) of adjusted sales.

EBIT up 6.4%

EBIT rose by €62.8 million or 6.4% compared to the previous year to €1,040.7 million (PY: €977.9 million) in the first quarter of 2016. The return on sales rose to 10.6% (PY: 10.2%).

Special effects in the first quarter of 2016

Impairment losses on property, plant and equipment resulted in expense totaling €3.3 million in the Powertrain division.

Restructuring expenses of €0.2 million were incurred in the Powertrain division.

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

In addition, restructuring expenses resulted in a negative special effect totaling €0.8 million in the ContiTech division.

Total consolidated expense from special effects in the first three months of 2016 amounted to €14.9 million.

Special effects in the first quarter of 2015

Minor special effects resulted in income of €0.1 million in the Tire division and expense of €0.3 million in the ContiTech division.

Total consolidated expense from special effects in the first three months of 2015 amounted to €0.2 million.

Research and development expenses

In the first three months of 2016, research and development expenses rose by 11.4% compared with the same period of the previous year to €716.1 million (PY: €643.0 million), representing 7.3% (PY: 6.7%) of sales. €625.4 million (PY: €557.3 million) of this relates to the Automotive Group, corresponding to 10.4% (PY: 9.4%) of sales, and €90.7 million (PY: €85.7 million) to the Rubber Group, corresponding to 2.4% (PY: 2.3%) of sales.

Net interest result

The negative net interest result improved by €21.9 million year-on-year to €33.8 million (PY: €55.7 million) in the first quarter of 2016.

Interest expense - not including the effects of foreign currency translation, changes in the fair value of derivative instruments and of available-for-sale financial assets - totaled €75.2 million in the first three months of 2016 (PY: €90.4 million). At €34.4 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €13.7 million lower than the prior-year figure of €48.1 million. The major portion related to expense of €21.3 million (PY: €27.6 million) from the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maas-tricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and to expense of €2.8 million (PY: €5.4 million) from the utilization of the syndicated loan.

The interest cost on pension obligations as well as long-term employee benefits resulted in interest expense totaling €40.8 million (PY: €42.3 million) in the first three months of 2016. This does not include the interest expense related to the defined benefit obligations of the pension funds.

Interest income in the first quarter of 2016 decreased by €3.0 million year-on-year to €24.8 million (PY: €27.8 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €18.4 million (PY: €19.1 million). This does not include the interest income related to the plan assets of the pension funds.

In contrast to the previous year, valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates resulted in a positive overall contribution to earnings of €16.6 million (PY: negative effect of €2.4 million) in the first three months of 2016. Available-for-sale financial assets did

not give rise to any significant effect in the first quarter of 2016 (PY: positive effect of €9.3 million).

Income tax expense

Income tax expense in the first three months of 2016 amounted to €255.8 million (PY: €244.4 million). The tax rate in the reporting period was 25.4% after 26.5% for the same period of the previous year.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent was up 11.8% at €733.9 million (PY: €656.7 million), with earnings per share of €3.67 (PY: €3.28).

Financial Position

Reconciliation of cash flow

EBIT increased by €62.8 million year-on-year to €1,040.7 million (PY: €977.9 million).

Interest payments resulting in particular from the bonds declined by €25.3 million to €46.4 million (PY: €71.7 million).

Income tax payments fell by €52.0 million to €217.4 million (PY: €269.4 million).

At €493.5 million as at March 31, 2016, the net cash outflow arising from the increase in operating working capital was €38.0 million lower than the figure for the previous year of €531.5 million.

At €970.8 million as at March 31, 2016, cash provided by operating activities was €287.2 million higher than the previous year's figure of €683.6 million.

Cash flow arising from investing activities amounted to an outflow of €481.8 million (PY: €954.9 million) in the first three months of 2016. Capital expenditure on property, plant and equipment, and software was up €41.0 million from €356.8 million to €397.8 million before finance leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies and business operations resulted in a total cash outflow of €77.7 million (PY: €591.1 million).

The free cash flow in the first quarter of 2016 resulted in an inflow of €489.0 million (PY: outflow of €271.3 million), €760.3 million more than in the same period of the previous year.

Financing and indebtedness

As at March 31, 2016, the corporation's net indebtedness was down significantly by €1,015.4 million year-on-year to €3,083.3 million (PY: €4,098.7 million). This decrease is chiefly attributable to the very good free cash flow as at the end of 2015, which more than offset both the dividend payment for fiscal 2014 and also the reduction in long-term interest-bearing investments in particular. This reduction was due to the fact that part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets in fiscal 2015 on the basis of amendments to the articles of incorporation, which resulted in the long-term interest-bearing investments being offset against the associated obligations. At the end of the first quarter of 2016, €344.6 million was thus reported net of the associated obligations.

As at March 31, 2016, the corporation's net indebtedness was down €458.6 million in comparison to December 31, 2015, when it had amounted to €3,541.9 million. The gearing ratio improved to 23.1% (PY: 33.5%) as at the end of the first quarter of 2016.

There was a change in the portfolio of bonds in the second half of 2015: The U.S. dollar bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 with a volume of U.S. \$950.0 million and a fixed interest rate of 4.5% p.a. was redeemed early as at September 15, 2015, i.e. four years before it was due to mature in September 2019. The redemption price was 102.25%. On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., placed a euro bond with a nominal volume of €500.0 million under Continental's Debt Issuance Programme (DIP). The issue price was 99.739%. The new bond has a term of three years and three months and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a.

At the time the syndicated loan was concluded in April 2014 with a committed volume of €4.5 billion, it consisted of a term loan for an amount of €1.5 billion that matures in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There was a contractual amendment to the revolving tranche in April 2015. All the banks involved approved a one-year extension. This financing commitment was therefore available to Continental until April 2020. The term loan (PY: €1.5 billion) was fully repaid early by the end of March 2016. Early repayments totaling €1,150.0 million were already made in the fourth quarter of 2015. The utilization that remained after this in the amount of only €350.0 million was repaid at the end of March 2016. The committed volume of the syndicated loan, which consists of the revolving tranche only, likewise declined by €1.5 billion to €3.0 billion as at March 31, 2016. As at the end of March 2016, the revolving credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €65.9 million (PY: €279.4 million). In addition, there was a contractual amendment in April 2016. All the banks involved approved a one-year extension. This financing commitment is therefore available to Continental until April 2021.

As at March 31, 2016, Continental had liquidity reserves totaling €5,453.8 million (PY: €6,661.6 million), consisting of cash and cash equivalents of €1,693.8 million (PY: €2,372.3 million) and committed, unutilized credit lines totaling €3,760.0 million (PY: €4,289.3 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on the cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at March 31, 2016, unrestricted cash and cash equivalents totaled €1,285.1 million (PY: €2,101.9 million).

Change in net indebtedness

in € millions	January 1 to March 31	
	2016	2015
Cash flow arising from operating activities	970.8	683.6
Cash flow arising from investing activities	-481.8	-954.9
Cash flow before financing activities (free cash flow)	489.0	-271.3
Dividends paid to and cash changes from equity transactions with non-controlling interests	-0.7	-1.9
Non-cash changes	-20.2	29.9
Other	-4.9	-1,032.6
Foreign exchange effects	-4.6	0.7
Change in net indebtedness	458.6	-1,275.2

Capital expenditure (additions)

In the first quarter of 2016, capital expenditure on property, plant and equipment, and software amounted to €397.8 million (PY: €356.8 million). The capital expenditure ratio after three months is 4.0% (PY: 3.7%).

A total of €201.7 million (PY: €204.7 million) of this capital expenditure was attributable to the Automotive Group, representing 3.4% (PY: 3.5%) of sales. The Automotive Group invested primarily in production facilities for the manufacture of new products and implementation of new technologies, with investments being focused on expanding and establishing manufacturing capacity at best-cost locations. In the Chassis & Safety division, there were major additions relating to the expansion of production facilities for the Hydraulic Brake Systems and Vehicle Dynamics business units. Manufacturing facilities for electronic brake systems were expanded in particular. The Powertrain division invested primarily in the

expansion of production capacity for the Engine Systems, Fuel & Exhaust Management and Sensors & Actuators business units. In the Interior division, production capacity was expanded for the Instrumentation & Driver HMI and Body & Security business units.

The Rubber Group invested €195.9 million (PY: €151.8 million), equivalent to 5.1% (PY: 4.1%) of sales. In the Tire division, production capacity was expanded in North America as well as at European best-cost locations. There were major additions relating to the expansion of existing production sites in Sumter, South Carolina, U.S.A.; Puchov, Slovakia; Hefei, China; and Lousado, Portugal. Quality assurance and cost-cutting measures were also implemented. In the ContiTech division, there were major additions relating to the expansion of production capacity for the Mobile Fluid Systems, Benecke-Kaliko Group and Conveyor Belt Group business units. Investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €33,605.9 million (PY: €34,344.2 million), total assets as at March 31, 2016, were €738.3 million lower than on the same date in the previous year. The €402.1 million increase in goodwill to €6,600.9 million (PY: €6,198.8 million) and the €104.6 million rise in other intangible assets to €1,298.7 million (PY: €1,194.1 million) was chiefly a result of the acquisition of Elektrobit Automotive. Property, plant and equipment increased by €83.4 million to €9,434.9 million (PY: €9,351.5 million). Inventories fell by €84.1 million to €3,523.0 million (PY: €3,607.1 million). Trade accounts receivable also fell by €211.6 million to €7,185.1 million (PY: €7,396.7 million). At €1,693.8 million, cash and cash equivalents were down €678.5 million from €2,372.3 million in the same period of the previous year.

Equity including non-controlling interests was up €1,140.1 million at €13,361.9 million as compared to €12,221.8 million as at March 31, 2015. This was due primarily to the increase in the retained earnings of €2,154.8 million. Other comprehensive income changed by -€949.9 million to -€1,940.2 million (PY: -€990.3 million). Despite the acquisition of Elektrobit Automotive, the gearing ratio improved from 33.5% to 23.1%. The equity ratio rose to 39.8% (PY: 35.6%).

At €33,605.9 million, total assets were up €770.2 million compared with December 31, 2015 (PY: €32,835.7 million). In relation to the individual items of the statement of financial position, this is due to the rise in deferred tax assets of €145.3 million to €1,815.0 million (PY: €1,669.7 million), the increase in inventories of €162.9 million to €3,523.0 million (PY: €3,360.1 million) and the €462.2 million increase in trade accounts receivable to €7,185.1 million (PY: €6,722.9 million). This was countered by the €104.0 million decrease in property, plant and equipment to €9,434.9 million (PY: €9,538.9 million) as a result of exchange rate effects.

Equity including non-controlling interests was up €148.0 million at €13,361.9 million as compared to €13,213.9 million at the end of 2015. The positive net income attributable to the shareholders of the parent resulted in an increase of €733.9 million. Other comprehensive income changed by -€577.1 million to -€1,940.2 million (PY: -€1,363.1 million). The gearing ratio fell from 26.8% to 23.1%.

Employees

As at the end of the first quarter of 2016, the corporation employed 212,417 people, representing a rise of 4,518 in comparison to the end of 2015. The number of employees in the Automotive Group rose by 3,273 as a result of increased production volumes and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels led to an increase of 1,255 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 9,921.

Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31	
	2016	2015
Sales	2,201.8	2,136.0
EBITDA	302.8	297.3
in % of sales	13.8	13.9
EBIT	213.2	214.9
in % of sales	9.7	10.1
Depreciation and amortization ¹	89.6	82.4
thereof impairment ²	–	–
Capital expenditure ³	82.6	72.3
in % of sales	3.8	3.4
Operating assets as at March 31	4,380.8	4,145.3
Number of employees as at March 31 ⁴	40,764	38,607
Adjusted sales ⁵	2,201.8	2,136.0
Adjusted operating result (adjusted EBIT) ⁶	215.7	215.2
in % of adjusted sales	9.8	10.1

¹ Excluding impairment on financial investments.

² Impairment also includes necessary reversal of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Chassis & Safety

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first three months of 2016 was unchanged year-on-year at 6.1 million. In the Hydraulic Brake Systems business unit, sales of brake boosters fell by 3.5% year-on-year. Unit sales of brake calipers were down 8.4% on the previous year's level. In the Passive Safety & Sensorics business unit, sales of air bag control units were down slightly year-on-year. Unit sales of advanced driver assistance systems were up by approximately 51%.

Sales up 3.1%

Sales up 3.9% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division were up 3.1% at €2,201.8 million (PY: €2,136.0 million) in the first three months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 3.9%.

Adjusted EBIT up 0.2%

Adjusted EBIT for the Chassis & Safety division increased by €0.5 million or 0.2% year-on-year to €215.7 million (PY: €215.2 million) during the first three months of 2016, corresponding to 9.8% (PY: 10.1%) of adjusted sales.

EBIT down 0.8%

Compared with the same period of the previous year, the Chassis & Safety division reported a decrease in EBIT of €1.7 million or 0.8% to €213.2 million (PY: €214.9 million) in the first quarter of 2016. The return on sales fell to 9.7% (PY: 10.1%).

Special effects

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

Powertrain in € millions	January 1 to March 31	
	2016	2015
Sales	1,813.5	1,826.5
EBITDA	158.8	177.2
in % of sales	8.8	9.7
EBIT	66.5	96.7
in % of sales	3.7	5.3
Depreciation and amortization ¹	92.3	80.5
thereof impairment ²	3.3	–
Capital expenditure ³	60.9	66.7
in % of sales	3.4	3.7
Operating assets as at March 31	2,812.1	2,710.1
Number of employees as at March 31 ⁴	36,961	35,593
Adjusted sales ⁵	1,809.4	1,826.5
Adjusted operating result (adjusted EBIT) ⁶	72.6	98.8
in % of adjusted sales	4.0	5.4

1 Excluding impairment on financial investments.

2 Impairment also includes necessary reversal of impairment losses.

3 Capital expenditure on property, plant and equipment, and software.

4 Excluding trainees.

5 Before changes in the scope of consolidation.

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

Powertrain

Sales volumes

In the first three months of 2016, sales volumes of turbochargers and pumps in the Engine Systems business unit increased year-on-year, while sales volumes of engine control units and injectors were down on the previous year's level. The Sensors & Actuators business unit is continuing to record growth. Boosted by stricter exhaust gas legislation, higher sales volumes were achieved for exhaust gas sensors in particular. In the Hybrid Electric Vehicle business unit, sales volumes for power electronics and for battery and on-board power supply systems did not reach the previous year's level. Owing to program changeovers at the end of fiscal 2015, the sales volume of the Transmission business unit was down slightly year-on-year in the first quarter of 2016. The sales volume in the Fuel & Exhaust Management business unit increased in comparison to the same period of the previous year.

Sales down 0.7%

Sales up 0.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division were down 0.7% at €1,813.5 million (PY: €1,826.5 million) in the first three months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 0.7%.

Adjusted EBIT down 26.5%

Adjusted EBIT for the Powertrain division decreased by €26.2 million or 26.5% year-on-year to €72.6 million (PY: €98.8 million) in the first three months of 2016, corresponding to 4.0% (PY: 5.4%) of adjusted sales.

EBIT down 31.2%

Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €30.2 million or 31.2% to €66.5 million (PY: €96.7 million) in the first three months of 2016. The return on sales fell to 3.7% (PY: 5.3%).

Special effects in the first quarter of 2016

Impairment losses on property, plant and equipment resulted in expense totaling €3.3 million.

In addition, restructuring expenses of €0.2 million were incurred.

For the Powertrain division, the total negative impact from special effects in the first three months of 2016 amounted to €3.5 million.

Special effects in the first quarter of 2015

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

Interior in € millions	January 1 to March 31	
	2016	2015
Sales	2,023.0	1,975.2
EBITDA	237.4	252.9
in % of sales	11.7	12.8
EBIT	160.1	190.9
in % of sales	7.9	9.7
Depreciation and amortization ¹	77.3	62.0
thereof impairment ²	–	–
Capital expenditure ³	58.2	65.7
in % of sales	2.9	3.3
Operating assets as at March 31	4,402.4	3,974.5
Number of employees as at March 31 ⁴	41,436	37,232
Adjusted sales ⁵	1,987.7	1,975.2
Adjusted operating result (adjusted EBIT) ⁶	168.0	191.3
in % of adjusted sales	8.5	9.7

¹ Excluding impairment on financial investments.

² Impairment also includes necessary reversal of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Interior

Sales volumes

Sales volumes in the Body & Security business unit were significantly above the previous year's level in the first quarter of 2016. There were increases particularly in NAFTA and Asia. In the Infotainment & Connectivity business unit, sales volumes were down year-on-year, primarily due to expiring series of multimedia and connectivity systems in Europe and the Americas and of radio systems in Europe. This decrease was only partially offset by production starts and the significant rise in sales volumes in Asia. Sales volumes in the Commercial Vehicles & Aftermarket business unit were below the previous year's level. This was primarily due to the weaker market for tachograph business in Russia and Brazil in the area of commercial vehicles. The replacement parts and aftermarket business remained at the previous year's level as a result of stable demand in brake business. In the Instrumentation & Driver HMI business unit, sales volumes in the first three months of 2016 were higher than in the previous year. This was due mainly to production starts and increased demand in Europe.

Sales up 2.4%

Sales up 2.6% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division were up 2.4% at €2,023.0 million (PY: €1,975.2 million) in the first three months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 2.6%.

Adjusted EBIT down 12.2%

Adjusted EBIT for the Interior division decreased by €23.3 million or 12.2% year-on-year to €168.0 million (PY: €191.3 million) in the first three months of 2016, corresponding to 8.5% (PY: 9.7%) of adjusted sales.

EBIT down 16.1%

Compared with the same period of the previous year, the Interior division reported a decline in EBIT of €30.8 million or 16.1% to €160.1 million (PY: €190.9 million) in the first three months of 2016. The return on sales fell to 7.9% (PY: 9.7%).

Special effects

There were no special effects in the Interior division in either the first quarter of 2016 or the same period of the previous year.

Tires in € millions	January 1 to March 31	
	2016	2015
Sales	2,512.7	2,419.8
EBITDA	658.1	579.7
in % of sales	26.2	24.0
EBIT	530.0	454.0
in % of sales	21.1	18.8
Depreciation and amortization ¹	128.1	125.7
thereof impairment ²	–	–
Capital expenditure ³	146.7	100.9
in % of sales	5.8	4.2
Operating assets as at March 31	5,366.0	5,380.5
Number of employees as at March 31 ⁴	50,357	48,281
Adjusted sales ⁵	2,504.2	2,419.8
Adjusted operating result (adjusted EBIT) ⁶	533.0	455.6
in % of adjusted sales	21.3	18.8

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.

Tires

Sales volumes

After the first three months of 2016, sales volumes for passenger and light truck tires in both original equipment business and tire replacement business were up on the previous year's level. Sales volumes in commercial vehicle tire business were also around 7% higher than in the previous year.

Sales up 3.8%

Sales up 6.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Tire division were up 3.8% at €2,512.7 million (PY: €2,419.8 million) in the first three months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 6.7%.

Adjusted EBIT up 17.0%

Adjusted EBIT for the Tire division climbed by €77.4 million or 17.0% year-on-year to €533.0 million (PY: €455.6 million) in the first three months of 2016, corresponding to 21.3% (PY: 18.8%) of adjusted sales.

EBIT up 16.7%

Compared with the same period of the previous year, the Tire division reported an increase in EBIT of €76.0 million or 16.7% to €530.0 million (PY: €454.0 million) in the first quarter of 2016. The return on sales rose to 21.1% (PY: 18.8%).

Special effects in the first quarter of 2016

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

Special effects in the first quarter of 2015

For the Tire division, the total positive impact from special effects in the first three months of 2015 amounted to €0.1 million.

ContiTech in € millions	January 1 to March 31	
	2016	2015
Sales	1,359.1	1,268.3
EBITDA	176.1	129.2
in % of sales	13.0	10.2
EBIT	98.7	54.9
in % of sales	7.3	4.3
Depreciation and amortization ¹	77.4	74.3
thereof impairment ²	3.4	–
Capital expenditure ³	49.2	50.9
in % of sales	3.6	4.0
Operating assets as at March 31	3,000.3	3,418.2
Number of employees as at March 31 ⁴	42,501	42,399
Adjusted sales ⁵	1,266.3	1,268.3
Adjusted operating result (adjusted EBIT) ⁶	133.5	82.8
in % of adjusted sales	10.5	6.5

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.

ContiTech

Sales up 7.2%

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

Sales of the ContiTech division were up 7.2% at €1,359.1 million (PY: €1,268.3 million) in the first three months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 2.7%. Sales in Mobile Fluid Systems developed positively. Sales in the automotive business of the Power Transmission Group and Benecke-Kaliko Group business units also exceeded the previous year's level. In the Conveyor Belt Group business unit in particular, sales fell short of expectations due to the significant lack of investment by mining companies. In the Industrial Fluid Systems business unit, sales with customers from oil production industries were lower due to the current low oil price.

Adjusted EBIT up 61.2%

Adjusted EBIT for the ContiTech division rose by €50.7 million or 61.2% year-on-year to €133.5 million (PY: €82.8 million) in the first three months of 2016, corresponding to 10.5% (PY: 6.5%) of adjusted sales.

EBIT up 79.8%

Compared with the same period of the previous year, the ContiTech division reported an increase in EBIT of €43.8 million or 79.8% to €98.7 million (PY: €54.9 million) in the first quarter of 2016. The return on sales rose to 7.3% (PY: 4.3%).

Special effects in the first quarter of 2016

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

In addition, restructuring expenses resulted in a negative special effect totaling €0.8 million.

For the ContiTech division, the total negative impact from special effects in the first three months of 2016 amounted to €11.4 million.

Special effects in the first quarter of 2015

For the ContiTech division, the total negative impact from special effects in the first three months of 2015 amounted to €0.3 million.

Report on Risks and Opportunities

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

Report on Expected Developments and Outlook

After a successful start to fiscal 2016 in a challenging economic environment, we are confirming our forecast of €41 billion for the corporation's sales for the year on the whole assuming constant currency exchange rates. We still aim to achieve organic growth of 4% to 5%, despite slower growth of 3.6% in the first quarter of 2016. Our sales forecast is still around €25 billion for the Automotive Group and more than €16 billion for the Rubber Group.

In light of expectations that the operating performance of the Automotive Group will gradually improve after the anticipated slow start of production at our main customers and the start of many new projects as the year continues, and because we assume that the very good operating performance will continue in the Rubber Group, we are increasing our forecast for the adjusted EBIT margin from more than 10.5% to about 11%. For the Automotive Group, we confirm our forecast of at least 8.5% for the adjusted EBIT margin. For the Rubber Group, we are raising our forecast for the adjusted EBIT margin from around 15.5% to more than 16%.

We still expect a positive effect of about €100 million resulting from lower raw material costs for the Rubber Group in 2016. We have maintained our estimate for the average price of natural rubber (TSR 20) in 2016 at U.S. \$1.50 per kilogram, and for butadiene, a base material for synthetic rubber, at U.S. \$0.90 per kilogram.

We also confirm the following aspects of our forecast published on March 3, 2016: We still anticipate negative special effects of around €100 million. The amortization from purchase price allocation, which results primarily from the acquisitions of Veyance Technologies and Elektrobit Automotive, is expected to total around €150 million. In fiscal 2016, the capital expenditure ratio before financial investments will make up around 6% of sales. The negative net interest result will be better than €250 million and the corporation's tax rate will be around 30%.

We are raising our forecast for free cash flow before acquisitions, which was already at €567 million in the first quarter of 2016, from at least €1.8 billion to at least €2 billion for the current fiscal year.

Consolidated Financial Statements ›

Consolidated Statement of Income

in € millions	January 1 to March 31	
	2016	2015
Sales	9,850.7	9,568.9
Cost of sales	-7,249.6	-7,146.1
Gross margin on sales	2,601.1	2,422.8
Research and development expenses	-716.1	-643.0
Selling and logistics expenses	-548.0	-520.9
Administrative expenses	-243.7	-214.5
Other expenses and income	-69.0	-77.7
Income from at-equity accounted investees	16.4	11.2
Other income from investments	-	0.0
Earnings before interest and tax	1,040.7	977.9
Interest income	24.8	27.8
Interest expense	-58.6	-83.5
Net interest result	-33.8	-55.7
Earnings before tax	1,006.9	922.2
Income tax expense	-255.8	-244.4
Net income	751.1	677.8
Non-controlling interests	-17.2	-21.1
Net income attributable to the shareholders of the parent	733.9	656.7
Basic earnings per share in €	3.67	3.28
Diluted earnings per share in €	3.67	3.28

Consolidated Statement of Comprehensive Income

in € millions	January 1 to March 31	
	2016	2015 ¹
Net income	751.1	677.8
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans ²	-364.3	-288.4
Fair value adjustments ²	-554.2	-361.7
Currency translation ²	13.7	-45.1
Tax on other comprehensive income	176.2	118.4
Items that may be reclassified subsequently to profit or loss		
Currency translation ²	-210.2	744.4
Difference from currency translation ²	-210.2	744.4
Available-for-sale financial assets	0.1	-3.9
Fair value adjustments	0.1	5.4
Reclassification adjustments to profit and loss	0.0	-9.3
Cash flow hedges	-3.3	-
Fair value adjustments	15.7	-
Reclassification adjustments to profit and loss	-19.0	-
Tax on other comprehensive income	-2.5	6.3
Other comprehensive income	-580.2	458.4
Comprehensive income	170.9	1,136.2
Attributable to non-controlling interests	-10.6	-70.0
Attributable to the shareholders of the parent	160.3	1,066.2

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

² Including non-controlling interests.

Consolidated Statement of Financial Position

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

Assets in € millions	March 31, 2016	<i>Dec. 31, 2015</i>	March 31, 2015
Goodwill	6,600.9	6,640.6	6,198.8
Other intangible assets	1,298.7	1,336.4	1,194.1
Property, plant and equipment	9,434.9	9,538.9	9,351.5
Investment property	15.8	16.0	17.6
Investments in at-equity accounted investees	354.6	345.8	299.4
Other investments	39.7	14.1	12.5
Deferred tax assets	1,815.0	1,669.7	1,894.2
Defined benefit assets	16.7	18.9	3.1
Long-term derivative instruments and interest-bearing investments	31.5	17.1	289.4
Long-term other financial assets	49.4	47.6	37.3
Long-term other assets	22.8	21.5	21.9
Non-current assets	19,680.0	19,666.6	19,319.8
Inventories	3,523.0	3,360.1	3,607.1
Trade accounts receivable	7,185.1	6,722.9	7,396.7
Short-term other financial assets	465.0	434.7	423.9
Short-term other assets	837.5	803.9	873.7
Income tax receivables	141.8	149.7	131.0
Short-term derivative instruments and interest-bearing investments	69.4	64.3	166.0
Cash and cash equivalents	1,693.8	1,621.5	2,372.3
Assets held for sale	10.3	12.0	53.7
Current assets	13,925.9	13,169.1	15,024.4
Total assets	33,605.9	32,835.7	34,344.2
Equity and liabilities in € millions	March 31, 2016	<i>Dec. 31, 2015</i>	March 31, 2015
Subscribed capital	512.0	512.0	512.0
Capital reserves	4,155.6	4,155.6	4,155.6
Retained earnings	10,215.8	9,481.8	8,061.0
Other comprehensive income	-1,940.2	-1,363.1	-990.3
Equity attributable to the shareholders of the parent	12,943.2	12,786.3	11,738.3
Non-controlling interests	418.7	427.6	483.5
Total equity	13,361.9	13,213.9	12,221.8
Long-term employee benefits	4,306.4	3,696.5	4,232.3
Deferred tax liabilities	367.6	361.2	256.9
Long-term provisions for other risks and obligations	179.0	171.8	200.6
Long-term indebtedness	2,418.8	3,175.0	4,273.0
Long-term other financial liabilities	45.7	94.9	71.0
Long-term other liabilities	20.7	21.6	14.2
Non-current liabilities	7,338.2	7,521.0	9,048.0
Short-term employee benefits	1,484.2	1,269.4	1,389.2
Trade accounts payable	5,707.3	5,493.8	5,775.2
Income tax payables	736.9	719.8	707.9
Short-term provisions for other risks and obligations	793.4	845.5	827.2
Short-term indebtedness	2,459.2	2,069.8	2,653.4
Short-term other financial liabilities	1,017.5	1,066.4	963.9
Short-term other liabilities	706.8	634.1	737.7
Liabilities held for sale	0.5	2.0	19.9
Current liabilities	12,905.8	12,100.8	13,074.4
Total equity and liabilities	33,605.9	32,835.7	34,344.2

Consolidated Statement of Cash Flows

in € millions	January 1 to March 31	
	2016	2015 ¹
Net income	751.1	677.8
Income tax expense	255.8	244.4
Net interest result	33.8	55.7
EBIT	1,040.7	977.9
Interest paid	-46.4	-71.7
Interest received	5.4	8.7
Income tax paid	-217.4	-269.4
Dividends received	15.0	17.2
Depreciation, amortization, impairment and reversal of impairment losses	464.8	425.3
Income from at-equity accounted and other investments, incl. impairment and reversal of impairment losses	-16.4	-11.2
Gains/losses from the disposal of assets, companies and business operations	-1.3	-6.1
Changes in		
inventories	-199.5	-180.9
trade accounts receivable	-575.3	-855.1
trade accounts payable	281.3	504.5
employee benefits and other provisions	241.2	275.1
other assets and liabilities	-21.3	-130.7
Cash flow arising from operating activities	970.8	683.6
Cash flow from the disposal of property, plant and equipment, and intangible assets	4.2	10.2
Capital expenditure on property, plant and equipment, and software	-397.8	-356.8
Capital expenditure on intangible assets from development projects and miscellaneous	-10.5	-17.2
Cash flow from the disposal of companies and business operations	–	-1.7
Acquisition of companies and business operations	-77.7	-589.4
Cash flow arising from investing activities	-481.8	-954.9
Cash flow before financing activities (free cash flow)	489.0	-271.3
Change in indebtedness	-380.0	-768.7
Successive purchases	-2.2	–
Dividends paid to and cash changes from equity transactions with non-controlling interests	-0.7	-1.9
Cash and cash equivalents arising from first consolidation of subsidiaries	0.6	–
Cash flow arising from financing activities	-382.3	-770.6
Change in cash and cash equivalents	106.7	-1,041.9
Cash and cash equivalents at the beginning of the reporting period	1,621.5	3,243.8
Effect of exchange rate changes on cash and cash equivalents	-34.4	170.4
Cash and cash equivalents at the end of the reporting period	1,693.8	2,372.3

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

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital ¹	Capital reserves	Retained earnings	Successive purchases ²	Difference from			Subtotal	Non-controlling interests	Total
					remeasurement of defined benefit plans	currency translation	financial instruments ³			
As at Jan. 1, 2015	512.0	4,155.6	7,404.3	-19.4	-1,339.6	-51.1	10.3	10,672.1	352.5	11,024.6
Net income	–	–	656.7	–	–	–	–	656.7	21.1	677.8
Comprehensive income	–	–	–	–	-287.9	699.6	-2.2	409.5	48.9	458.4
Net profit for the period	–	–	656.7	–	-287.9	699.6	-2.2	1,066.2	70.0	1,136.2
Dividends paid/resolved	–	–	–	–	–	–	–	–	-16.7	-16.7
Other changes ⁴	–	–	–	–	–	–	–	–	77.7	77.7
As at March 31, 2015	512.0	4,155.6	8,061.0	-19.4	-1,627.5	648.5	8.1	11,738.3	483.5	12,221.8
As at Jan. 1, 2016	512.0	4,155.6	9,481.8	-39.8	-1,420.6	101.0	-3.7	12,786.3	427.6	13,213.9
Net income	–	–	733.9	–	–	–	–	733.9	17.2	751.1
Comprehensive income	–	–	0.1	–	-364.6	-204.6	-4.5	-573.6	-6.6	-580.2
Net profit for the period	–	–	734.0	–	-364.6	-204.6	-4.5	160.3	10.6	170.9
Dividends paid/resolved	–	–	–	–	–	–	–	–	-18.7	-18.7
Successive purchases	–	–	–	-3.6	–	–	–	-3.6	-0.8	-4.4
Other changes ⁴	–	–	–	0.2	–	–	–	0.2	–	0.2
As at March 31, 2016	512.0	4,155.6	10,215.8	-43.2	-1,785.2	-103.6	-8.2	12,943.2	418.7	13,361.9

1 Divided into 200,005,983 shares outstanding.

2 The amount in the reporting period resulted from the successive purchase of shares in a fully consolidated company; a subsequent purchase price adjustment and the first-time consolidation of previously non-consolidated subsidiaries.

3 The change in the difference arising from financial instruments, including deferred taxes, was mainly due to changes in the fair values of the cash flow hedges of -€4.5 million (PY: –) for interest and currency hedging and to available-for-sale financial assets of €0.0 million (PY: -€2.2 million).

4 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to March 31, 2016

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	2,194.9	1,792.9	2,020.4	2,507.9	1,334.6	–	9,850.7
Intercompany sales	6.9	20.6	2.6	4.8	24.5	-59.4	–
Sales (total)	2,201.8	1,813.5	2,023.0	2,512.7	1,359.1	-59.4	9,850.7
EBIT (segment result)	213.2	66.5	160.1	530.0	98.7	-27.8	1,040.7
in % of sales	9.7	3.7	7.9	21.1	7.3	–	10.6
Depreciation and amortization ¹	89.6	92.3	77.3	128.1	77.4	0.1	464.8
thereof impairment ²	–	3.3	–	–	3.4	–	6.7
Capital expenditure ³	82.6	60.9	58.2	146.7	49.2	0.2	397.8
in % of sales	3.8	3.4	2.9	5.8	3.6	–	4.0
Operating assets as at March 31	4,380.8	2,812.1	4,402.4	5,366.0	3,000.3	-79.4	19,882.2
Number of employees as at March 31 ⁴	40,764	36,961	41,436	50,357	42,501	398	212,417
Adjusted sales ⁵	2,201.8	1,809.4	1,987.7	2,504.2	1,266.3	-59.1	9,710.3
Adjusted operating result (adjusted EBIT) ⁶	215.7	72.6	168.0	533.0	133.5	-27.8	1,095.0
in % of adjusted sales	9.8	4.0	8.5	21.3	10.5	–	11.3

¹ Excluding impairment on financial investments.

² Impairment also includes necessary reversal of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Segment report for the period from January 1 to March 31, 2015

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	2,128.6	1,808.2	1,973.0	2,414.5	1,244.6	–	9,568.9
Intercompany sales	7.4	18.3	2.2	5.3	23.7	-56.9	–
Sales (total)	2,136.0	1,826.5	1,975.2	2,419.8	1,268.3	-56.9	9,568.9
EBIT (segment result)	214.9	96.7	190.9	454.0	54.9	-33.5	977.9
in % of sales	10.1	5.3	9.7	18.8	4.3	–	10.2
Depreciation and amortization ¹	82.4	80.5	62.0	125.7	74.3	0.4	425.3
thereof impairment ²	–	–	–	–	–	–	–
Capital expenditure ³	72.3	66.7	65.7	100.9	50.9	0.3	356.8
in % of sales	3.4	3.7	3.3	4.2	4.0	–	3.7
Operating assets as at March 31	4,145.3	2,710.1	3,974.5	5,380.5	3,418.2	-90.1	19,538.5
Number of employees as at March 31 ⁴	38,607	35,593	37,232	48,281	42,399	384	202,496
Adjusted sales ⁵	2,136.0	1,826.5	1,975.2	2,419.8	1,268.3	-56.9	9,568.9
Adjusted operating result (adjusted EBIT) ⁶	215.2	98.8	191.3	455.6	82.8	-33.5	1,010.2
in % of adjusted sales	10.1	5.4	9.7	18.8	6.5	–	10.6

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.

Reconciliation of EBIT to net income

in € millions	January 1 to March 31	
	2016	2015
Chassis & Safety	213.2	214.9
Powertrain	66.5	96.7
Interior	160.1	190.9
Tires	530.0	454.0
ContiTech	98.7	54.9
Other/consolidation	-27.8	-33.5
EBIT	1,040.7	977.9
Net interest result	-33.8	-55.7
Earnings before tax	1,006.9	922.2
Income tax expense	-255.8	-244.4
Net income	751.1	677.8
Non-controlling interests	-17.2	-21.1
Net income attributable to the shareholders of the parent	733.9	656.7

Segment reporting

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

Information on the development of Continental Corporation's five divisions can be found in the Corporate Management Report as at March 31, 2016.

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 issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations 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 2015. These methods are described in detail in the 2015 Annual Report. In addition, the IFRS amendments and new regulations effective as at March 31, 2016, have also been applied in the interim report. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2015 Annual Report.

The IFRS amendments and new regulations effective as at March 31, 2016, had no material effect on the reporting of the Continental Corporation.

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

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

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros. Please note that differences may arise as a result of the use of rounded amounts and percentages.

Companies consolidated

In addition to the parent company, the consolidated financial statements include 504 domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associated companies. Of these, 388 are fully consolidated and 116 are accounted for using the equity method.

The number of consolidated companies has increased by a total of two since December 31, 2015. One company was acquired, one was formed and one not yet consolidated unit was included in consolidation for the first time. In addition, the number of companies consolidated was reduced by one as a result of a merger.

Since March 31, 2015, the number of consolidated companies has increased by a total of 11. The additions to the consolidated group essentially result from the acquisition of Elektrobit Automotive. Companies no longer included in the scope of consolidation are mostly attributable to mergers.

Acquisition and disposal of companies and business operations

A share deal took place in the Tire segment. The purchase price of €11.3 million was paid in cash. The provisional purchase price allocation resulted in goodwill of €8.0 million and intangible assets of €1.6 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at March 31, 2016.

In the Powertrain segment, an asset deal with a purchase price of €26.7 million was concluded. The provisional purchase price allocation resulted in goodwill of €0.5 million and intangible assets of €33.4 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at March 31, 2016.

One successive purchase was completed in the period under review. The resulting difference between the purchase price and the value of the shares acquired of €0.2 million was reported under other comprehensive income.

Impairment

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

Income tax expense

Income tax expense in the first three months of 2016 amounted to €255.8 million (PY: €244.4 million). The tax rate in the reporting period was 25.4% after 26.5% for the same period of the previous year.

Adjusted presentation of the structure of the equity and liabilities side

The structure of the equity and liabilities side has been adjusted starting from the year under review, 2016, so as to increase the transparency of the presentation of employee benefits. As a result, from the comparative values as at December 31, 2015, an amount of €129.7 million from long-term provisions for other risks and obligations and an amount of €34.1 million from long-term other liabilities were reported under long-term employee benefits. As at March 31, 2015, an amount of €126.3 million from long-term provisions for other risks and obligations and an amount of €42.0 million from long-term other liabilities were reported under long-term employee benefits.

Long-term employee benefits

Compared to December 31, 2015, the remeasurement of defined benefit pension plans as at March 31, 2016, resulted in a €382.0 million decrease in other comprehensive income due to the drop in discount rates. The corresponding reduction in equity contrasted with a rise in long-term employee benefits of €556.0 million.

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the U.K., and not for other benefit obligations. In the period from January 1 to March 31, 2016, the companies of the Continental Corporation paid €8.2 million (PY: €4.9 million) into these pension funds.

Part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets in fiscal 2015 as a result of amendments to the articles of incorporation. At the end of the first quarter of 2016, assets in an amount of €344.6 million were thus reported net of the associated obligations.

Payments for retirement benefit obligations totaled €51.0 million (PY: €51.7 million) in the period from January 1 to March 31, 2016. Payments for obligations similar to pensions totaled €4.0 million (PY: €3.9 million).

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

in € millions	January 1 to March 31, 2016						January 1 to March 31, 2015					
	Germany	U.S.A.	CAN	U.K.	Other	Total	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	37.1	1.4	0.5	1.1	5.6	45.7	37.7	0.0	0.1	1.2	5.0	44.0
Interest on defined benefit obligations	21.9	13.0	1.4	3.4	2.2	41.9	20.2	11.2	0.8	3.5	2.0	37.7
Expected return on plan assets	-6.0	-9.4	-1.3	-3.5	-1.1	-21.3	-1.8	-8.0	-0.7	-3.5	-0.8	-14.8
Effect of change of asset ceiling	–	0.0	0.0	0.0	0.0	0.0	–	0.0	0.0	0.0	0.1	0.1
Other pension income and expenses	–	0.5	0.1	0.0	0.0	0.6	–	0.4	0.0	0.0	0.1	0.5
Net pension cost	53.0	5.5	0.7	1.0	6.7	66.9	56.1	3.6	0.2	1.2	6.4	67.5

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

in € millions	January 1 to March 31	
	2016	2015
Current service cost	0.5	0.4
Interest on healthcare and life insurance benefit obligations	2.5	2.2
Net cost of obligations similar to pensions	3.0	2.6

Indebtedness

At the time the syndicated loan was concluded in April 2014 with a committed volume of €4.5 billion, it consisted of a term loan for an amount of €1.5 billion that matures in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There was a contractual amendment to the revolving tranche in April 2015. All the banks involved approved a one-year extension. This financing commitment is therefore available to Continental until April 2020. The term loan (PY: €1.5 billion) was fully repaid early by the end of March 2016. Early repayments totaling €1,150.0 million were already made in the fourth quarter of 2015. The utilization that remained after this in the amount of only €350.0 million was repaid at the end of March 2016. The committed volume of the syndicated loan, which consists of the revolving tranche only, likewise declined by €1.5 billion to €3.0 billion as at March 31, 2016. As at the end of March 2016, the revolving credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €65.9 million (PY: €279.4 million).

For more information on indebtedness and net interest result from financial activities, please refer to the Corporate Management Report as at March 31, 2016.

Financial instruments

The carrying amounts and fair values of financial assets and liabilities in the various measurement categories, classified by statement of financial position category, as well as the summarized non-current and current items, are as follows:

in € millions	Measurement category in acc. with IAS 39	Carrying amount as at March 31, 2016	Fair value as at March 31, 2016	Carrying amount as at Dec. 31, 2015	Fair value as at Dec. 31, 2015
Other investments	AfS	39.7	39.7	14.1	14.1
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as effective hedging instruments	n. a.	26.8	26.8	4.2	4.2
Derivative instruments not accounted for as effective hedging instruments	HfT	36.1	36.1	43.4	43.4
Available-for-sale financial assets	AfS	16.1	16.1	16.7	16.7
Other receivables with a financing character	LaR	21.9	21.9	17.1	17.1
Trade accounts receivable	LaR	7,185.1	7,185.1	6,722.9	6,722.9
Other financial assets	LaR	514.4	514.4	482.3	482.3
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,672.3	1,672.3	1,600.5	1,600.5
Available-for-sale financial assets	AfS	21.5	21.5	21.0	21.0
Financial assets		9,533.9	9,533.9	8,922.2	8,922.2
Indebtedness					
Derivative instruments accounted for as effective hedging instruments	n. a.	–	–	0.9	0.9
Derivative instruments not accounted for as effective hedging instruments	HfT	22.7	22.7	12.0	12.0
Finance lease liabilities	n. a.	39.4	43.7	40.7	44.8
Other indebtedness	OL	4,815.9	5,017.3	5,191.2	5,381.0
Trade accounts payable	OL	5,707.3	5,707.3	5,493.8	5,493.8
Other financial liabilities	OL	1,063.2	1,062.7	2,063.6	2,062.8
Financial liabilities		11,648.5	11,853.7	12,802.2	12,995.3
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		36.1		43.4	
Loans and receivables (LaR)		9,393.7		8,822.8	
Available-for-sale financial assets (AfS)		77.3		51.8	
Financial liabilities held for trading (HfT)		22.7		12.0	
Financial liabilities measured at amortized cost (OL)		11,586.4		12,748.6	

Abbreviations

- > AfS: available for sale
- > HfT: held for trading
- > LaR: loans and receivables
- > n. a.: not applicable, not assigned to any measurement category
- > OL: other liability, financial liabilities measured at amortized cost

The following table shows the fair values of financial assets and liabilities and the respective levels of the fair value hierarchy in accordance with IFRS 13 relevant for calculating fair value.

- › Level 1: quoted prices on the active market for identical instruments.
- › Level 2: quoted prices on the active market for a similar instrument or a measurement method for which all major input factors are based on observable market data.
- › Level 3: measurement method for which the major input factors are not based on observable market data.

In addition to the fair values of financial instruments measured at fair value as set out in IAS 39, the table also includes financial instruments measured at amortized cost, which have a different fair value. Financial instruments measured at amortized cost whose carrying amounts are approximately equivalent to their fair value are not shown in the table.

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

in € millions		March 31, 2016	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	37.6	29.4	8.2	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	26.8	–	26.8	–
Derivative instruments not accounted for as effective hedging instruments	HfT	36.1	–	36.1	–
Financial assets measured at fair value		100.5	29.4	71.1	0.0
Derivative instruments not accounted for as effective hedging instruments	HfT	22.7	–	22.7	–
Financial liabilities measured at fair value		22.7	–	22.7	–
Finance lease liabilities	n. a.	43.7	–	43.7	–
Other indebtedness	OL	5,017.3	2,917.3	880.7	1,219.3
Other financial liabilities	OL	1,062.7	–	28.3	1,034.4
Financial liabilities not measured at fair value		6,123.7	2,917.3	952.7	2,253.7

in € millions		Dec. 31, 2015	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	37.7	28.8	8.9	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	4.2	–	4.2	–
Derivative instruments not accounted for as effective hedging instruments	HfT	43.4	–	43.4	–
Financial assets measured at fair value		85.3	28.8	56.5	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	0.9	–	0.9	–
Derivative instruments not accounted for as effective hedging instruments	HfT	12.0	–	12.0	–
Financial liabilities measured at fair value		12.9	–	12.9	–
Finance lease liabilities	n. a.	44.8	–	44.8	–
Other indebtedness	OL	5,381.0	2,907.0	1,329.2	1,144.8
Other financial liabilities	OL	2,062.8	–	34.7	2,028.1
Financial liabilities not measured at fair value		7,488.6	2,907.0	1,408.7	3,172.9

Litigation and compensation claims

In the proceedings against Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), as well as other companies in connection with suspected antitrust violations in the instrument cluster business, the Supreme Court of South Korea rejected CAE's appeal on March 24, 2016. CAE had lodged the appeal against the fine imposed by criminal courts, originally in an amount of KRW 200 million (around €154,000), then reduced to KRW 100 million (around €77,000) in response to a prior appeal of CAE. Otherwise, there were no significant new findings in the reporting period with regard to litigation and compensation claims. For further information, please refer to the comments in the 2015 Annual Report.

Contingent liabilities and other financial obligations

As at March 31, 2016, there were no material changes in the contingent liabilities and other financial obligations as described in the 2015 Annual Report.

Appropriation of net income

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

In 2015, a dividend of €3.25 per share was distributed by Continental AG to its shareholders for 2014. With 200,005,983 shares

entitled to dividends, the total distribution therefore amounted to €650,019,444.75. The remaining amount was carried forward to new account.

Earnings per share

After the first three months of 2016, basic earnings per share amounted to €3.67 (PY: €3.28), the same amount as diluted earnings per share.

Transactions with related parties

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

German Corporate Governance Code

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

Review by an independent auditor

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

Significant Events after March 31, 2016

In April 2016, there was a contractual amendment to the syndicated loan of €3.0 billion, which now only consists of the revolving tranche. All the banks involved approved a one-year extension. This financing commitment is therefore available to Continental until April 2021.

The earthquake on April 16, 2016, in the Kumamoto Prefecture, Japan, severely damaged the production facilities of one of the world's largest producers of semiconductors, Renesas Electronics. It is still too early to estimate the impact this will have on the supply chain for the semiconductor products, which are difficult to substitute.

Hanover, April 21, 2016

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2016	
Preliminary figures for fiscal 2015	January 11
Annual Financial Press Conference	March 3
Analyst and Investor Conference Call	March 3
Annual Shareholders' Meeting (including key figures for the first quarter of 2016)	April 29
Financial Report as at March 31, 2016	May 4
Half-Year Financial Report as at June 30, 2016	August 3
Financial Report as at September 30, 2016	November 10

2017	
Preliminary figures for fiscal 2016	January
Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting (including key figures for the first quarter of 2017)	April 28
Financial Report as at March 31, 2017	May
Half-Year Financial Report as at June 30, 2017	August
Financial Report as at September 30, 2017	November

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If you wish to receive copies of any of these reports, please contact:

Continental AG, Corporate Communications

P.O. Box 169, 30001 Hanover, Germany

Phone: +49 511 938-1146

Fax: +49 511 938-1055

E-mail: prkonzern@conti.de

The Annual Report and the interim reports are available on the Internet at:

www.continental-corporation.com

Continental Aktiengesellschaft

P.O. Box 1 69, 30001 Hanover, Germany

Vahrenwalder Strasse 9, 30165 Hanover, Germany

Phone: +49 511 938-01, Fax: +49 511 938-81770

mailservice@conti.de

www.continental-corporation.com