

**The Future in Motion**  
Financial Report  
as at September 30, 2013

Q3

# Continental Shares and Bonds

## Volatile performance on equity markets

Until the end of May 2013, the highly expansive monetary policy of the U.S. Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of Japan caused rising share prices and new all-time highs on the DAX and the Dow Jones Index. At the end of May, hints from the Fed as to limiting and possibly ending its monthly bond purchases triggered a turnaround in sentiment and price losses on the capital markets. In addition, there were weaker industrial production figures from China and disappointing inflation data for Japan. On June 20, 2013, the Fed revealed its monetary policy planning, making statements on a reduction of bond purchases before the end of the current year and a likely cessation by the middle of 2014, thereby causing a further decline of share prices in Europe and the United States. The effects of this were amplified by reports of liquidity shortfalls on the Chinese banking market.

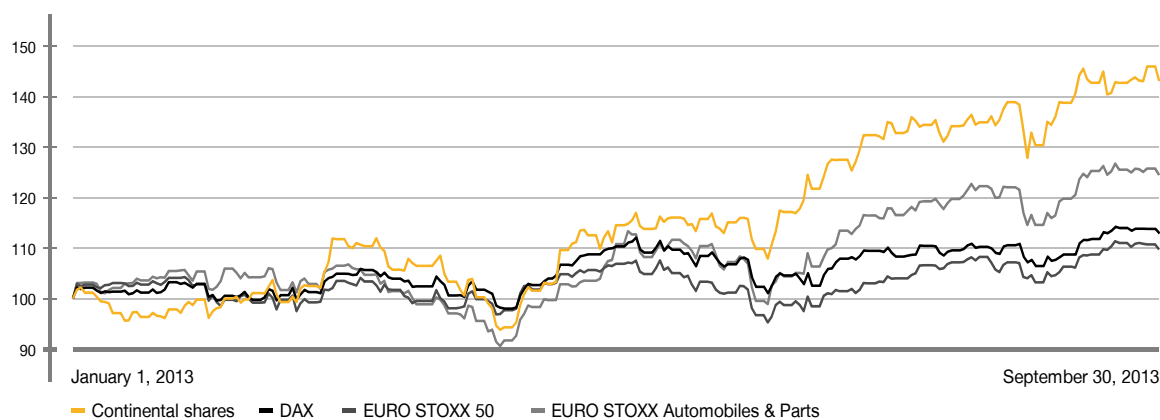
The sovereign debt crisis in Europe flared up again at the start of the third quarter of 2013. The situation in Egypt also unsettled many investors. The ECB's announcement that its low key interest rates would continue for an "extended period" – the first time it has made such an announcement – and reaffirming statements by the central banks of the U.S.A., Japan and China that they would continue their expansive monetary policy calmed the global capital markets and led to a recovery in share prices.

At the end of August, markets were unsettled by fears of an imminent military strike by the U.S.A. against Syria. The agreement to destroy Syria's chemical weapons and growing expectations of an only gradual change in the Fed's relaxed monetary policy allowed share prices to rise again in September. The Fed's unrestricted continuation of monthly bond purchases first came as a positive surprise to investors, driving the DAX and the Dow Jones Index to new record highs. But then at the end of September, comments by Fed members on the forthcoming tapering of bond purchase volumes and the unresolved dispute over the U.S. federal budget and the debt ceiling led to slight profit taking on the stock markets.

## Gratifying performance of Continental shares

The automotive sector struggled with weaker overall economic indicators and strong declines in sales volume of cars and tires in Europe in particular in the first four months of 2013. Against this backdrop, Continental shares lost their first-quarter gains and reached their low for the year to date on April 23 at €80.66 – well below the 2012 closing price of €87.59. The publication of our results for the first quarter of 2013 and the positive market environment following the ECB's interest cut announcement on May 2, 2013, allowed the price of Continental shares to rise strongly. Closing at €102.60, Continental's share price increased by 17.1% in the first half of 2013.

Share price performance (indexed to January 1, 2013)



	Sept. 30, 2013	in % vs. Dec. 31, 2012
Continental shares	125.30	43.1
DAX	8,594.40	12.9
EURO STOXX 50	2,893.15	9.8
EURO STOXX Automobiles & Parts	420.59	24.5

At the start of the third quarter of 2013, strong car sales figures in the U.S.A. and a stabilization of demand for cars and replacement tires in Europe drove strong share price increases for many automobile manufacturers and suppliers. Continental shares shot up in this context as well, while additionally benefiting from Fitch's credit rating upgrade to investment grade. Our business figures for the first half of 2013, which were better than expected by market participants, led to further share price gains in August. Moreover, our shares also benefited from the gradual early termination of the euro bonds issued in 2010 and their successful refinancing with new bonds with significantly lower interest rates. Finally, the rating upgrade by Moody's to investment grade in September also positively influenced the share price.

The highest price in the reporting period was achieved in the course of September 11, 2013, at €128.60. Having closed at €125.30 on September 30, 2013, Continental shares generated a price gain of €37.71 or 43.1% in the first nine months of 2013. Including the distributed dividend of €2.25, the overall performance is calculated at €39.96 or 45.6%. Thus, in the first nine months of 2013, Continental shares not only significantly outperformed the DAX and the EURO STOXX 50, but also the EURO STOXX Automobiles & Parts by 18.6 percentage points.

Continental shares continued their rising trend at the start of the fourth quarter of 2013 – buoyed by a rating upgrade by Standard & Poor's and positive analyst recommendations. They were also positively influenced by the signs of conciliation in the U.S. budget dispute. As at October 22, 2013, Continental shares were listed at €137.20.

#### Free float up to 54.0%

On September 17, 2013, our major shareholder, the Schaeffler Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares and thus reduced its shareholding in Continental AG from 49.9% to 46.0%. Free float as defined by Deutsche Börse AG climbed accordingly from 50.1% to 54.0%. As a result of this and following their strong ascent in the third quarter, Continental shares ranked 16<sup>th</sup> (end of June 2013: 20<sup>th</sup>) among the 30 DAX securities in terms of free float market capitalization at the end of September 2013.

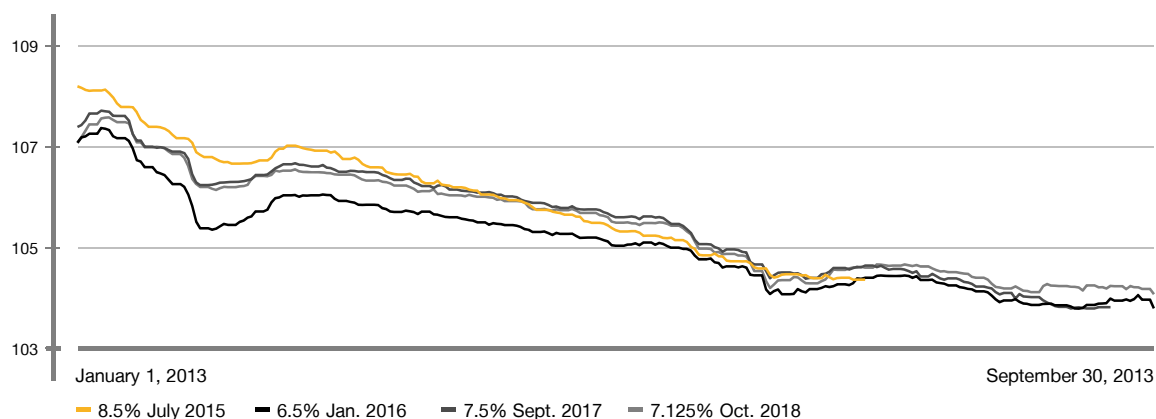
#### Gradual termination of the 2010 euro bonds

The euro bonds issued in 2010 continued their price decline in the reporting period. In the first half of the year, the prices of the four bonds fell by between 274 and 380 basis points, and were listed at between 104.0% and 104.5% at the end of June 2013. The significant price drop resulted from the growing expectation on the market that all bonds would be terminated on account of the more favorable refinancing options. The 2010 euro bonds were gradually terminated and redeemed early over the course of the reporting period:

- ▶ in May the termination of the 8.5% bond to be redeemed on July 15, 2013, at 104.25%,
- ▶ in July the termination of the 7.5% bond to be redeemed on September 16, 2013, at 103.75%,
- ▶ in September the termination of the 7.125% bond to be redeemed on November 8, 2013, at 103.563%, and also
- ▶ in September the termination of the 6.5% bond to be redeemed on November 18, 2013, at 103.25%.

The listed prices of the four bonds continued to decline accordingly in the direction of the respective early redemption prices.

### Price performance of the 2010 euro bonds



### Successful placement of three new euro bonds

To refinance the terminated bonds, three new euro bonds with a nominal volume of €750.0 million each were issued under the debt issuance program set up in May 2013:

- ▶ a five-year 3.0% bond by Continental AG at 98.95% on July 9,
- ▶ a seven-year 3.125% bond by Continental AG at 99.228% on September 2 and
- ▶ a three-and-a-half year 2.5% bond by Conti-Gummi Finance B.V., Maastricht, Netherlands, at 99.595% on September 12.

All the issuances were very much in demand among institutional and private investors in Germany and abroad, and were heavily oversubscribed. In the week following their respective placement, they were admitted to trading on the regulated market of the Luxembourg Stock Exchange. At the end of September, all three bonds were listed substantially higher than their issuing prices, greatly boosted by Continental AG's credit rating upgrades into investment grade by Fitch in July and Moody's in September.

### U.S. dollar bond profits from rating upgrade

The price of our 4.5% U.S. dollar bond climbed from 102.293% at the start of January 2013 to 104.787% at the end of May, lifted by Continental AG's significantly improved credit ratings and accounting ratios, before the Fed's statements mentioned above on tapering their bond purchases caused sharp rises in

interest rates and falling prices on the global bond markets. Against this backdrop, the price of our U.S. dollar bond declined to a level of 101.5% amidst highly volatile trading by mid-September. Then, on September 19, 2013, the hike in our credit rating by Moody's spurred a surge in the price of our U.S. dollar bond.

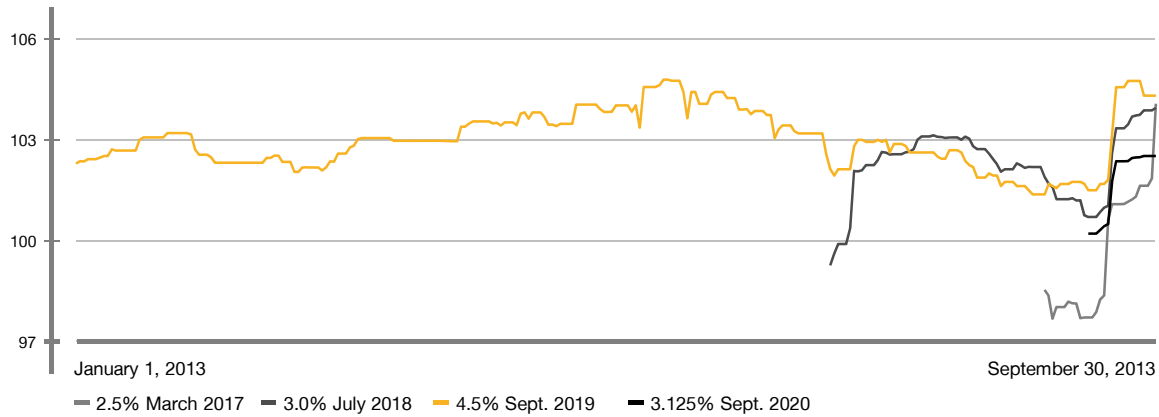
### Continental CDS premium at five-year low

Our good operating performance and the rating upgrades caused the premium for insuring credit risks (credit default swap, CDS) against Continental AG to fall heavily in the first nine months of 2013: The five-year CDS for Continental senior bonds fell from 197.538 basis points at the end of 2012 to a new five-year low of 126.096 basis points on September 25, 2013. The CDS premium was only slightly higher than this at 130.629 basis points at the end of the reporting period. The spread against the ITraxx reference index declined steadily over the period under review and was only 27 basis points on September 30, 2013.

### Continental's credit rating raised

Fitch was the first rating agency which no longer sees the need for a parent-subsidary criterion in its assessment of Continental's credit rating. Fitch thus raised our rating from "BB, stable outlook" to "BBB, stable outlook", and therefore back to investment grade, on July 15, 2013.

**Price performance of the new euro bonds and the U.S. dollar bond**



The increase in the free float of Continental shares also prompted Moody's to disregard the parent-subsidary criterion: On September 19, 2013, it returned Continental to investment grade at "Baa3, stable outlook". The stand-alone rating was already improved to "Baa2" in a sector study on May 31, 2013.

On October 1, 2013, Standard & Poor's raised its credit rating for Continental to "BB+, stable outlook" while retaining the parent-subsidary criterion. Standard & Poor's had previously already raised its credit rating for Continental from "BB-, positive outlook" to "BB, stable outlook" and improved our stand-alone rating from "BBB-" to "BBB" on May 24, 2013.

Continental's credit ratings as at October 22, 2013, are as follows:

	<b>Rating</b>	<b>Outlook</b>
Fitch	BBB	stable
Standard & Poor's	BB+	stable
Moody's	Baa3	stable

Further information on Continental shares, the Continental bonds and the rating changes can be found on the Internet at [www.continental-ir.de](http://www.continental-ir.de).

## Key Figures for the Continental Corporation

Owing to the first-time adoption of IAS 19 (revised 2011), *Employee Benefits*, as at January 1, 2013, all subsequent figures for the comparative periods have been restated in accordance with the requirements of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	24,923.9	24,640.5	8,349.6	8,134.3
EBITDA	3,801.8	3,690.9	1,322.5	1,198.3
in % of sales	15.3	15.0	15.8	14.7
EBIT	2,516.9	2,420.2	886.3	766.8
in % of sales	10.1	9.8	10.6	9.4
Net income attributable to the shareholders of the parent	1,576.0	1,452.4	434.1	449.2
Earnings per share in €	7.88	7.26	2.17	2.25
Adjusted sales <sup>1</sup>	24,789.9	24,614.4	8,306.2	8,108.2
Adjusted operating result (adjusted EBIT) <sup>2</sup>	2,794.3	2,709.3	1,017.4	854.2
in % of adjusted sales	11.3	11.0	12.2	10.5
Free cash flow	414.2	168.3	502.4	41.9
Net indebtedness as at September 30	5,589.7	6,802.2		
Gearing ratio in %	61.6	87.1		
Number of employees as at September 30 <sup>3</sup>	177,387	169,909		

<sup>1</sup> Before changes in the scope of consolidation.

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

<sup>3</sup> Excluding trainees.

## Key Figures for the Core Business Areas

Automotive Group in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	15,015.7	14,771.8	4,945.0	4,764.3
EBITDA	1,862.7	1,792.1	621.0	556.2
in % of sales	12.4	12.1	12.6	11.7
EBIT	945.6	857.8	309.0	239.9
in % of sales	6.3	5.8	6.2	5.0
Depreciation and amortization <sup>1</sup>	917.1	934.3	312.0	316.3
– thereof impairment <sup>2</sup>	6.7	-0.4	5.8	-2.0
Capital expenditure <sup>3</sup>	614.2	625.5	229.9	231.2
in % of sales	4.1	4.2	4.6	4.9
Operating assets as at September 30	11,009.0	11,567.2		
Number of employees as at September 30 <sup>4</sup>	103,465	99,126		
Adjusted sales <sup>5</sup>	15,010.5	14,745.7	4,945.0	4,738.2
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,181.8	1,170.3	400.4	342.9
in % of adjusted sales	7.9	7.9	8.1	7.2

Rubber Group in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	9,939.0	9,889.9	3,415.0	3,378.1
EBITDA	2,016.3	1,954.0	730.5	666.5
in % of sales	20.3	19.8	21.4	19.7
EBIT	1,648.8	1,618.1	606.4	551.5
in % of sales	16.6	16.4	17.8	16.3
Depreciation and amortization <sup>1</sup>	367.5	335.9	124.1	115.0
– thereof impairment <sup>2</sup>	-1.4	-3.9	0.2	-1.1
Capital expenditure <sup>3</sup>	719.9	640.9	237.6	207.0
in % of sales	7.2	6.5	7.0	6.1
Operating assets as at September 30	6,166.7	6,012.4		
Number of employees as at September 30 <sup>4</sup>	73,617	70,495		
Adjusted sales <sup>5</sup>	9,800.5	9,889.9	3,368.9	3,378.1
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,692.4	1,602.1	646.1	539.8
in % of adjusted sales	17.3	16.2	19.2	16.0

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

# Corporate Management Report as at September 30, 2013

## **Personnel changes: Tenure of Chairman extended and Executive Board team strengthened**

At its meeting on September 25, 2013, the Supervisory Board of Continental AG made two personnel decisions. It renewed the appointment of the Executive Board Chairman, Dr. Elmar Degenhart, for another five years, through August 2019. It also appointed Frank Jourdan, previously head of the Electronic Brake Systems business unit, as a new member of the Executive Board, with immediate effect. He assumed responsibility for the Chassis & Safety division, taking over from Dr. Ralf Cramer, also an Executive Board member, who has been at the helm of Continental China, residing in Shanghai, since August 1, 2013.

## **Acquisition of ASL Vision**

On January 11, 2013, we announced the acquisition of the British company ASL Vision. With this step, we are enhancing our technology portfolio by adding 360-degree vehicle surroundings detection, while at the same time broadening our expertise in the field of cameras. The feature will expand the product portfolio of camera-based advanced driver assistance features and optimally detect the entire vehicle surroundings.

## **Continental and Cisco present proof-of-concept vehicle**

On August 6, 2013, Continental and Cisco Systems GmbH presented a proof-of-concept vehicle equipped with secure and seamless network technology. This demonstrated how car manufacturers can provide their customers with the same level of network security that is available at home or in the office. The initial proof of concept shows how the combination of automotive and networking expertise can meet the requirements for the next generation of vehicles. Continental and Cisco are also planning to work together to develop solutions that help constant connectivity of vehicles to become established.

## **Continental and IBM enter collaboration**

On September 10, 2013, Continental and IBM Deutschland GmbH announced that they intend to jointly develop fully-connected mobile vehicle solutions for car manufacturers. The planned activities will focus on the development of a highly scalable cloud platform that will enable automotive manufacturers to deliver an innovative range of mobile in-car services. For ex-

ample, it will enable software updates and vehicle electronics functions to be obtained via the Internet, thereby removing the need for costly and inconvenient workshop visits.

## **Expansion of Conveyor Belt Systems business**

ContiTech has strengthened its Conveyor Belt Systems business with the acquisition of Legg Company, Inc., Halstead, Kansas, U.S.A. The transaction was closed on July 1, 2013. As a result of the transaction, we have our own production base for agricultural and industrial conveyor belts in the U.S.A. and an established sales network in North America.

## **Top marks for ContiWinterContact TS 850**

The ContiWinterContact TS 850 took the top spot for both of the common tire sizes 185/60 R 15 T and 225/45 R 17 H in tire tests by the automobile clubs ADAC (Germany), ÖAMTC (Austria) and TCS (Switzerland). ADAC particularly emphasized the tire's very good performance on wet roads, snow and ice and its excellent balance, as well as attesting its low fuel consumption and wear. A total of 32 tire models were tested in 18 disciplines on snow, ice, and wet and dry road surfaces.

## **Electric vacuum pump reduces CO<sub>2</sub> emissions**

With our light plastic electric vacuum pump (EVP), we present a solution for reducing emissions. Using an EVP saves around 1.4 to 1.8 grams of CO<sub>2</sub> per kilometer compared to a mechanical vacuum pump. Since it does not rely on the combustion engine, it can provide a vacuum even if the engine is switched off as part of a stop-start function, for example. Restarting the engine when a vacuum is required would otherwise result in heightened emissions.

## **"48 Volt Eco Drive" offers mild hybrid functions**

Electrification of the powertrain will help make future vehicles efficient and environmentally friendly, while also offering high performance. This is why in September 2013 we presented our new "48 Volt Eco Drive" system, which supplements the traditional 12 volt electrical network with a 48 volt system. The "48 Volt Eco Drive" system is easy to install, while also offering many of the functions and fuel economy benefits that were previously confined to mild hybrids with their higher voltage level.



## Economic Environment

### Macroeconomic development

The German economy expanded in the second quarter of 2013 thanks to greater corporate investment and rising consumer spending. This can be seen by the surprisingly strong growth of 0.7% compared to the stagnant first quarter of 2013. In its October forecast, the International Monetary Fund (IMF) was more optimistic about economic development in Germany and raised its growth projection for gross domestic product (GDP) for 2013 by 0.2 percentage points to 0.5%.

In the second quarter of 2013, the eurozone overcame the longest recession in its history, which had lasted 18 months. Growth in Germany and France especially allowed a total increase in GDP after adjustment for seasonal effects of 0.3% compared to the first quarter; however, the economies of Italy, Spain and other Southern European nations continued to contract. In support, the European Central Bank (ECB) stepped up its expansive monetary policy and on May 2, 2013, lowered its key interest rate by 0.25 percentage points to 0.50%. Moreover, at the start of the third quarter, the ECB stated that its low interest policy would continue for an indefinite "extended period" – the first time it has made such an announcement. Unemployment in the eurozone was also down slightly in August for the third time in a row, though the unemployment rate remained at a very high level of 12.0%. The continued improvement of various sentiment indicators means that further slight growth is assumed for the third and fourth quarters. In its October report, the IMF raised the 2013 GDP forecast for the eurozone from -0.6% to -0.4%.

The economy in the U.S.A. continued to grow despite the massive austerity measures of the sequester (automatic investment and spending cuts on failure to reach a consensus on raising the debt ceiling): After +1.1% in the first quarter of 2013, GDP increased by as much as 2.5% in the second, benefiting from the recovery of the real estate market and private consumer spending. Further growth is also generally expected for the third and fourth quarters. However, the momentum is expected to slow as the consumer climate deteriorated in August and September. In September, the Fed retained its highly expansive monetary policy unchanged after it had still been talking about reducing its monthly bond purchases in the current year in June. The dispute over the U.S. federal

budget heightened over the course of the third quarter and on October 1, 2013, escalated into the government shutdown, the closure or bare-bones operation of many U.S. government offices. Following a late agreement on an interim budget until mid-January 2014 and the raising of the debt ceiling until February 2014, economic growth is expected to slow over the remainder of the year. At the start of October, the IMF had already lowered its estimate for the GDP of the U.S.A. by 0.1 percentage points to 1.6% on account of its weakening momentum.

In Japan, the economy has been profiting from the depreciation of the yen since the end of September 2012. The initiation of quantitative action by the Bank of Japan accelerated depreciation again in April 2013. The yen's loss of value over the last 12 months amounted to more than 20% compared to the euro and the U.S. dollar as at the end of September 2013. Japanese GDP rose in the second quarter by 0.9% compared to the previous quarter. This was mainly aided by higher government spending and, for the first time in six quarters, rising corporate investment. However, the increase in excise duties from April 1, 2014, announced on October 1, 2013, is expected to have a negative effect on private consumer spending. For 2013, the IMF is still forecasting a GDP increase of 2.0% but is urging structural reforms for future growth.

Given the weaker economic data from major emerging countries, the IMF reduced its October forecast for the emerging and developing nations significantly by a further 0.5 percentage points and is now projecting economic growth for this group of countries of 4.5% in 2013. The driving force behind this and the global economy is still China. The tax relief resolved in July for small and medium-sized companies, combined with a rise in exports and stronger private consumer spending, led to a 7.8% increase in GDP in the third quarter compared to the same quarter of the previous year – after growth of 7.7% in the first quarter and 7.5% in the second. For 2013 as a whole, the IMF adjusted its growth projection for China from 7.75% to currently 7.6% in October. The IMF lowered its 2013 GDP forecast more significantly for India by 1.8 percentage points to 3.8% and for Russia by 1.0 percentage points to 1.5%.

In its October 2013 World Economic Outlook, the IMF reduced its growth forecast for the global economy

from 3.1% to 2.9% for the current year. The forecast for 2014 was also cut by a further 0.2 percentage points to 3.6%. The IMF still believes that there are considerable risks in the high debt levels of many countries, particularly among the developed economies. According to the IMF, structural reforms continue to be needed to effectively counter risks. In addition, the IMF sees risks from future rising interest rates in the U.S.A., which could lead to tangible capital outflows in other regions.

#### Development of new car registrations

At the start of the year, the recession in many euro-zone countries was reflected in significantly lower passenger car demand, which, however, increasingly stabilized as the year progressed: After a drop in new registrations of 10% year-on-year in the first quarter of 2013, the decline slowed to 4% in the second. The third quarter of 2013 saw an increase of 3% in new registrations compared to the previous year. The U.K. and Spain in particular made positive contributions here. Nonetheless, 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 in Europe (EU27+EFTA) fell by a total of 4% year-on-year in the first nine months of 2013, and is thus still at a very low level.

In Japan as well, passenger car sales rose for the first time this year in the third quarter. However, for the first nine months of 2013 there was an overall drop in passenger car sales of 5% year-on-year. In analyzing

the reporting period it should be noted that the first half of 2012 formed a very high prior-year basis on account of the catch-up effects in the aftermath of the Fukushima disaster, and that the Japanese government's purchase incentive program ended in September 2012.

In the U.S.A., car sales rallied in the wake of the economic recovery, rising by 8% year-on-year to 11.7 million units in the first nine months of 2013.

China again experienced a significant rise in demand in the reporting period. Year-on-year, car sales climbed by 21% to 11.6 million units. On the other hand, slowing economic growth in the other BRIC nations meant a decline in sales figures for passenger cars.

Overall, new car registrations climbed by 4% year-on-year to 61.7 million units worldwide in the first nine months of 2013, according to preliminary data.

#### Development of production

After a drop in the first quarter of 2013, passenger car production stabilized in Europe, Continental's most important market within the Automotive Group with a 50% share of sales. In addition to steadying demand within Europe, the main reason for this was the rise in exports by German manufacturers to the U.S.A. and China. At 14.2 million units, the drop in European production in the reporting period was around 3% year-on-year. Given the updated half-year values, we are now projecting a decline of 3% to 18.8 million units for the year as a whole.

#### New registrations/sales of passenger cars in millions of units

	Jan. 1 to Sept. 30, 2013	Jan. 1 to Sept. 30, 2012	Change	Q3 2013	Q3 2012	Change
Europe (EU27+EFTA)	9.3	9.7	-4%	2.9	2.8	3%
Japan	3.5	3.7	-5%	1.2	1.1	2%
U.S.A.	11.7	10.9	8%	4.0	3.6	9%
Brazil	2.6	2.7	-1%	0.9	1.0	-10%
Russia	2.0	2.2	-7%	0.7	0.8	-8%
India	1.9	2.1	-8%	0.6	0.6	-4%
China	11.6	9.6	21%	3.9	3.2	21%
Worldwide	61.7	59.6	4%	20.5	19.3	6%

Source: VDA and Renault

In Asia, the second-most important region for the Automotive Group with a 24% share of sales, passenger car production in China and the ASEAN states grew strongly in the reporting period, more than offsetting declining production volumes in Japan and India. Overall, passenger car production in Asia rose year-on-year by around 4% in the first nine months of 2013 according to preliminary data. Owing to the weak production volumes in India and an anticipated decline in the ASEAN states in the fourth quarter, we are lowering our forecast for 2013 as a whole from +6% to +4%.

In NAFTA, which accounts for 23% of sales in the Automotive Group, the development in production continued to benefit from rising new registrations in the U.S.A. According to the latest data, production grew by 5% for the first nine months of 2013 compared to the same period of 2012. After previously 3%, we are therefore now forecasting growth in production of 4% to 16.0 million units for the year as a whole.

On the basis of preliminary data, global passenger car production increased year-on-year by 2% in the reporting period. For 2013 as a whole, we are still expecting a 2% rise in production to around 83 million units.

Commercial vehicle production was in decline on our core markets Europe and NAFTA in both the first and second quarters of 2013. Only the third quarter saw growth in production in both regions compared to the previous year, according to preliminary data. We anticipate that stabilization will continue in Europe, as a result of which the production volume for the year as a whole should match that of the previous year.

Given the ongoing economic recovery in the U.S.A., we are expecting a significant increase in truck production here in the fourth quarter of 2013, though this is also due to the weak comparative basis. In NAFTA there should be a 5% rise in 2013.

#### **Development of the replacement tire markets**

In Europe, Continental's most important replacement tire market, there were signs of a slight recovery in demand in the second and third quarters after a very weak first quarter in 2013. In the first nine months of 2013, however, demand for passenger car replacement tires in Europe diminished by 1% overall compared to the previous year. We are forecasting re-

newed growth for the fourth quarter of 2013 on account of the weak prior-year basis. If the winter tire season performs well, there could be an increase of around 1% by the end of the year for 2013 as a whole.

The recovery in demand for passenger car replacement tires continued in NAFTA and accelerated in the third quarter of 2013. According to initial figures, there was an increase of 4% for the reporting period compared to the previous year. For the fourth quarter of 2013 we expect similar growth and are therefore predicting an increase of 4% for the year as a whole rather than previously 2%.

Globally, we are anticipating growth of around 3% in passenger car replacement tire demand on account of the recovery in NAFTA after 2% in the first half of the year.

Demand for truck replacement tires picked up in Europe in the second and third quarters of 2013. Year-on-year, there was an increase of 9% for the first nine months of 2013 according to preliminary data. Given the rising comparative base in the fourth quarter, we are still anticipating growth of 8% for 2013 as a whole.

Replacement truck tire business was a little weaker in NAFTA, with a 2% decline in unit sales in the reporting period year-on-year; we are therefore reducing our forecast for the year as a whole from 2% to 0%.

## Earnings, Financial and Net Assets Position of the Continental Corporation

in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	24,923.9	24,640.5	8,349.6	8,134.3
EBITDA	3,801.8	3,690.9	1,322.5	1,198.3
in % of sales	15.3	15.0	15.8	14.7
EBIT	2,516.9	2,420.2	886.3	766.8
in % of sales	10.1	9.8	10.6	9.4
Net income attributable to the shareholders of the parent	1,576.0	1,452.4	434.1	449.2
Earnings per share in €	7.88	7.26	2.17	2.25
Research and development expenses	1,474.4	1,345.6	487.4	445.1
Depreciation and amortization <sup>1</sup>	1,284.9	1,270.7	436.2	431.5
– thereof impairment <sup>2</sup>	5.3	-4.3	6.0	-3.1
Capital expenditure <sup>3</sup>	1,334.6	1,267.3	467.6	438.5
in % of sales	5.4	5.1	5.6	5.4
Operating assets as at September 30	17,097.8	17,469.1		
Number of employees as at September 30 <sup>4</sup>	177,387	169,909		
Adjusted sales <sup>5</sup>	24,789.9	24,614.4	8,306.2	8,108.2
Adjusted operating result (adjusted EBIT) <sup>6</sup>	2,794.3	2,709.3	1,017.4	854.2
in % of adjusted sales	11.3	11.0	12.2	10.5
Net indebtedness as at September 30	5,589.7	6,802.2		
Gearing ratio in %	61.6	87.1		

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

### Earnings Position

#### Sales up 1.2%;

#### Sales up 2.8% before changes in the scope of consolidation and exchange rate effects

Consolidated sales for the first nine months of 2013 climbed by 1.2% year-on-year to €24,923.9 million (PY: €24,640.5 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 2.8%.

#### Adjusted EBIT up 3.1%

Adjusted EBIT for the corporation increased by €85.0 million or 3.1% year-on-year to €2,794.3 million in the first nine months of 2013 (PY: €2,709.3 million), corresponding to 11.3% (PY: 11.0%) of adjusted sales.

#### EBIT up 4.0%

EBIT rose by €96.7 million or 4.0% compared to the previous year to €2,516.9 million in the first nine months of 2013 (PY: €2,420.2 million). The return on sales rose to 10.1% (PY: 9.8%).

#### Special effects in the first nine months of 2013

On January 1, 2013, the closing took place for SK Continental E-motion Pte., Singapore, Singapore, a company jointly managed by SK Innovation Co., Ltd., Seoul, South Korea, and Continental, after the agreement to form the company was signed in July 2012. The transaction resulted in income of €24.2 million in the Powertrain division.

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

On July 10, 2013, the European Commission imposed fines on a number of automotive suppliers for anti-competitive conduct in the field of supplying wire harnesses for automotive applications. These companies included S-Y Systems Technologies Europe GmbH, Regensburg, Germany, and its French subsidiary, which must pay a fine of €11.1 million due to cartel agreements with regard to one automotive manufacturer. Continental held a 50% share in S-Y Systems Technologies Europe GmbH, Regensburg, Germany, until January 29, 2013. Based upon contingent liabilities, a provision of €9.0 million was recognized in the Interior division.

Activities were concluded and restructured in one product segment within the Infotainment & Connectivity business unit in the Interior division. An expense of €21.3 million and impairment of property, plant and equipment of €2.9 million were incurred in this context. This affected the locations Manaus, Brazil (€8.4 million in total), Bizerte, Tunisia (€7.5 million in total), Rambouillet, France (€2.0 million in total), Nogales, Mexico (€1.9 million in total), Melbourne, Australia (€1.4 million in total), Guarulhos, Brazil (€1.2 million in total), Deer Park, Illinois, U.S.A. (€1.2 million in total), and Tianjin, China (€0.6 million in total).

As part of an asset deal effective July 1, 2013, Continental Automotive Trading France SAS, Rambouillet, France, sold its cockpit activities in the Instrumentation & Driver HMI business unit at the location in Hambach, France, to SAS Automotive France, Voisins le Bretonneux, France. This transaction resulted in a positive special effect in the amount of €0.2 million in the Interior division.

In connection with the cessation of passenger tire production at the plant in Clairoux, France, a large number of employees at Continental France SNC, Sarreguemines, France, had filed claims with the industrial tribunals in Compiègne and Soissons, France, against this subsidiary company and, in some cases, against Continental AG as well. On August 30, 2013, the industrial tribunal in Compiègne ordered Continen-

tal France SNC and Continental AG to pay damages for the allegedly illegal dismissal of employees. Continental still considers the plaintiffs' claims to be unfounded and has appealed the tribunal's ruling. Nonetheless, a provision of €38.7 million in total was recognized in the Tire division.

The reversal of restructuring provisions no longer required resulted in a total positive special effect of €1.2 million (Chassis & Safety €0.3 million; Powertrain €0.9 million).

Impairment losses and reversals of the same on property, plant and equipment resulted in a negative effect totaling €3.8 million in the Powertrain division and a positive effect totaling €1.4 million in the Tire division.

There was a negative special effect of €0.3 million in the ContiTech division.

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

Total consolidated income from special effects in the first nine months of 2013 amounted to €8.0 million.

#### **Special effects in the first nine months of 2012**

The reversal of restructuring provisions no longer required resulted in a total positive special effect of €9.9 million (Chassis & Safety €0.4 million; Powertrain €1.0 million; Interior €8.5 million) in the first nine months of 2012.

Reversals of impairment losses on property, plant and equipment had a positive effect totaling €2.1 million in the Chassis & Safety division.

In addition, impairment of property, plant and equipment resulted in expense of €1.7 million in the Interior division.

In NAFTA, lower pension obligations resulted in a positive effect of €6.2 million for the Tire division in the first nine months of 2012.

Reversals of impairment losses on property, plant and equipment had a positive effect totaling €3.6 million in the Tire division.

In the ContiTech division, the acquisition of the molded brake components business of Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim, Germany, resulted in income from a negative difference arising as part of the preliminary purchase price allocation and totaling €12.9 million.

In addition, there were negative special effects totaling €0.7 million in the ContiTech division in the first nine months of 2012.

Owing to the anticipated higher cash outflow for the syndicated loan resulting from rising interest margins, the carrying amount was adjusted in profit or loss in 2009 and 2010. However, at the end of June 2011 the carrying amount was adjusted in profit or loss due to signs of decreasing margins and the associated anticipated lower cash outflow for the syndicated loan. These deferrals will be amortized over the term of the loan, reducing or increasing expenses accordingly. Due to a partial repayment of the syndicated loan, the carrying amount adjustments attributable on a pro-rated basis to the amount repaid were reversed in September 2012. This resulted in a gain of €2.3 million. Together with the effects from amortization of the carrying amount adjustments, there was a positive effect totaling €7.4 million in the first nine months of 2012.

Total consolidated income from special effects in the first nine months of 2012 amounted to €39.7 million.

#### **Research and development expenses**

In the first nine months of 2013, research and development expenses rose by 9.6% compared with the same period of the previous year to €1,474.4 million (PY: €1,345.6 million), representing 5.9% (PY: 5.5%) of sales. €1,258.4 million (PY: €1,142.5 million) of this relates to the Automotive Group, corresponding to 8.4% (PY: 7.7%) of sales, and €216.0 million (PY: €203.1 million) to the Rubber Group, corresponding to 2.2% (PY: 2.1%) of sales.

#### **Net interest expense**

Net interest expense rose by €248.6 million compared to the previous year to €630.5 million (PY: €381.9 million) in the first nine months of 2013. This increase is particularly due to non-cash valuation losses from changes in the fair value of derivative instruments relating to the valuation of the early redemption options included in the bonds.

Interest expense, which primarily result from the utilization of the syndicated loan and the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., was €15.1 million lower than in the previous year at €416.4 million (PY: €431.5 million). While the cost of the syndicated loan declined to less than a third compared with the same period of the previous year in the first nine months of 2013 at €63.7 million (PY: €195.4 million), the interest expense for the previously mentioned bonds rose from €171.1 million to €299.8 million.

The significant decrease in expenses for the syndicated loan was due firstly to lower utilization and secondly to the lower levels on average of market interest rate and margin as compared to the previous year. The lower utilization of the syndicated loan in 2013 was essentially due to the significant reduction of net indebtedness as of the end of 2012. The improvement in the leverage ratio already achieved as of the end of 2012 resulted in further margin decreases starting from the second quarter of 2013. The increase in interest expenses for the previously mentioned bonds was due in particular to the early termination of four bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010 with a total volume of €3.0 billion. The bonds, which were terminated early in May and July 2013, were redeemed as at July 15, 2013 and September 16, 2013 at a redemption price determined on issue of 104.25% and 103.75% respectively. The premiums paid increased net interest expenses by €69.4 million. These were the bond originally scheduled to mature in July 2015 with a nominal volume of €750.0 million and an interest rate of 8.5% p.a., and the bond originally maturing in September 2017 with a nominal volume of €1,000.0 million and an interest rate of 7.5% p.a. There were carrying amount adjustments in profit or loss for the two bonds terminated early in September 2013 and to be redeemed in November 2013 on account of the anticipated higher

cash outflow associated with this, which will be amortized over the expected shorter remaining term of the bonds reducing costs. This resulted in an increase of €43.1 million in net interest expense as at September 30, 2013. To refinance the bonds terminated early, Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, issued three euro bonds with a volume of €750.0 million each in the third quarter of 2013 under the debt issuance program (DIP) for the issuance of bonds set up in May 2013 with a volume of €5.0 billion. As the interest level of the new bonds is significantly lower than of those terminated early, the interest expenses for bonds will be considerably lower in future. The average interest rate of the new bonds is 2.875% p.a., while for the bonds terminated early it was 7.464% p.a. The bond issued in September 2012 by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., also resulted in higher interest expenses for bonds than in the previous year.

As a result of implementing the changes in the requirements of IAS 19 (revised 2011), *Employee Benefits*, that are effective from fiscal 2013, expenses from interest cost on expected pension obligations and the expected return on plan assets are now no longer allocated to personnel expenses in the relevant functional areas, but instead are reported separately under net interest expense. This likewise applies to interest effects from other long-term employee benefits. The figures for 2012 have been restated accordingly. This resulted in interest expenses totaling €66.0 million (PY: €66.7 million) in the first nine months of 2013.

At €19.3 million, interest income in the first nine months of 2013 was €0.5 million higher than the previous year's figure of €18.8 million.

By the end of September 2013, the valuation losses from changes in the fair value of derivative instruments and the development of exchange rates amounted to €170.9 million in total (PY: gains of €96.7 million). Of this amount, a loss of €129.0 million (PY: gain of €83.2 million) related to the reporting of early redemption options for the bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010, and by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012. As described previously, the redemption options for all 2010 bonds of Conti-Gummi Finance B.V., Maastricht, Netherlands, were exercised in 2013. For the two bonds terminated

early in September 2013 and to be redeemed in November 2013, valuation losses in the amount of €97.3 million are expected in the fourth quarter of 2013 from the reporting of the early redemption options for these bonds. These are the bond originally scheduled to mature in October 2018 with a nominal volume of €625.0 million and an interest rate of 7.125% p.a., and the bond originally maturing in January 2016 with a nominal volume of €625.0 million and an interest rate of 6.5% p.a.

#### **Income tax expense**

Income tax expense in the first nine months of 2013 amounted to €237.8 million (PY: €536.0 million). The tax rate in the reporting period was 12.6% after 26.3% for the same period of the previous year. In particular, this was due to the recognition of deferred tax assets in the U.S.A. in the amount of €256.2 million in the second quarter, the future utilization of which is considered likely given the ongoing positive business performance. Adjusted for these positive effects on the tax rate due to accounting, which largely relate to higher tax rates in previous years, tax payments in the same period amounted to €571.0 million (PY: €478.0 million), corresponding to a rate of 30.3% (PY: 23.5%).

#### **Net income attributable to the shareholders of the parent**

Net income attributable to the shareholders of the parent was up 8.5% to €1,576.0 million (PY: €1,452.4 million), with earnings per share of €7.88 (PY: €7.26).

## Financial Position

### Cash flow

At €1,618.9 million as at September 30, 2013, the net cash flow arising from operating activities was €137.3 million higher than the previous year's figure of €1,481.6 million.

The free cash flow in the first three quarters of 2013 improved by €245.9 million compared with the first nine months of 2012 to €414.2 million (PY: €168.3 million).

EBIT increased by €96.7 million year-on-year to €2,516.9 million (PY: €2,420.2 million).

Interest payments resulting in particular from the syndicated loan and the bonds declined by €71.7 million to €458.4 million (PY: €530.1 million). Income tax payments increased by €93.0 million to €571.0 million (PY: €478.0 million).

At €1,318.8 million as at September 30, 2013, the net cash outflow arising from the increase in operating working capital was €269.7 million higher than the figure for the previous year of €1,049.1 million.

Cash flow arising from investing activities amounted to an outflow of €1,204.7 million (PY: €1,313.3 million) in the first nine months of 2013. Capital expenditure on property, plant and equipment, and software was up €68.5 million from €1,265.7 million to €1,334.2 million before financial leasing and the capitalization of borrowing costs.

Acquisitions and sales of companies and business operations resulted in a total cash inflow of €131.2 million in the first three quarters of 2013 (PY: cash outflow of €20.3 million).

### Financing

As at September 30, 2013, the corporation's net indebtedness was down €1,212.5 million year-on-year from €6,802.2 million to €5,589.7 million. The gearing ratio improved to 61.6% (PY: 87.1%) at the end of September 2013. Compared with the end of 2012, net indebtedness rose by €269.8 million.

To further improve its financial and maturity structure with the aim of increasing flexibility at the same time, in December 2012 Continental already started with the

refinancing process for the syndicated loan originally due in April 2014. As part of the agreement concluded on January 22, 2013, the credit volume was reduced to a total of €4.5 billion and split into two tranches with different terms: a loan of €1.5 billion with a term of three years and the increase in the revolving credit line from €2.5 billion to €3.0 billion with a term of five years. Under the new loan agreement, Continental is no longer required to furnish security in rem and has obtained further simplifications of the documentation required. Under the new syndicated loan agreement, too, the credit margins are based on the Continental Corporation's leverage ratio (net indebtedness/EBITDA, as defined in the syndicated loan agreement). The improvement in the leverage ratio already achieved as of the end of 2012 resulted in further margin decreases starting from the second quarter of 2013.

In 2013, the next steps were implemented to improve the financial and maturity structure while at the same time reducing interest costs. In May 2013, Continental set up a debt issuance program (DIP) for the issuance of bonds with a volume of €5.0 billion. It is a framework program that makes it possible to flexibly place medium- and long-term bonds on the capital market. Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., can issue bonds under this program. In the third quarter of 2013, Continental took advantage of the positive capital market environment and placed three bonds with an issue volume totaling €2.25 billion with institutional and private investors in Germany and abroad under this program. The issue proceeds will be used to partially refinance the bonds with a total volume of €3.0 billion issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010, which were terminated early in the period from May to September 2013. In addition to the improvement in the maturity profile of indebtedness, this will also significantly reduce future interest expenses. The average interest rate on the new bonds is 2.875% p. a., while the average interest rate for the 2010 bonds terminated early was 7.464% p. a.

In May and early July 2013, the early redemption of two bonds issued in 2010 by Conti-Gummi Finance B.V., Maastricht, Netherlands, was announced. These were the bond originally scheduled to mature in July 2015 with a nominal volume of €750.0 million and an



interest rate of 8.5% p.a., and the bond originally maturing in September 2017 with a nominal volume of €1,000.0 million and an interest rate of 7.5% p.a. The bonds were redeemed early on July 15, 2013, and September 16, 2013, respectively. To partially re-finance the bond redeemed early in September 2013, at the same time as the announcement of the redemption, Continental AG placed a euro bond under the DIP with an issue volume of €750.0 million and an issue price of 98.95%. The interest rate for the five-year bond is 3.0% p.a.; interest payments will be made in arrears every six months. At the start of September 2013, the two bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in October 2010 were terminated early. The bond originally scheduled to mature in October 2018 with a nominal volume of €625.0 million and an interest rate of 7.125% p.a. and the bond originally maturing in January 2016 with a nominal volume of €625.0 million and an interest rate of 6.5% p.a. will be redeemed early on November 8, 2013, and November 18, 2013, respectively. As part of their refinancing, euro bonds with an issue volume of €750.0 million each were also issued under the DIP at the same time as the announcement of the redemption. The seven-year bond issued by Continental AG on September 2, 2013, bears interest at 3.125% p.a. and has an issue price of 99.228%. The bond issued on September 12, 2013, by Conti-Gummi Finance B.V., Maastricht, Netherlands, has an issue price of 99.595%. It has an interest rate of 2.5% p.a. with a term of three and a half years. The interest on both bonds will be paid in arrears annually. The bonds issued by Continental AG in 2013 are guaranteed by selected subsidiaries. The bond placed by Conti-Gummi Finance B.V., Maastricht, Netherlands, is guaranteed by Continental AG and selected subsidiaries. Furthermore, a private placement with a volume of €50.0 million was issued at 100.0% with an interest rate of 3.9% p.a. under the DIP at the end of August 2013. It has a term of 12 years.

Owing to the early redemption of the bonds of Conti-Gummi Finance B.V., Maastricht, Netherlands, and the anticipated higher cash outflow associated with this, there were carrying amount adjustments in profit or loss, which will be amortized over the expected remaining term of the bonds reducing costs. As at September 30, 2013, the negative value of the carrying amount adjustments totaled €43.1 million (PY: —).

The volume committed under the previous syndicated loan was €4,637.1 million as of the end of September 2012. The new syndicated loan agreement concluded in January 2013 led to a further reduction in the committed volume to €4.5 billion. As at September 30, 2013, the syndicated loan had only been utilized by Continental AG in the amount of nominally €1,500.0 million. In the previous year, the loan was utilized by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of nominally €2,738.9 million.

As at September 30, 2013, Continental had liquidity reserves totaling €5,998.6 million (PY: €4,067.3 million), consisting of cash and cash equivalents of €2,207.0 million (PY: €1,507.5 million) and unused committed credit lines totaling €3,791.6 million (PY: €2,559.8 million).

#### **Capital expenditure (additions)**

In the first three quarters of 2013, capital expenditure on property, plant and equipment, and software amounted to €1,334.6 million (PY: €1,267.3 million). The capital expenditure ratio after nine months is 5.4% (PY: 5.1%).

€614.2 million (PY: €625.5 million) of this capital expenditure was attributable to the Automotive Group, representing 4.1% of sales (PY: 4.2%). The Automotive Group primarily invested in production facilities for the manufacture of new products and implementation of new technologies, with investment being focused on manufacturing capacity at best-cost locations. In the Chassis & Safety division, production capacity for the Electronic Brake Systems and Hydraulic Brake Systems business units was expanded in particular. Important additions related to the creation of new production facilities for the next generation of electronic brake systems. In the Powertrain division, investments focused on expanding production capacity for the Engine Systems, Sensors & Actuators and Transmission business units. In the Interior division, production capacity was expanded for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €719.9 million (PY: €640.9 million), equivalent to 7.2% (PY: 6.5%) of sales. Investments in the Tire division focused on expanding capacity at European best-cost locations and in North and South America as well as in Asia. There were

major additions relating to the construction of new plants in Kaluga, Russia, and Sumter, South Carolina, U.S.A., and the expansion of existing sites in Puchov, Slovakia; Lousado, Portugal; Timisoara, Romania; Camaçari, Brazil; Hefei, China; and Mount Vernon, Illinois, U.S.A. Quality assurance and cost-cutting measures were also implemented. The ContiTech

division invested in rationalizing production processes and expanding production capacity for new products. Production capacity was increased at the German locations and in China, Brazil, India, Romania and the U.S.A. In Subotica, Serbia, and Kaluga, Russia, investments were made in the establishment of new plants for the Fluid Technology business unit.

### Change in net indebtedness

in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Cash flow arising from operating activities	1,618.9	1,481.6	994.5	493.5
Cash flow arising from investing activities	-1,204.7	-1,313.3	-492.1	-451.6
<b>Cash flow before financing activities (free cash flow)</b>	<b>414.2</b>	<b>168.3</b>	<b>502.4</b>	<b>41.9</b>
Dividends paid	-450.0	-300.0	—	—
Dividends paid and repayment of capital to non-controlling interests	-21.7	-36.4	-2.0	-4.8
Non-cash changes	-160.4	144.2	-80.5	13.7
Other	-52.4	-25.2	-4.4	-10.3
Foreign exchange effects	0.5	19.0	6.7	33.2
<b>Change in net indebtedness</b>	<b>-269.8</b>	<b>-30.1</b>	<b>422.2</b>	<b>73.7</b>

### Net Assets Position

At €28,204.8 million, total assets as at September 30, 2013, were €462.7 million higher than on the same date in 2012 (PY: €27,742.1 million). Property, plant and equipment rose by €590.0 million to €7,585.1 million (PY: €6,995.1 million). Deferred tax assets climbed by €242.2 million from €709.0 million to €951.2 million, due in part to the recognition of deferred taxes in the U.S.A. Cash and cash equivalents were up €699.5 million from €1,507.5 million to €2,207.0 million. This resulted primarily from the early refinancing of the bonds that were terminated early in September and are to be redeemed in November. This was partially offset by a €422.0 million decline in other intangible assets to €634.2 million (PY: €1,056.2 million) owing primarily to amortization from purchase price allocation (PPA). The decline in long-term derivative instruments and interest-bearing investments of €160.0 million from €394.5 million to €234.5 million is essentially due to the redemption options that were contained in the bonds issued in 2010 and exercised in 2013. Inventories fell by €203.6 million to €3,119.9 million (PY: €3,323.5 million).

Equity including non-controlling interests was up €1,265.9 million to €9,073.7 million as compared to €7,807.8 million as at September 30, 2012. This was due primarily to the increase in the accumulated retained earnings of €1,578.8 million. Equity was reduced by dividends in the amount of €450.0 million resolved at the Annual Shareholders' Meeting. Reserves recognized directly in equity changed by -€274.4 million to -€1,100.6 million (PY: -€826.2 million), due in particular to the change in the difference from currency translation. The gearing ratio improved from 87.1% to 61.6%.

At €28,204.8 million, total assets were up €754.7 million compared with December 31, 2012 (€27,450.1 million). This resulted in particular from the rise in trade accounts receivable of €1,121.9 million to €6,115.2 million (PY: €4,993.3 million) and in inventories of €121.2 million to €3,119.9 million (PY: €2,998.7 million) and in property, plant and equipment of €194.1 million to €7,585.1 million (PY: €7,391.0 million). This was partially offset by a €310.9 million decline in other intangible assets to €634.2 million (PY: €945.1 million) owing primarily to amortization from PPA. Long-term derivative instruments and interest-bearing invest-

ments were down €199.4 million at €234.5 million (PY: €433.9 million). Assets held for sale decreased by €177.6 million to €34.2 million (PY: €211.8 million), essentially as a result of the sale of an asset group and of shares in a joint controlled entity. At €2,207.0 million (PY: €2,397.2 million), cash and cash equivalents were down €190.2 million.

Equity including non-controlling interests was up €917.3 million to €9,073.7 million as compared to €8,156.4 million at the end of 2012. This was due primarily to the positive net income attributable to the shareholders of the parent of €1,576.0 million. The gearing ratio fell from 65.2% to 61.6%.

### Employees

As at the end of the third quarter of 2013, the corporation's employees numbered 177,387, a rise of 7,748 compared with the end of 2012. Primarily in the Automotive Group, the expansion of product start-ups resulted in the headcount increase of 4,846 employees. The number of employees working for the Tire division rose by 1,518 as a result of capacity expansions in particular. In the ContiTech division, there was an overall headcount increase of 1,365 employees. Compared with the reporting date for the previous year, the number of employees in the corporation rose by a total of 7,478.

## Development of the Divisions

Chassis & Safety in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	5,453.8	5,318.3	1,800.1	1,725.0
EBITDA	737.9	744.4	245.8	237.3
in % of sales	13.5	14.0	13.7	13.8
EBIT	473.1	493.1	155.1	153.3
in % of sales	8.7	9.3	8.6	8.9
Depreciation and amortization <sup>1</sup>	264.8	251.3	90.7	84.0
– thereof impairment <sup>2</sup>	–	-2.1	–	-2.1
Capital expenditure <sup>3</sup>	249.5	228.9	100.3	86.7
in % of sales	4.6	4.3	5.6	5.0
Operating assets as at September 30	4,066.6	4,197.7		
Number of employees as at September 30 <sup>4</sup>	36,465	34,806		
Adjusted sales <sup>5</sup>	5,453.8	5,318.3	1,800.1	1,725.0
Adjusted operating result (adjusted EBIT) <sup>6</sup>	511.5	530.5	168.0	164.1
in % of adjusted sales	9.4	10.0	9.3	9.5

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

## Chassis & Safety

### Sales volumes

Sales volumes in the Electronic Brake Systems business unit rose year-on-year by 5.6% to 15.6 million units in the first nine months of 2013. In the Hydraulic Brake Systems business unit, sales of brake boosters matched the previous year's level of 14.8 million units. Brake caliper sales rose 7.0% to 35.6 million units. In the Passive Safety and Sensors business unit, sales of air bag control units increased by 9.7% to 12.5 million units. Sales of driver assistance systems were up 57.4% at 3.0 million units.

### Sales up 2.5%;

#### Sales up 5.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division were up by 2.5% to €5,453.8 million (PY: €5,318.3 million) in the first nine months of 2013 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 5.7%.

### Adjusted EBIT down 3.6%

Adjusted EBIT for the Chassis & Safety division decreased by €19.0 million or 3.6% year-on-year to €511.5 million (PY: €530.5 million) during the first nine months of 2013, corresponding to 9.4% (PY: 10.0%) of adjusted sales.

### EBIT down 4.1%

Compared with the same period of 2012, the Chassis & Safety division reported a decrease in EBIT of €20.0 million or 4.1% to €473.1 million (PY: €493.1 million) in the first nine months of 2013. The return on sales fell to 8.7% (PY: 9.3%).

### Special effects in the first nine months of 2013

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

### Special effects in the first nine months of 2012

Reversals of impairment losses on property, plant and equipment had a positive effect totaling €2.1 million in the Chassis & Safety division.

There was also a positive impact totaling €0.4 million in the first nine months of 2012 from special effects from the reversal of restructuring provisions no longer required.

Total income from special effects for the Chassis & Safety division amounted to €2.5 million in the first nine months of 2012.

Powertrain in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	4,693.9	4,683.5	1,561.3	1,484.8
EBITDA	488.1	442.2	160.7	125.0
in % of sales	10.4	9.4	10.3	8.4
EBIT	159.9	88.3	49.5	5.5
in % of sales	3.4	1.9	3.2	0.4
Depreciation and amortization <sup>1</sup>	328.2	353.9	111.2	119.5
– thereof impairment <sup>2</sup>	3.8	–	2.9	–
Capital expenditure <sup>3</sup>	204.7	232.5	76.1	91.1
in % of sales	4.4	5.0	4.9	6.1
Operating assets as at September 30	2,961.1	3,024.9		
Number of employees as at September 30 <sup>4</sup>	32,698	31,313		
Adjusted sales <sup>5</sup>	4,693.9	4,683.5	1,561.3	1,484.8
Adjusted operating result (adjusted EBIT) <sup>6</sup>	234.5	220.2	83.4	50.0
in % of adjusted sales	5.0	4.7	5.3	3.4

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

## Powertrain

### Sales volumes

Sales in the Powertrain division matched the previous year's level in the first three quarters of 2013 with an increase of 0.2%. Only the Engine Systems business unit posted a decline in sales. As a supplier for vehicles with diesel engines and smaller gasoline engines, this business unit is particularly heavily impacted by the declining economic development of the European sales market. Growth is continuing in the Transmission and Sensors & Actuators business units. While the rise in sales in transmission actuators was largely driven by increases in NAFTA and Europe, the growth at Sensors & Actuators is primarily due to new start-ups for exhaust sensors in China and generally higher order figures.

### Sales up 0.2%;

### Sales up 1.1% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division were up by 0.2% to €4,693.9 million (PY: €4,683.5 million) in the first nine months of 2013 compared with the same period of the

previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 1.1%.

### Adjusted EBIT up 6.5%

Adjusted EBIT for the Powertrain division increased by €14.3 million or 6.5% year-on-year to €234.5 million in the first nine months of 2013 (PY: €220.2 million), corresponding to 5.0% (PY: 4.7%) of adjusted sales.

### EBIT up 81.1%

Compared with the same period of 2012, the Powertrain division reported an increase in EBIT of €71.6 million or 81.1% to €159.9 million (PY: €88.3 million) in the first nine months of 2013. The return on sales rose to 3.4% (PY: 1.9%).

### Special effects in the first nine months of 2013

On January 1, 2013, the closing took place for SK Continental E-motion Pte., Singapore, Singapore, a company jointly managed by SK Innovation Co., Ltd., Seoul, South Korea, and Continental, after the agreement to form the company was signed in July 2012.

The transaction resulted in income of €24.2 million in the Powertrain division.

Impairment losses on property, plant and equipment resulted in an expense totaling €3.8 million for the locations in Sibiu, Romania, and Trutnov, Czech Republic.

The reversal of restructuring provisions no longer required resulted in a positive special effect of €0.9 million.

The positive impact from special effects in the Powertrain division amounted to €21.3 million in the first nine months.

#### **Special effects in the first nine months of 2012**

In the Powertrain division, special effects from the reversal of restructuring provisions no longer required had a positive impact totaling €1.0 million in the first nine months of 2012.

Interior in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	4,955.9	4,857.6	1,612.5	1,582.3
EBITDA	636.7	605.6	214.5	194.0
in % of sales	12.8	12.5	13.3	12.3
EBIT	312.6	276.4	104.4	81.1
in % of sales	6.3	5.7	6.5	5.1
Depreciation and amortization <sup>1</sup>	324.1	329.2	110.1	112.9
– thereof impairment <sup>2</sup>	2.9	1.7	2.9	0.1
Capital expenditure <sup>3</sup>	160.0	164.1	53.5	53.4
in % of sales	3.2	3.4	3.3	3.4
Operating assets as at September 30	3,981.3	4,344.7		
Number of employees as at September 30 <sup>4</sup>	34,302	33,007		
Adjusted sales <sup>5</sup>	4,950.7	4,831.5	1,612.5	1,556.2
Adjusted operating result (adjusted EBIT) <sup>6</sup>	435.8	419.6	149.0	128.8
in % of adjusted sales	8.8	8.7	9.2	8.3

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

## Interior

### Sales volumes

Sales volumes in the Body & Security business unit were up on the previous year's level after the first nine months of 2013. Declines on the Western European market were offset by increases on both the North American and Asian markets. Unit sales of audio components were down in the first three quarters of 2013 in the Infotainment & Connectivity business unit. With a slight rise in Asia, this is mainly due to falling demand in Europe. Unit sales of multimedia systems picked up slightly in Asia and the U.S.A. on account of new products. There was an increase in the telematics segment, while the device connectivity segment posted a decrease. Sales volumes in the Commercial Vehicles & Aftermarket business unit were slightly above the previous year's level. This was mainly due to slightly better replacement parts and aftermarket activities, which offset the slight decline in the original equipment business in Western Europe and Asia. Sales figures in the Instrumentation & Driver HMI business unit were higher than in the first nine months of 2012 with stable

demand on the European market and constant growth in North America and Asia.

### Sales up 2.0%;

#### Sales up 4.6% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division were up by 2.0% to €4,955.9 million (PY: €4,857.6 million) in the first nine months of 2013 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 4.6%.

### Adjusted EBIT up 3.9%

Adjusted EBIT for the Interior division increased by €16.2 million or 3.9% year-on-year to €435.8 million in the first nine months of 2013 (PY: €419.6 million), corresponding to 8.8% (PY: 8.7%) of adjusted sales.

### EBIT up 13.1%

Compared with the same period of 2012, the Interior division reported an increase in EBIT of €36.2 million or 13.1% to €312.6 million (PY: €276.4 million) in the



first nine months of 2013. The return on sales rose to 6.3% (PY: 5.7%).

#### **Special effects in the first nine months of 2013**

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

On July 10, 2013, the European Commission imposed fines on a number of automotive suppliers for anti-competitive conduct in the field of supplying wire harnesses for automotive applications. These companies included S-Y Systems Technologies Europe GmbH, Regensburg, Germany, and its French subsidiary, which must pay a fine of €11.1 million due to cartel agreements with regard to one automotive manufacturer. Continental held a 50% share in S-Y Systems Technologies Europe GmbH, Regensburg, Germany, until January 29, 2013. Based upon contingent liabilities, a provision of €9.0 million was recognized in the Interior division.

Activities were concluded and restructured in one product segment within the Infotainment & Connectivity business unit. An expense of €21.3 million and impairment of property, plant and equipment of €2.9 million were incurred in this context. This affected the locations Manaus, Brazil (€8.4 million in total), Bizerte, Tunisia (€7.5 million in total), Rambouillet, France (€2.0 million in total), Nogales, Mexico (€1.9 million in total), Melbourne, Australia (€1.4 million in total), Guarulhos, Brazil (€1.2 million in total), Deer Park, Illinois, U.S.A. (€1.2 million in total), and Tianjin, China (€0.6 million in total).

As part of an asset deal effective July 1, 2013, Continental Automotive Trading France SAS, Rambouillet, France, sold its cockpit activities in the Instrumentation & Driver HMI business unit at the location in Hambach, France, to SAS Automotive France, Voisins le Bretonneux, France. This transaction resulted in a positive special effect in the amount of €0.2 million.

For the Interior division, the total positive impact from special effects in the first nine months of 2013 amounted to €21.6 million.

#### **Special effects in the first nine months of 2012**

In the Interior division, special effects from the reversal of restructuring provisions no longer required had a positive impact totaling €8.5 million in the first nine months of 2012.

In addition, impairment of property, plant and equipment resulted in expense of €1.7 million.

Total income from special effects for the Interior division amounted to €6.8 million in the first nine months of 2012.

Tires in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	7,119.4	7,203.4	2,478.2	2,484.9
EBITDA	1,583.3	1,521.6	590.9	522.4
in % of sales	22.2	21.1	23.8	21.0
EBIT	1,300.1	1,259.8	494.6	432.6
in % of sales	18.3	17.5	20.0	17.4
Depreciation and amortization <sup>1</sup>	283.2	261.8	96.3	89.8
– thereof impairment <sup>2</sup>	-1.4	-3.6	0.2	-0.8
Capital expenditure <sup>3</sup>	601.1	540.7	192.8	172.0
in % of sales	8.4	7.5	7.8	6.9
Operating assets as at September 30	4,874.1	4,827.5		
Number of employees as at September 30 <sup>4</sup>	44,042	42,814		
Adjusted sales <sup>5</sup>	7,113.7	7,203.4	2,476.1	2,484.9
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,342.1	1,254.1	535.3	433.2
in % of adjusted sales	18.9	17.4	21.6	17.4

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

## Tires

### Sales volumes

Sales volumes of passenger and light truck tires to vehicle OEMs were up on the previous year in the first nine months of 2013. While the EMEA (Europe, the Middle East and Africa) region was unable to match the previous year's level, the APAC (Asia and Pacific) and Americas (North, Central and South America) regions posted double-digit growth rates. Sales figures are down slightly on the previous year in replacement business with passenger and light truck tires. While unit sales declined in the EMEA region, the APAC region posted a positive development with double-digit growth rates as compared to the previous year. In the commercial vehicle tire business, sales figures climbed by around 5% compared with the same period of the previous year.

### Sales down 1.2%;

### Sales up 1.2% before changes in the scope of consolidation and exchange rate effects

Sales of the Tire division declined by 1.2% to €7,119.4 million (PY: €7,203.4 million) in the first nine months of

2013 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 1.2%.

### Adjusted EBIT up 7.0%

Adjusted EBIT for the Tire division increased by €88.0 million or 7.0% year-on-year to €1,342.1 million in the first nine months of 2013 (PY: €1,254.1 million), corresponding to 18.9% (PY: 17.4%) of adjusted sales.

### EBIT up 3.2%

Compared with the same period of 2012, the Tire division reported an increase in EBIT of €40.3 million or 3.2% to €1,300.1 million (PY: €1,259.8 million) in the first nine months of 2013. The return on sales rose to 18.3% (PY: 17.5%).

### Special effects in the first nine months of 2013

In connection with the cessation of passenger tire production at the plant in Clairoux, France, a large number of employees at Continental France SNC, Sarreguemines, France, had filed claims with the industrial tribunals in Compiègne and Soissons, France,

against this subsidiary company and, in some cases, against Continental AG as well. On August 30, 2013, the industrial tribunal in Compiègne ordered Continental France SNC and Continental AG to pay damages for the allegedly illegal dismissal of employees. Continental still considers the plaintiffs' claims to be unfounded and has appealed the tribunal's ruling. Nonetheless, a provision of €38.7 million in total was recognized in the Tire division.

Impairment losses on property, plant and equipment and reversals of the same had a positive effect totaling €1.4 million in the Tire division in the first nine months of 2013.

For the Tire division, the total negative impact from special effects in the first nine months of 2013 amounted to €37.3 million.

#### **Special effects in the first nine months of 2012**

In NAFTA, lower pension obligations resulted in a positive effect of €6.2 million for the Tire division in the first nine months of 2012.

Reversals of impairment losses on property, plant and equipment had a positive effect totaling €3.6 million in the Tire division.

Total income from special effects for the Tire division amounted to €9.8 million in the first nine months of 2012.

ContiTech in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Sales	2,902.2	2,778.6	961.9	924.0
EBITDA	433.1	432.5	139.7	144.2
in % of sales	14.9	15.6	14.5	15.6
EBIT	348.7	358.3	111.8	118.9
in % of sales	12.0	12.9	11.6	12.9
Depreciation and amortization <sup>1</sup>	84.4	74.2	27.9	25.3
– thereof impairment <sup>2</sup>	–	-0.3	–	-0.3
Capital expenditure <sup>3</sup>	118.8	100.2	44.8	35.0
in % of sales	4.1	3.6	4.7	3.8
Operating assets as at September 30	1,292.6	1,184.9		
Number of employees as at September 30 <sup>4</sup>	29,575	27,681		
Adjusted sales <sup>5</sup>	2,769.4	2,778.6	917.9	924.0
Adjusted operating result (adjusted EBIT) <sup>6</sup>	350.3	348.0	110.9	106.6
in % of adjusted sales	12.6	12.5	12.1	11.5

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

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

## ContiTech

### Sales up 4.4%;

### Sales up 0.6% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division were up by 4.4% to €2,902.2 million (PY: €2,778.6 million) in the first nine months of 2013 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 0.6%. The automotive aftermarket business saw the highest growth rate of around 6%. Sales to automotive manufacturers rose only slightly. In industry business, the Compounding Technology business unit experienced a decline of nearly 11% compared with the same period of the previous year. The other industrial business units posted a slight drop in sales.

### Adjusted EBIT up 0.7%

Adjusted EBIT for the ContiTech division increased by 2.3 million or 0.7% year-on-year to €350.3 million in the first nine months of 2013 (PY: €348.0 million), corresponding to 12.6% (PY: 12.5%) of adjusted sales.

### EBIT down 2.7%

Compared with the same period of 2012, the ContiTech division reported a decrease in EBIT of €9.6 million or 2.7% to €348.7 million (PY: €358.3 million) in the first nine months of 2013. The return on sales fell to 12.0% (PY: 12.9%).

### Special effects in the first nine months of 2013

For the ContiTech division, the total negative impact from special effects in the first nine months of 2013 amounted to €0.3 million.

### Special effects in the first nine months of 2012

The acquisition of the molded brake components business of Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim, Germany, resulted in income from a negative difference arising as part of the preliminary purchase price allocation and totaling €12.9 million.

In addition, there were negative special effects totaling €0.7 million in the first nine months of 2012.

Total income from special effects for the ContiTech division amounted to €12.2 million in the first nine months of 2012.

### **Report on Expected Developments and Outlook**

The development in the first nine months confirms our recent forecast for business performance in 2013. However, owing primarily to the stronger influence of negative exchange rates than anticipated, the sales forecast for the current year has been scaled back from around €34 billion to approximately €33.5 billion. The revised forecast essentially relates to the Rubber Group.

The emerging recovery of the tire replacement markets has not yet led to a significant rise in rubber prices. As a result, the positive impact on the Rubber Group will

increase from around €300 million to €375 million in the current year. The additional positive effect is due almost entirely to the weaker than expected development in synthetic rubber prices. As a result of this in particular, we are raising our target for the adjusted EBIT margin for the current year from above 10% to at least 10.5%.

For the year as a whole, we are still assuming a negative impact from special effects of at least €50 million. After the positive development in free cash flow in the first nine months of 2013, we are now forecasting at least €800 million for the current year.

# Consolidated Financial Statements as at September 30, 2013

Owing to the first-time adoption of IAS 19 (revised 2011), *Employee Benefits*, as at January 1, 2013, all subsequent figures for the comparative periods have been restated in accordance with the requirements of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

## Consolidated Statement of Income and Comprehensive Income

in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
<b>Sales</b>	<b>24,923.9</b>	<b>24,640.5</b>	<b>8,349.6</b>	<b>8,134.3</b>
Cost of sales	-19,083.9	-19,268.1	-6,307.8	-6,336.8
<b>Gross margin on sales</b>	<b>5,840.0</b>	<b>5,372.4</b>	<b>2,041.8</b>	<b>1,797.5</b>
Research and development expenses	-1,474.4	-1,345.6	-487.4	-445.1
Selling and logistics expenses	-1,219.9	-1,166.7	-401.2	-398.2
Administrative expenses	-524.4	-492.2	-172.3	-170.2
Other expenses and income	-128.1	0.6	-103.4	-31.5
Income from at-equity accounted investees	23.8	47.2	9.0	17.3
Other income from investments	-0.1	4.5	-0.2	-3.0
<b>Earnings before interest and taxes</b>	<b>2,516.9</b>	<b>2,420.2</b>	<b>886.3</b>	<b>766.8</b>
Interest income	19.3	18.8	5.3	5.4
Interest expense <sup>1</sup>	-649.8	-400.7	-275.4	-166.2
<b>Net interest expense</b>	<b>-630.5</b>	<b>-381.9</b>	<b>-270.1</b>	<b>-160.8</b>
<b>Earnings before taxes</b>	<b>1,886.4</b>	<b>2,038.2</b>	<b>616.2</b>	<b>606.0</b>
Income tax expense	-237.8	-536.0	-154.0	-139.3
<b>Net income</b>	<b>1,648.6</b>	<b>1,502.2</b>	<b>462.2</b>	<b>466.7</b>
Non-controlling interests	-72.6	-49.8	-28.1	-17.5
Net income attributable to the shareholders of the parent	1,576.0	1,452.4	434.1	449.2
<b>Basic earnings per share in €</b>	<b>7.88</b>	<b>7.26</b>	<b>2.17</b>	<b>2.25</b>
<b>Diluted earnings per share in €</b>	<b>7.88</b>	<b>7.26</b>	<b>2.17</b>	<b>2.25</b>

<sup>1</sup> Including gains and losses from foreign currency translation, from changes in the fair value of derivative instruments as well as from available-for-sale financial assets. Interest effects from pension obligations and from other long-term employee benefits as well as from pension funds are also included.

in € millions	January 1 to September 30		Third Quarter	
	2013	2012 <sup>1</sup>	2013	2012 <sup>1</sup>
<b>Net income</b>	<b>1,648.6</b>	<b>1,502.2</b>	<b>462.2</b>	<b>466.7</b>
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit plans	147.2	-477.0	13.8	-477.0
Fair value adjustments	170.0	-540.0	21.3	-540.0
Portion for at-equity accounted investees <sup>2</sup>	-1.1	—	0.0	—
Deferred taxes on other comprehensive income	-21.7	63.0	-7.5	63.0
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation <sup>3</sup>	-326.4	76.1	-140.9	9.6
Difference from currency translation <sup>3</sup>	-328.9	75.3	-143.8	10.0
Reclassification adjustments to profit and loss	3.1	1.2	2.9	0.0
Portion for at-equity accounted investees <sup>2</sup>	-0.6	-0.4	0.0	-0.4
Available-for-sale financial assets	0.3	7.1	2.5	3.4
Fair value adjustments	3.8	7.1	3.8	3.4
Reclassification adjustments to profit and loss	-3.5	0.0	-1.3	0.0
Cash flow hedges	—	28.4	—	6.5
Fair value adjustments	—	0.0	—	0.0
Reclassification adjustments to profit and loss	—	28.4	—	6.5
Deferred taxes on other comprehensive income	4.9	-22.3	0.1	-9.6
<b>Other comprehensive income</b>	<b>-174.0</b>	<b>-387.7</b>	<b>-124.5</b>	<b>-467.1</b>
<b>Comprehensive income</b>	<b>1,474.6</b>	<b>1,114.5</b>	<b>337.7</b>	<b>-0.4</b>
Attributable to non-controlling interests	-49.7	-56.6	-25.6	-17.6
Attributable to the shareholders of the parent	1,424.9	1,057.9	312.1	-18.0

<sup>1</sup> The comparative figures as at September 30, 2012, and for the third quarter of 2012 have been restated in accordance with the 2013 structure.

<sup>2</sup> Including taxes.

<sup>3</sup> Including non-controlling interests.



## Consolidated Statement of Financial Position

Assets in € millions	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
Goodwill	5,607.0	5,622.2	5,688.7
Other intangible assets	634.2	945.1	1,056.2
Property, plant and equipment	7,585.1	7,391.0	6,995.1
Investment property	19.0	19.8	20.0
Investments in at-equity accounted investees	456.8	376.5	488.1
Other investments	6.9	6.9	6.6
Deferred tax assets	951.2	850.4	709.0
Defined benefit assets	2.4	2.0	18.3
Long-term derivative instruments and interest-bearing investments	234.5	433.9	394.5
Other long-term financial assets	20.9	23.8	27.4
Other long-term assets	17.3	14.1	21.6
<b>Non-current assets</b>	<b>15,535.3</b>	<b>15,685.7</b>	<b>15,425.5</b>
Inventories	3,119.9	2,998.7	3,323.5
Trade accounts receivable	6,115.2	4,993.3	6,139.3
Other short-term financial assets	343.3	321.8	346.7
Other short-term assets	667.0	661.4	754.9
Income tax receivables	56.8	77.9	78.4
Short-term derivative instruments and interest-bearing investments	126.1	102.3	79.5
Cash and cash equivalents	2,207.0	2,397.2	1,507.5
Assets held for sale	34.2	211.8	86.8
<b>Current assets</b>	<b>12,669.5</b>	<b>11,764.4</b>	<b>12,316.6</b>
<b>Total assets</b>	<b>28,204.8</b>	<b>27,450.1</b>	<b>27,742.1</b>
<b>Total equity and liabilities in € millions</b>	<b>Sept. 30, 2013</b>	<b>Dec. 31, 2012</b>	<b>Sept. 30, 2012</b>
Subscribed capital	512.0	512.0	512.0
Capital reserves	4,155.6	4,155.6	4,155.6
Retained earnings	5,188.2	4,062.2	3,609.4
Other comprehensive income	-1,100.6	-950.8	-826.2
<b>Equity attributable to the shareholders of the parent</b>	<b>8,755.2</b>	<b>7,779.0</b>	<b>7,450.8</b>
Non-controlling interests	318.5	377.4	357.0
<b>Total equity</b>	<b>9,073.7</b>	<b>8,156.4</b>	<b>7,807.8</b>
Provisions for pension liabilities and similar obligations	2,466.3	2,583.1	2,449.1
Deferred tax liabilities	144.0	269.2	307.2
Long-term provisions for other risks and obligations	284.5	308.5	317.1
Long-term portion of indebtedness	4,980.0	4,181.0	6,270.2
Other long-term financial liabilities	15.9	13.1	19.3
Other long-term liabilities	54.8	52.7	63.3
<b>Non-current liabilities</b>	<b>7,945.5</b>	<b>7,407.6</b>	<b>9,426.2</b>
Trade accounts payable	4,341.8	4,344.6	4,155.3
Income tax payables	620.4	713.3	703.2
Short-term provisions for other risks and obligations	599.5	597.0	716.9
Indebtedness	3,177.3	4,072.3	2,513.5
Other short-term financial liabilities	1,468.9	1,406.9	1,450.8
Other short-term liabilities	977.7	751.2	967.9
Liabilities held for sale	—	0.8	0.5
<b>Current liabilities</b>	<b>11,185.6</b>	<b>11,886.1</b>	<b>10,508.1</b>
<b>Total equity and liabilities</b>	<b>28,204.8</b>	<b>27,450.1</b>	<b>27,742.1</b>

## Consolidated Statement of Cash Flows

in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
<b>Net income</b>	<b>1,648.6</b>	<b>1,502.2</b>	<b>462.2</b>	<b>466.7</b>
Income tax expense	237.8	536.0	154.0	139.3
Net interest expense	630.5	381.9	270.1	160.8
<b>EBIT</b>	<b>2,516.9</b>	<b>2,420.2</b>	<b>886.3</b>	<b>766.8</b>
Interest paid	-458.4	-530.1	-219.0	-240.5
Interest received	21.1	18.7	5.3	5.5
Income tax paid	-571.0	-478.0	-150.8	-137.3
Dividends received	21.5	44.0	0.9	10.3
Depreciation, amortization and impairment	1,284.9	1,270.7	436.2	431.5
Income from at-equity accounted and other investments, incl. impairment	-23.7	-51.7	-8.8	-14.3
Gains from the disposal of assets, companies and business operations	-87.3	-4.3	-3.1	-2.1
Other non-cash items	-2.4	-7.4	—	-3.9
Changes in				
inventories	-195.2	-299.9	-0.6	-29.6
trade accounts receivable	-1,201.3	-744.5	-272.5	-337.8
trade accounts payable	77.7	-4.7	16.4	-68.9
pension and similar obligations	-9.8	-37.5	-0.6	-5.5
other assets and liabilities	245.9	-113.9	304.8	119.3
<b>Cash flow arising from operating activities</b>	<b>1,618.9</b>	<b>1,481.6</b>	<b>994.5</b>	<b>493.5</b>
Proceeds on the disposal of property, plant and equipment, and intangible assets	21.9	18.3	10.1	5.2
Capital expenditure on property, plant and equipment, and software	-1,334.2	-1,265.7	-467.5	-437.7
Capital expenditure on intangible assets from development projects and miscellaneous	-23.6	-45.6	-7.9	-8.8
Proceeds on the disposal of companies and business operations	247.4	0.0	-1.1	—
Acquisition of companies and business operations	-116.2	-20.3	-25.7	-10.3
<b>Cash flow arising from investing activities</b>	<b>-1,204.7</b>	<b>-1,313.3</b>	<b>-492.1</b>	<b>-451.6</b>
<b>Cash flow before financing activities (free cash flow)</b>	<b>414.2</b>	<b>168.3</b>	<b>502.4</b>	<b>41.9</b>
Change in indebtedness	-36.6	129.9	162.7	72.6
Step acquisitions	-48.5	-18.1	—	—
Dividends paid	-450.0	-300.0	—	—
Dividends paid and repayment of capital to non-controlling interests	-21.7	-36.4	-2.0	-4.8
Cash and cash equivalents arising from first consolidation of subsidiaries	0.4	4.8	—	—
<b>Cash flow arising from financing activities</b>	<b>-556.4</b>	<b>-219.8</b>	<b>160.7</b>	<b>67.8</b>
<b>Change in cash and cash equivalents</b>	<b>-142.2</b>	<b>-51.5</b>	<b>663.1</b>	<b>109.7</b>
Cash and cash equivalents at the beginning of the reporting period	2,397.2	1,541.2	1,578.9	1,401.7
Effect of exchange rate changes on cash and cash equivalents	-48.0	17.8	-35.1	-3.9
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,207.0</b>	<b>1,507.5</b>	<b>2,207.0</b>	<b>1,507.5</b>

## Consolidated Statement of Changes in Equity

in € millions	Number of shares <sup>1</sup> (thousands)	Subscribed capital	Capital reserves	Retained earnings	Step acquisitions <sup>2</sup>	Remeasurement of defined benefit plans <sup>3</sup>	Difference from			Non-controlling interests	Total
							currency translation <sup>4</sup>	financial instruments <sup>5</sup>	Subtotal		
<b>As at Jan. 1, 2012</b>	200,006	512.0	4,155.6	2,454.6	-59.8	—	105.3	-21.6	7,146.1	397.2	7,543.3
Adjustments IAS 19 <sup>6</sup>	—	—	—	2.4	—	-496.2	—	—	-493.8	—	-493.8
<b>As at Jan. 1, 2012 adjusted</b>	200,006	512.0	4,155.6	2,457.0	-59.8	-496.2	105.3	-21.6	6,652.3	397.2	7,049.5
Net income	—	—	—	1,452.4	—	—	—	—	1,452.4	49.8	1,502.2
Comprehensive income	—	—	—	—	—	-477.0	57.6	24.9	-394.5	6.8	-387.7
<b>Net profit for the period</b>	—	—	—	1,452.4	—	-477.0	57.6	24.9	1,057.9	56.6	1,114.5
Dividends paid/resolved	—	—	—	-300.0	—	—	—	—	-300.0	-48.5	-348.5
Step acquisitions	—	—	—	—	36.6	—	—	—	36.6	-52.5	-15.9
Other changes <sup>7</sup>	—	—	—	—	4.0	—	—	—	4.0	4.2	8.2
<b>As at Sept. 30, 2012</b>	200,006	512.0	4,155.6	3,609.4	-19.2	-973.2	162.9	3.3	7,450.8	357.0	7,807.8
<b>As at Jan. 1, 2013</b>	200,006	512.0	4,155.6	4,038.1	-19.2	—	77.1	3.8	8,767.4	377.4	9,144.8
Adjustments IAS 19 <sup>6</sup>	—	—	—	24.1	—	-1,012.5	—	—	-988.4	—	-988.4
<b>As at Jan. 1, 2013 adjusted</b>	200,006	512.0	4,155.6	4,062.2	-19.2	-1,012.5	77.1	3.8	7,779.0	377.4	8,156.4
Net income	—	—	—	1,576.0	—	—	—	—	1,576.0	72.6	1,648.6
Comprehensive income	—	—	—	—	—	148.6	-300.0	0.3	-151.1	-22.9	-174.0
<b>Net profit for the period</b>	—	—	—	1,576.0	—	148.6	-300.0	0.3	1,424.9	49.7	1,474.6
Dividends paid	—	—	—	-450.0	—	—	—	—	-450.0	-61.1	-511.1
Step acquisitions	—	—	—	—	0.7	—	—	—	0.7	-48.6	-47.9
Other changes <sup>7</sup>	—	—	—	—	0.6	—	—	—	0.6	1.1	1.7
<b>As at Sept. 30, 2013</b>	200,006	512.0	4,155.6	5,188.2	-17.9	-863.9	-222.9	4.1	8,755.2	318.5	9,073.7

<sup>1</sup> Shares outstanding.

<sup>2</sup> Step acquisitions of shares in fully consolidated companies, subsequent purchase price adjustments and effects from the first consolidation of previously non-consolidated subsidiaries.

<sup>3</sup> Includes shareholder's portion of -€1.1 million (PY: —) in non-realized gains and losses from pension obligations of companies accounted for under the equity method.

<sup>4</sup> Includes shareholder's portion of -€0.6 million (PY: -€0.4 million) in the foreign currency translation of companies accounted for under the equity method.

<sup>5</sup> In the period under review, the difference arising from financial instruments, including deferred taxes, is mainly due to available-for-sale financial assets. The previous year's figure mainly results from the voluntary termination of cash flow hedge accounting for interest rate hedges in 2011.

<sup>6</sup> We refer to our comments in the section on pension obligations.

<sup>7</sup> Other changes in non-controlling interests due to changes in the scope of consolidation, capital increases and effects from the first consolidation of previously non-consolidated subsidiaries.

## Explanatory Notes to the Consolidated Financial Statements

## Segment report by division for the period from January 1 to September 30, 2013

in € millions	Chassis & Safety	Powertrain	Interior
External sales	5,423.6	4,645.4	4,945.0
Intercompany sales	30.2	48.5	10.9
<b>Sales (total)</b>	<b>5,453.8</b>	<b>4,693.9</b>	<b>4,955.9</b>
EBITDA	737.9	488.1	636.7
in % of sales	13.5	10.4	12.8
EBIT (segment result)	473.1	159.9	312.6
in % of sales	8.7	3.4	6.3
Depreciation and amortization <sup>1</sup>	264.8	328.2	324.1
– thereof impairment <sup>2</sup>	–	3.8	2.9
Capital expenditure <sup>3</sup>	249.5	204.7	160.0
in % of sales	4.6	4.4	3.2
Operating assets as at Sept. 30	4,066.6	2,961.1	3,981.3
Number of employees as at Sept. 30 <sup>4</sup>	36,465	32,698	34,302

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	7,108.6	2,801.3	–	24,923.9
Intercompany sales	10.8	100.9	-201.3	–
<b>Sales (total)</b>	<b>7,119.4</b>	<b>2,902.2</b>	<b>-201.3</b>	<b>24,923.9</b>
EBITDA	1,583.3	433.1	-77.3	3,801.8
in % of sales	22.2	14.9	–	15.3
EBIT (segment result)	1,300.1	348.7	-77.5	2,516.9
in % of sales	18.3	12.0	–	10.1
Depreciation and amortization <sup>1</sup>	283.2	84.4	0.2	1,284.9
– thereof impairment <sup>2</sup>	-1.4	–	–	5.3
Capital expenditure <sup>3</sup>	601.1	118.8	0.5	1,334.6
in % of sales	8.4	4.1	–	5.4
Operating assets as at Sept. 30	4,874.1	1,292.6	-77.9	17,097.8
Number of employees as at Sept. 30 <sup>4</sup>	44,042	29,575	305	177,387

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

## Segment report by division for the period from January 1 to September 30, 2012

in € millions	Chassis & Safety	Powertrain	Interior
External sales	5,288.4	4,638.9	4,844.0
Intercompany sales	29.9	44.6	13.6
<b>Sales (total)</b>	<b>5,318.3</b>	<b>4,683.5</b>	<b>4,857.6</b>
EBITDA	744.4	442.2	605.6
in % of sales	14.0	9.4	12.5
EBIT (segment result)	493.1	88.3	276.4
in % of sales	9.3	1.9	5.7
Depreciation and amortization <sup>1</sup>	251.3	353.9	329.2
– thereof impairment <sup>2</sup>	-2.1	–	1.7
Capital expenditure <sup>3</sup>	228.9	232.5	164.1
in % of sales	4.3	5.0	3.4
Operating assets as at Sept. 30	4,197.7	3,024.9	4,344.7
Number of employees as at Sept. 30 <sup>4</sup>	34,806	31,313	33,007

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	7,190.6	2,678.6	–	24,640.5
Intercompany sales	12.8	100.0	-200.9	–
<b>Sales (total)</b>	<b>7,203.4</b>	<b>2,778.6</b>	<b>-200.9</b>	<b>24,640.5</b>
EBITDA	1,521.6	432.5	-55.4	3,690.9
in % of sales	21.1	15.6	–	15.0
EBIT (segment result)	1,259.8	358.3	-55.7	2,420.2
in % of sales	17.5	12.9	–	9.8
Depreciation and amortization <sup>1</sup>	261.8	74.2	0.3	1,270.7
– thereof impairment <sup>2</sup>	-3.6	-0.3	–	-4.3
Capital expenditure <sup>3</sup>	540.7	100.2	0.9	1,267.3
in % of sales	7.5	3.6	–	5.1
Operating assets as at Sept. 30	4,827.5	1,184.9	-110.6	17,469.1
Number of employees as at Sept. 30 <sup>4</sup>	42,814	27,681	288	169,909

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversals of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

## Reconciliation of EBIT to Net Income

in € millions	January 1 to September 30		Third Quarter	
	2013	2012	2013	2012
Chassis & Safety	473.1	493.1	155.1	153.3
Powertrain	159.9	88.3	49.5	5.5
Interior	312.6	276.4	104.4	81.1
Tires	1,300.1	1,259.8	494.6	432.6
ContiTech	348.7	358.3	111.8	118.9
Other/consolidation	-77.5	-55.7	-29.1	-24.6
<b>EBIT</b>	<b>2,516.9</b>	<b>2,420.2</b>	<b>886.3</b>	<b>766.8</b>
Net interest expense	-630.5	-381.9	-270.1	-160.8
<b>Earnings before taxes</b>	<b>1,886.4</b>	<b>2,038.2</b>	<b>616.2</b>	<b>606.0</b>
Income tax expense	-237.8	-536.0	-154.0	-139.3
<b>Net income</b>	<b>1,648.6</b>	<b>1,502.2</b>	<b>462.2</b>	<b>466.7</b>
Non-controlling interests	-72.6	-49.8	-28.1	-17.5
<b>Net income attributable to the shareholders of the parent</b>	<b>1,576.0</b>	<b>1,452.4</b>	<b>434.1</b>	<b>449.2</b>

### Accounting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union, and the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC). The interim report was prepared in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim report as in the consolidated financial statements for 2012. These methods are described in detail in the 2012 Annual Report. In addition, the IFRS amendments and new regulations effective as at September 30, 2013, have also been applied in the interim report. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2012 Annual Report.

The first-time adoption of IAS 19 (revised 2011), *Employee Benefits*, had a material effect in the reporting period. The new regulations focus on abolishing the recognition of actuarial gains and losses using the corridor method. The recognition of past service cost over the vesting period is also no longer permitted. The reporting of defined benefit costs and the measurement of net interest income and expense have been changed as well. We refer to the section on pension obligations for details of the specific effects.

All the other IFRS amendments and new regulations effective as at September 30, 2013, had no material effect on the reporting of the Continental Corporation.

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

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

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

**Pension obligations****Effects of IAS 19 (revised 2011), Employee Benefits**

The first-time adoption of IAS 19 (revised 2011), *Employee Benefits*, resulted in the following material effects on the earnings, financial and net assets position of the corporation: The reporting of unrecognized actuarial losses in the statement of financial position results in a €1,205.0 million increase in pension liabilities and similar obligations as at December 31, 2012. As a result of the remeasurement of defined benefit pension plans following the discontinuation of the corridor method, equity less counter-opposing deferred taxes was reduced by €1,012.5 million. Taking into account the accumulated retained earnings from the adjustment of the corridor and the translation of the expected return on plan assets, the total change in equity amounted to €988.4 million. As at Decem-

ber 31, 2012, the effects on deferred taxes totaled €215.8 million.

The reclassification of the interest cost on expected pension obligations and the expected return on plan assets from the operating result to net income from financial activities led to a retroactive improvement in EBIT of €66.7 million and a corresponding increase in interest expenses in the comparative period ending September 30, 2012.

The remeasurement of defined benefit pension plans as at September 30, 2013, resulted in a €100.0 million increase in reserves recognized directly in equity, primarily due to the rise in discount rates. The improvement in equity contrasted with a decline in pension liabilities and similar obligations of €153.9 million.

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

in € millions	January 1 to September 30, 2013					January 1 to September 30, 2012				
	Germany	USA/C	UK	Other	Total	Germany	USA/C	UK	Other	Total
Current service cost	73.2	0.5	2.8	12.0	88.5	45.9	0.4	2.4	11.6	60.3
Interest on defined benefit obligations	63.9	12.2	8.3	6.2	90.6	70.2	36.3	9.4	8.1	124.0
Expected return on plan assets	-17.2	-21.8	-8.6	-3.5	-51.1	-22.2	-35.3	-11.1	-3.5	-72.1
Amortization of other costs	—	—	—	0.3	0.3	1.1	21.2	1.3	1.3	24.9
Effects of asset ceiling and curtailments	—	—	—	—	—	—	7.5	—	0.0	7.5
<b>Net pension cost</b>	<b>119.9</b>	<b>-9.1</b>	<b>2.5</b>	<b>15.0</b>	<b>128.3</b>	<b>95.0</b>	<b>30.1</b>	<b>2.0</b>	<b>17.5</b>	<b>144.6</b>

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

in € millions	January 1 to September 30	
	2013	2012
Current service cost	1.3	1.1
Interest on healthcare and life insurance benefit obligations	6.1	7.2
Amortization of other costs	—	2.3
<b>Net cost of obligations similar to pensions</b>	<b>7.4</b>	<b>10.6</b>

#### Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the United Kingdom, and not for other benefit obligations. The companies of the Continental Corporation paid €29.5 million (PY: €43.0 million) into these pension funds in the period from January 1 to September 30, 2013.

In the period from January 1 to September 30, 2013, payments for retirement benefit obligations totaled €125.6 million (PY: €142.0 million). Payments for obligations similar to pensions totaled €11.2 million (PY: €11.5 million).

#### Companies consolidated

In addition to the parent company, the consolidated financial statements include 444 domestic and foreign companies in which Continental Aktiengesellschaft holds a direct or indirect interest of more than 20.0% of the voting rights, or that must be included in consolidation in accordance with SIC-12. 314 of these are fully consolidated and 130 are accounted for using the equity method.

Since December 31, 2012, the number of consolidated companies has increased by a total of one. Three companies were acquired, four companies were founded and nine previously non-consolidated units were included in consolidation for the first time. In addition, three more special-purpose entities were included in consolidation for the first time in accordance with SIC-12. Six companies were sold, seven were merged and five were liquidated.

Since September 30, 2012, the number of consolidated companies has increased by a total of three. The additions to the consolidated group mainly consist of

companies in the Rubber Group that were formed or included in consolidation for the first time. Disposals primarily related to the liquidation of inactive companies, mergers and the sale of Automotive Group companies.

#### Acquisition and sale of companies and business operations

The ContiTech division has strengthened its Conveyor Belt Systems business with the acquisition of 100% of shares in Legg Company, Inc., Halstead, Kansas, U.S.A., by ContiTech North America, Inc., Wilmington, Delaware, U.S.A. The transaction was closed on July 1, 2013. The acquisition is intended to facilitate market access and the expansion of the market share in North America. The preliminary purchase price is €24.5 million. As part of the preliminary purchase price allocation, intangible assets of €10.4 million and goodwill of €2.5 million were capitalized. In addition, an asset deal in the division was closed on April 16, 2013, by ContiTech Tianjin Conveyor Belt Co. Ltd., Tianjin, China. The preliminary purchase price is €4.3 million. No intangible assets were identified in preliminary purchase price allocation. The effects of these transactions have no material effect on the net assets, financial and earnings position as at September 30, 2013.

In order to strengthen and expand the product portfolio in the Advanced Driver Assistance Systems business unit, Continental acquired 100% of shares in Application Solutions (Electronics and Vision) Limited, Lewes, U.K., as at January 1, 2013. The purchase price was €20.7 million. The current, preliminary purchase price allocation resulted in acquired net assets of €5.1 million and goodwill of €15.6 million. Other than this, there was no material effect on the net as-



sets, financial and earnings position of Continental as at September 30, 2013.

Share and asset deals with a total value of €7.1 million were executed to strengthen the sales network in the Tire division. Intangible assets were capitalized in the amount of €1.4 million. In preliminary purchase price allocation, the individual transactions resulted in positive differences capitalized as goodwill of €3.2 million. The effects of these transactions, including the corresponding preliminary purchase price allocation, have no material effect on the net assets, financial and earnings position as at September 30, 2013.

On January 1, 2013, the closing took place for SK Continental E-motion Pte., Singapore, Singapore, a company jointly managed by SK Innovation Co., Ltd., Seoul, South Korea, and Continental, after the agreement to form the company was signed in July 2012. SK Continental E-motion develops, produces and markets battery systems based on lithium-ion technology for cars and light commercial vehicles. Continental holds 49% in the new company through its subsidiary Continental Automotive Singapore Pte., Ltd., Singapore, Singapore, while SK Innovation holds 51%. In addition to its head office in Singapore, SK Continental E-motion Pte. has operative units in Berlin, Germany, and in Daejeon, South Korea, and commenced operations on January 2, 2013. The transaction resulted in income of €24.2 million that was disclosed under other expenses and income.

Effective April 24, 2013, the remaining 26% of the shares in Continental Tyre South Africa (Pty.) Ltd., Port Elisabeth, South Africa, were acquired for €25.7 million. In addition, another 5% of the shares in Continental Automotive Corporation, Yokohama, Japan, were purchased for a price of €17.7 million. This transaction was closed on April 22, 2013. Continental acquired a further 12% of shares in Synerject LLC, Wilmington, Delaware, U.S.A., for a purchase price of €4.6 million in the reporting period. The transaction was closed on March 1, 2013. The effects of these transactions have no material effect on the net assets, financial and earnings position of the Continental Corporation as at September 30, 2013. The difference between the respective purchase price and the non-controlling interests was recognized in equity in a total amount of €0.8 million.

As part of an asset deal effective July 1, 2013, Continental Automotive Trading France SAS, Rambouillet, France, sold its cockpit activities in the Instrumentation & Driver HMI business unit at the location in Hambach, France, to SAS Automotive France, Voisins le Bretonneux, France. This transaction resulted in a gain of €0.2 million that was disclosed under other expenses and income. This did not have any material effect on the net assets, financial and earnings position as at September 30, 2013.

As at January 29, 2013, Continental sold its shares in S-Y Systems Technologies Europe GmbH, Regensburg, Germany, to Yazaki Europe Ltd., Hertfordshire, U.K., a subsidiary of Yazaki Corporation, Tokyo, Japan, as a result of which Yazaki now holds all shares in the company. Continental and Yazaki previously each held 50% in the company. The transaction resulted in income of €54.6 million that was disclosed under other expenses and income.

#### **Impairment**

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

#### **Appropriation of net income**

As at December 31, 2012, Continental AG reported net retained earnings of €866.5 million (PY: €508.5 million). On May 15, 2013, the Annual Shareholders' Meeting resolved to distribute a dividend of €2.25 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €450,013,461.75. The remaining amount was carried forward to new account.

In 2012, a dividend of €1.50 per share was distributed by Continental AG to its shareholders for 2011. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €300,008,974.50. The remaining amount was carried forward to new account.

#### **Earnings per share**

Basic earnings per share increased to €7.88 (PY: €7.26) in the first nine months of 2013. For the period

from July 1 to September 30, 2013, they decreased to €2.17 (PY: €2.25). They are equal to the diluted earnings per share in each case.

#### **Contingent liabilities and other financial obligations**

As at September 30, 2013, there were no material changes in the contingent liabilities and other financial obligations as described in the 2012 Annual Report.

#### **Transactions with related parties**

On May 13, 2013, the Schaeffler Group, Herzogenaurach, Germany, gave notice of termination, effective May 13, 2014, of the investment agreement concluded on August 20, 2008. Other than this, in the period under review there were no material changes in transactions with related parties compared with December 31, 2012. For further information, please refer to the comments in the 2012 Annual Report.

#### **German Corporate Governance Code**

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

#### **Segment reporting**

Information on the development of Continental AG's five divisions can be found in the Corporate Management Report as at September 30, 2013.

#### **Indebtedness and net income from financial activities**

To improve its financial and maturity structure with the aim of increasing flexibility at the same time, in December 2012 Continental already started with the refinancing process for the syndicated loan originally due in April 2014. As part of the agreement concluded on January 22, 2013, the credit volume was reduced to a total of €4.5 billion and split into two tranches with different terms: a loan of €1.5 billion with a term of three years and the increase in the revolving credit line from €2.5 billion to €3.0 billion with a term of five years. Under the new loan agreement, Continental is no longer required to furnish security in rem and has obtained further simplifications of the documentation required. Under the new syndicated loan agreement,

too, the credit margins are based on the Continental Corporation's leverage ratio (net indebtedness/ EBITDA, as defined in the syndicated loan agreement). The improvement in the leverage ratio already achieved as of the end of 2012 resulted in further margin decreases starting from the second quarter of 2013.

In 2013, further steps were taken to improve the financial and maturity structure while at the same time reducing interest costs. In May 2013, Continental set up a debt issuance program (DIP) for the issuance of bonds with a volume of €5.0 billion. It is a framework program that makes it possible to flexibly place medium- and long-term bonds on the capital market. Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., can issue bonds under this program.

In the third quarter of 2013, Continental took advantage of the positive capital market environment and placed three bonds with an issue volume totaling €2.25 billion with institutional and private investors in Germany and abroad under this program. The issue proceeds will be used for the partial refinancing of the bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010 with a total volume of €3.0 billion, which were terminated early in the period from May to September 2013.

For more information on indebtedness and net income from financial activities, we refer to the Corporate Management Report as at September 30, 2013.

## 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 and non-current and current items, are as follows:

in € millions	Measurement category in acc. with IAS 39	Carrying amount as at Sept. 30, 2013	Fair value as at Sept. 30, 2013	Carrying amount as at Dec. 31, 2012	Fair value as at Dec. 31, 2012
Other investments	AfS	6.9	6.9	6.9	6.9
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as hedging instruments	n. a.	6.5	6.5	6.1	6.1
Derivative instruments not accounted for as hedging instruments	HfT	132.6	132.6	260.7	260.7
Financial assets available for sale	AfS	206.1	206.1	178.9	178.9
Other receivables with a financing character	LaR	15.4	15.4	90.5	90.5
Trade accounts receivable	LaR	6,115.2	6,115.2	4,993.3	4,993.3
Other financial assets	LaR	364.2	364.2	345.6	345.6
Cash and cash equivalents					
Cash and cash equivalents	LaR	2,157.0	2,157.0	2,397.2	2,397.2
Financial assets available for sale	AfS	50.0	50.0	0.0	0.0
<b>Financial assets</b>		<b>9,053.9</b>	<b>9,053.9</b>	<b>8,279.2</b>	<b>8,279.2</b>
Indebtedness					
Derivative instruments not accounted for as hedging instruments	HfT	7.5	7.5	11.4	11.4
Financial lease liabilities	n. a.	58.1	63.7	64.4	70.5
Other indebtedness	FLAC	8,091.7	8,256.4	8,177.5	8,412.4
Trade accounts payable	FLAC	4,341.8	4,341.8	4,344.6	4,344.6
Other financial liabilities	FLAC	1,484.8	1,484.0	1,420.0	1,419.3
<b>Financial liabilities</b>		<b>13,983.9</b>	<b>14,153.4</b>	<b>14,017.9</b>	<b>14,258.2</b>
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		132.6		260.7	
Loans and receivables (LaR)		8,651.8		7,826.6	
Available for sale (AfS)		263.0		185.8	
Financial liabilities held for trading (HfT)		7.5		11.4	
Financial liabilities measured at amortized cost (FLAC)		13,918.3		13,942.1	

**Abbreviations**

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

The financial instruments measured at fair value are shown in the table below in accordance with their measurement method. The levels of the fair value hierarchy are defined as follows:

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

in € millions		Sept. 30, 2013	Level 1	Level 2	Cost
Other investments	AfS	6.9	–	–	6.9
Available-for-sale financial assets	AfS	256.1	196.0	60.1	0.0
Derivative instruments accounted for as hedging instruments	n. a.	6.5	–	6.5	–
Derivative instruments not accounted for as hedging instruments	HFT	132.6	–	132.6	–
<b>Financial assets valued at fair value</b>		<b>402.1</b>	<b>196.0</b>	<b>199.2</b>	<b>6.9</b>
Derivative instruments not accounted for as hedging instruments	HFT	7.5	–	7.5	–
<b>Financial liabilities valued at fair value</b>		<b>7.5</b>	<b>–</b>	<b>7.5</b>	<b>–</b>

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

A detailed description of the measuring methods used for the individual financial instruments can be found in the 2012 Annual Report.

**Income tax expense**

Income tax expense in the first nine months of 2013 amounted to €237.8 million (PY: €536.0 million). The tax rate in the reporting period was 12.6% after 26.3% for the same period of the previous year. In particular, this was due to the recognition of deferred tax assets in the U.S.A. in the amount of €256.2 million in the second quarter, the future utilization of which is considered likely given the ongoing positive business performance. Adjusted for these positive effects on the tax rate due to accounting, which largely relate to higher tax rates in previous years, tax payments in the same period amounted to €571.0 million (PY: €478.0 million), corresponding to a rate of 30.3% (PY: 23.5%).

**Litigation and compensation claims**

On July 10, 2013, the European Commission imposed fines on a number of automotive suppliers for anti-competitive conduct in the field of supplying wire harnesses for automotive applications. These companies included S-Y Systems Technologies Europe GmbH, Regensburg, Germany, and its French subsidiary, which must pay a fine of €11.1 million due to cartel agreements with regard to one automotive manufacturer. Continental held a 50% share of S-Y Systems Technologies Europe GmbH, Regensburg, Germany, until January 29, 2013.

Judicial review proceedings are pending with regard to the appropriateness of the compensatory payment and the exit compensation under the management and profit and loss transfer agreement between ContiTech AG, Hanover, and ContiTech-Universe Verwaltungs-GmbH, Hanover, which was approved by the Annual Shareholders' Meeting of ContiTech AG on August 22, 2007, and with regard to the appropriateness of the compensation for the squeeze-out of outside shareholders of this company that was adopted by the Annual Shareholders' Meeting of ContiTech AG on the same day. In these proceedings, partial settlement

agreements were entered in the records of the Hanover Regional Court (*Landgericht*) on May 2 and July 12, 2012. Under these settlements, an additional payment of €3.50 plus interest per share on top of the exit compensations under the management and profit and loss pooling agreement and for the squeeze-out was agreed, as was – merely declaratory – a higher compensatory payment under the management and profit and loss pooling agreement. In October 2012, the Hanover Regional Court had awarded additional payments of the same amount. Upon appeals by a few petitioners, the Celle Higher Regional Court (*Oberlandesgericht*) revoked the rulings on July 17, 2013, and remanded the matter to the Hanover Regional Court for a new hearing and ruling.

In connection with the cessation of passenger tire production at the plant in Clairoux, France, a large number of employees at Continental France SNC, Sarreguemines, France, had filed claims with the industrial tribunals in Compiègne and Soissons, France, against this subsidiary company and, in some cases,

against Continental AG as well. On August 30, 2013, the industrial tribunal in Compiègne ordered Continental France SNC and Continental AG to pay damages for the allegedly unlawful dismissal of the employees. Continental still considers the plaintiffs' claims to be unfounded and has appealed the tribunal's ruling. However, we cannot rule out the possibility that the obligation to pay damages may be upheld in full or in part after the final resolution of the proceedings.

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 2012 Annual Report.

#### **Review by an independent auditor**

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

## Significant events after September 30, 2013

There were no significant events after September 30, 2013.

Hanover, October 22, 2013

Continental Aktiengesellschaft  
The Executive Board

# Financial Calendar

## 2013

Annual Financial Press Conference	March 7
Analyst Telephone Conference	March 7
Annual Shareholders' Meeting	May 15
Financial Report as at March 31, 2013	May 3
Half-Year Financial Report as at June 30, 2013	August 1
Financial Report as at September 30, 2013	November 7

## 2014

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

**Contact Details**

This Financial Report has also been published in German. The 2012 Annual Report of Continental Aktiengesellschaft is also available in English and German.

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