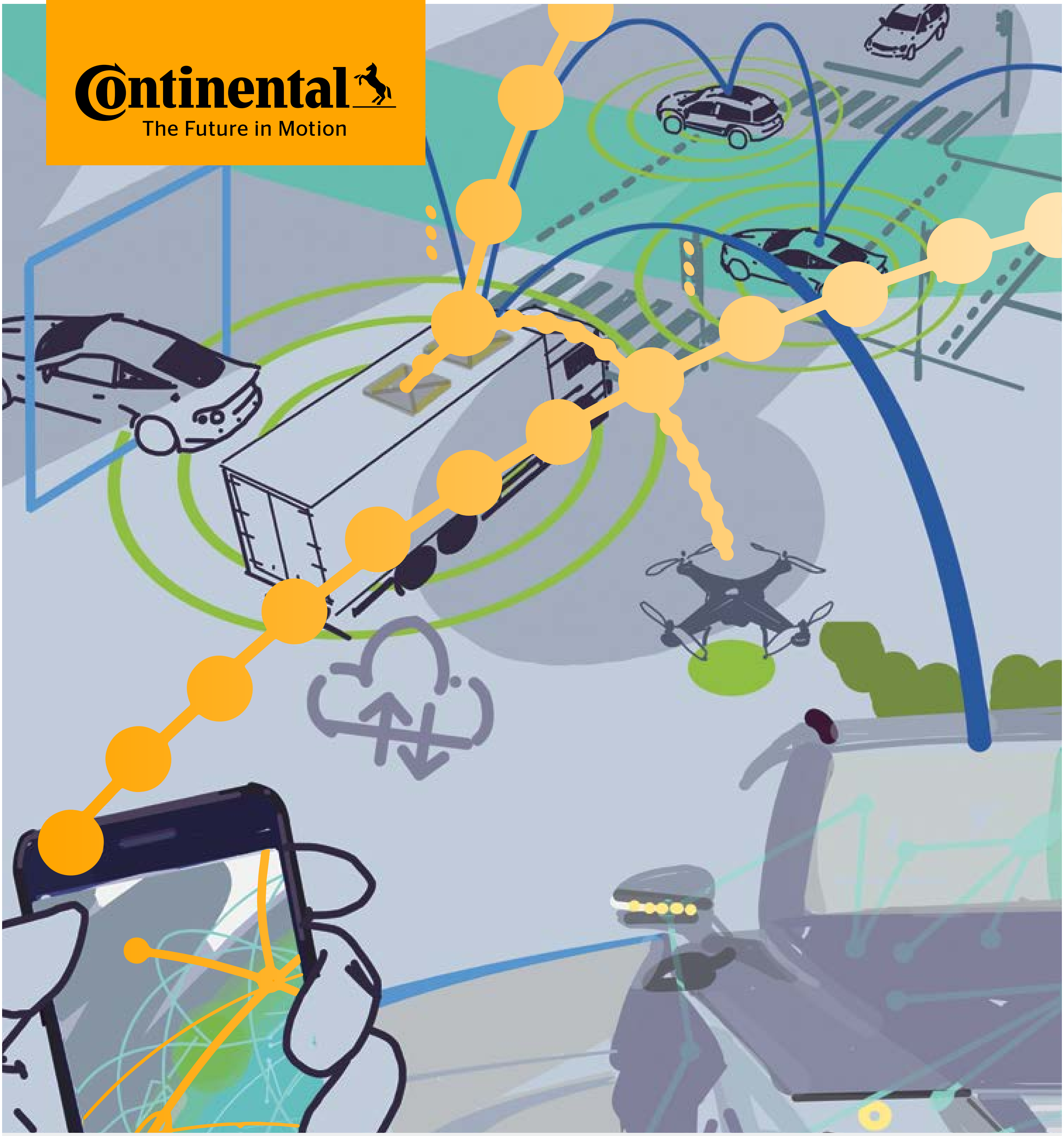


Q2

Half-Year Financial Report

as at June 30, 2017

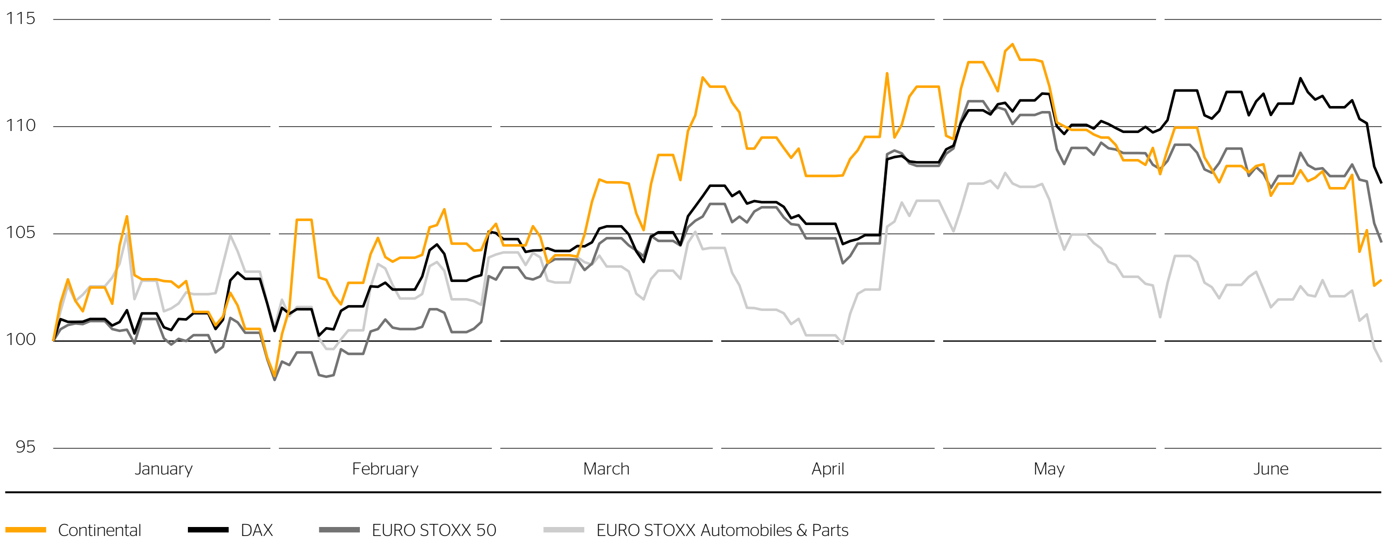
Continental Shares and Bonds

Largely positive trend on stock markets
After the year-end rally in the fourth quarter of 2016, the leading stock markets in Europe, the U.S.A. and Asia initially trended sideways on the whole in the first few weeks of 2017. This was due to the lack of clear stimuli. The inauguration of the new U.S. president caused sentiment on the U.S. stock markets to improve from the end of January 2017, with the new U.S. government promising extensive tax cuts, deregulation and infrastructure measures. The Dow Jones index exceeded 20,000 points for the first time at the end of January, climbing temporarily to more than 21,000 points by the beginning of March. However, investors' increasing doubts about whether the announced measures could be implemented quickly resulted in profit taking over the rest of the month. Prices also rose on the European stock markets in February. The increase was more modest, however, as it was curbed by concerns about the U.S.A.'s barriers to trade and the outcome of the upcoming Dutch election in March, which was uncertain at the time. In Europe and in the U.S.A., support came from company results that were largely better than expected. Positive economic data from Germany and the eurozone caused European stocks to rise further at the end of March. The DAX exceeded 12,000 points at the beginning of March, closing the first quarter of 2017 up 7.2% at 12,312.87 points. The EURO STOXX 50 rose by 6.4% to 3,500.93 points in the first quarter.

In the first weeks of the second quarter, the U.S. Federal Reserve (Fed) surprised investors with indications of a potentially more rapid normalization of its monetary policy. In addition, political tensions between the U.S.A. and North Korea as well as the conflict in Syria created uncertainty, resulting in declining prices on global stock markets. Furthermore, many shareholders were waiting for the outcome of the first round of the French presidential election on April 23, 2017. The result led to an increase in confidence and rising prices on European and many international stock markets. On the following day, the DAX went higher than 12,400 points for the first time, exceeding the previous record high from April 2015. The positive price momentum continued in the subsequent weeks, especially on European stock markets, supported by predominantly good quarterly results and positive economic data. In mid-May, the DAX was just above the 12,800 point mark for the first time.

Shortly after, doubts about the feasibility of the fiscal and tax measures announced by the U.S. government led to profit taking on stock markets around the world. However, share prices stabilized again in the following weeks as a result of positive economic data. In the U.S.A., the Dow Jones index exceeded the level of 21,000 points and was at just over 21,500 points for a short time in mid-June 2017. The DAX also rose again in June, marking a new all-time high at 12,951.54 points in the morning of June 20, 2017. Over the course of the day, however, a considerable decline in the price of crude oil and the start of negotiations for the United Kingdom's exit from the European Union prompted profit taking. In June, changes in the forecasts of individual automotive and chemical companies also resulted in further price declines, especially on European stock markets. The DAX closed the second quarter of 2017 up 0.1% at 12,325.12 points, increasing by 7.4% in the first half of 2017. The EURO STOXX 50 declined by 1.7% to 3,441.88 points in the second quarter, closing the first half of 2017 up 4.6%.

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2017



	June 30, 2017	in % vs. December 31, 2016
Continental shares (XETRA price)	188.95	2.9
DAX	12,325.12	7.4
EURO STOXX 50	3,441.88	4.6
EURO STOXX Automobiles & Parts	516.21	-1.0

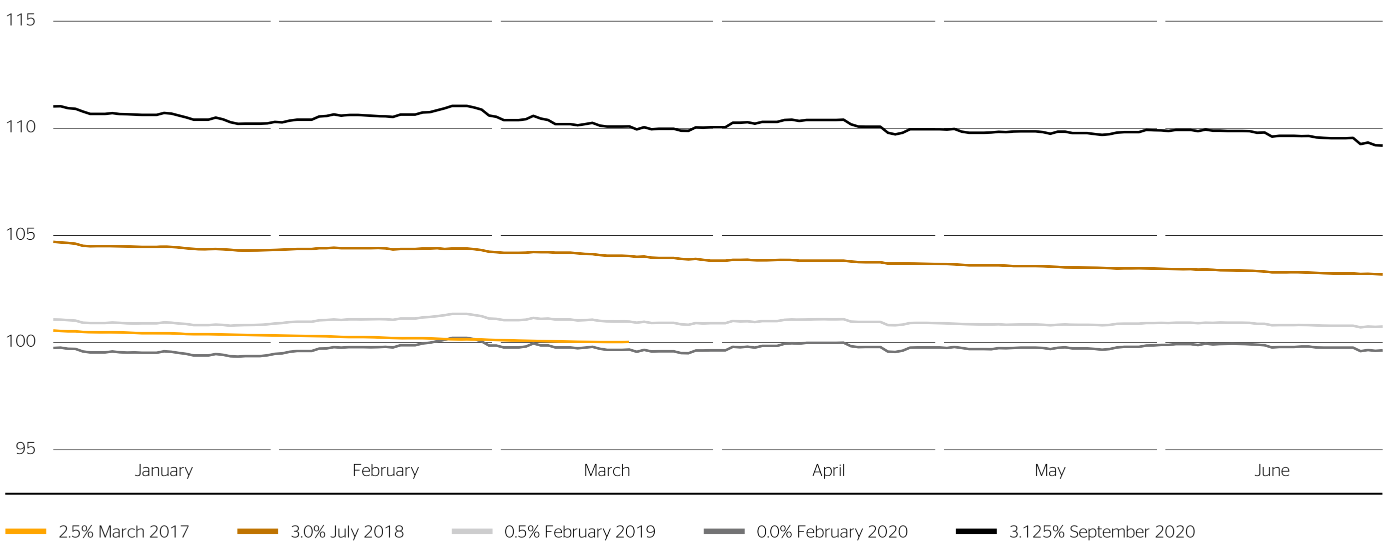
Losses in the automotive sector in the second quarter of 2017
European automotive and supplier stocks benefited from positive passenger-car registration data in Western Europe in the first quarter of 2017. The major positive influence was the shift of working days between the first and second quarters. The concerns of many shareholders about the U.S.A.'s potential barriers to trade, however, had a negative impact on export-oriented European automotive stocks. This resulted in somewhat weaker performance of EURO STOXX Automobiles & Parts compared to the DAX and EURO STOXX 50 of 4.3% in the first quarter of 2017.

In the second quarter of 2017, declining sales figures for passenger cars, especially in the U.S.A., and rising inventories in China resulted in growing investor uncertainty about the expected development of passenger-car sales volumes and production in the subsequent quarters. As a result, the prices of European automotive stocks performed worse than the market as a whole over the course of the quarter. In June, forecast reductions for the current year by various suppliers and more cautious estimates of new car sales figures for the current year by an American manufacturer caused further price declines. The EURO STOXX Automobiles & Parts declined by 5.1% to 516.21 points in the second quarter of 2017, closing the first half of 2017 down 1.0%.

Positive development in the Continental share price
In mid-January 2017, Continental shares benefited from the announcement of the preliminary figures for the 2016 fiscal year and the publication of the complete business figures in early March. Several upgrades and price target increases by various analysts also had a positive effect in early February and the second half of March. Continental shares exceeded €200 in the last week of March 2017, reaching €205.50 by the end of that month. The share price was thus up 11.9% in the first quarter compared to its closing price for the previous year of €183.70.

In April 2017, Continental shares initially dropped in line with the general market trend. The publication of the figures for the first quarter of 2017, the increase in the sales forecast for the current year, and repeated upgrades and price target increases by various analysts prompted Continental shares to climb again. They marked their provisional intra-year high of €210.35 in the course of May 12, 2017. In the second half of the quarter, Continental shares initially fell to around the €200 mark, before sinking further at the end of the quarter due to negative news from the automotive sector. At the end of June 2017, Continental shares were quoted at €188.95, having fallen by 8.1% in value in the second quarter. Compared to the end of 2016, their price had grown by 2.9%. Assuming rein-

Price performance of Continental bonds in the reporting period



vestment of the distributed dividend, the shares had a return of 5.0% in the first half of 2017. The EURO STOXX Automobiles & Parts fell by 5.1% in the second quarter and by 1.0% in the first half of 2017.

Continental shares recovered in July 2017 after positive analyst assessments of the automotive sector and of Continental AG. Weaker-than-expected company results from stock-listed automotive sup-pliers also caused Continental shares to drop again. The shares were quoting at €190.55 at the end of trading on July 24, 2017.

Euro bonds at low yield level
As in the previous year, Continental euro bonds persisted at a low yield level during the first half of 2017. This was due to continuing low interest rates and the sound capital base of Continental AG.

Over the reporting period, the price of the 3.0% euro bond maturing on July 16, 2018, declined by 151.5 basis points to 103.188% due to the reduction in the remaining maturity.

At the end of June 2017, the 0.5% euro bond maturing on February 19, 2019, was quoted at 100.750%, down 33.1 basis points compared to the end of 2016.

The price of the 0.0% euro bond, which was issued in the fourth quarter of 2016 and matures on February 5, 2020, remained at around the 100% mark over the course of the quarter. On June 30, 2017, it was quoted at 99.635%, down 11.2 basis points compared to the end of 2016.

The price of the 3.125% euro bond maturing on September 9, 2020, fell by 182.7 basis points in the reporting period due mainly to the reduction in the remaining maturity. At the end of June 2017, the bond was quoting at 109.197%.

2.5% euro bond redeemed on March 20, 2017
During the first quarter of 2017, the price of the 2.5% euro bond of Conti-Gummi Finance B.V., Maastricht, Netherlands, which matured on March 20, 2017, continued to fall toward the 100% mark. The nominal value of €750.0 million was repaid on the maturity date.

Five-year CDS premium at two-year low
The premiums for insuring against credit risks (credit default swap, CDS) initially remained largely unchanged at a relatively low level in the reporting period. This was due to the comparatively quiet stock market environment in the first quarter of 2017, the generally positive profit development of many companies, and the continually favorable interest rates in the eurozone in particular, which was thanks to the European Central Bank's unchanged expansionary monetary policy. The growing confidence for the further development of the eurozone after the result of the first round of voting in the French presidential election also led to falling CDS premiums for euro corporate bonds after April 23, 2017.

In the first quarter of 2017, the five-year CDS premium for Continental still remained within a small range of 50 to 60 basis points. During the second quarter, it temporarily fell to less than 40 basis points and reached a new two-year low at 37.760 basis points in the course of June 26, 2017. At the end of the first half of 2017, it was at 41.100 basis points, 17.981 down on the end of the previous year. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to -14.976 basis points as at June 30, 2017 (-13.234 basis points as at December 31, 2016).

Continental's credit rating unchanged
The three major rating agencies each maintained their credit ratings for Continental AG during the first half of 2017.

June 30, 2017	Rating	Outlook
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB+	stable
Moody's[3]	Baa1	stable

December 31, 2016	Rating	Outlook
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB+	stable
Moody's[3]	Baa1	stable

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

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

Updates about Continental are also available on Twitter at @Continental_IR.

Key Figures for the Continental Corporation

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Sales	22,032.9	20,041.7	11,033.0	10,191.0
EBITDA	3,290.9	3,218.6	1,652.4	1,713.1
in % of sales	14.9	16.1	15.0	16.8
EBIT	2,267.4	2,290.3	1,132.3	1,249.6
in % of sales	10.3	11.4	10.3	12.3
Net income attributable to the shareholders of the parent	1,495.0	1,638.8	745.4	904.9
Earnings per share in €	7.48	8.19	3.73	4.52
Adjusted sales[1]	21,723.0	20,041.3	10,837.8	10,190.7
Adjusted operating result (adjusted EBIT)[2]	2,328.0	2,381.8	1,162.5	1,292.2
in % of adjusted sales	10.7	11.9	10.7	12.7
Free cash flow	291.8	959.0	158.8	470.0
Net indebtedness as at June 30	3,468.6	3,446.2		
Gearing ratio in %	22.8	25.8		
Number of employees as at June 30[3]	230,527	214,905		

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

Key Figures for the Core Business Areas

	January 1 to June 30		Second Quarter	
Automotive Group in € millions	**2017**	2016	**2017**	2016
Sales	13,415.4	12,168.5	6,661.4	6,157.5
EBITDA	1,653.8	1,465.0	829.4	766.0
in % of sales	12.3	12.0	12.5	12.4
EBIT	1,079.5	941.8	537.8	502.0
in % of sales	8.0	7.7	8.1	8.2
Depreciation and amortization[1]	574.3	523.2	291.6	264.0
thereof impairment[2]	2.6	5.0	1.6	1.7
Capital expenditure[3]	674.0	497.0	386.7	295.3
in % of sales	5.0	4.1	5.8	4.8
Operating assets as at June 30	12,789.4	11,962.3		
Number of employees as at June 30[4]	129,515	121,035		
Adjusted sales[5]	13,370.5	12,168.5	6,641.3	6,157.5
Adjusted operating result (adjusted EBIT)[6]	1,122.7	971.6	556.2	517.1
in % of adjusted sales	8.4	8.0	8.4	8.4

	January 1 to June 30		Second Quarter	
Rubber Group in € millions	**2017**	2016	**2017**	2016
Sales	8,642.2	7,896.3	4,381.8	4,044.6
EBITDA	1,693.0	1,804.8	850.4	970.6
in % of sales	19.6	22.9	19.4	24.0
EBIT	1,244.5	1,400.8	622.3	772.1
in % of sales	14.4	17.7	14.2	19.1
Depreciation and amortization[1]	448.5	404.0	228.1	198.5
thereof impairment[2]	–	3.0	–	-0.4
Capital expenditure[3]	483.1	422.1	268.1	226.2
in % of sales	5.6	5.3	6.1	5.6
Operating assets as at June 30	9,296.6	8,524.0		
Number of employees as at June 30[4]	100,581	93,469		
Adjusted sales[5]	8,377.2	7,895.9	4,206.7	4,044.3
Adjusted operating result (adjusted EBIT)[6]	1,261.9	1,462.5	634.1	799.6
in % of adjusted sales	15.1	18.5	15.1	19.8

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

Corporate Management Report

New R&D center in Silicon Valley
On April 12, 2017, we opened our new research and development center in San José in Silicon Valley, U.S.A. Up to 300 experts from all parts of the company will be able to work at the site on pioneering solutions for the sustainable mobility of the future. The projects are related to automated driving, electromobility, connectivity and mobility services. Software-based solutions play a significant role in these areas, along with the processing of large amounts of data and using artificial intelligence.

Further expansion of production capacity for passenger and light truck tires
We are continuing to follow our long-term growth strategy in the Tire division called Vision 2025. In April 2017, investments were announced totaling €100 million in the existing passenger tire plant in Lousado, Portugal. The current annual capacity of approximately 18 million tires is to be expanded further, with a focus on high-performance summer and winter tires of 17 inches or more. In early July 2017, it was also announced that the course had already been set for long-term expansion at the passenger tire plant in Hefei, China. To meet growing demand, capacity here is to be increased to around 20 million tires per year by the end of 2022 on the basis of additional investments of more than €250 million.

Strategic cooperation agreement with NIO for collaboration on new vehicle platforms
On May 31, 2017, we signed a strategic cooperation agreement with NIO, a start-up for electric vehicles in China. Continental and NIO will collaborate closely in the field of electric vehicles and in other relevant areas of research, such as intelligent transportation systems and automated driving. The aim is to develop a stable, long-term partnership. Under the agreement, Continental and NIO will work together on NIO's new vehicle platforms. To begin with, Continental will supply vehicle components such as air spring systems and tires for the start-up's all-electric sport utility vehicle ES8.

Strategic cooperation with Baidu for further development of intelligent mobility
On May 31, 2017, we agreed a strategic cooperation with Baidu, one of China's largest Internet companies. Through complementary resources and technological expertise, we aim to develop technologies, products and business models together in order to provide comprehensive and reliable solutions for automated driving, connected cars and intelligent mobility services. Together, we will expand our technology exchange by each taking advantage of our respective competitive advantages in automotive electronics and Internet technologies, as well as forming a strong technological alliance.

Continental to become systems integrator for the autonomous driving platform from BMW, Intel and Mobileye
On June 20, 2017, we announced that Continental was becoming the development partner and systems integrator for the cooperation between BMW, Intel and Mobileye on automated driving. We are aiming to develop a new cooperation model for highly and fully automated driving in order to deliver scalable solutions for the entire automotive industry worldwide. As a systems integrator, Continental will play a key role in industrializing the platform for other automotive manufacturers and launching the joint solutions on the market faster. BMW, Intel and Mobileye have been pooling their resources and expertise since July 2016 to facilitate the production of highly and fully automated BMW vehicles by 2021.

AllCharge makes electric cars fit for every type of charging technology
We have developed a new technology to harmonize different charging technologies for electric cars. Instead of integrating additional charging technology for the various types of charging station into the car, the electric drive train itself acts as the "charger." This transforms the components of a conventional electric drive into a complete charging system, an AllCharge system. The relevant components already have the properties needed to do this, as the current within the electric drive train constantly switches between direct and alternating current at different voltages. This feature is used to meet the requirements of the different charging technologies in the vehicle. As a result, not only will drivers be able to drive up to any charging station currently available and "fill up" with up to 800 V and 350 kW of power, they will also have 230 V of alternating current available in the vehicle if they need it. With its vehicle-to-device technology, the AllCharge system can supply mobile electronic devices such as laptops with electricity from the vehicle battery.

Innovative audio technology: the vehicle as a sound box
In our innovative car audio technology, conventional loudspeakers are replaced by actuators that create sound by vibrating certain surfaces in the vehicle. The speaker-less system offers a range of advantages over traditional technologies: with a much lighter weight, significantly reduced box volume and lower electricity consumption, the new Continental solution still delivers excellent acoustics. Experts confirm that the system offers outstanding sound quality.

First 48-volt electric drive for e-bikes
We have expanded our product portfolio for emission-free mobility with a new 48-volt electric drive system for e-bikes that has an automatic transmission. Bicycles with electrical assistance are an important part of connected mobility and a climate-friendly lifestyle. The global market is growing, dynamic, and full of potential, so we are turning our attention to this pioneering field and its connectivity with other transportation systems as part of our holistic approach to mobility.

Economic Report

Macroeconomic development
Germany's gross domestic product (GDP) grew by 0.6% in the first quarter of 2017 compared to the fourth quarter of 2016 and by 1.7% compared to the first quarter of 2016. The main reasons for this growth, which was slightly above expectations, were higher private investment and an increase in the trade surplus. Private and public spending also increased, but to a lesser extent. For the second quarter, increased consumer confidence and other sentiment indicators point to growth on a similar scale. In its World Economic Outlook Update from July 2017, the International Monetary Fund (IMF) now anticipates that Germany's GDP will increase by 1.8% in 2017 as a whole instead of 1.6%.

The eurozone also posted higher-than-anticipated growth in the first quarter of 2017. Its GDP grew in step with Germany by 0.6% in relation to the previous quarter and by 1.9% year-on-year. Most experts currently expect the pace of growth from the first quarter to be maintained in the second quarter. Economic development was boosted further by the monetary policy of the European Central Bank, which continued to adhere to its expansionary measures despite the recent rise in prices. In July, the IMF raised its estimate for GDP growth in the eurozone in 2017 from 1.7% to 1.9%.

In the first quarter of 2017, the U.S. economy grew by 1.4% compared to the fourth quarter of 2016 and by 2.1% compared to the first quarter of 2016. Growth was boosted primarily by increasing private investment, but was curbed, however, by a slower increase in consumer spending and a slight decline in government spending. Foreign trade picked up significantly in the first three months of 2017. However, the trade deficit increased slightly, as imports rose faster than exports. For the second quarter, economists currently anticipate a slight acceleration in economic growth in the U.S.A. The U.S. Federal Reserve (Fed) increased the key interest rate for the third time since the interest rate reversal at the end of 2015 in March 2017 and then for the fourth time in June 2017. It also raised the prospect of another increase over the remainder of the year. In addition, it indicated that this year it would begin to reduce its total assets, which were expanded enormously in the wake of the financial crisis. In July 2017, the IMF lowered its estimate for GDP growth in the U.S.A. for the current year from 2.3% to 2.1%.

The Japanese economy posted year-on-year GDP growth of 1.3% in the first quarter of 2017. It benefited in particular from an upturn in exports due to the weakening of the Japanese yen against the U.S. dollar and other currencies toward the end of the fourth quarter of 2016. Private investment and consumer spending also increased, while government spending stagnated. For the second quarter, economists expect government spending to increase again and industrial production to continue to rise; but growth in exports is likely to be lower. After having raised its growth projection for 2017 by 0.4 percentage points to 1.2% in its April forecast, the IMF increased its GDP forecast for Japan in July 2017 by another 0.1 percentage points to 1.3% for the current year.

The Chinese economy particularly benefited from a substantial increase in consumer spending in the reporting period. After 6.9% for the first quarter of 2017, GDP growth of 6.9% year-on-year was recorded for the second quarter, too. For 2017 as a whole, the IMF increased its estimate by 0.1 percentage points to 6.7% in July. GDP growth in India slowed to 6.1% in the first quarter of 2017 following the cash reform at the end of 2016. Higher growth is anticipated again for the following quarters. In July, the IMF maintained its GDP forecast for India at 7.2% for 2017. For Brazil, it continues to expect stabilization this year and now anticipates growth of 0.3% instead of 0.2%. For Russia, the IMF maintained its GDP forecast in July, anticipating growth of 1.4% for 2017. In its July forecast, the IMF expects emerging and developing economies to grow overall by 4.6%, up from 4.5%.

In the same forecast, the IMF still anticipates that the global economy will grow by 3.5%. It sees risks from rich valuations, especially for equities on some capital markets at present, coupled with the high level of debt held by several countries. At the same time, the IMF points to ongoing structural problems in some economies and sees considerable risks in growing protectionist tendencies and geopolitical tensions in individual countries.

Development of new passenger-car registrations
On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), demand for passenger cars in Europe (EU-28 + EFTA) rose by 5% year-on-year to 8.5 million units in the first half of 2017. In addition to the ongoing economic recovery and low interest rates, this was attributable to continued high demand for replacements in some countries, particularly in Southern and Eastern Europe. Among the major markets, this development could be observed in Italy and Spain again, with increases of 9% and 7% respectively in the period under review. Germany and France both posted increases of 3%. In the U.K., demand was down 1% on the high figure from the previous year. On a quarterly basis, the increase in new passenger-car registrations in Europe was very strong at 8% in the first quarter of 2017. One of the main reasons for this was a shift in working days compared to the previous year due to public holidays. In the second quarter of 2017, the increase accordingly slowed considerably to 1%.

In the U.S.A., the number of new car registrations fell by 2% in the first half of 2017. This was due to a 12% decline in demand for passenger cars. In contrast, demand for light commercial vehicles, especially pickup trucks, rose by 5% year-on-year due to low fuel prices and favorable lending rates. With a total of 8.4 million units, demand remained high all in all. On a quarterly basis, there was a decline of almost 2% in the first quarter. With 4.4 million new registrations, the second quarter was down almost 3% on the previous year's figure.

New registrations/sales of passenger cars

	January 1 to June 30			Second Quarter		
millions of units	**2017**	2016	Change	**2017**	2016	Change
Europe (EU-28 and EFTA)	8.5	8.1	5%	4.2	4.2	1%
U.S.A.	8.4	8.6	-2%	4.4	4.5	-3%
Japan	2.3	2.1	10%	1.0	0.9	13%
Brazil	1.0	1.0	4%	0.5	0.5	9%
Russia	0.7	0.7	7%	0.4	0.4	12%
India	1.5	1.4	8%	0.7	0.7	4%
China	10.9	10.6	3%	5.2	5.2	0%
Worldwide	**45.8**	**44.6**	**3%**	**22.8**	**22.5**	**1%**

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

Demand for passenger cars in Japan rose by 10% to over 2.3 million units, due to the improved economic situation and increased consumer confidence.

In China, demand was curbed by the increase in sales tax from 2.5% to 7.5% on purchases of passenger cars with a cubic capacity of less than 1.6 liters. After sales volumes had risen by more than 5% in the first quarter of 2017, demand stagnated at the previous year's level in the second quarter. According to the VDA, new passenger-car registrations in China increased by just under 3% overall in the first half of 2017. Demand in the other BRIC countries also increased in the period under review. In the first half of 2017, sales volumes increased by 8% in India, by 7% in Russia and by 4% in Brazil.

According to preliminary data, global new passenger-car registrations increased by 4% year-on-year in the first quarter of 2017 and by 1% in the second quarter. Overall, there was an increase of almost 3% in new registrations to 45.8 million units in the first half of 2017.

Development of production of passenger cars and light commercial vehicles

In Europe, production of passenger cars and light commercial vehicles weighing less than 6 metric tons was up year-on-year in the first quarter and down year-on-year in the second quarter as a result of the different number of working days. According to preliminary data, production increased by 1% overall in the first half of 2017. In particular, passenger car plants in Russia and Turkey increased their production considerably. By contrast, there was a decline of 4% in both Germany and Spain in the period under review. For 2017 as a whole, we continue to anticipate a 2% increase.

In North America, the decline in production in the U.S.A. and Canada in the first half of 2017 was only partly offset by a sharp rise in production in Mexico. Preliminary data indicates that production of passenger cars and light commercial vehicles therefore decreased by 1% in the period under review. For 2017 as a whole, we still expect the production volume to fall by 3% in North America due to declining demand and the high comparative basis.

In Asia, the production of passenger cars and light commercial vehicles increased in most countries in the period under review. Japan, India and Iran saw particularly high volume growth as a result of demand. By contrast, manufacturing volumes decreased in South Korea and Thailand. In China, production in the second quarter was on par with the high figure from previous year, following a strong increase in the first quarter. Preliminary data shows that production in Asia as a whole grew by 4% year-on-year in the first half of 2017. Due to the recent stagnation in development in China and the increase in the comparative basis, we now expect growth in Asia to increase by 2%, previously 3%, for 2017 as a whole.

In South America, the stabilization of demand led to an increase in production of passenger cars and light commercial vehicles. According to preliminary data, production volumes grew by 10% in the period under review as compared to the weak prior-year period. For 2017 as a whole, we are currently maintaining our forecast for the increase in production at 5%.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased year-on-year by just under 3% in the first half of 2017. For 2017 as a whole, we now anticipate a rise of 2%, rather than our previous forecast of 1%.

Development of production of medium and heavy commercial vehicles

In Europe, the improved economic situation was reflected in a rise in the transportation of goods by road and an increase in demand for trucks. According to preliminary data, production of commercial vehicles weighing more than 6 metric tons increased by 6% compared to the same period of the previous year. For 2017 as a whole, we are increasing our forecast for production of medium and heavy commercial vehicles in Europe from -2% to +4% due to the positive development in the first half of the year.

In North America, preliminary data indicates that commercial vehicle production stabilized over the course of the reporting period, ending the first six months of 2017 just 1% below the level of the previous year. The latest data also shows a considerably lower production volume for 2016 than before. We now anticipate a further recovery in production in the second half of the year, resulting in a production volume of around 490,000 units for 2017 as a whole instead of the previously forecast 480,000 units. Owing to the lower comparative basis, this now corresponds to an increase in production of 4% instead of a decline of 5%.

In Asia, economic growth resulted in rising demand for trucks in most countries. Preliminary data shows growing production volumes for China, South Korea and Japan. By contrast, production declined in India and some ASEAN countries. In addition, the latest data for Asia for the previous year shows a higher production volume than previously estimated. As a result, we now anticipate an increase in commercial-vehicle production of 3% in 2017 compared to our previous forecast of 4%.

According to preliminary data, South America posted another decline in commercial-vehicle production of 3% in the first quarter of 2017. We anticipate a slight recovery in demand and production in the subsequent quarters. For 2017 as a whole, we continue to expect a 1% increase in commercial-vehicle production.

Based on the better-than-expected development in Europe and North America and the somewhat lower comparative basis overall, we now anticipate an increase in global production of medium and heavy commercial vehicles of 3%, previously 1%.

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

In Europe – Continental's most important market for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons – price increases announced for the second quarter of 2017 by many manufacturers, due to the rise in the costs of raw materials, caused purchases to be brought forward to the first quarter and accordingly led to falling volumes in the second quarter. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by 2% year-on-year in the reporting period. We continue to expect a 2% increase in sales volumes for the year as a whole.

Sales volumes of replacement tires for passenger cars and light commercial vehicles also increased in North America in the first quarter of 2017 due to purchases brought forward, while in the second quarter demand was down slightly year-on-year as expected. According to preliminary figures, tire sales volumes increased by 1% in the reporting period. For the remainder of the year, we still expect demand for replacement tires to grow in light of the rise in the number of miles driven. For the year as a whole, we are still maintaining our forecast of 2% growth.

Asia is seeing a further increase in demand for replacement tires for passenger cars and light commercial vehicles in the current year. In China, India and Japan, the growing economy also resulted in higher sales volumes of replacement tires. Demand in South Korea and the ASEAN countries developed rather modestly. Preliminary data shows that sales volumes in Asia as a whole grew by 4% in the first half of 2017. For 2017, we still foresee a 5% increase in replacement tire volumes for passenger cars and light commercial vehicles.

In South America, preliminary figures indicate that the stabilization of the economic situation in the reporting period led to an increase in demand for replacement tires for passenger cars and light commercial vehicles of around 9%. For 2017 as a whole, we are raising our sales volume forecast from 2% to 4% due to the positive development.

Global demand for replacement tires for passenger cars and light commercial vehicles rose in the first six months of 2017 to around 3%. We continue to forecast an increase of 2% for 2017 as a whole.

Development of replacement tire markets for medium and heavy commercial vehicles

According to preliminary data, demand for replacement tires for medium and heavy commercial vehicles in Europe rose by 6% in the period under review. This was driven mainly by many customers bringing their purchases forward to the first quarter in advance of the price increases announced by various manufacturers. As a result, demand was down year-on-year in the second quarter. We also expect a slight decline in volumes in the subsequent quarters. For the year as a whole, we still anticipate market growth of 2% for Europe.

In North America, purchases brought forward likewise resulted in a sharp increase in demand for replacement tires for medium and heavy commercial vehicles in the first quarter of 2017 and declining volumes in the second quarter. According to preliminary data, sales volumes fell by 1% overall in the first half of 2017. We expect them to increase somewhat in the second half of the year. For the year as a whole, we are leaving our forecast unchanged at growth of 1%.

In Asia, demand for replacement tires for medium and heavy commercial vehicles followed the economic development of the individual countries. According to preliminary data, sales volumes increased by around 4% in the first half of 2017. For 2017 as a whole, we still expect demand to increase by 4%.

In South America, the announced price increases in the reporting period resulted in a sharp rise in demand for replacement tires for medium and heavy commercial vehicles in the first quarter of 2017 and only a slight increase in demand in the second quarter. Preliminary data shows a rise to around 10% compared to the first half of 2016. For the year as a whole, we continue to anticipate a 4% increase.

There was a 4% increase in global demand for replacement tires for medium and heavy commercial vehicles in the period under review. We are maintaining our forecast for 2017 as a whole at 3%.

Earnings, Financial and Net Assets Position of the Continental Corporation

For reconciliation of adjusted sales and the adjusted operating result (adjusted EBIT), please refer to the information provided in the Consolidated Financial Statements.

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Sales	22,032.9	20,041.7	11,033.0	10,191.0
EBITDA	3,290.9	3,218.6	1,652.4	1,713.1
in % of sales	14.9	16.1	15.0	16.8
EBIT	2,267.4	2,290.3	1,132.3	1,249.6
in % of sales	10.3	11.4	10.3	12.3
Net income attributable to the shareholders of the parent	1,495.0	1,638.8	745.4	904.9
Earnings per share in €	7.48	8.19	3.73	4.52
Research and development expenses	1,579.4	1,442.9	798.7	726.8
in % of sales	7.2	7.2	7.2	7.1
Depreciation and amortization[1]	1,023.5	928.3	520.1	463.5
thereof impairment[2]	2.6	8.0	1.6	1.3
Capital expenditure[3]	1,158.1	919.9	655.4	522.1
in % of sales	5.3	4.6	5.9	5.1
Operating assets as at June 30	22,063.9	20,370.1		
Number of employees as at June 30[4]	230,527	214,905		
Adjusted sales[5]	21,723.0	20,041.3	10,837.8	10,190.7
Adjusted operating result (adjusted EBIT)[6]	2,328.0	2,381.8	1,162.5	1,292.2
in % of adjusted sales	10.7	11.9	10.7	12.7
Net indebtedness as at June 30	3,468.6	3,446.2		
Gearing ratio in %	22.8	25.8		

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

Earnings Position

Sales up 9.9%
Sales up 7.5% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first six months of 2017 climbed by 9.9% year-on-year to €22,032.9 million (PY: €20,041.7 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.5%.

Adjusted EBIT down 2.3%
Adjusted EBIT for the corporation declined by €53.8 million or 2.3% year-on-year to €2,328.0 million (PY: €2,381.8 million) in the first six months of 2017, corresponding to 10.7% (PY: 11.9%) of adjusted sales.

EBIT down 1.0%
The corporation's EBIT declined slightly by €22.9 million or 1.0% year-on-year to €2,267.4 million in the first half of 2017 (PY: €2,290.3 million). The return on sales decreased to 10.3% (PY: 11.4%).

Special effects in the first half of 2017
Impairment on property, plant and equipment resulted in expense of €2.6 million in the Powertrain division.

In addition, the reversal of restructuring provisions no longer required resulted in income totaling €0.2 million in the Powertrain division.

In the Tire division, the disposal of equity interests held as financial assets resulted in income totaling €14.0 million.

Moreover, a first-time consolidation resulted in a gain of €0.5 million in the Tire division.

The reversal of restructuring provisions no longer required resulted in income of €10.0 million in the Tire division.

The ContiTech division incurred restructuring expenses totaling €0.1 million.

In addition, disposals of companies resulted in income totaling €0.1 million in the ContiTech division.

Special effects had a positive impact for the corporation totaling €22.1 million in the first six months of 2017.

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

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

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

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

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

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

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

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

Research and development expenses
In the first six months of 2017, research and development expenses rose by 9.5% compared with the same period of the previous year to €1,579.4 million (PY: €1,442.9 million), representing 7.2% (PY: 7.2%) of sales. €1,369.7 million (PY: €1,258.8 million) of this related to the Automotive Group, corresponding to 10.2% (PY: 10.3%) of sales, and €209.7 million (PY: €184.1 million) to the Rubber Group, corresponding to 2.4% (PY: 2.3%) of sales.

Net interest result
The negative net interest result increased by €115.2 million year-on-year to €163.8 million (PY: €48.6 million) in the first half of 2017. This is primarily attributable to valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates.

Interest expense – not including the effects of foreign currency translation, changes in the fair value of derivative instruments and available-for-sale financial assets – totaled €140.6 million in the first half of 2017 (PY: €152.7 million). At €65.3 million, interest expense resulting from bank borrowings, capital market transactions, and other financing instruments was €5.3 million lower than the prior-year figure of €70.6 million. The major portion related to expense of €37.7 million (PY: €42.7 million) from the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A.

The interest cost on long-term employee benefits resulted in interest expense totaling €75.3 million (PY: €82.1 million) in the first six months of 2017. This does not include the interest expense from the defined benefit obligations of the pension contribution funds.

Interest income in the first half of 2017 decreased by €3.0 million year-on-year to €46.6 million (PY: €49.6 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €33.1 million (PY: €36.8 million). This does not include the interest income from the plan assets of the pension contribution funds.

Valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates resulted in a negative overall contribution to earnings of €70.9 million (PY: positive contribution to earnings of €54.4 million) in the first six months of 2017. This resulted primarily from the development of the Mexican peso in relation to the U.S. dollar. In the first half of 2017, available-for-sale financial assets gave rise to a positive effect of €1.1 million (PY: €0.1 million).

Income tax expense
Income tax expense in the first half of 2017 amounted to €577.7 million (PY: €567.1 million). The tax rate in the reporting period was 27.5% after 25.3% for the same period of the previous year.

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent was down 8.8% at €1,495.0 million (PY: €1,638.8 million), with earnings per share of €7.48 (PY: €8.19).

Financial Position

Reconciliation of cash flow

EBIT declined by €22.9 million year-on-year to €2,267.4 million (PY: €2,290.3 million).

Interest payments resulting in particular from the bonds decreased by €1.8 million to €61.3 million (PY: €63.1 million).

Income tax payments increased by €53.9 million to €597.9 million (PY: €544.0 million).

At €768.6 million as at June 30, 2017, the net cash outflow arising from the increase in operating working capital was €300.8 million higher than the figure for the previous year of €467.8 million.

At €1,704.8 million as at June 30, 2017, cash provided by operating activities was €277.1 million lower than the previous year's figure of €1,981.9 million.

Cash flow arising from investing activities amounted to an outflow of €1,413.0 million (PY: €1,022.9 million) in the first six months of 2017. Capital expenditure on property, plant and equipment, and software was up €238.2 million from €919.9 million to €1,158.1 million before finance leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies and business operations resulted in a total cash outflow of €218.7 million (PY: €76.7 million).

The free cash flow in the first half of 2017 resulted in an inflow of €291.8 million (PY: €959.0 million), €667.2 million less than in the same period of the previous year.

Financing and indebtedness

At €3,468.6 million as at June 30, 2017, the Continental Corporation's net indebtedness was slightly higher than the previous year's level of €3,446.2 million. Compared to the figure of €2,797.8 million as at December 31, 2016, it had increased by €670.8 million. The gearing ratio improved to 22.8% (PY: 25.8%) as at the end of the first half of 2017.

On November 28, 2016, Continental AG placed a euro bond with a nominal volume of €600.0 million with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The issue price was 99.41%. This bond has a term of three years and two months and an interest rate of 0.0% p.a. It was issued particularly in view of the maturity of the €750.0 million euro bond from Conti-Gummi Finance B.V., Maastricht, Netherlands, on March 20, 2017. This 3.5-year bond bore interest at a rate of 2.5% p.a. and was redeemed at a rate of 100.00%.

Following the early repayment of the term loan, the syndicated loan concluded in April 2014 has comprised only the revolving tranche of €3.0 billion since the end of March 2016. This credit line is available to Continental until April 2021. At the end of June 2017, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €622.6 million (PY: €354.4 million).

As at June 30, 2017, Continental had liquidity reserves totaling €4,921.2 million (PY: €5,265.5 million), consisting of cash and cash equivalents of €1,806.4 million (PY: €1,720.1 million) and committed, unutilized credit lines totaling €3,114.8 million (PY: €3,545.4 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on the cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at June 30, 2017, unrestricted cash and cash equivalents totaled €1,363.3 million (PY: €1,261.9 million).

Reconciliation of net indebtedness

€ millions	June 30, 2017	*December 31, 2016*	June 30, 2016
Long-term indebtedness	2,762.4	*2,803.7*	2,402.6
Short-term indebtedness	2,595.6	*2,148.6*	2,827.6
Long-term derivative instruments and interest-bearing investments	–42.8	*–19.7*	–21.1
Short-term derivative instruments and interest-bearing investments	–40.2	*–27.8*	–42.8
Cash and cash equivalents	–1,806.4	*–2,107.0*	–1,720.1
Net indebtedness	**3,468.6**	***2,797.8***	**3,446.2**

Reconciliation of change in net indebtedness

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Net indebtedness at the beginning of the reporting period	**2,797.8**	**3,541.9**	**2,767.6**	**3,083.3**
Cash flow arising from operating activities	1,704.8	1,981.9	840.5	1,011.1
Cash flow arising from investing activities	–1,413.0	–1,022.9	–681.7	–541.1
Cash flow before financing activities (free cash flow)	**291.8**	**959.0**	**158.8**	**470.0**
Dividends paid	–850.0	–750.0	–850.0	–750.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	–26.9	–26.7	–26.5	–26.0
Non-cash changes	17.9	–25.3	–8.8	–5.1
Other	–150.3	–25.1	–0.2	–20.2
Foreign-exchange effects	46.7	–36.2	25.7	–31.6
Change in net indebtedness	**–670.8**	**95.7**	**–701.0**	**–362.9**
Net indebtedness at the end of the reporting period	**3,468.6**	**3,446.2**	**3,468.6**	**3,446.2**

Capital expenditure (additions)
In the first half of 2017, capital expenditure on property, plant and equipment, and software amounted to €1,158.1 million (PY: €919.9 million). The capital expenditure ratio after six months is 5.3% (PY: 4.6%).

A total of €674.0 million (PY: €497.0 million) of this capital expenditure was attributable to the Automotive Group, representing 5.0% (PY: 4.1%) of sales. The Automotive Group invested primarily in production equipment for the manufacture of new products and implementation of new technologies, with investments being focused on expanding manufacturing capacity in China, in the U.S.A. and at European best-cost locations. In the Chassis & Safety division, production capacity was expanded and established in all business units. Important additions related to the creation of new production facilities for electronic brake systems. The Powertrain division invested primarily in the expansion of production capacity. In the Interior division, investments particularly focused on the expansion of production facilities for the Instrumentation & Driver HMI and Body & Security business units.

The Rubber Group invested €483.1 million (PY: €422.1 million), equivalent to 5.6% (PY: 5.3%) of sales. In the Tire division, production capacity was expanded in the U.S.A., in China and at European best-cost locations. There were major additions relating to the expansion of existing production sites in Hefei, China, as well as Mount Vernon, Illinois, and Sumter, South Carolina, U.S.A. The construction of a new plant began in Rayong, Thailand. Quality assurance and cost-cutting measures were also implemented. In the ContiTech division, there were major additions relating to the expansion of production capacity for the Mobile Fluid Systems, Benecke-Hornschuch Surface Group (formerly Benecke-Kaliko Group), Power Transmission Group, and Conveyor Belt Group business units. Investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €37,276.4 million (PY: €34,429.9 million), total assets as at June 30, 2017, were €2,846.5 million higher than on the same date in the previous year. Goodwill, at €6,865.9 million, was up by €244.0 million compared to the previous year's figure of €6,621.9 million. Other intangible assets climbed by €270.1 million to €1,550.4 million (PY: €1,280.3 million). Property, plant and equipment increased by €1,077.5 million to €10,674.2 million (PY: €9,596.7 million). Deferred tax assets were down €190.5 million at €1,762.1 million (PY: €1,952.6 million). Inventories increased by €433.7 million to €4,238.6 million (PY: €3,804.9 million). Trade accounts receivable also rose by €661.9 million to €7,926.4 million (PY: €7,264.5 million). Short-term other assets increased by €139.0 million to €1,060.2 million (PY: €921.2 million). At €1,806.4 million, cash and cash equivalents were up €86.3 million from €1,720.1 million on the same date in the previous year.

Equity including non-controlling interests was up €1,826.2 million at €15,184.7 million as compared to €13,358.5 million as at June 30, 2016. This was primarily due to the increase in retained earnings of €1,809.1 million. Equity was reduced by the payment of the dividends in the amount of €850.0 million resolved by the Annual Shareholders' Meeting. Other comprehensive income changed only slightly to -€2,110.4 million (PY: -€2,109.8 million). The gearing ratio improved from 25.8% to 22.8%. The equity ratio rose to 40.7% (PY: 38.8%).

At €37,276.4 million, total assets were up €1,101.5 million compared with December 31, 2016 (PY: €36,174.9 million). In relation to the individual items of the statement of financial position, this is due primarily to the rise in property, plant and equipment of €136.1 million to €10,674.2 million (PY: €10,538.1 million), the increase in inventories of €485.4 million to €4,238.6 million (PY: €3,753.2 million) and the €533.7 million increase in trade accounts receivable to €7,926.4 million (PY: €7,392.7 million).

Equity including non-controlling interests was up €449.9 million at €15,184.7 million as compared to €14,734.8 million at the end of 2016. Equity was reduced by the payment of the dividends in the amount of €850.0 million resolved by the Annual Shareholders' Meeting. The positive net income attributable to the shareholders of the parent resulted in an increase of €1,495.0 million. Other comprehensive income changed by -€178.1 million to -€2,110.4 million (PY: -€1,932.3 million). The gearing ratio changed from 19.0% to 22.8%.

Employees

As at the end of the second quarter of 2017, the corporation had 230,527 employees, representing a rise of 10,390 in comparison to the end of 2016. The number of employees in the Automotive Group rose by 4,762 as a result of increased production volumes and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels, as well as the acquisition of the Hornschuch Group, led to an increase of 5,615 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 15,622.

Reconciliation to operating assets as at June 30, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Total assets	**7,229.3**	**5,322.6**	**7,249.1**	**8,488.5**	**4,502.4**	**4,484.5**	**37,276.4**
Cash and cash equivalents	–	–	–	–	–	1,806.4	1,806.4
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	83.0	83.0
Other financial assets	12.6	54.0	18.2	19.7	8.0	4.7	117.2
Less financial assets	**12.6**	**54.0**	**18.2**	**19.7**	**8.0**	**1,894.1**	**2,006.6**
Less other non-operating assets	**0.0**	**0.4**	**–43.2**	**–11.6**	**14.2**	**578.9**	**538.7**
Deferred tax assets	–	–	–	–	–	1,762.1	1,762.1
Income tax receivables	–	–	–	–	–	195.5	195.5
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,957.6**	**1,957.6**
Segment assets	**7,216.7**	**5,268.2**	**7,274.1**	**8,480.4**	**4,480.2**	**53.9**	**32,773.5**
Total liabilities and provisions	**3,981.5**	**2,774.2**	**2,960.6**	**3,319.2**	**1,790.1**	**7,266.1**	**22,091.7**
Short- and long-term indebtedness	–	–	–	–	–	5,358.0	5,358.0
Interest payable and other financial liabilities	–	–	–	–	–	95.1	95.1
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**5,453.1**	**5,453.1**
Deferred tax liabilities	–	–	–	–	–	430.9	430.9
Income tax payables	–	–	–	–	–	835.7	835.7
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,266.6**	**1,266.6**
Less other non-operating liabilities	**1,251.8**	**827.7**	**667.2**	**921.8**	**523.5**	**470.4**	**4,662.4**
Segment liabilities	**2,729.7**	**1,946.5**	**2,293.4**	**2,397.4**	**1,266.6**	**76.0**	**10,709.6**
Operating assets	**4,487.0**	**3,321.7**	**4,980.7**	**6,083.0**	**3,213.6**	**–22.1**	**22,063.9**

Reconciliation to operating assets as at June 30, 2016

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Total assets	**6,836.9**	**4,850.0**	**6,560.8**	**7,715.4**	**4,061.5**	**4,405.3**	**34,429.9**
Cash and cash equivalents	–	–	–	–	–	1,720.1	1,720.1
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	63.9	63.9
Other financial assets	11.8	59.9	20.4	21.3	7.2	10.4	131.0
Less financial assets	**11.8**	**59.9**	**20.4**	**21.3**	**7.2**	**1,794.4**	**1,915.0**
Less other non-operating assets	**5.6**	**1.3**	**–36.5**	**-6.6**	**10.4**	**482.2**	**456.4**
Deferred tax assets	–	–	–	–	–	1,952.6	1,952.6
Income tax receivables	–	–	–	–	–	153.2	153.2
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,105.8**	**2,105.8**
Segment assets	**6,819.5**	**4,788.8**	**6,576.9**	**7,700.7**	**4,043.9**	**22.9**	**29,952.7**
Total liabilities and provisions	**3,356.7**	**2,566.5**	**2,652.6**	**3,063.1**	**1,521.2**	**7,911.3**	**21,071.4**
Short- and long-term indebtedness	–	–	–	–	–	5,230.2	5,230.2
Interest payable and other financial liabilities	–	–	–	–	–	60.7	60.7
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**5,290.9**	**5,290.9**
Deferred tax liabilities	–	–	–	–	–	356.9	356.9
Income tax payables	–	–	–	–	–	774.5	774.5
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,131.4**	**1,131.4**
Less other non-operating liabilities	**1,071.0**	**728.1**	**553.8**	**882.7**	**481.0**	**1,349.9**	**5,066.5**
Segment liabilities	**2,285.7**	**1,838.4**	**2,098.8**	**2,180.4**	**1,040.2**	**139.1**	**9,582.6**
Operating assets	**4,533.8**	**2,950.4**	**4,478.1**	**5,520.3**	**3,003.7**	**–116.2**	**20,370.1**

Development of the Divisions

	January 1 to June 30		Second Quarter	
Chassis & Safety in € millions	**2017**	2016	**2017**	2016
Sales	4,935.2	4,448.0	2,437.8	2,246.2
EBITDA	663.8	614.8	326.9	312.0
in % of sales	13.5	13.8	13.4	13.9
EBIT	466.3	433.5	227.4	220.3
in % of sales	9.4	9.7	9.3	9.8
Depreciation and amortization[1]	197.5	181.3	99.5	91.7
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	239.1	191.3	138.3	108.7
in % of sales	4.8	4.3	5.7	4.8
Operating assets as at June 30	4,487.0	4,533.8		
Number of employees as at June 30[4]	45,462	41,460		
Adjusted sales[5]	4,935.2	4,448.0	2,437.8	2,246.2
Adjusted operating result (adjusted EBIT)[6]	466.3	433.7	227.4	220.4
in % of adjusted sales	9.4	9.8	9.3	9.8

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

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first six months of 2017 increased by 10% year-on-year. In the Hydraulic Brake Systems business unit, sales figures for brake boosters were up 3% compared to the previous year. Sales of brake calipers with integrated electric parking brakes increased by 39% year-on-year, more than compensating for the decline in sales figures for conventional brake calipers, which decreased by 3% year-on-year. In the Passive Safety & Sensorics business unit, sales volumes of air bag control units rose by 18% year-on-year. Unit sales of advanced driver assistance systems were up 40%.

Sales up 11.0%
Sales up 10.3% before changes in the scope of consolidation and exchange-rate effects
Sales of the Chassis & Safety division were up 11.0% at €4,935.2 million (PY: €4,448.0 million) in the first six months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 10.3%.

Adjusted EBIT up 7.5%
Adjusted EBIT for the Chassis & Safety division increased by €32.6 million or 7.5% year-on-year to €466.3 million (PY: €433.7 million) during the first six months of 2017, corresponding to 9.4% (PY: 9.8%) of adjusted sales.

EBIT up 7.6%
Compared with the same period of the previous year, the Chassis & Safety division reported an increase in EBIT of €32.8 million or 7.6% to €466.3 million (PY: €433.5 million) in the first six months of 2017. The return on sales fell to 9.4% (PY: 9.7%).

Special effects
There were no special effects in the Chassis & Safety division in either the first half of 2017 or the same period of the previous year.

	January 1 to June 30		Second Quarter	
Powertrain in € millions	**2017**	2016	**2017**	2016
Sales	3,950.3	3,655.0	1,947.2	1,841.5
EBITDA	428.3	360.6	214.4	201.8
in % of sales	10.8	9.9	11.0	11.0
EBIT	231.2	175.3	114.1	108.8
in % of sales	5.9	4.8	5.9	5.9
Depreciation and amortization[1]	197.1	185.3	100.3	93.0
thereof impairment[2]	2.6	5.0	1.6	1.7
Capital expenditure[3]	244.8	157.1	146.0	96.2
in % of sales	6.2	4.3	7.5	5.2
Operating assets as at June 30	3,321.7	2,950.4		
Number of employees as at June 30[4]	39,538	37,590		
Adjusted sales[5]	3,942.3	3,655.0	1,947.2	1,841.5
Adjusted operating result (adjusted EBIT)[6]	243.2	186.8	118.5	114.7
in % of adjusted sales	6.2	5.1	6.1	6.2

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

Powertrain

Sales volumes

In the Engine Systems business unit, sales volumes of engine control units, injectors, pumps and turbochargers increased in the first half of 2017. The Sensors & Actuators business unit is continuing to record growth. Emissions legislation has resulted in rising sales of exhaust-gas sensors. In the Hybrid Electric Vehicle business unit, sales volumes for power electronics did not match the previous year's level, whereas sales volumes for on-board power supply and battery systems were up year-on-year. Owing to program changeovers, sales figures of the Transmission business unit were down year-on-year in the first half of 2017. Sales volumes in the Fuel & Exhaust Management business unit increased in comparison to the same period of the previous year.

Sales up 8.1%
Sales up 7.3% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain division were up 8.1% at €3,950.3 million (PY: €3,655.0 million) in the first six months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.3%.

Adjusted EBIT up 30.2%

Adjusted EBIT for the Powertrain division increased by €56.4 million or 30.2% year-on-year to €243.2 million (PY: €186.8 million) during the first six months of 2017, corresponding to 6.2% (PY: 5.1%) of adjusted sales.

EBIT up 31.9%

Compared with the same period of the previous year, the Powertrain division reported an increase in EBIT of €55.9 million or 31.9% to €231.2 million (PY: €175.3 million) in the first six months of 2017. The return on sales rose to 5.9% (PY: 4.8%).

Special effects in the first half of 2017

Impairment on property, plant and equipment resulted in expense of €2.6 million in the Powertrain division.

In addition, the reversal of restructuring provisions no longer required resulted in income totaling €0.2 million in the Powertrain division.

For the Powertrain division, the total negative impact from special effects in the first six months of 2017 amounted to €2.4 million.

Special effects in the first half of 2016

Impairment on property, plant and equipment resulted in expense totaling €5.0 million.

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

Special effects in the first half of 2016 had a negative impact totaling €6.0 million in the Powertrain division.

	January 1 to June 30		Second Quarter	
Interior in € millions	**2017**	2016	**2017**	2016
Sales	4,612.3	4,122.8	2,318.4	2,099.8
EBITDA	561.7	489.6	288.1	252.2
in % of sales	12.2	11.9	12.4	12.0
EBIT	382.0	333.0	196.3	172.9
in % of sales	8.3	8.1	8.5	8.2
Depreciation and amortization[1]	179.7	156.6	91.8	79.3
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	190.1	148.6	102.4	90.4
in % of sales	4.1	3.6	4.4	4.3
Operating assets as at June 30	4,980.7	4,478.1		
Number of employees as at June 30[4]	44,515	41,985		
Adjusted sales[5]	4,575.4	4,122.8	2,298.3	2,099.8
Adjusted operating result (adjusted EBIT)[6]	413.2	351.1	210.3	182.0
in % of adjusted sales	9.0	8.5	9.2	8.7

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

Interior

Sales volumes
Sales volumes in the Body & Security business unit were significantly above the previous year's level in the first half of 2017. Sales figures in the Infotainment & Connectivity business unit slightly exceeded the previous year's figure. Sales volumes in the Commercial Vehicles & Aftermarket business unit were above the previous year's level overall. Replacement parts and aftermarket business significantly exceeded the previous year's sales volumes, particularly in the U.S.A., Western Europe, and China. Sales in the commercial vehicles business also increased slightly year-on-year. In the Instrumentation & Driver HMI business unit, sales volumes in the first six months of 2017 were higher than in the same period of the previous year.

Sales up 11.9%
Sales up 10.1% before changes in the scope of consolidation and exchange-rate effects
Sales of the Interior division were up 11.9% at €4,612.3 million (PY: €4,122.8 million) in the first six months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 10.1%.

Adjusted EBIT up 17.7%
Adjusted EBIT for the Interior division increased by €62.1 million or 17.7% year-on-year to €413.2 million (PY: €351.1 million) during the first six months of 2017, corresponding to 9.0% (PY: 8.5%) of adjusted sales.

EBIT up 14.7%
Compared with the same period of the previous year, the Interior division reported an increase in EBIT of €49.0 million or 14.7% to €382.0 million (PY: €333.0 million) in the first six months of 2017. The return on sales rose to 8.3% (PY: 8.1%).

Special effects in the first half of 2017
There were no special effects in the Interior division in the first half of 2017.

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

	January 1 to June 30		Second Quarter	
Tires in € millions	**2017**	2016	**2017**	2016
Sales	5,572.0	5,205.4	2,815.7	2,692.7
EBITDA	1,326.1	1,431.5	674.8	773.4
in % of sales	23.8	27.5	24.0	28.7
EBIT	1,032.0	1,175.4	526.9	645.4
in % of sales	18.5	22.6	18.7	24.0
Depreciation and amortization[1]	294.1	256.1	147.9	128.0
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	390.7	327.1	218.5	180.4
in % of sales	7.0	6.3	7.8	6.7
Operating assets as at June 30	6,083.0	5,520.3		
Number of employees as at June 30[4]	54,119	51,374		
Adjusted sales[5]	5,473.0	5,205.0	2,763.0	2,692.4
Adjusted operating result (adjusted EBIT)[6]	1,000.0	1,179.2	513.8	647.3
in % of adjusted sales	18.3	22.7	18.6	24.0

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

Tires

Sales volumes
After the first six months of 2017, sales figures for passenger and light truck tires were just below the previous year's figure in original equipment business but up year-on-year in tire replacement business. Sales figures in commercial vehicle tire business were around 10% higher than in the previous year.

Sales up 7.0%
Sales up 3.9% before changes in the scope of consolidation and exchange-rate effects
Sales of the Tire division were up 7.0% at €5,572.0 million (PY: €5,205.4 million) in the first six months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 3.9%.

Adjusted EBIT down 15.2%
Adjusted EBIT for the Tire division decreased by €179.2 million or 15.2% year-on-year to €1,000.0 million (PY: €1,179.2 million) during the first six months of 2017, corresponding to 18.3% (PY: 22.7%) of adjusted sales.

EBIT down 12.2%
Compared with the same period of the previous year, the Tire division reported a decline in EBIT of €143.4 million or 12.2% to €1,032.0 million (PY: €1,175.4 million) in the first six months of 2017. The return on sales fell to 18.5% (PY: 22.6%).

Special effects in the first half of 2017
In the Tire division, the disposal of equity interests held as financial assets resulted in income totaling €14.0 million.

Moreover, a first-time consolidation resulted in a gain of €0.5 million in the Tire division.

The reversal of restructuring provisions no longer required resulted in income of €10.0 million in the Tire division.

For the Tire division, the total positive impact from special effects in the first six months of 2017 amounted to €24.5 million.

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

	January 1 to June 30		Second Quarter	
ContiTech in € millions	**2017**	2016	**2017**	2016
Sales	3,108.9	2,735.7	1,587.5	1,376.6
EBITDA	366.9	373.3	175.6	197.2
in % of sales	11.8	13.6	11.1	14.3
EBIT	212.5	225.4	95.4	126.7
in % of sales	6.8	8.2	6.0	9.2
Depreciation and amortization[1]	154.4	147.9	80.2	70.5
thereof impairment[2]	–	3.0	–	–0.4
Capital expenditure[3]	92.4	95.0	49.6	45.8
in % of sales	3.0	3.5	3.1	3.3
Operating assets as at June 30	3,213.6	3,003.7		
Number of employees as at June 30[4]	46,462	42,095		
Adjusted sales[5]	2,942.9	2,735.7	1,465.1	1,376.6
Adjusted operating result (adjusted EBIT)[6]	261.9	283.3	120.3	152.3
in % of adjusted sales	8.9	10.4	8.2	11.1

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

ContiTech

Sales up 13.6%
Sales up 6.6% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech division were up 13.6% at €3,108.9 million (PY: €2,735.7 million) in the first six months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 6.6%. Compared to the same period of the previous year, the Conveyor Belt Group and Compounding Technology business units achieved particularly strong sales growth. In addition, the Mobile Fluid Systems and Benecke-Hornschuch Surface Group (formerly Benecke-Kaliko Group) business units also posted considerably higher sales year-on-year.

Adjusted EBIT down 7.6%
Adjusted EBIT for the ContiTech division decreased by €21.4 million or 7.6% year-on-year to €261.9 million (PY: €283.3 million) during the first six months of 2017, corresponding to 8.9% (PY: 10.4%) of adjusted sales.

EBIT down 5.7%
Compared with the same period of the previous year, the ContiTech division reported a decline in EBIT of €12.9 million or 5.7% to €212.5 million (PY: €225.4 million) in the first six months of 2017. The return on sales fell to 6.8% (PY: 8.2%).

Special effects in the first half of 2017
The ContiTech division incurred restructuring expenses totaling €0.1 million.

In addition, disposals of companies resulted in income totaling €0.1 million in the ContiTech division.

For the ContiTech division, the total impact from special effects in the first six months of 2017 amounted to €0.0 million.

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

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

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

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

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

Report on Risks and Opportunities

There were no material changes in risks and opportunities during the reporting period. For details of the main risks and opportunities, please refer to our comments in the 2016 Annual Report.

Report on Expected Developments and Outlook

After the good development in sales in the first half of 2017, we are raising our forecast for consolidated sales again. We now anticipate a rise to more than €44 billion, instead of more than €43.5 billion, assuming exchange rates remain constant year-on-year. In the first half of 2017, there was a positive effect of €181 million from exchange rates.

The increase in the forecast for consolidated sales is once again attributable to the Automotive Group, in which we now expect sales to grow to around €26.5 billion instead of more than €26 billion. Our sales forecast for the Rubber Group is still more than €17 billion.

We are adhering to our forecast for the corporation's adjusted EBIT margin of more than 10.5%. This also applies to the forecasts for the adjusted EBIT margins of the Automotive and Rubber groups, which we confirm at around 8.5% and more than 15%, respectively.

Due to the downward trend in prices for many raw materials, we are lowering our estimate for the negative impact of rising prices of raw materials from around €500 million to around €450 million for the Rubber Group in fiscal 2017. We are lowering our forecast to an average price of U.S. $1.90 per kilogram (previously: U.S. $2.25 per kilogram) for natural rubber (TSR 20) and U.S. $1.60 per kilogram (previously: U.S. $2.45 per kilogram) for butadiene, a base material for synthetic rubber. We still expect costs for carbon black to increase compared to the average prices in 2016. For the Rubber Group, every U.S. $10 increase in the average price of crude oil still equates to a negative annual gross effect on EBIT of around U.S. $50 million. The average price of North Sea Brent was U.S. $52 in the first half of 2017 and U.S. $44 in 2016.

We confirm the following aspects of our forecast published in our 2016 Annual Report for the 2017 fiscal year: Not taking into account valuation effects, such as exchange-rate effects, we still expect the negative net interest result to be around €200 million and the tax rate for the current year to be less than 30%. Amortization from purchase price allocations is expected to total approximately €200 million and to affect mainly the ContiTech and Interior divisions. We continue to anticipate negative special effects totaling approximately €100 million. In fiscal 2017, the capital expenditure ratio before financial investments will increase to around 6.5% of sales. For 2017, we are still planning on free cash flow of approximately €2 billion before acquisitions.

Consolidated Financial Statements ›

Consolidated Statement of Income

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Sales	**22,032.9**	**20,041.7**	**11,033.0**	**10,191.0**
Cost of sales	–16,338.3	–14,609.2	–8,203.1	–7,359.6
Gross margin on sales	**5,694.6**	**5,432.5**	**2,829.9**	**2,831.4**
Research and development expenses	–1,579.4	–1,442.9	–798.7	–726.8
Selling and logistics expenses	–1,208.9	–1,109.2	–608.4	–561.2
Administrative expenses	–596.4	–498.1	–298.6	–254.4
Other expenses and income	–78.8	–128.9	–14.4	–59.9
Income from equity-accounted investees	36.1	36.6	22.3	20.2
Other income from investments	0.2	0.3	0.2	0.3
Earnings before interest and tax	**2,267.4**	**2,290.3**	**1,132.3**	**1,249.6**
Interest income	46.6	49.6	23.2	24.8
Interest expense	–210.4	–98.2	–103.4	–39.6
Net interest result	**–163.8**	**–48.6**	**–80.2**	**–14.8**
Earnings before tax	**2,103.6**	**2,241.7**	**1,052.1**	**1,234.8**
Income tax expense	–577.7	–567.1	–290.7	–311.3
Net income	**1,525.9**	**1,674.6**	**761.4**	**923.5**
Non-controlling interests	–30.9	–35.8	–16.0	–18.6
Net income attributable to the shareholders of the parent	1,495.0	1,638.8	745.4	904.9
Basic earnings per share in €	**7.48**	**8.19**	**3.73**	**4.52**
Diluted earnings per share in €	**7.48**	**8.19**	**3.73**	**4.52**

Consolidated Statement of Comprehensive Income

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Net income	**1,525.9**	**1,674.6**	**761.4**	**923.5**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	144.6	–557.7	60.9	–193.4
Fair value adjustments[1]	170.0	–833.8	53.7	–279.6
Currency translation[1]	22.2	10.3	20.3	–3.4
Tax on other comprehensive income	–47.6	265.8	–13.1	89.6
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	–316.4	–185.3	–489.0	24.9
Difference from currency translation[1]	–316.4	–185.3	–489.0	24.9
Available-for-sale financial assets	1.0	1.1	0.8	1.0
Fair value adjustments	2.1	1.2	1.6	1.1
Reclassification adjustments to profit and loss	–1.1	–0.1	–0.8	–0.1
Cash flow hedges	–2.9	–2.6	0.5	0.7
Fair value adjustments	34.9	3.5	31.5	–12.2
Reclassification adjustments to profit and loss	–37.8	–6.1	–31.0	12.9
Tax on other comprehensive income	–21.2	7.8	–6.4	10.3
Other comprehensive income	**–194.9**	**–736.7**	**–433.2**	**–156.5**
Comprehensive income	**1,331.0**	**937.9**	**328.2**	**767.0**
Attributable to non-controlling interests	–12.9	–43.3	7.7	–32.7
Attributable to the shareholders of the parent	1,318.1	894.6	335.9	734.3

1 Including non-controlling interests.

Consolidated Statement of Financial Position

Assets in € millions	**June 30, 2017**	*Dec. 31, 2016*	June 30, 2016
Goodwill	6,865.9	*6,857.3*	6,621.9
Other intangible assets	1,550.4	*1,514.1*	1,280.3
Property, plant and equipment	10,674.2	*10,538.1*	9,596.7
Investment property	10.8	*10.3*	15.6
Investments in equity-accounted investees	392.9	*384.8*	371.8
Other investments	44.9	*43.1*	39.7
Deferred tax assets	1,762.1	*1,836.1*	1,952.6
Defined benefit assets	36.0	*24.3*	36.0
Long-term derivative instruments and interest-bearing investments	42.8	*19.7*	21.1
Long-term other financial assets	65.0	*66.4*	49.8
Long-term other assets	25.3	*26.8*	23.3
Non-current assets	**21,470.3**	***21,321.0***	**20,008.8**
Inventories	4,238.6	*3,753.2*	3,804.9
Trade accounts receivable	7,926.4	*7,392.7*	7,264.5
Short-term other financial assets	535.8	*455.5*	504.9
Short-term other assets	1,060.2	*989.0*	921.2
Income tax receivables	195.5	*124.7*	153.2
Short-term derivative instruments and interest-bearing investments	40.2	*27.8*	42.8
Cash and cash equivalents	1,806.4	*2,107.0*	1,720.1
Assets held for sale	3.0	*4.0*	9.5
Current assets	**15,806.1**	***14,853.9***	**14,421.1**
Total assets	**37,276.4**	***36,174.9***	**34,429.9**

Equity and liabilities in € millions	**June 30, 2017**	*Dec. 31, 2016*	June 30, 2016
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	12,179.7	*11,534.7*	10,370.6
Other comprehensive income	–2,110.4	*–1,932.3*	–2,109.8
Equity attributable to the shareholders of the parent	**14,736.9**	***14,270.0***	**12,928.4**
Non-controlling interests	447.8	*464.8*	430.1
Total equity	**15,184.7**	***14,734.8***	**13,358.5**
Long-term employee benefits	4,327.4	*4,392.3*	4,644.6
Deferred tax liabilities	430.9	*371.5*	356.9
Long-term provisions for other risks and obligations	189.3	*204.2*	184.7
Long-term indebtedness	2,762.4	*2,803.7*	2,402.6
Long-term other financial liabilities	40.5	*97.1*	40.3
Long-term other liabilities	15.0	*17.1*	20.4
Non-current liabilities	**7,765.5**	***7,885.9***	**7,649.5**
Short-term employee benefits	1,292.1	*1,314.1*	1,186.6
Trade accounts payable	6,608.6	*6,248.0*	6,043.1
Income tax payables	835.7	*783.6*	774.5
Short-term provisions for other risks and obligations	976.7	*1,146.4*	753.5
Short-term indebtedness	2,595.6	*2,148.6*	2,827.6
Short-term other financial liabilities	1,208.3	*1,187.3*	1,065.8
Short-term other liabilities	809.2	*726.2*	766.5
Liabilities held for sale	–	*–*	4.3
Current liabilities	**14,326.2**	***13,554.2***	**13,421.9**
Total equity and liabilities	**37,276.4**	***36,174.9***	**34,429.9**

Consolidated Statement of Cash Flows

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Net income	**1,525.9**	**1,674.6**	**761.4**	**923.5**
Income tax expense	577.7	567.1	290.7	311.3
Net interest result	163.8	48.6	80.2	14.8
EBIT	**2,267.4**	**2,290.3**	**1,132.3**	**1,249.6**
Interest paid	–61.3	–63.1	–13.7	–16.7
Interest received	13.5	12.1	6.7	6.7
Income tax paid	–597.9	–544.0	–337.6	–326.6
Dividends received	21.0	18.6	10.8	3.6
Depreciation, amortization, impairment and reversal of impairment losses	1,023.5	928.3	520.1	463.5
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	–36.3	–36.9	–22.5	–20.5
Gains/losses from the disposal of assets, companies and business operations	–23.5	–3.4	–5.4	–2.1
Changes in				
inventories	–505.1	–457.5	–256.5	–258.0
trade accounts receivable	–703.1	–621.6	176.4	–46.3
trade accounts payable	439.6	611.3	–8.8	330.0
employee benefits and other provisions	–93.6	–84.3	–432.1	–325.5
other assets and liabilities	–39.4	–67.9	70.8	–46.6
Cash flow arising from operating activities	**1,704.8**	**1,981.9**	**840.5**	**1,011.1**
Cash flow from the disposal of property, plant and equipment, and intangible assets	23.7	13.6	10.3	9.4
Capital expenditure on property, plant and equipment, and software	–1,158.1	–919.9	–655.4	–522.1
Capital expenditure on intangible assets from development projects and miscellaneous	–59.9	–39.9	–29.6	–29.4
Cash flow from the disposal of companies and business operations	20.2	5.1	1.1	5.1
Acquisition of companies and business operations	–238.9	–81.8	–8.1	–4.1
Cash flow arising from investing activities	**–1,413.0**	**–1,022.9**	**–681.7**	**–541.1**
Cash flow before financing activities (free cash flow)	**291.8**	**959.0**	**158.8**	**470.0**
Change in indebtedness	345.6	–22.9	707.3	357.1
Successive purchases	–0.8	–22.4	–0.2	–20.2
Dividends paid	–850.0	–750.0	–850.0	–750.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	–26.9	–26.7	–26.5	–26.0
Cash and cash equivalents arising from first-time consolidation of subsidiaries	0.6	0.6	–	–
Cash flow arising from financing activities	**–531.5**	**–821.4**	**–169.4**	**–439.1**
Change in cash and cash equivalents	**–239.7**	**137.6**	**–10.6**	**30.9**
Cash and cash equivalents at the beginning of the reporting period	2,107.0	1,621.5	1,895.7	1,693.8
Effect of exchange-rate changes on cash and cash equivalents	–60.9	–39.0	–78.7	–4.6
Cash and cash equivalents at the end of the reporting period	**1,806.4**	**1,720.1**	**1,806.4**	**1,720.1**

Consolidated Statement of Changes in Equity

					Difference from					
€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	remeasurement of defined benefit plans	currency translation	financial instru-ments[3]	Subtotal	Non-controlling interests	**Total**
As at January 1, 2016	**512.0**	**4,155.6**	**9,481.8**	**-39.8**	**-1,420.6**	**101.0**	**-3.7**	**12,786.3**	**427.6**	**13,213.9**
Net income	–	–	1,638.8	–	–	–	–	1,638.8	35.8	**1,674.6**
Comprehensive income	–	–	–	–	-558.0	-184.0	-2.2	-744.2	7.5	**-736.7**
Net profit for the period	**–**	**–**	**1,638.8**	**–**	**-558.0**	**-184.0**	**-2.2**	**894.6**	**43.3**	**937.9**
Dividends paid/resolved	–	–	-750.0	–	–	–	–	-750.0	-40.0	**-790.0**
Successive purchases	–	–	–	-2.7	–	–	–	-2.7	-0.8	**-3.5**
Other changes	–	–	–	0.2	–	–	–	0.2	–	**0.2**
As at June 30, 2016	**512.0**	**4,155.6**	**10,370.6**	**-42.3**	**-1,978.6**	**-83.0**	**-5.9**	**12,928.4**	**430.1**	**13,358.5**
As at January 1, 2017	**512.0**	**4,155.6**	**11,534.7**	**-181.9**	**-1,783.8**	**30.0**	**3.4**	**14,270.0**	**464.8**	**14,734.8**
Net income	–	–	1,495.0	–	–	–	–	1,495.0	30.9	**1,525.9**
Comprehensive income	–	–	–	–	144.4	-318.6	-2.7	-176.9	-18.0	**-194.9**
Net profit for the period	**–**	**–**	**1,495.0**	**–**	**144.4**	**-318.6**	**-2.7**	**1,318.1**	**12.9**	**1,331.0**
Dividends paid/resolved	–	–	-850.0	–	–	–	–	-850.0	-30.9	**-880.9**
Successive purchases	–	–	–	-1.2	–	–	–	-1.2	0.5	**-0.7**
Other changes[4]	–	–	–	–	–	–	–	–	0.5	**0.5**
As at June 30, 2017	**512.0**	**4,155.6**	**12,179.7**	**-183.1**	**-1,639.4**	**-288.6**	**0.7**	**14,736.9**	**447.8**	**15,184.7**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of -€0.5 million (PY: -€0.2 million) from successive purchases of shares in fully consolidated companies, an amount of €0.0 million (PY: -€2.5 million) from a subsequent purchase price adjustment, and in the previous year an amount of €0.2 million relating to effects from the first-time consolidation of previously non-consolidated subsidiaries. The reporting period also includes the change in value of a put option of -€0.7 million (PY: –) for the acquisition of remaining shares in a fully consolidated company.
3 The change in the difference arising from financial instruments, including deferred taxes, was due mainly to changes in the fair values of the cash flow hedges of -€3.5 million (PY: -€3.2 million) for interest and currency hedging and to available-for-sale financial assets of €0.8 million (PY: €1.0 million).
4 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to June 30, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	4,919.1	3,889.9	4,600.2	5,561.7	3,062.0	–	22,032.9
Intercompany sales	16.1	60.4	12.1	10.3	46.9	-145.8	–
Sales (total)	**4,935.2**	**3,950.3**	**4,612.3**	**5,572.0**	**3,108.9**	**-145.8**	**22,032.9**
EBIT (segment result)	466.3	231.2	382.0	1,032.0	212.5	-56.6	2,267.4
in % of sales	9.4	5.9	8.3	18.5	6.8	–	10.3
Depreciation and amortization[1]	197.5	197.1	179.7	294.1	154.4	0.7	1,023.5
thereof impairment[2]	–	2.6	–	–	–	–	2.6
Capital expenditure[3]	239.1	244.8	190.1	390.7	92.4	1.0	1,158.1
in % of sales	4.8	6.2	4.1	7.0	3.0	–	5.3
Operating assets as at June 30	4,487.0	3,321.7	4,980.7	6,083.0	3,213.6	-22.1	22,063.9
Number of employees as at June 30[4]	45,462	39,538	44,515	54,119	46,462	431	230,527
Adjusted sales[5]	4,935.2	3,942.3	4,575.4	5,473.0	2,942.9	-145.8	21,723.0
Adjusted operating result (adjusted EBIT)[6]	466.3	243.2	413.2	1,000.0	261.9	-56.6	2,328.0
in % of adjusted sales	9.4	6.2	9.0	18.3	8.9	–	10.7

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

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

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	4,434.9	3,610.7	4,117.5	5,194.3	2,684.3	–	20,041.7
Intercompany sales	13.1	44.3	5.3	11.1	51.4	-125.2	–
Sales (total)	**4,448.0**	**3,655.0**	**4,122.8**	**5,205.4**	**2,735.7**	**-125.2**	**20,041.7**
EBIT (segment result)	433.5	175.3	333.0	1,175.4	225.4	-52.3	2,290.3
in % of sales	9.7	4.8	8.1	22.6	8.2	–	11.4
Depreciation and amortization[1]	181.3	185.3	156.6	256.1	147.9	1.1	928.3
thereof impairment[2]	–	5.0	–	–	3.0	–	8.0
Capital expenditure[3]	191.3	157.1	148.6	327.1	95.0	0.8	919.9
in % of sales	4.3	4.3	3.6	6.3	3.5	–	4.6
Operating assets as at June 30	4,533.8	2,950.4	4,478.1	5,520.3	3,003.7	-116.2	20,370.1
Number of employees as at June 30[4]	41,460	37,590	41,985	51,374	42,095	401	214,905
Adjusted sales[5]	4,448.0	3,655.0	4,122.8	5,205.0	2,735.7	-125.2	20,041.3
Adjusted operating result (adjusted EBIT)[6]	433.7	186.8	351.1	1,179.2	283.3	-52.3	2,381.8
in % of adjusted sales	9.8	5.1	8.5	22.7	10.4	–	11.9

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

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) as at June 30, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**4,935.2**	**3,950.3**	**4,612.3**	**5,572.0**	**3,108.9**	**–145.8**	**22,032.9**
Changes in the scope of consolidation[1]	–	–8.0	–36.9	–99.0	–166.0	–	–309.9
Adjusted sales	**4,935.2**	**3,942.3**	**4,575.4**	**5,473.0**	**2,942.9**	**–145.8**	**21,723.0**
EBITDA	**663.8**	**428.3**	**561.7**	**1,326.1**	**366.9**	**–55.9**	**3,290.9**
Depreciation and amortization[2]	–197.5	–197.1	–179.7	–294.1	–154.4	–0.7	–1,023.5
EBIT	**466.3**	**231.2**	**382.0**	**1,032.0**	**212.5**	**–56.6**	**2,267.4**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	6.0	23.0	9.6	46.9	–	85.5
Changes in the scope of consolidation[1]	–	3.6	8.2	–17.1	2.5	–	–2.8
Special effects							
Impairment[3]	–	2.6	–	–	–	–	2.6
Restructuring	–	–0.2	–	–10.0	0.1	–	–10.1
Gains and losses from disposals of companies and business operations	–	–	–	–14.0	–0.1	–	–14.1
Other	–	–	–	–0.5	–	–	–0.5
Adjusted operating result (adjusted EBIT)	**466.3**	**243.2**	**413.2**	**1,000.0**	**261.9**	**–56.6**	**2,328.0**

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) as at June 30, 2016

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**4,448.0**	**3,655.0**	**4,122.8**	**5,205.4**	**2,735.7**	**–125.2**	**20,041.7**
Changes in the scope of consolidation[1]	–	–	–	–0.4	–	–	–0.4
Adjusted sales	**4,448.0**	**3,655.0**	**4,122.8**	**5,205.0**	**2,735.7**	**–125.2**	**20,041.3**
EBITDA	**614.8**	**360.6**	**489.6**	**1,431.5**	**373.3**	**–51.2**	**3,218.6**
Depreciation and amortization[2]	–181.3	–185.3	–156.6	–256.1	–147.9	–1.1	–928.3
EBIT	**433.5**	**175.3**	**333.0**	**1,175.4**	**225.4**	**–52.3**	**2,290.3**
Amortization of intangible assets from purchase price allocation (PPA)	0.2	5.5	18.0	3.8	41.4	–	68.9
Changes in the scope of consolidation[1]	–	–	–	0.0	–	–	0.0
Special effects							
Impairment[3]	–	5.0	–	–	0.0	–	5.0
Restructuring[4]	–	1.0	–	–	10.8	–	11.8
Gains and losses from disposals of companies and business operations	–	–	0.1	–	–	–	0.1
Other	–	–	–	–	5.7	–	5.7
Adjusted operating result (adjusted EBIT)	**433.7**	**186.8**	**351.1**	**1,179.2**	**283.3**	**–52.3**	**2,381.8**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 This includes impairment and reversal of impairment losses in the ContiTech segment amounting to €3.0 million.

Reconciliation of EBIT to net income

	January 1 to June 30		Second Quarter	
€ millions	**2017**	2016	**2017**	2016
Chassis & Safety	466.3	433.5	227.4	220.3
Powertrain	231.2	175.3	114.1	108.8
Interior	382.0	333.0	196.3	172.9
Tires	1,032.0	1,175.4	526.9	645.4
ContiTech	212.5	225.4	95.4	126.7
Other/consolidation	–56.6	–52.3	–27.8	–24.5
EBIT	**2,267.4**	**2,290.3**	**1,132.3**	**1,249.6**
Net interest result	–163.8	–48.6	–80.2	–14.8
Earnings before tax	**2,103.6**	**2,241.7**	**1,052.1**	**1,234.8**
Income tax expense	–577.7	–567.1	–290.7	–311.3
Net income	**1,525.9**	**1,674.6**	**761.4**	**923.5**
Non-controlling interests	–30.9	–35.8	–16.0	–18.6
Net income attributable to the shareholders of the parent	**1,495.0**	**1,638.8**	**745.4**	**904.9**

Segment reporting

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

Information on the development of Continental Corporation's five divisions can be found in the Corporate Management Report as at June 30, 2017.

Accounting principles

These interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). The interim financial statements were prepared in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim financial statements as in the consolidated financial statements for 2016. These methods are described in detail in the 2016 Annual Report. In addition, the IFRS amendments and new regulations effective as at June 30, 2017, have also been applied in the interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2016 Annual Report.

The IFRS amendments and new regulations effective as at June 30, 2017, had no material effect on the reporting of the Continental Corporation.

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

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

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

Companies consolidated

In addition to the parent company, the consolidated financial statements include 522 domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associated companies. Of these, 409 are fully consolidated and 113 are accounted for using the equity method.

The number of consolidated companies has increased by a total of 12 since December 31, 2016. Twelve companies were acquired and three were formed. In addition, the number of companies consolidated decreased by three as a result of a merger and two liquidations.

Since June 30, 2016, the number of consolidated companies has increased by a total of 15. The additions to the scope of consolidation essentially resulted from the acquisitions of the Bandvulc Group in the Tire segment and the Hornschuch Group in the ContiTech segment. Companies no longer included in the scope of consolidation are mostly attributable to liquidations and mergers.

Acquisition and disposal of companies and business operations

Three asset deals took place in the Tire segment. The purchase prices totaling €2.3 million were paid in cash. The purchase price allocations resulted in intangible assets of €0.6 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at June 30, 2017.

On March 1, 2017, ContiTech AG, Hanover, Germany, purchased 100% of the shares in the Hornschuch Group GmbH, Weißbach, Germany. The Hornschuch Group is a leading manufacturer of design, functional, foam, and compact foils as well as artificial leather in the industrial business (furniture and construction industry) and the automotive sector. In the 2016 fiscal year, the group generated sales of €436.2 million with over 1,800 employees at four production sites in Germany and the U.S.A. With this acquisition, the Benecke-Hornschuch Surface Group business unit (formerly Benecke-Kaliko Group) intends to expand its industrial business further and tap new sales markets, particularly in North America. The purchase price of the Hornschuch Group was €245.8 million and was paid in cash. The overall incidental acquisition costs of €5.2 million were recognized as other expenses: €2.3 million for fiscal 2016 and €2.9 million for fiscal 2017. The final purchase price allocation resulted in goodwill of €91.8 million and intangible assets of €162.9 million for the ContiTech segment. If the transaction had already been completed on January 1, 2017, net income after tax would have been €3.4 million higher and sales would have been up by €75.1 million. The transaction was closed on March 1, 2017. Since then Hornschuch Group has generated sales of €163.0 million and, taking into account the effects of purchase price allocation, contributed net income after tax of -€13.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at June 30, 2017.

The purchase price from the acquisition of shares in Hoosier Racing Tire Corp., Lakeville, Indiana, U.S.A., on October 3, 2016, increased by €3.1 million. In the Tire segment, the final purchase price allocation therefore results in goodwill of €17.0 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at June 30, 2017.

In the Interior segment, the final purchase price settlement for the acquisition of Zonar Systems, Inc., Seattle, Washington, U.S.A., on November 1, 2016, resulted in a purchase price reduction of €0.7 million to €238.4 million. The final purchase price allocation therefore results in goodwill of €144.1 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at June 30, 2017.

Impairment

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

Income tax expense

Income tax expense in the first half of 2017 amounted to €577.7 million (PY: €567.1 million). The tax rate in the reporting period was 27.5% after 25.3% for the same period of the previous year.

Long-term employee benefits

Compared to December 31, 2016, the remeasurement of defined benefit pension plans as at June 30, 2017, led to a €117.7 million increase in other comprehensive income, which resulted from a rise in discount rates. The corresponding increase in equity contrasted with a fall in long-term employee benefits of €165.8 million.

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the U.K., and not for other benefit obligations. In the period from January 1 to June 30, 2017, the companies of the Continental Corporation made regular payments totaling €29.2 million (PY: €36.9 million) into these pension funds.

Payments for retirement benefit obligations totaled €105.5 million (PY: €101.7 million) in the period from January 1 to June 30, 2017. Payments for obligations similar to pensions totaled €7.9 million (PY: €8.0 million).

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

	January 1 to June 30, 2017						January 1 to June 30, 2016					
€ millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	111.6	2.7	0.7	1.4	11.8	**128.2**	74.3	2.8	0.9	2.1	11.3	91.4
Interest on defined benefit obligations	39.2	23.8	2.7	5.0	3.5	**74.2**	44.2	25.6	2.9	6.7	4.4	83.8
Expected return on plan assets	–10.0	–17.0	–2.4	–5.0	–1.3	**–35.7**	–12.4	–18.6	–2.6	–6.9	–2.2	–42.7
Effect of change of asset ceiling	—	—	0.0	—	0.1	**0.1**	—	—	0.0	—	0.0	0.0
Other pension income and expenses	—	0.6	0.3	—	0.0	**0.9**	—	1.0	0.1	—	—	1.1
Net pension cost	**140.8**	**10.1**	**1.3**	**1.4**	**14.1**	**167.7**	**106.1**	**10.8**	**1.3**	**1.9**	**13.5**	**133.6**

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

	January 1 to June 30	
€ millions	**2017**	2016
Current service cost	0.8	0.9
Interest on healthcare and life insurance benefit obligations	4.3	5.1
Net cost of obligations similar to pensions	**5.1**	**6.0**

Indebtedness

On November 28, 2016, Continental AG placed a euro bond with a nominal volume of €600.0 million with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The issue price was 99.41%. This bond has a term of three years and two months and an interest rate of 0.0% p.a. It was issued particularly in view of the maturity of the €750.0 million euro bond from Conti-Gummi Finance B.V., Maastricht, Netherlands, on March 20, 2017. This 3.5-year bond bore interest at a rate of 2.5% p.a. and was redeemed at a rate of 100.00%.

Following the early repayment of the term loan, the syndicated loan concluded in April 2014 has comprised only the revolving tranche of €3.0 billion since the end of March 2016. This credit line is available to Continental until April 2021. At the end of June 2017, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €622.6 million (PY: €354.4 million).

For more information on indebtedness and net interest result, please refer to the Corporate Management Report as at June 30, 2017.

Financial instruments

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

€ millions	Measurement category in acc. with IAS 39	Carrying amount as at June 30, 2017	Fair value as at June 30, 2017	Carrying amount as at Dec. 31, 2016	Fair value as at Dec. 31, 2016
Other investments	AfS	44.9	44.9	43.1	43.1
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as effective hedging instruments	n. a.	30.2	30.2	–	–
Derivative instruments not accounted for as effective hedging instruments	HfT	22.7	22.7	12.3	12.3
Available-for-sale financial assets	AfS	16.7	16.7	16.8	16.8
Other receivables with a financing character	LaR	13.4	13.4	18.4	18.4
Trade accounts receivable	LaR	7,926.4	7,926.4	7,392.7	7,392.7
Other financial assets	LaR	600.8	600.8	521.9	521.9
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,721.4	1,721.4	2,044.4	2,044.4
Available-for-sale financial assets	AfS	85.0	85.0	62.6	62.6
Financial assets		**10,461.5**	**10,461.5**	**10,112.2**	**10,112.2**
Indebtedness					
Derivative instruments accounted for as effective hedging instruments	n. a.	–	–	13.6	13.6
Derivative instruments not accounted for as effective hedging instruments	HfT	23.5	23.5	49.3	49.3
Finance lease liabilities	n. a.	19.7	20.1	28.9	30.3
Other indebtedness	OL	5,314.8	5,441.1	4,860.5	5,015.4
Trade accounts payable	OL	6,608.6	6,608.6	6,248.0	6,248.0
Other financial liabilities					
Liabilities to related parties from finance leases	n. a.	7.5	7.2	–	–
Other financial liabilities	OL	1,241.3	1,241.0	1,284.4	1,283.9
Financial liabilities		**13,215.4**	**13,341.5**	**12,484.7**	**12,640.5**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		22.7		12.3	
Loans and receivables (LaR)		10,262.0		9,977.4	
Available-for-sale financial assets (AfS)		146.6		122.5	
Financial liabilities held for trading (HfT)		23.5		49.3	
Financial liabilities measured at amortized cost (OL)		13,164.7		12,392.9	

Abbreviations

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

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

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

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

A detailed description of the measurement methods used for the individual financial instruments can be found in the 2016 Annual Report.

€ millions		**June 30, 2017**	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	101.7	92.2	9.5	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	30.2	–	30.2	–
Derivative instruments not accounted for as effective hedging instruments	HfT	22.7	–	22.7	–
Financial assets measured at fair value		**154.6**	**92.2**	**62.4**	**0.0**
Derivative instruments not accounted for as effective hedging instruments	HfT	23.5	–	23.5	–
Financial liabilities measured at fair value		**23.5**	**–**	**23.5**	**–**
Finance lease liabilities	n. a.	20.1	–	20.1	–
Other indebtedness	OL	5,441.1	2,695.2	1,184.2	1,561.7
Liabilities to related parties from finance leases	n. a.	7.2	–	7.2	–
Other financial liabilities	OL	1,241.0	–	15.6	1,225.4
Financial liabilities not measured at fair value		**6,709.4**	**2,695.2**	**1,227.1**	**2,787.1**

€ millions		Dec. 31, 2016	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	79.4	69.9	9.5	0.0
Derivative instruments not accounted for as effective hedging instruments	HfT	12.3	–	12.3	–
Financial assets measured at fair value		**91.7**	**69.9**	**21.8**	**0.0**
Derivative instruments accounted for as effective hedging instruments	n. a.	13.6	–	13.6	–
Derivative instruments not accounted for as effective hedging instruments	HfT	49.3	–	49.3	–
Financial liabilities measured at fair value		**62.9**	**–**	**62.9**	**–**
Finance lease liabilities	n. a.	30.3	–	30.3	–
Other indebtedness	OL	5,015.4	3,477.7	513.6	1,024.1
Other financial liabilities	OL	1,283.9	–	23.1	1,260.8
Financial liabilities not measured at fair value		**6,329.6**	**3,477.7**	**567.0**	**2,284.9**

Litigation and compensation claims
In the proceedings against Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), as well as other companies in connection with suspected antitrust violations in the instrument cluster business, the Supreme Court of South Korea rejected the appeal by the Korean Fair Trade Commission (KFTC) on May 31, 2017. The KFTC had lodged the appeal against the ruling by the Seoul High Court, which had vacated the administrative fine imposed by the KFTC in the amount of KRW 45,922 million (around €35 million) on CAE's appeal. It is not yet known how high the new fine from the KFTC will be. Other than this, there were either no significant new developments in the reporting period with regard to the litigation and compensation claims, including those described in the 2016 Annual Report, or no further disclosures can be made at present in order to protect the company's interests in the proceedings.

Contingent liabilities and other financial obligations
As at June 30, 2017, there were no material changes in the contingent liabilities and other financial obligations as described in the 2016 Annual Report.

Appropriation of net income
As at December 31, 2016, Continental AG reported net retained earnings of €1,103.1 million (PY: €1,014.2 million). On April 28, 2017, the Annual Shareholders' Meeting in Hanover resolved to distribute a dividend of €4.25 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution thus amounted to €850,025,427.75. The remaining amount was carried forward to new account.

In 2016, a dividend of €3.75 per share was distributed by Continental AG to its shareholders for 2015. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €750,022,436.25. The remaining amount was carried forward to new account.

Earnings per share
Basic earnings per share fell to €7.48 (PY: €8.19) in the first half of 2017 and to €3.73 (PY: €4.52) in the period from April 1 to June 30, 2017. These figures were the same for the diluted earnings per share.

Transactions with related parties
In the period under review there were no material changes in transactions with related parties compared to December 31, 2016. For further information, please refer to the comments in the 2016 Annual Report.

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

Significant Events after June 30, 2017

There were no significant events after June 30, 2017.

Hanover, July 24, 2017

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company's Legal Representatives

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

Hanover, July 24, 2017

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed interim consolidated financial statements of Continental Aktiengesellschaft – comprising the consolidated statement of financial position, consolidated statement of income and comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and explanatory notes to the consolidated financial statements – together with the interim corporate management report of Continental Aktiengesellschaft, Hanover, for the period from January 1 to June 30, 2017, that are part of the semi annual report according to section 37w of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)*. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim corporate management report in accordance with the requirements of the *WpHG* applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim corporate management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim corporate management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

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

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

Hanover, August 1, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer Wirtschaftsprüfer	Papenberg Wirtschaftsprüfer

Financial Calendar

2017	
Preliminary figures for fiscal 2016	January 9
Annual Financial Press Conference	March 2
Analyst and Investor Conference Call	March 2
Annual Shareholders' Meeting (including key figures for the first quarter of 2017)	April 28
Financial Report as at March 31, 2017	May 9
Half-Year Financial Report as at June 30, 2017	August 3
Financial Report as at September 30, 2017	November 9

2018	
Preliminary figures for fiscal 2017	January
Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting (including key figures for the first quarter of 2018)	April 27
Financial Report as at March 31, 2018	May
Half-Year Financial Report as at June 30, 2018	August
Financial Report as at September 30, 2018	November

Publication Details

This Half-Year Financial Report has also been published in German.
The 2016 Annual Report is available in English and German.

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

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