Continental
The Future in Motion

The Future in Motion
Financial Report as at March 31, 2013

Continental Shares and Bonds

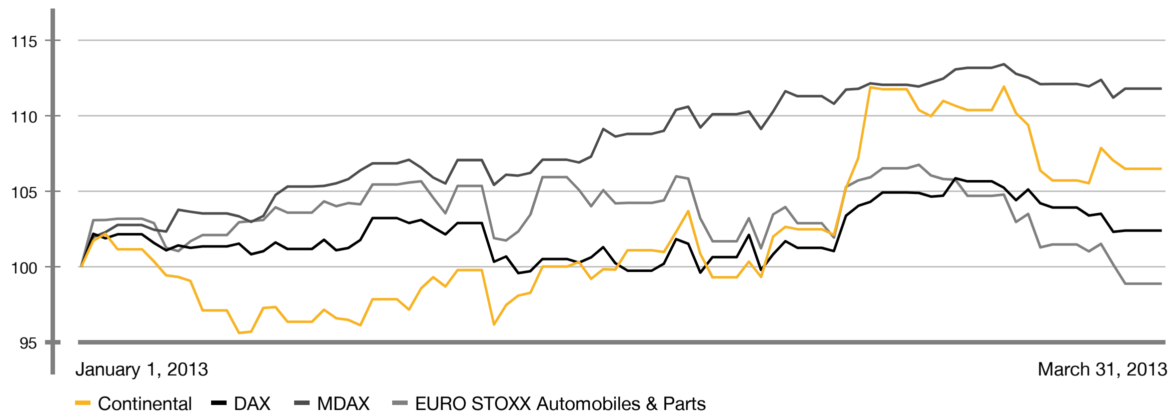
Volatile start on the equity markets

Positive signals from business activity in Germany, the U.S.A. and China resulted in favorable sentiment on the global equity markets at the beginning of 2013. In February share prices declined as a result of the euro crisis flaring up again, but the expansive monetary policy of the U.S. and European central banks then gave rise to a substantial increase in early March. The Dow Jones Index exceeded its previous all-time high of 14,198 points from October 2007 and climbed to 14,539 points by mid-March 2013. However, the first quarter of 2013 ended with somewhat more cautious sentiment on the equity markets again, mainly due to the results of the parliamentary elections in Italy, the impending insolvency of Cyprus and a slight downturn in economic indicators, particularly in the U.S.A.

In the first quarter of 2013, the German stock index DAX ranged from 7,537 points to its high of 8,074 points, before closing at 7,795 points on March 31, 2013. The DAX was therefore up 2.4% in this first quarter. By contrast, the MDAX performed considerably better, rising 11.8% to 13,322 points in the same period. The European automotive sector continued to suffer from weak new registration figures. The negative trend in new registrations even intensified again in the first quarter of 2013 as compared to the previous quarters. As a result, the index for automobile and automotive supplier stocks in Europe (EURO STOXX Automobiles & Parts) declined by 1.1% in the first quarter of 2013 to 334 points on March 31, 2013.

Early in the second quarter of 2013, the bailout plan for Cyprus led to a more positive mood on the stock markets. In addition, at the end of the first week of April the Bank of Japan surprised the markets with its announcement that it would almost double the monetary base of the yen by the end of 2014 by purchasing government bonds and other securities on a massive scale. The value of the yen consequently fell rapidly by around 8%, while the NIKKEI 225 rose above the important 13,000 points mark and thus reached its highest level in five years. In Europe and the U.S.A. bond yields declined and the Dow Jones Index hit a new all-time high. During the remainder of April 2013, concerns about an escalation of the North Korea crisis, reports of slowing momentum on the U.S. labor market and lower than expected economic growth in China in the first quarter of 2013 as well as the bomb attacks in Boston again led to profit-taking on the global stock markets.

Share price performance (indexed to January 1, 2013)



	March 31, 2013	in % vs. Dec. 31, 2012
Continental	93.27	6.5
DAX	7,795.31	2.4
MDAX	13,322.26	11.8
EURO STOXX Automobiles & Parts	334.16	-1.1
EURO STOXX 50	2,624.02	-0.5

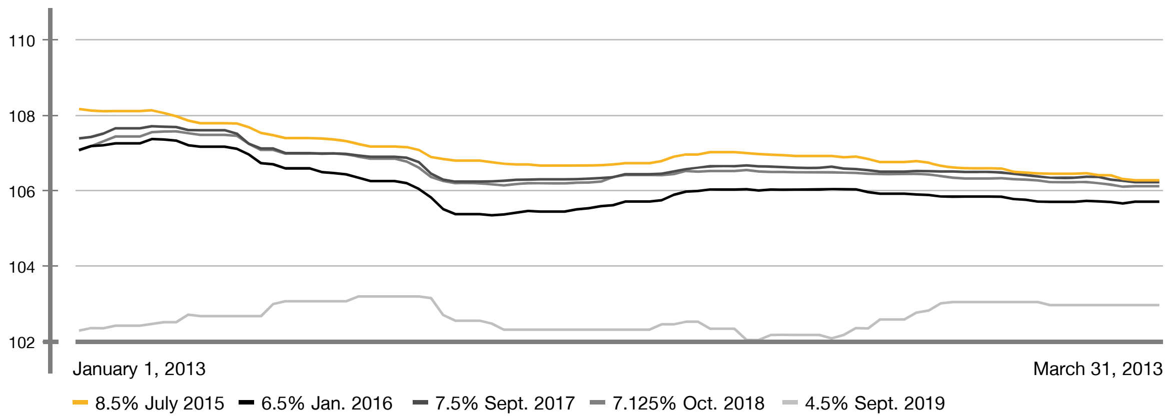
Good performance of Continental shares in first quarter of 2013

After starting the first quarter of 2013 at a level of €87.59, Continental's share price fell to a low of €81.90 on January 22, 2013. This decline was due to the cautious outlook – lower than market participants had expected – that was announced for 2013 along with the publication of initial preliminary key data for 2012. Until the announcement of the full preliminary consolidated figures for fiscal 2012 on March 7, 2013, the share price rose at an increasingly fast pace. Continental shares then marked their high for the first quarter of 2013 of €100.70 during stock market hours on March 8, 2013, following the announcement of the preliminary figures for fiscal 2012. The announcement that a dividend payment of €2.25 per share for 2012 would be proposed to the Annual Shareholders' Meeting on May 15, 2013, also received a very positive response.

Following this, the share price developed roughly in step with the sector performance. Continental shares closed at €93.27 on March 31, 2013, corresponding to a price increase of 6.5% for the first quarter. Compared to Continental shares, the MDAX climbed higher by 5.3 percentage points. By contrast, Continental shares exceeded the DAX by 4.1 percentage points and outperformed the EURO STOXX Automobiles & Parts by as much as 7.6 percentage points.

In April 2013, the lower level of new car registrations in Germany and Europe than had been expected by many market participants, as well as weak replacement tire business in Europe due to the long winter, resulted in substantial share price declines for many European automotive and tire manufacturers. Continental shares were also unable to escape this negative trend and were priced at €83.41 on April 22, 2013, lower than their opening price for the year.

Price performance of the Continental bonds



2010 Continental bonds post price declines

In the first quarter of 2013, Continental's euro-denominated bonds issued in 2010 continued their downward price trend which had begun in the fourth quarter of 2012. The four bonds declined in a range of 96 to 192 basis points. This decline – despite the significant improvement in Continental AG's key credit ratios – is chiefly attributable to the call options for the euro bonds, which allow the issuer to buy back these bonds at various points in time starting in July 2013 on certain conditions.

The price of the U.S. dollar bond recorded a different development. After a slight increase early in the year, the bond price tracked sideways to close at 102.970% on March 31, 2013, representing a rise of 68 basis points. In addition to the considerable improvement in key profit ratios and balance sheet ratios, the successful refinancing of our bank liabilities and the significant reduction of net indebtedness also had a positive impact here. The Continental Corporation's improved creditworthiness is also reflected in the lower premium for insuring against credit risks (credit default swap, CDS), expressed in the five-year CDS. This fell by 15% over the course of the first quarter of 2013 to 167.97 basis points, a level last seen in the first half of 2008 before the financial and economic crisis in 2008/2009.

Credit rating unchanged

Continental's credit rating did not change during the first quarter of 2013 and therefore remains at BB-, positive outlook (Standard & Poor's) and Ba2, positive outlook (Moody's). The credit rating assigned to the major shareholder by the two rating agencies is still a key factor for Continental's credit rating. On a stand-alone basis, Moody's considers the rating for Continental to be higher than it is currently, and Standard & Poor's considers Continental to be in the investment-grade category.

Key Figures for the Continental Corporation

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

	January 1 to March 31	
in € millions	**2013**	**2012**
Sales	8,033.3	8,319.5
EBITDA	1,169.4	1,203.9
in % of sales	14.6	14.5
EBIT	747.4	787.2
in % of sales	9.3	9.5
Net income attributable to the shareholders of the parent	441.2	482.9
Earnings per share in €	2.21	2.41
Adjusted sales[1]	7,989.5	8,319.5
Adjusted operating result (adjusted EBIT)[2]	796.2	888.7
in % of adjusted sales	10.0	10.7
Free cash flow	-311.1	-147.7
Net indebtedness as at March 31	5,613.1	6,841.2
Gearing ratio in %	64.2	90.9
Number of employees as at March 31[3]	172,907	167,154

[1] Before changes in the scope of consolidation.
[2] Before amortization of intangible assets from the 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 March 31	
Automotive Group in € millions	**2013**	**2012**
Sales	4,911.2	5,070.8
EBITDA	602.8	613.2
in % of sales	12.3	12.1
EBIT	303.1	305.3
in % of sales	6.2	6.0
Depreciation and amortization[1]	299.7	307.9
– thereof impairment[2]	—	—
Capital expenditure[3]	172.5	175.6
in % of sales	3.5	3.5
Operating assets as at March 31	11,226.0	11,540.7
Number of employees as at March 31[4]	100,839	97,776
Adjusted sales[5]	4,908.4	5,070.8
Adjusted operating result (adjusted EBIT)[6]	351.0	412.4
in % of adjusted sales	7.2	8.1

	January 1 to March 31	
Rubber Group in € millions	**2013**	**2012**
Sales	3,132.0	3,255.4
EBITDA	595.1	608.8
in % of sales	19.0	18.7
EBIT	472.9	500.1
in % of sales	15.1	15.4
Depreciation and amortization[1]	122.2	108.7
– thereof impairment[2]	—	-0.1
Capital expenditure[3]	258.8	211.9
in % of sales	8.3	6.5
Operating assets as at March 31	5,929.2	5,381.4
Number of employees as at March 31[4]	71,770	69,104
Adjusted sales[5]	3,087.7	3,255.4
Adjusted operating result (adjusted EBIT)[6]	476.2	496.2
in % of adjusted sales	15.4	15.2

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Corporate Management Report as at March 31, 2013

Continental acquires ASL Vision, a specialized company for 360-degree surround detection

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

Continental and BMW Group work together to develop highly automated driving

In January 2013, we signed an agreement with the BMW Group to jointly develop an electronic co-pilot for driving on freeways. The overarching aim of the research partnership is to pave the way for highly automated driving functions beyond the year 2020.

ContiTech opens research and development center in China

On March 6, 2013, ContiTech opened a new research and development center in China. The Changshu center will develop innovative products for vehicle mounting and vibration control technology – in close collaboration with customers such as Geely, Great Wall Motor Company, General Motors, Shanghai Volkswagen and Qoros. By the end of the year, there are to be 34 engineers working in the new center.

Continental summer tires given top marks by ADAC, Stiftung Warentest, ÖAMTC and TCS

In the tire tests conducted by ADAC, Stiftung Warentest, the Austrian ÖAMTC and the Swiss TCS, the ContiSportContact 5 in the size 225/45 R 17, which is now used not only for sports vehicles but also compact and mid-range cars, took first place together with a competitor out of 19 tested products. The test editors confirmed the tire's "excellent balance with top marks for wet conditions as well as good performance on dry roads and low fuel consumption". In the small-car size 185/60 R 15, the ContiPremiumContact 5 achieved second place. Its "excellent balance, particularly good performance on wet and dry roads as well as low wear" were confirmed. The TCS also assessed the ContiPremiumContact 5 as "good in all safety-relevant disciplines".

New premium tire generation for use in passenger transport

With the newly developed tire generation in the premium segment for commercial vehicle tires, we are continuing our customer-oriented approach. The third tire generation is intended to provide an optimized product range that continues to support our customers' economic success, starting with a new product range for passenger transport. Local and long-distance passenger transport play a key role in the topics of urbanization, ecology and future mobility requirements. The new product family for commercial passenger transport covers all applications, from scheduled services in cities through regional and non-scheduled transport to the booming long-distance coach segment.

Intelligent tire sensors will detect vehicle weight

Using intelligent electronics, future vehicles will be able to warn drivers if the vehicle is overloaded. The electronics will use a sensor fitted underneath the tread of the tire to detect the size of the contact patch and will calculate the payload on this basis. In the long term, load detection will also be the basis for further improvements in assistance systems relating to vehicle dynamics, such as ESC. Tire pressure sensors therefore not only help the driver to save fuel, but also actively help to increase driving safety.

One-channel ABS increases driving safety for all motorcycle types

To improve the safety of motorcycles, we have expanded our range of electronic braking systems based on proven ABS technology for passenger cars by introducing a one-channel ABS for smaller motorcycles and scooters. This was developed especially for cost-sensitive markets such as Asia. The vehicles only need to be equipped with a hydraulic brake on the front wheel. The start of production for the one-channel ABS is scheduled for early 2014.

Economic Environment

Macroeconomic development

As expected, the global economy has recorded a very mixed development again at the start of the current year. While the countries referred to by the International Monetary Fund (IMF) as emerging and developing economies – particularly in Asia – are growing substantially again, advanced economies are displaying low growth rates or remaining in recession.

Particularly the European countries in the Mediterranean region that were heavily impacted by the sovereign debt crisis will have to accept and absorb declines in economic performance in 2013. At the same time, the major economies of Germany and France are growing only slightly – their governments anticipate growth in gross domestic product (GDP) of just 0.4% and 0.1% respectively in 2013 – meaning that GDP in the euro zone will contract slightly again. In its April estimate, the IMF lowered its forecast for 2013 from -0.1% to -0.3%.

The German economy is proving to be very stable in the continuing euro crisis and is currently benefiting from a strong domestic economy combined with high employment and a high volume of exports to Asia and America. Thanks to growing domestic and foreign demand, in February 2013 German industry posted its highest increase in orders since October 2012, more than compensating for the decline in January. However, recent surveys indicate a slight decrease in incoming orders for March. In contrast to the German federal government, the IMF currently sees the economic situation in Germany rather more positively than at the beginning of the year, and has thus even raised its GDP growth forecast for 2013 by 0.1 percentage points to 0.6%.

The U.S.A. saw a somewhat stronger start to the new year after having successfully avoided the looming fiscal cliff for the time being at the end of the year. In the first quarter of 2013, the U.S. economy benefited primarily from the sustained growth of its major service sector and the recovery of the residential real estate market. The employment rate also improved further, although the number of new jobs in March fell short of expectations. However, the unresolved budget dispute and the high level of sovereign debt could force the government to make further spending cuts, which would curb economic growth. Initial austerity measures took effect in March 2013 in the form of the “sequester”. In this context, the IMF lowered its GDP growth forecast for the U.S.A. by 0.2 percentage points to +1.9% in its April estimate.

The U.S. economy and the euro zone are supported by the continued expansive monetary policy of their central banks, which kept their key interest rates at historically low levels in the first quarter of 2013. In addition, the U.S. central bank in particular secured additional liquidity by purchasing government bonds.

The Bank of Japan reacted to the weak production and lower incoming orders of Japanese industry considerably more aggressively in April 2013. These figures were down significantly year-on-year in the first quarter of 2013. To stimulate the economy and achieve an inflation target of 2%, approximately 7 trillion yen (roughly equivalent to €60 billion) per month is now to be added to the economic cycle by means of purchases of government bonds, exchange-traded index funds and real estate funds. The Bank of Japan expects to almost double the monetary base as a result, from 138 trillion yen at the end of 2012 to 270 trillion yen by the end of 2014. The yen subsequently lost another approximately 8% on the global currency markets. This brings the cumulative depreciation against the U.S. dollar and the euro since the third quarter of 2012 to more than 20% each. Returns on the bond markets in Europe and the U.S.A. also fell significantly following the announcement. The effects on the real economy of the individual countries cannot yet be foreseen at present. However, Japan’s export economy is likely to benefit considerably from the depreciation of the yen – provided other central banks do not take similar measures. The IMF recently raised its GDP growth forecast for Japan by 0.4 percentage points to 1.6% for 2013.

China remains the real engine of the global economy in the current year. Domestic demand in particular picked up in the first quarter of 2013, leading to a sharp rise in imports. However, exports also increased considerably. Year-on-year GDP growth amounted to 7.7% in the first quarter of 2013 and was thus slightly lower than expected. In its latest outlook, the IMF lowered its forecast for China slightly. Rather than the previous forecast of 8.1%, it now anticipates GDP growth of 8.0% for the year as a whole.

Due to the somewhat weaker economic data from other emerging and developing economies, too, the IMF lowered its forecast by 0.2 percentage points and now expects economic activity in these countries to increase by 5.3% in 2013.

For the global economy as a whole, the IMF lowered its forecast in its World Economic Outlook from April 2013 by 0.2 percentage points to an increase of 3.3% in the current year. The outlook for 2014 remained stable at a 4.0% increase.

The IMF again refers to considerable risks in its economic outlook. In its view, the debt crisis in the euro zone remains the biggest risk to the global economy. There are concerns here in the short term regarding the problems in Cyprus, the unclear political situation in Italy and the economic situation in France, which experts predict could fall into recession. The euro zone is also likely to face a sustained phase of stagnation in the medium term. For the U.S.A. and Japan, high budget deficits and further growth in government debt are the main medium-term risks. According to the IMF, structural reforms and adjustments and a continued expansive monetary policy are still necessary, but entail additional risks such as rapidly increasing inflation rates. There is also a risk of a slowdown in growth in emerging and developing economies.

Development of new car registrations

The heterogeneous development of the global economy was also reflected in new car registrations in the first quarter of 2013, but with more noticeable changes. Based on data from the German Association of the Automotive Industry (VDA), the number of newly registered vehicles in Europe fell by 10% year-on-year to 3.1 million. In addition to weak demand in many European countries, the reduced number of working days also had a negative impact on the level of registrations. However, the number of new registrations improved against the weak prior quarter, roughly amounting to the average of the previous four quarters.

The decrease in the number of new car registrations in Japan was at a similar level, at 9%, in the first quarter of 2013. However, it should be noted that in this case the first quarter of 2012 was an exceptionally high comparative basis due to the catch-up effects in the wake of the Fukushima natural disaster. New registrations in the first quarter of 2013 were around 10% above the average of the previous four quarters.

Development in new car registrations was very mixed in the BRIC countries. While the volume of new registrations inched up 2% in Brazil, it stagnated in Russia and even decreased by 12% in India. In contrast, China saw an exceptionally sharp rise of 25% in new registrations, making it the largest passenger car market in the world in the first quarter of 2013 with a volume of 3.9 million newly registered vehicles.

The second-largest passenger car market in the world – the U.S.A. – also benefited from rising domestic demand, with new registrations increasing by 6%.

Overall, new registrations were up almost 1% to 20.2 million units in the first three months of 2013, slightly above the average of the previous four quarters.

Development of production

According to preliminary figures, global production of passenger cars declined by 3% to 20.6 million units in line with demand in the first quarter of 2013, remaining at roughly the same level as the fourth quarter of 2012.

Production cutbacks by car manufacturers in Europe were especially noticeable, this being Continental's most important market within the Automotive Group with a 50% share of sales. Based on preliminary figures, the number of vehicles produced decreased by 11% to around 4.7 million units, with the three working days fewer than in the comparable period for the previous year having an impact. Our third most important market in the Automotive Group – NAFTA with a 22% share of sales at present – also posted a slight 2% downturn in production to 3.9 million units (on the basis of preliminary data) despite the rise in new registrations in the U.S.A. In contrast, the number of vehicles produced in Asia – the second most important region in the Automotive Group – continued to rise. A strong upturn in passenger car production in China more than compensated for the lower production volumes in Japan and India.

For the year as a whole, we anticipate another 2% rise in global passenger car production to around 83 million units.

Commercial vehicle production also declined in our core markets in Europe and in NAFTA during the first quarter of 2013. Whereas commercial vehicle production was down by 3% in Europe on the basis of preliminary figures, it fell by 12% in NAFTA. The business trend in Europe during the first quarter of 2013 corresponds to our forecast of -3% for the year as a whole. In NAFTA, we expect to see an end to the period of inventory streamlining soon and a pick-up in demand over the remainder of the year. For the year as a whole, we therefore still believe that 5% growth in commercial vehicle production is achievable in NAFTA.

Development of the replacement tire markets

Although demand on our most important replacement tire markets in Europe and NAFTA experienced seasonal pick-ups in the first quarter of 2013, it fell short of our expectations, particularly in Europe. From our perspective, the roughly 10% decline in Europe can be attributed to continued weak demand in Southern European countries, the reduced number of working days compared with the same period of the previous year, and the unusually long period of cold weather particularly affecting the north of Europe. Although this had a positive impact on the winter tire business in Europe, many drivers decided to put off changing to summer tires until the second quarter. On the basis of preliminary data, demand for replacement passenger tires also dropped in NAFTA, but only by 2%.

After the subdued first quarter of 2013, we expect the situation to stabilize in the second quarter as people have delayed switching to summer tires and in anticipation of a stronger second half-year due to catch-up effects. The volume of kilometers driven and thus tire wear is still high, which should lead to increased demand for new tires among car owners. For 2013 on the whole, we still anticipate a rise in the demand for replacement tires of 3% in Europe and 2% in NAFTA.

Demand for replacement truck tires was restrained in the first quarter of 2013 in both Europe and NAFTA, despite freight rates remaining virtually the same. Europe posted a rise in demand of 5% compared with the same period of the previous year, but from a low comparative basis. Preliminary data suggests that demand in NAFTA dipped again by a marginal 1%. We expect progressive tire wear to result in resurgent demand over the course of the year and moderate increases of 5% in Europe and 2% in NAFTA compared with the weak volumes recorded in the previous year.

New registrations/sales of passenger cars in millions of units

	Q1 2013	Q1 2012	Change
Europe (EU27+EFTA)	3.1	3.4	-10%
Russia	0.6	0.6	0%
U.S.A.	3.7	3.5	6%
Japan	1.3	1.4	-9%
Brazil	0.8	0.8	2%
India	0.7	0.8	-12%
China	3.9	3.1	25%
Worldwide	**20.2**	**20.0**	**1%**

Source: VDA and Renault

Earnings, Financial and Net Assets Position of the Continental Corporation

Earnings Position

Sales down 3.4%;
Sales down 2.9% before changes in the scope of consolidation and exchange rate effects

Consolidated sales for the first three months of 2013 declined by 3.4% year-on-year to €8,033.3 million (PY: €8,319.5 million). Before changes in the scope of consolidation and exchange rate effects, sales declined by 2.9%.

Adjusted EBIT down 10.4%

Adjusted EBIT for the corporation decreased by €92.5 million or 10.4% year-on-year to €796.2 million (PY: €888.7 million) during the first three months of 2013, corresponding to 10.0% (PY: 10.7%) of adjusted sales.

EBIT down 5.1%

At €747.4 million (PY: €787.2 million), EBIT in the first three months of 2013 was €39.8 million or 5.1% lower than in the previous year. The return on sales fell to 9.3% (PY: 9.5%).

Special effects in the first quarter of 2013

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

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

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

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

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

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

Special effects in the first quarter of 2012

In the Tire and ContiTech divisions, there was a positive effect of €5.9 million overall.

Owing to the anticipated higher cash outflow for the syndicated loan resulting from rising interest margins, the carrying amount was adjusted in profit or loss in 2009 and 2010. However, at the end of June 2011 the carrying amount was adjusted in profit or loss due to signs of decreasing margins and the associated anticipated lower cash outflow for the syndicated loan. These deferrals will be amortized over the term of the loan, reducing or increasing expenses accordingly. The amortization of the carrying amount adjustments led to a positive effect totaling €1.7 million in the first quarter of 2012.

Total consolidated income from special effects in the first quarter of 2012 amounted to €7.6 million.

Research and development expenses

In the first three months of 2013, research and development expenses rose by 12.1% compared with the same period of the previous year to €499.8 million (PY: €445.8 million), representing 6.2% (PY: 5.4%) of sales. Of this amount, €426.2 million (PY: €379.7 million), equivalent to 8.7% (PY: 7.5%) of sales, was attributable to the Automotive Group and €73.6 million (PY: €66.1 million), equivalent to 2.3% (PY: 2.0%) of sales, to the Rubber Group.

Net interest expense

At €123.1 million (PY: €64.9 million), net interest expense in the first quarter of 2013 was €58.2 million higher than in the previous year. This increase is particularly due to negative effects from changes in the fair value of derivative instruments, which were only partly offset by reduced interest expenses.

Interest expenses, which primarily result from the utilization of the syndicated loan and the bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., were €32.7 million lower than in the previous year at €112.2 million (PY: €144.9 million). This decrease is largely due to the significant reduction in net indebtedness as of the end of 2012 and the lower interest rate level as compared to the previous year. Both of these factors led in particular to lower interest expenses for the syndicated loan. A further reduction in the expenses for this loan was brought about by the partial repayment of the loan in September 2012 from the net issue proceeds of the bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., with a nominal volume of $950.0 million. As a result, expenses for the syndicated loan were more than halved to €30.1 million in the first three months of 2013 as against the same period of the previous year (€68.8 million). There were higher interest expenses totaling €64.3 million (PY: €56.9 million) from the bonds mentioned above due to the bond issued in 2012.

As a result of implementing the changes in the requirements of IAS 19 (revised 2011), *Employee Benefits*, that are effective from fiscal 2013, expenses from interest cost on expected pension obligations and the expected return on plan assets are now no longer allocated to personnel expenses in the relevant functional areas, but instead are reported separately under net interest expense. This likewise applies to interest effects from other long-term employee benefits. The figures for 2012 have been restated accordingly. This resulted in expenses totaling €22.1 million (PY: €21.6 million) in the first quarter of 2013.

Interest income in the first three months of 2013 decreased slightly by €1.5 million year-on-year to €6.0 million (PY: €7.5 million). In the first quarter of 2013, losses from changes in the fair value of derivative instruments amounted to €5.2 million (PY: income of €86.0 million). €1.5 million of these losses (PY: €47.3 million of the income) related to the reporting of early redemption options for the bonds issued by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 and Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010.

Income tax expense

Income tax expense in the first three months of 2013 amounted to €161.0 million (PY: €221.8 million). The tax rate in the reporting period was 25.8% after 30.7% for the same period of the previous year. This is due in particular to a different distribution of earnings before income taxes across the different countries compared to the same period of the prior year.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent declined by 8.6% to €441.2 million (PY: €482.9 million) and earnings per share fell to €2.21 (PY: €2.41).

Development of the Continental Corporation

	January 1 to March 31	
in € millions	2013	2012
Sales	8,033.3	8,319.5
EBITDA	1,169.4	1,203.9
in % of sales	14.6	14.5
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in % of sales	9.3	9.5
Net income attributable to the shareholders of the parent	441.2	482.9
Earnings per share in €	2.21	2.41
Research and development expenses	499.8	445.8
Depreciation and amortization[1]	422.0	416.7
– thereof impairment[2]	—	-0.1
Capital expenditure[3]	431.4	387.9
in % of sales	5.4	4.7
Operating assets as at March 31	17,121.2	16,881.2
Number of employees as at March 31[4]	172,907	167,154
Adjusted sales[5]	7,989.5	8,319.5
Adjusted operating result (adjusted EBIT)[6]	796.2	888.7
in % of adjusted sales	10.0	10.7
Net indebtedness as at March 31	5,613.1	6,841.2
Gearing ratio in %	64.2	90.9

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Financial Position

Cash flow

At €41.4 million as at March 31, 2013, the net cash outflow arising from operating activities was €297.5 million lower than the previous year's net cash inflow of €256.1 million.

The free cash flow in the first quarter of 2013 deteriorated by €163.4 million as against the first three months of 2012 to -€311.1 million (PY: -€147.7 million).

EBIT was down by €39.8 million year-on-year to €747.4 million (PY: €787.2 million).

Interest payments resulting in particular from the syndicated loan and the bonds fell by €22.2 million to €182.1 million (PY: €204.3 million). Income tax payments increased by €69.2 million to €204.2 million (PY: €135.0 million).

At €878.0 million as at March 31, 2013, the net cash outflow arising from the increase in operating working capital was €110.0 million higher than the figure for the previous year of €768.0 million.

In the first three months of 2013, investing activities resulted in a cash outflow of €269.7 million (PY: €403.8 million). Capital expenditure on property, plant and equipment, and software was up €43.4 million from €387.9 million to €431.3 million before financial leasing and the capitalization of borrowing costs. Acquisitions and sales of companies and business operations resulted in a total cash inflow of €164.1 million in the first quarter of 2013 (PY: cash outflow of €5.5 million).

Financing and indebtedness

As at March 31, 2013, the corporation's net indebtedness was down €1,228.1 million year-on-year from €6,841.2 million to €5,613.1 million. In comparison to the end of 2012, net indebtedness increased by €293.2 million. The gearing ratio improved to 64.2% (PY: 90.9%) as of the end of March 2013.

Continental further improved its financial and maturity structure in 2012. For example, in September 2012 it took advantage of the positive capital market environment to improve the maturity structure of its financial liabilities, placing a U.S. dollar bond with an issue volume of $950.0 million. The bond, which has a term of seven years, was issued by Continental Rubber of America, Corp. (CRoA), Wilmington, Delaware, U.S.A., and is guaranteed by Continental AG and selected subsidiaries. The annual interest rate is 4.5% and interest payments are made in arrears every six months. The issue proceeds were used for early repayment of a portion of the tranche of the syndicated loan originally due in April 2014.

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

The volume of €5,375.0 million committed under the previous syndicated loan as of the end of March 2012 was reduced to €4,637.1 million in September 2012 already through the partial repayment from the net issue proceeds of CRoA's U.S. dollar bond. The new syndicated loan agreement concluded in January 2013 led to a further reduction in the committed volume to €4.5 billion. As at March 31, 2013, the syndicated loan had been utilized by Continental AG and by CRoA in a nominal amount of €2,122.8 million (PY: €3,792.5 million).

The interest rate hedges originally concluded for the syndicated loan in the amount of €3,125.0 million, which resulted in an average fixed interest rate to be paid in the amount of 4.19% p.a. plus margin, matured in August 2012.

As at March 31, 2013, Continental had liquidity reserves totaling €5,006.7 million (PY: €3,656.2 million), consisting of cash and cash equivalents of €1,962.7 million (PY: €1,297.9 million) and committed, unutilized credit lines of €3,044.0 million (PY: €2,358.3 million).

Capital expenditure (additions)

In the first quarter of 2013, capital expenditure on property, plant and equipment, and software amounted to €431.4 million (PY: €387.9 million). The capital expenditure ratio after three months is 5.4% (PY: 4.7%).

€172.5 million (PY: €175.6 million) of this capital expenditure was attributable to the Automotive Group, representing 3.5% (PY: 3.5%) of sales. The Automotive Group primarily invested in production facilities for the manufacture of new products and implementation of new technologies, with investment being focused on manufacturing capacity at best-cost locations. In the Chassis & Safety division, production capacity for the Electronic Brake Systems and Hydraulic Brake Systems business units was expanded. Important additions related to the creation of new production facilities for the next generation of electronic brake systems. In the Powertrain division, production capacity was expanded in particular for the Engine Systems, Sensors & Actuators and Transmission business units. Investments in the Interior division focused primarily on expanding production capacity for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €258.8 million (PY: €211.9 million), equivalent to 8.3% of sales (PY: 6.5%). Investments in the Tire division focused on expanding capacity at European best-cost locations and in North and South America as well as Asia. There were major additions relating to the construction of new plants in Kaluga, Russia, and Sumter, South Carolina, U.S.A., and the expansion of existing sites in Puchov, Slovakia; Camacari, Brazil; and Hefei, China. Quality assurance and cost-cutting measures were also implemented. The ContiTech division invested in rationalizing production processes and expanding production capacity. In particular, the production facilities in China, India, Brazil, Hungary and Romania were expanded. In Serbia, investments were made in the establishment of a new plant for the Fluid Technology business unit.

Change in net indebtedness

	January 1 to March 31	
in € millions	**2013**	**2012**
Cash flow arising from operating activities	-41.4	256.1
Cash flow arising from investing activities	-269.7	-403.8
Cash flow before financing activities (free cash flow)	**-311.1**	**-147.7**
Dividends paid and repayment of capital to non-controlling interests	-1.0	-21.9
Non-cash changes	31.9	77.0
Other	-4.1	-5.4
Foreign exchange effects	-8.9	28.9
Change in net indebtedness	**-293.2**	**-69.1**

Net Assets Position

At €28,256.1 million, total assets as at March 31, 2013, were €1,471.1 million higher than on the same date in 2012 (€26,785.0 million). This was chiefly due to the €903.8 million increase in property, plant and equipment to €7,603.5 million (PY: €6,699.7 million). Cash and cash equivalents rose by €664.8 million to €1,962.7 million (PY: €1,297.9 million). This was countered by a €412.3 million decline in other intangible assets to €843.2 million (PY: €1,255.5 million), primarily due to amortization from the purchase price allocation (PPA). At €5,886.5 million (PY: €6,034.1 million), receivables were down €147.6 million.

Equity including non-controlling interests was up €1,213.1 million to €8,738.2 million as compared to €7,525.1 million as at March 31, 2012. This was due primarily to the increase in the accumulated retained earnings of €1,563.5 million. Reserves recognized directly in equity changed by -€338.3 million to -€808.1 million (PY: -€469.8 million), due in particular to the remeasurement of defined benefit pension plans. The gearing ratio improved from 90.9% to 64.2%.

At €28,256.1 million, total assets were up €806.0 million compared with December 31, 2012 (€27,450.1 million). This results in particular from the €893.2 million increase in trade accounts receivable to €5,886.5 million (PY: €4,993.3 million), the €232.5 million increase in inventories to €3,231.2 million (PY: €2,998.7 million), and the €212.5 million increase in property, plant and equipment to €7,603.5 million (PY: €7,391.0 million). This is countered by a €101.9 million decline in other intangible assets to €843.2 million (PY: €945.1 million), primarily due to amortization from the purchase price allocation (PPA). The sale of an asset group and of shares in a jointly controlled entity reduced assets held for sale by €169.0 million to €42.8 million (PY: €211.8 million). At €1,962.7 million (PY: €2,397.2 million), cash and cash equivalents were down €434.5 million.

Equity including non-controlling interests was up €581.8 million to €8,738.2 million as compared to €8,156.4 million at the end of 2012. This was due primarily to the positive net income attributable to the shareholders of the parent of €441.2 million. The gearing ratio fell from 65.2% to 64.2%.

Employees

As of the end of the first quarter of 2013, the corporation's employees numbered 172,907, a rise of 3,268 compared with the end of 2012. In the Automotive Group in particular, growth in sales volumes led to a headcount increase of 2,220. The number of employees working for the Tire division rose by 678 as a result of capacity expansions. In the ContiTech division, there was an overall headcount increase of 358 employees. As against the reporting date for the previous year, the number of employees in the corporation rose by a total of 5,753.

Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31 2013	2012
Sales	1,792.9	1,812.4
EBITDA	241.8	249.8
in % of sales	13.5	13.8
EBIT	155.3	166.8
in % of sales	8.7	9.2
Depreciation and amortization[1]	86.5	83.0
– thereof impairment[2]	—	—
Capital expenditure[3]	72.4	61.4
in % of sales	4.0	3.4
Operating assets as at March 31	4,094.1	4,062.3
Number of employees as at March 31[4]	35,310	33,989
Adjusted sales[5]	1,792.9	1,812.4
Adjusted operating result (adjusted EBIT)[6]	168.0	180.1
in % of adjusted sales	9.4	9.9

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Chassis & Safety

Sales volumes

Sales volumes in the Electronic Brake Systems business unit rose year-on-year by 2.4% to 5.3 million units in the first three months of 2013. In the Hydraulic Brake Systems business unit, sales of brake boosters were down 3.5% to 4.9 million units. Brake caliper sales rose 1.5% to 11.7 million units. In the Passive Safety and Sensors business unit, sales of air bag control units increased by 7.3% to 4.2 million units. Sales of driver assistance systems were up 51.3% to 0.9 million units.

Sales down 1.1%; Sales up 0.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division declined by 1.1% to €1,792.9 million in the first three months of 2013 compared with €1,812.4 million for the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales rose by 0.7%.

Adjusted EBIT down 6.7%

Adjusted EBIT for the Chassis & Safety division decreased by €12.1 million or 6.7% to €168.0 million (PY: €180.1 million) during the first three months of 2013, corresponding to 9.4% (PY: 9.9%) of adjusted sales.

EBIT down 6.9%

Compared with the same period of 2012, the Chassis & Safety division reported a decrease in EBIT of €11.5 million or 6.9% to €155.3 million (PY: €166.8 million) in the first quarter of 2013. The return on sales fell to 8.7% (PY: 9.2%).

Special effects

There were no special effects in the Chassis & Safety division in the first quarter of 2013 or in the same period of the previous year.

	January 1 to March 31	
Powertrain in € millions	2013	2012
Sales	1,526.1	1,626.2
EBITDA	158.9	164.2
in % of sales	10.4	10.1
EBIT	52.1	45.8
in % of sales	3.4	2.8
Depreciation and amortization[1]	106.8	118.4
– thereof impairment[2]	—	—
Capital expenditure[3]	53.0	64.5
in % of sales	3.5	4.0
Operating assets as at March 31	2,981.8	3,120.6
Number of employees as at March 31[4]	31,996	31,472
Adjusted sales[5]	1,526.1	1,626.2
Adjusted operating result (adjusted EBIT)[6]	58.6	89.7
in % of adjusted sales	3.8	5.5

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Powertrain

Sales volumes

Sales volumes in the Powertrain division were down year-on-year in the first quarter of 2013. This was chiefly due to the development of sales volumes in the Engine Systems business unit. As a supplier for vehicles with diesel engines and smaller gasoline engines, this business unit is particularly heavily impacted by the negative economic development on the European sales market. The Transmission business unit remains on a growth track, having increased its sales volumes substantially as against the same quarter of the previous year. The highest increases in sales volumes here were recorded in NAFTA. The remaining business units did not show any significant changes as compared to the previous year.

Sales down 6.2%; Sales down 6.1% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division declined by 6.2% to €1,526.1 million (PY: €1,626.2 million) in the first three months of 2013 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales declined by 6.1%.

Adjusted EBIT down 34.7%

Adjusted EBIT for the Powertrain division decreased by €31.1 million or 34.7% to €58.6 million (PY: €89.7 million) during the first three months of 2013, corresponding to 3.8% (PY: 5.5%) of adjusted sales.

EBIT up 13.8%

Compared with the same period of 2012, the Powertrain division reported an increase in EBIT of €6.3 million or 13.8% to €52.1 million (PY: €45.8 million) in the first quarter of 2013. The return on sales rose to 3.4% (PY: 2.8%).

Special effects in the first quarter of 2013

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

Special effects in the first quarter of 2012

There were no special effects for the Powertrain division in the first quarter of 2012.

Interior in € millions	January 1 to March 31 2013	2012
Sales	1,620.1	1,660.9
EBITDA	202.1	199.4
in % of sales	12.5	12.0
EBIT	95.7	92.8
in % of sales	5.9	5.6
Depreciation and amortization[1]	106.4	106.6
– thereof impairment[2]	—	—
Capital expenditure[3]	47.2	49.7
in % of sales	2.9	3.0
Operating assets as at March 31	4,150.1	4,357.7
Number of employees as at March 31[4]	33,533	32,315
Adjusted sales[5]	1,617.3	1,660.9
Adjusted operating result (adjusted EBIT)[6]	124.4	142.7
in % of adjusted sales	7.7	8.6

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Interior

Sales volumes

Sales volumes in the Body & Security business unit remained at the previous year's level in the first three months of 2013. Declines on the Western European market were offset by increases on the North American and Asian markets. In the Infotainment & Connectivity business unit, sales volumes of audio components decreased in the first quarter of 2013. This was primarily due to declining demand in Europe, while Asia recorded a slight increase. Sales volumes of multimedia systems decreased as a result of declining demand in Asia and Europe. There was an increase in the telematics segment, while the device connectivity segment posted a decrease. Sales volumes in the Commercial Vehicles & Aftermarket business unit were below the previous year's level. This was mainly due to weaker OE business in Western Europe and Asia, which was not offset by replacement parts and aftermarket activities. Sales figures in the Instrumentation & Driver HMI business unit were higher than in the first quarter of 2012. A slight decline in the figures for Europe was more than offset by considerably higher sales in cockpit business and increased demand on the Asian and North American markets.

Sales down 2.5%; Sales down 1.5% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division declined by 2.5% to €1,620.1 million in the first three months of 2013 compared with €1,660.9 million for the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales declined by 1.5%.

Adjusted EBIT down 12.8%

Adjusted EBIT for the Interior division decreased by €18.3 million or 12.8% to €124.4 million (PY: €142.7 million) during the first three months of 2013, corresponding to 7.7% (PY: 8.6%) of adjusted sales.

EBIT up 3.1%

Compared with the same period of 2012, the Interior division reported an increase in EBIT of €2.9 million or 3.1% to €95.7 million (PY: €92.8 million) in the first quarter of 2013. The return on sales rose to 5.9% (PY: 5.6%).

Special effects in the first quarter of 2013

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

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

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

Special effects in the first quarter of 2012

There were no special effects for the Interior division in the first quarter of 2012.

	January 1 to March 31	
Tires in € millions	2013	2012
Sales	2,222.2	2,366.8
EBITDA	459.2	468.5
in % of sales	20.7	19.8
EBIT	365.2	384.3
in % of sales	16.4	16.2
Depreciation and amortization[1]	94.0	84.2
– thereof impairment[2]	—	-0.1
Capital expenditure[3]	230.4	187.4
in % of sales	10.4	7.9
Operating assets as at March 31	4,688.3	4,268.2
Number of employees as at March 31[4]	43,202	42,027
Adjusted sales[5]	2,221.7	2,366.8
Adjusted operating result (adjusted EBIT)[6]	366.8	379.3
in % of adjusted sales	16.5	16.0

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Tires

Sales volumes

Sales volumes of passenger and light truck tires to vehicle OEMs were down slightly on the previous year's level, with losses in the EMEA region partly offset by positive growth rates in the APAC region and the Americas. Replacement business with passenger and light truck tires also did not reach the previous year's level. Here, the EMEA region was particularly heavily impacted by the decline in sales volumes. In contrast, the APAC region posted a positive development with double-digit growth rates as compared to the previous year. Sales volumes in the commercial vehicle tire business were down roughly 4% year-on-year. Taking into account the fewer working days in our key markets in comparison to the same period of the previous year, sales volumes were at the previous year's level overall.

Sales down 6.1%; Sales down 5.0% before changes in the scope of consolidation and exchange rate effects

Sales of the Tire division declined by 6.1% to €2,222.2 million in the first three months of 2013 compared with €2,366.8 million for the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales declined by 5.0%.

Adjusted EBIT down 3.3%

Adjusted EBIT for the Tire division decreased by €12.5 million or 3.3% to €366.8 million (PY: €379.3 million) during the first three months of 2013, corresponding to 16.5% (PY: 16.0%) of adjusted sales.

EBIT down 5.0%

Compared with the same period of 2012, the Tire division reported a decrease in EBIT of €19.1 million or 5.0% to €365.2 million (PY: €384.3 million) in the first quarter of 2013. The return on sales rose to 16.4% (PY: 16.2%).

Special effects in the first quarter of 2013

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

Special effects in the first quarter of 2012

In the first quarter of 2012, the Tire division reported income from special effects of €6.3 million in total.

	January 1 to March 31	
ContiTech in € millions	**2013**	**2012**
Sales	941.6	923.0
EBITDA	135.9	140.3
in % of sales	14.4	15.2
EBIT	107.7	115.8
in % of sales	11.4	12.5
Depreciation and amortization[1]	28.2	24.5
– thereof impairment[2]	—	—
Capital expenditure[3]	28.4	24.5
in % of sales	3.0	2.7
Operating assets as at March 31	1,240.8	1,113.2
Number of employees as at March 31[4]	28,568	27,077
Adjusted sales[5]	897.8	923.0
Adjusted operating result (adjusted EBIT)[6]	109.4	116.8
in % of adjusted sales	12.2	12.7

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

ContiTech

Sales up 2.0%;

Sales down 2.2% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division rose by 2.0% to €941.6 million in the first three months of 2013 compared with €923.0 million for the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales declined by 2.2%. This impacted both industrial business and vehicle OEM and replacement business to a similar extent. Taking into account the fewer working days in our key markets in comparison to the same period of the previous year, sales were slightly higher than the previous year's level.

Adjusted EBIT down 6.3%

Adjusted EBIT for the ContiTech division decreased by €7.4 million or 6.3% to €109.4 million (PY: €116.8 million) during the first three months of 2013, corresponding to 12.2% (PY: 12.7%) of adjusted sales.

EBIT down 7.0%

Compared with the same period of last year, the ContiTech division reported a decrease in EBIT of €8.1 million or 7.0% to €107.7 million (PY: €115.8 million) in the first quarter of 2013. The return on sales fell to 11.4% (PY: 12.5%).

Special effects in the first quarter of 2013

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

Special effects in the first quarter of 2012

In the first quarter of 2012, special effects had a negative impact totaling €0.4 million in the ContiTech division.

Report on Expected Developments and Outlook

As expected, the start to the first quarter of 2013 has proven difficult. The poor development in passenger car production in Europe was a key contributing factor. This was also aggravated by the fact that there were three working days fewer than in the comparable period of the previous year, which negatively impacted production development by around 4 percentage points. A further negative factor in the European tire replacement business was the unusually long period of cold weather affecting large parts of Northern Europe which delayed the shift from winter to summer tires.

This will result in positive catch-up effects for the business development in the second quarter. We thus expect to see demand for replacement passenger tires to stabilize in the second quarter. We anticipate a slight upturn in production figures for passenger cars in Europe. This is chiefly attributable to the additional working days compared with the same period of the previous year. However, the difficult economic situation in some EU member states in particular still continues to be a risk factor.

Against this background, we remain confident that we will achieve the goals we have set for 2013. We do not anticipate a significant upturn in passenger car production in the second half of 2013, but rather a decline in Europe to 8.9 million units, or 6% down on the first half-year where production is expected to reach 9.5 million units. Only in the replacement passenger tire business do we expect to see resurgence in demand in Europe, particularly in the second half of 2013, after a continuing downward trend over the past seven quarters. The Powertrain division is also set to benefit from new start-ups in the second half of the year, which should bolster growth.

We therefore continue to anticipate an increase in consolidated sales of around 5% to over €34 billion. It also remains our goal to maintain the high level of adjusted EBIT margin at more than 10% over the course of the current fiscal year. We expect the continued decrease in prices for natural and synthetic rubber to have a positive impact on the Rubber Group in the second half of the year as well. We anticipate consolidated expenses from special effects to amount to about €50 million. The volume of investments in 2013 will remain at virtually the same level as the previous year. The target for free cash flow remains at more than €700 million.

Consolidated Financial Statements as at March 31, 2013

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

Consolidated Statement of Income and Comprehensive Income

	January 1 to March 31	
in € millions	**2013**	**2012**
Sales	**8,033.3**	**8,319.5**
Cost of sales	-6,244.3	-6,542.5
Gross margin on sales	**1,789.0**	**1,777.0**
Research and development expenses	-499.8	-445.8
Selling and logistics expenses	-406.5	-379.0
Administrative expenses	-171.8	-159.2
Other expenses and income	33.8	-20.1
Income from at-equity accounted investees	7.2	12.6
Other income from investments	-4.5	1.7
Earnings before interest and taxes	**747.4**	**787.2**
Interest income	6.0	7.5
Interest expense[1]	-129.1	-72.4
Net interest expense	**-123.1**	**-64.9**
Earnings before taxes	**624.3**	**722.3**
Income tax expense	-161.0	-221.8
Net income	**463.3**	**500.5**
Non-controlling interests	-22.1	-17.6
Net income attributable to the shareholders of the parent	441.2	482.9
Basic earnings per share in €	**2.21**	**2.41**
Diluted earnings per share in €	**2.21**	**2.41**

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

in € millions	January 1 to March 31 2013	2012
Net income	**463.3**	**500.5**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	61.4	—
Fair value adjustments	69.8	—
Portion for at-equity accounted investees	-1.6	—
Deferred taxes on other comprehensive income	-6.8	—
Items that may be reclassified subsequently to profit or loss		
Currency translation[1]	78.3	-9.0
Difference from currency translation[1]	78.1	-10.2
Reclassification adjustments to profit and loss	0.2	1.2
Portion for at-equity accounted investees	—	—
Available-for-sale financial assets	0.8	4.3
Fair value adjustments	1.9	4.3
Reclassification adjustments to profit and loss	-1.1	0.0
Cash flow hedges	—	11.5
Fair value adjustments	—	0.0
Reclassification adjustments to profit and loss	—	11.5
Deferred taxes on other comprehensive income	-4.7	-10.6
Other comprehensive income	**135.8**	**-3.8**
Comprehensive income	**599.1**	**496.7**
Attributable to non-controlling interests	-16.1	-10.6
Attributable to the shareholders of the parent	583.0	486.1

[1] Including non-controlling interests.

Consolidated Statement of Financial Position

Assets in € millions	March 31, 2013	*Dec. 31, 2012*	March 31, 2012
Goodwill	5,639.6	*5,622.2*	5,698.6
Other intangible assets	843.2	*945.1*	1,255.5
Property, plant and equipment	7,603.5	*7,391.0*	6,699.7
Investment property	19.7	*19.8*	19.9
Investments in at-equity accounted investees	448.8	376.5	466.9
Other investments	6.9	*6.9*	6.6
Deferred tax assets	876.1	850.4	593.5
Defined benefit assets	2.0	*2.0*	7.0
Long-term derivative instruments and interest-bearing investments	459.5	*433.9*	320.1
Other long-term financial assets	21.2	*23.8*	29.3
Other long-term assets	14.1	*14.1*	11.6
Non-current assets	**15,934.6**	**15,685.7**	**15,108.7**
Inventories	3,231.2	*2,998.7*	3,146.3
Trade accounts receivable	5,886.5	4,993.3	6,034.1
Other short-term financial assets	318.5	*321.8*	294.1
Other short-term assets	718.3	*661.4*	673.0
Income tax receivables	83.9	*77.9*	92.8
Short-term derivative instruments and interest-bearing investments	77.6	*102.3*	94.9
Cash and cash equivalents	1,962.7	*2,397.2*	1,297.9
Assets held for sale	42.8	*211.8*	43.2
Current assets	**12,321.5**	**11,764.4**	**11,676.3**
Total assets	**28,256.1**	***27,450.1***	**26,785.0**

Total equity and liabilities in € millions	March 31, 2013	*Dec. 31, 2012*	March 31, 2012
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	4,503.4	*4,062.2*	2,939.9
Other comprehensive income	-808.1	*-950.8*	-469.8
Equity attributable to the shareholders of the parent	**8,362.9**	***7,779.0***	**7,137.7**
Non-controlling interests	375.3	*377.4*	387.4
Total equity	**8,738.2**	***8,156.4***	**7,525.1**
Provisions for pension liabilities and similar obligations	2,538.5	*2,583.1*	1,871.0
Deferred tax liabilities	297.2	*269.2*	286.0
Long-term provisions for other risks and obligations	302.0	*308.5*	366.4
Long-term portion of indebtedness	5,639.0	*4,181.0*	6,001.5
Other long-term financial liabilities	13.0	*13.1*	8.0
Other long-term liabilities	56.1	*52.7*	55.3
Non-current liabilities	**8,845.8**	***7,407.6***	**8,588.2**
Trade accounts payable	4,504.9	*4,344.6*	4,229.0
Income tax payables	677.2	*713.3*	697.5
Short-term provisions for other risks and obligations	597.3	*597.0*	834.6
Indebtedness	2,473.9	*4,072.3*	2,552.6
Other short-term financial liabilities	1,502.0	*1,406.9*	1,478.1
Other short-term liabilities	916.8	*751.2*	879.9
Liabilities held for sale	—	*0.8*	—
Current liabilities	**10,672.1**	***11,886.1***	**10,671.7**
Total equity and liabilities	**28,256.1**	***27,450.1***	**26,785.0**

Consolidated Statement of Cash Flows

	January 1 to March 31	
in € millions	2013	2012
Net income	**463.3**	**500.5**
Income tax expense	161.0	221.8
Net interest expense	123.1	64.9
EBIT	**747.4**	**787.2**
Interest paid	-182.1	-204.3
Interest received	7.2	7.5
Income tax paid	-204.2	-135.0
Dividends received	15.6	27.5
Depreciation, amortization and impairment	422.0	416.7
Income from at-equity accounted and other investments, incl. impairment	-2.7	-14.3
Gains from the disposal of assets, companies and business operations	-82.3	-0.8
Other non-cash items	-2.4	-1.7
Changes in		
inventories	-195.3	-154.7
trade accounts receivable	-799.0	-717.7
trade accounts payable	116.3	104.4
pension and similar obligations	-2.5	-15.5
other assets and liabilities	120.6	156.8
Cash flow arising from operating activities	**-41.4**	**256.1**
Proceeds on the disposal of property, plant and equipment, and intangible assets	4.8	9.1
Capital expenditure on property, plant and equipment, and software	-431.3	-387.9
Capital expenditure on intangible assets from development projects and miscellaneous	-7.3	-19.5
Proceeds on the disposal of companies and business operations	250.3	—
Acquisition of companies and business operations	-86.2	-5.5
Cash flow arising from investing activities	**-269.7**	**-403.8**
Cash flow before financing activities (free cash flow)	**-311.1**	**-147.7**
Change in indebtedness	-157.6	-63.2
Successive purchases	-4.6	-10.4
Dividends paid and repayment of capital to non-controlling interests	-1.0	-21.9
Cash and cash equivalents arising from first consolidation of subsidiaries	0.4	4.8
Cash flow arising from financing activities	**-162.8**	**-90.7**
Change in cash and cash equivalents	**-473.9**	**-238.4**
Cash and cash equivalents at the beginning of the reporting period	2,397.2	1,541.2
Effect of exchange rate changes on cash and cash equivalents	39.4	-4.9
Cash and cash equivalents at the end of the reporting period	**1,962.7**	**1,297.9**

Consolidated Statement of Changes in Equity

in € millions	Number of shares[1] (thousands)	Subscribed capital	Capital reserves	Retained earnings	Successive purchases[2]	Remeasurement of defined benefit plans[3]	Difference from currency translation	Difference from financial instruments[4]	Subtotal	Non-controlling interests	Total
As at Jan. 1, 2012	**200,006**	**512.0**	**4,155.6**	**2,454.6**	**-59.8**	**—**	**105.3**	**-21.6**	**7,146.1**	**397.2**	**7,543.3**
Adjustments IAS 19[5]	**—**	**—**	**—**	**2.4**	**—**	**-496.2**	**—**	**—**	**-493.8**	**—**	**-493.8**
As at Jan. 1, 2012 adjusted	**200,006**	**512.0**	**4,155.6**	**2,457.0**	**-59.8**	**-496.2**	**105.3**	**-21.6**	**6,652.3**	**397.2**	**7,049.5**
Net income	—	—	—	482.9	—	—	—	—	**482.9**	17.6	**500.5**
Comprehensive income	—	—	—	—	—	—	-5.6	8.8	**3.2**	-7.0	**-3.8**
Net profit for the period	**—**	**—**	**—**	**482.9**	**—**	—	**-5.6**	**8.8**	**486.1**	**10.6**	**496.7**
Dividends paid/ resolved	—	—	—	—	—	—	—	—	**—**	-21.9	**-21.9**
Successive purchases	—	—	—	—	-4.7	—	—	—	**-4.7**	-2.7	**-7.4**
Other changes[6]	—	—	—	—	4.0	—	—	—	**4.0**	4.2	**8.2**
As at March 31, 2012	**200,006**	**512.0**	**4,155.6**	**2,939.9**	**-60.5**	**-496.2**	**99.7**	**-12.8**	**7,137.7**	**387.4**	**7,525.1**
As at Jan. 1, 2013	**200,006**	**512.0**	**4,155.6**	**4,038.1**	**-19.2**	**—**	**77.1**	**3.8**	**8,767.4**	**377.4**	**9,144.8**
Adjustments IAS 19[5]	**—**	**—**	**—**	**24.1**	**—**	**-1,012.5**	**—**	**—**	**-988.4**	**—**	**-988.4**
As at Jan. 1, 2013 adjusted	**200,006**	**512.0**	**4,155.6**	**4,062.2**	**-19.2**	**-1,012.5**	**77.1**	**3.8**	**7,779.0**	**377.4**	**8,156.4**
Net income	—	—	—	441.2	—	—	—	—	**441.2**	22.1	**463.3**
Comprehensive income	—	—	—	—	—	61.4	79.8	0.6	**141.8**	-6.0	**135.8**
Net profit for the period	**—**	**—**	**—**	**441.2**	**—**	**61.4**	**79.8**	**0.6**	**583.0**	**16.1**	**599.1**
Dividends paid/ resolved	—	—	—	—	—	—	—	—	**—**	-13.4	**-13.4**
Successive purchases	—	—	—	—	0.3	—	—	—	**0.3**	-4.8	**-4.5**
Other changes[6]	—	—	—	—	0.6	—	—	—	**0.6**	—	**0.6**
As at March 31, 2013	**200,006**	**512.0**	**4,155.6**	**4,503.4**	**-18.3**	**-951.1**	**156.9**	**4.4**	**8,362.9**	**375.3**	**8,738.2**

[1] Shares outstanding.

[2] Successive acquisitions of shares in fully consolidated companies, subsequent purchase price adjustment and effects from the first consolidation of previously non-consolidated subsidiaries.

[3] Includes a shareholder's share of -€1.1 million (PY: —) in non-realized gains and losses from pension obligations of companies accounted for under the equity method.

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

[5] We refer to our comments in the section on pension obligations.

[6] Other changes in non-controlling interests due to changes in the scope of consolidation and effects from the first consolidation of previously non-consolidated subsidiaries.

Explanatory Notes to the Consolidated Financial Statements

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

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

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

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals of impairment losses.
[3] Capital expenditure on property, plant and equipment, and software.
[4] Excluding trainees.

Segment report by division for the period from January 1 to March 31, 2012

in € millions	Chassis & Safety	Powertrain	Interior
External sales	1,802.0	1,611.3	1,657.3
Intercompany sales	10.4	14.9	3.6
Sales (total)	**1,812.4**	**1,626.2**	**1,660.9**
EBITDA	249.8	164.2	199.4
in % of sales	13.8	10.1	12.0
EBIT (segment result)	166.8	45.8	92.8
in % of sales	9.2	2.8	5.6
Depreciation and amortization[1]	83.0	118.4	106.6
– thereof impairment[2]	—	—	—
Capital expenditure[3]	61.4	64.5	49.7
in % of sales	3.4	4.0	3.0
Operating assets as at March 31	4,062.3	3,120.6	4,357.7
Number of employees as at March 31[4]	33,989	31,472	32,315

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	2,362.7	886.2	—	8,319.5
Intercompany sales	4.1	36.8	-69.8	—
Sales (total)	**2,366.8**	**923.0**	**-69.8**	**8,319.5**
EBITDA	468.5	140.3	-18.3	1,203.9
in % of sales	19.8	15.2	—	14.5
EBIT (segment result)	384.3	115.8	-18.3	787.2
in % of sales	16.2	12.5	—	9.5
Depreciation and amortization[1]	84.2	24.5	0.0	416.7
– thereof impairment[2]	-0.1	—	—	-0.1
Capital expenditure[3]	187.4	24.5	0.4	387.9
in % of sales	7.9	2.7	—	4.7
Operating assets as at March 31	4,268.2	1,113.2	-40.8	16,881.2
Number of employees as at March 31[4]	42,027	27,077	274	167,154

[1] Excluding impairment on financial investments.
[2] Impairment also includes necessary reversals of impairment losses.
[3] Capital expenditure on property, plant and equipment, and software.
[4] Excluding trainees.

Reconciliation of EBIT to Net Income

	January 1 to March 31	
in € millions	**2013**	**2012**
Chassis & Safety	155.3	166.8
Powertrain	52.1	45.8
Interior	95.7	92.8
Tires	365.2	384.3
ContiTech	107.7	115.8
Other/consolidation	-28.6	-18.3
EBIT	**747.4**	**787.2**
Net interest expense	-123.1	-64.9
Earnings before taxes	**624.3**	**722.3**
Income tax expense	-161.0	-221.8
Net income	**463.3**	**500.5**
Non-controlling interests	-22.1	-17.6
Net income attributable to the shareholders of the parent	**441.2**	**482.9**

Accounting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union, and the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC). The interim report was prepared in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim report as in the consolidated financial statements for 2012. These methods are described in detail in the 2012 Annual Report. In addition, the IFRS amendments and new regulations effective as at March 31, 2013, have also been applied in the interim report. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2012 Annual Report.

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

All the other IFRS amendments and new regulations effective as at March 31, 2013 had no material effect on the reporting of the Continental Corporation.

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

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

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

Pension obligations

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

The first-time adoption of IAS 19 (revised 2011), *Employee Benefits*, as at January 1, 2013, results in the following material effects on the earnings, financial and net assets position of the corporation: The reporting of unrecognized actuarial losses in the statement of financial position results in a €1,205.0 million increase in pension liabilities and similar obligations as at December 31, 2012. As a result of the remeasurement of defined benefit pension plans following the discontinuation of the corridor method, equity less counter-opposing deferred taxes is reduced by €1,012.5 million. Taking into account the accumulated retained earnings from the adjustment of the corridor and the translation of the expected return on plan assets, the total change in equity amounts to €988.4 million. As at December 31, 2012, the effects on deferred taxes totaled €215.8 million.

The reclassification of the interest cost on expected pension obligations and the expected return on plan assets from the operating result to the net income from financial activities leads to a retroactive improvement in EBIT and a €21.6 million increase in interest expenses in the comparative period ending March 31, 2012.

The remeasurement of defined benefit pension plans as at March 31, 2013, results in a €61.4 million increase in reserves recognized directly in equity, primarily due to the rise in discount rates. The improvement in equity contrasts with a decline in pension liabilities and similar obligations in the amount of €81.2 million.

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

	January 1 to March 31, 2013					January 1 to March 31, 2012				
in € millions	**Germany**	**USA/C**	**UK**	**Other**	**Total**	**Germany**	**USA/C**	**UK**	**Other**	**Total**
Current service cost	24.4	0.2	0.9	4.0	**29.5**	15.3	0.1	0.8	3.9	**20.1**
Interest on defined benefit obligations	21.3	4.1	2.8	2.1	**30.3**	23.4	11.9	3.0	2.7	**41.0**
Expected return on plan assets	-5.7	-7.2	-2.9	-1.2	**-17.0**	-7.4	-11.6	-3.5	-1.2	**-23.7**
Amortization of other costs	—	—	—	0.1	**0.1**	—	2.3	—	0.0	**2.3**
Effects of asset ceiling and curtailments	—	—	—	—	**—**	—	2.4	—	0.0	**2.4**
Net pension cost	**40.0**	**-2.9**	**0.8**	**5.0**	**42.9**	**31.3**	**5.1**	**0.3**	**5.4**	**42.1**

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

	January 1 to March 31	
in € millions	**2013**	**2012**
Current service cost	0.4	0.4
Interest on healthcare and life insurance benefit obligations	2.0	2.4
Amortization of other costs	—	0.2
Net cost of obligations similar to pensions	**2.4**	**3.0**

Cash changes in pension and similar obligations
Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the United Kingdom, and not for other benefit obligations. The companies of the Continental Corporation paid €12.1 million (PY: €12.7 million) into these pension funds in the period from January 1 to March 31, 2013.

In the period from January 1 to March 31, 2013, payments for retirement benefit obligations totaled €45.6 million (PY: €49.3 million). Payments for obligations similar to pensions totaled €3.7 million (PY: €3.7 million).

Companies consolidated
In addition to the parent company, the consolidated financial statements include 444 domestic and foreign companies in which Continental Aktiengesellschaft holds a direct or indirect interest of more than 20.0% of the voting rights, or that must be included in consolidation in accordance with SIC-12. 317 of these are fully consolidated and 127 are accounted for using the equity method.

Since December 31, 2012, the number of consolidated companies has increased by a total of one. Two companies were acquired, three companies were founded and two previously non-consolidated units were included in consolidation for the first time. Five companies were sold and one company was merged.

Since March 31, 2012, the number of consolidated companies has increased by a total of twelve. In particular, the additions to the consolidated group essentially include the new companies founded by the Rubber Group and the acquisition of Omitec Group, Ltd., Devizes, U.K. Disposals primarily related to the liquidation of inactive companies, mergers and the sale of Automotive Group companies.

Acquisition and sale of companies and business operations
In order to strengthen and expand the product portfolio in the Advanced Driver Assistance Systems business unit, Continental acquired 100% of shares in Application Solutions (Electronics and Vision) Limited, Lewes, U.K., as at January 1, 2013. The provisional

purchase price is €20.2 million. The current, preliminary purchase price allocation resulted in acquired net assets of €4.6 million and goodwill of €15.6 million. Other than this, there was no material effect on the net assets, financial and earnings position of Continental as at March 31, 2013.

Share and asset deals with a total value of €3.5 million were executed to strengthen the sales network in the Tire division. Intangible assets were capitalized in the amount of €1.9 million. In preliminary purchase price allocation, the individual transactions resulted in positive differences capitalized as goodwill of €1.3 million. The effects of these transactions, including the corresponding preliminary purchase price allocation, have no material effect on the net assets, financial and earnings position as at March 31, 2013.

Continental acquired a further 12% of the interests in Synerject LLC, Wilmington, Delaware, U.S.A., for a purchase price of €4.6 million in the reporting period. The transaction was closed on March 1, 2013. The effects of this transaction have no material effect on the net assets, financial and earnings position of the Continental Corporation as at March 31, 2013. The difference between the purchase price and the non-controlling interests was recognized in equity in the amount of €0.4 million.

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

On January 1, 2013, the closing took place for SK Continental E-motion Pte., Singapore, Singapore, a company jointly managed by SK Innovation Co., Ltd., Seoul, South Korea, and Continental, after the agreement to form the company was signed in July 2012. SK Continental E-motion develops, produces and markets battery systems based on lithium-ion technology for cars and light commercial vehicles. Continental holds 49% in the new company through its subsidiary Continental Automotive Singapore Pte. Ltd., Singapore, Singapore, while SK Innovation holds 51%. In addition to its head office in Singapore, SK Continental E-motion Pte. has operative units in Berlin, Germany, and in Daejeon, South Korea, and commenced operations on January 2, 2013. The transaction resulted in income of €25.8 million that has been reported in other expenses and income.

Impairment

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

Appropriation of net income

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

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

Earnings per share

Basic earnings per share amounted to €2.21 (PY: €2.41) after the first three months of 2013. They are equal to the diluted earnings per share.

Contingent liabilities and other financial obligations

As at March 31, 2013, there were no material changes in the contingent liabilities and other financial obligations as described in the 2012 Annual Report.

Transactions with related parties

In the period under review, there were no material changes in transactions with related parties compared with December 31, 2012. For further information, please refer to the comments in the 2012 Annual Report.

German Corporate Governance Code

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

Segment reporting

Information on the development of Continental AG's five divisions can be found in the Corporate Management Report as at March 31, 2013.

Indebtedness and net income from financial activities

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

Information on indebtedness and the net income from financial activities is also provided in the Corporate Management Report as at March 31, 2013.

Income tax expense

Income tax expense in the first three months of 2013 amounted to €161.0 million (PY: €221.8 million). The tax rate in the reporting period was 25.8% after 30.7% for the same period of the previous year. This is due in particular to a different distribution of earnings before income taxes across the different countries compared to the prior year.

Litigation and compensation claims

There were no significant new findings in the reporting period with regard to litigation and compensation claims. For further information, please refer to the comments in the 2012 Annual Report.

Shareholder structure

As of the end of the reporting period, the shareholder structure of the 200,005,983 outstanding Continental shares was as follows: 49.90% Schaeffler Group, Herzogenaurach, Germany; 5.09% BlackRock, Inc., New York, U.S.A.

Review by an independent auditor

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

Significant events after March 31, 2013

There were no significant events after March 31, 2013.

Hanover, April 22, 2013

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2013	
Annual Financial Press Conference	March 7
Analyst Telephone Conference	March 7
Annual Shareholders' Meeting	May 15
Financial Report as at March 31, 2013	May 3
Half-Year Financial Report as at June 30, 2013	August 1
Financial Report as at September 30, 2013	November 4

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

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

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www.continental-corporation.com

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