Continental
The Future in Motion

Q3

Financial Report
as at September 30, 2016

The Horizons of Digitalization

Continental Shares and Bonds

Consolidation on the stock markets
The continuing decrease in the prices of many raw materials – particularly crude oil – again gave rise to concerns about the global economy at the beginning of 2016, triggering a downward trend on the stock markets worldwide. In early February, somewhat more cautious statements regarding economic development made by the U.S. Federal Reserve (Fed) and weaker economic data from the U.S.A. and China caused a further slump in prices. In this context, the DAX fell to around 8,700 points by February 11, 2016 – a decrease of 19% compared to its 2015 year-end level of 10,743.01 points.

Mid-February 2016 saw the start of a recovery phase on the markets after prices for crude oil and other raw materials had stabilized. Weak foreign-trade data from China caused sentiment to deteriorate in the first half of March. The announcement of additional expansive measures by the European Central Bank (ECB) did not have any significant impact on the stock markets in mid-March. The cut in the key interest rate to 0.0% and in the interest rate on deposits to -0.4% as well as the expansion of the monthly bond purchase program from €60 billion to €80 billion until March 2017 were in line with market participants' expectations. Weaker economic data from Germany and the U.S.A., however, caused share prices to fall.

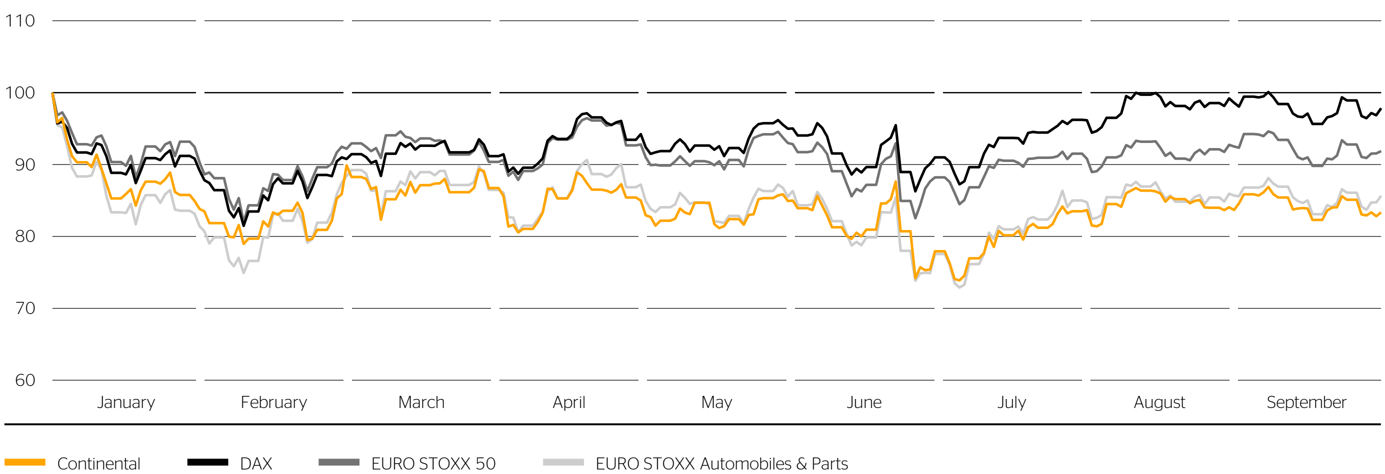
Starting mid-April 2016, the recovery in prices for crude oil and other raw materials, combined with positive economic data from Europe, China, and the U.S.A., caused share prices to increase. Following the publication of the initial estimate of the U.S. economy's annualized growth for the first quarter of 2016, which was lower than expected, stock market sentiment deteriorated again in early May. Better-than-anticipated company results in Europe and the U.S.A. for the first quarter of 2016 had only a stabilizing effect over the remainder of the month. At the end of May, growing expectations of an interest rate hike by the Fed in June strengthened the U.S. dollar and weakened the euro. The DAX also benefited from positive economic data and again rose above the level of 10,000 points.

In early June 2016, the positive sentiment changed after polls in the United Kingdom showed growing support among voters for an exit from the European Union in the upcoming referendum. Fears of a so-called Brexit increased until mid-June and pushed the DAX down to a level of 9,500 points, which was also partly due to continuing uncertainty regarding the future monetary policy of the major central banks. A week before the referendum on June 23, 2016, investors increasingly felt that Brexit was unlikely on the basis of new polls, resulting in a rapid recovery in share prices. The unexpected decision by 51.9% of voters to leave the European Union brought about a plunge in prices on international capital markets, with a particularly strong impact on European stock markets.

At the start of the third quarter of 2016, investors' concerns about Brexit resulted in price decreases again, before better-than-anticipated U.S. labor market data and a quick change in political leadership in the United Kingdom brought about a recovery phase on the European stock markets. This trend was supported by positive company results over the remainder of the quarter. Starting from the second half of August, falling crude oil prices and speculation about future U.S. interest rate policy unsettled many investors. On the European stock markets, this was reflected in increasing profit-taking and therefore a slight decrease in share prices. After the Fed left interest rates unchanged, share prices increased again in the second half of September, before concerns about major German banks again led to profit-taking.

The DAX closed the first nine months of 2016 at 10,511.02 points. It had thus increased by 8.6% in the third quarter of 2016, reducing its decline over the first nine months of 2016 to 2.2%. The EURO STOXX 50 rose by 4.8% to 3,002.24 points in the third quarter of 2016, with the price decreasing in the first nine months of 2016 by 8.1%.

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2016



	September 30, 2016	in % vs. December 31, 2015
Continental shares (XETRA price)	187.15	–16.7
DAX	10,511.02	–2.2
EURO STOXX 50	3,002.24	–8.1
EURO STOXX Automobiles & Parts	464.72	–14.3

Continental share price declines

During the first nine months of 2016, Continental's shares mostly followed the price development of the index for European automotive stocks, the EURO STOXX Automobiles & Parts. In addition to a decline in the general stock market sentiment, automotive companies worldwide were impacted during the first six months of 2016 by growing concerns about demand for passenger cars in the U.S.A., China, and Japan. Analysts also lowered their expectations and recommendations for the sector. European automotive companies suffered as well from the deterioration of export prospects due to the appreciation of the euro. In addition to bank and insurance stocks, the Brexit vote also had a particularly negative impact on European automotive stocks at the end of June 2016. It was not until the third quarter that the share prices of European automotive companies recovered as part of the general market recovery. This was supported by the better-than-expected number of new passenger car registrations, particularly in Western Europe and China.

Following the decline at the beginning of the year, the Continental share price stabilized at around €180 in mid-February 2016. Over the remainder of the first six months of 2016, it stayed between €175 and €203. It hit its lowest value in the reporting period after the Brexit vote in the course of July 6, 2016, at €162.05. As a result of the general market recovery, it exceeded the €180 mark again in mid-July and spent the remainder of the third quarter quoted at around €190. At the end of September 2016, Continental shares were quoted at €187.15, having risen by 10.5% in the third quarter. Compared to its closing price from 2015 of €224.55, there was a decrease of 16.7% in the reporting period, or 15.0%, assuming reinvestment of the distributed dividend. The EURO STOXX Automobiles & Parts climbed by 14.3% in the third quarter of 2016 and closed the first nine months of 2016 down 14.3%.

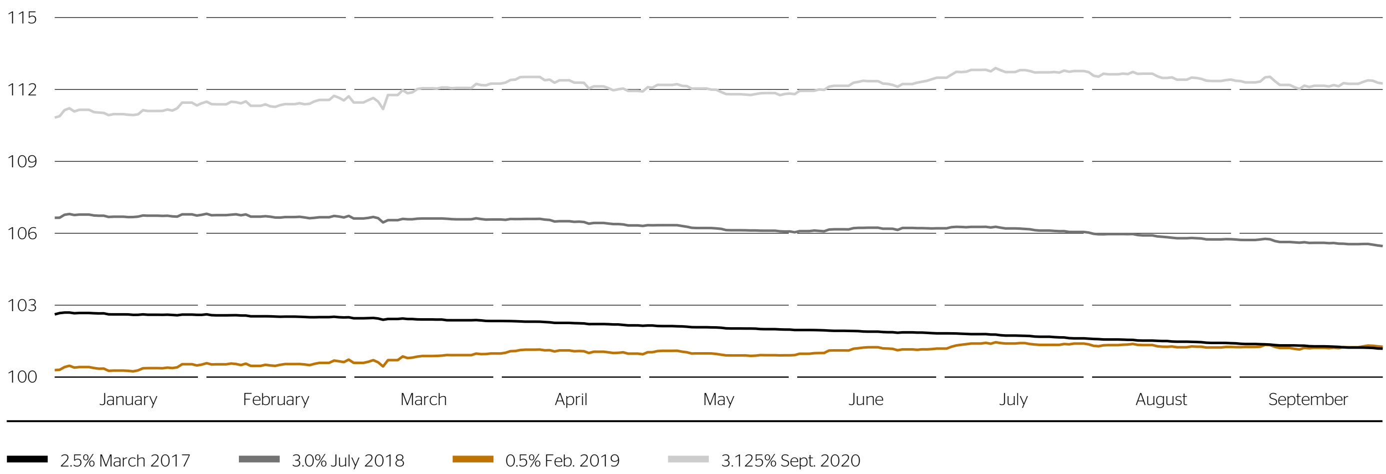
In the first few weeks of the fourth quarter, Continental shares gave up some of their gains from the third quarter. Following the publication of the revised corporate outlook on October 17, 2016, the Continental share price stabilized at over €170, closing the reporting period on October 24, 2016, at €173.30.

Euro bonds at low yield level

The four Continental euro bonds remained at a low yield level during the first nine months of 2016. The shorter-term Continental euro bonds posted slight price decreases due to their approaching maturity. The 2.5% euro bond maturing on March 20, 2017, fell 149.1 basis points below its closing price for 2015, quoting at 101.188% as at the end of September 2016. Over the reporting period, the price of the 3.0% euro bond maturing on July 16, 2018, declined by 121.2 basis points to 105.470%.

In the first six months of 2016, the longer-term Continental euro bonds benefited from the falling interest rate level for corporate bonds in the eurozone. This was attributable to the decision taken

Price performance of Continental bonds in the reporting period



by the ECB in March 2016, and implemented since June 2016, to extend its bond purchases to euro-denominated corporate bonds with an investment grade rating. Furthermore, in June they benefited from investors' increased demand for bonds in the run-up to and aftermath of the Brexit referendum. Starting from mid-July, reduced uncertainty led to a slight decrease in prices on the bond markets. The longer-term Continental bonds also declined slightly during the third quarter of 2016. At the end of September 2016, the 0.5% euro bond maturing on February 19, 2019, was quoted at 101.278%, up 100.2 basis points compared to the end of 2015. The 3.125% euro bond maturing on September 9, 2020, was quoted at 112.256%, up 145.8 basis points compared to the end of 2015.

CDS premium ends September at same level as the beginning of the year

Turbulence on the raw material and stock markets at the beginning of the year resulted in rising premiums for insuring against credit risks (credit default swap, CDS). By February 12, 2016, the five-year CDS premium for Continental had increased by more than 40 basis points to about 105 basis points from its level of 63.400 basis points at the end of 2015.

Over the remainder of the reporting period, the decision taken by the ECB in March 2016 to expand its measures resulted in falling interest rates in the eurozone and a decrease in CDS premiums for euro-denominated corporate bonds. The Brexit referendum and the subsequent drop in market interest rates resulted in a further decline in credit default swaps during July and August 2016.

At the end of September 2016, the Continental CDS premium was quoted at 68.047 basis points, close to its level of 63.400 basis points at the start of the year. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to -4.544 basis points on September 30, 2016 (December 31, 2015: -16.466 basis points).

Improvement in Continental's credit rating

On May 11, 2016, the rating agency Standard & Poor's upgraded Continental AG from BBB with a positive outlook to BBB+ with a stable outlook. On October 24, 2016, Fitch raised its credit rating to BBB+ with a stable outlook. Moody's did not change its credit rating for Continental AG.

September 30, 2016	Rating	Outlook
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB[4]	positive[4]
Moody's[3]	Baa1	stable

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

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 07, 2013.
3 Non-contracted rating since February 1, 2014.
4 Upgraded on October 24, 2016, to BBB+ with stable outlook.

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

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

Key Figures for the Continental Corporation

	January 1 to September 30		Third Quarter	
in € millions	**2016**	2015	**2016**	2015
Sales	30,025.5	29,216.2	9,983.8	9,617.6
EBITDA	4,296.0	4,528.2	1,077.4	1,491.7
in % of sales	14.3	15.5	10.8	15.5
EBIT	2,886.6	3,195.8	596.3	1,034.6
in % of sales	9.6	10.9	6.0	10.8
Net income attributable to the shareholders of the parent	2,017.3	2,084.3	378.5	635.7
Earnings per share in €	10.09	10.42	1.90	3.18
Adjusted sales[1]	29,794.2	29,216.2	9,947.5	9,617.6
Adjusted operating result (adjusted EBIT)[2]	3,043.2	3,315.1	645.2	1,072.3
in % of adjusted sales	10.2	11.3	6.5	11.1
Free cash flow	1,184.0	315.9	225.0	33.9
Net indebtedness as at September 30	3,298.4	4,296.2		
Gearing ratio in %	24.3	33.9		
Number of employees as at September 30[3]	218,601	208,138		

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 September 30		Third Quarter	
Automotive Group in € millions	**2016**	2015	**2016**	2015
Sales	18,126.3	17,569.2	5,957.8	5,660.9
EBITDA	1,758.6	2,192.1	293.6	688.0
in % of sales	9.7	12.5	4.9	12.2
EBIT	966.0	1,488.4	24.2	441.5
in % of sales	5.3	8.5	0.4	7.8
Depreciation and amortization[1]	792.6	703.7	269.4	246.5
thereof impairment[2]	6.8	0.3	1.8	0.3
Capital expenditure[3]	887.5	774.4	390.5	301.8
in % of sales	4.9	4.4	6.6	5.3
Operating assets as at September 30	11,862.4	11,524.9		
Number of employees as at September 30[4]	123,753	115,051		
Adjusted sales[5]	18,033.2	17,569.2	5,948.2	5,660.9
Adjusted operating result (adjusted EBIT)[6]	1,024.2	1,504.7	40.4	452.5
in % of adjusted sales	5.7	8.6	0.7	8.0

	January 1 to September 30		Third Quarter	
Rubber Group in € millions	**2016**	2015	**2016**	2015
Sales	11,933.9	11,682.8	4,037.6	3,968.1
EBITDA	2,626.3	2,440.0	821.5	827.4
in % of sales	22.0	20.9	20.3	20.9
EBIT	2,011.1	1,812.4	610.3	617.1
in % of sales	16.9	15.5	15.1	15.6
Depreciation and amortization[1]	615.2	627.6	211.2	210.3
thereof impairment[2]	3.9	5.5	0.9	5.5
Capital expenditure[3]	710.9	536.3	288.8	193.6
in % of sales	6.0	4.6	7.2	4.9
Operating assets as at September 30	8,714.6	8,617.7		
Number of employees as at September 30[4]	94,436	92,685		
Adjusted sales[5]	11,795.7	11,682.8	4,010.9	3,968.1
Adjusted operating result (adjusted EBIT)[6]	2,109.5	1,915.4	643.0	643.8
in % of adjusted sales	17.9	16.4	16.0	16.2

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.

Corporate Management Report

Continuity and change on the Executive Board
At its meeting on September 23, 2016, the Supervisory Board of Continental AG extended the directorships of Executive Board members Helmut Matschi (Interior division) and Nikolai Setzer (Tire division) by five years until mid-August 2022. The term of office of Executive Board member Dr. Ralf Cramer (Continental China) will expire in mid-August 2017. The intensive expansion phase of the business in China has been successfully concluded and we are now entering a period of stable growth. The Supervisory Board thanked Dr. Ralf Cramer for his highly successful development work over the past years on the growth market in China. The directorships of the remaining Executive Board members were not up for extension.

Acquisition of leading fleet-management service provider and truck-tire retreader
On July 6, 2016, we announced the acquisition of the Bandvulc Group, a leading UK fleet-management service provider and independent truck-tire retreader. Bandvulc has over 40 years' experience in hot retread and casing management and has had close working relationships with Continental for over 25 years. Its broad fleet-management portfolio, covering a range of key retailers, supermarkets and logistic companies, will further strengthen Continental's position in this market.

Test center opens in Yancheng, China
On July 8, 2016, we opened a new test center in Yancheng in China's Jiangsu province. In cooperation with China Automotive Technology & Research Center (CATARC), our center will mainly support the testing and validating of safety systems and products such as electronic and hydraulic brake systems, advanced driver assistance systems, and tires. The Yancheng test center, which in the initial expansion phase will occupy 2,500 square meters with offices and testing workshops, is Continental's newest testing facility in China after the winter test center in Heihe.

Continental invests in fleet-management provider Zonar
On September 23, 2016, we signed the contract to purchase a majority stake in Zonar Systems, Inc., a provider of smart fleet-management technology headquartered in Seattle, Washington, U.S.A. Zonar employs over 300 people and provides technological solutions for managing public and private commercial vehicle fleets in North America. The acquisition still needs to be approved by the U.S. Federal Trade Commission and the U.S. Department of Justice.

Expansion of advanced driver assistance systems in Asia
Asia continues to be the top growth market for the automotive industry and Continental. Of all vehicles manufactured worldwide, more than 50% come from Asian carmakers and 30% are produced by Japanese automobile manufacturers. This is why we have quadrupled the number of development engineers we have in Japan over the past three years, in order to support all Japanese manufacturers. In India, research and development focuses on software and algorithms for advanced driver assistance systems. Over 1,000 employees, around 70% of whom are engineers, currently work in the Advanced Driver Assistance Systems business unit in Asia. In order to meet the growing demand for vehicle-surroundings sensors, production of short-range radar sensors began in Calamba in the Philippines in 2015. In addition, the production of a multi-function camera with lidar starts in fall 2016. In the future, significantly more than 10 million short-range radar sensors and 1 million camera systems will be produced in Calamba. Another milestone is the scheduled start of production in 2018 of long-range radar sensors in Shanghai, China, for various customers. The aim is to produce several million units a year.

IAA Commercial Vehicles: new solution for exhaust-gas aftertreatment
At the International Motor Show for Commercial Vehicles in September 2016, Continental unveiled an innovative solution for exhaust-gas aftertreatment in heavy commercial vehicles. Positioning the diesel oxidation catalyst (DOC) near the engine means that the volume of the DOC can be reduced by around 30%. At the same time, using the recently developed catalyst substrate featuring a CS-Design® (crossversal structure) can decrease the weight of the DOC by an additional 20%. The low levels of heat loss and the high degree of deployment efficiency of the innovative CS cell structure will help to meet future nitrogen-oxide emission limits such as those set out in the CARB 2023 (California Air Resources Board) regulation in the U.S.A. Up to now, the available installation space in heavy commercial vehicles has made it impossible to position the DOC so close to the engine. Thanks to the reduced amount of material used in the DOC, the new catalytic converter solution, with at least the same high level of overall system efficiency, is more cost-effective than previous exhaust-gas aftertreatment solutions, which were fitted to the chassis in between the axles.

Top marks for Continental winter tires
The new WinterContact TS 860 and the WinterContact TS 850 P received numerous excellent reviews in this season's winter tire tests. The WinterContact TS 860 came in top out of 50 products in the largest winter tire test carried out by AutoBild. It was also voted the best tire by the British car magazine Auto Express and its German counterpart Autozeitung. The WinterContact TS 850 P came in first in the test by German car magazine Sport Auto and was awarded the top mark of "outstanding" by AutoBild sportscars. It also came top in tests carried out by auto motor und sport, and AutoBild allrad ranked it as "outstanding."

No more blind spot when turning right
Around 20% of accidents involving trucks and pedestrians or cyclists occur when the truck driver turns right. We have developed a system that assists truck drivers when turning right. ProViu®Detect detects the position of other road users and warns the driver if there is a risk of collision. In doing so, it also reduces the driver's stress levels in complex traffic situations. ProViu®Detect uses a sophisticated algorithm that utilizes sensor data to detect pedestrians and cyclists, showing them on an onboard display. The system locates road users and calculates the time until the potential collision occurs, based on the vehicle's location. It assesses whether a situation is critical and if so warns the driver – for example, using a flashing LED light strip in the vehicle's cab or a warning sound.

Economic Report

Macroeconomic development

In Germany, the robust growth of the first quarter of 2016 also continued in the second quarter. Whereas in the first quarter of 2016 adjusted gross domestic product (GDP) rose by 1.9% year-on-year according to the latest figures, the increase in the second quarter came to 1.8%. Positive impetus came mainly from within Germany, where private households and the government increased their spending. Capital expenditure rose as well, particularly in the construction industry. Current export data also points to a stronger positive contribution from foreign trade in the third quarter. As a result of the more positive development in the reporting period, the International Monetary Fund (IMF) raised its growth projection for Germany's GDP by 0.1 percentage points to 1.7% for 2016 in its October 2016 World Economic Outlook.

Economic development in the eurozone in the reporting period was similar to that of the German economy. The eurozone's GDP rose by 1.7% in the first quarter of 2016 and by 1.6% in the second quarter compared to the respective quarters of the previous year. Most countries recorded an increase in private and government spending and in capital expenditure. Economic development was supported by the monetary policy of the European Central Bank (ECB), which stepped up its expansive measures again in March 2016. Experts currently expect the pace of growth to be maintained in the third quarter as well. Based on the stable development, the IMF raised its estimate for GDP growth in the eurozone in 2016 by 0.1 percentage points to 1.7%.

In the U.S.A., GDP growth decelerated in the first two quarters of 2016. After an increase of 1.9% in the fourth quarter of 2015, new data shows that the U.S. economy grew by 1.6% in the first quarter of 2016 and by 1.3% in the second quarter of 2016 compared to the respective quarters of the previous year. Growth was curbed primarily by declining private investments. According to the latest forecasts, these will increase again in the third quarter, but imports are expected to grow significantly more than exports. The U.S. Federal Reserve (Fed) acted cautiously over the course of the year, keeping its key interest rates unchanged to date but indicating a possible increase at the end of the year. In October 2016, the IMF once again adapted its expectations to the development and lowered its forecast for GDP growth in the U.S.A. by 0.6 percentage points to 1.6% for the current year.

GDP growth in Japan was curbed by the appreciation of the Japanese yen in the reporting period. The Japanese central bank's introduction of a negative interest rate of 0.1% for some deposits from commercial banks had only a short-term effect with regard to currency depreciation at the end of January 2016. According to new data, Japan's GDP rose by 0.2% year-on-year in the first quarter of 2016. There was a slight improvement in the second quarter with GDP growth of 0.8% compared to the same period of the previous year. Here, increased private and government spending more than compensated for the negative contributions from private investments and foreign trade. Private investments and foreign trade are currently expected to stabilize in the third and fourth quarters. In October, the IMF raised its GDP forecast for Japan by 0.2 percentage points to 0.5% for 2016.

The Chinese economy posted significant growth again in the reporting period, with GDP growth of 6.7% in each of the first three quarters of 2016. The IMF kept its estimate for China unchanged in October at 6.6% for 2016 as a whole. For India, the IMF again raised its GDP forecast of 7.4% to 7.6% for 2016 based on new data. The IMF also increased its GDP forecast for Russia for 2016 by 0.4 percentage points to -0.8%, since the recession in the reporting period was milder than expected and the prices for key raw materials stabilized. For Brazil, the IMF maintained its GDP forecast of -3.3% for 2016. As a result of the better development in India and Russia, the IMF raised its forecast for emerging and developing economies by 0.1 percentage points in October to 4.2% for 2016.

In its October forecast, the IMF still anticipates global economic growth of 3.1% for the current year. The IMF sees risks in an increase in political discord in several countries and growing protectionist tendencies in many places, with corresponding negative effects on international trade and the global economy. Furthermore, the IMF continues to see a risk of slower growth in advanced economies and in China. There is also a continued risk of turbulence on financial markets resulting from new bank crises in heavily indebted countries. According to the IMF, geopolitical tensions in various countries are noticeably slowing down their economic development.

Development of new passenger car registrations

Demand for passenger cars in Europe (EU28 + EFTA) grew in the first nine months of 2016. On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), the number of new passenger car registrations rose by 8% to 11.6 million units compared to the previous year. In addition to the continuing economic recovery, this strong demand was also attributable to the low interest rates and relatively high replacement demand. Among the major markets, this development was particularly pronounced in Italy and Spain, with increases of 17% and 12% respectively in the period under review. Demand for passenger cars rose by 6% in both Germany and France and by just under 3% in the U.K. On a quarterly basis, Europe saw a year-on-year increase in demand of 5% in the third quarter of 2016 after growth of 8% in the first quarter and 10% in the second quarter.

In the U.S.A., demand for light commercial vehicles, especially pickup trucks, rose in the current year by 8% year-on-year due to low fuel prices and favorable lending rates. By contrast, demand for passenger cars fell by almost 9%. Overall, the number of new car registrations in the reporting period stagnated at 13.0 million units. On a quarterly basis, new car registrations increased again by 3% to 4.1 million in the first quarter. In the second and third quarters, new car registrations reached 4.5 million units in each case, but were still down 1% compared to the high level of the previous year.

New registrations/sales of passenger cars

in millions of units	Jan.1 to Sept. 30, 2016	Jan.1 to Sept. 30, 2015	Change	Q3 2016	Q3 2015	Change
Europe (EU28 + EFTA)	11.6	10.8	8%	3.5	3.4	5%
U.S.A.	13.0	13.0	0%	4.5	4.5	–1%
Japan	3.2	3.3	–4%	1.0	1.0	0%
Brazil	1.5	1.9	–22%	0.5	0.6	–17%
Russia	1.0	1.2	–14%	0.3	0.4	–15%
India	2.2	2.0	9%	0.8	0.7	18%
China	16.2	13.7	18%	5.6	4.3	31%
Worldwide	**66.3**	**64.0**	**4%**	**21.9**	**20.7**	**6%**

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

In Japan, the subdued economic situation and low level of consumer confidence resulted in a decline in demand for passenger cars of 4% to 3.2 million units in the first nine months of 2016. While demand for passenger cars fell by 7% year-on-year in the first quarter of 2016, it stabilized in the second and third quarters of 2016 with rates of change of -2% and 0%.

In China, the halving of sales tax on purchases of passenger cars with a cubic capacity of less than 1.6 liters at the start of the fourth quarter of 2015 continued to have a positive impact in the reporting period. According to the VDA, passenger car sales volumes increased by 18% to 16.2 million units in the reporting period. In the other BRIC countries, demand developed in line with the respective macroeconomic situation. While volumes in India increased by 9% in the reporting period, they fell by 22% in Brazil and by 14% in Russia.

In the first three quarters of 2016, preliminary data indicates that global new passenger car registrations increased by 1% year-on-year in the first quarter and, primarily as a result of demand picking up in China and Western Europe, by 3% in the second quarter, and by 6% in the third quarter of 2016. Overall, there was an increase in new registrations of 4% to 66.3 million units in the first nine months of 2016.

Development of production of passenger cars and light commercial vehicles

In the period under review, the situation in Europe in the first two quarters of 2016 was initially varied. In Western Europe, the rise in demand for passenger cars also resulted in higher production of passenger cars and light commercial vehicles weighing less than 6 metric tons in most countries. In Germany, production did not recover significantly until the second quarter, after having been held back by a lower number of working days in the first quarter of 2016 compared to the same quarter of the previous year. In Eastern Europe and particularly in Russia, by contrast, the continuing decline in demand resulted in a corresponding decline in production figures. In the third quarter, Russia recorded a stabilization at slightly above the previous year's low level, while production in Germany, France, and Spain was just under the high prior-year figures due to the lower number of working days. Preliminary data and estimates indicate that passenger car production in Europe grew by around 3% year-on-year in the first nine months of 2016. For the fourth quarter, we still anticipate a slight decline in passenger car demand and production in relation to the comparatively high level of the previous year. For 2016 as a whole, we thus continue to expect a 2% increase in production of passenger cars and light commercial vehicles in Europe.

In NAFTA, production of light commercial vehicles, particularly pickup trucks, was expanded in the reporting period thanks to increased demand, whereas passenger car production decreased year-on-year. Preliminary data indicates that total production of passenger cars and light commercial vehicles increased by 2% in the first nine months of 2016. Based on the somewhat better-than-expected development in the third quarter, we are raising our forecast for the production volume for 2016 as a whole from 0% to 1%. We continue to anticipate a decline in demand and a slight year-on-year decrease in production figures in the fourth quarter.

Asia also presented a mixed picture in the reporting period compared to the previous year. Particularly in China as well as in India, there was a further increase in the production of passenger cars and light commercial vehicles as a result of increased demand. By contrast, production volumes decreased in Japan and South Korea in particular. Preliminary data shows that production in Asia as a whole grew by around 4% year-on-year in the reporting period. We now expect this pace of growth to continue in the fourth quarter of 2016, too, which is why we are forecasting an increase in production of 4% rather than the previously forecast 3% for Asia in 2016 as a whole.

In South America, low demand led to a further decrease in production of passenger cars and light commercial vehicles. According to preliminary data, production volumes decreased by 16% in the reporting period. We anticipate a slight stabilization in the fourth quarter of 2016. For 2016 as a whole, we continue to expect a 15% decline in production.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased by around 2% year-on-year in the first nine months of 2016. For 2016 as a whole, we are raising our forecast from 1.5% to 2%.

Development of production of medium and heavy commercial vehicles
In Europe, the rise in goods transportation by road, particularly in Western Europe, resulted in increased demand for trucks in the first half of 2016. However, incoming orders decreased in the second quarter, causing production to stagnate year-on-year in the third quarter. In the first nine months of 2016, production of commercial vehicles weighing more than 6 metric tons increased by 4% according to preliminary data. We currently anticipate a slight decrease in volumes in the fourth quarter. For 2016 as a whole, we therefore now expect a 3% increase in production of medium and heavy commercial vehicles compared to our previous forecast of 6%.

According to preliminary figures, commercial vehicle production in NAFTA decreased by 16% year-on-year in the period under review as expected. This was attributable to the slump in incoming orders in the fourth quarter of 2015. Incoming orders in the first half of 2016 were also down year-on-year. It was not until the third quarter that there was a slight stabilization in incoming orders. For 2016 as a whole, we currently anticipate a decline in production of 16% rather than the previously forecasted 12%.

In China, production of medium and heavy commercial vehicles has recovered in the current year after the significant decline in the previous year. India recorded strong growth in production volumes. By contrast, production in Japan was down on the previous year's level. For Asia as a whole, we currently anticipate an increase in commercial vehicle production of 5% in 2016 compared to our previous forecast of 3%.

According to preliminary data, South America posted a decline of over 20% in commercial vehicle production in the period under review. This downward trend slowed in the third quarter as expected owing to the lower comparative basis. For 2016 as a whole, we are lowering our estimate for commercial vehicle production in South America from -15% to -20%.

We are maintaining our growth forecast of 0% for global production of medium and heavy commercial vehicles in the current year, as the production growth in Asia should compensate for the decline in volumes in other regions.

Development of replacement tire markets for passenger cars and light commercial vehicles
In Europe – Continental's most important market for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons – the recovery in demand that began in 2015 continued in the first two quarters of 2016 but slowed down in the third quarter. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by around 2% year-on-year in the reporting period. For the year as a whole, we continue to anticipate market growth of just under 2%.

In NAFTA, there was a 2% increase in demand for replacement tires for passenger cars and light commercial vehicles in the period under review. We expect this trend to continue in the fourth quarter. For the year as a whole, we are maintaining our forecast of 2% growth.

Asia is experiencing a further increase in demand for replacement tires for passenger cars and light commercial vehicles in the current year. Particularly in China – the most important Asian market – preliminary data indicates that demand climbed by 8% in the reporting period. In India, too, the growing economy resulted in increasing sales volumes of replacement tires. For Asia as a whole, we still foresee a 5% increase in replacement tire volumes for passenger cars and light commercial vehicles in 2016.

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

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

Development of replacement tire markets for medium and heavy commercial vehicles
According to preliminary data, demand for replacement tires for medium and heavy commercial vehicles in Europe rose by 3% in the period under review. Demand mainly increased in Western Europe, whereas in Eastern Europe it generally stagnated. For the year as a whole, we still expect demand in Europe to pick up by 3%.

In NAFTA, demand for replacement tires for medium and heavy commercial vehicles in the third quarter of 2016 was below the previous year's level, while preliminary data indicates an increase of 3% for the reporting period as a whole. We still anticipate growth of 2% for 2016 as a whole.

In Asia, demand for replacement tires for medium and heavy commercial vehicles in the current year followed the economic development of the individual countries. According to preliminary data, demand increased by 2% as a whole in the first nine months of 2016. For all of 2016, we are still forecasting a 2% increase in demand for replacement tires for medium and heavy commercial vehicles in Asia.

In South America, demand for replacement tires for medium and heavy commercial vehicles also declined initially in the reporting period due to weaker economic activity. Compared to the relatively low prior-year figure, there was a slight increase in demand in the third quarter and we currently also anticipate this in the fourth quarter. For the year as a whole, we now anticipate stabilization at the previous year's level after previously having forecast a 5% decrease.

As before, we expect global demand for replacement tires for medium and heavy commercial vehicles to grow by around 2% in 2016.

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 September 30		Third Quarter	
in € millions	**2016**	2015	**2016**	2015
Sales	30,025.5	29,216.2	9,983.8	9,617.6
EBITDA	4,296.0	4,528.2	1,077.4	1,491.7
in % of sales	14.3	15.5	10.8	15.5
EBIT	2,886.6	3,195.8	596.3	1,034.6
in % of sales	9.6	10.9	6.0	10.8
Net income attributable to the shareholders of the parent	2,017.3	2,084.3	378.5	635.7
Earnings per share in €	10.09	10.42	1.90	3.18
Research and development expenses	2,171.0	1,897.7	728.1	623.4
in % of sales	7.2	6.5	7.3	6.5
Depreciation and amortization[1]	1,409.4	1,332.4	481.1	457.1
thereof impairment[2]	10.7	5.8	2.7	5.8
Capital expenditure[3]	1,599.8	1,311.7	679.9	495.9
in % of sales	5.3	4.5	6.8	5.2
Operating assets as at September 30	20,491.5	20,001.2		
Number of employees as at September 30[4]	218,601	208,138		
Adjusted sales[5]	29,794.2	29,216.2	9,947.5	9,617.6
Adjusted operating result (adjusted EBIT)[6]	3,043.2	3,315.1	645.2	1,072.3
in % of adjusted sales	10.2	11.3	6.5	11.1
Net indebtedness as at September 30	3,298.4	4,296.2		
Gearing ratio in %	24.3	33.9		

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.

Earnings Position

Sales up 2.8%
Sales up 4.4% before changes in the scope of consolidation and exchange rate effects
Consolidated sales for the first nine months of 2016 climbed by 2.8% year-on-year to €30,025.5 million (PY: €29,216.2 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 4.4%.

Adjusted EBIT down 8.2%
Adjusted EBIT for the corporation declined by €271.9 million or 8.2% year-on-year to €3,043.2 million (PY: €3,315.1 million) in the first nine months of 2016, corresponding to 10.2% (PY: 11.3%) of adjusted sales. For more information, please refer to the comments in our Report on Expected Developments and Outlook.

EBIT down 9.7%
EBIT declined by €309.2 million or 9.7% compared to the previous year to €2,886.6 million (PY: €3,195.8 million) in the first nine months of 2016. The return on sales fell to 9.6% (PY: 10.9%). For more information, please refer to the comments in our Report on Expected Developments and Outlook.

Special effects in the first nine months of 2016
Impairment losses on property, plant and equipment resulted in expense totaling €6.8 million in the Powertrain division.

In addition, there was a negative special effect from restructuring expenses of €1.0 million in the Powertrain division.

In the Interior division, a purchase price adjustment resulted in expense of €0.1 million.

In the Tire division, the disposal of a minority interest resulted in income of €3.9 million.

The sale of the steel cord business in Brazil, coupled with the fulfillment of conditions imposed by antitrust authorities, resulted in expense totaling €15.4 million in the ContiTech division. This figure comprises a loss on disposal of €9.0 million, market value adjustments totaling €5.8 million, and sales tax receivables that can no longer be utilized in the amount of €0.6 million.

In the ContiTech division, the temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €11.5 million, of which €3.4 million was attributable to impairment of property, plant and equipment.

Restructuring expenses of €3.1 million were incurred in Chile in the ContiTech division, including impairment losses on property, plant and equipment in the amount of €0.9 million.

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

An impairment loss 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 nine months of 2016 amounted to €34.2 million.

Special effects in the first nine months of 2015
Impairment losses and reversal of impairment losses on property, plant and equipment resulted in expense totaling €0.3 million in the Chassis & Safety division in the first nine months of 2015.

The total negative impact from special effects in the Powertrain division amounted to €0.1 million in the first nine months.

In the Tire division, impairment losses on property, plant and equipment resulted in expense totaling €5.2 million for the locations in Modipuram, India, and Partapur, India.

The sale of the shares in General Tyre East Africa Ltd., Arusha, Tanzania, resulted in income of €0.9 million in the Tire division.

Other minor special effects totaled €1.7 million in the Tire division.

In the ContiTech division, the location in Salzgitter, Germany, is gradually being scaled back on account of follow-up orders not being received. In this context, restructuring expenses totaling €13.8 million were incurred, of which €0.3 million was attributable to impairment of property, plant and equipment.

In addition, smaller special effects resulted in income totaling €1.2 million in the ContiTech division.

Total consolidated expense from special effects in the first nine months of 2015 amounted to €15.6 million.

Research and development expenses
In the first nine months of 2016, research and development expenses rose by 14.4% compared with the same period of the previous year to €2,171.0 million (PY: €1,897.7 million), representing 7.2% (PY: 6.5%) of sales. €1,889.8 million (PY: €1,636.0 million) of this related to the Automotive Group, corresponding to 10.4% (PY: 9.3%) of sales, and €281.2 million (PY: €261.7 million) to the Rubber Group, corresponding to 2.4% (PY: 2.2%) of sales.

Net interest result
The negative net interest result improved by €143.8 million year-on-year to €73.6 million (PY: €217.4 million) in the first nine months of 2016.

Interest expense – not including the effects of foreign currency translation, changes in the fair value of derivative instruments and of available-for-sale financial assets – totaled €228.7 million in the first nine months of 2016 (PY: €259.7 million). At €105.6 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €36.4 million lower than the prior-year figure of €142.0 million. The major portion related to expense of €64.3 million (PY: €80.0 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., and to expense of €6.9 million (PY: €16.0 million) from the utilization of the syndicated loan.

The interest cost on pension obligations as well as long-term employee benefits resulted in interest expense totaling €123.1 million (PY: €117.7 million) in the first nine months of 2016. This does not include the interest expense related to the defined benefit obligations of the pension funds.

Interest income in the first nine months of 2016 increased by €5.0 million year-on-year to €74.3 million (PY: €69.3 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €55.0 million (PY: €47.5 million). This does not include the interest income related to the plan assets covering the defined benefit obligations of the pension funds.

Valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates resulted in a positive overall contribution to earnings of €80.7 million (PY: negative contribution to earnings of €37.0 million) in the first nine months of 2016. This was attributable in particular to the development of the Mexican peso, the Brazilian real, and the Canadian dollar in relation to the U.S. dollar. In the previous year, there was a valuation loss of €36.7 million relating to the reporting of an early redemption option for the U.S. dollar bond issued by Continental

Rubber of America, Corp., Wilmington, Delaware, U.S.A., in September 2012 and redeemed early in September 2015. Available-for-sale financial assets did not give rise to any significant effect in the first nine months of 2016 (PY: positive effect of €10.0 million).

Income tax expense

Income tax expense in the first nine months of 2016 amounted to €742.4 million (PY: €839.9 million). The tax rate in the reporting period was 26.4% after 28.2% 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 3.2% at €2,017.3 million (PY: €2,084.3 million), with earnings per share of €10.09 (PY: €10.42).

Financial Position

Reconciliation of cash flow
EBIT declined by €309.2 million year-on-year to €2,886.6 million (PY: €3,195.8 million).

Interest payments resulting in particular from the bonds declined by €66.7 million to €115.9 million (PY: €182.6 million).

Income tax payments increased by €25.7 million to €787.0 million (PY: €761.3 million).

At €873.4 million as at September 30, 2016, the net cash outflow arising from the increase in operating working capital was €26.7 million lower than the figure for the previous year of €900.1 million.

At €2,964.8 million as at September 30, 2016, cash provided by operating activities was €94.4 million higher than the previous year's figure of €2,870.4 million.

Cash flow arising from investing activities amounted to an outflow of €1,780.8 million (PY: €2,554.5 million) in the first nine months of 2016. Capital expenditure on property, plant and equipment, and software was up €288.1 million from €1,311.7 million to €1,599.8 million before finance leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies and business operations resulted in a total cash outflow of €139.5 million (PY: €1,204.3 million).

The free cash flow in the first three quarters of 2016 resulted in an inflow of €1,184.0 million (PY: €315.9 million), €868.1 million more than in the same period of the previous year.

Financing and indebtedness
As at September 30, 2016, the corporation's net indebtedness was down significantly by €997.8 million year-on-year at €3,298.4 million (PY: €4,296.2 million). This decrease, which is attributable mostly to the very good free cash flow as at the end of 2015, also includes the reduction in long-term interest-bearing investments in particular. The reduction was due to the fact that part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets in fiscal 2015 on the basis of amendments to the articles of incorporation, which resulted in the long-term interest-bearing investments being offset against the associated obligations. At the end of the third quarter of 2016, €395.4 million was thus reported net of the associated obligations.

As at September 30, 2016, the corporation's net indebtedness was down €243.5 million in comparison to December 31, 2015, when it had amounted to €3,541.9 million. The gearing ratio improved to 24.3% (PY: 33.9%) as at the end of the third quarter of 2016.

There was a change in the portfolio of bonds in the fourth quarter of 2015: On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., placed a euro bond with a nominal volume of €500.0 million under Continental's Debt Issuance Programme (DIP). The issue price was 99.739%. The new bond has a term of three years and three months and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a.

At the time the syndicated loan was concluded in April 2014 with a committed volume of €4.5 billion, it consisted of a term loan for an amount of €1.5 billion that matures in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There were two contractual amendments to the term of the revolving tranche. In April 2015 and in April 2016, all the banks involved approved a one-year extension in each case. This financing commitment is therefore available to Continental until April 2021. The term loan (PY: €1.5 billion) was already fully repaid early by the end of March 2016. As a result, the committed volume of the syndicated loan, which consists of the revolving tranche only, likewise declined to €3.0 billion by the end of March 2016. As at the end of September 2016, the revolving credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €353.8 million (PY: €668.7 million).

As at September 30, 2016, Continental had liquidity reserves totaling €5,135.0 million (PY: €5,028.1 million), consisting of cash and cash equivalents of €1,439.9 million (PY: €1,849.0 million) and committed, unutilized credit lines totaling €3,695.1 million (PY: €3,179.1 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 September 30, 2016, unrestricted cash and cash equivalents totaled €1,105.3 million (PY: €1,497.7 million).

Change in net indebtedness

	January 1 to September 30		Third Quarter	
in € millions	**2016**	2015	**2016**	2015
Cash flow arising from operating activities	2,964.8	2,870.4	982.9	1,156.6
Cash flow arising from investing activities	–1,780.8	–2,554.5	–757.9	–1,122.7
Cash flow before financing activities (free cash flow)	**1,184.0**	**315.9**	**225.0**	**33.9**
Dividends paid	–750.0	–650.0	—	—
Dividends paid to and cash changes from equity transactions with non-controlling interests	–29.8	–39.4	–3.1	1.5
Non-cash changes	–17.3	–20.4	8.0	–67.8
Other	–109.0	–1,053.2	–83.9	–9.3
Foreign exchange effects	–34.4	–25.6	1.8	–18.9
Change in net indebtedness	**243.5**	**–1,472.7**	**147.8**	**–60.6**

Capital expenditure (additions)
In the first three quarters of 2016, capital expenditure on property, plant and equipment, and software amounted to €1,599.8 million (PY: €1,311.7 million). The capital expenditure ratio after nine months is 5.3% (PY: 4.5%).

A total of €887.5 million (PY: €774.4 million) of this capital expenditure was attributable to the Automotive Group, representing 4.9% (PY: 4.4%) of sales. The Automotive Group invested primarily in production facilities for the manufacture of new products and implementation of new technologies, with investments being focused on expanding and establishing manufacturing capacity at best-cost locations. In the Chassis & Safety division, there were major additions relating to the expansion of production facilities for the Hydraulic Brake Systems and Vehicle Dynamics business units. Manufacturing facilities for electronic brake systems were expanded in particular. In San Luis Potosi, Mexico, investments were made in the construction of a new plant for the Hydraulic Brake Systems business unit. In the Powertrain division, there were major investments in expanding production capacity for the Engine Systems, Sensors & Actuators, and Fuel & Exhaust Management business units. In the Interior division, production capacity was expanded for the Instrumentation & Driver HMI and Body & Security business units.

The Rubber Group invested €710.9 million (PY: €536.3 million), equivalent to 6.0% (PY: 4.6%) of sales. In the Tire division, production capacity was expanded in North America and Asia as well as at European best-cost locations. There were major additions relating to the expansion of existing production sites in the U.S.A., China, Portugal, Slovakia, and Czechia. 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 and Benecke-Kaliko Group business units. In particular, the production facilities at German locations and in China, Hungary and the U.S.A. were expanded and established. Investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €34,994.9 million (PY: €33,505.2 million), total assets as at September 30, 2016, were €1,489.7 million higher than on the same date in the previous year. Property, plant and equipment increased by €763.2 million to €9,837.2 million (PY: €9,074.0 million). Deferred tax assets were up €490.7 million at €2,062.1 million (PY: €1,571.4 million). This was countered by the development of long-term derivative instruments and interest-bearing investments, which decreased by €297.2 million to €38.0 million (PY: €335.2 million). Inventories increased by €248.9 million to €3,880.6 million (PY: €3,631.7 million). Trade accounts receivable also rose by €463.4 million to €7,546.0 million (PY: €7,082.6 million). At €1,439.9 million, cash and cash equivalents were down €409.1 million from €1,849.0 million on the same date in the previous year.

Equity including non-controlling interests was up €922.0 million at €13,595.3 million as compared to €12,673.3 million as at September 30, 2015. This was primarily due to the increase in the retained earnings of €1,910.9 million, which includes dividends in the amount of €750.0 million resolved by the Annual Shareholders' Meeting. Other comprehensive income changed by -€978.7 million to -€2,262.5 million (PY: -€1,283.8 million). The gearing ratio improved from 33.9% to 24.3%. The equity ratio rose to 38.8% (PY: 37.8%).

At €34,994.9 million, total assets were up €2,159.2 million compared with December 31, 2015 (PY: €32,835.7 million). In relation to the individual items of the statement of financial position, this is due primarily to the €298.3 million increase in property, plant and equipment to €9,837.2 million (PY: €9,538.9 million), the rise in deferred tax assets of €392.4 million to €2,062.1 million (PY: €1,669.7 million), the increase in inventories of €520.5 million to €3,880.6 million (PY: €3,360.1 million) and the €823.1 million increase in trade accounts receivable to €7,546.0 million (PY: €6,722.9 million).

Equity including non-controlling interests was up €381.4 million at €13,595.3 million as compared to €13,213.9 million at the end of 2015. Equity was reduced by dividends in the amount of €750.0 million resolved by the Annual Shareholders' Meeting. The positive net income attributable to the shareholders of the parent resulted in an increase of €2,017.3 million. Other comprehensive income changed by -€899.4 million to -€2,262.5 million (PY: -€1,363.1 million). The gearing ratio improved from 26.8% to 24.3%.

Employees

As at the end of the third quarter of 2016, the corporation had 218,601 employees, representing a rise of 10,702 in comparison to the end of 2015. The number of employees in the Automotive Group rose by 7,865 as a result of increased production volumes and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels led to an increase of 2,833 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 10,463.

Development of the Divisions

	January 1 to September 30		Third Quarter	
Chassis & Safety in € millions	**2016**	2015	**2016**	2015
Sales	6,624.8	6,277.1	2,176.8	1,999.0
EBITDA	600.4	859.0	–14.4	268.3
in % of sales	9.1	13.7	–0.7	13.4
EBIT	326.1	605.7	–107.4	181.5
in % of sales	4.9	9.6	–4.9	9.1
Depreciation and amortization[1]	274.3	253.3	93.0	86.8
thereof impairment[2]	–	0.3	–	0.3
Capital expenditure[3]	306.3	283.7	115.0	115.5
in % of sales	4.6	4.5	5.3	5.8
Operating assets as at September 30	4,370.8	4,365.1		
Number of employees as at September 30[4]	42,933	39,259		
Adjusted sales[5]	6,624.8	6,277.1	2,176.8	1,999.0
Adjusted operating result (adjusted EBIT)[6]	335.5	606.6	–103.7	182.0
in % of adjusted sales	5.1	9.7	–4.8	9.1

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

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first nine months of 2016 increased by 6% year-on-year. In the Hydraulic Brake Systems business unit, sales of brake boosters hovered around the previous year's level. Sales figures for brake calipers were down 8% year-on-year, whereas the portion of brake calipers installed in electric parking brakes rose by the same percentage. In the Passive Safety & Sensorics business unit, sales of air bag control units rose by 10% year-on-year. Unit sales of advanced driver assistance systems were up 38%.

Sales up 5.5%
Sales up 7.0% before changes in the scope of consolidation and exchange rate effects
Sales of the Chassis & Safety division were up 5.5% at €6,624.8 million (PY: €6,277.1 million) in the first nine months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 7.0%.

Adjusted EBIT down 44.7%
Adjusted EBIT for the Chassis & Safety division declined by €271.1 million or 44.7% year-on-year to €335.5 million (PY: €606.6 million) during the first nine months of 2016, corresponding to 5.1% (PY: 9.7%) of adjusted sales. For more information, please refer to the comments in our Report on Expected Developments and Outlook.

EBIT down 46.2%
Compared with the same period of the previous year, the Chassis & Safety division reported a decline in EBIT of €279.6 million or 46.2% to €326.1 million (PY: €605.7 million) in the first nine months of 2016. The return on sales fell to 4.9% (PY: 9.6%). For more information, please refer to the comments in our Report on Expected Developments and Outlook.

Special effects in the first nine months of 2016
There were no special effects in the Chassis & Safety division in the first nine months of 2016.

Special effects in the first nine months of 2015
Impairment losses and reversal of impairment losses on property, plant and equipment resulted in expense totaling €0.3 million in the Chassis & Safety division in the first nine months of 2015.

	January 1 to September 30		Third Quarter	
Powertrain in € millions	**2016**	2015	**2016**	2015
Sales	5,430.4	5,303.7	1,775.4	1,657.4
EBITDA	536.1	528.0	175.5	167.3
in % of sales	9.9	10.0	9.9	10.1
EBIT	255.6	279.0	80.3	81.3
in % of sales	4.7	5.3	4.5	4.9
Depreciation and amortization[1]	280.5	249.0	95.2	86.0
thereof impairment[2]	6.8	–	1.8	–
Capital expenditure[3]	312.4	276.3	155.3	106.0
in % of sales	5.8	5.2	8.7	6.4
Operating assets as at September 30	3,075.7	2,771.7		
Number of employees as at September 30[4]	38,012	35,684		
Adjusted sales[5]	5,401.2	5,303.7	1,765.8	1,657.4
Adjusted operating result (adjusted EBIT)[6]	272.9	285.3	83.8	83.5
in % of adjusted sales	5.1	5.4	4.7	5.0

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.

Powertrain

Sales volumes

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

Sales up 2.4%
Sales up 4.2% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division were up 2.4% at €5,430.4 million (PY: €5,303.7 million) in the first nine months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 4.2%.

Adjusted EBIT down 4.3%

Adjusted EBIT for the Powertrain division decreased by €12.4 million or 4.3% year-on-year to €272.9 million (PY: €285.3 million) in the first nine months of 2016, corresponding to 5.1% (PY: 5.4%) of adjusted sales.

EBIT down 8.4%

Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €23.4 million or 8.4% to €255.6 million (PY: €279.0 million) in the first nine months of 2016. The return on sales fell to 4.7% (PY: 5.3%).

Special effects in the first nine months of 2016

Impairment losses on property, plant and equipment resulted in expense totaling €6.8 million.

In addition, there was a negative special effect from restructuring expenses of €1.0 million.

For the Powertrain division, the total negative impact from special effects in the first nine months of 2016 amounted to €7.8 million.

Special effects in the first nine months of 2015

The total negative impact from special effects in the Powertrain division amounted to €0.1 million in the first nine months of 2015.

	January 1 to September 30		Third Quarter	
Interior in € millions	**2016**	2015	**2016**	2015
Sales	6,164.0	6,060.4	2,041.2	2,028.2
EBITDA	622.1	805.1	132.5	252.4
in % of sales	10.1	13.3	6.5	12.4
EBIT	384.3	603.7	51.3	178.7
in % of sales	6.2	10.0	2.5	8.8
Depreciation and amortization[1]	237.8	201.4	81.2	73.7
thereof impairment[2]	–	–	–	–
Capital expenditure[3]	268.8	214.4	120.2	80.3
in % of sales	4.4	3.5	5.9	4.0
Operating assets as at September 30	4,415.9	4,388.1		
Number of employees as at September 30[4]	42,808	40,108		
Adjusted sales[5]	6,099.3	6,060.4	2,041.2	2,028.2
Adjusted operating result (adjusted EBIT)[6]	415.8	612.8	60.3	187.0
in % of adjusted sales	6.8	10.1	3.0	9.2

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.

Interior

Sales volumes
Sales volumes in the Body & Security business unit were above the previous year's level in all product groups in the first three quarters of 2016. There were increases particularly in NAFTA and Asia. In the Infotainment & Connectivity business unit, sales volumes were down, due primarily to expiring multimedia series worldwide and expiring series of radio and connectivity systems in Europe. Production starts in the multimedia and connectivity segment and a significant rise in sales volumes in Asia only partly compensated for this. Overall, sales figures in the Commercial Vehicles & Aftermarket business unit were below the previous year's level. Replacement parts and aftermarket business slightly exceeded the previous year's sales volumes due to stable demand in brake business, particularly in Germany. By contrast, sales volumes in the area of commercial vehicles declined due to the weaker market for tachograph business in Russia and Brazil and the lack of toll business in Western Europe. In the Instrumentation & Driver HMI business unit, sales figures in the first nine months of 2016 were higher than in the previous year, despite the ongoing supply problems with a Japanese supplier of microcontrollers.

Sales up 1.7%
Sales up 3.0% before changes in the scope of consolidation and exchange rate effects
Sales of the Interior division were up 1.7% at €6,164.0 million (PY: €6,060.4 million) in the first nine months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 3.0%.

Adjusted EBIT down 32.1%
Adjusted EBIT for the Interior division decreased by €197.0 million or 32.1% year-on-year to €415.8 million (PY: €612.8 million) in the first nine months of 2016, corresponding to 6.8% (PY: 10.1%) of adjusted sales. For more information, please refer to the comments in our Report on Expected Developments and Outlook.

EBIT down 36.3%
Compared with the same period of the previous year, the Interior division reported a decrease in EBIT of €219.4 million or 36.3% to €384.3 million (PY: €603.7 million) in the first nine months of 2016. The return on sales fell to 6.2% (PY: 10.0%). For more information, please refer to the comments in our Report on Expected Developments and Outlook.

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

Special effects in the first nine months of 2015
There were no special effects in the Interior division in the first nine months of 2015.

Tires in € millions	January 1 to September 30 **2016**	2015	Third Quarter **2016**	2015
Sales	7,914.1	7,718.6	2,708.7	2,654.4
EBITDA	2,089.5	1,982.0	658.0	667.7
in % of sales	26.4	25.7	24.3	25.2
EBIT	1,697.7	1,594.6	522.3	536.5
in % of sales	21.5	20.7	19.3	20.2
Depreciation and amortization[1]	391.8	387.4	135.7	131.2
thereof impairment[2]	–	5.2	–	5.2
Capital expenditure[3]	567.5	372.3	240.4	139.3
in % of sales	7.2	4.8	8.9	5.2
Operating assets as at September 30	5,792.5	5,430.0		
Number of employees as at September 30[4]	51,864	49,445		
Adjusted sales[5]	7,870.4	7,718.6	2,683.6	2,654.4
Adjusted operating result (adjusted EBIT)[6]	1,700.4	1,603.0	520.0	540.7
in % of adjusted sales	21.6	20.8	19.4	20.4

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

Tires

Sales volumes
After the first nine months of 2016, sales figures for passenger and light truck tires in both original equipment business and tire replacement business were up on the previous year's level. Sales figures in commercial vehicle tire business were also around 4% higher than in the previous year.

Sales up 2.5%
Sales up 5.1% before changes in the scope of consolidation and exchange rate effects
Sales of the Tire division were up 2.5% at €7,914.1 million (PY: €7,718.6 million) in the first nine months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 5.1%.

Adjusted EBIT up 6.1%
Adjusted EBIT for the Tire division increased by €97.4 million or 6.1% year-on-year to €1,700.4 million (PY: €1,603.0 million) in the first nine months of 2016, corresponding to 21.6% (PY: 20.8%) of adjusted sales.

EBIT up 6.5%
The Tire division reported a rise in EBIT of €103.1 million or 6.5% year-on-year to €1,697.7 million (PY: €1,594.6 million) in the first nine months of 2016. The return on sales climbed to 21.5% (PY: 20.7%).

Special effects in the first nine months of 2016
In the Tire division, the disposal of a minority interest resulted in income of €3.9 million.

Special effects in the first nine months of 2015
Impairment losses on property, plant and equipment resulted in expense totaling €5.2 million for the locations in Modipuram, India, and Partapur, India.

The sale of the shares in General Tyre East Africa Ltd., Arusha, Tanzania, resulted in income of €0.9 million.

Other minor special effects totaled €1.7 million in the Tire division.

The total negative impact from special effects in the Tire division amounted to €2.6 million in the first nine months of 2015.

	January 1 to September 30		Third Quarter	
ContiTech in € millions	**2016**	2015	**2016**	2015
Sales	4,086.2	4,017.9	1,350.5	1,330.8
EBITDA	536.8	458.0	163.5	159.7
in % of sales	13.1	11.4	12.1	12.0
EBIT	313.4	217.8	88.0	80.6
in % of sales	7.7	5.4	6.5	6.1
Depreciation and amortization[1]	223.4	240.2	75.5	79.1
thereof impairment[2]	3.9	0.3	0.9	0.3
Capital expenditure[3]	143.4	164.0	48.4	54.3
in % of sales	3.5	4.1	3.6	4.1
Operating assets as at September 30	2,922.1	3,187.7		
Number of employees as at September 30[4]	42,572	43,240		
Adjusted sales[5]	3,991.7	4,017.9	1,348.9	1,330.8
Adjusted operating result (adjusted EBIT)[6]	409.1	312.4	123.0	103.1
in % of adjusted sales	10.2	7.8	9.1	7.7

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.

ContiTech

Sales up 1.7%
Sales up 2.3% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division were up 1.7% at €4,086.2 million (PY: €4,017.9 million) in the first nine months of 2016 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange rate effects, sales were up by 2.3%. In particular, the two business units Mobile Fluid Systems and Benecke-Kaliko Group recorded a positive sales development. Aftermarket business in the Power Transmission Group business unit also significantly exceeded the previous year's level. By contrast, sales in the Conveyor Belt Group business unit were down year-on-year as a result of continuing restraint with regard to investments in the mining industry. The Industrial Fluid Systems business unit was also unable to match the previous year's sales, as the current low oil price is resulting in a lack of investment in the oil industry.

Adjusted EBIT up 31.0%

Adjusted EBIT for the ContiTech division rose by €96.7 million or 31.0% year-on-year to €409.1 million (PY: €312.4 million) in the first nine months of 2016, corresponding to 10.2% (PY: 7.8%) of adjusted sales.

EBIT up 43.9%

The ContiTech division reported a rise in EBIT of €95.6 million or 43.9% year-on-year to €313.4 million (PY: €217.8 million) in the first nine months of 2016. The return on sales climbed to 7.7% (PY: 5.4%).

Special effects in the first nine months of 2016

The sale of the steel cord business in Brazil, coupled with the fulfillment of conditions imposed by antitrust authorities, resulted in expense totaling €15.4 million. This figure comprises a loss on disposal of €9.0 million, market value adjustments totaling €5.8 million, and sales tax receivables that can no longer be utilized in the amount of €0.6 million.

The temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €11.5 million, of which €3.4 million was attributable to impairment of property, plant and equipment.

Restructuring expenses of €3.1 million were incurred in Chile, including impairment losses on property, plant and equipment in the amount of €0.9 million.

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

An impairment loss 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 nine months of 2016 amounted to €30.2 million.

Special effects in the first nine months of 2015

In the ContiTech division, the location in Salzgitter, Germany, is gradually being scaled back on account of follow-up orders not being received. In this context, restructuring expenses totaling €13.8 million were incurred, of which €0.3 million was attributable to impairment of property, plant and equipment.

In addition, smaller special effects resulted in income totaling €1.2 million.

The total negative impact from special effects in the ContiTech division amounted to €12.6 million in the first nine months of 2015.

Report on Risks and Opportunities

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

Report on Expected Developments and Outlook

In the days leading up to October 17, 2016, it became evident that several isolated events had had in total a negative impact on adjusted EBIT of around €480 million. As a consequence of this development, Continental lowered its outlook for the adjusted EBIT margin of the corporation from over 11.0% to over 10.5% for fiscal 2016. The outlook for consolidated sales of around €41 billion before exchange rate effects was confirmed on October 17, 2016, for the corporation. After the first nine months of the year, exchange rate effects had negatively impacted the corporation's sales by a total of €712 million, with roughly half attributable to the Automotive Group and half to the Rubber Group. We are still adhering to our goal of achieving organic growth of 4% to 5%.

In the Automotive Group, the outlook for the adjusted EBIT margin was lowered from more than 8.5% to more than 6.5% on October 17, 2016, for the following reasons.

In the Chassis & Safety and Interior divisions, we anticipate potential negative effects totaling approximately €390 million for 2016 due to warranties for products, the majority of which were supplied between 2004 and 2010, and due to potential expenditures for pending antitrust proceedings. As a precautionary measure, provisions were made as at September 30, 2016, for these potential negative effects.

The situation at one microcontroller supplier has deteriorated further as a result of another earthquake in the Kumamoto region of Japan on August 31, 2016. As a result, we anticipate a loss of sales of at least €100 million in the Interior division this year. Special cargo deliveries, product adjustments and increased manufacturing costs will have a negative impact on EBIT of around €50 million in the current year.

In addition, higher-than-expected outlay for research and development will negatively affect the Interior and Powertrain divisions by around €60 million. Consequently, the Powertrain division's adjusted EBIT margin in 2016 will be below the previous year's level of 5.7%.

Only a small portion of these negative effects could be compensated for. All in all, the aforementioned events had a negative impact on the Automotive Group's reported and adjusted EBIT of around €480 million in total.

The sales outlook for the Automotive Group of approximately €25 billion before exchange rate effects was confirmed on October 17, 2016.

For the fourth quarter of 2016, we are confirming the forecast we released on October 17 that the adjusted EBIT margin for the Automotive Group will exceed 9%.

The outlook for the Rubber Group was confirmed on October 17, 2016, with sales of over €16 billion before exchange rate effects and with an adjusted EBIT margin of more than 17%.

We are confirming our estimate of around €150 million for the positive effect resulting from lower raw material costs in 2016, which affects the Rubber Group. We are confirming our estimate of U.S. $1.40 per kilogram for the average price of natural rubber (TSR 20) for 2016 and raising our estimate for the price of butadiene, a base material for synthetic rubber, from U.S. $1.00 per kilogram to U.S. $1.10 per kilogram. The positive effect for fiscal 2016 is also due to the lower year-on-year average price of crude oil in the respective quarters. However, the prices of the aforementioned raw materials look set to rise by between 15% and 100% in the fourth quarter compared to the average prices in the fourth quarter of 2015.

In addition, we are leaving the following aspects of our forecast unchanged in comparison to August 3, 2016. These aspects were also confirmed in the amendment to the outlook on October 17. We still anticipate negative special effects of around €100 million. The amortization from purchase price allocation, primarily resulting from the acquisitions of Veyance Technologies and Elektrobit Automotive, is expected to total €150 million. In fiscal 2016, the capital expenditure ratio before financial investments will make up around 6% of sales. The corporation's tax rate is expected to be lower than 30%.

We are raising our outlook for the negative net interest result to better than €170 million (previously better than €250 million).

We are confirming the outlook for free cash flow before acquisitions of at least €2 billion for the current fiscal year.

Consolidated Financial Statements ›
Consolidated Statement of Income

	January 1 to September 30		Third Quarter	
in € millions	**2016**	2015	**2016**	2015
Sales	**30,025.5**	**29,216.2**	**9,983.8**	**9,617.6**
Cost of sales	–22,018.3	–21,608.2	–7,409.1	–7,107.0
Gross margin on sales	**8,007.2**	**7,608.0**	**2,574.7**	**2,510.6**
Research and development expenses	–2,171.0	–1,897.7	–728.1	–623.4
Selling and logistics expenses	–1,663.2	–1,612.3	–554.0	–537.6
Administrative expenses	–763.2	–695.4	–265.1	–236.1
Other expenses and income	–573.3	–247.7	–444.4	–91.6
Income from at-equity accounted investees	49.7	40.5	13.1	12.7
Other income from investments	0.4	0.4	0.1	0.0
Earnings before interest and tax	**2,886.6**	**3,195.8**	**596.3**	**1,034.6**
Interest income	74.3	69.3	24.7	20.0
Interest expense	–147.9	–286.7	–49.7	–138.4
Net interest result	**–73.6**	**–217.4**	**–25.0**	**–118.4**
Earnings before tax	**2,813.0**	**2,978.4**	**571.3**	**916.2**
Income tax expense	–742.4	–839.9	–175.3	–268.7
Net income	**2,070.6**	**2,138.5**	**396.0**	**647.5**
Non-controlling interests	–53.3	–54.2	–17.5	–11.8
Net income attributable to the shareholders of the parent	2,017.3	2,084.3	378.5	635.7
Basic earnings per share in €	**10.09**	**10.42**	**1.90**	**3.18**
Diluted earnings per share in €	**10.09**	**10.42**	**1.90**	**3.18**

Consolidated Statement of Comprehensive Income

	January 1 to September 30		Third Quarter	
in € millions	**2016**	2015	**2016**	2015
Net income	**2,070.6**	**2,138.5**	**396.0**	**647.5**
Reclassification within equity not affecting net income	0.4	–	0.4	–
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	-601.2	89.1	-43.5	-16.1
Fair value adjustments[1]	-898.7	168.3	-64.9	-36.1
Reclassification from disposals of pension obligations	-0.4	–	-0.4	–
Portion for at-equity accounted investees[2]	–	-0.1	–	-0.1
Currency translation[1]	12.3	-26.1	2.0	6.0
Tax on other comprehensive income	285.6	-53.0	19.8	14.1
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	-241.2	34.9	-55.9	-385.6
Difference from currency translation[1]	-246.1	26.1	-60.8	-387.4
Portion for at-equity accounted investees[2]	4.9	8.8	4.9	1.8
Available-for-sale financial assets	1.4	-12.1	0.3	-2.0
Fair value adjustments	1.5	-2.1	0.3	-1.8
Reclassification adjustments to profit and loss	-0.1	-10.0	–	-0.2
Cash flow hedges	6.3	0.0	8.9	0.0
Fair value adjustments	19.6	–	16.1	–
Reclassification adjustments to profit and loss	-13.3	–	-7.2	–
Portion for at-equity accounted investees[2]	–	0.0	–	0.0
Tax on other comprehensive income	11.6	18.7	3.8	9.1
Other comprehensive income	**-823.1**	**130.6**	**-86.4**	**-394.6**
Comprehensive income	**1,247.9**	**2,269.1**	**310.0**	**252.9**
Attributable to non-controlling interests	-56.7	-72.1	-13.4	-1.0
Attributable to the shareholders of the parent	1,191.2	2,197.0	296.6	251.9

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

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

Assets in € millions	**Sept. 30, 2016**	*Dec. 31, 2015*	Sept. 30, 2015
Goodwill	6,651.3	*6,640.6*	6,569.8
Other intangible assets	1,283.0	*1,336.4*	1,348.9
Property, plant and equipment	9,837.2	*9,538.9*	9,074.0
Investment property	10.4	*16.0*	17.0
Investments in at-equity accounted investees	382.1	*345.8*	343.7
Other investments	39.8	*14.1*	14.3
Deferred tax assets	2,062.1	*1,669.7*	1,571.4
Defined benefit assets	34.0	*18.9*	3.3
Long-term derivative instruments and interest-bearing investments	38.0	*17.1*	335.2
Long-term other financial assets	55.1	*47.6*	44.5
Long-term other assets	22.9	*21.5*	22.6
Non-current assets	**20,415.9**	***19,666.6***	**19,344.7**
Inventories	3,880.6	*3,360.1*	3,631.7
Trade accounts receivable	7,546.0	*6,722.9*	7,082.6
Short-term other financial assets	483.6	*434.7*	487.8
Short-term other assets	1,012.7	*803.9*	945.4
Income tax receivables	188.2	*149.7*	107.6
Short-term derivative instruments and interest-bearing investments	24.4	*64.3*	40.8
Cash and cash equivalents	1,439.9	*1,621.5*	1,849.0
Assets held for sale	3.6	*12.0*	15.6
Current assets	**14,579.0**	***13,169.1***	**14,160.5**
Total assets	**34,994.9**	***32,835.7***	**33,505.2**

Equity and liabilities in € millions	**Sept. 30, 2016**	*Dec. 31, 2015*	Sept. 30, 2015
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	10,749.5	*9,481.8*	8,838.6
Other comprehensive income	–2,262.5	*–1,363.1*	–1,283.8
Equity attributable to the shareholders of the parent	**13,154.6**	***12,786.3***	**12,222.4**
Non-controlling interests	440.7	*427.6*	450.9
Total equity	**13,595.3**	***13,213.9***	**12,673.3**
Long-term employee benefits	4,711.5	*3,696.5*	3,740.7
Deferred tax liabilities	400.5	*361.2*	336.6
Long-term provisions for other risks and obligations	209.9	*171.8*	194.3
Long-term indebtedness	2,195.1	*3,175.0*	2,689.5
Long-term other financial liabilities	39.2	*94.9*	73.0
Long-term other liabilities	19.2	*21.6*	17.0
Non-current liabilities	**7,575.4**	***7,521.0***	**7,051.1**
Short-term employee benefits	1,339.8	*1,269.4*	1,269.7
Trade accounts payable	5,997.1	*5,493.8*	5,383.3
Income tax payables	805.1	*719.8*	702.8
Short-term provisions for other risks and obligations	1,107.4	*845.5*	753.6
Short-term indebtedness	2,605.6	*2,069.8*	3,831.7
Short-term other financial liabilities	1,099.6	*1,066.4*	988.2
Short-term other liabilities	869.6	*634.1*	847.3
Liabilities held for sale	–	*2.0*	4.2
Current liabilities	**13,824.2**	***12,100.8***	**13,780.8**
Total equity and liabilities	**34,994.9**	***32,835.7***	**33,505.2**

Consolidated Statement of Cash Flows

	January 1 to September 30		Third Quarter	
in € millions	**2016**	2015[1]	**2016**	2015[1]
Net income	**2,070.6**	**2,138.5**	**396.0**	**647.5**
Income tax expense	742.4	839.9	175.3	268.7
Net interest result	73.6	217.4	25.0	118.4
EBIT	**2,886.6**	**3,195.8**	**596.3**	**1,034.6**
Interest paid	–115.9	–182.6	–52.8	–92.0
Interest received	18.5	21.7	6.4	5.6
Income tax paid	–787.0	–761.3	–243.0	–192.9
Dividends received	25.5	28.4	6.9	0.6
Depreciation, amortization, impairment and reversal of impairment losses	1,409.4	1,332.4	481.1	457.1
Income from at-equity accounted and other investments, incl. impairment and reversal of impairment losses	–50.1	–40.9	–13.2	–12.7
Gains/losses from the disposal of assets, companies and business operations	–6.5	–14.2	–3.1	–2.1
Changes in				
inventories	–533.3	–361.2	–75.8	–98.2
trade accounts receivable	–903.0	–861.7	–281.4	–147.9
trade accounts payable	562.9	322.8	–48.4	–71.2
employee benefits and other provisions	427.8	165.8	512.1	150.1
other assets and liabilities	29.9	25.4	97.8	125.6
Cash flow arising from operating activities	**2,964.8**	**2,870.4**	**982.9**	**1,156.6**
Cash flow from the disposal of property, plant and equipment, and intangible assets	29.4	23.2	15.8	3.3
Capital expenditure on property, plant and equipment, and software	–1,599.8	–1,311.7	–679.9	–495.9
Capital expenditure on intangible assets from development projects and miscellaneous	–70.9	–61.7	–31.0	–27.7
Cash flow from the disposal of companies and business operations	2.7	15.3	–2.4	17.0
Acquisition of companies and business operations	–142.2	–1,219.6	–60.4	–619.4
Cash flow arising from investing activities	**–1,780.8**	**–2,554.5**	**–757.9**	**–1,122.7**
Cash flow before financing activities (free cash flow)	**1,184.0**	**315.9**	**225.0**	**33.9**
Change in indebtedness	–436.8	–1,043.2	–413.9	–460.6
Successive purchases	–106.3	–11.1	–83.9	—
Dividends paid	–750.0	–650.0	—	—
Dividends paid to and cash changes from equity transactions with non-controlling interests	–29.8	–39.4	–3.1	1.5
Cash and cash equivalents arising from first consolidation of subsidiaries	0.6	—	—	—
Cash flow arising from financing activities	**–1,322.3**	**–1,743.7**	**–500.9**	**–459.1**
Change in cash and cash equivalents	**–138.3**	**–1,427.8**	**–275.9**	**–425.2**
Cash and cash equivalents at the beginning of the reporting period	1,621.5	3,243.8	1,720.1	2,349.7
Effect of exchange rate changes on cash and cash equivalents	–43.3	33.0	–4.3	–75.5
Cash and cash equivalents at the end of the reporting period	**1,439.9**	**1,849.0**	**1,439.9**	**1,849.0**

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

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from remeasurement of defined benefit plans[3]	Difference from currency translation[4]	Difference from financial instruments[5]	Subtotal	Non-controlling interests	Total
As at January 1, 2015	**512.0**	**4,155.6**	**7,404.3**	**–19.4**	**–1,339.6**	**–51.1**	**10.3**	**10,672.1**	**352.5**	**11,024.6**
Net income	–	–	2,084.3	–	–	–	–	2,084.3	54.2	**2,138.5**
Comprehensive income	–	–	–	–	89.0	32.0	-8.3	112.7	17.9	**130.6**
Net profit for the period	**–**	**–**	**2,084.3**	**–**	**89.0**	**32.0**	**-8.3**	**2,197.0**	**72.1**	**2,269.1**
Dividends paid/resolved	–	–	-650.0	–	–	–	–	-650.0	-47.7	**-697.7**
Successive purchases	–	–	–	3.3	–	–	–	3.3	-5.2	**-1.9**
Other changes[6]	–	–	–	–	–	–	–	–	79.2	**79.2**
As at September 30, 2015	**512.0**	**4,155.6**	**8,838.6**	**-16.1**	**-1,250.6**	**-19.1**	**2.0**	**12,222.4**	**450.9**	**12,673.3**
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	–	–	2,017.3	–	–	–	–	2,017.3	53.3	**2,070.6**
Comprehensive income	–	–	0.4	–	-601.3	-229.9	4.7	-826.1	3.4	**-822.7**
Net profit for the period	**–**	**–**	**2,017.7**	**–**	**-601.3**	**-229.9**	**4.7**	**1,191.2**	**56.7**	**1,247.9**
Dividends paid/resolved	–	–	-750.0	–	–	–	–	-750.0	-30.4	**-780.4**
Successive purchases	–	–	–	-73.1	–	–	–	-73.1	-13.2	**-86.3**
Other changes[6]	–	–	–	0.2	–	–	–	0.2	–	**0.2**
As at September 30, 2016	**512.0**	**4,155.6**	**10,749.5**	**-112.7**	**-2,021.9**	**-128.9**	**1.0**	**13,154.6**	**440.7**	**13,595.3**

1 Divided into 200,005,983 shares outstanding.
2 The amount resulted from the successive purchases of shares in fully consolidated companies. The reporting period includes also a subsequent purchase price adjustment and effects from the first-time consolidation of previously non-consolidated subsidiaries.
3 Includes in the previous year the shareholder's portion of -€0.1 million in non-realized gains and losses from pension obligations of at-equity accounted investees.
4 Includes shareholder's portion of €4.9 million (PY: €8.8 million) in the foreign currency translation of at-equity accounted investees.
5 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 €3.4 million (PY: €0.0 million) for interest and currency hedging and to available-for-sale financial assets of €1.3 million (PY: -€8.3 million).
6 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 September 30, 2016

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	6,605.9	5,359.1	6,152.6	7,898.0	4,009.9	–	30,025.5
Intercompany sales	18.9	71.3	11.4	16.1	76.3	–194.0	–
Sales (total)	**6,624.8**	**5,430.4**	**6,164.0**	**7,914.1**	**4,086.2**	**–194.0**	**30,025.5**
EBIT (segment result)	326.1	255.6	384.3	1,697.7	313.4	–90.5	2,886.6
in % of sales	4.9	4.7	6.2	21.5	7.7	–	9.6
Depreciation and amortization[1]	274.3	280.5	237.8	391.8	223.4	1.6	1,409.4
thereof impairment[2]	–	6.8	–	–	3.9	–	10.7
Capital expenditure[3]	306.3	312.4	268.8	567.5	143.4	1.4	1,599.8
in % of sales	4.6	5.8	4.4	7.2	3.5	–	5.3
Operating assets as at September 30	4,370.8	3,075.7	4,415.9	5,792.5	2,922.1	–85.5	20,491.5
Number of employees as at September 30[4]	42,933	38,012	42,808	51,864	42,572	412	218,601
Adjusted sales[5]	6,624.8	5,401.2	6,099.3	7,870.4	3,991.7	–193.2	29,794.2
Adjusted operating result (adjusted EBIT)[6]	335.5	272.9	415.8	1,700.4	409.1	–90.5	3,043.2
in % of adjusted sales	5.1	5.1	6.8	21.6	10.2	–	10.2

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.

Segment report for the period from January 1 to September 30, 2015

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	6,257.9	5,250.2	6,053.9	7,703.2	3,951.0	–	29,216.2
Intercompany sales	19.2	53.5	6.5	15.4	66.9	–161.5	–
Sales (total)	**6,277.1**	**5,303.7**	**6,060.4**	**7,718.6**	**4,017.9**	**–161.5**	**29,216.2**
EBIT (segment result)	605.7	279.0	603.7	1,594.6	217.8	–105.0	3,195.8
in % of sales	9.6	5.3	10.0	20.7	5.4	–	10.9
Depreciation and amortization[1]	253.3	249.0	201.4	387.4	240.2	1.1	1,332.4
thereof impairment[2]	0.3	–	–	5.2	0.3	–	5.8
Capital expenditure[3]	283.7	276.3	214.4	372.3	164.0	1.0	1,311.7
in % of sales	4.5	5.2	3.5	4.8	4.1	–	4.5
Operating assets as at September 30	4,365.1	2,771.7	4,388.1	5,430.0	3,187.7	–141.4	20,001.2
Number of employees as at September 30[4]	39,259	35,684	40,108	49,445	43,240	402	208,138
Adjusted sales[5]	6,277.1	5,303.7	6,060.4	7,718.6	4,017.9	–161.5	29,216.2
Adjusted operating result (adjusted EBIT)[6]	606.6	285.3	612.8	1,603.0	312.4	–105.0	3,315.1
in % of adjusted sales	9.7	5.4	10.1	20.8	7.8	–	11.3

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

Sales to adjusted sales and EBIT to adjusted operating result (adjusted EBIT) can be reconciled as at September 30, 2016, as follows:

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**6,624.8**	**5,430.4**	**6,164.0**	**7,914.1**	**4,086.2**	**–194.0**	**30,025.5**
Changes in the scope of consolidation[1]	–	–29.2	–64.7	–43.7	–94.5	0.8	–231.3
Adjusted sales	**6,624.8**	**5,401.2**	**6,099.3**	**7,870.4**	**3,991.7**	**–193.2**	**29,794.2**
EBIT	**326.1**	**255.6**	**384.3**	**1,697.7**	**313.4**	**–90.5**	**2,886.6**
Amortization of intangible assets from purchase price allocation (PPA)	0.3	8.5	27.0	5.9	62.7	–	104.4
Changes in the scope of consolidation[1]	9.1	1.0	4.4	0.7	2.8	–	18.0
Special effects							
Impairment[2]	–	6.8	–	–	0.0	–	6.8
Restructuring[3]	–	1.0	–	–	14.8	–	15.8
Gains and losses from disposals of companies and business operations	–	–	0.1	–3.9	9.0	–	5.2
Other	–	–	–	–	6.4	–	6.4
Adjusted operating result (adjusted EBIT)	**335.5**	**272.9**	**415.8**	**1,700.4**	**409.1**	**–90.5**	**3,043.2**

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 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.
3 This includes impairment losses and reversal of impairment losses in the ContiTech segment amounting to €3.9 million.

Sales to adjusted sales and EBIT to adjusted operating result (adjusted EBIT) can be reconciled as at September 30, 2015, as follows:

in € millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**6,277.1**	**5,303.7**	**6,060.4**	**7,718.6**	**4,017.9**	**–161.5**	**29,216.2**
Changes in the scope of consolidation[1]	–	–	–	–	–	–	–
Adjusted sales	**6,277.1**	**5,303.7**	**6,060.4**	**7,718.6**	**4,017.9**	**–161.5**	**29,216.2**
EBIT	**605.7**	**279.0**	**603.7**	**1,594.6**	**217.8**	**–105.0**	**3,195.8**
Amortization of intangible assets from purchase price allocation (PPA)	0.6	6.2	9.1	5.8	82.0	–	103.7
Changes in the scope of consolidation[1]	–	–	–	–	–	–	–
Special effects							
Impairment[2]	0.3	–	–	5.2	–	–	5.5
Restructuring[3]	–	0.1	–	–	13.8	–	13.9
Gains and losses from disposals of companies and business operations	–	–	–	–0.9	–	–	–0.9
Other	–	–	–	–1.7	–1.2	–	–2.9
Adjusted operating result (adjusted EBIT)	**606.6**	**285.3**	**612.8**	**1,603.0**	**312.4**	**–105.0**	**3,315.1**

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 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.
3 This includes impairment losses and reversal of impairment losses in the ContiTech segment amounting to €0.3 million.

Reconciliation of EBIT to net income

	January 1 to September 30		Third Quarter	
in € millions	**2016**	2015	**2016**	2015
Chassis & Safety	326.1	605.7	–107.4	181.5
Powertrain	255.6	279.0	80.3	81.3
Interior	384.3	603.7	51.3	178.7
Tires	1,697.7	1,594.6	522.3	536.5
ContiTech	313.4	217.8	88.0	80.6
Other/consolidation	-90.5	–105.0	–38.2	–24.0
EBIT	**2,886.6**	**3,195.8**	**596.3**	**1,034.6**
Net interest result	–73.6	–217.4	–25.0	–118.4
Earnings before tax	**2,813.0**	**2,978.4**	**571.3**	**916.2**
Income tax expense	–742.4	–839.9	–175.3	–268.7
Net income	**2,070.6**	**2,138.5**	**396.0**	**647.5**
Non-controlling interests	–53.3	–54.2	–17.5	–11.8
Net income attributable to the shareholders of the parent	**2,017.3**	**2,084.3**	**378.5**	**635.7**

Segment reporting

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

Information on the development of Continental Corporation's five divisions can be found in the Corporate Management Report as at September 30, 2016.

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 2015. These methods are described in detail in the 2015 Annual Report. In addition, the IFRS amendments and new regulations effective as at September 30, 2016, 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 2015 Annual Report.

The IFRS amendments and new regulations effective as at September 30, 2016, had no material effect on the reporting of the Continental Corporation.

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

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

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

Companies consolidated

In addition to the parent company, the consolidated financial statements include 511 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, 396 are fully consolidated and 115 are accounted for using the equity method.

The number of consolidated companies has increased by a total of nine since December 31, 2015. Eleven companies were acquired, five companies were formed and one previously unconsolidated unit was included in consolidation for the first time. In addition, the number of companies consolidated decreased by eight as a result of four mergers, one deconsolidation, one disposal and two liquidations.

Since September 30, 2015, the number of consolidated companies has increased by a total of seven. The additions to the consolidated group essentially resulted from acquisitions in the Tire and ContiTech segments. Companies no longer included in the scope of consolidation are mostly attributable to mergers.

Acquisition and disposal of companies and business operations

A share deal and further asset deals took place in the Tire segment. The purchase prices totaling €12.0 million were paid in cash. The purchase price allocation resulted in goodwill of €8.1 million and intangible assets of €1.9 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at September 30, 2016.

On July 2, 2016, Continental U.K. Group Holdings, Ltd., West Drayton, U.K., acquired the Bandvulc Group by signing a contract to purchase 100% of the shares in B.V. Environmental Ltd., Devon, U.K. The Bandvulc Group is a leading U.K. fleet-management service provider and independent truck-tire retreader. The transaction, which took effect immediately, strengthens the Tire segment's position in the British and Irish markets in the long term. With more than 40 years of experience in hot retreading and casing management, Bandvulc has had close working relationships with Continental for more than 25 years. This transaction also gives Bandvulc new opportunities for expansion by providing access to Continental's global network of customers and fleet services. Bandvulc has established a broad fleet portfolio covering a range of major retailers, supermarkets, and logistics companies. The acquisition includes the tire maintenance service network, which comprises five service centers and 75 service vans. In 2015, Bandvulc generated sales of approximately €74.3 million with around 380 employees. The provisional purchase price was €77.5 million and was paid in cash. The incidental acquisition costs of €1.3 million were recognized as other expenses. The provisional purchase price allocation resulted in goodwill of €13.7 million and intangible assets of €16.4 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at September 30, 2016.

In the Powertrain segment, an asset deal with a purchase price of €26.7 million was concluded. The provisional purchase price allocation resulted in goodwill of €0.8 million and intangible assets of €25.0 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at September 30, 2016.

A share deal took place in the ContiTech segment. The purchase price of €12.6 million was paid in cash. The purchase price allocation resulted in goodwill of €3.4 million and intangible assets of €7.2 million. Other than this, there was no material effect on the net assets, financial and earnings position of the Continental Corporation as at September 30, 2016.

An acquisition of remaining shares in a company was completed in the period under review. The resulting difference between the purchase price and the carrying amount of the shares acquired of €0.2 million was reported under other comprehensive income.

Continental Automotive Holding (Shanghai) Co., Ltd., Shanghai, China, acquired the remaining shares in Continental Automotive Wuhu Co., Ltd., Wuhu, China, for a purchase price of €81.4 million with effect from September 21, 2016. The resulting difference between the purchase price and the carrying amount of the shares acquired of €70.4 million was reported under other comprehensive income.

As part of the acquisition of Veyance Technologies in January 2015, Continental agreed with the antitrust authorities in the U.S.A. and Brazil to sell Veyance Technologies' South American steel cord business. As at September 1, 2016, the steel cord business in São Paulo, Brazil, was sold to Solina Global Corporation Ltd., Hong Kong, China, a subsidiary of the Thai company Teak Capital Corporation. The sale resulted in a loss totaling €15.4 million, including expense for market value adjustments totaling €5.8 million.

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 nine months of 2016 amounted to €742.4 million (PY: €839.9 million). The tax rate in the reporting period was 26.4% after 28.2% for the same period of the previous year.

Adjusted presentation of the structure of the equity and liabilities side

The structure of the equity and liabilities side has been adjusted starting from the year under review, 2016, so as to increase the transparency of the presentation of employee benefits. As a result, from the comparative values as at December 31, 2015, an amount of €129.7 million from long-term provisions for other risks and obligations and an amount of €34.1 million from long-term other liabilities were reported under long-term employee benefits. As at September 30, 2015, an amount of €131.6 million from long-term provisions for other risks and obligations and an amount of €38.5 million from long-term other liabilities were reported under long-term employee benefits.

Long-term employee benefits

Compared to December 31, 2015, the remeasurement of defined benefit pension plans as at September 30, 2016, resulted in a €621.6 million decrease in other comprehensive income due to the drop in discount rates. The corresponding reduction in equity contrasted with a rise in long-term employee benefits of €905.7 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 September 30, 2016, the companies of the Continental Corporation paid €46.0 million (PY: €25.2 million) into these pension funds.

Part of the plan assets of Continental Pension Trust e. V. regained the status of qualifying plan assets in fiscal 2015 as a result of amendments to the articles of incorporation. At the end of the third quarter of 2016, assets in an amount of €395.4 million were thus reported net of the associated obligations.

Payments for retirement benefit obligations totaled €152.3 million (PY: €161.2 million) in the period from January 1 to September 30, 2016. Payments for obligations similar to pensions totaled €12.1 million (PY: €12.6 million).

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

	January 1 to September 30, 2016						January 1 to September 30, 2015					
in € millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	111.4	4.3	1.4	3.0	17.0	**137.1**	113.4	5.2	1.9	3.5	14.9	138.9
Interest on defined benefit obligations	66.3	38.4	4.3	9.8	6.6	**125.4**	60.4	37.0	3.9	10.8	5.9	118.0
Expected return on plan assets	–18.6	–27.9	–3.9	–10.1	–3.3	**–63.8**	–5.4	–25.8	–3.4	–10.8	–2.4	–47.8
Effect of change of asset ceiling	–	–	0.0	–	0.0	**0.0**	–	–	0.0	–	0.4	0.4
Other pension income and expenses	–	1.4	0.3	–	–	**1.7**	–	1.1	0.1	–	0.4	1.6
Net pension cost	**159.1**	**16.2**	**2.1**	**2.7**	**20.3**	**200.4**	**168.4**	**17.5**	**2.5**	**3.5**	**19.2**	**211.1**

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 September 30	
in € millions	**2016**	2015
Current service cost	1.3	1.8
Interest on healthcare and life insurance benefit obligations	7.6	7.2
Net cost of obligations similar to pensions	**8.9**	**9.0**

Indebtedness

There was a change in the portfolio of bonds in the fourth quarter of 2015: On November 12, 2015, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., placed a euro bond with a nominal volume of €500.0 million under Continental's Debt Issuance Programme (DIP). The issue price was 99.739%. The new bond has a term of three years and three months and a fixed interest rate of 0.5% p.a. The conclusion of cross-currency interest rate swaps firstly secures against the currency risks arising from the bond's denomination in euros, and secondly the euro-based fixed interest rate of 0.5% p.a. is exchanged for a U.S.-dollar-based fixed interest rate averaging 2.365% p.a.

At the time the syndicated loan was concluded in April 2014 with a committed volume of €4.5 billion, it consisted of a term loan for an amount of €1.5 billion that matures in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There were two contractual amendments to the term of the revolving tranche. In April 2015 and in April 2016, all the banks involved approved a one-year extension in each case. This financing commitment is therefore available to Continental until April 2021. The term loan (PY: €1.5 billion) was already fully repaid early by the end of March 2016. As a result, the committed volume of the syndicated loan, which consists of the revolving tranche only, likewise declined to €3.0 billion by the end of March 2016. As at the end of September 2016, the revolving credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €353.8 million (PY: €668.7 million).

For more information on indebtedness and net interest result, please refer to the Corporate Management Report as at September 30, 2016.

Financial instruments

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

in € millions	Measurement category in acc. with IAS 39	**Carrying amount as at Sept. 30, 2016**	**Fair value as at Sept. 30, 2016**	Carrying amount as at Dec. 31, 2015	Fair value as at Dec. 31, 2015
Other investments	AfS	39.8	39.8	14.1	14.1
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as effective hedging instruments	n. a.	18.7	18.7	4.2	4.2
Derivative instruments not accounted for as effective hedging instruments	HfT	18.2	18.2	43.4	43.4
Available-for-sale financial assets	AfS	16.6	16.6	16.7	16.7
Other receivables with a financing character	LaR	8.9	8.9	17.1	17.1
Trade accounts receivable	LaR	7,546.0	7,546.0	6,722.9	6,722.9
Other financial assets	LaR	538.7	538.7	482.3	482.3
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,417.2	1,417.2	1,600.5	1,600.5
Available-for-sale financial assets	AfS	22.7	22.7	21.0	21.0
Financial assets		**9,626.8**	**9,626.8**	**8,922.2**	**8,922.2**
Indebtedness					
Derivative instruments accounted for as effective hedging instruments	n. a.	–	–	0.9	0.9
Derivative instruments not accounted for as effective hedging instruments	HfT	38.5	38.5	12.0	12.0
Finance lease liabilities	n. a.	35.5	39.2	40.7	44.8
Other indebtedness	OL	4,726.7	4,908.7	5,191.2	5,381.0
Trade accounts payable	OL	5,997.1	5,997.1	5,493.8	5,493.8
Other financial liabilities	OL	1,138.8	1,138.4	2,063.6	2,062.8
Financial liabilities		**11,936.6**	**12,121.9**	**12,802.2**	**12,995.3**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		18.2		43.4	
Loans and receivables (LaR)		9,510.8		8,822.8	
Available-for-sale financial assets (AfS)		79.1		51.8	
Financial liabilities held for trading (HfT)		38.5		12.0	
Financial liabilities measured at amortized cost (OL)		11,862.6		12,748.6	

Abbreviations

❯ AfS: available for sale

❯ HfT: held for trading

❯ LaR: loans and receivables

❯ n. a.: not applicable, not assigned to any measurement category

❯ OL: other liability, financial liabilities measured at amortized cost

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

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

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

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

in € millions		**Sept. 30, 2016**	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	39.3	30.3	9.0	0.0
Derivative instruments accounted for as effective hedging instruments	n. a.	18.7	–	18.7	–
Derivative instruments not accounted for as effective hedging instruments	HfT	18.2	–	18.2	–
Financial assets measured at fair value		**76.2**	**30.3**	**45.9**	**0.0**
Derivative instruments not accounted for as effective hedging instruments	HfT	38.5	–	38.5	–
Financial liabilities measured at fair value		**38.5**	**–**	**38.5**	**–**
Finance lease liabilities	n. a.	39.2	–	39.2	–
Other indebtedness	OL	4,908.7	2,901.1	772.0	1,235.6
Other financial liabilities	OL	1,138.4	–	22.7	1,115.7
Financial liabilities not measured at fair value		**6,086.3**	**2,901.1**	**833.9**	**2,351.3**

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

Litigation and compensation claims

In the proceedings against Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), as well as other companies in connection with suspected antitrust violations in the instrument cluster business, the Supreme Court of South Korea rejected CAE's appeal on March 24, 2016. CAE had lodged the appeal against the fine imposed in the criminal proceedings, which had been reduced to KRW 100 million (around €81,000) following CAE's prior appeal. In connection with the cessation of passenger tire production at the plant in Clairoix, France, a large number of employees at Continental France SNC, Sarreguemines, France, filed claims with the industrial tribunals in Compiègne and Soissons, France, against this subsidiary company and, in some cases, against Continental AG as well. On July 6, 2016, the French Court of Cassation annulled the lower-instance rulings by the industrial tribunals on Continental's appeal to the extent that Continental AG was judged to be jointly liable for compensation and reimbursement of costs as a "co-employer" but the appeal by Continental France SNC, Sarreguemines, France, was rejected. Other than this, there were either no significant new findings in the reporting period with regard to the litigation and compensation claims described in the 2015 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

The implementation of a new system for risk management will make it possible to quantify non-recorded risks in more detail. As a result of this additional information, the value of contingent liabilities and other financial obligations will increase as at the end of 2016.

Appropriation of net income

As at December 31, 2015, Continental AG reported net retained earnings of €1,014.2 million (PY: €749.2 million). On April 29, 2016, the Annual Shareholders' Meeting resolved to distribute a dividend of €3.75 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 €750,022,436.25. The remaining amount was carried forward to new account.

In 2015, a dividend of €3.25 per share was distributed by Continental AG to its shareholders for 2014. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €650,019,444.75. The remaining amount was carried forward to new account.

Earnings per share

Basic earnings per share fell to €10.09 (PY: €10.42) in the first nine months of 2016 and to €1.90 (PY: €3.18) in the period from July 1 to September 30, 2016. 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, 2015. For further information, please refer to the comments in the 2015 Annual Report.

German Corporate Governance Code

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

Review by an independent auditor

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

Significant Events after September 30, 2016

As at October 3, 2016, Continental Tire the Americas, LLC, Columbus, Ohio, U.S.A., acquired 100% of the shares in Hoosier Racing Tire Corp., LLC, Lakeville, Indiana, U.S.A., with the aim of supporting its growth strategy, particularly in the ultra-high-performance segment. Hoosier produces special-purpose tires for use in races. The provisional purchase price of approximately €126 million was paid in cash. Owing to time restrictions in light of the closing having taken place only a few days before the preparation of the interim financial statements, there is no further data available yet that is subject to disclosure requirements.

On October 15, 2016, the agreement to acquire 100% of the shares in the Hornschuch Group, Weißbach, Germany, was concluded by ContiTech AG, Hanover, Germany. With this acquisition, the surface specialist the Benecke-Kaliko Group intends to expand its industrial business further and tap new sales markets, particularly in North America.

Hanover, October 24, 2016

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

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

2017	
Preliminary figures for fiscal 2016	January 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

Publication Details

This Financial Report has also been published in German. The 2015 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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