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Half-Year Financial Report as of June 30, 2010

Continental's Share Price Performance

At the start of 2010, Continental's share price performance was boosted primarily by a continuing improvement in the mood on the capital markets. The capital increase with its 31 million newly-issued shares was met with great interest by institutional investors. It was closed on January 28, 2010, at an average price of €35.93. With this measure, the free float of the Continental share rose from 11% to nearly 25%, ranking Continental amongst the 10 largest companies in the MDAX as measured by market capitalization. After the Continental share reached its highest peak for the year so far at €45.35 on January 8, 2010, concerns about government debt in Portugal, Italy, Ireland, and Greece (PIIGs), which had mushroomed as a result of the financial and economic crisis, weighed heavily on the capital markets. In response to these concerns, the DAX fell early in February, reaching the lowest point so far this year at 5,434 points (February 5). The Continental share could not escape this development, falling 12% to the year's low so far of €32.13 on February 25. The preliminary results for 2009 published on February 23, 2010, were met very positively by market participants, with numerous analysts increasing their profit estimates for the current and next fiscal years and rating the share as a "buy". Thanks in part to this, the price recovered, closing first-quarter trading at €37.55.

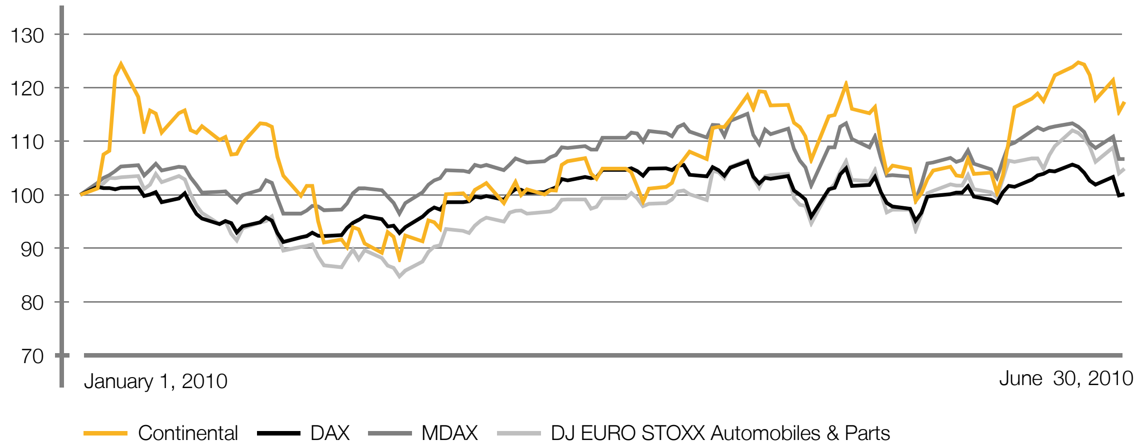
In response to the positive development of many economic indicators and the resulting anticipation of good company figures for the first quarter of 2010, the market commenced its upward trend through the end of April, bringing the DAX to its high for the year so far at 6,332 points on April 26. The Continental share was also able to continue its upward trend early in the second quarter. Investor and analyst response to key data for the first quarter published in advance for the Annual Shareholders' Meeting on April 28, 2010, was very positive, helping the share price to rise above the €40 mark.

Growing speculation regarding the possibility of payment default in Greece, together with market participants' fear of renewed destabilization of the financial system and, as consequence, a global cooling in the economic recovery resulted in the DAX surrendering the gains it had made, again dropping well below the 6,000 points mark. Despite Continental's good business figures, its share was also caught up in this trend. The mid-May downgrading of Continental's corporate credit rating by S&P also adversely affected the share price.

At the start of June, the €750 billion rescue package agreed upon by the EU finance ministers to stabilize the euro reawakened confidence amongst market participants. As a result, the DAX closed the first half of 2010 at nearly the same index level as on December 31, 2009 (5,966 points). The positive economic development also gave Continental the confidence early in June to raise its year-on-year growth target for sales to at least 10% for 2010. As a result of this and other factors, the Continental share greatly outperformed the DAX and MDAX, and closed at €42.78 on June 30, 2010, representing a 17% gain since the beginning of the year. The share thus outperformed the DAX and MDAX by 17 and 10 percentage points respectively. It also did very well in comparison to the European industrial index for the automotive industry, showing a 12 percentage points outperformance. The average daily trading volume in the first half of 2010 was 700,000 shares or 1.4% of the free float.

Early in July, the announcement that the second quarter had gone much better than initially expected, along with the corresponding improvement in the outlook for 2010 as a whole, brought about a further increase in the Continental share price. At times the price jumped over the €50 mark, reaching a new high for the year so far. The Continental share has thus been one of the top performers in the automotive sector since the beginning of the year.

Share Price Performance vs. Major Stock Indexes



Bond placed successfully
On July 5, 2010, Continental announced the issuance of a euro-denominated benchmark bond. Following a roadshow that was held for qualified investors in London, Frankfurt, Paris and Amsterdam, demand was sufficiently high to increase the initially targeted volume of at least €500 million to €750 million. The notes were issued by Conti-Gummi Finance B.V., Amsterdam, the Netherlands, and are guaranteed by Continental Aktiengesellschaft and certain of its subsidiaries. The coupon is 8.5% p.a. Interest is payable semi-annually in arrears, and the notes have a term of five years. The notes are listed on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and other stock exchanges. They bear the securities identification number (WKN) A1AY2A and the ISIN number DE000A1AY2A0. Net proceeds from the issue were used for early repayment of a portion of the syndicated loan taken up by Continental to finance the acquisition of Siemens VDO ("VDO loan") in the summer of 2007.

After successful placement of the eurobond with an aggregate principal amount of €750 million on July 9, 2010, and the resulting improvement in the debt maturity profile, Moody's rating agency raised Continental's credit rating to B1 (stable outlook). Trading of the new bond also took off strongly, with the bond quoting at 102.5% on the first day of trading (July 16).

Key Figures for the Continental Corporation

in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	12,654.4	9,063.2	6,657.7	4,761.2
EBITDA	1,824.3	697.2	936.0	447.7
in % of sales	14.4	7.7	14.1	9.4
EBIT	1,011.1	-126.2	516.7	38.8
in % of sales	8.0	-1.4	7.8	0.8
Net income attributable to the shareholders of the parent	348.9	-457.1	121.2	-189.8
Earnings per share (in €)	1.74	-2.70	0.61	-1.12
Adjusted sales[1]	12,577.5	8,969.4	6,622.4	4,711.8
Adjusted operating result (adjusted EBIT)[2]	1,306.1	248.7	701.4	285.4
in % of adjusted sales	10.4	2.8	10.6	6.1
Free cash flow	-43.9	689.8	319.3	1,256.5
Net indebtedness at June 30	8,016.9	9,746.6		
Gearing ratio in %	133.3	186.1		
Number of employees at June 30[3]	142,765	130,534		

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

Key Figures for the Core Business Areas

Automotive Group in € millions	January 1 to June 30		Second Quarter	
	2010	**2009**	**2010**	**2009**
Sales	7,858.9	5,359.1	4,088.6	2,837.8
EBITDA	950.3	173.9	477.9	127.8
in % of sales	12.1	3.2	11.7	4.5
EBIT	360.7	-440.7	178.4	-174.4
in % of sales	4.6	-8.2	4.4	-6.1
Depreciation and amortization[1]	589.6	614.6	299.5	302.2
Capital expenditure[2]	238.0	254.3	131.9	104.4
Operating assets (at June 30)	11,692.1	12,346.3		
Number of employees at June 30[3]	83,278	75,731		
Adjusted sales[4]	7,841.9	5,276.4	4,088.6	2,794.3
Adjusted operating result (adjusted EBIT)[5]	605.2	-110.1	305.3	35.8
in % of adjusted sales	7.7	-2.1	7.5	1.3

Rubber Group in € millions	January 1 to June 30		Second Quarter	
	2010	**2009**	**2010**	**2009**
Sales	4,806.6	3,710.4	2,574.7	1,926.8
EBITDA	912.9	546.5	497.0	331.4
in % of sales	19.0	14.7	19.3	17.2
EBIT	690.7	338.3	377.9	225.4
in % of sales	14.4	9.1	14.7	11.7
Depreciation and amortization[1]	222.2	208.2	119.1	106.0
Capital expenditure[2]	191.7	159.3	119.4	68.6
Operating assets (at June 30)	4,145.4	4,013.4		
Number of employees at June 30[3]	59,259	54,588		
Adjusted sales[4]	4,746.7	3,699.3	2,539.4	1,920.9
Adjusted operating result (adjusted EBIT)[5]	734.0	382.6	414.0	261.9
in % of adjusted sales	15.5	10.3	16.3	13.6

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Corporate Management Report as of June 30, 2010

Signing of the Luxembourg Declaration

At the start of May we signed the Luxembourg Declaration on Workplace Health Promotion in the European Union. By signing this declaration, Continental is emphasizing its corporate responsibility with regards to promoting occupational health and safety. Furthermore, it demonstrates that we share the principles contained in the declaration and place safety and health at work high on our agenda.

The Luxembourg Declaration was adopted by all members of the European Network for Workplace Health Promotion (ENWHP) in 1997 to foster health and occupational safety in the companies of member states and to encourage member states to attach greater importance to improving the health and well-being of people at work.

Production of conveyor belts launched in Brazil

At the end of April we opened a new production facility in Ponta Grossa, Brazil, for textile and steel cord conveyor belts. The new site boosts our presence on the South American market and brings us even closer to our customers. Brazil, by far the largest market, accounts for about 50% of total volume in South America. ContiTech's conveyor belt operations produce textile and steel cord conveyor belts on a production area of 5,000 m^2 with an annual capacity of 300 km conveyor belting.

Production of plastics started

We have started producing plastics at the Waltershausen plant in Germany. Plastic parts for charge air lines that previously had to be purchased are now manufactured using blow-molding technology at the plant. This allows ContiTech Fluid Technology to up its share of the value added chain and to combine its good market position for elastomer charge-air hoses with a forward-looking technology that generates a considerable benefit versus metal in terms of weight and cost.

Installation of machinery at new Hefei tire plant

Early in July 2010 we celebrated the start of machinery installation at the new car tire plant in Hefei, China, thus successfully completing the first phase of the project with a construction area of some 70,000 m^2. The new tire production site in China is part of Continental's expansion and growth strategy in Asia. The first locally-produced Continental tires are slated to hit the market in China early in 2011. In this first stage, the Hefei plant is striving for an annual output of four million car tires. In the long term, capacity is to be expanded to deal with the dynamic market growth, not only in China but throughout all of Asia as well.

Football sponsorship activities expanded

We are adding to our football sponsoring of the FIFA World Cup™ in South Africa in 2010 and in Brazil in 2014 by undertaking for the first time premium sponsorship of the DFB Cup and Major League Soccer in the U.S.A., and sponsorship of FC Bayern Munich. In doing so, we wish to put our commitment to pro football on a broader base, expand it further as the central communication platform at both international and regional level, and take a further step towards clearly positioning our Continental premium brand with a focus on safety and braking performance.

Continental equips Mercedes-Benz SLS AMG with tires

The new ContiSportContact 5 P, part of the portfolio of high-tech tires for sports cars and super sports cars since spring, received numerous original equipment approvals from various automakers even before its official production start, including approvals from Mercedes-Benz AMG for several of its cars, and in particular for its luxury SLS model. The tire offers more than just the ultra-high grip and handling performance that sports car drivers need. It also stands out for an extra wide margin of safety and handling properties well suited for every-day driving conditions. It was designed especially for the new vehicles in the super sports car category.

Premiere for new trailer tires

With the introduction of the newly developed HTL 2 ECO-PLUS long-distance trailer tire, we have completed the family of tire products for international long-distance haulage. The range was launched in 2009 and has been expanded successively since. Thanks to its high-tech carcass and the tread pattern designed especially for long-distance service, the trailer tire combines even better fuel-economy figures with considerably longer service life. It sets new standards in terms of cost efficiency and transport reliability.

New industrial radial tire

With the new ContiRT20 Performance, a radial tire, extremely heavy loads can be transported reliably at speeds of up to 50 km/h. The RT20 tire is ideal for forklifts and other industrial vehicles used in heavy industry and the construction materials industry, but it also performs impressively on in-plant transportation vehicles. The new tire's properties satisfy customers on all key expectations. For instance, the tread depth was increased to ensure that the tire lasts as long as possible, even under the harshest of conditions. In addition, the tread design provides reliable traction on unpaved and uneven surfaces. The tire was designed with an extremely low rolling resistance for low energy consumption without neglecting riding comfort.

Successful start of Conti360° Fleet Services

The new Conti360° Fleet Services have established a foothold faster than anticipated. They comprise all services having to do with tires for commercial vehicles, including the ContiFitmentService, the ContiBreakdownService and the ContiFleetCheck. In addition to being purchased, tires can also be obtained at a fixed cost per kilometer. The service center in Munich, Germany, started operations as scheduled. The service network includes the countries of Belgium, the Czech Republic, France, Germany, Italy, Poland, Spain, and UK. Austria and Switzerland will follow next year, along with the northern EU countries. Internal market leaders in the meantime are Germany and France, where the most new contracts have been concluded. There is an exceptionally positive trend in contracts being signed in Eastern Europe.

Emergency Steer Assist helps when there is no time left for braking

With Emergency Steer Assist, we are pursuing an entirely new approach to accident-prevention driver assistance systems. While systems in use today are restricted to intervening in the longitudinal dynamics, Emergency Steer Assist is the lateral dynamics complement to Emergency Brake Assist. If the driver of a vehicle traveling at high speed has gone beyond the last possible point where braking would have an effect, it may still be possible to avoid an accident through steering, or taking evasive action. Emergency Steer Assist can help drivers steer past an obstacle. It does this by accessing technologies which are already integrated into many vehicles. The lower the friction coefficient of the road surface (rain, snow) the greater the gap between the "braking" or the "evasion" options. This means that evasive action is still a possibility long after there is no more hope of avoiding the accident by emergency braking alone. The initial development stage is expected to reach production readiness in two to three years.

New driver assistance system helps at construction sites

As a partner to the AKTIV research initiative (Adaptive and Cooperative Technologies for Intelligent Traffic), we have developed a new driver assistance system, among other things. The construction site assist helps motorists to stay in their own lane when it is narrow and not clearly marked, or to brake in time in the case of traffic congestion. Thanks to the interplay between radar and camera technology, the system recognizes lane boundaries, as well as road users up ahead, at the same level, and swinging in or out ahead of the vehicle. In response, the system intuitively guides the motorist back to the center of the lane with feedback on the steering wheel, warns him of an impending front-end collision, and initiates active emergency braking if required.

Affordable start-stop systems for ultra-compact cars

Cars in the lower price segment are in particularly great demand in booming developing countries such as India or China. Here, a major challenge is to achieve reductions in fuel consumption and therefore also pollution emissions. Accordingly, we have developed a new control unit that makes it possible for vehicle manufacturers to also equip models of the ultra-compact category with an automatic start-stop system with little investment within a very short development time. When a vehicle with the system is at a standstill, for example in a traffic jam or at red traffic lights, the engine is automatically switched off and then restarted when the driver wants to move off again. As a result, we expect everyday fuel consumption in major cities to be reduced by as much as 15%. The new control unit is going to enter series production already in 2010 at its first Asian vehicle manufacturer.

Continental and Nokia simplify the use of mobile devices in the car

Together with Nokia we are working on a new process that makes it possible for the driver and passengers to show mobile phone applications (apps) unproblematically on a display in the car cockpit and to operate the app via the vehicle's control elements. This involves integrating a new protocol called Terminal Mode (TM) in vehicles and mobile electronic devices. In their cooperation, Continental and Nokia want to greatly improve the practical usability of services such as telephone, navigation, social networking and music in the car while at the same time making it easier for the driver to concentrate on his main task.

Joint FUEL project gets underway

Together with the automotive suppliers ZF Friedrichshafen and ads-tec, we have embarked on a joint project to develop production techniques for optimizing the pre-assembly and final assembly stages of lithium-ion battery modules in hybrid commercial vehicles. This joint project – FUEL or "Future goes Electric" – is being sponsored by the Federal Ministry of Education and Research as part of the German federal government's economic stimulus package II and the electromobility offensive. The objective of FUEL is to develop innovative manufacturing technologies and to apply them to the new lithium-ion batteries for trucks and buses. It is also intended to emphasize the German automotive industry's aspiration to secure for itself over the long term a global lead in the intensively competitive emerging market for hybrid and electric drive systems. Once the government-funded project comes to an end in the summer of 2011, further technical development of the results it has achieved will be pushed forward to the point of industrialization for a wide variety of customer projects with the aim of series production within Germany of electric vehicle batteries for commercial vehicles.

Electric powertrain for mass-produced vehicles

Starting in 2011, Continental will produce the first complete electric powertrain for a European carmaker's standard production vehicle. For this, we have invested €12 million in our plant in Gifhorn, Germany. The annual output is designed initially for up to 60,000 electric motors. With this step, Continental is putting into production the third key component for electromobility, the engine, in addition to the battery and power electronics.

Economic climate

The global economy has continued to stabilize. In view of the good economic development in the first half-year, the IMF (International Monetary Fund) raised its forecast for the year as a whole. It now expects a 4.6% (April: 4.3%) increase in economic activity. According to the IMF, the global economy was up more than 5% in the first quarter alone, driven primarily by growth in Asia. Many economic indicators (industrial production, trade, consumer confidence and employment figures) showed that the good trend of the first quarter continued in April and May. The forecast for the year was revised chiefly due to the improved growth prospects for the U.S.A. (3.3%; +0.2% vs. April), Japan (2.4%; +0.5% vs. April) and what the IMF refers to as emerging and developing economies (+6.8%; +0.5% vs. April). The IMF has left its economic growth forecast at 1.0% for the Eurozone in 2010. In its *World Economic Outlook Update* dated July 7, 2010, the IMF however states that the downside risks to its more upbeat projections for 2010 have risen sharply. The reason for this is renewed financial turbulence and the uncertainties as to the further course of action in the advanced economies after the ultra-expansive fiscal policy in 2009. For the year 2011, the IMF has left its global economic growth forecast unchanged at 4.3%.

Thanks to this positive economic development, the number of new light vehicle registrations was able to continue at the good level of the first quarter. Based on preliminary figures, more than 15.3 million new vehicles were registered in the triad markets of Europe, NAFTA and Japan (Q1 2010: 7.6 million) in the first half of the year, representing an increase of more than 9% compared to the figure for the first half of 2009. The good development in the first half of 2010 is attributable mainly to the increase in new vehicle registrations in the U.S.A. (+17%; Q1/2010: +16%) and Japan (+23%; Q1/2010: +24%), whereas the number of new registrations on the European market was up just 1% following the expiration of various state assistance measures (Q1/2010: +10%). In the first half-year, new registrations were up in the BRIC countries (Brazil, Russia, India, China), reaching 10.1 million vehicles (+35%; Q1/2010: +45%). In addition to the stable trend in new vehicle registrations in Brazil (+7%; Q1/2010: +17%) and India (+32%; Q1/2010: +31%), there is a boom on the Chinese market in particular, where new registrations rose 49% to more than 6.7

million units in the first half of 2010. The slowdown in growth compared to the first quarter of 2010 (+77%) is attributable primarily to baseline effects. In absolute terms, 300,000 fewer vehicles were sold to dealers in China than in the first quarter of 2010. On the Russian market, new vehicle registrations are experiencing a substantial revival thanks to the state assistance program which has been running since March. Registrations were up in the second quarter by nearly 39% (Q1/2010: -22%), resulting in an increase of 7.5% in the first half-year. The number of new vehicle registrations worldwide rose 17% to more than 35 million vehicles in the first half-year, after the market had still declined by nearly 17% in the first half of 2009.

In response to the strong development in new registrations, global light vehicle output also rose again substantially in the first six months compared to the same period of 2009 (24.8 million units) to nearly 35 million units (Q1/2010: 17.8 million), corresponding to an increase of more than 41%. Production was also up more than 34% to some 15 million units in the North American and European markets where Continental's Automotive Group generates some 77% of its sales, after sales had plummeted by as much as 40% in the previous year (H1/2009). In Japan, more than 4.2 million light vehicles were produced in the first half-year. This is equivalent to a 46% (Q1/2010: 53%) increase compared to the first quarter of 2009.

Given the very strong first half-year, the forecasts which had already been revised after the first quarter for light vehicle output in Europe (forecast April 2010: +2% to 17.1 million units) and in NAFTA (forecast April 2010: +26% to 10.7 million units) appear to be too low, as there is no sign at present of a substantial decrease in volumes for the rest of the year, except for the normal seasonal fluctuations. For that reason, we are increasing our full-year forecast for Europe by a further 600,000 vehicles to 17.7 million units (+6% vs. 2009) and for NAFTA also by a further 800,000 vehicles to 11.5 million units (+34% vs. 2009).

Heavy vehicle production is picking up once again. Due to the low basis of the previous year (H1 2009 vs. H1 2008: Europe -65% and NAFTA -50%), commercial vehicle output increased in the first half of 2010 in Europe and North America by 29% and 17% respectively. In line with current forecasts, we expect substantially higher growth for the year on the whole, albeit from a low level. Accordingly, a 46% rise (381,000 units) in truck production in Europe and a 17% rise (253,000 units) in NAFTA are anticipated.

Trends on the tire replacement markets continued to be very positive in the first half of 2010. Demand rose for replacement passenger tires by 11% in Europe and by 10% in North America compared to the first half of 2009. This rise was due mainly to the comparably low level of the previous year since the tire replacement markets in Europe and North America had nosedived by 11% and 12% respectively in the first half of 2009. In view of this gratifying development, we are also increasing our forecast for both of the tire replacement markets to between +4% and +6%.

Demand for replacement truck tires also developed positively in the first half of 2010, rising 27% in Europe and nearly 28% in North America. This substantial increase was due in particular also to the low level of the previous year. It was not, however, possible to match the volume levels of 2008. For the year, though, we are sticking with our original forecast of +9% for the European truck tire replacement market due to the substantial recovery that started the second half of 2009, but are raising our forecast for the North American truck tire replacement market to 16% (April: 8%).

Earnings, Financial and Net Assets Position of the Continental Corporation

Earnings Position

Sales up 39.6%;
Sales up 36.4% before changes in the scope of consolidation and exchange rate effects

Consolidated sales for the first six months of 2010 jumped 39.6% year-on-year to €12,654.4 million (PY: €9,063.2 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 36.4%. This increase resulted primarily from the recovery of our markets compared to the first half of 2009, when the lowest sales figures during the global economic crisis were posted.

Adjusted EBIT up €1,057.4 million

The adjusted EBIT for the corporation was up in the first six months of 2010 compared with the same period of 2009 by €1,057.4 million, or 425.2%, to €1,306.1 million (PY: €248.7 million), equivalent to 10.4% (PY: 2.8%) of adjusted sales.

EBIT up €1,137.3 million

In the first half of 2010, consolidated EBIT was up €1,137.3 million on the previous year to €1,011.1 million (PY: -€126.2 million), an increase of 901.2%. The return on sales increased to 8.0% (PY: -1.4%).

Special effects in the first half of 2010

In the first half of 2010, there was a gain of €0.5 million in the Chassis & Safety division from the reversal of a previous impairment charge. Impairment losses totaling €7.8 million were recognized in the Powertrain division.

In the Interior division, expenses of €4.9 million were recognized in the first half of 2010 for further winding-up activities in conjunction with the disposal of a business operation. There was a gain of €2.1 million in the Interior division and a tax expense of the same amount for the corporation resulting from the winding-up activities related to the disposal of an associated company.

In the Passenger and Light Truck Tires division, there were further restructuring expenses of €6.0 million for the closure of tire production in Clairoix, France.

Due to plummeting demand for commercial vehicles in Europe as a result of the economic crisis, Continental had to reduce production capacities at all European commercial vehicle tire locations in 2009. A production cell that had been put on hold in Hanover-Stöcken, Germany, was ultimately not put back into operation on account of the weak market recovery. This led to further restructuring expenses totaling €32.0 million in the first half of 2010.

There were also expenses amounting to €18.5 million, primarily from restructuring measures and severance payments (Chassis & Safety €2.1 million, Powertrain €6.7 million, Interior €2.1 million, Passenger and Light Truck Tires €4.5 million, Commercial Vehicle Tires €0.7 million, ContiTech €2.1 million, Holding €0.3 million).

In the Commercial Vehicle Tires division, income of €3.2 million was realized as an aftereffect of the sale of our North American OTR activities to the Titan Tire Corporation in 2006.

Due to the anticipated higher cash outflow for the VDO loan resulting from higher interest margins, the carrying amount was adjusted as expense in 2009, as well as in June 2010. These deferrals are being amortized over the term of the loan and reduce expenses accordingly, thus leading to an expense of €27.4 million in the first half of 2010 for the carrying amount adjustment, which was partially offset by a positive effect from amortization totaling €20.5 million.

Total consolidated net expense from special effects in the first half of 2010 amounted to €70.3 million.

Special effects in the first half of 2009

In the Interior division, the product portfolio was reviewed in 2008 in conjunction with the acquisition of Siemens VDO, and business sections in the non-OE sector were identified that are not part of our core business. The sale process was initiated for one of these business sections already in 2008, leading to recognition of further impairment losses in the amount of €2.4 million in 2009.

The associate Hyundai Autonet Co. Ltd., Kyoungki-do, South Korea, of the Interior division was sold at a price of €126.6 million. The transaction resulted in recognition of impairment losses in the amount of €73.6 million.

The closure and transfer of Western European locations of the Fluid Technology business unit in the

ContiTech division led to restructuring expenses of €25.6 million in the first half of 2009.

The antitrust proceedings initiated in 2007 against Dunlop Oil & Marine Ltd., UK, a subsidiary of ContiTech AG, in the area of offshore hoses, resulted in further expenses of €1.2 million.

For the ContiTech division, the first consolidation of the conveyor belt company Kolubara Univerzal D.O.O. led to a gain of €0.7 million from the negative balance.

In addition, the Automotive Group incurred expenses, chiefly from restructuring measures, totaling €5.2 million in the first six months of 2009.

The Rubber Group incurred expenses totaling €3.4 million in the first half of 2009, primarily from restructuring measures.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments of €36.2 million.

Total consolidated net expense from special effects in the first half of 2009 amounted to €146.9 million.

Research and development expenses

In the first half of 2010, research and development expenses rose by 3.3% compared with the same period of 2009 to €754.4 million (PY: €730.6 million), representing 6.0% (PY: 8.1%) of sales. Of that sum, €640.9 million (PY: €619.2 million) was attributable to the Automotive Group, corresponding to 8.2% (PY: 11.6%) of sales, and €113.5 million (PY: €111.4 million) to the Rubber Group, corresponding to 2.4% (PY: 3.0%) of sales.

Net interest expense

At -€321.9 million, net interest expense improved slightly by €7.3 million in the first half of 2010 compared with the same period of last year (PY: -€329.2 million). This decrease was due, among other things, to (mostly non-cash) effects of exchange rate changes, as well as effects from changes in the fair value of derivative instruments which, at €19.1 million, were €11.5 million up on the previous year's figure of €7.6 million. For the first six months of 2010, interest income was €11.9 million (PY: €15.7 million). Interest expense, which was due primarily to the utilization of the VDO loan with a current committed volume of €9,916.9 million, rose only slightly by €0.4 million year-on-year to -€352.9 million (PY: -€352.5 million).

The main reason for the interest expense being nearly on par with the previous year's figure is the higher margins for the VDO loan compared to the previous year as a consequence of the deterioration in the credit rating over the course of 2009. This negative impact could be almost fully offset by the lower market interest rate and the substantial reduction in net indebtedness. The latter resulted primarily from the capital increase which was implemented successfully in January 2010, and from the very strong free cash flow at the end of 2009. The higher margins were mainly attributable to the renegotiation in December 2009 of the covenants contained in the VDO loan agreement. In addition, net interest expense was also negatively impacted in the first half of 2010 by additional expenses for financing in connection with the aforementioned renegotiation of the loan covenants.

Income tax expense

Income tax expense in the first six months of 2010 amounted to €303.2 million (PY: income of €13.2 million).

Tax expense in the period under review was influenced primarily by the €88.0 million valuation allowance of deferred tax assets resulting from interest carryforwards in Germany. The valuation allowance included both the interest carryforwards from 2009 measured at the relevant tax rate totaling €68.9 million as well as increases of the year under review amounting to €19.1 million in full, taking into account tax planning options. Utilization of the interest carryforwards does not appear to be sufficiently probable at this point in time, in view of the rating downgrade of Continental AG in May 2010 in particular, together with higher interest margins on existing loans, as well as the resulting future increases in interest burden from the issuance of the eurobond with an aggregate principal amount of €750.0 million in July 2010.

Tax expense in the first half of 2009 was influenced primarily by the valuation allowance of deferred tax assets on tax loss and interest carryforwards in an amount of €107.0 million in Germany. This was necessary because, according to the opinion of the German finance authorities, a harmful change of shareholder already occurred according to Section 8c of the *Körperschaftsteuergesetz* (German Corporate Tax Law) since, with the acquisition of shares by Schaeffler KG in 2008, the 25% threshold was exceeded. Continental does not agree with this interpretation of the law and has already appealed the decision in a test case.

Since 2008, a limit on the deductible interest that can be carried forward has applied in Germany. The amount deductible under the tax law is limited to 30% of the taxable income before write-downs and interest.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent was up 176.3% to €348.9 million (PY: -€457.1 million), with earnings per share higher at €1.74 (PY: -€2.70).

Development of the Continental Corporation

in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	12,654.4	9,063.2	6,657.7	4,761.2
EBITDA	1,824.3	697.2	936.0	447.7
in % of sales	14.4	7.7	14.1	9.4
EBIT	1,011.1	-126.2	516.7	38.8
in % of sales	8.0	-1.4	7.8	0.8
Net income attributable to the shareholders of the parent	348.9	-457.1	121.2	-189.8
Earnings per share (in €)	1.74	-2.70	0.61	-1.12
Research and development expenses	754.4	730.6	379.4	344.1
Depreciation and amortization[1]	813.2	823.4	419.3	408.9
Capital expenditure[2]	430.1	413.7	252.0	173.9
Operating assets (at June 30)	15,786.0	16,402.6		
Number of employees at June 30[3]	142,765	130,534		
Adjusted sales[4]	12,577.5	8,969.4	6,622.4	4,711.8
Adjusted operating result (adjusted EBIT)[5]	1,306.1	248.7	701.4	285.4
in % of adjusted sales	10.4	2.8	10.6	6.1
Net indebtedness at June 30	8,016.9	9,746.6		
Gearing ratio in %	133.3	186.1		

1 Excluding write-downs of investments.
2 Capital expenditure on property, plant, equipment and software.
3 Excluding trainees.
4 Before changes in the scope of consolidation.
5 Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Financial Position

Cash flow

At €383.0 million, net cash flow from operating activities as of June 30, 2010, was €614.6 million lower than on June 30, 2009 (€997.6 million).

In the first half of 2010, free cash flow stood at -€43.9 million (PY: €689.8 million), down €733.7 million on the same period of 2009.

For the first two quarters of 2010, EBIT amounted to €1,011.1 million (PY: -€126.2 million), which corresponds to a year-on-year increase of €1,137.3 million. This effect, however, was more than offset by the increase in operating working capital due to the improved sales situation, which led to a cash outflow of €1,355.7 million measured against the same period of 2009. Compared to the first half of 2009, this increase in working capital, which had an effect on cash and cash equivalents, resulted primarily from a €1,000.3 million increase in operating receivables.

Since in the period under review there were no effects comparable to the refunds effected from Contractual Trust Arrangements (CTAs) in the first two quarters of 2009 totaling €112.1 million, changes in pension provisions resulted in a decrease of €107.2 million to €26.9 million (PY: €134.1 million). Tax payments, which rose €181.9 million to €228.4 million (PY: €46.5 million), also had a negative impact compared with the same period of 2009.

In the first half of 2010, total cash outflows amounting to €426.9 million (PY: €307.8 million) resulted from investment activities. In the period under review, there was no single positive effect comparable to the cash flow of €126.6 million provided by the sale of the associate Hyundai Autonet Co., Ltd. in June 2009.

Financing

At €8,016.9 million, net indebtedness for the corporation on June 30, 2010, was €878.6 million lower than on December 31, 2009, and €1,729.7 million lower than on June 30, 2009 (€9,746.6 million). This reduction in net indebtedness was attributable mainly to the capital increase, which was implemented successfully in January 2010 and led to net proceeds of €1,056.0 million (before tax effects), as well as to the very strong free cash flow at the end of 2009. The resulting strengthening of the company's capital base, in conjunction with the reduction of net indebtedness, produced a significant year-on-year improvement in the gearing ratio which amounted to 133.3% on June 30, 2010 (PY: 186.1%).

As of June 30, 2010, the VDO loan had been drawn on by Continental AG and Continental Rubber of America, Corp. (CRoA), Wilmington, U.S.A., in a nominal amount of €7,685.4 million (PY: €10,145.3 million). With the repayment of tranche A due in August 2009 (nominal amount of €800.0 million) and the partial repayment of tranche B in the first half of 2010, the total committed amount of this loan as of June 30, 2010, decreased to €9,916.9 million (PY: €11,800.0 million). In accordance with the agreement, the net proceeds from the capital increase (before tax effects) in January 2010 and from the sale of companies were used for the partial repayment of tranche B due in August 2010, which had been drawn upon in an amount of €2,416.9 million (PY: €3,500.0 million) as of the end of June. With the capital increase, Continental has fulfilled the condition for the provision of a forward start facility (FSF) with a maximum volume of €2,500.0 million for the refinancing of tranche B in August 2010. This condition was part of the refinancing package concluded successfully in December 2009 to improve the financial and capital structure. For tranche C with a nominal value of €5,000.0 million due in August 2012, there were interest hedges at the end of June 2010 amounting to €3,125.0 million (PY: €3,125.0 million). The resulting average fixed interest rate to be paid is 4.19% (PY: 4.19%) plus margin. For the loan issued by the European Investment Bank (EIB) for an original amount of €600.0 million, early partial repayments totaling €300.0 million were undertaken in March 2009, August 2009 and January 2010. The nominal amount of the EIB loan drawn thus decreased to €300.0 million.

The rating was again downgraded in May 2010, resulting in an increase in the interest margins. Due to the anticipated higher cash outflows for the VDO loan, the carrying amount was adjusted by a further €27.4 million in the second quarter of 2010. On June 30, 2010, the value of the carrying amount adjustments made in 2009 and 2010 totaled €71.4 million. This deferral will be amortized over the term of the VDO loan, and reduces expenses accordingly.

As of June 30, 2010, Continental had at its disposal liquidity reserves totaling €3,827.1 million (PY: €4,024.7 million), consisting of cash and cash equivalents of €1,239.4 million (PY: €2,000.5 million) as well as unused credit lines totaling €2,587.7 million (PY: €2,024.2 million).

Capital expenditure (additions)

In the first two quarters of 2010, €430.1 million (PY: €413.7 million) was invested in property, plant, equipment and software, €0.1 million (PY: €0.0 million) of which resulted from the capitalization of borrowing costs. This corresponds to a capital expenditure ratio after six months of 3.4% (PY: 4.6%).

€238.0 million (PY: €254.3 million) of the investments was attributable to the Automotive Group, corresponding to 3.0% (PY: 4.7%) of sales.

The Automotive Group invested primarily in production equipment for the manufacture of new products and the implementation of new technologies such as electronic brake and safety systems as well as engine and transmission control units, with investment being focused on manufacturing capacities at best-cost locations.

Change in net indebtedness

	January 1 to June 30		Second Quarter	
in € millions	**2010**	**2009**	**2010**	**2009**
Cash provided by operating activities	383.0	997.6	579.0	1,292.9
Cash used for investing activities	-426.9	-307.8	-259.7	-36.4
Cash flow before financing activities (free cash flow)	**-43.9**	**689.8**	**319.3**	**1,256.5**
Dividends paid and repayment of capital to non-controlling interests	-22.1	-7.4	-21.2	-1.4
Proceeds from the issuance of shares	1,056.0	—	-0.8	—
Non-cash changes	-54.2	25.7	-33.2	10.0
Other	-23.0	29.4	-20.5	-1.5
Foreign exchange effects	-34.2	-0.6	-28.6	31.3
Change in net indebtedness	**878.6**	**736.9**	**215.0**	**1,294.9**

The Rubber Group invested €191.7 million (PY: €159.3 million), which is equivalent to 4.0% (PY: 4.3%) of sales. Key investment priorities were the plant set-up in China, capacity expansions for car tire production at our South American and European plants, as well as quality assurance and cost-cutting measures. ContiTech invested in rationalizing production processes and in new products. Production capacities in China, Hungary and Romania were expanded.

Net Assets Position

At €24,485.9 million, total assets on June 30, 2010, were €224.6 million higher than on the same date in 2009 (€24,261.3 million). This increase was due primarily to higher inventories and trade accounts receivable totaling €1,858.6 million as a result of the increasing business activities. Deferred tax assets were up by €283.7 million. This was offset by the decrease in goodwill at €751.8 million, due particularly to the impairment in the fall of 2009, as well as by the other intangible assets at €363.6 million, owing primarily to amortization from PPA. The decline in cash and cash equivalents of €761.1 million was a result of the decrease in debt and other factors.

At €6,013.9 million, total equity including non-controlling interests was up €775.5 million compared with June 30, 2009. The proceeds from the capital increase in January 2010 of €1,073.3 million, taking into account the issuing costs and the corresponding tax effects and positive exchange rate effects totaling €502.1 million, offset the negative net income attributable to the shareholders of the parent of €843.2 million. The gearing ratio improved from 186.1% to 133.3%.

Total assets were up €1,436.7 million compared with December 31, 2009. This was due mainly to a €1,583.4 million rise in inventories and amounts receivable as a result of seasonal factors and the increasing business activities. Conversely, the reduction in cash and cash equivalents brought total assets down by €473.4 million.

Total equity including non-controlling interests was up €1,952.2 million compared with the end of 2009, due primarily to the proceeds from the capital increase, positive exchange rate effects of €510.7 million, and the net income attributable to the shareholders of the parent of €348.9 million. The gearing ratio improved from 219.0% to 133.3%.

Employees

At the end of the second quarter, the corporation's employees numbered 142,765, an increase of 8,331 compared with the end of 2009. Growth in volumes, above all in the Automotive Group and the ContiTech division, led to workforce increases of 5,248 and 2,840 respectively. The number of employees working for the Tire divisions rose by 236 as a result of capacity adjustments.

Compared with the reporting date for 2009, there were 12,231 more employees in the corporation.

Development of the Divisions

Chassis & Safety in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	2,827.4	1,916.1	1,473.0	1,049.4
EBITDA	469.3	222.0	239.7	153.3
in % of sales	16.6	11.6	16.3	14.6
EBIT	309.2	56.4	160.2	71.0
in % of sales	10.9	2.9	10.9	6.8
Depreciation and amortization[1]	160.1	165.6	79.5	82.3
Capital expenditure[2]	69.8	61.8	39.4	30.9
Operating assets (at June 30)	4,051.8	4,143.1		
Number of employees at June 30[3]	28,875	25,601		
Adjusted sales[4]	2,827.4	1,913.1	1,473.0	1,047.9
Adjusted operating result (adjusted EBIT)[5]	337.7	88.1	174.6	87.7
in % of adjusted sales	11.9	4.6	11.9	8.4

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Chassis & Safety

Sales volumes

Sales volumes in the Electronic Brake Systems business unit jumped year-on-year by 52.6% to 8.3 million units in the first half of 2010.

In the Hydraulic Brake Systems business unit, sales of brake boosters were up 48.9% to 7.7 million units. Brake caliper sales rose to 16.0 million units, equivalent to an increase of 41.3%.

In the Passive Safety & Advanced Driver Assistance Systems business unit, sales of air bag control units increased by 21.4% to 6.4 million units. Sales of driver assistance systems soared to 455,100 units, an increase of 105.2%.

Sales up 47.6%;
Sales up 44.0% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division rose by 47.6% to €2,827.4 million in the first six months of 2010 compared with the same period of 2009 (PY: €1,916.1 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 44.0%. The increase was the result of the recovery of all business units. Moreover, the first half of 2009 had been hit the hardest by the global economic crisis.

Adjusted EBIT up €249.6 million

The Chassis & Safety division's adjusted EBIT rose in the first six months of 2010 compared with the same period of 2009 by €249.6 million, or 283.3%, to €337.7 million (PY: €88.1 million), equivalent to 11.9% (PY: 4.6%) of adjusted sales.

EBIT up €252.8 million

Compared with the same period of last year, the Chassis & Safety division reported an increase in EBIT of €252.8 million, or 448.2%, to €309.2 million (PY: €56.4 million) in the first half of 2010. The return on sales increased to 10.9% (PY: 2.9%).

Special effects in the first half of 2010

In the first half of 2010, the Chassis & Safety division incurred expenses for restructuring measures and severance payments totaling €2.1 million.

In the first half of 2010, there was a gain of €0.5 million from the reversal of a previous impairment charge.

For the Chassis & Safety division, the total net expense from special effects amounted to €1.6 million in the first half of 2010.

Special effects in the first half of 2009

Unutilized provisions of €1.6 million were reversed in the Chassis & Safety division as part of the winding-up of restructuring activities at the plant in Dortmund, Germany.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €6.7 million in the first half of 2009.

The total net expense from special effects in the first half of 2009 amounted to €5.1 million for the Chassis & Safety division.

Powertrain in € millions	January 1 to June 30		Second Quarter	
	2010	**2009**	**2010**	**2009**
Sales	2,310.3	1,487.5	1,204.8	797.0
EBITDA	176.2	-31.9	92.8	5.4
in % of sales	7.6	-2.1	7.7	0.7
EBIT	-43.7	-252.7	-22.1	-102.4
in % of sales	-1.9	-17.0	-1.8	-12.8
Depreciation and amortization[1]	219.9	220.8	114.9	107.8
Capital expenditure[2]	97.5	127.9	48.5	49.8
Operating assets (at June 30)	3,215.2	3,662.9		
Number of employees at June 30[3]	25,676	23,102		
Adjusted sales[4]	2,293.3	1,452.9	1,204.8	778.7
Adjusted operating result (adjusted EBIT)[5]	58.4	-146.3	36.4	-44.3
in % of adjusted sales	2.5	-10.1	3.0	-5.7

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Powertrain

Sales volumes

Thanks to the continuing positive trend in all sales markets, it was possible to up sales by more than 50% in the first half of 2010 compared to the same period of 2009, with above-average growth being achieved in Asia. All of the Powertrain division's business units were able to increase their sales volumes, with transmission control units, injection pumps and nitrogen oxide sensors recording exceptionally high growth rates.

Sales up 55.3%;

Sales up 54.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division rose by 55.3% to €2,310.3 million in the first six months of 2010 compared with the same period of 2009 (PY: €1,487.5 million). Before changes in the scope of consolidation and exchange rate effects, the increase was 54.7%, due primarily to the substantial recovery of the markets compared to the first half of 2009.

Adjusted EBIT up €204.7 million

The Powertrain division's adjusted EBIT was up in the first six months of 2010 compared with the same period of 2009 by €204.7 million, or 139.9%, to €58.4 million (PY: -€146.3 million), equivalent to 2.5% (PY: -10.1%) of adjusted sales.

EBIT up €209.0 million

Compared with the same period of last year, the Powertrain division reported an increase in EBIT of €209.0 million, or 82.7%, to -€43.7 million (PY: -€252.7 million) in the first half of 2010. The return on sales increased to -1.9% (PY: -17.0%).

Special effects in the first half of 2010

In the first half of 2010, the Powertrain division incurred expenses for restructuring measures and severance payments totaling €6.7 million.

Impairment losses totaling €7.8 million were recognized in the Powertrain division.

For the Powertrain division, the total net expense from special effects in the first half of 2010 amounted to €14.5 million.

Special effects in the first half of 2009

In the first six months of 2009, the Powertrain division incurred expenses totaling €5.9 million, primarily from restructuring measures.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments of €7.8 million.

The total net expense from special effects in the first half of 2009 amounted to €13.7 million for the Powertrain division.

Interior in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	2,776.8	2,004.3	1,436.5	1,013.7
EBITDA	304.8	-16.2	145.3	-30.9
in % of sales	11.0	-0.8	10.1	-3.0
EBIT	95.2	-244.4	40.3	-143.0
in % of sales	3.4	-12.2	2.8	-14.1
Depreciation and amortization[1]	209.6	228.2	105.0	112.1
Capital expenditure[2]	70.7	64.5	44.0	23.7
Operating assets (at June 30)	4,425.2	4,540.2		
Number of employees at June 30[3]	28,727	27,028		
Adjusted sales[4]	2,776.8	1,959.2	1,436.5	990.0
Adjusted operating result (adjusted EBIT)[5]	209.1	-51.9	94.3	-7.6
in % of adjusted sales	7.5	-2.6	6.6	-0.8

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Interior

Sales volumes

Sales volumes in the Body & Security business unit rose for all product groups in the first half-year of 2010. Particularly high increases were achieved for tire information systems, fuel pump electronics, and in the battery & energy management business.

Quantities of digital tachographs rose only slightly in the Commercial Vehicles & Aftermarket business unit.

In the Infotainment & Connectivity business unit, sales volumes of audio components, connectivity systems and multimedia systems were up, thanks in particular to the positive development in sales to our U.S. customers.

In the Instrumentation & Driver HMI business unit, sales of instrument clusters and displays were substantially higher than in the previous year.

Sales up 38.5%;
Sales up 36.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division rose by 38.5% to €2,776.8 million in the first six months of 2010 compared with the same period of 2009 (PY: €2,004.3 million). Before changes in the scope of consolidation and exchange rate effects, the increase was 36.7%, which resulted primarily from the substantial recovery of the markets compared to the first half of 2009.

Adjusted EBIT up €261.0 million

The Interior division’s adjusted EBIT was up in the first six months of 2010 compared with the same period of 2009 by €261.0 million, or 502.9%, to €209.1 million (PY: -€51.9 million), equivalent to 7.5% (PY: -2.6%) of adjusted sales.

EBIT up €339.6 million

Compared with the same period of last year, the Interior division reported an increase in EBIT of €339.6 million, or 139.0%, to €95.2 million (PY: -€244.4 million) in the first half of 2010. The return on sales increased to 3.4% (PY: -12.2%).

Special effects in the first half of 2010

In the Interior division, expenses of €4.9 million were recognized in the first half of 2010 for further winding-up activities in conjunction with the disposal of a business operation. There was a gain of €2.1 million and a tax expense of the same amount for the corporation resulting from the winding-up activities related to the disposal of an associated company.

In addition, there were further restructuring expenses and severance payments totaling €2.1 million.

For the Interior division, the total net expense from special effects in the first half of 2010 amounted to €4.9 million.

Special effects in the first half of 2009

In the Interior division, the product portfolio was reviewed in 2008 in conjunction with the acquisition of Siemens VDO, and business sections in the non-OE sector were identified that are not part of our core business. The sale process was initiated for one of these business sections in 2008, leading to recognition of further impairment losses in the amount of €2.4 million.

The associate Hyundai Autonet Co. Ltd., Kyoungki-do, South Korea, was sold at a price of €126.6 million. The transaction led to a recognition of impairment losses in the amount of €73.6 million.

In the first six months of 2009, expenses totaling €0.9 million were incurred, primarily from restructuring measures.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments of €9.7 million.

The total net expense from special effects in the first half of 2009 amounted to €86.6 million for the Interior division.

Passenger and Light Truck Tires in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	2,777.9	2,115.2	1,494.9	1,118.1
EBITDA	621.4	399.0	347.2	249.0
in % of sales	22.4	18.9	23.2	22.3
EBIT	501.3	282.8	286.6	190.8
in % of sales	18.0	13.4	19.2	17.1
Depreciation and amortization[1]	120.1	116.2	60.6	58.2
Capital expenditure[2]	131.2	92.1	88.4	36.3
Operating assets (at June 30)	2,411.9	2,367.0		
Number of employees at June 30[3]	27,430	25,935		
Adjusted sales[4]	2,737.1	2,116.7	1,472.4	1,118.8
Adjusted operating result (adjusted EBIT)[5]	509.8	296.8	290.2	199.9
in % of adjusted sales	18.6	14.0	19.7	17.9

1 Excluding write-downs of investments.
2 Capital expenditure on property, plant, equipment and software.
3 Excluding trainees.
4 Before changes in the scope of consolidation.
5 Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Passenger and Light Truck Tires

Sales volumes

In the Passenger and Light Truck Tires division, year-on-year sales volumes in all regions and business units saw strong double-digit percentage growth in the first six months of 2010, with the most significant increase being reported by the Original Equipment business unit.

In the Replacement Business, growth was highest in The Americas and Europe business units. The revival of the markets was reflected in the sales figures for all units.

Sales up 31.3%;
Sales up 25.7% before changes in the scope of consolidation and exchange rate effects

Sales of the Passenger and Light Truck Tires division rose by 31.3% to €2,777.9 million in the first six months of 2010 compared with the same period of 2009 (PY: €2,115.2 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 25.7%.

Adjusted EBIT up €213.0 million

The Passenger and Light Truck Tires division's adjusted EBIT rose in the first six months of 2010 compared with the same period of 2009 by €213.0 million, or 71.8%, to €509.8 million (PY: €296.8 million), equivalent to 18.6% (PY: 14.0%) of adjusted sales.

EBIT up €218.5 million

Compared with the same period of last year, the Passenger and Light Truck Tires division reported an increase in EBIT of €218.5 million, or 77.3%, to €501.3 million (PY: €282.8 million) in the first half of 2010. The return on sales increased to 18.0% (PY: 13.4%).

Special effects in the first half of 2010

In the Passenger and Light Truck Tires division, there were restructuring-related expenses and severance payments totaling €10.5 million in the first half of 2010, €6.0 million of which was attributable to the closure of tire production in Clairoix, France.

Special effects in the first half of 2009

In the first six months of 2009, the Passenger and Light Truck Tires division incurred expenses totaling €3.8 million, primarily from restructuring measures.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments of €8.4 million in the Passenger and Light Truck Tires division.

The total net expense from special effects in the first half of 2009 amounted to €12.2 million for the Passenger and Light Truck Tires division.

Commercial Vehicle Tires in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	630.6	477.8	349.8	239.8
EBITDA	47.0	27.6	21.1	20.7
in % of sales	7.5	5.8	6.0	8.6
EBIT	-7.5	-14.0	-13.4	-0.3
in % of sales	-1.2	-2.9	-3.8	-0.1
Depreciation and amortization[1]	54.5	41.6	34.5	21.0
Capital expenditure[2]	18.8	21.1	10.0	10.0
Operating assets (at June 30)	647.4	651.4		
Number of employees at June 30[3]	6,910	7,434		
Adjusted sales[4]	618.9	476.3	343.0	239.1
Adjusted operating result (adjusted EBIT)[5]	24.2	-13.2	17.0	0.0
in % of adjusted sales	3.9	-2.8	5.0	0.0

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Commercial Vehicle Tires

Sales volumes

Following a very weak 2009 characterized by plummeting demand, the first half of 2010 saw a substantial revival of the markets, causing sales figures to be higher than those for the same period last year, but still below the comparative values for 2008. All business units outperformed the previous year by double digit percentages.

Sales up 32.0%;
Sales up 24.6% before changes in the scope of consolidation and exchange rate effects

Sales of the Commercial Vehicle Tires division rose by 32.0% to €630.6 million in the first six months of 2010 compared with the same period of 2009 (PY: €477.8 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 24.6%.

Adjusted EBIT up €37.4 million

The Commercial Vehicle Tires division's adjusted EBIT rose in the first six months of 2010 compared with the same period of 2009 by €37.4 million, or 283.3%, to €24.2 million (PY: -€13.2 million), equivalent to 3.9% (PY: -2.8%) of adjusted sales.

EBIT up €6.5 million

Compared with the same period of last year, the Commercial Vehicle Tires division reported an increase in EBIT of €6.5 million, or 46.4%, to -€7.5 million (PY: -€14.0 million) in the first half of 2010. The return on sales improved to -1.2% (PY: -2.9%).

Special effects in the first half of 2010

Due to plummeting demand for commercial vehicles in Europe as a result of the economic crisis, Continental had to reduce production capacities at all European commercial vehicle tire locations in 2009. A production cell that had been put on hold in Hanover-Stöcken, Germany, was ultimately not put back into operation on account of the weak market recovery. This led to further restructuring expenses totaling €32.0 million in the first half of 2010.

In the Commercial Vehicle Tires division, income of €3.2 million was realized as an aftereffect of the sale of our North American OTR activities to the Titan Tire Corporation in 2006.

In the first half of 2010, the Commercial Vehicle Tires division incurred expenses for severance payments totaling €0.7 million.

For the Commercial Vehicle Tires division, the total net expense from special effects in the first half of 2010 amounted to €29.5 million.

Special effects in the first half of 2009

Unutilized provisions of €0.2 million were reversed in the Commercial Vehicle Tires division during the first half of 2009 as part of the winding-up of restructuring activities at the plant in Alor Gajah, Malaysia.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments of €0.9 million.

The total net expense from special effects in the first half of 2009 amounted to €0.7 million for the Commercial Vehicle Tires division.

ContiTech in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	1,477.7	1,157.0	775.4	588.3
EBITDA	244.4	119.9	128.6	61.7
in % of sales	16.5	10.4	16.6	10.5
EBIT	196.9	69.5	104.7	34.9
in % of sales	13.3	6.0	13.5	5.9
Depreciation and amortization[1]	47.5	50.4	23.9	26.8
Capital expenditure[2]	41.8	46.1	21.2	22.4
Operating assets (at June 30)	1,086.0	995.0		
Number of employees at June 30[3]	24,919	21,219		
Adjusted sales[4]	1,470.3	1,145.9	769.4	582.4
Adjusted operating result (adjusted EBIT)[5]	200.0	99.1	106.8	62.1
in % of adjusted sales	13.6	8.6	13.9	10.7

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.
[4] Before changes in the scope of consolidation.
[5] Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

ContiTech
Sales up 27.7%;
Sales up 26.1% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division rose year-on-year by 27.7% to €1,477.7 million in the first six months of 2010 (PY: €1,157.0 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 26.1%. This increase occurred in all business units and resulted primarily from the recovery of the auto markets, but also from the division's non-automotive business. Automotive original equipment sales rose some 47%, automotive replacement sales roughly 19%, and non-automotive business sales by approximately 10%.

Adjusted EBIT up €100.9 million

The ContiTech division's adjusted EBIT was up in the first six months of 2010 compared with the same period of 2009 by €100.9 million, or 101.8%, to €200.0 million (PY: €99.1 million), equivalent to 13.6% (PY: 8.6%) of adjusted sales.

EBIT up €127.4 million

Compared with the same period of last year, the ContiTech division reported an increase in EBIT of €127.4 million, or 183.3%, to €196.9 million (PY: €69.5 million) in the first half of 2010. The return on sales increased to 13.3% (PY: 6.0%).

Special effects in the first half of 2010

For the ContiTech division, the total net expense from special effects in the first half of 2010 amounted to €2.1 million.

Special effects in the first half of 2009

The closure and transfer of Western European locations of the ContiTech division's Fluid Technology business unit led to restructuring expenses of €25.6 million in the first half of 2009.

The antitrust proceedings initiated in 2007 against Dunlop Oil & Marine Ltd., UK, a subsidiary of ContiTech AG, in the area of offshore hoses, resulted in further expenses of €1.2 million.

The first consolidation of the conveyor belt company Kolubara Univerzal D.O.O., Serbia, led to a gain of €0.7 million from the negative balance.

In the ContiTech division, unutilized provisions totaling €0.3 million were reversed during the first half of 2009 in connection with restructuring measures. This was partially offset by an asset impairment in the amount of €0.1 million.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments of €2.7 million.

The total net expense from special effects in the first half of 2009 amounted to €28.6 million for the ContiTech division.

Report on Expected Developments and Outlook for the Corporation

After the very stable development of vehicle production in the first half of 2010, we are lifting our forecast for global vehicle production from 63.0 million to 68.0 million units for 2010 (+16%). As things look now, this growth will be driven primarily by Asia and NAFTA. For these two markets, increases in production of 28.2 million to 33.0 million units (+17%) and of 8.5 million to 11.5 million units (+35%) respectively are to be assumed at present. For Europe, which is Continental's most important sales market, we anticipate a moderate increase in vehicle production from 16.8 million to 17.7 million units (+6%). The uncertainties remain however for Europe after the expiration of assistance programs that were initiated in 2009 in numerous countries (car scrapping incentives).

The trend in demand for replacement tires was also very stable, requiring that the market forecast be increased as well. As things look now, we assume that the replacement markets for passenger and light-duty commercial vehicle tires will rise by 4% to 6% in Europe and NAFTA.

In view of the development of Continental's most important sales markets, we are upping our sales forecast from at least 5% to approximately 15% for 2010. We still expect a significant year-on-year increase in adjusted EBIT. From the current perspective, we anticipate that the adjusted EBIT margin will be in the range of 8.0% to 8.5% for 2010. Here, we expect to be burdened with roughly an additional €250 million from rising raw material costs in the second half of 2010 alone. Special effects, which amounted to €70.3 million in the first half of 2010, are expected to total about €100 million for the whole year.

The possibilities of reducing net indebtedness in 2010 continue to be limited. Our leeway for debt reduction is restricted primarily by the expected €400 million increase in capital expenditures, cash outflow of approximately €300 million for the restructuring measures implemented in 2009, and the increase in working capital in response to the better-than-expected business development. The remaining outflow of approximately €300 million (making a total of roughly €600 million) for the restructuring measures implemented in 2009 will be incurred in particular in 2011.

After the successful placement of the eurobond, an initial step in improving our debt maturity profile has been achieved. A eurobond with a principal amount of €750 million was placed with qualified investors in mid-July, as had been announced. The notes have a term of five years and the interest rate is 8.5% p.a. Thanks to the conditions, which turned out better than expected, and the persistently low money market interest levels, interest expense in 2010 should be approximately €750 million.

Consolidated Financial Statements as of June 30, 2010

Consolidated Statements of Income and Comprehensive Income

in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
Sales	**12,654.4**	**9,063.2**	**6,657.7**	**4,761.2**
Cost of sales	-9,785.1	-7,466.5	-5,169.6	-3,820.3
Gross margin on sales	**2,869.3**	**1,596.7**	**1,488.1**	**940.9**
Research and development expenses	-754.4	-730.6	-379.4	-344.1
Selling and logistics expenses	-640.6	-567.9	-332.2	-283.1
Administrative expenses	-306.6	-301.5	-159.2	-153.1
Other income and expenses	-197.0	-73.7	-124.5	-66.2
At-equity share in earnings of associates	36.5	-56.8	22.7	-58.0
Other income from investments	3.9	7.6	1.2	2.4
Earnings before interest and taxes	**1,011.1**	**-126.2**	**516.7**	**38.8**
Interest income	11.9	15.7	6.1	6.0
Interest expense[1]	-333.8	-344.9	-174.3	-207.3
Net interest expense	**-321.9**	**-329.2**	**-168.2**	**-201.3**
Earnings before taxes	**689.2**	**-455.4**	**348.5**	**-162.5**
Income tax expense	-303.2	13.2	-206.8	-17.9
Net income	**386.0**	**-442.2**	**141.7**	**-180.4**
Non-controlling interests	-37.1	-14.9	-20.5	-9.4
Net income attributable to the shareholders of the parent	**348.9**	**-457.1**	**121.2**	**-189.8**
Undiluted earnings per share in €	**1.74**	**-2.70**	**0.61**	**-1.12**
Diluted earnings per share in €	**1.74**	**-2.70**	**0.61**	**-1.12**

[1] Including gains/losses from foreign currency translation and gains/losses from the change in the fair value of derivative instruments.

in € millions	January 1 to June 30		Second Quarter	
	2010	2009[1]	2010	2009[1]
Net income	**386.0**	**-442.2**	**141.7**	**-180.4**
Difference from currency translation[2]	545.1	143.6	227.2	137.3
Available-for-sale financial assets	1.5	—	0.1	—
Deferred taxes on available-for-sale financial assets	-0.5	—	-0.1	—
Cash flow hedges	-26.0	-27.6	-2.0	27.0
Deferred taxes on cash flow hedges	8.2	7.8	0.9	-8.8
Share of other comprehensive income of associates	—	—	—	—
Other comprehensive income	**528.3**	**123.8**	**226.1**	**155.5**
Total comprehensive income	**914.3**	**-318.4**	**367.8**	**-24.9**
Non-controlling interests	71.5	11.5	36.1	9.4
Total comprehensive income attributable to the shareholders of the parent	842.8	-329.9	331.7	-34.3

[1] The comparative figures as of June 30, 2009, are shown adjusted accordingly.

[2] Including non-controlling interests.

Consolidated Balance Sheets

Assets in € millions	June 30, 2010	*Dec. 31, 2009*	June 30, 2009
Goodwill	5,676.5	*5,536.6*	6,428.3
Other intangible assets	1,946.3	*2,068.7*	2,309.9
Property, plant, and equipment	5,947.4	*5,784.3*	6,044.5
Investment properties	18.7	*19.3*	16.8
Investments in associates	401.2	*398.0*	472.1
Other investments	7.0	*8.0*	9.5
Deferred tax assets	726.7	*728.9*	443.0
Deferred pension charges	76.3	*70.8*	83.5
Long-term derivative instruments and interest-bearing investments	89.4	*78.4*	15.0
Other long-term financial assets	19.8	*18.9*	35.1
Other assets	13.3	*12.7*	12.6
Non-current assets	**14,922.6**	***14,724.6***	**15,870.3**
Inventories	2,529.1	*2,076.0*	2,246.8
Trade accounts receivable	4,778.4	*3,648.1*	3,202.1
Other short-term financial assets	209.1	*184.9*	159.0
Other assets	597.1	*540.5*	596.5
Income tax receivable	140.6	*94.2*	101.5
Short-term derivative instruments and interest-bearing investments	46.3	*25.8*	39.2
Cash and cash equivalents	1,239.4	*1,712.8*	2,000.5
Assets held for sale	23.3	*42.3*	45.4
Current assets	**9,563.3**	***8,324.6***	**8,391.0**
Total assets	**24,485.9**	***23,049.2***	**24,261.3**

Total equity and liabilities in € millions	June 30, 2010	*Dec. 31, 2009*	June 30, 2009
Common stock	512.0	*432.6*	432.6
Capital reserves	4,140.7	*3,139.5*	3,125.5
Retained earnings	985.3	*636.4*	1,827.9
Other comprehensive income	47.8	*-435.9*	-422.3
Equity attributable to the shareholders of the parent	**5,685.8**	***3,772.6***	**4,963.7**
Non-controlling interests	328.1	*289.1*	274.7
Total equity	**6,013.9**	***4,061.7***	**5,238.4**
Provisions for pension liabilities and other post-employment benefits	1,410.9	*1,345.0*	774.7
Deferred tax liabilities	202.9	*196.5*	335.3
Long-term provisions for other risks	363.8	*351.7*	384.6
Long-term portion of indebtedness	6,061.9	*5,967.7*	9,559.6
Other non-current liabilities	38.7	*36.2*	42.0
Non-current liabilities	**8,078.2**	***7,897.1***	**11,096.2**
Trade accounts payable	3,244.5	*2,819.5*	2,464.1
Income tax payable	731.1	*644.7*	521.4
Short-term provisions for other risks	1,328.2	*1,342.9*	929.3
Indebtedness	3,330.1	*4,744.8*	2,241.7
Other short-term financial liabilities	937.0	*880.3*	1,035.6
Other liabilities	822.9	*648.1*	693.3
Liabilities held for sale	—	*10.1*	41.3
Current liabilities	**10,393.8**	***11,090.4***	**7,926.7**
Total equity and liabilities	**24,485.9**	***23,049.2***	**24,261.3**

Consolidated Cash Flow Statements

in € millions	January 1 to June 30		Second Quarter	
	2010	2009	2010	2009
EBIT	1,011.1	-126.2	516.7	38.8
Interest paid	-384.2	-391.6	-140.3	-145.5
Interest received	11.8	15.8	5.3	5.2
Income tax paid	-228.4	-46.5	-165.0	-7.7
Dividends received	37.1	50.8	17.8	17.3
Depreciation, amortization and impairments	813.2	823.4	419.3	408.9
At-equity share in earnings of associates and accrued dividend income from other investments, incl. Impairments	-40.4	49.1	-23.9	55.5
Gains from the disposal of assets, subsidiaries and business units	-3.0	-5.5	-3.9	-5.2
Other non-cash items	6.9	—	21.4	—
Changes in				
Inventories	-287.7	372.7	-113.6	329.3
Trade accounts receivable	-857.5	148.6	-141.1	268.1
Trade accounts payable	260.4	-44.6	227.2	116.0
pension and post-employment provisions	26.9	134.1	5.1	14.5
other assets and liabilities	16.8	17.5	-46.0	197.7
Cash provided by operating activities	**383.0**	**997.6**	**579.0**	**1,292.9**
Proceeds on disposal of property, plant, equipment and intangible assets	14.5	34.6	7.1	23.0
Capital expenditure on property, plant, equipment and software	-430.0	-413.7	-252.0	-173.9
Capital expenditure on intangible assets from development projects and miscellaneous	-31.8	-23.3	-20.8	-22.0
Proceeds on disposal of subsidiaries and business units, including surrendered cash and cash equivalents	30.6	137.0	6.8	137.4
Acquisition of subsidiaries and business units, incl. acquired cash and cash equivalents	-10.2	-43.8	-0.8	-0.9
Interest bearing advances	—	1.4	—	0.0
Cash used for investing activities	**-426.9**	**-307.8**	**-259.7**	**-36.4**
Cash flow before financing activities	**-43.9**	**689.8**	**319.3**	**1,256.5**
Change in indebtedness	-1,567.8	-271.5	-509.0	-463.9
Successive purchases	-21.1	—	-21.1	—
Proceeds from the issuance of shares	1,056.0	—	-0.8	—
Dividends paid and repayment of capital to non-controlling interests	-22.1	-7.4	-21.2	-1.4
Cash used for financing activities	**-555.0**	**-278.9**	**-552.1**	**-465.3**
Change in cash and cash equivalents	**-598.9**	**410.9**	**-232.8**	**791.2**
Cash and cash equivalents at the beginning of the reporting period	1,712.8	1,569.4	1,410.3	1,206.5
Effect of exchange rate changes on cash and cash equivalents	125.5	20.2	61.9	2.8
Cash and cash equivalents at the end of the reporting period	**1,239.4**	**2,000.5**	**1,239.4**	**2,000.5**

Consolidated Statements of Changes in Total Equity

in € millions	Number of shares[1] (thousands)	Common stock	Capital reserves	Retained earnings	Successive share purchases[2]	Other comprehensive income: Difference from currency translation[3]	Other comprehensive income: Difference from financial instruments[4]	Subtotal	Non-controlling interests	Total
At Jan. 1, 2009	**169,006**	**432.6**	**3,097.9**	**2,217.2**	**-33.4**	**-346.0**	**-102.9**	**5,265.4**	**264.5**	**5,529.9**
Net income	—	—	—	-457.1	—	—	—	-457.1	14.9	**-442.2**
Comprehensive income[5]	—	—	—	—	—	147.0	-19.8	127.2	-3.4	**123.8**
Net profit for the period	**—**	**—**	**—**	**-457.1**	**—**	**147.0**	**-19.8**	**-329.9**	**11.5**	**-318.4**
Dividends paid/declared	—	—	—	—	—	—	—	—	-10.8	**-10.8**
Issuance of shares[6]	—	—	7.6	—	—	—	—	7.6	—	**7.6**
Successive purchases[5]	—	—	—	—	0.6	—	—	0.6	-4.2	**-3.6**
Changes in non-controlling interests[7]	—	—	—	—	—	—	—	—	13.7	**13.7**
Euro introduction in Slovakia	—	—	—	67.8	—	-67.8	—	—	—	**—**
Schaeffler investor agreement	—	—	20.0	—	—	—	—	20.0	—	**20.0**
At June 30, 2009	**169,006**	**432.6**	**3,125.5**	**1,827.9**	**-32.8**	**-266.8**	**-122.7**	**4,963.7**	**274.7**	**5,238.4**
At Jan. 1, 2010	**169,006**	**432.6**	**3,139.5**	**636.4**	**-34.4**	**-276.0**	**-125.5**	**3,772.6**	**289.1**	**4,061.7**
Net income	—	—	—	348.9	—	—	—	348.9	37.1	**386.0**
Comprehensive income	—	—	—	—	—	510.7	-16.8	493.9	34.4	**528.3**
Net profit for the period	**—**	**—**	**—**	**348.9**		**510.7**	**-16.8**	**842.8**	**71.5**	**914.3**
Dividends paid/declared	—	—	—	—	—	—	—	—	-22.7	**-22.7**
Issuance of shares[6]	31,000	79.4	1,001.2	—	—	—	—	1,080.6	—	**1,080.6**
Successive purchases	—	—	—	—	-10.2	—	—	-10.2	-11.6	**-21.8**
Changes in non-controlling interests[7]	—	—	—	—	—	—	—	—	1.8	**1.8**
At June 30, 2010	**200,006**	**512.0**	**4,140.7**	**985.3**	**-44.6**	**234.7**	**-142.3**	**5,685.8**	**328.1**	**6,013.9**

[1] Shares outstanding.
[2] Successive acquisitions of shares of fully consolidated companies and companies consolidated according to the equity method.
[3] Includes the shareholders' €0.0 million (PY: €0.0 million) portion of the foreign currency translation of companies consolidated according to the equity method.
[4] The difference from financial instruments, including deferred taxes, is mainly due to the change in the market value of the cash flow hedges on interest and currency.
[5] The comparative figures as of June 30, 2009, are shown adjusted accordingly.
[6] Includes the expenditure resulting from stock option plans and the redemption offer for granted and not yet exercised stock options. The proceeds from the capital increase, net of tax effects, are also included in 2010.
[7] Relates to changes in non-controlling interests from consolidation changes or capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report by division for the period from January 1 to June 30, 2010

in € millions	Chassis & Safety	Powertrain	Interior	Passenger and Light Truck Tires
Sales	2,827.4	2,310.3	2,776.8	2,777.9
EBIT	309.2	-43.7	95.2	501.3
in % of sales	10.9	-1.9	3.4	18.0
Depreciation and amortization[1]	160.1	219.9	209.6	120.1
Capital expenditure[2]	69.8	97.5	70.7	131.2
Operating assets (at June 30)	4,051.8	3,215.2	4,425.2	2,411.9
Number of employees at June 30[3]	28,875	25,676	28,727	27,430

in € millions	Commercial Vehicle Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	630.6	1,477.7	-146.3	12,654.4
EBIT	-7.5	196.9	-40.3	1,011.1
in % of sales	-1.2	13.3	—	8.0
Depreciation and amortization[1]	54.5	47.5	1.5	813.2
Capital expenditure[2]	18.8	41.8	0.3	430.1
Operating assets (at June 30)	647.4	1,086.0	-51.5	15,786.0
Number of employees at June 30[3]	6,910	24,919	228	142,765

Segment report by division for the period from January 1 to June 30, 2009

in € millions	Chassis & Safety	Powertrain	Interior	Passenger and Light Truck Tires
Sales	1,916.1	1,487.5	2,004.3	2,115.2
EBIT	56.4	-252.7	-244.4	282.8
in % of sales	2.9	-17.0	-12.2	13.4
Depreciation and amortization[1]	165.6	220.8	228.2	116.2
Capital expenditure[2]	61.8	127.9	64.5	92.1
Operating assets (at June 30)	4,143.1	3,662.9	4,540.2	2,367.0
Number of employees at June 30[3]	25,601	23,102	27,028	25,935

in € millions	Commercial Vehicle Tires	ContiTech	Other/Con- solidation	Continental Corporation
Sales	477.8	1,157.0	-94.7	9,063.2
EBIT	-14.0	69.5	-23.8	-126.2
in % of sales	-2.9	6.0	—	-1.4
Depreciation and amortization[1]	41.6	50.4	0.6	823.4
Capital expenditure[2]	21.1	46.1	0.2	413.7
Operating assets (at June 30)	651.4	995.0	43.0	16,402.6
Number of employees at June 30[3]	7,434	21,219	215	130,534

[1] Excluding write-downs of investments.
[2] Capital expenditure on property, plant, equipment and software.
[3] Excluding trainees.

Reconciliation of EBIT to Net Income

in € millions	January 1 to June 30		Second Quarter	
	2010	2009	**2010**	2009
Chassis & Safety	309.2	56.4	160.2	71.0
Powertrain	-43.7	-252.7	-22.1	-102.4
Interior	95.2	-244.4	40.3	-143.0
Passenger and Light Truck Tires	501.3	282.8	286.6	190.8
Commercial Vehicle Tires	-7.5	-14.0	-13.4	-0.3
ContiTech	196.9	69.5	104.7	34.9
Other/consolidation	-40.3	-23.8	-39.6	-12.2
EBIT	**1,011.1**	**-126.2**	**516.7**	**38.8**
Net interest expense	-321.9	-329.2	-168.2	-201.3
Earnings before taxes	**689.2**	**-455.4**	**348.5**	**-162.5**
Income tax expense	-303.2	13.2	-206.8	-17.9
Net income	**386.0**	**-442.2**	**141.7**	**-180.4**
Non-controlling interests	-37.1	-14.9	-20.5	-9.4
Net income attributable to the shareholders of the parent	**348.9**	**-457.1**	**121.2**	**-189.8**
Undiluted earnings per share in €	1.74	-2.70	0.61	-1.12
Diluted earnings per share in €	1.74	-2.70	0.61	-1.12

Accounting principles

This Interim Report, as presented, has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the closing date and endorsed by the European Union, as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). The Interim Report was drawn up in compliance with IAS 34, Interim Financial Reporting. The same accounting principles and basis of valuation are applied in the Interim Report as were used in the annual financial statements for 2009. These methods are disclosed in detail in the Annual Report 2009. In addition, the IFRS amendments and new IFRS regulations mandated as of June 30, 2010, are applied in the Interim Report. These mandatory amendments and new regulations were disclosed in detail in the Annual Report 2009. They had no material effect on the Continental Corporation.

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

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

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

Pension obligations

Consolidated net pension expenses of the Continental Corporation can be summarized as follows:

in € millions	January 1 to June 30, 2010					January 1 to June 30, 2009				
	Germany	USA/ CAN	UK	Others	Total	Germany	USA/ CAN	UK	Others	Total
Current service cost	25.3	4.4	1.4	5.4	**36.5**	25.7	4.0	1.4	4.9	**36.0**
Interest on defined benefit obligation	43.8	27.0	5.4	4.9	**81.1**	43.7	27.7	5.3	5.0	**81.7**
Expected return on plan assets	-14.7	-25.8	-5.7	-2.4	**-48.6**	-29.4	-23.6	-5.2	-2.0	**-60.2**
Amortization of actuarial gains and losses as well as other costs	0.0	10.3	0.8	0.6	**11.7**	2.3	13.5	0.3	0.1	**16.2**
Effects of asset limitation and curtailments	—	1.7	—	—	**1.7**	—	-0.1	0.0	0.0	**-0.1**
Net periodic pension cost	**54.4**	**17.6**	**1.9**	**8.5**	82.4	**42.3**	**21.5**	**1.8**	**8.0**	73.6

The refunds from the Contractual Trust Arrangements (CTAs) set up in Germany, the asset reclassification and restructuring within the CTAs, as well as the discontinuation of the status of the remaining assets of the respective CTAs as qualifying plan assets in 2009 had a negative impact of €15.8 million on EBIT and thus on the net pension expenses in the period under review compared to the same period of 2009.

Consolidated net expenses for retirement healthcare and life insurance obligations of the Continental Corporation in the U.S.A. and Canada are made up of the following:

in € millions	January 1 to June 30	
	2010	2009
Current service cost	0.9	2.1
Interest cost on defined benefit obligation	5.6	6.1
Amortization of actuarial gains and losses as well as other costs	0.0	-2.5
Net cost of other post-employment benefits	**6.5**	**5.7**

Cash changes in post-employment obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the United Kingdom, and not for other benefit obligations. The companies of the Continental Corporation paid €24.5 million (PY: €5.9 million) into these pension funds for the period from January 1 to June 30, 2010. From the CTAs and from assets transferred to a trustee in this conjunction, there was a refund in the first half of 2009 totaling €112.1 million for pension payments that arose since the creation of the CTAs and advanced by the Continental Corporation to date.

In the period from January 1 to June 30, 2010, payments for retirement benefit obligations totaled €91.9 million (PY: €82.8 million). Payments for other post-employment benefits totaled €7.5 million (PY: €6.6 million).

Companies consolidated

In addition to the parent company, the consolidated financial statements include a total of 357 domestic and foreign companies in which Continental AG holds a direct or indirect interest of at least 20% of the voting rights. Of these companies, 312 are fully consolidated and 45 are carried at equity.

Since December 31, 2009, the total number of consolidated companies has increased by two. Five companies were founded and seven units were acquired. Three companies were merged, five units sold and two companies deconsolidated.

Since June 30, 2009, the net number of consolidated companies has decreased by one. Reductions in the scope of consolidated companies relate primarily to mergers and disposals in the Automotive divisions and in the ContiTech division as well as deconsolidations and liquidations in the ContiTech division. The additions pertain chiefly to the founding of new companies within the scope of the carve-out and acquisitions in the Rubber divisions.

Acquisition and sale of companies

In the period under review, the full purchase price of €6.2 million for the acquisition of 49% of the shares in Avtoelektronika-Elkar (Avtel), Kaluga, Russia, was paid.

The increase of shareholdings from 51% in each case to currently 60% in Continental Automotive Corporation, Yokohama, Japan, as well as in Continental Automotive Corp. Lian Yun Gang Co. Ltd., Lian Yun Gang, China, strengthens the corporation's position on the components and systems market, especially for brake systems, making it possible to market an expanded product portfolio. Continental AG, Hanover, increased its shareholding by unilateral capital increases as well as by purchasing treasury stock from the present joint venture partner Nisshinbo Holdings Inc., Tokyo, Japan, through Continental Automotive Corporation, Yokohama, Japan, at a price of €16.7 million. The relevant agreements went into effect on April 1, 2010. The companies are assigned to the Chassis & Safety division. The difference between the purchase price, capital increases and the non-controlling interests totaled -€5.5 million and was recognized directly in equity.

To strengthen its position on the Chinese market for drive belts, ContiTech AG, Hanover, purchased the residual 40.0% of the shares in ContiTech-Jiebao Power Transmission Systems Co., Ltd., Ninghai, China, at a price of €4.4 million. The purchase agreement was signed on May 2, 2010. The difference between the purchase price and the non-controlling interests totaled -€3.3 million and was recognized directly in equity.

To strengthen its special-purpose conveyor belts business, ContiTech Transportbandsysteme GmbH, Northeim, took over the Moers plant of Metso Minerals (Deutschland) GmbH under an asset deal. First consolidation took place as of May 1, 2010. The purchase price amounts to €10.2 million.

Further acquisitions relate to the purchase of shares in a European tire sales group.

The effects of these transactions, including the corresponding preliminary purchase price allocations, on the net assets, earnings and financial position of the Continental Corporation as of June 30, 2010, are immaterial.

The effects of the final purchase price settlement from the sale of VDO Automotive Huizhou Co. Ltd, Huizhou, China, in February 2010, which resulted in proceeds of €25.3 million after withholding tax, are immaterial. The sale of two small business operations of ContiTech that had been held for sale also had no material effect on the net assets, earnings and financial position of Continental as of June 30, 2010.

Impairment

Continental immediately reviews intangible assets and property, plant, and equipment as well as investment property as soon as there is an indication of impairment. In the period under review, this resulted in expenses totaling €14.7 million, primarily for the Hanover-Stöcken location in Germany with €13.8 million and the Costa Rica location with €7.2 million. These expenses were partially offset by write-ups for the location in Huntsville, U.S.A., chiefly as a result of further possibilities of utilizing machinery within the corporation. No material impairments resulted from such reviews in the first half of 2009.

The disposal of the associate Hyundai Autonet Co. Ltd., Kyoungki-do, South Korea, led to the recognition of impairment losses in the amount of €73.6 million in 2009.

Dividend payment

Due to Continental AG's net loss for the year, no dividend was distributed for fiscal 2009. Nor was a dividend distributed in the same period of 2009 for fiscal 2008, also due to Continental AG's net loss for the year.

Earnings per share

Undiluted earnings per share for the first half of 2010 amounted to €1.74 (PY: -€2.70) and €0.61 for the period April 1 to June 30, 2010, (PY: -€1.12), and corresponded to the diluted earnings per share.

Contingent liabilities and other financial obligations
As of June 30, 2010, there were no material changes in the non-recognized contingent liabilities and other financial obligations as described in the Annual Report 2009. In the future, an associated company could face significant obligations arising from preliminary investigations by the European Commission of alleged antitrust violations by automotive electronics suppliers, if antitrust violations are found.

Transactions with related parties
In the period under review, there were no material changes in the nature of transactions with related parties compared with December 31, 2009. In the same period of 2009, Continental AG and the Schaeffler Group agreed upon a global purchasing cooperation with the goal of minimizing the cost of materials as well as of non-manufacturing materials and achieving benefits.

German Corporate Governance Code
The annual declaration in accordance with Section 161 of the *Aktiengesetz* (German Stock Corporation Act) regarding the German Corporate Governance Code from 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 of the *Aktiengesetz* also can be found on the website.

Segment Reporting
Comments on the development of Continental AG's six divisions are provided in the Corporate Management Report as of June 30, 2010.

Indebtedness and net income from financial activities
Comments on indebtedness and the net income from financial activities are provided in the Corporate Management Report as of June 30, 2010.

As agreed in the renegotiation of the VDO loan and the forward start facility, Continental AG and certain of its subsidiaries have for the first time granted the creditor banks a collateral package. This package consists of guarantees from certain subsidiaries, the pledge of holdings in the subsidiaries providing the guarantees, as well as certain bank account deposits and the cession of receivables within the corporation. Further collateral was not provided for the VDO loan or for the forward start facility.

Furthermore, receivables in connection with asset-backed securitization programs were also assigned as collateral for the liability under the loan from the European Investment Bank.

Income tax expense
Income tax expense in the first six months of 2010 amounted to €303.2 million (PY: income of €13.2 million).

Tax expense in the period under review was influenced primarily by the €88.0 million valuation allowance of deferred tax assets resulting from interest carryforwards in Germany. The valuation allowance included both the interest carryforwards from 2009 measured at the relevant tax rate totaling €68.9 million as well as increases of the year under review amounting to €19.1 million in full, taking into account tax planning options. Utilization of the interest carryforwards does not appear to be sufficiently probable at this point in time, in view of the rating downgrade of Continental AG in May 2010 in particular, together with higher interest margins on existing loans, as well as the resulting future increases in interest burden from the issuance of the eurobond with an aggregate principal amount of €750.0 million in July 2010.

Tax expense in the first half of 2009 was influenced primarily by the valuation allowance of deferred tax assets on tax loss and interest carryforwards in an amount of €107.0 million in Germany. This was necessary because, according to the opinion of the German finance authorities, a harmful change of shareholder already occurred according to Section 8c of the *Körperschaftsteuergesetz* (German Corporate Tax Law) since, with the acquisition of shares by Schaeffler KG in 2008, the 25% threshold was exceeded. Continental does not agree with this interpretation of the law and has already appealed the decision in a test case.

Since 2008, a limit on the deductible interest that can be carried forward has applied in Germany; the amount deductible under the tax law is limited to 30% of the taxable income before write-downs and interest.

Capital increase

On January 6, 2010, the Executive Board of Continental AG resolved – with Supervisory Board approval – an increase in the share capital of €432,655,316.48 by a nominal amount of €79,360,000.00 to €512,015,316.48 by issuing 31,000,000 new shares from authorized capital (Authorized Capital 2007).

The capital increase was implemented by way of a rights offering to the shareholders of Continental AG. In an initial step, a bank consortium led by Deutsche Bank AG, Goldman Sachs International and J.P. Morgan Securities Ltd. placed 24.55 million shares with institutional investors in a private placement on January 6, 2010. An additional 6.45 million shares were placed with institutional investors at a price of €40.00 on January 12 as part of an accelerated bookbuilt offering. 3.4 million fewer shares were allotted as a result of the subscription rights exercised by the free float shareholders. The capital increase was accompanied by BNP Paribas, CALYON and HSBC Trinkaus, in addition to the institutes already mentioned.

Existing shareholders could exercise their subscription rights from January 12 to January 25, 2010, acquiring two shares for every eleven shares they possessed at the time. The rights trading of the subscription rights on the Frankfurt Stock Exchange took place from January 12, 2010, until (and including) January 21, 2010. The new shares have full dividend entitlement as of fiscal 2009.

On January 26, 2010, Continental announced that more than 99% of the free float shareholders had made use of their subscription rights. Net proceeds totaled €1,056.0 million before tax effects. The capital increase served to repay Continental AG's liabilities from the VDO loan.

The major shareholders of Continental AG, representing 88.9% of the share capital of the company before the capital increase (Schaeffler KG 49.9%, M.M.Warburg & CO KGaA 19.5%, B. Metzler seel. Sohn & Co. Holding AG 19.5%) had irrevocably undertaken vis-à-vis the bank consortium not to exercise their subscription rights and not to transfer such subscription rights to third parties. Upon the completion of the rights offering, these major shareholders were calculated to hold an aggregate of 75.1% of the increased share capital of Continental AG. The free float of the Continental share therefore increased to 24.9%.

The inclusion of the new shares in trading on the regulated market of the stock exchanges of Frankfurt, Hanover, Hamburg and Stuttgart began on January 14, 2010. The delivery and settlement of the new shares subscribed in the rights offering or otherwise not subscribed took place on January 28, 2010.

Shareholder structure

On June 29, 2010, Schaeffler GmbH notified Continental Aktiengesellschaft that the voting rights share of Schaeffler GmbH in the company had exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% on June 28, 2010, and was 42.17% on that day. After the completion of the capital increase in January 2010, the further shareholder structure with regard to the 200,005,983 outstanding Continental shares was calculated as follows: 16.48% M.M.Warburg & CO KGaA, 16.48% B. Metzler seel. Sohn & Co. Holding AG. The free float rate is 24.87%.

Review by an Independent Auditor

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

Significant Events after June 30, 2010

Placement of a eurobond
On July 9, 2010, the Continental Corporation placed a euro-denominated bond with an aggregate principal amount of €750.0 million and a term of five years with qualified investors in Germany and abroad. The notes were issued by Conti-Gummi Finance B.V., Amsterdam, the Netherlands, and are guaranteed by Continental AG and certain of its subsidiaries. The coupon is 8.5% p.a. and interest is payable semi-annually, in arrears. The net proceeds from the issuance were used for early partial repayment of the VDO loan.

Installation of machinery at new Hefei tire plant
Early in July 2010, the installation of machines was started in the new car tire plant in Hefei, China. This thus successfully completes the first phase of the project, with a construction area of some 70,000 m². The first locally-produced Continental tires are slated to hit the market in China early in 2011. In this first stage, the Hefei plant is striving for an annual output of four million car tires. In the long term, capacity is to be expanded to deal with the dynamic market growth, not only in China but throughout all of Asia as well.

Review by the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung e.V.*) of the consolidated financial statements for fiscal 2008
In May 2009, the German Financial Reporting Enforcement Panel ("FREP") (*Deutsche Prüfstelle für Rechnungslegung e.V.*) initiated a review of the consolidated and statutory financial statements and the management report for Continental AG and for the corporation (*Konzernlagebericht*) for fiscal 2008 pursuant to Section 342b (2) Sentence 3 No. 3 of the German Commercial Code (*HGB*). The review was initiated as a random sampling examination (*stichprobenartige Prüfung*). Please refer to the details in the 2009 Annual Report. After completing its audit, the FREP informed us on July 26, 2010 of the following error finding:

"The value of the goodwill reported in the consolidated financial statements of Continental AG as of December 31, 2008, which was reported at €6.4 billion after recognition of an impairment of €1.2 billion, is not proven in its full amount in methodic terms and on the basis of the assumptions made using the impairment test performed. The following impairment test led to a further impairment totaling €876 million in the 2009 consolidated financial statements. The impairment test for goodwill as of December 31, 2008 is in breach of IAS 36.33."

The Executive Board of Continental AG has resolved to accept this error finding. The error finding regarding the impairment test is limited to the methodic terms. The amount of a further impairment could not be calculated by the FREP. As part of the review procedures, the impairment test carried out in fiscal 2009, which led to a further impairment of goodwill in the amount of €875.8 million in 2009, was also available to the FREP. With regard to this impairment test, the FREP saw no reason for initiating examinations with cause in response to the circumstances, i.e., the goodwill as of December 31, 2009 was reported at an appropriate amount.

In accordance with IAS 8.43 in conjunction with IAS 8.5, the Executive Board of Continental AG considers a retrospective restatement of the consolidated financial statements as of December 31, 2008 to be impracticable, as a retrospective restatement in particular would necessitate extensive estimates and it is impossible to differentiate objectively between information which was available at the time and developments which have actually occurred since then. There will also be no effects on the 2010 consolidated financial statements, since any errors had already been compensated for by the end of 2009.

Hanover, July 27, 2010

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement

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

Hanover, July 27, 2010

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2010

Annual Financial Press Conference	February 23
Analyst Conference	February 23
Annual Shareholders' Meeting	April 28
Financial Report as of March 31, 2010	May 4
Half-Year Financial Report as of June 30, 2010	July 29
Financial Report as of September 30, 2010	November 3

2011

Annual Financial Press Conference	March 3
Analyst Conference	March 3
Annual Shareholders' Meeting	April 28
Financial Report as of March 31, 2011	May
Half-Year Financial Report as of June 30, 2011	August
Financial Report as of September 30, 2011	Oktober

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