Continental
The Future in Motion

Q1

Financial Report

as at March 31, 2019

Continental Shares and Bonds

Stabilization on stock markets

After the substantial price declines in the fourth quarter of 2018, stock markets worldwide stabilized over the course of January 2019. The turnaround in sentiment was due to surprisingly positive U.S. job market data, the Chinese government's announcement of new measures to tackle the economic slowdown and, in particular, growing hopes of conciliation in the trade dispute between the U.S.A. and China. In addition, there was speculation about a suspension of U.S. interest-rate increases following hints to that effect from the U.S. Federal Reserve (Fed).

In February 2019, sentiment on European stock markets was temporarily dampened by the ongoing uncertainty over the United Kingdom's exit from the European Union (E.U.) and especially by the European Commission's lower growth forecasts for the eurozone. Prices rose again in the second half of February, driven by new hopes of conciliation in the trade dispute between the U.S.A. and China.

As March 2019 progressed, lower growth forecasts by the European Central Bank (ECB) for the eurozone and by the Fed for the U.S. economy led to consolidation of the stock markets. At the end of March, the U.K. House of Commons rejected exiting the E.U. without a deal and thus reinforced expectations that the United Kingdom would exit in an orderly manner.

The DAX grew by 9.2% in the first quarter of 2019 compared to the end of 2018 and closed the first quarter of 2019 at 11,526.04 points. The EURO STOXX 50 increased by 11.7% to 3,351.71 points in the first quarter.

Volatile price performance of automotive stocks

In January and February 2019, European automotive and supplier stocks in particular benefited from the hopes of conciliation in the trade dispute between the U.S.A. and China. However, this sector was hit particularly hard in February and March by considerably lower company profits in the past fiscal year and cautious forecasts for fiscal 2019 because of weak demand in Europe and especially in China. Sentiment also dimmed as a result of the weaker economic forecasts by the ECB and the Fed. Investors were further unsettled by the U.S. Department of Commerce's declaration that European auto imports to the U.S.A. are a threat to national security and by the U.S. president's pending decision on corresponding punitive tariffs.

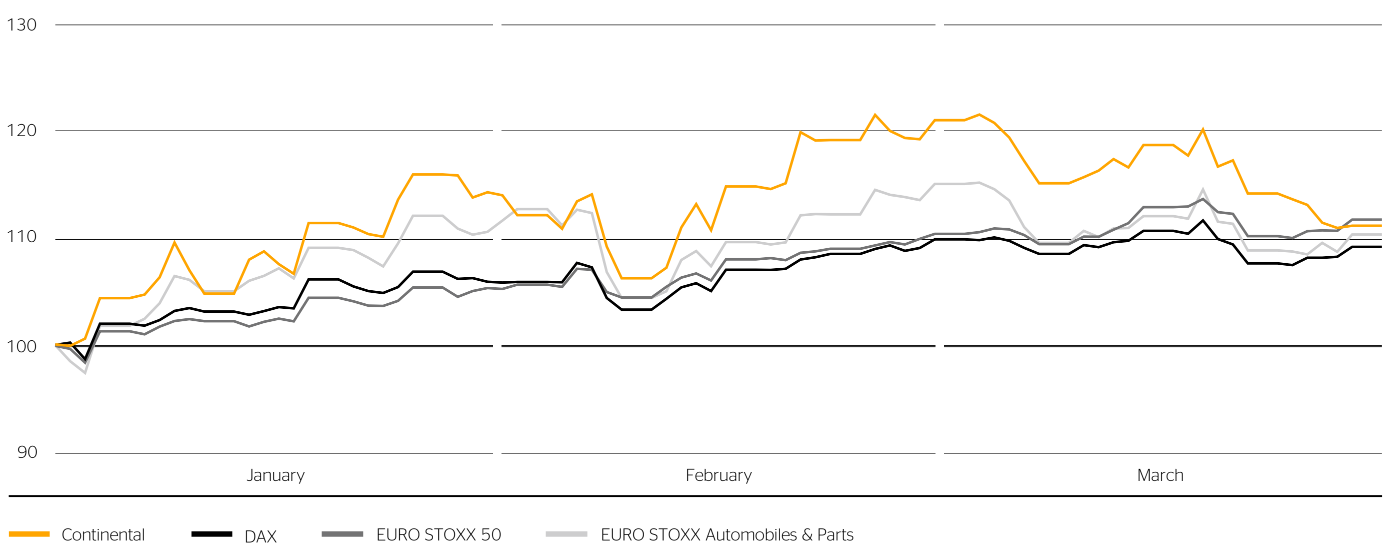
After the EURO STOXX Automobiles & Parts increased by around 15% to over 480 points by the beginning of March 2019, it closed at 465.84 points at the end of March. This equated to a rise of 10.3% compared to the end of the previous year.

Price recovery of Continental shares

After the significant price declines of the previous year, Continental shares climbed by over 20% by the beginning of March. As the month progressed, the announcement of the full business figures for 2018 and the confirmation of the outlook for the challenging current fiscal year together with sinking economic forecasts led to profit taking by investors.

Continental shares closed the first quarter of 2019 at €134.20, increasing 11.1% compared to the closing price for 2018 of €120.75.

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2019



Outstanding bonds as at March 31, 2019

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at March 31, 2019	Price as at December 31, 2018
A2DARM/XS1529561182	0.000%	February 5, 2020	600.0	99.410%	100.162%	100.041%
A1X3B7/XS0969344083	3.125%	September 9, 2020	750.0	99.228%	104.660%	104.985%

Continental bonds continue at low yield level

As in the previous year, Continental bonds persisted at a low yield level in the first quarter of 2019. The slight decline in the interest rate level for corporate bonds in Europe had a positive influence on the prices of Continental bonds. The price of the 0.0% euro bond maturing on February 5, 2020, increased by 12.1 basis points. The price of the 3.125% euro bond maturing on September 9, 2020, declined in the first quarter of 2019 as a result of the reduction in its remaining maturity, but the decline by 32.5 basis points was much smaller than in previous quarters.

0.5% euro bond redeemed on February 19, 2019

The price of the 0.5% euro bond of Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., maturing on February 19, 2019, was around the 100% mark in January and February 2019. The nominal value of €500.0 million was repaid on the maturity date.

Continental's credit rating unchanged

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which maintained their credit ratings for Continental AG.

Credit rating for Continental AG

	March 31, 2019	December 31, 2018
Standard & Poor's[1]		
Long-term	BBB+	BBB+
Short-term	A–2	A–2
Outlook	stable	stable
Fitch[2]		
Long-term	BBB+	BBB+
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa1	Baa1
Short-term	no rating	no rating
Outlook	stable	stable

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Contracted rating retroactively since January 1, 2019.

Continental Investor Relations online

For more information about Continental shares, bonds and credit ratings, please visit www.continental-ir.com. In addition, updates are also available on Twitter at @Continental_IR.

Key Figures for the Continental Corporation

IFRS 16, *Leases*, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of the following figures are not comparable with the prior-year period.

	January 1 to March 31	
€ millions	**2019**	2018
Sales	11,046.7	11,012.7
EBITDA	1,473.7	1,555.0
in % of sales	13.3	14.1
EBIT	823.3	1,019.2
in % of sales	7.5	9.3
Net income attributable to the shareholders of the parent	575.2	737.6
Basic earnings per share in €	2.88	3.69
Diluted earnings per share in €	2.88	3.69
Adjusted sales[1]	10,954.5	11,000.9
Adjusted operating result (adjusted EBIT)[2]	884.2	1,066.2
in % of adjusted sales	8.1	9.7
Free cash flow	-763.3	40.9
Net indebtedness as at March 31	4,302.2	1,983.8
Gearing ratio in %	22.6	11.7
Number of employees as at March 31[3]	245,686	240,074

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

IFRS 16, *Leases*, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of the following figures are not comparable with the prior-year period.

	January 1 to March 31	
Automotive Group in € millions	**2019**	2018
Sales	6,689.4	6,813.9
EBITDA	691.4	847.5
in % of sales	10.3	12.4
EBIT	321.0	536.8
in % of sales	4.8	7.9
Depreciation and amortization[1]	370.4	310.7
thereof impairment[2]	6.2	5.6
Capital expenditure[3]	393.2	276.3
in % of sales	5.9	4.1
Operating assets as at March 31	16,095.4	13,521.3
Number of employees as at March 31[4]	141,422	137,362
Adjusted sales[5]	6,662.3	6,808.9
Adjusted operating result (adjusted EBIT)[6]	357.2	557.0
in % of adjusted sales	5.4	8.2

	January 1 to March 31	
Rubber Group in € millions	**2019**	2018
Sales	4,371.6	4,212.2
EBITDA	788.8	741.7
in % of sales	18.0	17.6
EBIT	510.0	517.4
in % of sales	11.7	12.3
Depreciation and amortization[1]	278.8	224.3
thereof impairment[2]	–	–
Capital expenditure[3]	245.4	179.5
in % of sales	5.6	4.3
Operating assets as at March 31	11,157.3	9,444.6
Number of employees as at March 31[4]	103,793	102,294
Adjusted sales[5]	4,306.5	4,211.5
Adjusted operating result (adjusted EBIT)[6]	534.7	544.2
in % of adjusted sales	12.4	12.9

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

Corporate Management Report

Personnel: new management structure at Continental
On March 14, 2019, the Supervisory Board of Continental AG approved the next stage of the company's reorganization with personnel decisions at the Executive Board level. The following changes have been made:

- Member of the Executive Board Nikolai Setzer, who had been responsible for the Tire division and Corporate Purchasing, switched to Continental's Automotive Group on April 1, 2019. Here, he has assumed the new position of spokesman for the Automotive Board and is in charge of maintaining a unified business strategy in this group sector. He is also responsible for the Automotive central functions, including purchasing, key account management, supply chain management and automotive manufacturing. From January 1, 2020, his team will also include the chief technical officer of Automotive, under whose leadership Continental will combine part of its automotive development activities.

  The appointment of Nikolai Setzer as a member of the Executive Board has been extended ahead of time until the end of March 2024 due to the change in his area of responsibility.

- On April 1, 2019, Nikolai Setzer was succeeded as head of the Tire division and Corporate Purchasing by the new Executive Board member Christian Kötz, who was previously head of the Commercial Vehicle Tires business unit. His appointment will run for three years until the end of March 2022.

- The appointments of the Executive Board members Frank Jourdan (Chassis & Safety division) and Helmut Matschi (Interior division) have been extended ahead of time until the end of March 2024 due to the organizational changes in the Automotive Group.

- The appointment of CFO Wolfgang Schäfer, who is responsible for Finance as well as Controlling, Compliance, Legal and IT, has also been extended until the end of 2024.

Automotive board for faster, decentralized decision-making
The newly established Automotive Board serves to increase the decentralization of responsibility. Since April 1, 2019, it has lightened the load of the corporate Executive Board and shaped the ongoing transformation process in the Automotive area. In addition to the spokesman Nikolai Setzer, the members of this board include the two Executive Board members Frank Jourdan (Chassis & Safety division) and Helmut Matschi (Interior division), Dr. Dirk Abendroth (chief technology officer of Automotive) as well as the heads of Finance & Controlling and Human Relations for Automotive, who have yet to be appointed.

The new board is intended to speed up decision-making processes and generate synergies from the closer ties between the Chassis & Safety and Interior divisions. Furthermore, it will help to make the most of the potential for growth in important business areas for the future. These include autonomous driving, vehicle and mobility system connectivity, and information management.

Money market security with blockchain technology
In January 2019, Continental, Commerzbank and Siemens implemented a pilot project to issue a money market security between companies using blockchain technology for the first time as a test transaction. The transaction had a volume of €100,000 and a term of three days. Continental was the issuer of the money market security. Commerzbank provided the blockchain platform and acted as a service partner. Siemens subscribed to the money market security as an investor. The project was carried out to test the practical implications of blockchain technology with the aim of using this technology for regular financial transactions in the medium to long term.

New plant in India for Powertrain
On January 17, 2019, we laid the cornerstone for a new plant in the Indian city of Talegoan, Pune district. The plant, which will manufacture products and systems for the Powertrain division, is scheduled to start production at the beginning of 2020. The portfolio will consist of various drive products for passenger cars, two-wheelers and commercial vehicles, including engine management systems, sensors and actuators, as well as fuel and exhaust-gas management systems.

New platform for data trading
In February 2019, we announced that Continental and Hewlett Packard Enterprise will be introducing a new platform for sharing vehicle data. This will bring about new digital services for safe, convenient and comfortable mobility. At the same time, the platform will help automotive manufacturers with vehicle-data marketing and brand differentiation. The use of blockchain technology removes barriers that previously stood in the way of secure and transparent exchange of such data. All parties involved, including drivers, will retain ownership of their data.

Wide range of summer tires for passenger cars
In March 2019, we presented the new EcoContact 6 summer tire. Compared to the EcoContact 5, its road performance in terms of wet braking and handling, its rolling resistance and its tire life have been improved by as much as 20%. Continental's summer tire range thus comprises almost 240 new products this year for a wide range of vehicles, including sports cars, SUVs and mid-size and premium vehicles. In 2019, Continental tires have once again achieved first places and top scores in tests carried out by the trade press and automobile clubs.

Anti-vibration systems business acquired from Cooper-Standard
On April 1, 2019, we completed the purchase of the anti-vibration systems business of Cooper-Standard Automotive Inc., Novi, Michigan, U.S.A. The newly acquired unit has five production sites, including research and development capacity in Canada, France, India and the U.S.A., and employs around 1,000 staff. Continental is thereby strengthening its expertise in vibration control, noise reduction and lightweight design.

Economic Report

Macroeconomic development

According to our estimates, growth in the German economy slowed in the first quarter of 2019. This is indicated by lower industrial production in January and February 2019 and various deteriorating sentiment indicators. The worldwide trade conflicts, the uncertainty over the United Kingdom's exit from the E.U. and the U.S.A.'s threatened tariffs on car imports from the E.U. caused many companies to postpone investment decisions. In its World Economic Outlook of April 2019, the International Monetary Fund (IMF) lowered its estimate for economic growth in Germany by 0.5 percentage points and is now forecasting that gross domestic product (GDP) will grow by 0.8% in 2019.

In the eurozone, industrial production and companies' propensity to invest declined in the reporting period. By contrast, the reduction of the unemployment rate from 7.9% in December 2018 to 7.8% in February 2019 had a positive effect on consumer spending and thus supported growth. At its meeting in March, the ECB ruled out an interest rate hike in the current year and simultaneously announced new long-term loans for banks. It lowered its growth forecast for the eurozone to 1.1% for this year. In December 2018, it had still forecast growth of 1.7%. In April 2019, the IMF lowered its estimate for GDP growth in the eurozone by 0.3 percentage points to 1.3% for the current year.

The U.S.A.'s economic activity was curbed at the start of 2019 by the U.S. federal government shutdown and the harsh winter in the Midwest and on the East Coast, but then regained momentum again. Industrial production and various sentiment indicators remained barely unchanged at a high level. The U.S. Federal Reserve (Fed) did not increase interest rates in March 2019, citing deteriorating global economic conditions, and signaled a pause in the cycle of interest-rate hikes until the end of the year. After estimating further U.S. GDP growth of 2.3% for 2019 in December 2018, it has now lowered its forecast to growth of 2.1%. In April 2019, the IMF likewise revised its estimate for U.S. GDP growth downward by 0.2 percentage points, but still expects a GDP increase of 2.3% for 2019.

Economic momentum in Japan remained relatively stable in the reporting period based on available data. However, the contribution from foreign trade is likely to have declined due to the appreciation of the Japanese yen against the currencies of the major trading partners over the course of the second half of 2018 and the lower exports to Asian countries, especially China. This is also suggested by the slight decline in industrial production and slightly lower sentiment indicators. In its April forecast, the IMF lowered its guidance for economic growth in Japan by 0.1 percentage points to 1.0% for 2019.

In April 2019, the IMF increased its GDP estimate for China, which reported economic growth of 6.4% for the first quarter of 2019, by 0.1 percentage points to 6.3% for the year as a whole due to the Chinese government's expansionary measures. For Russia, the IMF maintained its 2019 GDP forecast of 1.6%. In contrast, it lowered its GDP estimates for India by 0.2 percentage points to 7.3% and for Brazil by 0.4 percentage points to 2.1% on account of weaker economic data. The IMF also lowered the expected growth for emerging and developing economies for 2019 by 0.1 percentage points to 4.4% in its April forecast.

As a result of the reduced growth forecasts for individual countries and regions, the IMF lowered its growth forecast for the global economy for 2019 by 0.2 percentage points to 3.3% in its April forecast. The IMF cites an escalation of the various trade conflicts and the resulting uncertainty for all economic operators as key risks for a further economic slowdown. Given the high levels of public and private debt, general risk sentiment and financial conditions could also deteriorate further. The potential triggers mentioned by the IMF include a "no-deal" withdrawal of the United Kingdom from the European Union and a further slowdown in China.

Development of new passenger-car registrations

On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), demand for passenger cars in Europe (EU-28 and EFTA) fell by around 3% in the first quarter of 2019. The decline in demand was particularly significant in the Netherlands, Finland and Sweden at over 14% each, in Austria and Ireland at 11% each, and in Italy and Spain at 7% each. In the United Kingdom, new car registrations fell by another 2% compared to the weak prior-year quarter. In France, demand was down by just under 1%, while in Germany it was marginally above the previous year's level. Denmark, Norway and Romania saw substantial growth in sales volumes of more than 10%.

In the U.S.A., the number of new car registrations fell by 2% to 4.0 million units in the first quarter of 2019. This was due to the continuing decline in demand for sedans, whose sales volumes fell by 7% compared to the same quarter of the previous year to 1.23 million units. In contrast, the sales volumes of light commercial vehicles, especially pickups, rose by nearly 1% despite increased lending rates and fuel prices.

In Japan, sales volumes of passenger cars in the reporting period were stable at the average level of the last four years at 1.3 million units. Compared to the previous year, there was a slight decline in demand for passenger cars of 2%.

In China, the slump in demand for passenger cars in the second half of 2018 continued in the reporting period. According to current data, sales volumes of passenger cars fell by 14% to 5.2 million units in the first quarter of 2019 compared to the record figure of 6.0 million units in the same period of the previous year. Of the

New registrations/sales of passenger cars

	January 1 to March 31		
millions of units	**2019**	2018	Change
Europe (EU-28 and EFTA)	4.1	4.3	-3%
U.S.A.	4.0	4.1	-2%
Japan	1.3	1.3	-2%
Brazil	0.6	0.5	10%
Russia	0.4	0.4	0%
India	0.8	0.9	-2%
China	5.2	6.0	-14%
Worldwide	**21.9**	**23.6**	**-7%**

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

other BRIC countries, India saw a slight drop in demand of 2% as a result of declining propensity to consume ahead of the upcoming parliamentary elections. In Russia, sales volumes of passenger cars stagnated, while in Brazil the recovery in demand continued with growth of 10%.

According to preliminary data, global new passenger-car registrations fell by 7% to 21.9 million units in the first quarter of 2019 compared to the same period of the previous year.

Development of production of passenger cars and light commercial vehicles

In Europe, the decline in the production of passenger cars and light commercial vehicles weighing less than 6 metric tons from the previous year continued in the first quarter of 2019. This was due – in addition to aftereffects from the switch to the new exhaust-gas test procedure WLTP (Worldwide Harmonized Light Vehicles Test Procedure) among manufacturers – to declining demand in Europe and the major export markets of China and the U.S.A. Production volumes saw a significant decrease in Germany, the United Kingdom and Turkey in particular. Overall, the production of passenger cars and light commercial vehicles in Europe decreased as expected by 5% in the first quarter of 2019. For the year as a whole, we are sticking to our forecast of stagnating production in Europe.

In North America, the production of passenger cars and light commercial vehicles declined in the period under review. Based on preliminary figures, production fell by 2% in the first quarter of 2019 compared to the same quarter of the previous year. The positive development of production in Mexico only partially offset the decline in production figures in the U.S.A. and Canada. For 2019 as a whole, we still expect production in North America to be at the previous year's level.

In South America, production declined by 5% year-on-year in the first quarter of 2019. While the production figures in Brazil declined only slightly, production in Argentina plummeted. On the basis of the increase that we expect to see in production volumes in subsequent quarters, we continue to anticipate production growth for 2019 as a whole. Due to the lower production figures in the first quarter, however, we are adjusting the estimate from 4% to 2%.

In Asia, the production declines in China and Iran resulted as expected in a considerable decline in the production of passenger cars and light commercial vehicles in the reporting period, which was only marginally compensated for by other countries. Preliminary data for Asia shows that production fell by 9% year-on-year in the first quarter of 2019. While the prior-year basis is low, we continue to anticipate a stabilization in demand, particularly in China, in the subsequent quarters. For the year as a whole, we continue to expect production at the previous year's level in Asia.

On the basis of preliminary figures, global production of passenger cars and light commercial vehicles fell year-on-year by over 6% in the first quarter of 2019. We continue to expect production volumes to stabilize in the second half of the year. For 2019 as a whole, we therefore still expect global production of passenger cars and light commercial vehicles to be at the previous year's level.

Development of production of medium and heavy commercial vehicles

In Europe, the reduction of economic momentum in the quarter under review led to a drop in the transportation of goods by road. As a result, demand for trucks in the quarter under review remained at the level of the first quarter of 2018. For 2019 as a whole, we still expect production of commercial vehicles weighing more than 6 metric tons in Europe to be at the previous year's level.

In North America, the strong growth in commercial-vehicle production in 2018 continued in the first quarter of 2019 thanks to solid economic growth. Production increased by around 15% compared to the same quarter of the previous year. The momentum is likely to decline over the rest of the year due to the decrease in incoming orders and the increasing comparative basis. Due to the strong production growth in the first quarter of 2019, we are raising our full-year forecast for the production of medium and heavy commercial vehicles in North America from 0% to 4%.

According to preliminary data, the economic recovery in Brazil resulted in a substantial increase in the production of commercial vehicles in South America of more than 20% in the first quarter of 2019 compared to the low figure from the previous year. Here, too, the momentum is likely to weaken as the year progresses on account of the increasing prior-year basis. We still anticipate growth of 10% for 2019.

In Asia, production of commercial vehicles weighing more than 6 metric tons declined in the first quarter of 2019. In China, demand and the production of medium-weight commercial vehicles declined due to the uncertainty arising from the unresolved trade conflict with the U.S.A. The number of heavy commercial vehicles produced in China increased slightly compared to the low prior-year basis. For Asia as a whole, we continue to anticipate a 3% decline in commercial-vehicle production in 2019.

In the first quarter of 2019, global production of medium and heavy commercial vehicles posted a slightly negative development on the basis of preliminary figures and estimates. For the year as a whole, we are confirming our forecast of a decline of 1%.

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

In Europe – Continental's most important market for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons – preliminary figures indicate that sales volumes remained stable in the first quarter of 2019 compared with the same quarter of the previous year. We expect volumes to increase slightly as the year progresses and therefore continue to expect market growth of 2% for the year as a whole.

According to preliminary figures, demand for replacement tires for passenger cars and light commercial vehicles in North America increased by 4% in the reporting period compared to the low prior-year figure. As such, the positive trend in demand experienced in the second half of 2018 continued. For 2019, we are sticking to our forecast of 2% growth.

In South America, preliminary figures indicate that demand for replacement tires for passenger cars and light commercial vehicles decreased by 5% in the period under review on the basis of high comparative figures from the previous year. We expect demand to increase as the year progresses, and we continue to anticipate growth of 2% for 2019 as a whole.

According to preliminary data, demand for replacement tires for passenger cars and light commercial vehicles in Asia increased by 3% in the first quarter of 2019. In China, the most important Asian market, demand recovered following the downward trend in the preceding quarters and was up 4% on the previous year's level. The increasing demand in China is driven mainly by growth in vehicle numbers and replenishment of stocks. By contrast, tire sales volumes in Japan decreased slightly. For the year as a whole, we confirm our forecast of 3% growth in replacement-tire volumes for passenger cars and light commercial vehicles in Asia.

According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles increased by 2% in the first quarter of 2019. For 2019 as a whole, we still anticipate growth in global demand of 2%.

Development of replacement-tire markets for medium and heavy commercial vehicles

In the first quarter of 2019, weak demand in Turkey in particular resulted in a decline in sales volumes of replacement tires for medium and heavy commercial vehicles in Europe. Compared to the previous year's figure, volumes fell by 5% according to preliminary figures. In the subsequent quarters, however, demand is likely to pick up momentum again. For 2019 as a whole, we are lowering our forecast for Europe from 2% to 1% growth in sales volumes.

In North America, sales volumes of replacement tires for medium and heavy commercial vehicles fell by 8% in the first quarter of 2019 compared to the high prior-year figure. This was due to the imposition of tariffs on truck tire imports from China. For the year as a whole, we are lowering our sales volumes forecast from 2% to -5%, as other providers will not be able to close the supply gap immediately.

According to preliminary figures, sales volumes of replacement tires for medium and heavy commercial vehicles in South America declined by 1% in the reporting period compared to the high comparative figures from the previous year. As a result of the economic recovery, we expect demand to increase in the subsequent quarters. For 2019 as a whole, we are confirming our forecast of an increase of 2%.

In Asia, demand for replacement tires for medium and heavy commercial vehicles essentially tracked the economic performance of the individual countries in the current year, increasing by 1% according to preliminary data. For Asia as a whole, we still expect demand to increase by 2% in 2019.

Global sales volumes of replacement tires for medium and heavy commercial vehicles fell by 1% in the first quarter of 2019. Due to the weaker development in the U.S.A. and Europe, we are lowering our sales volume forecast from 2% to 0% for 2019 as a whole.

Earnings, Financial and Net Assets Position of the Continental Corporation

For reconciliation of adjusted sales and the adjusted operating result (adjusted EBIT), please refer to the information provided in the consolidated financial statements.

	January 1 to March 31	
€ millions	**2019**	2018
Sales	11,046.7	11,012.7
EBITDA	1,473.7	1,555.0
in % of sales	13.3	14.1
EBIT	823.3	1,019.2
in % of sales	7.5	9.3
Net income attributable to the shareholders of the parent	575.2	737.6
Basic earnings per share in €	2.88	3.69
Diluted earnings per share in €	2.88	3.69
Research and development expenses (net)	902.8	848.0
in % of sales	8.2	7.7
Depreciation and amortization[1]	650.4	535.8
thereof impairment[2]	6.2	5.6
Capital expenditure[3]	641.8	459.4
in % of sales	5.8	4.2
Operating assets as at March 31	27,275.0	22,878.1
Number of employees as at March 31[4]	245,686	240,074
Adjusted sales[5]	10,954.5	11,000.9
Adjusted operating result (adjusted EBIT)[6]	884.2	1,066.2
in % of adjusted sales	8.1	9.7
Net indebtedness as at March 31	4,302.2	1,983.8
Gearing ratio in %	22.6	11.7

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Earnings Position

Sales up 0.3%
Sales down 2.1% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first quarter of 2019 climbed by 0.3% year-on-year to €11,046.7 million (PY: €11,012.7 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.1%.

Adjusted EBIT down 17.1%
Adjusted EBIT for the corporation declined by €182.0 million or 17.1% year-on-year to €884.2 million (PY: €1,066.2 million) in the first quarter of 2019, corresponding to 8.1% (PY: 9.7%) of adjusted sales.

EBIT down 19.2%
The corporation's EBIT fell by €195.9 million or 19.2% compared to the previous year to €823.3 million (PY: €1,019.2 million) in the first quarter of 2019. The return on sales fell to 7.5% (PY: 9.3%).

Special effects in the first quarter of 2019
The transformation of the Powertrain division into an independent group of legal entities resulted in expense totaling €12.4 million (Chassis & Safety €1.7 million; Powertrain €9.0 million; Interior €1.7 million).

Impairment on property, plant and equipment resulted in expense totaling €6.2 million in the Powertrain division.

A business combination resulted in a gain of €2.2 million in the Tire division.

Total consolidated expense from special effects in the first three months of 2019 amounted to €16.4 million.

Special effects in the first quarter of 2018
Impairment on property, plant and equipment resulted in expense totaling €5.4 million in the Powertrain division.

Moreover, an expense of €0.2 million likewise resulted from impairment on property, plant and equipment in the Interior division.

Total consolidated expense from special effects in the first three months of 2018 amounted to €5.6 million.

Research and development
In the first three months of 2019, research and development expenses (net) rose by 6.5% compared with the same period of the previous year to €902.8 million (PY: €848.0 million), representing 8.2% (PY: 7.7%) of sales. €784.3 million (PY: €736.5 million) of this related to the Automotive Group, corresponding to 11.7% (PY: 10.8%) of sales, and €118.5 million (PY: €111.5 million) to the Rubber Group, corresponding to 2.7% (PY: 2.6%) of sales.

Financial result
The negative financial result increased by €5.2 million year-on-year to €53.5 million (PY: €48.3 million) in the first quarter of 2019. This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments.

Interest income increased by €7.6 million year-on-year to €29.6 million (PY: €22.0 million) in the first three months of 2019. Expected income from long-term employee benefits and pension funds totaled €18.7 million in this period (PY: €14.1 million). This does not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €70.3 million in the first quarter of 2019 and was thus €6.0 million higher than the previous year's figure of €64.3 million. The interest expense from long-term employee benefits totaled €38.7 million (PY: €35.1 million) in this period. This does not include the interest expense from the defined benefit obligations of the pension contribution funds. At €31.6 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was slightly higher than the prior-year figure of €29.2 million. An increase in expenses resulted in particular from the new standard IFRS 16, *Leases*, the application of which has been mandatory since January 1, 2019. The recognition of all leases in the statement of financial position accordingly resulted in increased expenses from interest on lease liabilities. In the first quarter of 2019, this interest expense amounted to €8.5 million (PY: €0.3 million). The bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., resulted in expenses of €9.2 million (PY: €16.2 million). The year-on-year decline is attributable to the repayment of two bonds. Firstly, the €750.0 million euro bond from Continental AG was repaid on July 16, 2018. This five-year bond bore interest at a rate of 3.0% p.a. Secondly, the €500.0 million euro bond from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., was repaid on February 19, 2019. This bond was issued with a fixed interest rate of 0.5% p.a., which was exchanged via cross-currency interest-rate swaps for a U.S.-dollar-based fixed interest rate averaging 2.365%.

The effects from currency translation resulted in a negative contribution to earnings of €4.9 million (PY: €15.5 million) in the first quarter of 2019. The effects from changes in the fair value of derivative instruments, and other valuation effects, resulted in an expense totaling €7.9 million in the same period (PY: earnings of €9.5 million). Other valuation effects accounted for an expense of €0.3 million (PY: earnings of €0.3 million). Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings were negatively impacted by €12.5 million (PY: €6.3 million) in the first three months of 2019.

Income tax expense
Income tax expense in the first three months of 2019 amounted to €182.4 million (PY: €219.4 million). The tax rate in the reporting period amounted to 23.7% (PY: 22.6%).

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent decreased by 22.0% to €575.2 million (PY: €737.6 million). After the first three months of 2019, basic earnings per share amounted to €2.88 (PY: €3.69), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow

EBIT for the first quarter of 2019 declined by €195.9 million compared to the same period of 2018 to €823.3 million (PY: €1,019.2 million).

Interest payments resulting largely from bonds decreased by €5.4 million to €28.7 million (PY: €34.1 million).

Income tax payments rose by €24.9 million to €208.7 million (PY: €183.8 million).

At €1,188.9 million as at March 31, 2019, the net cash outflow arising from the increase in operating working capital was €331.6 million higher than the figure for the previous year of €857.3 million.

At €2.2 million as at March 31, 2019, cash outflow (PY: cash inflow) from operating activities was €636.3 million lower than the previous year's figure of €634.1 million.

Cash flow arising from investing activities amounted to an outflow of €761.1 million (PY: €593.2 million) in the first three months of 2019. Capital expenditure on property, plant and equipment, and software was up €105.6 million from €459.4 million to €565.0 million before leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies and business operations resulted in a total cash outflow of €128.5 million (PY: €145.0 million).

The free cash flow in the first quarter of 2019 resulted in an outflow of €763.3 million (PY: inflow of €40.9 million), €804.2 million less than in the same period of the previous year. The recognition of depreciation on the reportable right-of-use assets in cash flow from operating activities, as part of the first-time adoption of IFRS 16, *Leases*, resulted in a corresponding improvement in free cash flow of €77.8 million compared to the previous year.

Financing and indebtedness

At €4,302.2 million as at March 31, 2019, the Continental Corporation's net indebtedness was above the previous year's level of €1,983.8 million. Compared to the figure of €1,661.3 million as at December 31, 2018, it had increased by €2,640.9 million. The gearing ratio increased to 22.6% (PY: 11.7%) as at the end of the first quarter of 2019.

The new IFRS 16 standard, the application of which has been mandatory since January 1, 2019, resulted in the recognition of all leases in the statement of financial position and thus an increase in lease liabilities. These amounted to €1,773.9 million on March 31, 2019 (PY: €15.4 million).

The €750.0 million euro bond from Continental AG that matured on July 16, 2018, was redeemed at a rate of 100.00%. The five-year bond bore interest at a rate of 3.0% p.a. In addition, the €500.0 million euro bond from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., that matured on February 19, 2019, was redeemed at a rate of 100.00%. This bond bore interest at a rate of 0.5% p.a. and had a term of three years and three months.

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021 and had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €267.3 million at the end of March 2019 (PY: –).

As at March 31, 2019, Continental had liquidity reserves totaling €5,712.2 million (PY: €5,887.7 million), consisting of cash and cash equivalents of €1,816.6 million (PY: €2,288.6 million) and committed, unutilized credit lines totaling €3,895.6 million (PY: €3,599.1 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on the cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at March 31, 2019, unrestricted cash and cash equivalents totaled €1,618.7 million (PY: €2,105.6 million).

Reconciliation of net indebtedness

€ millions	March 31, 2019	March 31, 2018
Long-term indebtedness	2,324.3	1,459.7
Short-term indebtedness	3,985.2	2,996.7
Long-term derivative instruments and interest-bearing investments	–33.3	–40.6
Short-term derivative instruments and interest-bearing investments	–157.4	–143.4
Cash and cash equivalents	–1,816.6	–2,288.6
Net indebtedness	**4,302.2**	**1,983.8**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

Reconciliation of change in net indebtedness

	January 1 to March 31	
€ millions	**2019**	2018
Change in net indebtedness due to the first-time adoption of IFRS 16, *Leases*	1,730.1	n. a.
Net indebtedness at the beginning of the reporting period	**3,391.4**	**2,047.6**
Cash flow arising from operating activities	–2.2	634.1
Cash flow arising from investing activities	–761.1	–593.2
Cash flow before financing activities (free cash flow)	**–763.3**	**40.9**
Dividends paid to and cash changes from equity transactions with non-controlling interests	–0.4	–6.4
Non-cash changes	–99.5	12.6
Other	–41.7	–3.1
Exchange-rate effects	–5.9	19.8
Change in net indebtedness	**–910.8**	**63.8**
Net indebtedness at the end of the reporting period	**4,302.2**	**1,983.8**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

Capital expenditure (additions)

In the first quarter of 2019, capital expenditure on property, plant and equipment, and software amounted to €641.8 million (PY: €459.4 million). €76.9 million of the year-on-year increase of €182.4 million resulted from the first-time adoption of IFRS 16, *Leases*. The capital expenditure ratio after three months is 5.8% (PY: 4.2%).

A total of €393.2 million (PY: €276.3 million) of this capital expenditure was attributable to the Automotive Group, representing 5.9% (PY: 4.1%) of sales. The Automotive Group invested primarily in production equipment for the manufacture of new products and the implementation of new technologies, with manufacturing capacity being expanded in Germany, at European best-cost locations, in China and in the U.S.A. In the Chassis & Safety division, there were major additions relating to the expansion of production facilities for the Vehicle Dynamics and Advanced Driver Assistance Systems business units. Manufacturing capacity for electronic brake systems was expanded in particular. In the Powertrain division, significant investments were made in the expansion of manufacturing capacity for the Engine & Drivetrain Systems and Powertrain Components business units. In the Interior division, production capacity was expanded in particular for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €245.4 million (PY: €179.5 million), equivalent to 5.6% (PY: 4.3%) of sales. A sum of €51.0 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Important additions related to the leasing of new stores for tire trading in Austria and the new plant buildings in Clinton, Mississippi, U.S.A., and Rayong, Thailand. Production capacity was also increased at existing plants at the European best-cost locations. Quality assurance and cost-cutting measures were implemented as well. In the ContiTech division, there were major investments relating to the expansion of production capacity for the Mobile Fluid Systems and Benecke-Hornschuch Surface Group business units. In Pune, India, an investment was made in the establishment of an additional production site for the Benecke-Hornschuch Surface Group business unit. In addition, investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €43,586.5 million (PY: €38,844.2 million), total assets as at March 31, 2019, were €4,742.3 million higher than on the same date in the previous year. A sum of €1,759.1 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Goodwill, at €7,337.9 million, was up by €370.1 million compared to the previous year's figure of €6,967.8 million. Other intangible assets climbed by €137.4 million to €1,660.2 million (PY: €1,522.8 million). Property, plant and equipment increased by €3,214.0 million to €14,366.1 million (PY: €11,152.1 million). Deferred tax assets were up €213.5 million at €1,742.7 million (PY: €1,529.2 million). Inventories increased by €528.3 million to €4,895.3 million (PY: €4,367.0 million). Trade accounts receivable rose by €118.4 million to €8,605.6 million (PY: €8,487.2 million). Short-term derivative instruments and interest-bearing investments increased by €14.0 million to €157.4 million (PY: €143.4 million). At €1,816.6 million, cash and cash equivalents were down €472.0 million from €2,288.6 million on the same date in the previous year.

Equity including non-controlling interests was up €1,994.5 million at €19,005.9 million as compared to €17,011.4 million as at March 31, 2018. This was due primarily to the increase in retained earnings of €1,834.6 million. Other comprehensive income changed by €118.4 million to -€2,433.6 million (PY: -€2,552.0 million). The gearing ratio worsened from 11.7% to 22.6%. The equity ratio fell to 43.6% (PY: 43.8%).

Compared with December 31, 2018, total assets increased by €3,141.1 million to €43,586.5 million (PY: €40,445.4 million). In relation to the individual items of the statement of financial position, this is primarily due to the rise in property, plant and equipment of €1,990.6 million to €14,366.1 million (PY: €12,375.5 million). A sum of €1,759.1 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Trade accounts receivable rose by €747.4 million to €8,605.6 million (PY: €7,858.2 million).

Equity including non-controlling interests was up €672.6 million at €19,005.9 million as compared to €18,333.3 million at the end of 2018. The positive net income attributable to the shareholders of the parent resulted in an increase of €575.2 million. Other comprehensive income changed by €80.8 million to -€2,433.6 million (PY: -€2,514.4 million). The gearing ratio changed from 9.1% to 22.6%.

Employees

As at the end of the first quarter of 2019, the corporation had 245,686 employees, representing a rise of 2,460 in comparison to the end of 2018. The number of employees in the Automotive Group rose by 1,406, particularly as a result of the acquisition of Kathrein Automotive GmbH, Hildesheim, Germany. In the Rubber Group, the increase in the number of employees by 1,030 was chiefly attributable to the adjustment to demand-driven production in the Tire division. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 5,612.

Reconciliation to operating assets as at March 31, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Total assets	**8,158.1**	**6,467.7**	**9,132.0**	**10,317.1**	**4,736.7**	**4,774.9**	**43,586.5**
Cash and cash equivalents	–	–	–	–	–	1,816.6	1,816.6
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	190.7	190.7
Other financial assets	9.9	23.6	21.7	15.4	4.7	4.3	79.6
Less financial assets	**9.9**	**23.6**	**21.7**	**15.4**	**4.7**	**2,011.6**	**2,086.9**
Less other non-operating assets	**-11.9**	**-9.6**	**-50.8**	**0.5**	**23.4**	**690.0**	**641.6**
Deferred tax assets	–	–	–	–	–	1,742.7	1,742.7
Income tax receivables	–	–	–	–	–	254.7	254.7
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,997.4**	**1,997.4**
Segment assets	**8,160.1**	**6,453.7**	**9,161.1**	**10,301.2**	**4,708.6**	**75.9**	**38,860.6**
Total liabilities and provisions	**3,905.4**	**3,087.7**	**3,403.6**	**3,331.9**	**1,875.2**	**8,976.8**	**24,580.6**
Short- and long-term indebtedness	–	–	–	–	–	6,309.5	6,309.5
Interest payable and other financial liabilities	–	–	–	–	–	87.7	87.7
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**6,397.2**	**6,397.2**
Deferred tax liabilities	–	–	–	–	–	383.0	383.0
Income tax payables	–	–	–	–	–	894.6	894.6
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,277.6**	**1,277.6**
Less other non-operating liabilities	**1,176.7**	**750.5**	**790.0**	**792.5**	**562.1**	**1,248.4**	**5,320.2**
Segment liabilities	**2,728.7**	**2,337.2**	**2,613.6**	**2,539.4**	**1,313.1**	**53.6**	**11,585.6**
Operating assets	**5,431.4**	**4,116.5**	**6,547.5**	**7,761.8**	**3,395.5**	**22.3**	**27,275.0**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

Reconciliation to operating assets as at March 31, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Total assets	**7,557.6**	**5,571.6**	**7,889.5**	**8,634.3**	**4,445.0**	**4,746.2**	**38,844.2**
Cash and cash equivalents	–	–	–	–	–	2,288.6	2,288.6
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	184.0	184.0
Other financial assets	11.4	43.9	21.9	19.7	4.7	5.7	107.3
Less financial assets	**11.4**	**43.9**	**21.9**	**19.7**	**4.7**	**2,478.3**	**2,579.9**
Less other non-operating assets	**-6.1**	**-3.7**	**-39.6**	**-31.5**	**-1.2**	**521.5**	**439.4**
Deferred tax assets	–	–	–	–	–	1,529.2	1,529.2
Income tax receivables	–	–	–	–	–	177.3	177.3
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,706.5**	**1,706.5**
Segment assets	**7,552.3**	**5,531.4**	**7,907.2**	**8,646.1**	**4,441.5**	**39.9**	**34,118.4**
Total liabilities and provisions	**4,080.7**	**2,903.0**	**3,172.3**	**3,196.9**	**1,856.7**	**6,623.2**	**21,832.8**
Short- and long-term indebtedness	–	–	–	–	–	4,456.4	4,456.4
Interest payable and other financial liabilities	–	–	–	–	–	90.1	90.1
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**4,546.5**	**4,546.5**
Deferred tax liabilities	–	–	–	–	–	352.3	352.3
Income tax payables	–	–	–	–	–	934.7	934.7
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,287.0**	**1,287.0**
Less other non-operating liabilities	**1,206.8**	**814.9**	**664.7**	**878.8**	**531.8**	**662.0**	**4,759.0**
Segment liabilities	**2,873.9**	**2,088.1**	**2,507.6**	**2,318.1**	**1,324.9**	**127.7**	**11,240.3**
Operating assets	**4,678.4**	**3,443.3**	**5,399.6**	**6,328.0**	**3,116.6**	**-87.8**	**22,878.1**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of these figures are not comparable with the figures for the reporting period.

Development of the Divisions

	January 1 to March 31	
Chassis & Safety in € millions	**2019**	2018
Sales	2,359.0	2,511.2
EBITDA	270.0	356.8
in % of sales	11.4	14.2
EBIT	147.2	252.9
in % of sales	6.2	10.1
Depreciation and amortization[1]	122.8	103.9
thereof impairment[2]	–	–
Capital expenditure[3]	124.0	93.9
in % of sales	5.3	3.7
Operating assets as at March 31	5,431.4	4,678.4
Number of employees as at March 31[4]	49,500	48,263
Adjusted sales[5]	2,359.0	2,511.2
Adjusted operating result (adjusted EBIT)[6]	148.8	252.9
in % of adjusted sales	6.3	10.1

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first three months of 2019 was lower than the previous year's level. In the Hydraulic Brake Systems business unit, sales figures for brake boosters were down significantly year-on-year. Sales of brake calipers with integrated electric parking brakes increased year-on-year, partly compensating for the considerable decline in sales figures for conventional brake calipers. In the Passive Safety & Sensorics business unit, the sales volume of airbag control units decreased year-on-year. Unit sales of advanced driver assistance systems were up significantly compared to the previous year.

Sales down 6.1%
Sales down 8.4% before changes in the scope of consolidation and exchange-rate effects
Sales of the Chassis & Safety division were down 6.1% at €2,359.0 million (PY: €2,511.2 million) in the first three months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 8.4%.

Adjusted EBIT down 41.2%
Adjusted EBIT for the Chassis & Safety division fell by €104.1 million or 41.2% year-on-year to €148.8 million (PY: €252.9 million) during the first three months of 2019, corresponding to 6.3% (PY: 10.1%) of adjusted sales.

EBIT down 41.8%
Compared with the same period of the previous year, the Chassis & Safety division reported a decline in EBIT of €105.7 million or 41.8% to €147.2 million (PY: €252.9 million) in the first three months of 2019. The return on sales fell to 6.2% (PY: 10.1%).

Special effects in the first quarter of 2019
The transformation of the Powertrain division into an independent group of legal entities resulted in expense of €1.7 million in the Chassis & Safety division.

Special effects in the first quarter of 2018
There were no special effects in the Chassis & Safety division in the first quarter of 2018.

Powertrain in € millions	January 1 to March 31 2019	2018
Sales	2,005.6	1,945.6
EBITDA	186.0	207.3
in % of sales	9.3	10.7
EBIT	60.9	99.4
in % of sales	3.0	5.1
Depreciation and amortization[1]	125.1	107.9
thereof impairment[2]	6.2	5.4
Capital expenditure[3]	131.3	101.1
in % of sales	6.5	5.2
Operating assets as at March 31	4,116.5	3,443.3
Number of employees as at March 31[4]	43,331	41,804
Adjusted sales[5]	2,005.6	1,979.8
Adjusted operating result (adjusted EBIT)[6]	78.9	112.2
in % of adjusted sales	3.9	5.7

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Powertrain

Sales volumes
In the Engine & Drivetrain Systems business unit, sales volumes of engine control units and turbochargers increased in the first three months of 2019. Sales figures for injectors and transmission control units were down year-on-year; the sales volume of pumps was slightly lower than the previous year's level. In the Hybrid Electric Vehicle business unit, the sales volume of power electronics, 48-volt drive systems and battery systems was up year-on-year, whereas sales figures for on-board power supply systems were down year-on-year. In the Powertrain Components business unit, sales of exhaust-gas sensors and SCR systems in particular rose as a result of emissions legislation. The sales volume of fuel delivery modules and catalytic converters was down year-on-year.

Sales up 3.1%
Sales down 0.6% before changes in the scope of consolidation and exchange-rate effects
Sales of the Powertrain division were up 3.1% at €2,005.6 million (PY: €1,945.6 million) in the first three months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 0.6%.

Adjusted EBIT down 29.7%
Adjusted EBIT for the Powertrain division fell by €33.3 million or 29.7% year-on-year to €78.9 million (PY: €112.2 million) during the first three months of 2019, corresponding to 3.9% (PY: 5.7%) of adjusted sales.

EBIT down 38.7%
Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €38.5 million or 38.7% to €60.9 million (PY: €99.4 million) in the first three months of 2019. The return on sales fell to 3.0% (PY: 5.1%).

Special effects in the first quarter of 2019
Impairment on property, plant and equipment resulted in expense totaling €6.2 million in the Powertrain division.

The transformation into an independent group of legal entities resulted in expense of €9.0 million.

For the Powertrain division, the total negative impact from special effects in the first quarter of 2019 amounted to €15.2 million.

Special effects in the first quarter of 2018
Impairment on property, plant and equipment resulted in expense totaling €5.4 million in the Powertrain division.

Interior in € millions	January 1 to March 31 **2019**	2018
Sales	2,395.2	2,401.7
EBITDA	235.4	283.4
in % of sales	9.8	11.8
EBIT	112.9	184.5
in % of sales	4.7	7.7
Depreciation and amortization[1]	122.5	98.9
thereof impairment[2]	–	0.2
Capital expenditure[3]	137.9	81.3
in % of sales	5.8	3.4
Operating assets as at March 31	6,547.5	5,399.6
Number of employees as at March 31[4]	48,591	47,295
Adjusted sales[5]	2,368.1	2,362.5
Adjusted operating result (adjusted EBIT)[6]	129.5	191.9
in % of adjusted sales	5.5	8.1

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Interior

Sales volumes

Sales volumes in the Body & Security business unit were slightly above the previous year's level in the first quarter of 2019. Development in the Asia and North America regions declined, but this was more than compensated for by growth in the Europe region. The integration of the new Intelligent Antenna Systems business area in February 2019 contributed to the increase in sales volumes. Sales figures in the Infotainment & Connectivity business unit considerably exceeded the previous year's figure. The multimedia and connectivity areas posted increases. Sales volumes in the Commercial Vehicles & Aftermarket business unit were slightly below the previous year's level overall. While commercial vehicles business posted a slight increase, replacement parts and aftermarket business fell considerably short of the previous year's figures due to the pro rata transfer to Powertrain. In the Instrumentation & Driver HMI business unit, sales volumes in the first three months of 2019 were lower than in the same period of the previous year. This development is attributable to the introduction of the new WLTP test procedure and to the North American market.

Sales down 0.3%
Sales down 1.4% before changes in the scope of consolidation and exchange-rate effects

Sales of the Interior division were down 0.3% at €2,395.2 million (PY: €2,401.7 million) in the first three months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 1.4%.

Adjusted EBIT down 32.5%

Adjusted EBIT for the Interior division fell by €62.4 million or 32.5% year-on-year to €129.5 million (PY: €191.9 million) during the first three months of 2019, corresponding to 5.5% (PY: 8.1%) of adjusted sales.

EBIT down 38.8%

Compared with the same period of the previous year, the Interior division reported a decline in EBIT of €71.6 million or 38.8% to €112.9 million (PY: €184.5 million) in the first three months of 2019. The return on sales fell to 4.7% (PY: 7.7%).

Special effects in the first quarter of 2019

The transformation of the Powertrain division into an independent group of legal entities resulted in expense of €1.7 million in the Interior division.

Special effects in the first quarter of 2018

An expense of €0.2 million resulted from impairment on property, plant and equipment in the Interior division.

	January 1 to March 31	
Tires in € millions	**2019**	2018
Sales	2,830.5	2,635.5
EBITDA	610.0	545.8
in % of sales	21.6	20.7
EBIT	414.0	395.5
in % of sales	14.6	15.0
Depreciation and amortization[1]	196.0	150.3
thereof impairment[2]	–	–
Capital expenditure[3]	188.6	130.1
in % of sales	6.7	4.9
Operating assets as at March 31	7,761.8	6,328.0
Number of employees as at March 31[4]	57,137	54,682
Adjusted sales[5]	2,765.4	2,635.5
Adjusted operating result (adjusted EBIT)[6]	416.7	400.0
in % of adjusted sales	15.1	15.2

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Tires

Sales volumes

In the first quarter of 2019, sales figures for passenger and light truck tires were slightly below the previous year's level in original-equipment business and on par with the previous year's figure in the tire replacement business. Sales figures in commercial-vehicle tire business were higher than the level of the previous year.

Sales up 7.4%
Sales up 3.8% before changes in the scope of consolidation and exchange-rate effects

Sales of the Tire division were up 7.4% at €2,830.5 million (PY: €2,635.5 million) in the first three months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 3.8%.

Adjusted EBIT up 4.2%

Adjusted EBIT for the Tire division increased by €16.7 million or 4.2% year-on-year to €416.7 million (PY: €400.0 million) during the first three months of 2019, corresponding to 15.1% (PY: 15.2%) of adjusted sales.

EBIT up 4.7%

Compared with the same period of the previous year, the Tire division reported an increase in EBIT of €18.5 million or 4.7% to €414.0 million (PY: €395.5 million) in the first three months of 2019. The return on sales fell to 14.6% (PY: 15.0%).

Special effects in the first quarter of 2019

A business combination resulted in a gain of €2.2 million in the Tire division.

Special effects in the first quarter of 2018

There were no notable special effects in the Tire division in the first quarter of 2018.

	January 1 to March 31	
ContiTech in € millions	**2019**	2018
Sales	1,572.9	1,601.7
EBITDA	178.8	195.9
in % of sales	11.4	12.2
EBIT	96.0	121.9
in % of sales	6.1	7.6
Depreciation and amortization[1]	82.8	74.0
thereof impairment[2]	–	–
Capital expenditure[3]	56.8	49.4
in % of sales	3.6	3.1
Operating assets as at March 31	3,395.5	3,116.6
Number of employees as at March 31[4]	46,656	47,612
Adjusted sales[5]	1,572.9	1,601.0
Adjusted operating result (adjusted EBIT)[6]	118.0	144.2
in % of adjusted sales	7.5	9.0

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

ContiTech

Sales down 1.8%
Sales down 3.2% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech division were down 1.8% at €1,572.9 million (PY: €1,601.7 million) in the first three months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 3.2%.

The Air Spring Systems and Industrial Fluid Solutions business units realized significant year-on-year sales increases. In addition, the Conveyor Belt Group reached the same sales level as in the comparative period. In contrast, the other business units, especially the business with the automotive industry, posted a significant decline in sales compared to the previous year.

Adjusted EBIT down 18.2%
Adjusted EBIT for the ContiTech division decreased by €26.2 million or 18.2% year-on-year to €118.0 million (PY: €144.2 million) during the first three months of 2019, corresponding to 7.5% (PY: 9.0%) of adjusted sales.

EBIT down 21.2%
Compared with the same period of the previous year, the ContiTech division reported a decline in EBIT of €25.9 million or 21.2% to €96.0 million (PY: €121.9 million) in the first three months of 2019. The return on sales fell to 6.1% (PY: 7.6%).

Special effects
There were no special effects in the ContiTech division in either the first quarter of 2019 or the same period of the previous year.

Report on Risks and Opportunities

There were no material changes in risks and opportunities during the reporting period. For details of the main risks and opportunities, please refer to our comments in the 2018 Annual Report.

Report on Expected Developments and Outlook

In view of the still highly volatile market environment and based on our market assumptions with regard to vehicle production and demand for replacement tires that are presented in the Economic Report section of this financial report – and provided that exchange rates remain constant – we continue to anticipate total sales of between around €45 billion and €47 billion and an adjusted EBIT margin of approximately 8% to 9% in fiscal 2019.

For the Automotive Group, assuming constant exchange rates, we still anticipate sales of approximately €27 billion to €28 billion with an adjusted EBIT margin of around 6% to 7%. For the Rubber Group, assuming constant exchange rates, we continue to anticipate sales of approximately €18 billion to €19 billion. Taking account of a negative effect of approximately €50 million from rising raw material prices, we still anticipate an adjusted EBIT margin of around 12% to 13%.

In 2019, we still expect the negative financial result to be in the region of €220 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects. The fact that this figure is higher than in the previous year can be attributed primarily to the new standard IFRS 16, *Leases*, the application of which has been mandatory since January 1, 2019.

As previously forecast, the tax rate – including the tax effects from the transformation of the Powertrain division into an independent group of legal entities – is expected to be around 27% in 2019.

For fiscal 2019, we still anticipate negative special effects of around €200 million, taking into account expenses relating to the transformation of the Powertrain division into an independent group of legal entities.

Amortization from purchase price allocations is expected to total approximately €200 million, as previously estimated, and to affect mainly the ContiTech and Interior divisions.

In fiscal 2019, the capital expenditure ratio before financial investments will increase to around 8% of sales, as expected. This increase is chiefly attributable to the recognition of leases as a result of the first-time adoption of IFRS 16.

In 2019, we are still planning on free cash flow of approximately €1.4 billion to €1.6 billion, before acquisitions and before the effects of transforming the Powertrain division into an independent group of legal entities. This figure includes the effects from the application of IFRS 16, *Leases*, on cash flow from operating activities.

Consolidated Financial Statements

IFRS 16, *Leases*, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of the following figures are not comparable with the prior-year period.

Consolidated Statement of Income

	January 1 to March 31	
€ millions	**2019**	2018
Sales	**11,046.7**	**11,012.7**
Cost of sales	-8,354.6	-8,221.8
Gross margin on sales	**2,692.1**	**2,790.9**
Research and development expenses	-1,082.9	-1,026.5
Selling and logistics expenses	-667.3	-608.2
Administrative expenses	-291.3	-287.1
Other income	309.1	286.9
Other expenses	-143.1	-152.0
Income from equity-accounted investees	6.7	15.1
Other income from investments	0.0	0.1
EBIT	**823.3**	**1,019.2**
Interest income	29.6	22.0
Interest expense	-70.3	-64.3
Effects from currency translation	-4.9	-15.5
Effects from changes in the fair value of derivative instruments, and other valuation effects	-7.9	9.5
Financial result	**-53.5**	**-48.3**
Earnings before tax	**769.8**	**970.9**
Income tax expense	-182.4	-219.4
Net income	**587.4**	**751.5**
Non-controlling interests	-12.2	-13.9
Net income attributable to the shareholders of the parent	575.2	737.6
Basic earnings per share in €	**2.88**	**3.69**
Diluted earnings per share in €	**2.88**	**3.69**

Consolidated Statement of Comprehensive Income

	January 1 to March 31	
€ millions	**2019**	2018
Net income	**587.4**	**751.5**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans[1]	-314.9	28.3
Fair value adjustments[1]	-305.4	19.9
Currency translation[1]	-9.5	8.4
Tax on other comprehensive income	94.0	-6.2
Items that may be reclassified subsequently to profit or loss		
Currency translation[1]	313.9	-58.5
Difference from currency translation[1]	313.9	-58.5
Cash flow hedges	-0.9	1.2
Fair value adjustments	-8.4	15.9
Reclassification adjustments to profit and loss	7.5	-14.7
Tax on other comprehensive income	0.2	-2.2
Other comprehensive income	**92.3**	**-37.4**
Comprehensive income	**679.7**	**714.1**
Attributable to non-controlling interests	-24.0	-16.3
Attributable to the shareholders of the parent	655.7	697.8

1 Including non-controlling interests.

Consolidated Statement of Financial Position

Assets in € millions	March 31, 2019	December 31, 2018	March 31, 2018
Goodwill	7,337.9	7,233.4	6,967.8
Other intangible assets	1,660.2	1,566.3	1,522.8
Property, plant and equipment	14,366.1	12,375.5	11,152.1
Investment property	12.0	12.0	10.5
Investments in equity-accounted investees	656.8	644.9	428.9
Other investments	201.7	192.9	179.4
Deferred tax assets	1,742.7	1,464.4	1,529.2
Defined benefit assets	41.2	27.8	14.7
Long-term contract assets	0.1	0.1	–
Long-term derivative instruments and interest-bearing investments	33.3	32.4	40.6
Long-term other financial assets	113.5	81.4	69.4
Long-term other assets	27.2	27.6	26.9
Non-current assets	**26,192.7**	**23,658.7**	**21,942.3**
Inventories	4,895.3	4,521.1	4,367.0
Trade accounts receivable[1]	8,605.6	7,858.2	8,487.2
Short-term contract assets	72.7	67.4	35.3
Short-term other financial assets[1]	101.2	94.4	131.9
Short-term other assets	1,490.3	1,124.2	1,272.5[2]
Income tax receivables	254.7	208.2	174.0[2]
Short-term derivative instruments and interest-bearing investments	157.4	151.8	143.4
Cash and cash equivalents	1,816.6	2,761.4	2,288.6
Assets held for sale	–	–	2.0
Current assets	**17,393,8**	**16,786.7**	**16,901.9**
Total assets	**43,586.5**	**40,445.4**	**38,844.2**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

1 From the 2019 reporting year, the presentation of receivables from related parties is made more transparent by reclassifying receivables from operating service business from short-term other financial assets to trade accounts receivable among these items of the statement of financial position. The figures from the comparative periods have been adjusted accordingly.

2 The previous year's figures have been adjusted due to the change in recognition of interest and penalties on income taxes.

Equity and liabilities in € millions	**March 31, 2019**	*December 31, 2018*	March 31, 2018
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	16,272.3	*15,697.2*	14,437.7
Other comprehensive income	–2,433.6	*–2,514.4*	–2,552.0
Equity attributable to the shareholders of the parent	**18,506.3**	***17,850.4***	**16,553.3**
Non-controlling interests	499.6	*482.9*	458.1
Total equity	**19,005.9**	***18,333.3***	**17,011.4**
Long-term employee benefits	4,785.5	*4,407.0*	4,410.4
Deferred tax liabilities	383.0	*315.7*	352.3
Long-term provisions for other risks and obligations	183.0	*163.7*	133.5
Long-term indebtedness	2,324.3	*1,449.0*	1,459.7
Long-term other financial liabilities	31.9	*38.4*	35.5
Long-term contract liabilities	11.2	*11.0*	11.3
Long-term other liabilities	12.7	*13.4*	16.6
Non-current liabilities	**7,731.6**	***6,398.2***	**6,419.3**
Short-term employee benefits	1,735.9	*1,454.2*	1,745.0
Trade accounts payable[1]	7,186.1	*7,525.6*	7,002.4
Short-term contract liabilities	178.9	150.2	136.9[2]
Income tax payables	894.6	*750.7*	814.4[3]
Short-term provisions for other risks and obligations	1,049.0	*1,066.1*	1,030.5[3]
Short-term indebtedness	3,985.2	*3,157.9*	2,996.7
Short-term other financial liabilities[1]	953.2	*1,042.6*	965.7[2]
Short-term other liabilities	866.1	*566.6*	721.9[3]
Current liabilities	**16,849.0**	***15,713.9***	**15,413.5**
Total equity and liabilities	**43,586.5**	***40,445.4***	**38,844.2**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

1 From the 2019 reporting year, the presentation of liabilities to related parties is made more transparent by reclassifying liabilities from operating service business from short-term other financial liabilities to trade accounts payable among these items of the statement of financial position. The figures from the comparative periods have been adjusted accordingly.
2 The presentation of short-term contract liabilities was made more transparent by reclassifying liabilities for selling expenses to short-term other financial liabilities. The figures from the comparative period have been adjusted accordingly.
3 The previous year's figures have been adjusted due to the change in recognition of interest and penalties on income taxes.

Consolidated Statement of Cash Flows

	January 1 to March 31	
€ millions	**2019**	2018
Net income	**587.4**	**751.5**
Income tax expense	182.4	219.4
Financial result	53.5	48.3
EBIT	**823.3**	**1,019.2**
Interest paid	–28.7	–34.1[1]
Interest received	29.9	6.9[1]
Income tax paid	–208.7	–183.8[1]
Dividends received	0.0	15.2
Depreciation, amortization, impairment and reversal of impairment losses	650.4	535.8
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	–6.7	–15.2
Gains/losses from the disposal of assets, companies and business operations	–1.4	–6.7
Changes in		
inventories	–284.3	–254.3
trade accounts receivable	–439.7	–556.3[1]
trade accounts payable	–464.9	–46.7[1]
employee benefits and other provisions	276.4	272.1
other assets and liabilities	–347.8	–118.0[1]
Cash flow arising from operating activities	**–2.2**	**634.1**
Cash flow from the disposal of assets	7.4	24.9
Capital expenditure on property, plant and equipment, and software	–565.0	–459.4
Capital expenditure on intangible assets from development projects and miscellaneous	–75.0	–13.7
Cash flow from the disposal of companies and business operations	0.1	0.0
Acquisition of companies and business operations	–128.6	–145.0
Cash flow arising from investing activities	**–761.1**	**–593.2**
Cash flow before financing activities (free cash flow)	**–763.3**	**40.9**
Change in indebtedness	–227.8	387.7
Successive purchases	0.0	–2.6
Dividends paid to and cash changes from equity transactions with non-controlling interests	–0.4	–6.4
Cash and cash equivalents arising from first-time consolidation of subsidiaries	0.4	–
Cash flow arising from financing activities	**–227.8**	**378.7**
Change in cash and cash equivalents	**–991.1**	**419.6**
Cash and cash equivalents at the beginning of the reporting period	2,761.4	1,881.5
Effect of exchange-rate changes on cash and cash equivalents	46.3	–12.5
Cash and cash equivalents at the end of the reporting period	**1,816.6**	**2,288.6**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

1 The previous year's figures have been adjusted due to the change in recognition of interest and penalties on income taxes. To increase transparency, receivables from and liabilities to related parties have been reclassified from changes in other assets and liabilities to changes from trade accounts receivable and payable, starting from the 2019 reporting year. The figures from the comparative period have been adjusted accordingly.

Consolidated Statement of Changes in Equity

					Difference from					
€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	remeasurement of defined benefit plans	currency translation	financial instru-ments[3]	Subtotal	Non-controlling interests	**Total**
As at January 1, 2018	**512.0**	**4,155.6**	**13,669.3**	**-183.3**	**-1,720.7**	**-610.2**	**5.7**	**15,828.4**	**461.9**	**16,290.3**
Effects from the first-time adoption of new standards (IFRS 9/15)[4]	–	–	30.8	–	–	–	-3.4	27.4	-0.1	**27.3**
Adjusted as at January 1, 2018	**512.0**	**4,155.6**	**13,700.1**	**-183.3**	**-1,720.7**	**-610.2**	**2.3**	**15,855.8**	**461.8**	**16,317.6**
Net income	–	–	737.6	–	–	–	–	737.6	13.9	**751.5**
Comprehensive income	–	–	–	–	22.2	-61.4	-0.6	-39.8	2.4	**-37.4**
Net profit for the period	**–**	**–**	**737.6**	**–**	**22.2**	**-61.4**	**-0.6**	**697.8**	**16.3**	**714.1**
Dividends paid	–	–	–	–	–	–	–	–	-19.9	**-19.9**
Successive purchases	–	–	–	-0.3	–	–	–	-0.3	-0.1	**-0.4**
Other changes	–	–	–	–	–	–	–	–	–	**–**
As at March 31, 2018	**512.0**	**4,155.6**	**14,437.7**	**-183.6**	**-1,698.5**	**-671.6**	**1.7**	**16,553.3**	**458.1**	**17,011.4**
As at January 1, 2019	**512.0**	**4,155.6**	**15,697.2**	**-205.6**	**-1,795.5**	**-510.0**	**-3.3**	**17,850.4**	**482.9**	**18,333.3**
Net income	–	–	575.2	–	–	–	–	575.2	12.2	**587.4**
Comprehensive income	–	–	-0.1	–	-221.0	302.3	-0.7	80.5	11.8	**92.3**
Net profit for the period	**–**	**–**	**575.1**	**–**	**-221.0**	**302.3**	**-0.7**	**655.7**	**24.0**	**679.7**
Dividends paid/resolved	–	–	–	–	–	–	–	–	-7.3	**-7.3**
Successive purchases	–	–	–	0.0	–	–	–	0.0	0.0	**0.0**
Other changes[5]	–	–	–	0.2	–	–	–	0.2	0.0	**0.2**
As at March 31, 2019	**512.0**	**4,155.6**	**16,273.3**	**-205.4**	**-2,016.5**	**-207.7**	**-4.0**	**18,506.3**	**499.6**	**19,005.9**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of €0.0 million (PY: €0.0 million) from successive purchases of shares in fully consolidated companies and an amount of €0.2 million (PY: –) relating to effects from the first-time consolidation of previously non-consolidated subsidiaries. The prior-year period also includes the change in value of a put option of -€0.3 million for the acquisition of remaining shares in a fully consolidated company.
3 The change in the difference arising from financial instruments, including deferred taxes, was due to the expiry of cash flow hedges for interest and currency hedging of -€0.7 million (PY: –) and in the previous year to changes in the fair value of these cash flow hedges of -€0.6 million.
4 Please see our comments in the "Revenue from contracts with customers" and "Financial instruments" sections of the 2018 Annual Report.
5 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to March 31, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
External sales	2,348.8	1,954.0	2,381.3	2,819.5	1,543.1	–	11,046.7
Intercompany sales	10.2	51.6	13.9	11.0	29.8	-116.5	–
Sales (total)	**2,359.0**	**2,005.6**	**2,395.2**	**2,830.5**	**1,572.9**	**-116.5**	**11,046.7**
EBIT (segment result)	147.2	60.9	112.9	414.0	96.0	-7.7	823.3
in % of sales	6.2	3.0	4.7	14.6	6.1	–	7.5
Depreciation and amortization[1]	122.8	125.1	122.5	196.0	82.8	1.2	650.4
thereof impairment[2]	–	6.2	–	–	–	–	6.2
Capital expenditure[3]	124.0	131.3	137.9	188.6	56.8	3.2	641.8
in % of sales	5.3	6.5	5.8	6.7	3.6	–	5.8
Operating assets as at March 31	5,431.4	4,116.5	6,547.5	7,761.8	3,395.5	22.3	27,275.0
Number of employees as at March 31[4]	49,500	43,331	48,591	57,137	46,656	471	245,686
Adjusted sales[5]	2,359.0	2,005.6	2,368.1	2,765.4	1,572.9	-116.5	10,954.5
Adjusted operating result (adjusted EBIT)[6]	148.8	78.9	129.5	416.7	118.0	-7.7	884.2
in % of adjusted sales	6.3	3.9	5.5	15.1	7.5	–	8.1

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Segment report for the period from January 1 to March 31, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
External sales	2,502.3	1,913.7	2,393.8	2,627.0	1,575.9	–	11,012.7
Intercompany sales	8.9	31.9	7.9	8.5	25.8	-83.0	–
Sales (total)	**2,511.2**	**1,945.6**	**2,401.7**	**2,635.5**	**1,601.7**	**-83.0**	**11,012.7**
EBIT (segment result)	252.9	99.4	184.5	395.5	121.9	-35.0	1,019.2
in % of sales	10.1	5.1	7.7	15.0	7.6	–	9.3
Depreciation and amortization[1]	103.9	107.9	98.9	150.3	74.0	0.8	535.8
thereof impairment[2]	–	5.4	0.2	–	–	–	5.6
Capital expenditure[3]	93.9	101.1	81.3	130.1	49.4	3.6	459.4
in % of sales	3.7	5.2	3.4	4.9	3.1	–	4.2
Operating assets as at March 31	4,678.4	3,443.3	5,399.6	6,328.0	3,116.6	-87.8	22,878.1
Number of employees as at March 31[4]	48,263	41,804	47,295	54,682	47,612	418	240,074
Adjusted sales[5]	2,511.2	1,979.8	2,362.5	2,635.5	1,601.0	-89.1	11,000.9
Adjusted operating result (adjusted EBIT)[6]	252.9	112.2	191.9	400.0	144.2	-35.0	1,066.2
in % of adjusted sales	10.1	5.7	8.1	15.2	9.0	–	9.7

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of these figures are not comparable with the figures for the reporting period.

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

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to March 31, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Sales	**2,359.0**	**2,005.6**	**2,395.2**	**2,830.5**	**1,572.9**	**-116.5**	**11,046.7**
Changes in the scope of consolidation[1]	–	–	-27.1	-65.1	–	–	-92.2
Adjusted sales	**2,359.0**	**2,005.6**	**2,368.1**	**2,765.4**	**1,572.9**	**-116.5**	**10,954.5**
EBITDA	**270.0**	**186.0**	**235.4**	**610.0**	**178.8**	**-6.5**	**1,473.7**
Depreciation and amortization[2]	-122.8	-125.1	-122.5	-196.0	-82.8	-1.2	-650.4
EBIT	**147.2**	**60.9**	**112.9**	**414.0**	**96.0**	**-7.7**	**823.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	2.8	14.6	4.7	22.0	–	44.1
Changes in the scope of consolidation[1]	-0.1	–	0.3	0.2	–	–	0.4
Special effects							
Impairment[3]	–	6.2	–	–	–	–	6.2
Restructuring	–	–	–	–	–	–	–
Gains and losses from disposals of companies and business operations	–	–	–	–	–	–	–
Other	1.7	9.0	1.7	-2.2	–	–	10.2
Adjusted operating result (adjusted EBIT)	**148.8**	**78.9**	**129.5**	**416.7**	**118.0**	**-7.7**	**884.2**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to March 31, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Sales	**2,511.2**	**1,945.6**	**2,401.7**	**2,635.5**	**1,601.7**	**-83.0**	**11,012.7**
Changes in the scope of consolidation[1]	–	34.2	-39.2	–	-0.7	-6.1	-11.8
Adjusted sales	**2,511.2**	**1,979.8**	**2,362.5**	**2,635.5**	**1,601.0**	**-89.1**	**11,000.9**
EBITDA	**356.8**	**207.3**	**283.4**	**545.8**	**195.9**	**-34.2**	**1,555.0**
Depreciation and amortization[2]	-103.9	-107.9	-98.9	-150.3	-74.0	-0.8	-535.8
EBIT	**252.9**	**99.4**	**184.5**	**395.5**	**121.9**	**-35.0**	**1,019.2**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	2.9	12.6	4.5	22.2	–	42.2
Changes in the scope of consolidation[1]	–	4.5	-5.4	–	0.1	–	-0.8
Special effects							
Impairment[3]	–	5.4	0.2	–	–	–	5.6
Restructuring	–	–	0.0	–	–	–	0.0
Gains and losses from disposals of companies and business operations	–	–	–	0.0	–	–	0.0
Other	–	–	–	–	–	–	–
Adjusted operating result (adjusted EBIT)	**252.9**	**112.2**	**191.9**	**400.0**	**144.2**	**-35.0**	**1,066.2**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of these figures are not comparable with the figures for the reporting period.

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

Reconciliation of EBIT to net income

	January 1 to March 31	
€ millions	**2019**	2018
Chassis & Safety	147.2	252.9
Powertrain	60.9	99.4
Interior	112.9	184.5
Tires	414.0	395.5
ContiTech	96.0	121.9
Other/consolidation	-7.7	-35.0
EBIT	**823.3**	**1,019.2**
Financial result	-53.5	-48.3
Earnings before tax	**769.8**	**970.9**
Income tax expense	-182.4	-219.4
Net income	**587.4**	**751.5**
Non-controlling interests	-12.2	-13.9
Net income attributable to the shareholders of the parent	**575.2**	**737.6**

IFRS 16, Leases, was adopted on and has been applied since January 1, 2019. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior-year period.

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

Information on the development of the Continental Corporation's five divisions can be found in the Corporate Management Report as at March 31, 2019.

Accounting principles
These interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). The interim financial statements were prepared in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim financial statements as in the consolidated financial statements for 2018. These accounting policies are described in detail in the 2018 Annual Report. In addition, the IFRS amendments and new regulations effective as at March 31, 2019, have also been applied in the interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2018 Annual Report.

The first-time adoption of IFRS 16, *Leases*, affected the reporting period. The new standard IFRS 16, which has been effective since January 1, 2019, is described in detail in the 2018 Annual Report. Please see the "Leases" section for information on the specific effects in the reporting period.

All other IFRS amendments and new regulations effective as at March 31, 2019, had no material effect on the reporting of the Continental Corporation.

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

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

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

Leases

Continental started applying IFRS 16, *Leases*, on January 1, 2019. This is a new standard that supersedes IAS 17, *Leases*; IFRIC 4, *Determining Whether an Arrangement Contains a Lease*; SIC 15, *Operating Leases – Incentives*; and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. In this context, Continental uses the modified retrospective approach. The values for comparative periods are based on the accounting principles of IAS 17 and are shown unadjusted. Adjustments are therefore presented in the opening carrying amounts as at January 1, 2019.

Leases that were previously classified as operating leases in accordance with IAS 17 are recognized pursuant to IFRS 16.C8 using the following recognition and measurement requirements and exemptions:

- At the date of first-time adoption, Continental as lessee measures the lease liability at the present value of the lease payments not yet made. It is recognized under indebtedness. Discounting is determined using term- and currency-specific incremental borrowing rates on January 1, 2019, as the interest rates underlying the leases often cannot be determined.
- The right-of-use asset recognized by the lessee at the date of first-time adoption is measured at cost. This amount comprises the corresponding lease liability and prepaid lease payments, taking any lease incentives received into account. It is recognized in property, plant and equipment. Depreciation is charged on a straight-line basis.
- The lease liability is subsequently measured according to the effective interest method. The resulting interest expenses are recognized in the financial result.
- Continental utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value.
- Continental does not remeasure the leases existing as at the date of first-time adoption.
- When determining the lease term with regard to extension or termination options, Continental as lessee uses hindsight in connection with the measurement.

For leases that were previously classified as finance leases in accordance with IAS 17:

- the right-of-use asset is recognized at the previous carrying amount resulting from the measurement of the leased asset in accordance with IAS 17 directly before the first-time adoption of IFRS 16.
- the lease liability is recognized at the previous carrying amount resulting from the measurement of the leased asset in accordance with IAS 17 directly before the first-time adoption of IFRS 16.

The first-time adoption of IFRS 16, *Leases*, resulted in the following effects on the earnings, financial and net assets position:

- In total, right-of-use assets of €1,734.9 million and financial liabilities of €1,742.4 million were recognized from leases. €284.9 million of the latter are allocated to short-term indebtedness and €1,457.5 million to long-term indebtedness. The difference from the change in net indebtedness due to the first-time adoption of IFRS 16 is attributable to liabilities from finance leases in accordance with IAS 17 that were already accounted for as at December 31, 2018.
- The difference of €7.5 million results from the reclassification of assets and lease liabilities that were previously classified as finance leases under IAS 17 and from prepaid lease payments and lease incentives received.
- The difference between the obligations from leases in accordance with IAS 17 as at December 31, 2018, and the opening carrying amount in accordance with IFRS 16 as at January 1, 2019, amounts to €189.6 million. In addition to the effect from the discounting of operating leases in accordance with IAS 17, the amount results primarily from the use of exemptions for short-term and low-value leases and from the different treatment of extension options.
- The obligations from operating leases in accordance with IAS 17 existing before the first-time adoption of IFRS 16 were discounted by a weighted average incremental borrowing rate of 2.35% as at January 1, 2019.
- As lessee, Continental has recognized assets and liabilities for the following classes of property, plant and equipment, mainly from operating leases:

€ millions	March 31, 2019	January 1, 2019
Land and buildings	1,664.6	1,637.9
Technical equipment and machinery	8.0	8.1
Other equipment, factory and office equipment	86.5	88.9
	1,759.1	**1,734.9**

- The income statement is influenced by the substitution of the straight-line expenses from operating leases previously recognized in the operating result with depreciation on the right-of-use assets and interest expenses from the interest on lease liabilities in the financial result.
- In the statement of financial position, the first-time adoption of IFRS 16 has roughly doubled net indebtedness, while increasing operating assets by a similar amount.
- There is a slight positive effect on EBIT at the expense of the financial result.

- The changed recognition of the total lease payment results in an increase in cash flow from operating activities and therefore in free cash flow. There is an opposite effect in cash flow from financing activities.

Companies consolidated

In addition to the parent company, the consolidated financial statements include 576 (PY: 527) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10, *Consolidated Financial Statements*, or that are classified as joint arrangements or associated companies. Of these, 445 (PY: 409) are fully consolidated and 131 (PY: 118) are accounted for using the equity method.

The number of consolidated companies has increased by a total of four since December 31, 2018. Five companies were acquired and one previously unconsolidated entity was included in consolidation for the first time. In addition, the number of companies consolidated was reduced by two as a result of mergers.

Since March 31, 2018, the number of consolidated companies has increased by a total of 49. The additions to the scope of consolidation essentially resulted from companies that were newly founded as part of the transformation of the Powertrain division into an independent group of legal entities. Companies no longer included in the scope of consolidation are mostly attributable to liquidations and mergers.

Acquisition and disposal of companies and business operations

As part of the purchase price allocation from the acquisition of Tyre and Auto Pty Ltd., Melbourne, Australia, in fiscal 2018, the valuation for intangible assets decreased by €10.2 million. Goodwill consequently increased by €7.0 million to €187.5 million.

Two asset deals and one share deal took place in the Tire segment. The purchase prices totaling €0.7 million were paid in cash. The purchase price allocations resulted in intangible assets of €0.3 million and a bargain purchase effect of €2.2 million, which was recognized in profit or loss under other income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at March 31, 2019.

In the Chassis & Safety segment, there was a reduction in the purchase price of €2.0 million from €3.5 million to €1.5 million for a share deal from fiscal 2018 in connection with the final purchase price settlement. The final purchase price allocation therefore results in goodwill of €1.1 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at March 31, 2019.

On February 1, 2019, Continental Automotive GmbH, Hanover, Germany, acquired 100% of the shares in Kathrein Automotive GmbH, Hildesheim, Germany. The company, a leading manufacturer of antenna and satellite technology as well as a broad range of communications technology, generated sales of €135.5 million in fiscal 2018. The acquisition augments the Body & Security business unit's expertise with the important key segment of intelligent vehicle antennas. The purchase price for Kathrein Automotive GmbH totals €107.1 million and was paid in cash. The total incidental acquisition costs incurred were recognized as other expenses in the amount of €0.5 million in fiscal 2018 and €0.8 million in fiscal 2019. The provisional purchase price allocation resulted in goodwill of €65.6 million and intangible assets of €73.1 million for the Interior segment. If the transaction had already been completed on January 1, 2019, net income after tax would have been €0.0 million lower and sales would have been up by €15.1 million. The transaction was closed on February 1, 2019. Since then, the company has generated sales of €23.7 million and, taking into account the effects of purchase price allocation, contributed net income after tax of -€0.8 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at March 31, 2019.

Revenue from contracts with customers

The following table shows the breakdowns in accordance with IFRS 15, *Revenue from Contracts with Customers*, into main geographical markets, divisions and customer groups.

Revenue from contracts with customers from January 1 to March 31, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Germany	475.6	406.3	637.0	387.4	334.8	–69.2	2,171.9
Europe excluding Germany	546.4	583.0	666.9	1,176.0	421.0	–19.9	3,373.4
North America	582.0	478.5	571.1	733.6	473.7	–19.1	2,819.8
Asia	718.3	509.6	461.7	360.9	252.3	–6.9	2,295.9
Other countries	36.7	28.2	58.5	172.6	91.1	–1.4	385.7
Sales by region	**2,359.0**	**2,005.6**	**2,395.2**	**2,830.5**	**1,572.9**	**–116.5**	**11,046.7**
Automotive original-equipment business	2,125.4	1,996.3	2,153.2	834.7	798.2	–89.4	7,818.4
Industrial/replacement business	233.6	9.3	242.0	1,995.8	774.7	–27.1	3,228.3
Sales by customer type	**2,359.0**	**2,005.6**	**2,395.2**	**2,830.5**	**1,572.9**	**–116.5**	**11,046.7**

Revenue from contracts with customers from January 1 to March 31, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Germany	531.3	372.4	656.6	397.7	381.6	–46.7	2,292.9
Europe excluding Germany	590.8	562.3	662.2	1,134.6	433.7	–17.1	3,366.5
North America	556.3	427.2	527.6	640.2	413.2	–10.6	2,553.9
Asia	793.1	552.7	472.7	293.7	282.8	–6.7	2,388.3
Other countries	39.7	31.0	82.6	169.3	90.4	–1.9	411.1
Sales by region	**2,511.2**	**1,945.6**	**2,401.7**	**2,635.5**	**1,601.7**	**–83.0**	**11,012.7**
Automotive original-equipment business	2,510.5	1,925.9	2,181.7	804.2	840.3	–58.1	8,204.5
Industrial/replacement business	0.7	19.7	220.0	1,831.3	761.4	–24.9	2,808.2
Sales by customer type	**2,511.2**	**1,945.6**	**2,401.7**	**2,635.5**	**1,601.7**	**–83.0**	**11,012.7**

Impairment

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

Income tax expense

Income tax expense in the first quarter of 2019 amounted to €182.4 million (PY: €219.4 million). The tax rate in the reporting period amounted to 23.7% (PY: 22.6%).

Long-term employee benefits

Compared to December 31, 2018, the remeasurement of defined benefit pension plans as at March 31, 2019, led to a €225.1 million decrease (PY: €17.9 million increase) in other comprehensive income, which resulted from a decline (PY: rise) in discount rates. The corresponding decrease in equity contrasted with a rise in long-term employee benefits of €318.4 million (PY: fall of €23.7 million).

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the U.K., and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to March 31, 2019, the companies of the Continental Corporation made regular payments of €20.1 million (PY: €8.1 million) into these pension funds.

Payments for retirement benefit obligations totaled €59.1 million (PY: €50.9 million) in the period from January 1 to March 31, 2019. Payments for obligations similar to pensions totaled €3.8 million (PY: €3.5 million).

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

	January 1 to March 31, 2019						January 1 to March 31, 2018					
€ millions	**Germany**	**U.S.A.**	**Canada**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	Canada	U.K.	Other	Total
Current service cost	54.9	1.0	0.4	0.5	6.0	**62.8**	55.8	1.2	0.4	0.6	5.5	63.5
Interest on defined benefit obligations	22.4	10.9	1.0	2.5	2.6	**39.4**	19.6	9.3	0.9	2.4	2.4	34.6
Expected return on the plan assets	-5.7	-9.9	-0.8	-2.7	-1.4	**-20.5**	-5.6	-6.5	-0.7	-2.4	-1.2	-16.4
Effect of change of asset ceiling	–	–	–	–	0.0	**0.0**	–	–	–	–	0.0	0.0
Other pension income and expenses	–	0.4	0.1	–	0.0	**0.5**	–	0.3	0.1	–	0.0	0.4
Net pension cost	**71.6**	**2.4**	**0.7**	**0.3**	**7.2**	**82.2**	**69.8**	**4.3**	**0.7**	**0.6**	**6.7**	**82.1**

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

	January 1 to March 31	
€ millions	**2019**	2018
Current service cost	0.3	0.4
Interest on healthcare and life-insurance benefit obligations	2.0	1.8
Net cost of obligations similar to pensions	**2.3**	**2.2**

Indebtedness

The €750.0 million euro bond from Continental AG that matured on July 16, 2018, was redeemed at a rate of 100.00%. This five-year bond bore interest at a rate of 3.0% p.a. In addition, the €500.0 million euro bond from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., that matured on February 19, 2019, was redeemed at a rate of 100.00%. This bond bore interest at a rate of 0.5% p.a. and had a term of three years and three months.

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021 and had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €267.3 million at the end of March 2019 (PY: –).

For more information on indebtedness and the financial result, please refer to the Corporate Management Report as at March 31, 2019.

Financial instruments

The tables below show the carrying amounts and fair values of financial assets and liabilities, whereby non-current and current items are presented together.

€ millions	Measurement category in acc. with IFRS 9	**Carrying amount as at March 31, 2019**	**Fair value as at March 31, 2019**	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	201.7	201.7	–	–	201.7
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	9.2	9.2	–	9.2	–
Debt instruments	FVPL	30.6	30.6	20.4	10.2	–
Debt instruments	At cost	150.9	150.9	–	–	–
Trade accounts receivable						
Trade accounts receivable	At cost	8,285.9	8,285.9	–	–	–
Bank drafts	FVOCIwR	319.7	319.7	–	319.7	–
Other financial assets						
Other financial assets	FVPL	29.6	29.6	–	29.6	–
Miscellaneous financial assets	At cost	185.1	185.1	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	At cost	1,716.6	1,716.6	–	–	–
Cash and cash equivalents	FVPL	100.0	100.0	100.0	–	–
Financial assets		**11,029.3**	**11,029.3**	**120.4**	**368.7**	**201.7**
Indebtedness						
Derivative instruments not accounted for as effective hedging instruments	FVPL	10.1	10.1	–	10.1	–
Finance lease liabilities[1]	n. a.	1,773.9	–	–	–	–
Other indebtedness	At cost	4,525.5	4,577.1	1,386.0	389.2	–
Trade accounts payable	At cost	7,186.1	7,186.1	–	–	–
Other financial liabilities	At cost	985.1	985.1	–	1.3	–
Financial liabilities		**14,480.7**	**12,758.4**	**1,386.0**	**400.6**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		319.7				
Financial assets (FVOCIwoR)		201.7				
Financial assets (FVPL)		169.4				
Financial assets (At cost)		10,338.5				
Financial liabilities (FVPL)		10.1				
Financial liabilities (At cost)		12,696.7				

1 Due to the first-time adoption of IFRS 16, disclosure of the fair value of lease liabilities in accordance with IFRS 7 is no longer required.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at March 31, 2018	Fair value as at March 31, 2018	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	192.9	192.9	–	–	192.9
Derivative instruments and interest-bearing investments						
Derivative instruments accounted for as effective hedging instruments	n. a.	28.2	28.2	–	28.2	–
Derivative instruments not accounted for as effective hedging instruments	FVPL	15.1	15.1	–	15.1	–
Debt instruments	FVPL	29.4	29.4	19.6	9.8	–
Debt instruments	At cost	111.5	111.5	–	–	–
Trade accounts receivable						
Trade accounts receivable	At cost	7,742.4	7,742.4	–	–	–
Bank drafts	FVOCIwR	114.9	114.9	–	114.9	–
Trade accounts receivable	FVPL	0.9	0.9	–	0.9	–
Other financial assets						
Other financial assets	FVPL	0.9	0.9	–	0.9	–
Miscellaneous financial assets	At cost	174.9	174.9	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	At cost	2,201.0	2,201.0	–	–	–
Cash and cash equivalents	FVPL	560.4	560.4	458.8	101.6	–
Financial assets		**11,172.5**	**11,172.5**	**478.4**	**271.4**	**192.9**
Indebtedness						
Derivative instruments not accounted for as effective hedging instruments	FVPL	8.2	8.2	–	8.2	–
Finance lease liabilities	n. a.	12.3	12.3	–	12.3	–
Other indebtedness	At cost	4,586.4	4,638.5	1,888.0	283.0	–
Trade accounts payable	At cost	7,525.6	7,525.6	–	–	–
Other financial liabilities						
Liabilities to related parties from finance leases	n. a.	6.9	6.5	–	6.5	–
Miscellaneous financial liabilities	At cost	1,074.1	1,074.1	–	1.6	–
Financial liabilities		**13,213.5**	**13,265.2**	**1,888.0**	**311.6**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		114.9				
Financial assets (FVOCIwoR)		192.9				
Financial assets (FVPL)		606.7				
Financial assets (At cost)		10,229.8				
Financial liabilities (FVPL)		8.2				
Financial liabilities (At cost)		13,186.1				

Abbreviations
- At cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit and loss
- n. a.: not applicable, not assigned to any measurement category

Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*:
- Level 1: quoted prices on the active market for identical instruments
- Level 2: quoted prices on the active market for a similar instrument or a measurement method for which all major input factors are based on observable market data
- Level 3: measurement method for which the major input factors are not based on observable market data

For other investments for which there are no quoted prices on the active market for identical instruments (level 1) or for a similar instrument, or for which there is no applicable measurement method in which all major input factors are based on observable market data (level 2), the fair value is calculated with a measurement method for which the major input factors are not based on observable market data (level 3). The measurement is performed according to the measurement method that is deemed appropriate in each case. For the majority of level 3 instruments, the costs are the best estimate. The fair value of other investments is monitored centrally and checked for valuation adjustment using one of the key input factors that is not based on observable market data. There are no indications that non-observable market data has a significant impact on the fair value of other investments.

Litigation and compensation claims
As described in detail in the 2018 Annual Report, judicial review proceedings are still pending in connection with resolutions adopted by the Annual Shareholders' Meeting of ContiTech AG, Hanover, on August 22, 2007, regarding the approval of the conclusion of a management and profit and loss transfer agreement between this company as the controlled company and ContiTech-Universe Verwaltungs-GmbH, Hanover, as the controlling company and regarding the squeeze-out of minority shareholders. These judicial review proceedings relate to the appropriateness of the settlement and compensation payment under the management and profit and loss transfer agreement and the settlement for the squeeze-out. Partial settlement agreements were entered in the records of the Hanover Regional Court *(Landgericht)* in these proceedings in 2012. Under these settlements, a payment of €3.50 plus interest per share on top of the exit compensation under the management and profit and loss transfer agreement and on account of the squeeze-out was agreed, as was – merely declaratory – a higher compensatory payment under the management and profit and loss transfer agreement. The compensation consequently increased to €28.33 per share. In October 2012, the Hanover Regional Court had awarded additional payments of the same amount. Upon appeals by some petitioners, the Celle Higher Regional Court *(Oberlandesgericht)* had revoked the rulings on July 17, 2013, and remanded the matter to the Regional Court for a new hearing and ruling. On September 19, 2018, the Hanover Regional Court had adjusted the compensation under the management and profit and loss transfer agreement and on account of the squeeze-out to €26.70 per share and also adjusted the compensatory payment under the management and profit and loss transfer agreement on a merely declaratory basis. On March 22, 2019, the Celle Higher Regional Court dismissed as inadmissible and rejected the appeals filed by some petitioners against these decisions by the Regional Court. Other than this, there were no significant new findings or developments in the reporting period with regard to the litigation and compensation claims described in the 2018 Annual Report.

Contingent liabilities and other financial obligations
As at March 31, 2019, there were no material changes in the contingent liabilities and other financial obligations as described in the 2018 Annual Report.

Appropriation of net income
As at December 31, 2018, Continental AG reported net retained earnings of €1,758.5 million (PY: €1,470.4 million). The Annual Shareholders' Meeting in Hanover on April 26, 2019, will propose the distribution of a dividend of €4.75 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution will thus amount to €950,028,419.25. The remaining amount is to be carried forward to new account.

Earnings per share
After the first three months of 2019, basic earnings per share amounted to €2.88 (PY: €3.69), the same amount as diluted earnings per share.

Transactions with related parties
In the period under review there were no material changes in transactions with related parties compared to December 31, 2018. For further information, please refer to the comments in the 2018 Annual Report.

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

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

Significant Events after March 31, 2019

There were no significant events after March 31, 2019.

Hanover, April 23, 2019

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2019	
Preliminary figures for fiscal 2018	January 14
Annual Financial Press Conference	March 7
Analyst and Investor Conference Call	March 7
Annual Shareholders' Meeting (including key figures for the first quarter of 2019)	April 26
Financial Report as at March 31, 2019	May 9
Half-Year Financial Report as at June 30, 2019	August 7
Financial Report as at September 30, 2019	November 12

2020	
Preliminary figures for fiscal 2019	January
Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting (including key figures for the first quarter of 2020)	April 30
Financial Report as at March 31, 2020	May
Half-Year Financial Report as at June 30, 2020	August
Financial Report as at September 30, 2020	November

Publication Details

Published by:
Continental Aktiengesellschaft, Hanover, Germany

This Financial Report has also been published in German.
The 2018 Annual Report is available in English and German.

Continental AG, Corporate Communications
P.O. Box 1 69, 30001 Hanover, Germany
Phone: +49 511 938 - 1146
Fax: +49 511 938 - 1055
E-mail: prkonzern@conti.de

Annual and interim reports are available on the internet at:
www.continental-ir.com

Continental Aktiengesellschaft
P.O. Box 1 69, 30001 Hanover, Germany
Vahrenwalder Strasse 9, 30165 Hanover, Germany
Phone: +49 511 938 - 01, Fax: +49 511 938 - 81770
mailservice@conti.de
www.continental-corporation.com

Continental
The Future in Motion