Continental
The Future in Motion

Q1

TRANSFORMATION

FINANCIAL REPORT AS AT MARCH 31, 2020

Continental Shares and Bonds

Plunge in stock market prices due to the coronavirus crisis
Stock markets worldwide showed a slightly positive overall trend in the first few weeks of 2020. At the end of January 2020, initial reports of a novel coronavirus spreading throughout China and the lockdown of several cities by the Chinese authorities weighed on sentiment, particularly on the Asian stock markets. In February and March 2020, the novel virus increasingly spread worldwide, particularly in Europe and the U.S.A. National governments reacted to this for the most part by limiting contact between their citizens, shutting down industrial production and closing retail businesses. In China, meanwhile, the spread of the coronavirus was curbed, leading to the gradual easing of measures imposed in the affected cities.

The rapid spread of the coronavirus, the extensive economic shutdowns in many countries as well as numerous company profit warnings and forecast retractions triggered a sharp decline in global stock market prices from the end of February to mid-March 2020. The DAX lost more than 3,000 points before stabilizing at 8,500 points. In the second half of March, the announcement of extensive support measures for companies by various European governments, the European Union and the U.S. government gave rise to hopes that the crisis would soon be overcome. In light of this, the DAX recovered by more than 1,000 points and closed the first quarter of 2020 at 9,935.84 points. This represented a decline of 25.0% compared with the end of 2019, when it was quoted at 13,249.01 points. The EURO STOXX 50 followed almost exactly the same trend, falling by 25.6% in the first quarter to 2,786.90 points.

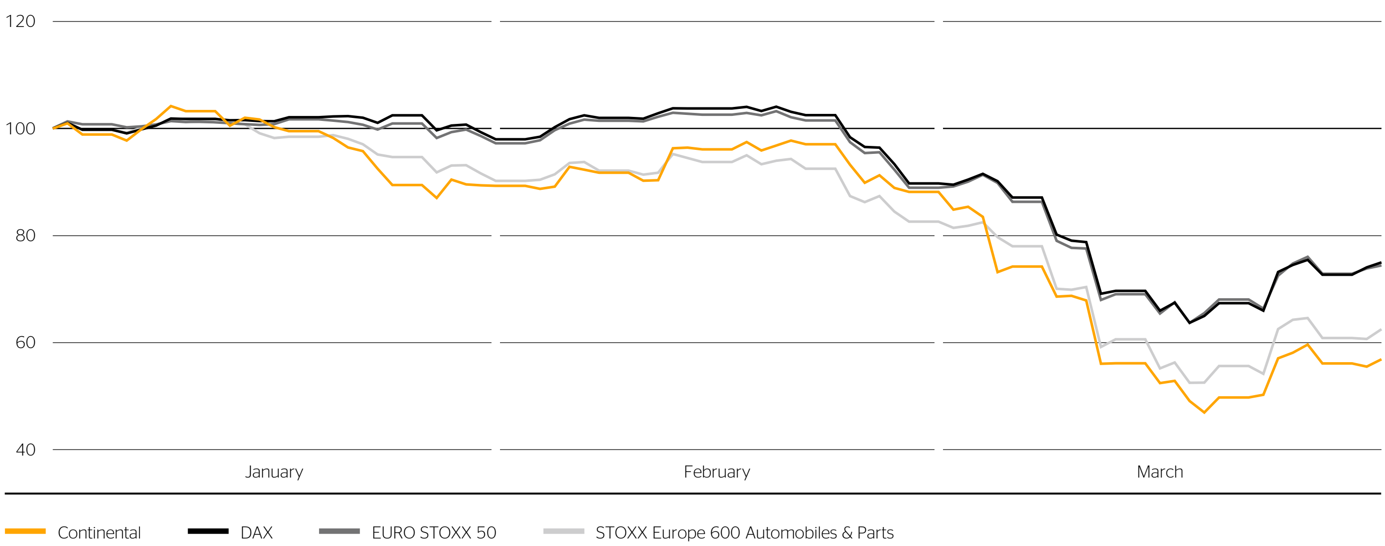
Automotive stocks particularly affected by the coronavirus
The spread of the coronavirus in China and the resulting negative effects on local vehicle demand and production weighed on global automotive stocks in the first quarter of 2020. In March, plant closures by vehicle manufacturers and suppliers and the anticipated negative effects of various measures on vehicle demand and production in the second quarter caused the prices of European automotive stocks to plummet. In the first quarter of 2020, the STOXX Europe 600 Automobiles & Parts fell by 37.5% compared to the end of 2019 to 317.82 points.

Significant decline in the price of Continental shares
Continental shares largely followed the trend in the European automotive sector in the first quarter of 2020 but were somewhat more volatile. They ended March 2020 at €65.61, having fallen 43.1% compared to the 2019 year-end price of €115.26.

Decline in the price of Continental bonds
Uncertainty about the projected duration of government measures to slow the COVID-19 pandemic and possible negative effects on companies' solvency led to a significant rise in interest rates for European corporate bonds in the first quarter of 2020. As a result, the prices of listed bonds declined. The Continental bonds issued in September 2019 also recorded price losses.

The price of the 0.0% euro bond maturing on September 12, 2023, decreased by 616.7 basis points in the first quarter of 2020 and ended March 2020 at 93.141%. The price of the 0.375% euro bond maturing on June 27, 2025, decreased by 917.9 basis points in the reporting period and closed the quarter at 90.601%.

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2020



Continental's key bonds outstanding as at March 31, 2020

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at March 31, 2020	Price as at Dec. 31, 2019
A1X3B7/XS0969344083	3.125%	September 9, 2020	750.0	99.228%	101.158%	102.311%
A2YPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	93.141%	99.308%
A2YPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	90.601%	99.780%

The price of the 3.125% euro bond maturing on September 9, 2020, decreased by 115.3 basis points in the reporting period to 101.158%, primarily due to the reduction in its remaining maturity.

0.0% euro bond redeemed
The price of the 0.0% euro bond of Continental that matured on February 5, 2020, was around the 100% mark in January and February 2020. The nominal value of €600.0 million was repaid on the maturity date.

Credit rating for Continental AG lowered
The rating agency Standard & Poor's confirmed its long-term credit rating of BBB+ on March 5, 2020 – after the publication of the Continental Group's preliminary financial figures for 2019 – but lowered its outlook to negative. On March 30, 2020, it downgraded the long-term credit rating to BBB and left the outlook of negative unchanged.

The rating agency Moody's downgraded its long-term credit rating from Baa1 to Baa2 on March 13, 2020, and left its outlook of negative unchanged.

The rating agency Fitch maintained its credit rating in the reporting period, but on April 20, 2020, it downgraded its long-term credit rating to BBB and left its outlook of stable unchanged.

Credit rating for Continental AG

	March 31, 2020	December 31, 2019
Standard & Poor's[1]		
Long-term	BBB	BBB+
Short-term	A-2	A-2
Outlook	negative	stable
Fitch[2]		
Long-term	BBB+	BBB+
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa2	Baa1
Short-term	no rating	no rating
Outlook	negative	negative

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

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

Key Figures for the Continental Group

	January 1 to March 31	
€ millions	**2020**	2019
Sales	9,844.0	11,046.7
EBITDA	1,160.6	1,473.7
in % of sales	11.8	13.3
EBIT	436.5	823.3
in % of sales	4.4	7.5
Net income attributable to the shareholders of the parent	292.3	575.2
Basic earnings per share in €	1.46	2.88
Diluted earnings per share in €	1.46	2.88
Adjusted sales[1]	9,743.6	10,921.1
Adjusted operating result (adjusted EBIT)[2]	431.9	883.6
in % of adjusted sales	4.4	8.1
Free cash flow	–17.8	–763.3
Net indebtedness as at March 31	4,023.5	4,302.2
Gearing ratio in %	25.9	22.6
Number of employees as at March 31[3]	239,649	245,686

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 Group Sectors

	January 1 to March 31	
Automotive Technologies in € millions	**2020**	2019
Sales	4,111.7	4,737.8
EBITDA	427.4	505.5
in % of sales	10.4	10.7
EBIT	151.2	260.1
in % of sales	3.7	5.5
Depreciation and amortization[1]	276.2	245.3
thereof impairment[2]	4.6	–
Capital expenditure[3]	193.6	261.9
in % of sales	4.7	5.5
Operating assets as at March 31	9,269.2	11,979.0
Number of employees as at March 31[4]	97,735	98,091
Adjusted sales[5]	4,097.9	4,613.9
Adjusted operating result (adjusted EBIT)[6]	75.5	277.9
in % of adjusted sales	1.8	6.0

	January 1 to March 31	
Rubber Technologies in € millions	**2020**	2019
Sales	3,971.7	4,371.6
EBITDA	651.0	788.8
in % of sales	16.4	18.0
EBIT	346.4	510.0
in % of sales	8.7	11.7
Depreciation and amortization[1]	304.6	278.8
thereof impairment[2]	–	–
Capital expenditure[3]	164.2	245.4
in % of sales	4.1	5.6
Operating assets as at March 31	11,036.9	11,157.3
Number of employees as at March 31[4]	101,620	103,793
Adjusted sales[5]	3,885.1	4,369.9
Adjusted operating result (adjusted EBIT)[6]	381.0	534.5
in % of adjusted sales	9.8	12.2

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

Powertrain Technologies in € millions	January 1 to March 31 2020	2019
Sales	1,829.0	2,005.6
EBITDA	116.5	186.0
in % of sales	6.4	9.3
EBIT	–22.9	60.9
in % of sales	–1.3	3.0
Depreciation and amortization[1]	139.4	125.1
thereof impairment[2]	18.0	6.2
Capital expenditure[3]	104.2	131.3
in % of sales	5.7	6.5
Operating assets as at March 31	3,170.5	4,116.5
Number of employees as at March 31[4]	39,844	43,331
Adjusted sales[5]	1,829.0	2,005.6
Adjusted operating result (adjusted EBIT)[6]	11.9	78.9
in % of adjusted sales	0.7	3.9

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.

Consolidated Management Report

New organizational structure

Under the name Continental Group, the corporation has been organized into the following group sectors and business areas since January 1, 2020:

- Automotive Technologies, with the **Autonomous Mobility and Safety (AMS)** and **Vehicle Networking and Information (VNI)** business areas.
- Rubber Technologies, with the **Tires** and **ContiTech** business areas.
- Powertrain Technologies, with the legally independent **Powertrain** business area, which has been operating under the name Vitesco Technologies since October 1, 2019. The transformation into an independent legal entity has no effect on the financial reporting of the Continental Group's Powertrain business area.

The five business areas comprise 23 business units.

Annual Shareholders' Meeting for 2020 postponed

On March 13, 2020, we announced that Continental AG would be postponing its Annual Shareholders' Meeting for 2020 (originally scheduled for April 30, 2020). The reason for this is the ban on large events in Lower Saxony as a result of the COVID-19 pandemic.

The virtual Annual Shareholders' Meeting will take place on July 14, 2020.

Effects of the COVID-19 pandemic

On April 1, 2020, we announced that the Continental Group would be withdrawing its outlook for the current fiscal year due to the uncertainty regarding the duration of restrictions caused by the COVID-19 pandemic and the related possible consequences for production, supply chains and demand.

To preserve our financial liquidity, we are lowering our costs, optimizing our working capital and postponing projects and investments that are not urgently required until further notice. To ensure our ability to act, however, we are continuing to push ahead with key development projects as well as preparations for upcoming production start-ups.

More than 40% of Continental's 249 production locations worldwide have temporarily ceased activities for a few days to several weeks in order to protect employees and in response to the drop in demand. The cutback in production affects in particular locations in Europe as well as in North and South America. In China, production was initially halted in compliance with local regulations and has been gradually resumed since February 10, 2020.

In Germany, around 30,000 employees were registered for short-time work as of April 2020. Of employees who are able to work from home, more than 95%, or around 85,500 in total, are currently doing so.

Medical tubing for the healthcare sector

At the location in Daverio, Italy, we have started manufacturing hose lines needed by the medical sector in Bergamo and the Lombardy region. In order to meet the needs of customers and support healthcare workers, a production line has been repurposed accordingly. The PVC hoses are used to transport air and various medical gases required in the healthcare sector, for example in anesthesia machines and ventilators.

Major contract for electric catalytic converter technology

Vitesco Technologies has been awarded a major contract from a European vehicle manufacturer to supply innovative electric heating elements for diesel catalytic converters. The electric catalytic converter technology will be used in two of the manufacturer's 48-volt hybrid van models. The start of production for the multi-million-euro contract is scheduled for the end of 2022. The capability to rapidly heat up the catalytic converter at all times increases the efficiency of exhaust-gas aftertreatment, thereby priming the vehicles to meet future Euro 7 emissions standards. This form of smart electrification for combustion engines ensures effective exhaust-gas aftertreatment even when the exhaust gas is too cold for this purpose. This is the case, for example, when a diesel engine is producing very little heat in slow urban traffic.

Summer tires awarded top marks

In this year's summer tire tests conducted by relevant trade magazines, Continental brand tires performed very well. Those tested included the PremiumContact 6 for the compact to luxury class, the EcoContact 6 with its very low rolling resistance, the SportContact 6 for the luxury class and sports cars, and the VanContact 4Season, an all-season tire for vans and camper vans. Continental tires achieved a total of nine test wins and 12 highest ratings in 15 European tire tests.

3D display goes into production

The Continental Group is launching its 3D display on the market in the Hyundai Genesis GV80 high-line variant. The 3D screen shows three-dimensional dials, needles and symbols as well as displaying stop-sign warnings in the driver's line of sight, for example. No special glasses are required to see the content. Instead, slanted slats are used that divide the image for the viewer, resulting in the three-dimensional effect. As a further special background feature, the 3D display is controlled by a high-performance cockpit computer. Its high processing power is what makes the digital user experience possible in the first place.

Economic Report

Macroeconomic development

In April 2020, the International Monetary Fund (IMF) significantly lowered its growth forecast for the global economy due to the widespread COVID-19 pandemic and the containment measures taken by individual governments. The IMF sees many countries confronted with a multi-layered crisis that comprises extreme strain on their respective healthcare systems, disruption to their domestic economies, a decline in external demand and a collapse in commodity prices.

In its World Economic Outlook (WEO), the IMF now anticipates a decline in global economic output of 3.0% for 2020. In its baseline scenario, it assumes that the pandemic will fade in the second half of 2020 and that containment efforts can gradually be eased. In January 2020, the IMF had forecast global growth of 3.3% in its WEO Update.

The IMF now expects substantial negative effects on economic output for Europe. According to its estimates, gross domestic product (GDP) for the eurozone is likely to fall by 7.5% in 2020. Of the major eurozone economies, it sees Italy and Spain as being particularly affected, with GDP declining year-on-year by 9.1% and 8.0%, respectively. For Germany and France, it expects declines of 7.0% and 7.2% compared to 2019. Countries outside of the eurozone are also expected to report considerably lower economic output. For the U.K. and Russia, the IMF assumes a decline in economic output of 6.5% and 5.5%, respectively.

For North America, the IMF now likewise assumes noticeably lower economic activity. It estimates that the COVID-19 pandemic will lead to a year-on-year decline in GDP of 5.9% in the U.S.A., 6.2% in Canada and 6.6% in Mexico in 2020. The IMF also expects economic output to fall in other countries in the Americas. For Brazil, for example, it predicts a decline in GDP of 5.3%.

The IMF lowered the growth forecast for Asian countries to a somewhat lesser extent. It reports that China and India are still likely to record year-on-year economic growth for 2020 of 1.2% and 1.9%, respectively. For other Asian countries, meanwhile, the IMF expects economic output to fall slightly in most cases. It expects a noticeable decline in GDP of 5.2% for Japan's export-oriented economy.

The IMF stressed that there is extreme uncertainty around its global growth forecast, and that future economic development in individual countries will depend on many factors – including the course of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, changes in demand, the repercussions of the dramatic tightening in global financial market conditions, confidence effects and volatile commodity prices.

Development of new passenger-car registrations

Due to the COVID-19 pandemic and the containment measures taken by individual countries, demand for passenger cars fell sharply in all regions across the world. According to preliminary data, global new-car registrations decreased by over 20% in the first quarter of 2020. Over the course of the pandemic, China was initially the hardest hit. Here, the Chinese government had already taken comprehensive containment measures at the end of January 2020. Preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA) indicates a decline in new-car registrations in China of 45% for the first quarter of 2020.

In March 2020, increasing containment measures taken by other countries likewise led to significant slumps in demand for passenger cars. In the European car market (EU27, EFTA and U.K.), sales volumes fell by 26% in the reporting period according to preliminary data from the VDA. The Indian market recorded a similarly high decline of 22%. Sales volumes fell by around 13% in the U.S.A., by 10% in Japan and by 8% in Brazil. In contrast to the global downward trend, the Russian market posted a further increase of 2% according to the VDA.

Development of production of passenger cars and light commercial vehicles

According to preliminary data, falling demand for passenger cars and the closures of automotive plants imposed as part of containment measures resulted in a substantial decline in the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons of around 25% in the first quarter of 2020. China was particularly affected, with extensive plant closures halving its production. Significant declines in production were also recorded by other Asian countries such as India, South Korea and Japan during the reporting period.

In Europe and North America – the Continental Group's other two core markets in addition to China – plant closures in March likewise led to noticeable declines in production. According to preliminary figures, the production of passenger cars and light commercial vehicles decreased in the reporting period by around 20% in Europe and by around 10% in North America.

In China, following the peak of the pandemic in the first quarter of 2020, the production of passenger cars and light commercial vehicles is expected to slowly recover as containment measures are eased. However, we currently estimate that production volumes for the second quarter of 2020 will still be at least 10% lower than the comparative figures from the previous year.

For Europe and North America, we expect the pandemic to peak and the full effect of plant closures to be felt in the second quarter of 2020. Depending on how long the measures remain in place and how soon plants can be reopened, we currently anticipate declines in production of at least 50% for Europe and at least 60% for North America.

Overall, we currently expect the global production of passenger cars and light commercial vehicles to fall by more than 40% in the second quarter of 2020. Due to the dynamic nature of developments related to the pandemic, the timing for a new outlook for the year in its entirety cannot be currently determined. This also applies to the following key customer sectors, for which we also only consider the first half of 2020.

Development of production of medium and heavy commercial vehicles

The decline in order intake from the previous year coupled with plant closures due to the COVID-19 pandemic led to a decrease in the global production of medium and heavy commercial vehicles weighing more than 6 metric tons of around 30% in the first quarter of 2020. China was particularly affected, with truck production roughly halving in parallel with passenger-car production according to preliminary data. In North America, production also fell sharply in the first quarter of 2020 as a result of the rapid decrease in order intake, with preliminary figures indicating a decline of around 25% year-on-year. The plant closures toward the end of the reporting period as a result of the pandemic intensified this negative trend. Preliminary data indicates that the decline in production in Europe likewise came to around 25% over the reporting period.

In the second quarter of 2020, the situation in Europe and North America is expected to deteriorate further due to production halts lasting several weeks. As with the production of passenger cars, we expect volumes to be more than 50% lower than the previous year's figures in Europe and more than 60% lower in North America. In China, despite the resumption of production, we estimate that volumes will remain at least 10% below the previous year's level. For the global production of medium and heavy commercial vehicles, we expect a decline of more than 40% in the second quarter of 2020.

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

According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons fell by around 16% year-on-year in the first quarter of 2020 in the wake of the COVID-19 pandemic. The global market slump was caused in particular by weak demand in China, where the virus first broke out. Here, preliminary data shows that sales volumes fell by around 35% in the reporting period. In Europe and North America, the pandemic and the containment measures did not cause demand for tires to fall until the final weeks of the reporting period. In Europe, sales volumes of replacement tires for passenger cars and light commercial vehicles fell by around 13% in the first quarter of 2020 on the basis of preliminary data. In North America, they declined by around 9%.

In contrast to the first quarter, the European and North American markets are expected to be severely affected in the second quarter of 2020. For Europe and North America, we expect demand for replacement tires for passenger cars and light commercial vehicles to decline by more than 40% and by more than 45%, respectively, compared with the same quarter of the previous year. For China, we assume that the economy will recover and anticipate that demand will stabilize at the level of the previous year in the second quarter. We expect global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons to decline by more than 30% in the second quarter of 2020.

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

According to preliminary data, demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons fell by around 13% year-on-year in the first quarter of 2020 in the wake of the COVID-19 pandemic. The global market slump was driven in particular by China. Here, sales volumes fell by around 36% according to preliminary data. In Europe and North America, the effects of the pandemic were not yet noticeable. On the basis of preliminary data, demand for medium and heavy commercial vehicles was at the previous year's level in Europe and 1% above the previous year's level in North America in the first quarter of 2020.

In the second quarter of 2020, we expect a further decline in demand for replacement tires for medium and heavy commercial vehicles in Europe and North America, with sales volumes to fall by more than 30% in Europe and by more than 15% in North America. In China, we expect demand to stabilize slightly below the previous year's level in the second quarter of 2020 as the containment measures are gradually eased. For global demand for replacement tires for medium and heavy commercial vehicles, we currently anticipate a decline of more than 20% in the second quarter of 2020.

Vehicle production and sales volumes in the tire-replacement business

	Vehicle production				Replacement sales of tires			
	of passenger cars and light commercial vehicles		of medium and heavy commercial vehicles		for passenger cars and light commercial vehicles		for medium and heavy commercial vehicles	
	Q1 2020	Q2 2020	**Q1 2020**	Q2 2020	**Q1 2020**	Q2 2020	**Q1 2020**	Q2 2020
Europe	~ -20%	< -50%	~ -25%	< -50%	~ -13%	< -40%	~ 0%	< -30%
North America	~ -10%	< -60%	~ -25%	< -60%	~ -9%	< -45%	~ 1%	< -15%
China	~ -50%	< -10%	~ -50%	< -10%	~ -35%	~ 0%	~ -36%	< 0%
Worldwide	**~ -25%**	**< -40%**	**~ -30%**	**< -40%**	**~ -16%**	**< -30%**	**~ -13%**	**< -20%**

Source: Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey; Asia incl. Kazakhstan, Uzbekistan, Middle East and Oceania with Australia). Preliminary figures for Q1 2020 and own estimates for Q2 2020.

Earnings, Financial and Net Assets Position of the Continental Group

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	**2020**	2019
Sales	9,844.0	11,046.7
EBITDA	1,160.6	1,473.7
in % of sales	11.8	13.3
EBIT	436.5	823.3
in % of sales	4.4	7.5
Net income attributable to the shareholders of the parent	292.3	575.2
Basic earnings per share in €	1.46	2.88
Diluted earnings per share in €	1.46	2.88
Research and development expenses (net)	913.0	902.8
in % of sales	9.3	8.2
Depreciation and amortization[1]	724.1	650.4
thereof impairment[2]	22.6	6.2
Capital expenditure[3]	475.0	641.8
in % of sales	4.8	5.8
Operating assets as at March 31	23,609.1	27,275.0
Number of employees as at March 31[4]	239,649	245,686
Adjusted sales[5]	9,743.6	10,921.1
Adjusted operating result (adjusted EBIT)[6]	431.9	883.6
in % of adjusted sales	4.4	8.1
Net indebtedness as at March 31	4,023.5	4,302.2
Gearing ratio in %	25.9	22.6

1 Excluding impairment on financial investments.
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3 Capital expenditure on property, plant and equipment, and software.
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Earnings Position

Sales down 10.9%
Sales down 10.9% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first three months of 2020 decreased by 10.9% year-on-year to €9,844.0 million (PY: €11,046.7 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 10.9%.

Adjusted EBIT down 51.1%
Adjusted EBIT for the Continental Group declined by €451.7 million or 51.1% year-on-year to €431.9 million (PY: €883.6 million) in the first three months of 2020, corresponding to 4.4% (PY: 8.1%) of adjusted sales.

EBIT down 47.0%
The Group's EBIT fell by €386.8 million or 47.0% year-on-year to €436.5 million (PY: €823.3 million) in the first three months of 2020. The return on sales fell to 4.4% (PY: 7.5%).

Special effects in the first quarter of 2020
The transformation of the Powertrain business area into an independent legal entity resulted in expense totaling €11.6 million (Autonomous Mobility and Safety €0.6 million; Vehicle Networking and Information €0.7 million; Powertrain €8.8 million; holding €1.5 million).

Impairment on property, plant and equipment resulted in expense totaling €18.4 million (Autonomous Mobility and Safety €4.6 million; Vehicle Networking and Information €0.0 million; Powertrain €13.7 million; holding €0.1 million).

In the first three months, severance payments resulted in a negative special effect totaling €11.6 million (Autonomous Mobility and Safety €1.8 million; Vehicle Networking and Information €2.2 million; Tires €2.1 million; ContiTech €4.1 million; Powertrain €1.3 million; holding €0.1 million).

In addition, restructuring-related expenses resulted in expense totaling €3.7 million (Autonomous Mobility and Safety €1.7 million; Powertrain €2.0 million).

In the Autonomous Mobility and Safety business area, there were restructuring expenses of €19.3 million for the location in Gifhorn, Germany; €14.5 million for the location in Palmela, Portugal; and €0.1 million for the location in Henderson, North Carolina, U.S.A.

The reversal of restructuring provisions no longer required resulted in income totaling €0.1 million in the ContiTech business area.

In the Powertrain business area, there were restructuring expenses of €6.7 million for the location in Faulquemont, France; €0.6 million for the location in Roding, Germany; and €0.1 million for the location in Kaluga, Russia. These restructuring expenses included impairment on property, plant and equipment in the amount of €4.3 million.

The reversal of restructuring provisions no longer required for the location in Sibiu, Romania, also resulted in income of €1.0 million in the Powertrain business area.

For the Vehicle Networking and Information business area, the sale of an equity-accounted investee resulted in income of €137.0 million.

For the Tires business area, the disposal of companies and assets resulted in expense totaling €0.2 million.

Total consolidated income from special effects in the first three months of 2020 amounted to €51.3 million.

Special effects in the first quarter of 2019
The transformation of the Powertrain business area into an independent legal entity resulted in expense totaling €12.4 million (Autonomous Mobility and Safety €1.7 million; Vehicle Networking and Information €1.7 million; Powertrain €9.0 million).

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

A business combination resulted in a gain of €2.2 million in the Tires business area.

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

Research and development
In the first three months of 2020, research and development expenses (net) rose by 1.1% compared with the same period of the previous year to €913.0 million (PY: €902.8 million), representing 9.3% (PY: 8.2%) of sales. €605.4 million (PY: €601.2 million) of this related to Automotive Technologies, corresponding to 14.7% (PY: 12.7%) of sales; €117.6 million (PY: €118.5 million) to Rubber Technologies, corresponding to 3.0% (PY: 2.7%) of sales; and €190.0 million (PY: €183.1 million) to Powertrain Technologies, corresponding to 10.4% (PY: 9.1%) of sales.

Financial result
The negative financial result decreased by €43.7 million year-on-year to €9.8 million (PY: €53.5 million) in the first three months of 2020. 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 decreased by €3.3 million year-on-year to €26.3 million (PY: €29.6 million) in the first three months of 2020. Expected income from long-term employee benefits and pension funds totaled €14.2 million in this period (PY: €18.7 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €64.6 million in the first three months of 2020 and was thus €5.7 million lower than the previous year's figure of €70.3 million. The interest expense from long-term employee benefits totaled €30.5 million (PY: €38.7 million) in this period. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €34.1 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was slightly higher than the prior-year figure of €31.6 million.

The bonds issued by Continental AG resulted in expenses of €8.1 million (PY: bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., resulted in expenses of €9.2 million). The year-on-year decline is attributable to the repayment of the €500.0-million euro bond that matured on February 19, 2019, from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A. 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 €65.3 million (PY: €4.9 million) in the first three months of 2020. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in earnings of €93.8 million (PY: expense of €7.9 million). Other valuation effects accounted for an expense of €0.2 million (PY: €0.3 million). Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in the first three months of 2020 were positively impacted by €28.7 million (PY: negatively impacted by €12.5 million).

Income tax expense
Income tax expense for the first three months of 2020 amounted to €134.1 million (PY: €182.4 million). The tax rate in the reporting period amounted to 31.4% (PY: 23.7%).

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent decreased by 49.2% to €292.3 million (PY: €575.2 million). After the first three months of 2020, basic earnings per share amounted to €1.46 (PY: €2.88), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow
EBIT for the first three months of 2020 declined by €386.8 million year-on-year to €436.5 million (PY: €823.3 million).

Interest payments decreased by €7.5 million to €21.2 million (PY: €28.7 million).

Income tax payments rose by €56.5 million to €265.2 million (PY: €208.7 million).

At €724.1 million, depreciation, amortization, impairment and reversal of impairment losses increased by €73.7 million from €650.4 million in the previous year.

At €458.6 million as at March 31, 2020, the net cash outflow arising from the increase in operating working capital was €730.3 million lower than the figure for the previous year of €1,188.9 million.

At €240.9 million as at March 31, 2020, cash inflow (PY: cash outflow) from operating activities was €243.1 million higher than the previous year's figure of -€2.2 million.

Cash flow arising from investing activities amounted to an outflow of €258.7 million (PY: €761.1 million) in the first three months of 2020. Capital expenditure on property, plant and equipment, and software was down €129.0 million from €565.0 million to €436.0 million before leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies resulted in a total cash inflow of €224.1 million (PY: cash outflow of €128.5 million).

The free cash flow in the first quarter of 2020 resulted in an outflow of €17.8 million (PY: €763.3 million), €745.5 million more than in the same period of the previous year.

Financing and indebtedness
At €4,023.5 million as at March 31, 2020, the Continental Group's net indebtedness was below the previous year's level of €4,302.2 million. Compared to the figure of €4,071.7 million as at December 31, 2019, it had fallen by €48.2 million. The gearing ratio increased to 25.9% (PY: 22.6%) as at the end of the first quarter of 2020.

The €600.0-million euro bond from Continental AG that matured on February 5, 2020, was redeemed at a rate of 100.00%. This bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months.

In September and October 2019, Continental AG placed two listed euro bonds and two private placements with a total issue volume of €1,400.0 million under the Debt Issuance Programme (DIP). The maturities are between April 2021 and June 2025. For details regarding these bonds, please refer to the comments in the 2019 annual report.

The syndicated loan was renewed ahead of schedule in December 2019. In doing so, the previous volume of the revolving tranche was increased from €3,000.0 million to €4,000.0 million. This credit line is available to the Continental Group until December 2024. In addition to improved conditions, sustainability components are included in the calculation of interest for the credit line for the first time. For further details regarding the syndicated loan, please refer to the comments in the 2019 annual report. This credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €365.3 million at the end of March 2020 (PY: €267.3 million).

As at March 31, 2020, the Continental Group had liquidity reserves totaling €6,842.5 million (PY: €5,712.2 million), consisting of cash and cash equivalents of €2,527.1 million (PY: €1,816.6 million) and committed, unutilized credit lines of €4,315.4 million (PY: €3,895.6 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, 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, 2020, unrestricted cash and cash equivalents totaled €2,301.0 million (PY: €1,618.7 million).

Reconciliation of net indebtedness

€ millions	**March 31, 2020**	March 31, 2019
Long-term indebtedness	3,233.0	2,324.3
Short-term indebtedness	3,612.0	3,985.2
Long-term derivative instruments and interest-bearing investments	-96.9	-33.3
Short-term derivative instruments and interest-bearing investments	-197.5	-157.4
Cash and cash equivalents	-2,527.1	-1,816.6
Net indebtedness	**4,023.5**	**4,302.2**

Reconciliation of change in net indebtedness

	January 1 to March 31	
€ millions	**2020**	2019
Change in net indebtedness due to the first-time adoption of IFRS 16, *Leases*	–	1,730.1
Net indebtedness at the beginning of the reporting period	**4,071.7**	**3,391.4**
Cash flow arising from operating activities	240.9	-2.2
Cash flow arising from investing activities	-258.7	-761.1
Cash flow before financing activities (free cash flow)	**-17.8**	**-763.3**
Dividends paid to and cash changes from equity transactions with non-controlling interests	-8.0	-0.4
Non-cash changes	67.1	-99.5
Other	-2.8	-41.7
Exchange-rate effects	9.7	-5.9
Change in net indebtedness	**48.2**	**-910.8**
Net indebtedness at the end of the reporting period	**4,023.5**	**4,302.2**

Capital expenditure (additions)

In the first quarter of 2020, capital expenditure on property, plant and equipment, and software amounted to €475.0 million (PY: €641.8 million). All business areas contributed to the decline of €166.8 million. The capital expenditure ratio after three months was 4.8% (PY: 5.8%).

A total of €193.6 million (PY: €261.9 million) of this capital expenditure was attributable to the Automotive Technologies group sector, representing 4.7% (PY: 5.5%) of sales. The capital expenditure was primarily attributable to production equipment for the manufacture of new products and the implementation of new technologies, with production capacity being increased in Germany, at European best-cost locations, and in Mexico, France, China and the U.S.A. An investment was also made in Debrecen, Hungary, and in Kaunas, Lithuania, in the construction of new plants. In the Autonomous Mobility and Safety business area, there were major additions relating to the expansion of production facilities for the Vehicle Dynamics, Advanced Driver Assistance Systems and Passive Safety and Sensorics business units. In the Vehicle Networking and Information business area, capacity was increased in particular for the Connected Car Networking and Human Machine Interface business units.

The Rubber Technologies group sector invested €164.2 million (PY: €245.4 million), equivalent to 4.1% (PY: 5.6%) of sales. In the Tires business area, there were major additions relating to the new plant buildings in Rayong, Thailand, and Clinton, Mississippi, U.S.A. Production capacity was also increased at existing plants at European best-cost locations. Quality assurance and cost-cutting measures were implemented as well. In the ContiTech business area, there were major additions relating to the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, Surface Solutions and Conveying Solutions business units. In Pune, India, an investment was made in the establishment of an additional production site for the Surface Solutions business unit. In addition, investments were made in all business units to rationalize existing production processes.

The Powertrain Technologies group sector invested €104.2 million (PY: €131.3 million), equivalent to 5.7% (PY: 6.5%) of sales. The capital expenditure was primarily attributable to production equipment for the manufacture of new products and the implementation of new technologies, with production capacity being increased at existing plants in Hungary, China, Germany and the U.S.A. Significant investments were made in the expansion of production capacity for the Electronic Controls and Electrification Technology business units.

Net Assets Position

At €41,145.4 million (PY: €43,586.5 million), total assets as at March 31, 2020, were €2,441.1 million lower than on the same date in the previous year. Goodwill, at €5,072.7 million, was down by €2,265.2 million compared to the previous year's figure of €7,337.9 million. Other intangible assets climbed by €16.0 million to €1,676.2 million (PY: €1,660.2 million). Property, plant and equipment increased by €21.1 million to €14,387.2 million (PY: €14,366.1 million). Deferred tax assets were up €405.2 million at €2,147.9 million (PY: €1,742.7 million). Inventories increased by €272.5 million to €5,167.8 million (PY: €4,895.3 million). Trade accounts receivable fell by €1,363.3 million to €7,242.3 million (PY: €8,605.6 million). Short-term derivative instruments and interest-bearing investments increased by €40.1 million to €197.5 million (PY: €157.4 million). At €2,527.1 million, cash and cash equivalents were up €710.5 million from €1,816.6 million on the same date in the previous year.

Equity including non-controlling interests was down €3,493.5 million at €15,512.4 million as compared to €19,005.9 million as at March 31, 2019. This was due primarily to the decrease in retained earnings of €2,457.9 million. Other comprehensive income changed by €986.0 million to -€3,419.6 million (PY: -€2,433.6 million). The gearing ratio worsened from 22.6% to 25.9%. The equity ratio fell to 37.7% (PY: 43.6%).

Compared with December 31, 2019, total assets decreased by €1,422.8 million to €41,145.4 million (PY: €42,568.2 million). In relation to the individual items of the statement of financial position, this is primarily due to the decline in property, plant and equipment of €545.5 million to €14,387.2 million (PY: €14,932.7 million). Trade accounts receivable fell by €469.3 million to €7,242.3 million (PY: €7,711.6 million).

Equity including non-controlling interests was down €363.3 million at €15,512.4 million as compared to €15,875.7 million at the end of 2019. Net income attributable to the shareholders of the parent resulted in an increase of €292.3 million. Other comprehensive income changed by €625.2 million to -€3,419.6 million (PY: -€2,794.4 million). The gearing ratio changed from 25.6% to 25.9%.

Employees

As at the end of the first quarter of 2020, the Continental Group had 239,649 employees, representing a decline of 1,809 in comparison to the end of 2019. Counter to further expansion in research and development, increases in efficiency and lower production volumes in the Automotive Technologies and Powertrain Technologies group sectors led to a reduction in the overall number of employees by 716. In the Rubber Technologies group sector, the decrease in the number of employees by 1,065 was attributable to the adjustment to lower production volumes. Compared with the reporting date for the previous year, the number of employees in the Continental Group was down by a total of 6,037.

Reconciliation to operating assets as at March 31, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,166.4**	**7,396.2**	**9,903.0**	**4,755.0**	**5,894.0**	**6,030.8**	**41,145.4**
Cash and cash equivalents	–	–	–	–	–	2,527.1	2,527.1
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	294.4	294.4
Other financial assets	9.1	23.5	16.4	4.9	17.2	17.4	88.5
Less financial assets	**9.1**	**23.5**	**16.4**	**4.9**	**17.2**	**2,838.9**	**2,910.0**
Less other non-operating assets	**8.1**	**-20.1**	**0.9**	**-0.4**	**-16.7**	**650.0**	**621.8**
Deferred tax assets	–	–	–	–	–	2,147.9	2,147.9
Income tax receivables	–	–	–	–	–	265.5	265.5
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,413.4**	**2,413.4**
Segment assets	**7,149.2**	**7,392.8**	**9,885.7**	**4,750.5**	**5,893.5**	**128.5**	**35,200.2**
Total liabilities and provisions	**4,064.6**	**3,855.1**	**3,185.6**	**1,987.2**	**3,498.6**	**9,041.9**	**25,633.0**
Short- and long-term indebtedness	–	–	–	–	–	6,845.0	6,845.0
Interest payable and other financial liabilities	–	–	–	–	–	42.4	42.4
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**6,887.4**	**6,887.4**
Deferred tax liabilities	–	–	–	–	–	304.7	304.7
Income tax payables	–	–	–	–	–	864.2	864.2
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,168.9**	**1,168.9**
Less other non-operating liabilities	**1,560.9**	**1,089.4**	**883.3**	**690.2**	**775.6**	**986.2**	**5,985.6**
Segment liabilities	**2,503.7**	**2,765.7**	**2,302.3**	**1,297.0**	**2,723.0**	**-0.6**	**11,591.1**
Operating assets	**4,645.5**	**4,627.1**	**7,583.4**	**3,453.5**	**3,170.5**	**129.1**	**23,609.1**

Reconciliation to operating assets as at March 31, 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**8,158.1**	**9,132.0**	**10,317.1**	**4,736.7**	**6,467.7**	**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	21.7	15.4	4.7	23.6	4.3	79.6
Less financial assets	**9.9**	**21.7**	**15.4**	**4.7**	**23.6**	**2,011.6**	**2,086.9**
Less other non-operating assets	**-11.9**	**-50.8**	**0.5**	**23.4**	**-9.6**	**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**	**9,161.1**	**10,301.2**	**4,708.6**	**6,453.7**	**75.9**	**38,860.6**
Total liabilities and provisions	**3,905.4**	**3,403.6**	**3,331.9**	**1,875.2**	**3,087.7**	**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**	**790.0**	**792.5**	**562.1**	**750.5**	**1,248.4**	**5,320.2**
Segment liabilities	**2,728.7**	**2,613.6**	**2,539.4**	**1,313.1**	**2,337.2**	**53.6**	**11,585.6**
Operating assets	**5,431.4**	**6,547.5**	**7,761.8**	**3,395.5**	**4,116.5**	**22.3**	**27,275.0**

Development of the Business Areas

Autonomous Mobility and Safety in € millions	January 1 to March 31 2020	2019
Sales	1,991.5	2,359.0
EBITDA	151.9	270.0
in % of sales	7.6	11.4
EBIT	12.4	147.2
in % of sales	0.6	6.2
Depreciation and amortization[1]	139.5	122.8
thereof impairment[2]	4.6	–
Capital expenditure[3]	85.3	124.0
in % of sales	4.3	5.3
Operating assets as at March 31	4,645.5	5,431.4
Number of employees as at March 31[4]	48,927	49,500
Adjusted sales[5]	1,991.5	2,235.5
Adjusted operating result (adjusted EBIT)[6]	55.0	148.2
in % of adjusted sales	2.8	6.6

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.

Autonomous Mobility and Safety (AMS)

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first three months of 2020 was markedly 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. Unit sales of brake calipers with integrated electric parking brakes decreased year-on-year. In the Passive Safety and Sensorics business unit, the sales volume of airbag control units decreased year-on-year. Unit sales of advanced driver assistance systems were up compared to the previous year. The year-on-year decline in sales volumes in the business units was primarily attributable to the knock-on effects of measures to contain the coronavirus.

Sales down 15.6%
Sales down 11.6% before changes in the scope of consolidation and exchange-rate effects

Sales of the Autonomous Mobility and Safety business area were down 15.6% at €1,991.5 million (PY: €2,359.0 million) in the first three months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 11.6%.

Adjusted EBIT down 62.9%

Adjusted EBIT for the Autonomous Mobility and Safety business area declined by €93.2 million or 62.9% year-on-year to €55.0 million (PY: €148.2 million) in the first three months of 2020, corresponding to 2.8% (PY: 6.6%) of adjusted sales.

EBIT down 91.6%

Compared with the same period of the previous year, the Autonomous Mobility and Safety business area reported a decline in EBIT of €134.8 million or 91.6% to €12.4 million (PY: €147.2 million) in the first three months of 2020. The return on sales fell to 0.6% (PY: 6.2%).

Please see our comments on page 10 regarding the special effects for 2020 and 2019.

Vehicle Networking and Information in € millions	January 1 to March 31 2020	2019
Sales	2,134.5	2,395.2
EBITDA	276.3	235.4
in % of sales	12.9	9.8
EBIT	139.6	112.9
in % of sales	6.5	4.7
Depreciation and amortization[1]	136.7	122.5
thereof impairment[2]	0.0	–
Capital expenditure[3]	108.3	137.9
in % of sales	5.1	5.8
Operating assets as at March 31	4,627.1	6,547.5
Number of employees as at March 31[4]	48,808	48,591
Adjusted sales[5]	2,120.7	2,394.8
Adjusted operating result (adjusted EBIT)[6]	21.3	129.7
in % of adjusted sales	1.0	5.4

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

Vehicle Networking and Information (VNI)

Sales volumes
Sales volumes in the Connected Car Networking business unit were below the previous year's level in the first quarter of 2020. Business declined in Asia in particular. In the Human Machine Interface business unit, sales figures were also lower than the previous year's level. These developments were primarily attributable to the outbreak of the coronavirus. Sales volumes in the Commercial Vehicles and Services business unit were below the previous year's level overall. While the replacement-parts and aftermarket business only fell slightly short of the previous year's figures, the commercial-vehicles business recorded a greater decline as a result of the coronavirus.

Sales down 10.9%
Sales down 11.4% before changes in the scope of consolidation and exchange-rate effects
Sales of the Vehicle Networking and Information business area were down 10.9% at €2,134.5 million (PY: €2,395.2 million) in the first three months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 11.4%.

Adjusted EBIT down 83.6%
Adjusted EBIT for the Vehicle Networking and Information business area declined by €108.4 million or 83.6% year-on-year to €21.3 million (PY: €129.7 million) in the first three months of 2020, corresponding to 1.0% (PY: 5.4%) of adjusted sales.

EBIT up 23.6%
Compared with the same period of the previous year, the Vehicle Networking and Information business area reported an increase in EBIT of €26.7 million or 23.6% to €139.6 million (PY: €112.9 million) in the first three months of 2020. The return on sales increased to 6.5% (PY: 4.7%).

Please see our comments on page 10 regarding the special effects for 2020 and 2019.

	January 1 to March 31	
Tires in € millions	**2020**	2019
Sales	2,483.5	2,830.5
EBITDA	471.6	610.0
in % of sales	19.0	21.6
EBIT	256.6	414.0
in % of sales	10.3	14.6
Depreciation and amortization[1]	215.0	196.0
thereof impairment[2]	–	–
Capital expenditure[3]	116.0	188.6
in % of sales	4.7	6.7
Operating assets as at March 31	7,583.4	7,761.8
Number of employees as at March 31[4]	56,737	57,137
Adjusted sales[5]	2,481.2	2,830.5
Adjusted operating result (adjusted EBIT)[6]	264.2	416.5
in % of adjusted sales	10.6	14.7

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

Tires

Sales volumes

In the first three months of 2020, as a result of the coronavirus, sales figures for passenger and light truck tires were significantly below the previous year's level in the original-equipment business. Sales figures for passenger and light truck tires in the tire-replacement business and in the commercial-vehicle tire business were also considerably below the level of the previous year.

Sales down 12.3%
Sales down 12.2% before changes in the scope of consolidation and exchange-rate effects

Sales of the Tires business area were down 12.3% at €2,483.5 million (PY: €2,830.5 million) in the first three months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 12.2%.

Adjusted EBIT down 36.6%

Adjusted EBIT for the Tires business area declined by €152.3 million or 36.6% year-on-year to €264.2 million (PY: €416.5 million) in the first three months of 2020, corresponding to 10.6% (PY: 14.7%) of adjusted sales.

EBIT down 38.0%

Compared with the same period of the previous year, the Tires business area reported a decline in EBIT of €157.4 million or 38.0% to €256.6 million (PY: €414.0 million) in the first three months of 2020. The return on sales fell to 10.3% (PY: 14.6%).

Please see our comments on page 10 regarding the special effects for 2020 and 2019.

ContiTech in € millions	January 1 to March 31 2020	2019
Sales	1,520.9	1,572.9
EBITDA	179.4	178.8
in % of sales	11.8	11.4
EBIT	89.8	96.0
in % of sales	5.9	6.1
Depreciation and amortization[1]	89.6	82.8
thereof impairment[2]	–	–
Capital expenditure[3]	48.2	56.8
in % of sales	3.2	3.6
Operating assets as at March 31	3,453.5	3,395.5
Number of employees as at March 31[4]	44,883	46,656
Adjusted sales[5]	1,436.6	1,571.2
Adjusted operating result (adjusted EBIT)[6]	116.8	118.0
in % of adjusted sales	8.1	7.5

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 3.3%
Sales down 8.1% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech business area were down 3.3% at €1,520.9 million (PY: €1,572.9 million) in the first three months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 8.1%. The effects of the coronavirus meant that sales fell short of the previous year's figures both in the automotive industry and in the industrial business.

Adjusted EBIT down 1.0%
Adjusted EBIT for the ContiTech business area declined by €1.2 million or 1.0% year-on-year to €116.8 million (PY: €118.0 million) in the first three months of 2020, corresponding to 8.1% (PY: 7.5%) of adjusted sales.

EBIT down 6.5%
Compared with the same period of the previous year, the ContiTech business area reported a decline in EBIT of €6.2 million or 6.5% to €89.8 million (PY: €96.0 million) in the first three months of 2020. The return on sales fell to 5.9% (PY: 6.1%).

Please see our comments on page 10 regarding the special effects for 2020 and 2019.

Powertrain in € millions	January 1 to March 31 2020	2019
Sales	1,829.0	2,005.6
EBITDA	116.5	186.0
in % of sales	6.4	9.3
EBIT	–22.9	60.9
in % of sales	–1.3	3.0
Depreciation and amortization[1]	139.4	125.1
thereof impairment[2]	18.0	6.2
Capital expenditure[3]	104.2	131.3
in % of sales	5.7	6.5
Operating assets as at March 31	3,170.5	4,116.5
Number of employees as at March 31[4]	39,844	43,331
Adjusted sales[5]	1,829.0	2,005.6
Adjusted operating result (adjusted EBIT)[6]	11.9	78.9
in % of adjusted sales	0.7	3.9

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.

Powertrain

Sales volumes

In the Electronic Controls business unit, sales volumes of transmission control units increased year-on-year in the first three months of 2020, while those of engine control units, turbochargers, pumps and injectors were down year-on-year. In the Electrification Technology business unit, sales volumes of power electronics, electric motors and power stabilization products were up year-on-year, while sales volumes of 48-volt drive systems and battery systems fell year-on-year. In the Sensing and Actuation business unit, sales figures for catalytic converters and SCR systems rose, while those of exhaust-gas sensors stagnated at the previous year's level. Sales volumes of fuel delivery modules and mechatronic sensors for combustion engines were down year-on-year. The varying development of sales volumes in the individual business units was due to the negative effects of the coronavirus.

Sales down 8.8%
Sales down 9.1% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain business area were down 8.8% at €1,829.0 million (PY: €2,005.6 million) in the first three months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 9.1%.

Adjusted EBIT down 84.9%

Adjusted EBIT for the Powertrain business area fell by €67.0 million or 84.9% year-on-year to €11.9 million (PY: €78.9 million) in the first three months of 2020, corresponding to 0.7% (PY: 3.9%) of adjusted sales.

EBIT down 137.6%

Compared with the same period of the previous year, the Powertrain business area reported a decline in EBIT of €83.8 million or 137.6% to -€22.9 million (PY: €60.9 million) in the first three months of 2020. The return on sales fell to -1.3% (PY: 3.0%).

Please see our comments on page 10 regarding the special effects for 2020 and 2019.

Report on Risks and Opportunities

Due to the ongoing spread of the COVID-19 pandemic and the associated lockdowns worldwide, as well as the significant restrictions on production both at the Continental Group and at its customers and suppliers, there is a risk of significant and long-term negative effects on the Continental Group's sales and procurement markets. There is also the risk of long-term negative effects on the Continental Group's earnings, financial and net assets position due to the expected macroeconomic consequences.

Other than this, there were no material changes in risks and opportunities. For details of the other main risks and opportunities, please refer to our comments in the 2019 annual report.

Report on Expected Developments and Outlook

On April 1, 2020, we announced that the ongoing COVID-19 pandemic, the resulting restrictions imposed by governments and authorities as well as production stops and other measures taken by customers and suppliers in response to the pandemic in the reporting period led to significant adjustments and interruptions in key areas of the Continental Group.

Due to the uncertainty regarding the duration of restrictions and given the difficulty in estimating the further consequences for production, supply chains and demand, the Executive Board of Continental AG decided to withdraw the outlook for fiscal 2020 contained in the 2019 annual report.

All group sectors were and continue to be affected by the coronavirus pandemic. Worldwide, more than 40% of the Continental Group's production locations temporarily ceased activities and are expected to only gradually resume production in the second quarter.

In response to these challenges, the company took numerous measures to adapt costs and reduce demands on liquidity. These included adjustments to working times as well as wage and salary costs. Specifically in Germany, as of April 1, 2020, approximately 30,000 employees – around half of the local workforce – were registered for short-time work. In addition, measures were implemented to optimize working capital and postpone investments. These and other steps will be adapted as needed.

This situation has already had a significant impact on the financial results achieved in the first quarter of 2020.

It has become more difficult to reassess the forecast for fiscal 2020 due to the ongoing COVID-19 pandemic, and this cannot be done with the usual level of detail and degree of accuracy.

The effects of the containment measures, in particular the plant closures, will have a negative impact on the Continental Group's sales volumes, sales and earnings compared to the previous year.

For 2020 as a whole, we currently expect the Continental Group's sales volumes and sales to fall short of prior-year levels.

In addition, we anticipate a year-on-year decline in adjusted EBIT in fiscal 2020.

The decline in earnings is also expected to lead to a decrease in free cash flow in 2020 compared to the previous year.

Consolidated Financial Statements

Consolidated Statement of Income

	January 1 to March 31	
€ millions	**2020**	2019
Sales	**9,844.0**	**11,046.7**
Cost of sales	-7,583.2	-8,354.6
Gross margin on sales	**2,260.8**	**2,692.1**
Research and development expenses	-1,143.6	-1,082.9
Selling and logistics expenses	-662.8	-667.3
Administrative expenses	-283.0	-291.3
Other income	529.4	309.1
Other expenses	-266.5	-143.1
Income from equity-accounted investees	2.2	6.7
Other income from investments	0.0	0.0
EBIT	**436.5**	**823.3**
Interest income	26.3	29.6
Interest expense	-64.6	-70.3
Effects from currency translation	-65.3	-4.9
Effects from changes in the fair value of derivative instruments, and other valuation effects	93.8	-7.9
Financial result	**-9.8**	**-53.5**
Earnings before tax	**426.7**	**769.8**
Income tax expense	-134.1	-182.4
Net income	**292.6**	**587.4**
Non-controlling interests	-0.3	-12.2
Net income attributable to the shareholders of the parent	292.3	575.2
Basic earnings per share in €	**1.46**	**2.88**
Diluted earnings per share in €	**1.46**	**2.88**

Consolidated Statement of Comprehensive Income

	January 1 to March 31	
€ millions	**2020**	2019
Net income	**292.6**	**587.4**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans[1]	-121.7	-314.9
Fair value adjustments[1]	-121.0	-305.4
Currency translation[1]	-0.7	-9.5
Tax on other comprehensive income	25.5	94.0
Items that may be reclassified subsequently to profit or loss		
Currency translation[1]	-541.5	313.9
Difference from currency translation[1]	-541.5	313.9
Cash flow hedges	–	-0.9
Fair value adjustments	–	-8.4
Reclassification adjustments to profit and loss	–	7.5
Tax on other comprehensive income	–	0.2
Other comprehensive income	**-637.7**	**92.3**
Comprehensive income	**-345.1**	**679.7**
Attributable to non-controlling interests	12.8	-24.0
Attributable to the shareholders of the parent	-332.3	655.7

1 Including non-controlling interests.

Consolidated Statement of Financial Position

Assets in € millions	**March 31, 2020**	*December 31, 2019*	March 31, 2019
Goodwill	5,072.7	*5,113.5*	7,337.9
Other intangible assets	1,676.2	*1,691.8*	1,660.2
Property, plant and equipment	14,387.2	*14,932.7*	14,366.1
Investment property	11.5	*11.7*	12.0
Investments in equity-accounted investees	382.7	*397.7*	656.8
Other investments	197.6	*197.6*	201.7
Deferred tax assets	2,147.9	*2,174.4*	1,742.7
Defined benefit assets	10.6	*7.8*	41.2
Long-term contract assets	0.1	*0.1*	0.1
Long-term derivative instruments and interest-bearing investments	96.9	*54.0*	33.3
Long-term other financial assets	117.0	*114.6*	113.5
Long-term other assets	25.5	*28.6*	27.2
Non-current assets	**24,125.9**	***24,724.5***	**26,192.7**
Inventories	5,167.8	*4,694.4*	4,895.3
Trade accounts receivable	7,242.3	*7,711.6*	8,605.6
Short-term contract assets	117.7	*89.1*	72.7
Short-term other financial assets	114.5	*118.5*	101.2
Short-term other assets	1,385.9	*1,406.7*	1,490.3
Income tax receivables	265.5	*240.5*	254.7
Short-term derivative instruments and interest-bearing investments	197.5	*151.5*	157.4
Cash and cash equivalents	2,527.1	*3,341.8*	1,816.6
Assets held for sale	1.2	*89.6*	–
Current assets	**17,019.5**	***17,843.7***	**17,393.8**
Total assets	**41,145.4**	***42,568.2***	**43,586.5**

Equity and liabilities in € millions	**March 31, 2020**	*December 31, 2019*	March 31, 2019
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	13,814.4	*13,522.1*	16,272.3
Other comprehensive income	–3,419.6	*–2,794.4*	–2,433.6
Equity attributable to the shareholders of the parent	**15,062.4**	***15,395.3***	**18,506.3**
Non-controlling interests	450.0	*480.4*	499.6
Total equity	**15,512.4**	***15,875.7***	**19,005.9**
Long-term employee benefits	5,590.9	*5,406.3*	4,785.5
Deferred tax liabilities	304.7	*305.4*	383.0
Long-term provisions for other risks and obligations	686.9	*666.1*	183.0
Long-term indebtedness	3,233.0	*3,375.2*	2,324.3
Long-term other financial liabilities	31.4	*31.7*	31.9
Long-term contract liabilities	16.0	*16.7*	11.2
Long-term other liabilities	17.1	*20.0*	12.7
Non-current liabilities	**9,880.0**	***9,821.4***	**7,731.6**
Short-term employee benefits	1,605.7	*1,368.7*	1,735.9
Trade accounts payable	6,652.9	*7,111.0*	7,186.1
Short-term contract liabilities	257.6	*234.9*	178.9
Income tax payables	864.2	*938.6*	894.6
Short-term provisions for other risks and obligations	1,220.7	*1,261.6*	1,049.0
Short-term indebtedness	3,612.0	*4,243.8*	3,985.2
Short-term other financial liabilities	871.4	*1,046.3*	953.2
Short-term other liabilities	668.5	*666.2*	866.1
Current liabilities	**15,753.0**	***16,871.1***	**16,849.0**
Total equity and liabilities	**41,145.4**	***42,568.2***	**43,586.5**

Consolidated Statement of Cash Flows

	January 1 to March 31	
€ millions	**2020**	2019
Net income	**292.6**	**587.4**
Income tax expense	134.1	182.4
Financial result	9.8	53.5
EBIT	**436.5**	**823.3**
Interest paid	-21.2	-28.7
Interest received	11.2	29.9
Income tax paid	-265.2	-208.7
Dividends received	10.2	0.0
Depreciation, amortization, impairment and reversal of impairment losses	724.1	650.4
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	-2.2	-6.7
Gains/losses from the disposal of assets, companies and business operations	-144.1	-1.4
Changes in		
inventories	-586.9	-284.3
trade accounts receivable	426.6	-439.7
trade accounts payable	-298.3	-464.9
employee benefits and other provisions	321.9	276.4
other assets and liabilities	-371.7	-347.8
Cash flow arising from operating activities	**240.9**	**-2.2**
Cash flow from the disposal of assets	15.2	7.4
Capital expenditure on property, plant and equipment, and software	-436.0	-565.0
Capital expenditure on intangible assets from development projects and miscellaneous	-62.0	-75.0
Cash flow from the disposal of companies and business operations	234.4	0.1
Acquisition of companies and business operations	-10.3	-128.6
Cash flow arising from investing activities	**-258.7**	**-761.1**
Cash flow before financing activities (free cash flow)	**-17.8**	**-763.3**
Change in indebtedness	-739.6	-227.8
Successive purchases	-2.8	0.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-8.0	-0.4
Cash and cash equivalents arising from first-time consolidation of subsidiaries	–	0.4
Cash flow arising from financing activities	**-750.4**	**-227.8**
Change in cash and cash equivalents	**-768.2**	**-991.1**
Cash and cash equivalents at the beginning of the reporting period	3,341.8	2,761.4
Effect of exchange-rate changes on cash and cash equivalents	-46.5	46.3
Cash and cash equivalents at the end of the reporting period	**2,527.1**	**1,816.6**

Consolidated Statement of Changes in Equity

€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from remeasurement of defined benefit plans	Difference from currency translation	Difference from financial instruments[3]	Subtotal	Non-controlling interests	**Total**
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[4]	–	–	–	0.2	–	–	–	0.2	0.0	**0.2**
As at March 31, 2019	**512.0**	**4,155.6**	**16,272.3**	**-205.4**	**-2,016.5**	**-207.7**	**-4.0**	**18,506.3**	**499.6**	**19,005.9**
As at January 1, 2020	**512.0**	**4,155.6**	**13,522.1**	**-187.4**	**-2,366.4**	**-233.1**	**-7.5**	**15,395.3**	**480.4**	**15,875.7**
Net income	–	–	292.3	–	–	–	–	292.3	0.3	**292.6**
Comprehensive income	–	–	–	–	-96.2	-528.4	–	-624.6	-13.1	**-637.7**
Net profit for the period	**–**	**–**	**292.3**	**–**	**-96.2**	**-528.4**	**–**	**-332.3**	**-12.8**	**-345.1**
Dividends paid/resolved	–	–	–	–	–	–	–	–	-15.4	**-15.4**
Successive purchases	–	–	–	-0.6	–	–	–	-0.6	-2.2	**-2.8**
Other changes[4]	–	–	–	–	–	–	–	–	–	**–**
As at March 31, 2020	**512.0**	**4,155.6**	**13,814.4**	**-188.0**	**-2,462.6**	**-761.5**	**-7.5**	**15,062.4**	**450.0**	**15,512.4**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of -€0.6 million (PY: €0.0 million) from successive purchases of shares in fully consolidated companies. The prior-year period also includes an amount of €0.2 million relating to effects from the first-time consolidation of previously non-consolidated subsidiaries.
3 In the prior-year period, 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.
4 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to March 31, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	1,983.6	2,121.2	2,464.7	1,497.4	1,777.1	–	9,844.0
Intercompany sales	7.9	13.3	18.8	23.5	51.9	-115.4	–
Sales (total)	**1,991.5**	**2,134.5**	**2,483.5**	**1,520.9**	**1,829.0**	**-115.4**	**9,844.0**
EBIT (segment result)	12.4	139.6	256.6	89.8	-22.9	-39.0	436.5
in % of sales	0.6	6.5	10.3	5.9	-1.3	–	4.4
Depreciation and amortization[1]	139.5	136.7	215.0	89.6	139.4	3.9	724.1
thereof impairment[2]	4.6	0.0	–	–	18.0	0.0	22.6
Capital expenditure[3]	85.3	108.3	116.0	48.2	104.2	13.0	475.0
in % of sales	4.3	5.1	4.7	3.2	5.7	–	4.8
Operating assets as at March 31	4,645.5	4,627.1	7,583.4	3,453.5	3,170.5	129.1	23,609.1
Number of employees as at March 31[4]	48,927	48,808	56,737	44,883	39,844	450	239,649
Adjusted sales[5]	1,991.5	2,120.7	2,481.2	1,436.6	1,829.0	-115.4	9,743.6
Adjusted operating result (adjusted EBIT)[6]	55.0	21.3	264.2	116.8	11.9	-37.3	431.9
in % of adjusted sales	2.8	1.0	10.6	8.1	0.7	–	4.4

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

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

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	2,348.8	2,381.3	2,819.5	1,543.1	1,954.0	–	11,046.7
Intercompany sales	10.2	13.9	11.0	29.8	51.6	-116.5	–
Sales (total)	**2,359.0**	**2,395.2**	**2,830.5**	**1,572.9**	**2,005.6**	**-116.5**	**11,046.7**
EBIT (segment result)	147.2	112.9	414.0	96.0	60.9	-7.7	823.3
in % of sales	6.2	4.7	14.6	6.1	3.0	–	7.5
Depreciation and amortization[1]	122.8	122.5	196.0	82.8	125.1	1.2	650.4
thereof impairment[2]	–	–	–	–	6.2	–	6.2
Capital expenditure[3]	124.0	137.9	188.6	56.8	131.3	3.2	641.8
in % of sales	5.3	5.8	6.7	3.6	6.5	–	5.8
Operating assets as at March 31	5,431.4	6,547.5	7,761.8	3,395.5	4,116.5	22.3	27,275.0
Number of employees as at March 31[4]	49,500	48,591	57,137	46,656	43,331	471	245,686
Adjusted sales[5]	2,235.5	2,394.8	2,830.5	1,571.2	2,005.6	-116.5	10,921.1
Adjusted operating result (adjusted EBIT)[6]	148.2	129.7	416.5	118.0	78.9	-7.7	883.6
in % of adjusted sales	6.6	5.4	14.7	7.5	3.9	–	8.1

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

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to March 31, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**1,991.5**	**2,134.5**	**2,483.5**	**1,520.9**	**1,829.0**	**–115.4**	**9,844.0**
Changes in the scope of consolidation[1]	–	–13.8	–2.3	–84.3	–	–	–100.4
Adjusted sales	**1,991.5**	**2,120.7**	**2,481.2**	**1,436.6**	**1,829.0**	**–115.4**	**9,743.6**
EBITDA	**151.9**	**276.3**	**471.6**	**179.4**	**116.5**	**–35.1**	**1,160.6**
Depreciation and amortization[2]	–139.5	–136.7	–215.0	–89.6	–139.4	–3.9	–724.1
EBIT	**12.4**	**139.6**	**256.6**	**89.8**	**–22.9**	**–39.0**	**436.5**
Amortization of intangible assets from purchase price allocation (PPA)	–	16.6	4.9	23.7	2.6	–	47.8
Changes in the scope of consolidation[1]	–	–0.8	0.4	–0.7	–	–	–1.1
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	4.6	0.0	–	–	13.7	0.1	18.4
Restructuring[4]	33.9	–	0.0	–0.1	6.4	–	40.2
Restructuring-related expenses	1.7	–	–	–	2.0	–	3.7
Severance payments	1.8	2.2	2.1	4.1	1.3	0.1	11.6
Gains and losses from disposals of companies and business operations	–	–137.0	0.2	0.0	–	–	–136.8
Other	0.6	0.7	–	–	8.8	1.5	11.6
Adjusted operating result (adjusted EBIT)	**55.0**	**21.3**	**264.2**	**116.8**	**11.9**	**–37.3**	**431.9**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 These included impairment in the Powertrain segment in the amount of €4.3 million.

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

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**2,359.0**	**2,395.2**	**2,830.5**	**1,572.9**	**2,005.6**	**–116.5**	**11,046.7**
Changes in the scope of consolidation[1]	–123.5	–0.4	–	–1.7	–	–	–125.6
Adjusted sales	**2,235.5**	**2,394.8**	**2,830.5**	**1,571.2**	**2,005.6**	**–116.5**	**10,921.1**
EBITDA	**270.0**	**235.4**	**610.0**	**178.8**	**186.0**	**–6.5**	**1,473.7**
Depreciation and amortization[2]	–122.8	–122.5	–196.0	–82.8	–125.1	–1.2	–650.4
EBIT	**147.2**	**112.9**	**414.0**	**96.0**	**60.9**	**–7.7**	**823.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	14.6	4.7	22.0	2.8	–	44.1
Changes in the scope of consolidation[1]	–0.7	0.5	–	–	–	–	–0.2
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	–	–	–	–	6.2	–	6.2
Restructuring	–	–	–	–	–	–	–
Restructuring-related expenses	–	–	–	–	–	–	–
Severance payments	–	–	–	–	–	–	–
Gains and losses from disposals of companies and business operations	–	–	–	–	–	–	–
Other	1.7	1.7	–2.2	–	9.0	–	10.2
Adjusted operating result (adjusted EBIT)	**148.2**	**129.7**	**416.5**	**118.0**	**78.9**	**–7.7**	**883.6**

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	**2020**	2019
Autonomous Mobility and Safety	12.4	147.2
Vehicle Networking and Information	139.6	112.9
Tires	256.6	414.0
ContiTech	89.8	96.0
Powertrain	-22.9	60.9
Other/Holding/Consolidation	-39.0	-7.7
EBIT	**436.5**	**823.3**
Financial result	-9.8	-53.5
Earnings before tax	**426.7**	**769.8**
Income tax expense	-134.1	-182.4
Net income	**292.6**	**587.4**
Non-controlling interests	-0.3	-12.2
Net income attributable to the shareholders of the parent	**292.3**	**575.2**

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 Group's five business areas can be found in the consolidated management report as at March 31, 2020.

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 2019. These accounting policies are described in detail in the 2019 annual report. In addition, the IFRS amendments and new regulations effective as at March 31, 2020, 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 2019 annual report.

The IFRS amendments and new regulations effective as at March 31, 2020, had no material effect on the reporting of the Continental Group.

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 Continental Group'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.

Effects of the COVID-19 pandemic on accounting in the reporting period
It is not currently possible to predict the long-term economic consequences of the COVID-19 pandemic and the stabilization measures that have been introduced. On the basis of the information available in the reporting period, an analysis of the effects on the accounting of the Continental Group was carried out as at March 31, 2020.

- Financial instruments: The effects of the COVID-19 pandemic on possible credit losses cannot be reliably determined at this time. The Continental Group regularly reviews the expected credit loss model pursuant to IFRS 9 in order to identify potential effects on the model and make any necessary adjustments. A review based on the information currently available did not reveal any need for adjustment as at March 31, 2020.

- Goodwill impairment test: Based on the currently determined weighted average cost of capital (WACC), the underlying planning data and the currently expected possible effects of the COVID-19 pandemic, there was no need for adjustment as at March 31, 2020.

- Leases: As a result of the COVID-19 pandemic, changes to lease payments may lead to the different accounting treatment of individual leases. All relevant matters have been reviewed by the Continental Group and accounted for in accordance with the requirements of IFRS 16. As at March 31, 2020, there was no material need for adjustment.
- Employee benefits: The review of the defined actuarial assumptions for employee benefits, including the interest rate, did not result in any need for adjustment as at March 31, 2020.

The Continental Group will continuously review the possible effects on accounting with respect to further developments of the COVID-19 pandemic.

Leases

The table below shows the right-of-use assets reported as at March 31, 2020:

€ millions	**March 31, 2020**	December 31, 2019
Land and buildings	1,494.1	1,591.8
Technical equipment and machinery	7.5	7.9
Other equipment, factory and office equipment	79.9	84.6
Total right-of-use assets	**1,581.5**	**1,684.3**

The lease liabilities as at March 31, 2020, are shown in the table below:

€ millions	**March 31, 2020**	December 31, 2019
Lease liabilities	**1,621.1**	**1,715.0**
Current	308.6	318.3
Non-current	1,312.5	1,396.7

Companies consolidated

In addition to the parent company, the number of companies consolidated includes 565 (PY: 576) domestic and foreign companies that Continental AG incorporates according to the regulations of IFRS 10, *Consolidated Financial Statements*, or that are classified as joint arrangements or associated companies. Of these, 449 (PY: 445) are fully consolidated and 116 (PY: 131) are accounted for using the equity method.

The number of companies consolidated has decreased by a total of 16 since December 31, 2019. Two companies were founded. The number of companies consolidated also decreased by 18 as a result of 15 disposals and three mergers.

Since March 31, 2019, the number of companies consolidated has decreased by a total of 11. The additions to the scope of consolidation resulted mainly from acquisitions in the ContiTech segment. Companies no longer included in the scope of consolidation are mostly attributable to disposals and mergers.

Acquisition and disposal of companies and business operations

An asset deal took place in the Tires segment. The purchase price of €0.3 million in total was paid in cash. The purchase price allocation mainly resulted in intangible assets of €0.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at March 31, 2020.

In the Autonomous Mobility and Safety segment, there was an acquisition of non-controlling interests for a purchase price of €2.8 million. The resulting difference of €0.5 million between the purchase price and the carrying amount of the acquired shares was recognized in other comprehensive income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at March 31, 2020.

In the Vehicle Networking and Information segment, the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, was sold to Faurecia Automotive GmbH, Stadthagen, Germany, with effect from January 30, 2020, for a purchase price of €225.4 million. The transaction resulted in a gain from disposal of €137.0 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at March 31, 2020.

Revenue from contracts with customers

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

Sales from contracts with customers from January 1 to March 31, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Germany	368.9	600.1	341.7	299.6	371.8	-60.8	1,921.3
Europe excluding Germany	493.0	625.3	1,023.1	415.2	537.2	-17.4	3,076.4
North America	593.5	528.7	664.6	486.6	456.0	-25.9	2,703.5
Asia	498.1	336.1	297.5	217.2	437.8	-9.7	1,777.0
Other countries	38.0	44.3	156.6	102.3	26.2	-1.6	365.8
Sales by region	**1,991.5**	**2,134.5**	**2,483.5**	**1,520.9**	**1,829.0**	**-115.4**	**9,844.0**
Automotive original-equipment business	1,991.3	1,914.6	656.7	760.5	1,755.9	-68.3	7,010.7
Industrial/replacement business	0.2	219.9	1,826.8	760.4	73.1	-47.1	2,833.3
Sales by customer type	**1,991.5**	**2,134.5**	**2,483.5**	**1,520.9**	**1,829.0**	**-115.4**	**9,844.0**

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

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Germany	475.6	637.0	387.4	334.8	406.3	-69.2	2,171.9
Europe excluding Germany	546.4	666.9	1,176.0	421.0	583.0	-19.9	3,373.4
North America	582.0	571.1	733.6	473.7	478.5	-19.0	2,819.8
Asia	718.3	461.7	360.9	252.3	509.6	-6.9	2,295.9
Other countries	36.7	58.5	172.6	91.1	28.2	-1.4	385.7
Sales by region	**2,359.0**	**2,395.2**	**2,830.5**	**1,572.9**	**2,005.6**	**-116.5**	**11,046.7**
Automotive original-equipment business	2,358.3	2,153.2	834.7	798.2	1,996.3	-92.4	8,048.3
Industrial/replacement business	0.7	242.0	1,995.8	774.7	9.3	-24.1	2,998.4
Sales by customer type	**2,359.0**	**2,395.2**	**2,830.5**	**1,572.9**	**2,005.6**	**-116.5**	**11,046.7**

Impairment

The Continental Group 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 2020 amounted to €134.1 million (PY: €182.4 million). The tax rate in the reporting period amounted to 31.4% (PY: 23.7%).

Long-term employee benefits

Compared to December 31, 2019, the remeasurement of defined benefit pension plans as at March 31, 2020, led to a €70.6 million decrease (PY: €225.1 million) in other comprehensive income, which resulted from a decline in discount rates. The corresponding decrease in equity contrasted with a rise in long-term employee benefits of €98.5 million (PY: €318.4 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, 2020, the companies of the Continental Group made regular payments of €9.1 million (PY: €20.1 million) into these pension funds.

Payments for pension obligations totaled €57.9 million (PY: €59.1 million) in the period from January 1 to March 31, 2020. Payments for obligations similar to pensions totaled €3.8 million (PY: €3.8 million).

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

	January 1 to March 31, 2020						January 1 to March 31, 2019					
€ millions	**Germany**	**U.S.A.**	**Canada**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	Canada	U.K.	Other	Total
Current service cost	69.0	1.0	0.5	0.6	7.0	**78.1**	54.9	1.0	0.4	0.5	6.0	62.8
Interest on defined benefit obligations	17.2	9.4	0.9	2.0	2.4	**31.9**	22.4	10.9	1.0	2.5	2.6	39.4
Expected return on the plan assets	-3.8	-8.8	-0.8	-1.9	-1.2	**-16.5**	-5.7	-9.9	-0.8	-2.7	-1.4	-20.5
Effect of change of asset ceiling	–	–	0.0	–	0.0	**0.0**	–	–	–	–	0.0	0.0
Other pension income and expenses	–	0.4	0.1	–	0.0	**0.5**	–	0.4	0.1	–	0.0	0.5
Net pension cost	**82.4**	**2.0**	**0.7**	**0.7**	**8.2**	**94.0**	**71.6**	**2.4**	**0.7**	**0.3**	**7.2**	**82.2**

The net cost of healthcare and life-insurance benefit obligations of the Continental Group in the U.S.A. and Canada consists of the following:

	January 1 to March 31	
€ millions	**2020**	2019
Current service cost	0.4	0.3
Interest on healthcare and life-insurance benefit obligations	1.7	2.0
Net cost of obligations similar to pensions	**2.1**	**2.3**

Indebtedness

At €4,023.5 million as at March 31, 2020, the Continental Group's net indebtedness was below the previous year's level of €4,302.2 million. Compared to the figure of €4,071.7 million as at December 31, 2019, it had fallen by €48.2 million. The gearing ratio increased to 25.9% (PY: 22.6%) as at the end of the first quarter of 2020.

The €600.0-million euro bond from Continental AG that matured on February 5, 2020, was redeemed at a rate of 100.00%. This bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months.

In September and October 2019, Continental AG placed two listed euro bonds and two private placements with a total issue volume of €1,400.0 million under the Debt Issuance Programme (DIP). The maturities are between April 2021 and June 2025. For details regarding these bonds, please refer to the comments in the 2019 annual report.

The syndicated loan was renewed ahead of schedule in December 2019. In doing so, the previous volume of the revolving tranche was increased from €3,000.0 million to €4,000.0 million. This credit line is available to the Continental Group until December 2024. In addition to improved conditions, sustainability components are included in the calculation of interest for the credit line for the first time. For further details regarding the syndicated loan, please refer to the comments in the 2019 annual report. This credit line had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €365.3 million at the end of March 2020 (PY: €267.3 million).

As at March 31, 2020, the Continental Group had liquidity reserves totaling €6,842.5 million (PY: €5,712.2 million), consisting of cash and cash equivalents of €2,527.1 million (PY: €1,816.6 million) and committed, unutilized credit lines of €4,315.4 million (PY: €3,895.6 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, 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, 2020, unrestricted cash and cash equivalents totaled €2,301.0 million (PY: €1,618.7 million).

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. In addition, the relevant measurement categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair value according to IFRS 13, *Fair Value Measurement*.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at March 31, 2020	Fair value as at March 31, 2020	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	197.6	197.6	–	–	197.6
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	87.7	87.7	–	87.7	–
Debt instruments	FVPL	89.5	89.5	78.9	10.6	–
Debt instruments	at cost	117.2	117.2	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	6,977.6	6,977.6	–	–	–
Bank drafts	FVOCIwR	264.7	264.7	–	264.7	–
Other financial assets						
Other financial assets	FVPL	45.1	45.1	–	45.1	–
Other financial assets	at cost	186.4	186.4	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,114.9	2,114.9	–	–	–
Cash and cash equivalents	FVPL	412.2	412.2	347.3	64.9	–
Financial assets		**10,492.9**	**10,492.9**	**426.2**	**473.0**	**197.6**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	7.6	7.6	–	7.6	–
Other indebtedness	at cost	5,216.3	5,127.5	1,768.0	1,235.7	–
Trade accounts payable	at cost	6,652.9	6,652.9	–	–	–
Other financial liabilities	at cost	902.8	902.8	–	0.3	–
Financial liabilities without lease liabilities		**12,779.6**	**12,690.8**	**1,768.0**	**1,243.6**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		264.7				
Financial assets (FVOCIwoR)		197.6				
Financial assets (FVPL)		634.5				
Financial assets (at cost)		9,396.1				
Financial liabilities (FVPL)		7.6				
Financial liabilities (at cost)		12,772.0				

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2019	Fair value as at Dec. 31, 2019	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	197.6	197.6	–	–	197.6
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	7.5	7.5	–	7.5	–
Debt instruments	FVPL	39.8	39.8	29.1	10.7	–
Debt instruments	at cost	158.2	158.2	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	7,571.2	7,571.2	–	–	–
Bank drafts	FVOCIwR	134.2	134.2	–	134.2	–
Trade accounts receivable	FVPL	6.2	6.2	–	6.2	–
Other financial assets						
Other financial assets	FVPL	36.5	36.5	–	36.5	–
Other financial assets	at cost	196.6	196.6	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,748.6	2,748.6	–	–	–
Cash and cash equivalents	FVPL	593.2	593.2	400.6	192.6	–
Financial assets		**11,689.6**	**11,689.6**	**429.7**	**387.7**	**197.6**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	13.3	13.3	–	13.3	–
Other indebtedness	at cost	5,890.7	5,926.8	2,462.7	908.3	–
Trade accounts payable	at cost	7,111.0	7,111.0	–	–	–
Other financial liabilities	at cost	1,078.0	1,078.0	–	0.4	–
Financial liabilities without lease liabilities		**14,093.0**	**14,129.1**	**2,462.7**	**922.0**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		134.2				
Financial assets (FVOCIwoR)		197.6				
Financial assets (FVPL)		683.2				
Financial assets (at cost)		10,674.6				
Financial liabilities (FVPL)		13.3				
Financial liabilities (at cost)		14,079.7				

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 in active markets for identical instruments
- Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- Level 3: measurement methods for which the major input factors are not based on observable market data

For other investments for which there are no quoted prices in active markets for identical instruments (level 1) or for similar instruments, or for which there are no applicable measurement methods in which all major input factors are based on observable market data (level 2), the fair value must be calculated using a measurement method for which the major input factors are not based on observable market data (level 3). If external valuation reports or information from other financing rounds is available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case: for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if the most recent information available for fair value measurement is insufficient. Other investments are centrally monitored with regard to any changes to the key non-observable input factors and continuously checked for changes in value. As at the reporting date, there were no indications of any significant change in the value of the financial investments. For this reason, there is no need to present the changes in carrying amounts separately, or for a sensitivity analysis.

Litigation and compensation claims
There were no significant new findings or developments in the reporting period with regard to the litigation and compensation claims described in the 2019 annual report.

Contingent liabilities and other financial obligations
As at March 31, 2020, there were no material changes in the contingent liabilities and other financial obligations described in the 2019 annual report.

Appropriation of net income
As at December 31, 2019, Continental AG reported net retained earnings of €5,856.0 million (PY: €1,758.5 million). The Supervisory Board and the Executive Board have decided to propose to the Annual Shareholders' Meeting the distribution of a dividend of €4.00 per share. With 200,005,983 shares entitled to dividends, the total distribution would thus amount to €800,023,932.00. The remaining amount is to be carried forward to new account.

Earnings per share
After the first three months of 2020, basic earnings per share amounted to €1.46 (PY: €2.88), 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, 2019. For further information, please refer to the comments in the 2019 annual report.

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

Review by an independent auditor
The interim consolidated 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, 2020

There were no significant events after March 31, 2020.

Hanover, April 24, 2020

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2020	
Annual Financial Press Conference	March 5
Analyst and Investor Conference Call	March 5
Financial Report as at March 31, 2020	May 7
Virtual Annual Shareholders' Meeting	July 14
Half-Year Financial Report as at June 30, 2020	August 5
Financial Report as at September 30, 2020	November 11

2021	
Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting (including key figures for the first quarter of 2021)	April 29
Financial Report as at March 31, 2021	May
Half-Year Financial Report as at June 30, 2021	August
Financial Report as at September 30, 2021	November

Publication Details

The annual report, the annual financial statements, the half-year financial report, and the interim reports are available online at:
www.continental-ir.com

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