Continental
The Future in Motion

Q3

Financial Report

as at September 30, 2019

Continental Shares and Bonds

Recovery on stock markets
After the price declines in the fourth quarter of 2018, stock markets worldwide stabilized over the course of the first quarter of 2019. The turnaround in sentiment was due to surprisingly positive U.S. job market data, the Chinese government's announcement of new measures to tackle the economic slowdown and, in particular, growing hopes of conciliation in the trade dispute between the U.S.A. and China. In addition, there was speculation about a suspension of interest-rate increases by the U.S. Federal Reserve (Fed). The DAX grew by 9.2% in the first quarter of 2019 compared to the end of 2018 and closed the first quarter of 2019 at 11,526.04 points. The EURO STOXX 50 increased by 11.7% to 3,351.71 points in the first quarter.

The recovery of stock markets continued in April 2019, supported by positive economic data from the U.S.A., Europe and China as well as signs of an easing in the trade dispute between the U.S.A. and China. In May 2019, the surprising introduction of new U.S. import tariffs on Chinese goods and subsequent countermeasures by the Chinese government resulted in a change of sentiment and a price slide on stock markets worldwide. In June 2019, new signs of an easing in the trade dispute between the U.S.A. and China and speculation about falling interest rates led to a renewed rise in share prices. The DAX grew by 7.6% to 12,398.80 in the second quarter of 2019, while the EURO STOXX 50 increased by 3.6% to 3,473.69 points.

Over the course of July 2019, several profit warnings from major companies and declining economic data had a negative impact on the European stock markets. The surprising announcement of new U.S. tariffs on Chinese imports at the beginning of August caused share prices to slump worldwide. Leading economic indicators were also noticeably lower than expected, fueling fears of a recession in Europe as the month progressed. In September, hopes of support measures from central banks caused share prices to rally.

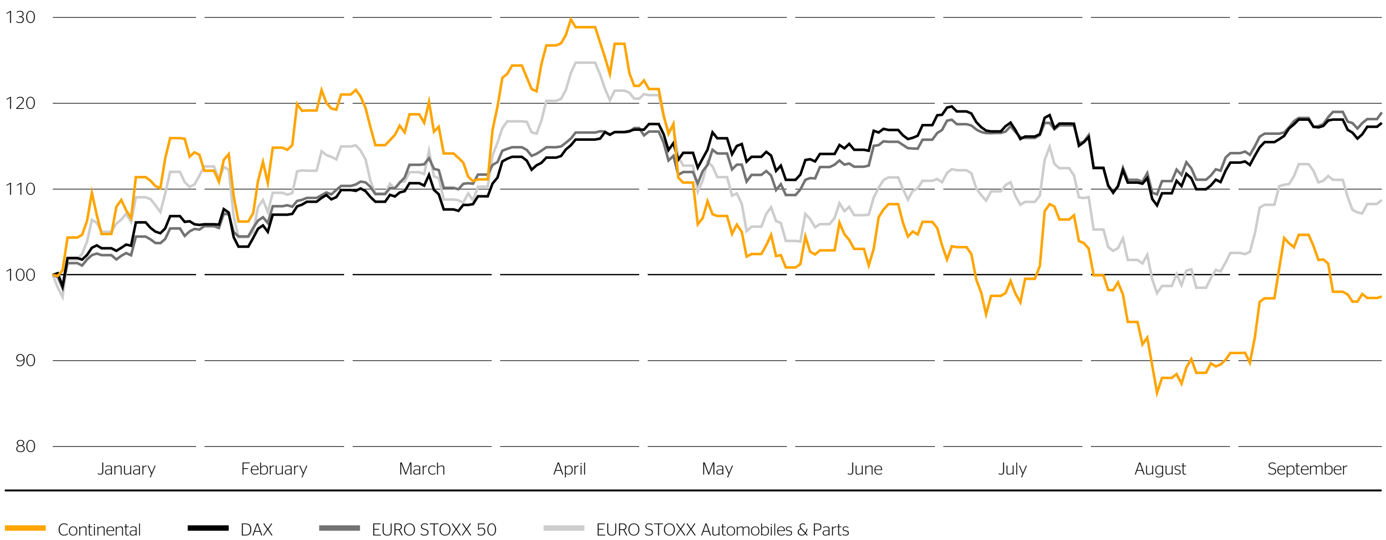
The DAX closed the third quarter with an increase of 0.2% to 12,428.08 points. It ended the first nine months of 2019 up 17.7% compared to the end of 2018. The EURO STOXX 50 increased by 2.8% to 3,569.45 points in the third quarter. It closed the first nine months of 2019 up 18.9% compared to the end of 2018.

Declining demand for passenger cars impacts automotive stocks
In January and February 2019, European automotive and supplier stocks benefited from hopes of conciliation in the trade dispute between the U.S.A. and China. However, this sector was hit hard in February and March by considerably lower company profits in the past fiscal year and cautious forecasts for fiscal 2019 because of weak demand in Europe and especially in China. Sentiment also dimmed as a result of the weaker economic forecasts by the (European Central Bank (ECB) and the Fed as well as possible U.S. import tariffs on European cars. In the first quarter of 2019, the EURO STOXX Automobiles & Parts increased by 10.3% compared to the end of 2018 to 465.84 points.

In April 2019, the European automotive sector benefited from the growing expectations of conciliation in the trade dispute between the U.S.A. and China. The surprising escalation of the dispute and persistently weak passenger-car sales figures for Europe, the U.S.A. and especially China led to a sharp decline in the sector in May 2019. This was exacerbated by fears of possible punitive U.S. tariffs on imports from Mexico and on imports of European cars to the U.S.A. In June, the sector stabilized as a result of the positive general market trend. At 468.75 points, the EURO STOXX Automobiles & Parts was marginally higher at the end of June 2019 than at the end of March 2019.

The European automotive sector essentially followed the overriding market trends in the third quarter of 2019. However, it was negatively impacted by various profit warnings from manufacturers and

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



Outstanding bonds as at September 30, 2019

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at September 30, 2019	Price as at December 31, 2018
A2DARM/XS1529561182	0.000%	February 5, 2020	600.0	99.410%	100.087%	100.041%
A1X3B7/XS0969344083	3.125%	September 9, 2020	750.0	99.228%	103.117%	104.985%
A2YPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	99.577%	–
A2YPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	100.283%	–

suppliers. In addition, global production volumes for passenger cars continued to decline and companies lowered their production expectations for the coming years. The EURO STOXX Automobiles & Parts fell by 2.0% to 459.32 points in the third quarter. In the first nine months of 2019, it increased by 8.7%.

Volatile price performance of Continental shares
After the significant price declines of the previous year, Continental shares climbed by over 20% by the beginning of March 2019. As the month progressed, the announcement of the full business figures for 2018 and the confirmation of the outlook for the challenging current fiscal year, together with sinking economic forecasts, led to profit taking by investors. In the first quarter of 2019, Continental shares increased by 11.1% compared to the closing price for 2018 to €134.20. Continental shares followed the trend in the European automotive sector in the second quarter but were much more volatile. They were briefly quoted at over €155 in mid-April 2019, representing an increase of 30.4% compared to the start of the year. In May 2019, Continental shares were particularly affected by the slump in the sector and fell back to their level at the beginning of the year. They declined by 4.5% in the second quarter to €128.22. In the third quarter of 2019, weaker production expectations and the lowering of the forecast for the current year led to an 8.2% reduction in the Continental share price to €117.70 at the end of September. The price for the reporting period was down 2.5% compared to December 31, 2018. Assuming reinvestment of the €4.75 dividend distributed at the start of May, the shares recorded a gain of 0.6% in the first nine months of 2019.

Continental bonds continue at low yield level
As in the previous year, Continental bonds persisted at a low yield level during the first nine months of 2019. The slight decline in the interest-rate level for corporate bonds in Europe had a positive influence on the prices of Continental bonds in the reporting period. The price of the 0.0% euro bond maturing on February 5, 2020, increased by 12.1 basis points in the first quarter, before falling by 3.3 and 4.2 basis points in the second and third quarters respectively. The price of the 3.125% euro bond maturing on September 9, 2020, decreased by 186.8 basis points in the reporting period, primarily due to the reduction in its remaining maturity.

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

Successful placement of two euro bonds in September
In September 2019, Continental AG successfully placed two euro bonds with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The first euro bond was offered on September 5, 2019, with an interest coupon of 0.000%. With a nominal value of €500.0 million, the issue price amounted to 99.804%. The bond has a term of four years. It was issued on the regulated market of the Luxembourg Stock Exchange on September 12, 2019. The second euro bond was offered on September 19, 2019, with an interest coupon of 0.375%. With a nominal value of €600.0 million, the issue price amounted to 99.802%. The bond has a term of five years and nine months. It was issued on the regulated market of the Luxembourg Stock Exchange on September 27, 2019.

Continental's credit rating unchanged; outlook lowered
Rating agencies Standard & Poor's and Fitch each maintained their credit ratings for Continental AG in the reporting period. Moody's also confirmed its Baa1 rating on August 28, 2019, but lowered its outlook from stable to negative.

Credit rating for Continental AG

	September 30, 2019	December 31, 2018
Standard & Poor's[1]		
Long-term	BBB+	BBB+
Short-term	A-2	A-2
Outlook	stable	stable
Fitch[2]		
Long-term	BBB+	BBB+
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa1	Baa1
Short-term	no rating	no rating
Outlook	negative	stable

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

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

Key Figures for the Continental Corporation

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

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Sales	33,414.1	33,174.3	11,103.4	10,787.8
EBITDA	3,980.0	4,624.2	1,049.4	1,411.8
in % of sales	11.9	13.9	9.5	13.1
EBIT	-393.9	2,989.8	-1,970.5	851.6
in % of sales	-1.2	9.0	-17.7	7.9
Net income attributable to the shareholders of the parent	-926.4	2,185.8	-1,986.4	626.1
Basic earnings per share in €	-4.63	10.93	-9.93	3.13
Diluted earnings per share in €	-4.63	10.93	-9.93	3.13
Adjusted sales[1]	32,965.9	33,146.4	10,928.2	10,785.5
Adjusted operating result (adjusted EBIT)[2]	2,366.8	2,989.6	614.5	768.7
in % of adjusted sales	7.2	9.0	5.6	7.1
Free cash flow	-749.9	-4.9	275.6	-127.3
Net indebtedness as at September 30	5,453.5	2,995.1		
Gearing ratio in %	34.3	16.9		
Number of employees as at September 30[3]	242,516	244,582		

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

Key Figures for the Core Business Areas

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

	January 1 to September 30		Third Quarter	
Automotive Group in € millions	**2019**	2018	**2019**	2018
Sales	20,005.8	20,203.4	6,554.9	6,411.2
EBITDA	1,721.3	2,396.1	282.1	692.7
in % of sales	8.6	11.9	4.3	10.8
EBIT	-1,771.0	1,445.5	-2,424.5	364.2
in % of sales	-8.9	7.2	-37.0	5.7
Depreciation and amortization[1]	3,492.3	950.6	2,706.6	328.5
thereof impairment[2]	2,346.4	12.1	2,333.2	8.4
Capital expenditure[3]	1,357.2	1,229.8	483.7	523.8
in % of sales	6.8	6.1	7.4	8.2
Operating assets as at September 30	13,899.6	14,392.4		
Number of employees as at September 30[4]	138,289	141,037		
Adjusted sales[5]	19,896.3	20,181.0	6,511.3	6,411.2
Adjusted operating result (adjusted EBIT)[6]	827.2	1,364.4	101.6	254.0
in % of adjusted sales	4.2	6.8	1.6	4.0

	January 1 to September 30		Third Quarter	
Rubber Group in € millions	**2019**	2018	**2019**	2018
Sales	13,450.7	13,011.8	4,561.4	4,390.0
EBITDA	2,337.6	2,323.4	798.1	750.2
in % of sales	17.4	17.9	17.5	17.1
EBIT	1,460.2	1,641.9	487.2	519.4
in % of sales	10.9	12.6	10.7	11.8
Depreciation and amortization[1]	877.4	681.5	310.9	230.8
thereof impairment[2]	17.8	0.2	15.4	
Capital expenditure[3]	814.8	714.1	281.1	254.8
in % of sales	6.1	5.5	6.2	5.8
Operating assets as at September 30	11,664.2	9,846.6		
Number of employees as at September 30[4]	103,749	103,103		
Adjusted sales[5]	13,112.0	13,006.1	4,429.8	4,387.7
Adjusted operating result (adjusted EBIT)[6]	1,618.4	1,722.8	543.4	546.7
in % of adjusted sales	12.3	13.2	12.3	12.5

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.

Corporate Management Report

Discussions on Continental's Strategy 2030 and the Transformation 2019–2029 structural program
At the meeting of the Supervisory Board of Continental AG on September 25, 2019, its members and the Executive Board discussed Continental's Strategy 2030 and the Transformation 2019–2029 structural program. The aim of the program is to strengthen the company's competitiveness over the long term and ensure its viability. The program also takes into account multiple parallel developments: an increasingly digitalized working environment, the emerging crisis in the automotive industry and the accelerated change in powertrain technology as a result of more stringent emissions legislation. The structural program is part of Continental's Strategy 2030, which is designed to help the company achieve a leading position in terms of quality, financial strength and innovative prowess. To this end, we will build on our strength in key growth areas and target a continued above-average increase in value creation. A detailed press release was published on September 25, 2019.

Powertrain division becomes Vitesco Technologies
Since October 1, 2019, the legally independent business of the Powertrain division has been operating under the name Vitesco Technologies. This has no effect on the financial reporting of the Powertrain division within the Continental Corporation. With Vitesco Technologies' future autonomy, Continental is responding to the rapidly changing requirements for vehicle drives – the (in some cases drastic) reduction of emissions being at the top of the political and social agenda. Vitesco Technologies is already one of the few system providers capable of supplying complete electrification systems from a single source. The portfolio includes innovative and efficient technologies for 48-volt electrification, electric motors and power electronics for hybrids and battery-powered all-electric vehicles. Electronics, sensors and actuators are also part of its core business. The new brand identity for the Powertrain division, which has been legally independent since the beginning of 2019, was rolled out at its approximately 50 locations worldwide on October 1, 2019, starting with the headquarters of Vitesco Technologies in Regensburg, Germany.

Spin-off of Vitesco Technologies intended
On October 22, 2019, the Executive Board of Continental made the decision to fully spin off its powertrain business Vitesco Technologies (Powertrain division) with subsequent listing. Continental is thus taking the offensive and tackling the accelerating trend toward powertrain electrification. We are also responding to the at present largely unpredictable conditions for a potential partial IPO in 2020. We will therefore no longer pursue the preparation of a potential partial IPO of our powertrain operations. Subject to the approval of the Supervisory Board of Continental AG, the spin-off of Vitesco Technologies will be submitted for decision by the Annual Shareholders' Meeting on April 30, 2020. It could then take place within the same year.

Inauguration of new fuel cell laboratory
We have further expanded our fuel cell technology business. As part of a strategic cooperation with the Department of Advanced Powertrains (ALF) at Chemnitz University of Technology, the newly established laboratory for fuel cell technology was inaugurated on July 17, 2019. The ALF department has an excellent reputation in the field of fuel cell research and development thanks to its high level of expertise. In partnership with Continental – the largest industrial member of HZwo, the Saxony-based innovation cluster – the ALF department now has one of the most modern laboratories for fuel cell and hydrogen technology in Germany.

First fully integrated axle drive for mass-production models
At the International Motor Show Germany (Internationale Automobil-Ausstellung, IAA) in September 2019, we presented the third generation of electric powertrains. The new, high-performance, lightweight and compact axle drive will be installed in various electric models from several Chinese and European manufacturers later this year. Our electric drives form a key component of innovative vehicles – from both established manufacturers and start-up companies. With the new electric drive, the Powertrain division is assuming a pioneering role as technology supplier for highly integrated electric axle drives. In this case, highly integrated means that the new high-voltage drive combines electric motor, power electronics and reduction gear in a single housing.

Conti C.A.R.E. for the mobility of the future
Also at the IAA, we presented the comprehensive technology system Conti C.A.R.E. (Connected. Autonomous. Reliable. Electrified.). The system is a combination of wheel and tire technology and the manageability of their desired performance characteristics. These characteristics are also closely aligned with the requirements of electric and autonomous driving. In combination with the internet-based ContiConnect Live application, Conti C.A.R.E. forms a flexible system solution that can provide a means of tire management for modern robo-taxi fleets, for example, boosting performance as well as helping to optimize costs. Conti C.A.R.E. tires feature sensors that are built into the structure of the tire. The sensors generate and continuously evaluate data on tread depth, possible damage, tire temperature and tire pressure. This monitoring system, which goes by the name of ContiSense, transmits information on the condition of the tires to ContiConnect Live, facilitating efficient mobility management for fleet operators.

Platform for the vehicle cockpit of tomorrow
A third highlight at the IAA was the presentation of the latest Integrated Interior Platform (IIP). As a high-performance computer, the software and hardware platform provides the basis for interaction between humans and vehicles in the connected cockpit of tomorrow. In a cockpit demonstrator, we showed how the IIP combines various displays, such as the instrument cluster and the center console display, with internet-based services to form a complete solution. In addition to new possibilities for human-machine interaction, the IIP will help to set in motion new approaches in development methodology.

Economic Report

Macroeconomic development

Germany's gross domestic product (GDP) grew by 0.4% in the first quarter of 2019 compared to the fourth quarter of 2018. Worldwide trade conflicts and uncertainty over the United Kingdom's exit from the E.U. weighed on sentiment as the year progressed, however. Private investment and exports weakened in particular, causing GDP in the second quarter to fall by 0.1% compared to the first quarter. Economists anticipate a further decline of 0.1% in the third quarter, but this should be offset by a slight increase in the fourth quarter. In its World Economic Outlook in October 2019, the International Monetary Fund (IMF) lowered its estimate for GDP growth in Germany by 0.2 percentage points and is now forecasting growth of 0.5% for 2019.

The eurozone economy achieved GDP growth of 0.4% in the first quarter of 2019 compared to the previous quarter. Economic momentum was dampened by worldwide trade conflicts and uncertainty over the United Kingdom's exit from the E.U. as the year progressed, with GDP growth falling to 0.2% in the second quarter. Experts anticipate similar growth in the third and fourth quarters. The European Central Bank (ECB) responded to the economic slowdown and falling inflation expectations with a package of measures in September 2019. In particular, it lowered the deposit rate for banks from -0.4% to -0.5% and announced the resumption of bond purchases totaling €20 billion a month from November 2019 for an indefinite period. In October 2019, the IMF lowered its estimate for GDP growth in the eurozone by 0.1 percentage points to 1.2% for 2019.

The U.S. economy grew at an annualized rate of 3.1% in the first quarter of 2019 compared to the fourth quarter of 2018. In the second quarter, lower private investment and falling exports as a result of global trade conflicts caused the annualized growth rate to decline to 2.0%. Economists anticipate a further slowdown in growth in the third and fourth quarters. The U.S. Federal Reserve (Fed) kept its key interest rate stable in the first half of 2019 but lowered it by 25 basis points in both July and September 2019. In October 2019, the IMF reduced its estimate for GDP growth in the U.S.A. by 0.2 percentage points to 2.4% for the current year.

Growth in the Japanese economy came to 1.0% year-on-year in both the first and second quarters of 2019. While growth in the first quarter was driven by the positive foreign trade balance, consumer and government spending increased in the second quarter. As a result of the planned VAT increase on October 1, 2019, experts expect growth to rise in the third quarter due to pull-forward effects before falling in the fourth quarter. In October 2019, the IMF kept its GDP forecast for Japan stable at 0.9% for 2019.

The Chinese economy continued to benefit from a substantial increase in consumer spending in the reporting period. By contrast, Chinese foreign trade was adversely affected by the escalation of the trade conflict with the U.S.A. After 6.4% for the first quarter of 2019 and 6.2% for the second quarter, GDP growth of 6.0% year-on-year was recorded for the third quarter. For 2019 as a whole, the IMF lowered its growth forecast by 0.1 percentage points to 6.1% in October. Growth in the Indian economy slowed over the course of the year as a result of the ongoing liquidity crisis experienced by large non-regulated financial institutions, or shadow banks. Rising interest rates and higher credit requirements hit the automotive and real-estate sectors particularly hard. In October 2019, the IMF lowered its GDP forecast for India by 0.9 percentage points to 6.1% for the current year. For Russia, the IMF cut its growth expectations for 2019 by 0.1 percentage points to 1.1% on account of slightly weaker economic data. For Brazil, it raised its GDP forecast by 0.1 percentage points to 0.9%. For emerging and developing economies as a whole, the IMF lowered its growth forecast for the current year by 0.2 percentage points to 3.9% in October 2019.

As a result of the reduced growth prospects for many countries and regions, the IMF lowered its growth forecast for the global economy for 2019 by 0.2 percentage points to 3.0% in its October estimate. The IMF cites a further escalation of the various trade conflicts and the resulting uncertainty for all economic operators as key risks for a more substantial slowdown. Due to the high level of public and private debt, this could lead to an abrupt deterioration in general risk sentiment and financial market conditions. Further potential triggers mentioned by the IMF include a no-deal withdrawal of the United Kingdom from the E.U., a further slowdown in China and the swelling levels of debt in certain countries.

Development of new passenger-car registrations

On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), demand for passenger cars in Europe (EU-28 and EFTA) fell by 2% year-on-year in the first nine months of 2019. The decline in demand was particularly significant in Sweden and Finland at over 10% each, and in Spain, Ireland and the Netherlands at over 7% each. In the United Kingdom, new-car registrations fell by another 3% compared to the weak prior-year figure, while sales volumes in Italy and France declined by 2% and 1% respectively. Only in Germany did the sales volume of passenger cars increase, by more than 2%. Following the declines in the first and second quarters of 2019, new-car registrations rose year-on-year in Europe as a whole in the third quarter.

In the U.S.A., the number of new-car registrations fell by 1% to 12.7 million units in the first nine months of 2019. This was due to the continuing decline in demand for sedans, whose sales volume fell by 10% compared to the same period of the previous year to 3.7 million units. In contrast, the sales volume of light commercial vehicles, especially pickups, rose by 3% despite increased lending rates.

New registrations/sales of passenger cars

	January 1 to September 30			Third Quarter		
millions of units	**2019**	2018	Change	**2019**	2018	Change
Europe (EU-28 and EFTA)	12.1	12.3	-2%	3.7	3.6	2%
U.S.A.	12.7	12.9	-1%	4.3	4.3	0%
Japan	3.4	3.4	2%	1.2	1.1	7%
Brazil	1.9	1.8	9%	0.7	0.7	5%
Russia	1.3	1.3	-2%	0.4	0.4	-1%
India	2.2	2.6	-16%	0.6	0.9	-29%
China	15.0	16.9	-12%	5.0	5.4	-6%
Worldwide	**65.3**	**69.6**	**-6%**	**21.3**	**22.2**	**-4%**

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

In Japan, the sales volume of passenger cars increased by 2% year-on-year in the first nine months of 2019. As a result of purchases brought forward in the run-up to the VAT increase on October 1, 2019, demand rose by more than 7% in the third quarter.

In China, the decline in demand for passenger cars in the second half of 2018 continued in the reporting period. According to preliminary data, the sales volume of passenger cars fell by 12% to 15.0 million units in the reporting period compared to the record figure of 16.9 million units in the first nine months of the previous year. In India, the sales volume noticeably slumped in the second and third quarters of 2019. The primary cause was the ongoing crisis in the shadow banking sector, through which a large proportion of new vehicles are financed. As a result, the number of new-car registrations decreased by 16% in the reporting period. In Russia, the sales volume of passenger cars fell by 2%. In Brazil, however, demand continued to recover in the first nine months of 2019 with growth of 9%.

According to preliminary data, global new-car registrations decreased by 6% year-on-year in the reporting period. Overall, there was a decline from 69.6 million units to 65.3 million units in the first nine months of 2019.

Development of production of passenger cars and light commercial vehicles

In Europe, the production of passenger cars and light commercial vehicles weighing less than 6 metric tons decreased in the reporting period by 4% on the basis of preliminary data. Volumes fell significantly short of the previous year's high figures in the first half of the year, before stagnating in the third quarter at the low comparative level from 2018. The third quarter of the previous year was severely impacted by the transition to the new exhaust-gas test procedure WLTP (Worldwide Harmonized Light Vehicles Test Procedure). Due to low production figures in the reporting period, we now expect production in Europe to decline by 4%, compared with 3% previously, for 2019 as a whole.

Following the decline in production in the first half of the year, North America recorded almost stagnant vehicle production in the third quarter of 2019. Production in Canada increased compared with the same quarter of the previous year, whereas it remained static in the U.S.A. and decreased in Mexico. Overall, North American production of passenger cars and light commercial vehicles fell by around 2% in the first nine months of 2019 according to preliminary data. Due to the strike at American manufacturer General Motors and the resulting production standstill, we expect a significant decline in production in the fourth quarter. Having previously anticipated a decline in production of 2% for 2019 as a whole, we now anticipate a decline of 4%.

In South America, the production of passenger cars and light commercial vehicles decreased in the reporting period by 4% on the basis of preliminary figures. A decline in production volumes was recorded in all three quarters. The increase in production figures in Brazil was unable to offset the decrease in production in the other South American countries. As we expect production figures to remain negative in the fourth quarter, we are lowering our forecast for 2019 as a whole from -1% to -3%.

In Asia, the production of passenger cars and light commercial vehicles decreased in the reporting period by 8% on the basis of preliminary figures. In China in particular, the decline in volumes continued unabated. This was exacerbated in the second and third quarters by the demand-driven drop in production in India. We expect production to decline in the fourth quarter, but estimate that it will stabilize slightly due to the low prior-year basis. For the year as a whole, we still anticipate a decline in production of 7%.

On the basis of preliminary figures, global production of passenger cars and light commercial vehicles fell by 6% year-on-year in the first nine months of 2019. Due to lower production expectations for North America, we now anticipate a decline of 6% for 2019 as a whole, compared with 5% previously.

Development of production of medium and heavy commercial vehicles

In Europe, the slowdown in economic growth in the reporting period led to a decline in production volumes of medium and heavy commercial vehicles compared to the same period of the previous year. On the basis of preliminary data, production of medium and heavy commercial vehicles fell by 7% in the first nine months of 2019. Production is expected to decrease further in the fourth quarter due to the decline in order intake. We are therefore lowering our forecast for 2019 as a whole from -2% to -10%.

In North America, the increase in commercial-vehicle production continued in the first nine months of 2019 despite the high prior-year basis, but momentum slowed in the third quarter. According to preliminary data, production of medium and heavy commercial vehicles grew by around 5% in the reporting period. Due to a sharp decline in order intake, we expect production to fall in the fourth quarter. For 2019 as a whole, we are lowering our forecast from 4% to 0%.

Preliminary data shows that South America recorded a substantial increase in the production of commercial vehicles of over 25% year-on-year in the first nine months of 2019, which was attributable to the economic recovery of Brazil. In the fourth quarter, however, we expect this to stabilize at the previous year's level. For 2019 as a whole, we are confirming our forecast of 20%.

In Asia, production of medium and heavy commercial vehicles fell by more than 10% in the first nine months of 2019 according to initial estimates. Production in China and India was hit hardest. Due to the downward trend in the reporting period and a weak outlook for the fourth quarter, we are lowering our forecast for 2019 as a whole from -5% to -10%.

In the first nine months of 2019, global production of medium and heavy commercial vehicles decreased by 6% on the basis of preliminary figures and estimates. For 2019 as a whole, we are lowering our forecast from -3% to -7%.

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

In Europe – Continental's most important market for replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons – preliminary data indicates that sales figures in the reporting period fell by just under 2% compared with the strong prior-year figure. This is attributable to tire manufacturers' persistently weak figures for sales to dealers, many of whom have reduced their stock levels in anticipation of falling prices. For 2019 as a whole, we are lowering our forecast from stable demand to -1%.

In North America, sales volumes of replacement tires for passenger cars and light commercial vehicles posted growth of 3% in the first nine months of 2019 according to preliminary figures. The positive trend in demand slowed considerably in the third quarter, however. For the year as a whole, we are maintaining our forecast of 2% growth.

According to preliminary figures, demand for replacement tires for passenger cars and light commercial vehicles in South America decreased by 1% in the reporting period compared to the high comparative figures from the previous year. For 2019 as a whole, we are lowering our sales volume forecast from 0% previously to -1%.

According to preliminary data, demand for replacement tires for passenger cars and light commercial vehicles in Asia increased by 3% in the first nine months of 2019. In China, the most important Asian market, demand continued to recover in the third quarter and was up 3% on the previous year's level. For 2019 as a whole, we are confirming our forecast of an increase of 3%.

Global demand for replacement tires for passenger cars and light commercial vehicles rose in the reporting period by just under 1% according to preliminary figures. For 2019 as a whole, we are confirming our growth forecast of 1%.

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

In Europe, sales volumes of replacement tires for medium and heavy commercial vehicles decreased by 2% in the first nine months of 2019 according to preliminary data. For 2019 as a whole, we are lowering our sales volume forecast from the level of the previous year to a decline of 2%.

In North America, preliminary figures show that demand for replacement tires for medium and heavy commercial vehicles fell by 10% in the reporting period compared to the high prior-year figure. This was mainly due to the imposition of tariffs on truck tire imports from China. For 2019 as a whole, we are lowering our sales volume forecast from -8% to -10%, as other providers will not be able to close the supply gap immediately and as customers switch to retreaded tires.

According to preliminary figures, sales volumes of replacement tires for medium and heavy commercial vehicles in South America declined by 4% in the first nine months of 2019 compared to the high comparative basis from the previous year. For 2019 as a whole, we are lowering our sales volume forecast from the level of the previous year to a decline of 4%.

In Asia, sales volumes of replacement tires for medium and heavy commercial vehicles were up 2% in the first nine months of 2019 according to preliminary figures. For the year as a whole, we are confirming our forecast of an increase of 2%.

Globally, demand for replacement tires for medium and heavy commercial vehicles fell by 1% in the reporting period according to preliminary data. For 2019 as a whole, we are lowering our sales volume forecast from 0% to -1%.

Earnings, Financial and Net Assets Position of the Continental Corporation

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

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Sales	33,414.1	33,174.3	11,103.4	10,787.8
EBITDA	3,980.0	4,624.2	1,049.4	1,411.8
in % of sales	11.9	13.9	9.5	13.1
EBIT	–393.9	2,989.8	–1,970.5	851.6
in % of sales	–1.2	9.0	–17.7	7.9
Net income attributable to the shareholders of the parent	–926.4	2,185.8	–1,986.4	626.1
Basic earnings per share in €	–4.63	10.93	–9.93	3.13
Diluted earnings per share in €	–4.63	10.93	–9.93	3.13
Research and development expenses (net)	2,678.0	2,534.3	858.6	821.4
in % of sales	8.0	7.6	7.7	7.6
Depreciation and amortization[1]	4,373.9	1,634.4	3,019.9	560.2
thereof impairment[2]	2,364.2	12.3	2,348.6	8.4
Capital expenditure[3]	2,204.4	1,956.2	778.1	781.8
in % of sales	6.6	5.9	7.0	7.2
Operating assets as at September 30	25,630.5	24,209.6		
Number of employees as at September 30[4]	242,516	244,582		
Adjusted sales[5]	32,965.9	33,146.4	10,928.2	10,785.5
Adjusted operating result (adjusted EBIT)[6]	2,366.8	2,989.6	614.5	768.7
in % of adjusted sales	7.2	9.0	5.6	7.1
Net indebtedness as at September 30	5,453.5	2,995.1		
Gearing ratio in %	34.3	16.9		

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

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

Earnings Position

Sales up 0.7%
Sales down 2.1% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first nine months of 2019 climbed by 0.7% year-on-year to €33,414.1 million (PY: €33,174.3 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.1%.

Adjusted EBIT down 20.8%
Adjusted EBIT for the corporation declined by €622.8 million, or 20.8%, year-on-year to €2,366.8 million (PY: €2,989.6 million) in the first nine months of 2019, corresponding to 7.2% (PY: 9.0%) of adjusted sales.

EBIT down 113.2%
The corporation's EBIT fell by €3,383.7 million, or 113.2%, compared to the previous year to -€393.9 million (PY: €2,989.8 million) in the first nine months of 2019. The return on sales fell to -1.2% (PY: 9.0%).

Special effects in the first nine months of 2019
The transformation of the Powertrain division into an independent legal entity resulted in expense totaling €28.4 million (Chassis & Safety €1.6 million; Powertrain €20.9 million; Interior €1.6 million; Holding €4.3 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles is not expected to increase substantially over the next five years until 2024. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, the discount rate and its parameters, and the long-term growth rate – goodwill was impaired by €2,305.2 million. The Interior division accounted for €1,358.6 million of this, the Chassis & Safety division for €722.4 million, and the Powertrain division for €224.2 million.

In the Chassis & Safety division, an expense of €3.3 million resulted from restructuring of the location in Varzea Paulista, Brazil. This included impairment on property, plant and equipment in the amount of €1.3 million.

There were also restructuring expenses in the Chassis & Safety division of €16.5 million for the location in Henderson, North Carolina, U.S.A.

Impairment on property, plant and equipment resulted in expense totaling €12.8 million in the Powertrain division.

There were also restructuring expenses in the Powertrain division of €4.2 million for the location in Fountain Inn, South Carolina, U.S.A. These included impairment on property, plant and equipment in the amount of €2.8 million.

Moreover, restructuring of the location in Newport News, Virginia, U.S.A., resulted in expense of €5.8 million in the Powertrain division. This included impairment on property, plant and equipment in the amount of €4.3 million.

In the Interior division, an expense of €1.9 million resulted from a subsequent purchase price adjustment to the acquisition of shares in associate OSRAM Continental GmbH, Munich. The carrying amount for this associate was also impaired. This resulted in expense of €157.9 million in the Interior division.

Moreover, an expense of €20.0 million resulted from impairment on other intangible assets from purchased know-how for software in the Interior division.

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

In connection with restructuring at the location in Port Elizabeth, South Africa, an expense of €6.4 million was incurred in the Tire division. This included impairment on property, plant and equipment in the amount of €1.4 million.

In the Tire division, there were restructuring expenses of €23.7 million for the location in Petaling Jaya, Malaysia. These included impairment on property, plant and equipment in the amount of €15.4 million.

The reversal of a restructuring provision that was no longer required resulted in income of €0.2 million in the Tire division.

In the ContiTech division, there were restructuring expenses of €37.6 million in the Mobile Fluid Systems business unit. These included impairment on property, plant and equipment in the amount of €1.0 million.

Total consolidated expense from special effects in the first nine months of 2019 amounted to €2,621.3 million.

Special effects in the first nine months of 2018
Impairment on property, plant and equipment in the Chassis & Safety division resulted in expense of €1.5 million.

In the Powertrain division, there were restructuring expenses of €12.9 million for the location in Roding, Germany. These included impairment on property, plant and equipment in the amount of €3.3 million.

In addition, impairment on property, plant and equipment resulted in expense of €9.9 million in the Powertrain division.

Following the conclusion of all negotiations and the granting of the required merger control authorizations, OSRAM Continental GmbH, Munich, commenced global operations on July 2, 2018. In the Interior division, this acquisition of shares in the associate resulted in income of €172.8 million from the adjustment of the market value of the previously held shares.

There was also an expense of €28.9 million from the disposal of a company in the Interior division.

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

In connection with restructuring, there was a reversal of impairment losses on property, plant and equipment in the amount of €2.8 million in the Interior division.

An asset deal in the Interior division resulted in income of €2.9 million.

An impairment loss on property, plant and equipment in connection with restructuring resulted in expense of €0.2 million for the ContiTech division.

In addition, the disposal of a company resulted in income of €0.3 million in the ContiTech division.

Total consolidated income from special effects in the first nine months of 2018 amounted to €125.2 million.

Research and development

In the first nine months of 2019, research and development expenses (net) rose by 5.7% compared with the same period of the previous year to €2,678.0 million (PY: €2,534.3 million), representing 8.0% (PY: 7.6%) of sales. €2,320.8 million (PY: €2,196.2 million) of this related to the Automotive Group, corresponding to 11.6% (PY: 10.9%) of sales, and €357.2 million (PY: €338.1 million) to the Rubber Group, corresponding to 2.7% (PY: 2.6%) of sales.

Financial result

The negative financial result increased by €8.8 million year-on-year to €158.9 million (PY: €150.1 million) in the first nine months of 2019.

Interest income increased by €18.4 million year-on-year to €87.6 million (PY: €69.2 million) in the first nine months of 2019. Expected income from long-term employee benefits and pension funds totaled €56.4 million in this period (PY: €43.1 million). This does not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €218.5 million in the first nine months of 2019 and was thus €22.3 million higher than the previous year's figure of €196.2 million. The interest expense from long-term employee benefits totaled €116.8 million (PY: €106.7 million) in this period. This does not include the interest expense from the defined benefit obligations of the pension contribution funds. At €101.7 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was higher than the prior-year figure of €89.5 million. An increase in expenses resulted in particular from the new standard IFRS 16, *Leases*, the application of which has been mandatory since January 1, 2019. The recognition of all leases in the statement of financial position accordingly resulted in increased expenses from interest on lease liabilities. In the first nine months of 2019, this interest expense amounted to €24.3 million (PY: €0.6 million). The bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., resulted in expenses of €24.1 million (PY: €44.3 million). The year-on-year decline is attributable to the repayment of two bonds. Firstly, the €750.0-million euro bond from Continental AG was repaid on July 16, 2018. This five-year bond bore interest at a rate of 3.0% p.a. Secondly, the €500.0-million euro bond from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., was repaid on February 19, 2019. This bond was issued with a fixed interest rate of 0.5% p.a., which was exchanged via cross-currency interest-rate swaps for a U.S.-dollar-based fixed interest rate averaging 2.365%.

The effects from currency translation resulted in a negative contribution to earnings of €30.4 million (PY: €27.3 million) in the first nine months of 2019. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in earnings of €2.4 million (PY: €4.2 million). Other valuation effects accounted for €0.3 million (PY: €0.1 million) of this. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in the first nine months of 2019 were negatively impacted by €28.3 million (PY: €23.2 million).

Income tax expense

Income tax expense in the first nine months of 2019 amounted to €342.8 million (PY: €616.2 million). The tax rate in the reporting period amounted to -62.0% (PY: 21.7%).

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent decreased by 142.4% to -€926.4 million (PY: €2,185.8 million). After the first nine months of 2019, basic earnings per share amounted to -€4.63 (PY: €10.93), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow

EBIT for the first nine months of 2019 declined by €3,383.7 million year-on-year to -€393.9 million (PY: €2,989.8 million).

Interest payments increased by €2.7 million to €110.5 million (PY: €107.8 million).

Income tax payments rose by €81.2 million to €689.5 million (PY: €608.3 million).

At €4,373.9 million, depreciation, amortization, impairment and reversal of impairment losses was up €2,739.5 million from €1,634.4 million in the previous year.

At €1,663.0 million as at September 30, 2019, the net cash outflow arising from the increase in operating working capital was €299.0 million higher than the figure for the previous year of €1,364.0 million.

At €1,826.7 million as at September 30, 2019, cash provided by operating activities was €349.1 million lower than the previous year's figure of €2,175.8 million.

Cash flow arising from investing activities amounted to an outflow of €2,576.6 million (PY: €2,180.7 million) in the first nine months of 2019. Capital expenditure on property, plant and equipment, and software was up €34.4 million from €1,956.2 million to €1,990.6 million before leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies and business operations resulted in a total cash outflow of €414.8 million (PY: €181.2 million).

The free cash flow in the first three quarters of 2019 resulted in an outflow of €749.9 million (PY: €4.9 million), €745.0 million more than in the same period of the previous year. The recognition of depreciation on the reportable right-of-use assets in cash flow from operating activities, as part of the first-time adoption of IFRS 16, *Leases*, resulted in a corresponding improvement in free cash flow of €256.4 million compared to the previous year.

Financing and indebtedness

At €5,453.5 million as at September 30, 2019, the Continental Corporation's net indebtedness was above the previous year's level of €2,995.1 million. Compared to the figure of €1,661.3 million as at December 31, 2018, it had increased by €3,792.2 million. The gearing ratio increased to 34.3% (PY: 16.9%) as at the end of the third quarter of 2019.

The new standard IFRS 16, *Leases*, the application of which has been mandatory since January 1, 2019, resulted in the recognition of all leases in the statement of financial position and thus an increase in lease liabilities. These amounted to €1,736.1 million on September 30, 2019 (PY: €13.1 million).

On March 20, 2019, Continental AG instructed four banks to market a promissory note bank loan. The transaction was successfully completed as planned at the end of April 2019. The promissory note bank loan issued consists of four tranches with a total volume of €500.0 million and terms of three or five years. Fixed coupons were agreed upon for 76% of the volume.

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

In September 2019, Continental AG successfully placed two euro bonds with nominal volumes of €500.0 million and €600.0 million with investors under Continental's Debt Issuance Programme (DIP). The issue price of the €500.0 million bond issued on September 12, 2019, amounted to 99.804%. This bond has a term of four years and an interest rate of 0.000% p.a. The issue price of the €600.0 million bond issued on September 27, 2019, amounted to 99.802%. This bond has a term of five years and nine months and an interest rate of 0.375% p.a.

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021 and had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €338.8 million at the end of September 2019. In the previous year, it was utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and Continental AG in the amount of €538.6 million.

As at September 30, 2019, Continental had liquidity reserves totaling €5,303.3 million (PY: €4,712.7 million), consisting of cash and cash equivalents of €1,971.2 million (PY: €1,621.7 million) and committed, unutilized credit lines totaling €3,332.1 million (PY: €3,091.0 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 Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at September 30, 2019, unrestricted cash and cash equivalents totaled €1,745.1 million (PY: €1,458.0 million).

Reconciliation of net indebtedness

€ millions	September 30, 2019	December 31, 2018	September 30, 2018
Long-term indebtedness	3,077.9	*1,449.0*	1,452.1
Short-term indebtedness	4,554.7	*3,157.9*	3,356.7
Long-term derivative instruments and interest-bearing investments	-54.2	*-32.4*	-38.6
Short-term derivative instruments and interest-bearing investments	-153.7	*-151.8*	-153.4
Cash and cash equivalents	-1,971.2	*-2,761.4*	-1,621.7
Net indebtedness	**5,453.5**	***1,661.3***	**2,995.1**

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

Reconciliation of change in net indebtedness

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Change in net indebtedness due to the first-time adoption of IFRS 16, Leases	1,730.1	n.a.	n.a.	n.a.
Net indebtedness at the beginning of the reporting period	**3,391.4**	**2,047.6**	**5,665.8**	**2,858.1**
Cash flow arising from operating activities	1,826.7	2,175.8	1,082.8	708.3
Cash flow arising from investing activities	-2,576.6	-2,180.7	-807.2	-835.6
Cash flow before financing activities (free cash flow)	**-749.9**	**-4.9**	**275.6**	**-127.3**
Dividends paid	-950.0	-900.0	–	–
Dividends paid to and cash changes from equity transactions with non-controlling interests	-25.5	-29.3	-0.7	-1.8
Non-cash changes	-197.2	30.2	-48.2	2.3
Other	-93.8	-1.2	28.1	1.3
Exchange-rate effects	-45.7	-42.3	-42.5	-11.5
Change in net indebtedness	**-2,062.1**	**-947.5**	**212.3**	**-137.0**
Net indebtedness at the end of the reporting period	**5,453.5**	**2,995.1**	**5,453.5**	**2,995.1**

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

Capital expenditure (additions)

In the first three quarters of 2019, capital expenditure on property, plant and equipment, and software amounted to €2,204.4 million (PY: €1,956.2 million). €213.9 million of the year-on-year increase of €248.2 million resulted from the first-time adoption of IFRS 16, *Leases*. The capital expenditure ratio after nine months was 6.6% (PY: 5.9%).

A total of €1,357.2 million (PY: €1,229.8 million) of this capital expenditure was attributable to the Automotive Group, representing 6.8% (PY: 6.1%) of sales. The Automotive Group invested primarily in production equipment for the manufacture of new products and the implementation of new technologies, with manufacturing capacity being increased in Germany, at European best-cost locations, in China and in the U.S.A. An investment was also made in Debrecen, Hungary, and in Kaunas, Lithuania, in the construction of new plants. In the Chassis & Safety division, there were major additions relating to the expansion of production facilities for the Vehicle Dynamics and Advanced Driver Assistance Systems business units. Manufacturing capacity for electronic brake systems was increased in particular. In the Powertrain division, significant investments were made in the expansion of manufacturing capacity for the Engine & Drivetrain Systems and Powertrain Components business units. In the Interior division, production capacity was increased in particular for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €814.8 million (PY: €714.1 million), equivalent to 6.1% (PY: 5.5%) of sales. A sum of €134.1 million of this resulted from the first-time adoption of IFRS 16, *Leases*. In the Tire division, there were important additions related to the new plant buildings in Clinton, Mississippi, U.S.A., and Rayong, Thailand, and the expansion of production capacity in Otrokovice, Czechia, and Mount Vernon, Illinois, 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 division, there were major additions relating to the expansion of production capacity for the Mobile Fluid Systems and Surface Solutions (formerly Benecke-Hornschuch Surface Group) 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.

Net Assets Position

At €42,531.5 million (PY: €39,634.4 million), total assets as at September 30, 2019, were €2,897.1 million higher than on the same date in the previous year. A sum of €1,701.1 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Goodwill, at €5,107.1 million, was down by €1,930.5 million compared to the previous year's figure of €7,037.6 million. Other intangible assets climbed by €205.5 million to €1,708.5 million (PY: €1,503.0 million). Property, plant and equipment increased by €3,070.2 million to €14,735.9 million (PY: €11,665.7 million). Deferred tax assets were up €643.6 million at €2,171.3 million (PY: €1,527.7 million). Inventories increased by €348.9 million to €5,038.9 million (PY: €4,690.0 million). Trade accounts receivable fell by €13.9 million to €8,712.7 million (PY: €8,726.6 million). Short-term derivative instruments and interest-bearing investments increased by €0.3 million to €153.7 million (PY: €153.4 million). At €1,971.2 million, cash and cash equivalents were up €349.5 million from €1,621.7 million on the same date in the previous year.

Equity including non-controlling interests was down €1,769.8 million at €15,910.7 million as compared to €17,680.5 million as at September 30, 2018. This was due primarily to the decrease in retained earnings of €1,164.9 million. Other comprehensive income changed by €607.6 million to -€3,045.5 million (PY: -€2,437.9 million). The gearing ratio worsened from 16.9% to 34.3%. The equity ratio fell to 37.4% (PY: 44.6%).

Compared with December 31, 2018, total assets increased by €2,086.1 million to €42,531.5 million (PY: €40,445.4 million). In relation to the individual items of the statement of financial position, this is primarily due to the rise in property, plant and equipment of €2,360.4 million to €14,735.9 million (PY: €12,375.5 million). A sum of €1,701.1 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Trade accounts receivable rose by €854.5 million to €8,712.7 million (PY: €7,858.2 million).

Equity including non-controlling interests was down €2,422.6 million at €15,910.7 million as compared to €18,333.3 million at the end of 2018. Equity was reduced by the payment of the dividends in the amount of €950.0 million resolved by the Annual Shareholders' Meeting. Net income attributable to the shareholders of the parent resulted in a decline of €926.4 million. Other comprehensive income changed by €531.1 million to -€3,045.5 million (PY: -€2,514.4 million). The gearing ratio changed from 9.1% to 34.3%.

Employees

As at the end of the third quarter of 2019, the corporation had 242,516 employees, representing a decline of 710 in comparison to the end of 2018. Counter to the acquisition of Kathrein Automotive, lower production volumes in the Automotive Group led to a reduction in the overall number of employees by 1,727. In the Rubber Group, the increase in the number of employees by 986 was chiefly attributable to the acquisition of Cooper-Standard and the adjustment to demand-driven production. Compared with the reporting date for the previous year, the number of employees in the corporation was down by a total of 2,066.

Reconciliation to operating assets as at September 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Total assets	**7,503.9**	**6,226.1**	**7,668.7**	**10,743.1**	**4,942.5**	**5,447.2**	**42,531.5**
Cash and cash equivalents	–	–	–	–	–	1,971.2	1,971.2
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	207.9	207.9
Other financial assets	12.1	16.1	29.6	12.6	5.4	4.4	80.2
Less financial assets	**12.1**	**16.1**	**29.6**	**12.6**	**5.4**	**2,183.5**	**2,259.3**
Less other non-operating assets	**16.7**	**-2.5**	**-23.7**	**9.1**	**22.9**	**692.7**	**715.2**
Deferred tax assets	–	–	–	–	–	2,171.3	2,171.3
Income tax receivables	–	–	–	–	–	287.7	287.7
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,459.0**	**2,459.0**
Segment assets	**7,475.1**	**6,212.5**	**7,662.8**	**10,721.4**	**4,914.2**	**112.0**	**37,098.0**
Total liabilities and provisions	**3,778.7**	**3,261.4**	**3,355.2**	**3,427.5**	**1,937.1**	**10,860.9**	**26,620.8**
Short- and long-term indebtedness	–	–	–	–	–	7,632.6	7,632.6
Interest payable and other financial liabilities	–	–	–	–	–	15.9	15.9
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**7,648.5**	**7,648.5**
Deferred tax liabilities	–	–	–	–	–	361.0	361.0
Income tax payables	–	–	–	–	–	859.3	859.3
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,220.3**	**1,220.3**
Less other non-operating liabilities	**1,182.9**	**932.9**	**828.7**	**799.4**	**593.8**	**1,946.8**	**6,284.5**
Segment liabilities	**2,595.8**	**2,328.5**	**2,526.5**	**2,628.1**	**1,343.3**	**45.3**	**11,467.5**
Operating assets	**4,879.3**	**3,884.0**	**5,136.3**	**8,093.3**	**3,570.9**	**66.7**	**25,630.5**

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

Reconciliation to operating assets as at September 30, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Total assets	**7,651.9**	**5,792.4**	**8,399.5**	**9,187.2**	**4,508.1**	**4,095.3**[1]	**39,634.4**[1]
Cash and cash equivalents	–	–	–	–	–	1,621.7	1,621.7
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	192.0	192.0
Other financial assets	12.7	53.1	26.3	19.7	7.1	3.8	122.7
Less financial assets	**12.7**	**53.1**	**26.3**	**19.7**	**7.1**	**1,817.5**	**1,936.4**
Less other non-operating assets	**1.0**	**2.8**	**-37.9**	**-3.6**	**6.1**	**498.7**[1]	**467.1**[1]
Deferred tax assets	–	–	–	–	–	1,527.7	1,527.7
Income tax receivables	–	–	–	–	–	204.2[1]	204.2[1]
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,731.9**[1]	**1,731.9**[1]
Segment assets	**7,638.2**	**5,736.5**	**8,411.1**	**9,171.1**	**4,494.9**	**47.2**	**35,499.0**
Total liabilities and provisions	**3,767.5**	**2,941.8**	**3,285.3**	**3,248.8**	**1,878.5**	**6,832.0**[1]	**21,953.9**[1]
Short- and long-term indebtedness	–	–	–	–	–	4,808.8	4,808.8
Interest payable and other financial liabilities	–	–	–	–	–	68.5	68.5
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**4,877.3**	**4,877.3**
Deferred tax liabilities	–	–	–	–	–	378.9	378.9
Income tax payables	–	–	–	–	–	796.2[1]	796.2[1]
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,175.1**[1]	**1,175.1**[1]
Less other non-operating liabilities	**1,109.3**	**837.1**	**654.8**	**768.9**	**539.0**	**703.0**[1]	**4,612.1**[1]
Segment liabilities	**2,658.2**	**2,104.7**	**2,630.5**	**2,479.9**	**1,339.5**	**76.6**	**11,289.4**
Operating assets	**4,980.0**	**3,631.8**	**5,780.6**	**6,691.2**	**3,155.4**	**-29.4**	**24,209.6**

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

1 The reconciliation to operating assets as at September 30, 2018, is due to the change in recognition of interest and penalties on income taxes.

Development of the Divisions

Chassis & Safety in € millions	January 1 to September 30		Third Quarter	
	2019	2018	**2019**	2018
Sales	7,032.8	7,214.0	2,289.8	2,247.6
EBITDA	823.1	901.1	260.4	219.7
in % of sales	11.7	12.5	11.4	9.8
EBIT	-279.3	581.7	-590.9	110.6
in % of sales	-4.0	8.1	-25.8	4.9
Depreciation and amortization[1]	1,102.4	319.4	851.3	109.1
thereof impairment[2]	723.7	1.5	722.5	1.5
Capital expenditure[3]	444.7	454.0	155.4	190.5
in % of sales	6.3	6.3	6.8	8.5
Operating assets as at September 30	4,879.3	4,980.0		
Number of employees as at September 30[4]	48,302	49,689		
Adjusted sales[5]	7,032.8	7,214.0	2,289.8	2,247.6
Adjusted operating result (adjusted EBIT)[6]	464.9	583.2	148.5	112.1
in % of adjusted sales	6.6	8.1	6.5	5.0

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

Chassis & Safety

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first nine months of 2019 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 increased year-on-year, partly compensating for the considerable decline in sales figures for conventional brake calipers. In the Passive Safety & Sensorics business unit, the sales volume of airbag control units decreased year-on-year. Unit sales of advanced driver assistance systems were up significantly compared to the previous year.

Sales down 2.5%
Sales down 4.6% before changes in the scope of consolidation and exchange-rate effects

Sales of the Chassis & Safety division were down 2.5% at €7,032.8 million (PY: €7,214.0 million) in the first nine months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 4.6%.

Adjusted EBIT down 20.3%

Adjusted EBIT for the Chassis & Safety division fell by €118.3 million, or 20.3%, year-on-year to €464.9 million (PY: €583.2 million) during the first nine months of 2019, corresponding to 6.6% (PY: 8.1%) of adjusted sales.

EBIT down 148.0%

Compared with the same period of the previous year, the Chassis & Safety division reported a decline in EBIT of €861.0 million, or 148.0%, to -€279.3 million (PY: €581.7 million) in the first nine months of 2019. The return on sales fell to -4.0% (PY: 8.1%).

Special effects in the first nine months of 2019
The transformation of the Powertrain division into an independent legal entity resulted in expense of €1.6 million in the Chassis & Safety division.

Restructuring of the location in Varzea Paulista, Brazil, resulted in expense of €3.3 million. This included impairment on property, plant and equipment in the amount of €1.3 million.

In addition, an expense of €16.5 million resulted from restructuring for the location in Henderson, North Carolina, U.S.A.

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles is not expected to increase substantially over the next five years until 2024. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, the discount rate and its parameters, and the long-term growth rate – goodwill was impaired by €722.4 million.

For the Chassis & Safety division, the total negative impact from special effects in the first nine months of 2019 amounted to €743.8 million.

Special effects in the first nine months of 2018
Impairment on property, plant and equipment in the Chassis & Safety division resulted in expense of €1.5 million.

	January 1 to September 30		Third Quarter	
Powertrain in € millions	**2019**	2018	**2019**	2018
Sales	5,892.8	5,824.0	1,925.8	1,853.2
EBITDA	360.7	457.2	-10.7	30.7
in % of sales	6.1	7.9	-0.6	1.7
EBIT	-250.6	123.0	-367.8	-87.1
in % of sales	-4.3	2.1	-19.1	-4.7
Depreciation and amortization[1]	611.3	334.2	357.1	117.8
thereof impairment[2]	244.1	13.2	232.1	6.8
Capital expenditure[3]	464.6	428.7	169.0	175.5
in % of sales	7.9	7.4	8.8	9.5
Operating assets as at September 30	3,884.0	3,631.8		
Number of employees as at September 30[4]	41,877	43,117		
Adjusted sales[5]	5,892.8	5,932.7	1,925.8	1,891.8
Adjusted operating result (adjusted EBIT)[6]	25.4	166.9	-126.0	-64.2
in % of adjusted sales	0.4	2.8	-6.5	-3.4

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

Powertrain

Sales volumes

In the Engine & Drivetrain Systems business unit, sales volumes of engine control units and turbochargers increased in the first nine months of 2019, while those of pumps stagnated at the previous year's level. Sales volumes of injectors and transmission control units were down year-on-year. In the Hybrid Electric Vehicle business unit, the sales volumes of power electronics, 48-volt drive systems and battery systems were up year-on-year, whereas the sales volume of power stabilization products fell year-on-year. In the Powertrain Components business unit, sales volumes of exhaust-gas sensors and SCR systems rose as a result of emissions legislation. The unit sales of fuel delivery modules, mechatronic sensors for combustion engines and catalytic converters were down year-on-year.

Sales up 1.2%
Sales down 2.2% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain division were up 1.2% at €5,892.8 million (PY: €5,824.0 million) in the first nine months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.2%.

Adjusted EBIT down 84.8%

Adjusted EBIT for the Powertrain division fell by €141.5 million, or 84.8%, year-on-year to €25.4 million (PY: €166.9 million) during the first nine months of 2019, corresponding to 0.4% (PY: 2.8%) of adjusted sales.

EBIT down 303.7%

Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €373.6 million, or 303.7%, to -€250.6 million (PY: €123.0 million) in the first nine months of 2019. The return on sales fell to -4.3% (PY: 2.1%).

Special effects in the first nine months of 2019
Impairment on property, plant and equipment resulted in expense totaling €12.8 million.

The transformation into an independent legal entity resulted in expense of €20.9 million.

There were also restructuring expenses of €4.2 million for the location in Fountain Inn, South Carolina, U.S.A. These included impairment on property, plant and equipment in the amount of €2.8 million.

Moreover, restructuring for the location in Newport News, Virginia, U.S.A., resulted in expense of €5.8 million. This included impairment on property, plant and equipment in the amount of €4.3 million.

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles is not expected to increase substantially over the next five years until 2024. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, the discount rate and its parameters, and the long-term growth rate – goodwill was impaired by €224.2 million.

For the Powertrain division, the total negative impact from special effects in the first nine months of 2019 amounted to €267.9 million.

Special effects in the first nine months of 2018
For the location in Roding, Germany, there were restructuring expenses of €12.9 million. These included impairment on property, plant and equipment in the amount of €3.3 million.

Impairment on property, plant and equipment resulted in expense of €9.9 million.

For the Powertrain division, the total negative impact from special effects in the first nine months of 2018 amounted to €22.8 million.

	January 1 to September 30		Third Quarter	
Interior in € millions	**2019**	2018	**2019**	2018
Sales	7,278.4	7,292.9	2,408.5	2,351.9
EBITDA	537.5	1,037.8	32.4	442.3
in % of sales	7.4	14.2	1.3	18.8
EBIT	-1,241.1	740.8	-1,465.8	340.7
in % of sales	-17.1	10.2	-60.9	14.5
Depreciation and amortization[1]	1,778.6	297.0	1,498.2	101.6
thereof impairment[2]	1,378.6	-2.6	1,378.6	0.1
Capital expenditure[3]	447.9	347.1	159.3	157.8
in % of sales	6.2	4.8	6.6	6.7
Operating assets as at September 30	5,136.3	5,780.6		
Number of employees as at September 30[4]	48,110	48,231		
Adjusted sales[5]	7,168.9	7,183.0	2,364.9	2,321.8
Adjusted operating result (adjusted EBIT)[6]	336.9	614.3	79.1	206.1
in % of adjusted sales	4.7	8.6	3.3	8.9

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

Interior

Sales volumes

Sales volumes in the Body & Security business unit were slightly below the previous year's level in the first three quarters of 2019. Development in the Asia region declined. In the Europe region, the decline in volumes was compensated for by the integration of the new Intelligent Antenna Systems business area in February 2019. Sales figures in the Infotainment & Connectivity business unit considerably exceeded the previous year's figure. The growth was posted in particular in the connectivity area. Sales volumes in the Commercial Vehicles & Aftermarket business unit were below the previous year's level overall. While commercial-vehicles business posted a slight increase, replacement-parts and aftermarket business fell short of the previous year's figures due to the transfer of parts of this business to the Powertrain division. In the Instrumentation & Driver HMI business unit, sales volumes in the first nine months of 2019 were lower than in the same period of the previous year. This development is primarily attributable to the weak Chinese market.

Sales down 0.2%
Sales down 1.5% before changes in the scope of consolidation and exchange-rate effects

Sales of the Interior division were down 0.2% at €7,278.4 million (PY: €7,292.9 million) in the first nine months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 1.5%.

Adjusted EBIT down 45.2%

Adjusted EBIT for the Interior division fell by €277.4 million, or 45.2%, year-on-year to €336.9 million (PY: €614.3 million) during the first nine months of 2019, corresponding to 4.7% (PY: 8.6%) of adjusted sales.

EBIT down 267.5%

Compared with the same period of the previous year, the Interior division reported a decline in EBIT of €1,981.9 million, or 267.5%, to -€1,241.1 million (PY: €740.8 million) in the first nine months of 2019. The return on sales fell to -17.1% (PY: 10.2%).

Special effects in the first nine months of 2019
The transformation of the Powertrain division into an independent legal entity resulted in expense of €1.6 million in the Interior division.

In addition, an expense of €1.9 million resulted from a subsequent purchase price adjustment to the acquisition of shares in associate OSRAM Continental GmbH, Munich. The carrying amount for this associate was also impaired. This resulted in expense of €157.9 million.

Moreover, an expense of €20.0 million resulted from impairment on other intangible assets from purchased know-how for software.

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles is not expected to increase substantially over the next five years until 2024. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, the discount rate and its parameters, and the long-term growth rate – goodwill was impaired by €1,358.6 million.

For the Interior division, the total negative impact from special effects in the first nine months of 2019 amounted to €1,540.0 million.

Special effects in the first nine months of 2018
Following the conclusion of all negotiations and the granting of the required merger control authorizations, OSRAM Continental GmbH, Munich, commenced global operations on July 2, 2018. This acquisition of shares in the associate resulted in income of €172.8 million from the adjustment of the market value of the previously held shares.

In addition, the disposal of a company resulted in expense of €28.9 million.

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

In connection with restructuring, there was a reversal of impairment losses on property, plant and equipment in the amount of €2.8 million.

In addition, an asset deal resulted in income of €2.9 million.

For the Interior division, the total positive impact from special effects in the first nine months of 2018 amounted to €149.4 million.

	January 1 to September 30		Third Quarter	
Tires in € millions	**2019**	2018	**2019**	2018
Sales	8,691.6	8,289.0	2,990.1	2,851.9
EBITDA	1,821.6	1,794.4	613.8	603.6
in % of sales	21.0	21.6	20.5	21.2
EBIT	1,203.6	1,339.1	391.4	450.0
in % of sales	13.8	16.2	13.1	15.8
Depreciation and amortization[1]	618.0	455.3	222.4	153.6
thereof impairment[2]	16.8	–	15.4	–
Capital expenditure[3]	622.7	538.6	216.1	196.4
in % of sales	7.2	6.5	7.2	6.9
Operating assets as at September 30	8,093.3	6,691.2		
Number of employees as at September 30[4]	57,595	55,175		
Adjusted sales[5]	8,482.2	8,289.0	2,918.2	2,851.9
Adjusted operating result (adjusted EBIT)[6]	1,250.1	1,352.5	422.8	454.6
in % of adjusted sales	14.7	16.3	14.5	15.9

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

Tires

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

Sales up 4.9%
Sales up 1.0% before changes in the scope of consolidation and exchange-rate effects
Sales of the Tire division were up 4.9% at €8,691.6 million (PY: €8,289.0 million) in the first nine months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 1.0%.

Adjusted EBIT down 7.6%
Adjusted EBIT for the Tire division decreased by €102.4 million, or 7.6%, year-on-year to €1,250.1 million (PY: €1,352.5 million) during the first nine months of 2019, corresponding to 14.7% (PY: 16.3%) of adjusted sales.

EBIT down 10.1%
Compared with the same period of the previous year, the Tire division reported a decline in EBIT of €135.5 million, or 10.1%, to €1,203.6 million (PY: €1,339.1 million) in the first nine months of 2019. The return on sales fell to 13.8% (PY: 16.2%).

Special effects in the first nine months of 2019
A business combination resulted in a gain of €2.2 million.

In connection with restructuring at the location in Port Elizabeth, South Africa, an expense of €6.4 million was incurred. This included impairment on property, plant and equipment in the amount of €1.4 million.

For the location in Petaling Jaya, Malaysia, there were restructuring expenses of €23.7 million. These included impairment on property, plant and equipment in the amount of €15.4 million.

The reversal of restructuring provisions no longer required resulted in income of €0.2 million.

For the Tire division, the total negative impact from special effects in the first nine months of 2019 amounted to €27.7 million.

Special effects in the first nine months of 2018
There were no special effects in the Tire division in the first nine months of 2018.

ContiTech in € millions	January 1 to September 30		Third Quarter	
	2019	2018	**2019**	2018
Sales	4,848.3	4,790.0	1,598.3	1,558.4
EBITDA	516.0	529.0	184.3	146.6
in % of sales	10.6	11.0	11.5	9.4
EBIT	256.6	302.8	95.8	69.4
in % of sales	5.3	6.3	6.0	4.5
Depreciation and amortization[1]	259.4	226.2	88.5	77.2
thereof impairment[2]	1.0	0.2	–	–
Capital expenditure[3]	192.1	175.5	65.0	58.4
in % of sales	4.0	3.7	4.1	3.7
Operating assets as at September 30	3,570.9	3,155.4		
Number of employees as at September 30[4]	46,154	47,928		
Adjusted sales[5]	4,719.0	4,784.3	1,538.6	1,556.1
Adjusted operating result (adjusted EBIT)[6]	368.3	370.3	120.6	92.1
in % of adjusted sales	7.8	7.7	7.8	5.9

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

ContiTech

Sales up 1.2%
Sales down 2.7% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech division were up 1.2% at €4,848.3 million (PY: €4,790.0 million) in the first nine months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.7%.

Due to the still-subdued market environment in the automotive industry, sales fell short of the previous year's level. In the industrial business, the previous year's level was maintained.

Adjusted EBIT down 0.5%
Adjusted EBIT for the ContiTech division decreased by €2.0 million, or 0.5%, year-on-year to €368.3 million (PY: €370.3 million) during the first nine months of 2019, corresponding to 7.8% (PY: 7.7%) of adjusted sales.

EBIT down 15.3%
Compared with the same period of the previous year, the ContiTech division reported a decline in EBIT of €46.2 million, or 15.3%, to €256.6 million (PY: €302.8 million) in the first nine months of 2019. The return on sales fell to 5.3% (PY: 6.3%).

Special effects in the first nine months of 2019
In the ContiTech division, there were restructuring expenses of €37.6 million in the Mobile Fluid Systems business unit. These included impairment on property, plant and equipment in the amount of €1.0 million.

Special effects in the first nine months of 2018
An impairment loss on property, plant and equipment in connection with restructuring resulted in expense of €0.2 million.

In addition, there was income of €0.3 million from the disposal of a company.

For the ContiTech division, the total positive impact from special effects in the first nine months of 2018 amounted to €0.1 million.

Report on Risks and Opportunities

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

Report on Expected Developments and Outlook

On July 22, 2019, we announced that a number of factors had led to an adjustment of the forecast for fiscal 2019. Specifically, these were lower sales expectations for the second half of 2019 due to the decline in global production of passenger cars and light commercial vehicles, reduced volumes for certain products of the Automotive Group as a result of changes in customer demand, and potential warranty claims in the Automotive Group.

On October 22, 2019, we announced that an impairment of around €2.5 billion would be recognized in the third quarter of 2019. This impairment mainly resulted from the assumption under current business planning that global production of passenger cars and light commercial vehicles is not expected to increase substantially over the next five years until 2024.

There were also restructuring provisions of €97 million in the first nine months of 2019, which were incurred in the scope of the Transformation 2019–2029 structural program announced on September 25, 2019. Further expenses for restructuring provisions related to this program are expected to be recognized in the fourth quarter of 2019, though the amounts have not been clarified at this time.

The impairment and the restructuring provisions affect certain key financial figures such as the reported EBIT, the net income attributable to the shareholders of the parent and the equity and gearing ratios. In particular, the impairment and the restructuring provisions resulted in a negative reported EBIT for the third quarter of 2019. The same applies to net income attributable to the shareholders of the parent for the third quarter of 2019 and fiscal 2019. However, Continental does not anticipate any material influence on the setting of the dividend for fiscal 2019 as a result of this impairment and these restructuring provisions.

The impairment and the restructuring provisions do not affect the key financial indicators used in the outlook of Continental AG for 2019. Following the close of the third quarter of 2019, we are confirming the following elements of our forecast for fiscal 2019:

› Based on current expectations, consolidated sales will total around €44 billion to €45 billion and the adjusted EBIT margin will likely be in the range of around 7.0% to 7.5%. Sales in the Automotive Group will total around €26 billion to €26.5 billion and the adjusted EBIT margin will likely be in the range of around 4.2% to 4.8%. Sales in the Rubber Group will total around €18 billion to €18.5 billion and the adjusted EBIT margin will likely be in the range of around 12.0% to 12.5%.

› The capital expenditure ratio before financial investments, including IFRS 16, *Leases*, is expected to be below 8% of sales. The year-on-year increase is chiefly attributable to the recognition of leases as a result of the first-time adoption of IFRS 16, *Leases*.

› Free cash flow before acquisitions, including IFRS 16, *Leases*, and before the effects of transforming the Powertrain division into an independent legal entity, is expected to be in the range of around €1.2 billion to €1.4 billion.

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

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

As a result of the impairment and the restructuring provisions, we now anticipate negative special effects of at least €2.8 billion for fiscal 2019, taking into account expenses relating to the transformation of the Powertrain division into an independent legal entity, having previously estimated around €200 million.

Excluding the effects of the impairment and including the effects of transforming the Powertrain division into an independent legal entity, the tax rate would continue to be at about 27%.

Consolidated Financial Statements

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

Consolidated Statement of Income

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Sales	**33,414.1**	**33,174.3**	**11,103.4**	**10,787.8**
Cost of sales	-25,327.8	-24,827.3	-8,449.7	-8,170.5
Gross margin on sales	**8,086.3**	**8,347.0**	**2,653.7**	**2,617.3**
Research and development expenses	-3,357.2	-3,188.4	-1,124.3	-1,084.5
Selling and logistics expenses	-2,023.3	-1,844.7	-676.6	-609.5
Administrative expenses	-857.8	-842.9	-271.9	-268.8
Other income	1,083.5	1,152.3	360.5	547.1
Other expenses	-3,186.9	-678.2	-2,761.5	-353.6
Income from equity-accounted investees	-139.0	44.2	-150.4	3.6
Other income from investments	0.5	0.5	—	—
EBIT	**-393.9**	**2,989.8**	**-1,970.5**	**851.6**
Interest income	87.6	69.2	28.5	24.6
Interest expense	-218.5	-196.2	-76.1	-64.7
Effects from currency translation	-30.4	-27.3	-23.2	13.6
Effects from changes in the fair value of derivative instruments, and other valuation effects	2.4	4.2	9.9	-12.5
Financial result	**-158.9**	**-150.1**	**-60.9**	**-39.0**
Earnings before tax	**-552.8**	**2,839.7**	**-2,031.4**	**812.6**
Income tax expense	-342.8	-616.2	53.5	-176.4
Net income	**-895.6**	**2,223.5**	**-1,977.9**	**636.2**
Non-controlling interests	-30.8	-37.7	-8.5	-10.1
Net income attributable to the shareholders of the parent	-926.4	2,185.8	-1,986.4	626.1
Basic earnings per share in €	**-4.63**	**10.93**	**-9.93**	**3.13**
Diluted earnings per share in €	**-4.63**	**10.93**	**-9.93**	**3.13**

Consolidated Statement of Comprehensive Income

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Net income	**-895.6**	**2,223.5**	**-1,977.9**	**636.2**
Reclassification within equity not affecting net income	**—**	**-0.3**	**—**	**-0.3**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	-1,207.7	84.0	-568.8	51.1
Fair value adjustments[1]	-1,192.6	93.7	-555.3	52.4
Reclassification from the disposals of pension obligations	–	0.3	–	0.3
Investment in equity-accounted investees[2]	0.1	–	0.1	–
Currency translation[1]	-15.2	-10.0	-13.6	-1.6
Other investments	-3.6	–	–	–
Investment in equity-accounted investees	-3.6	–	–	–
Tax on other comprehensive income	310.5	-27.5	114.2	-15.5
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	365.4	22.4	235.2	-22.0
Difference from currency translation[1]	366.2	12.9	235.5	-31.3
Reclassification adjustments to profit and loss	0.0	15.2	–	15.0
Investment in equity-accounted investees[2]	-0.8	-5.7	-0.3	-5.7
Cash flow hedges	-0.9	-1.2	0.0	-1.1
Fair value adjustments	-8.4	-15.9	0.0	-0.5
Reclassification adjustments to profit and loss	7.5	14.7	0.0	-0.6
Tax on other comprehensive income	0.2	0.3	–	-0.4
Other comprehensive income	**-536.1**	**78.0**	**-219.4**	**12.1**
Comprehensive income	**-1,431.7**	**2,301.2**	**-2,197.3**	**648.0**
Attributable to non-controlling interests	-44.1	-36.8	-13.8	-2.7
Attributable to the shareholders of the parent	-1,475.8	2,264.4	-2,211.1	645.3

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

Assets in € millions	**September 30, 2019**	*December 31, 2018*	September 30, 2018
Goodwill	5,107.1	*7,233.4*	7,037.6
Other intangible assets	1,708.5	*1,566.3*	1,503.0
Property, plant and equipment	14,735.9	*12,375.5*	11,665.7
Investment property	11.8	*12.0*	11.0
Investments in equity-accounted investees	417.9	*644.9*	635.8
Other investments	197.2	*192.9*	196.9
Deferred tax assets	2,171.3	*1,464.4*	1,527.7
Defined benefit assets	41.1	*27.8*	29.7
Long-term contract assets	0.1	*0.1*	0.1
Long-term derivative instruments and interest-bearing investments	54.2	*32.4*	38.6
Long-term other financial assets	117.1	*81.4*	72.6
Long-term other assets	25.0	*27.6*	25.8
Non-current assets	**24,587.2**	***23,658.7***	**22,744.5**
Inventories	5,038.9	*4,521.1*	4,690.0
Trade accounts receivable[1]	8,712.7	*7,858.2*	8,726.6
Short-term contract assets	102.8	*67.4*	84.6
Short-term other financial assets[1]	111.7	*94.4*	150.9
Short-term other assets	1,477.2	*1,124.2*	1,256.6[2]
Income tax receivables	287.7	*208.2*	204.2[2]
Short-term derivative instruments and interest-bearing investments	153.7	*151.8*	153.4
Cash and cash equivalents	1,971.2	*2,761.4*	1,621.7
Assets held for sale	88.4	*–*	1.9
Current assets	**17,944.3**	***16,786.7***	**16,889.9[2]**
Total assets	**42,531.5**	***40,445.4***	**39,634.4[2]**

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

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

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

Equity and liabilities in € millions	September 30, 2019	December 31, 2018	September 30, 2018
Subscribed capital	512.0	512.0	512.0
Capital reserves	4,155.6	4,155.6	4,155.6
Retained earnings	13,820.8	15,697.2	14,985.7
Other comprehensive income	–3,045.6	–2,514.4	–2,437.9
Equity attributable to the shareholders of the parent	**15,442.8**	**17,850.4**	**17,215.4**
Non-controlling interests	467.9	482.9	465.1
Total equity	**15,910.7**	**18,333.3**	**17,680.5**
Long-term employee benefits	5,777.6	4,407.0	4,186.6
Deferred tax liabilities	361.0	315.7	378.9
Long-term provisions for other risks and obligations	262.7	163.7	168.1
Long-term indebtedness	3,077.9	1,449.0	1,452.1
Long-term other financial liabilities	32.0	38.4	34.7
Long-term contract liabilities	11.8	11.0	16.6
Long-term other liabilities	18.6	13.4	14.6
Non-current liabilities	**9,541.6**	**6,398.2**	**6,251.6**
Short-term employee benefits	1,520.8	1,454.2	1,523.4
Trade accounts payable[1]	6,868.6	7,525.6	7,016.7
Short-term contract liabilities	197.6	150.2	118.3[2]
Income tax payables	859.3	750.7	796.2[3]
Short-term provisions for other risks and obligations	1,166.7	1,066.1	1,032.1[3]
Short-term indebtedness	4,554.7	3,157.9	3,356.7
Short-term other financial liabilities[1]	1,000.2	1,042.6	1,083.1[2]
Short-term other liabilities	911.3	566.6	775.8[3]
Current liabilities	**17,079.2**	**15,713.9**	**15,702.3[3]**
Total equity and liabilities	**42,531.5**	**40,445.4**	**39,634.4[3]**

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

2 The presentation of short-term contract liabilities was made more transparent by reclassifying liabilities for selling expenses to short-term other financial liabilities. The figures from the comparative period have been adjusted accordingly.

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

Consolidated Statement of Cash Flows

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Net income	**-895.6**	**2,223.5**	**-1,977.9**	**636.2**
Income tax expense	342.8	616.2	-53.5	176.4
Financial result	158.9	150.1	60.9	39.0
EBIT	**-393.9**	**2,989.8**	**-1,970.5**	**851.6**
Interest paid	-110.5	-107.8[1]	-57.1	-57.0
Interest received	50.7	23.3[1]	8.5	10.8[1]
Income tax paid	-689.5	-608.3[1]	-219.4	-171.4[1]
Dividends received	26.2	22.6	10.2	7.0
Depreciation, amortization, impairment and reversal of impairment losses	4,373.9	1,634.4	3,019.9	560.2
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	138.5	-44.7	150.4	-3.6
Gains/losses from the disposal of assets, companies and business operations	-7.1	-155.2	-2.8	-146.3
Changes in				
inventories	-397.1	-562.7	-41.5	-160.2
trade accounts receivable	-473.6	-768.0[1]	-217.7	-227.2[1]
trade accounts payable	-792.3	-33.3[1]	-122.2	-89.1[1]
employee benefits and other provisions	271.0	-169.9	285.1	-15.1
other assets and liabilities	-169.6	-44.4[1]	239.9	148.6[1]
Cash flow arising from operating activities	**1,826.7**	**2,175.8**	**1,082.8**	**708.3**
Cash flow from the disposal of assets	23.1	43.0	7.6	7.2
Capital expenditure on property, plant and equipment, and software	-1,990.6	-1,956.2	-696.9	-781.8
Capital expenditure on intangible assets from development projects and miscellaneous	-194.3	-86.3	-56.9	-53.8
Cash flow from the disposal of companies and business operations	1.1	8.9	0.3	9.1
Acquisition of companies and business operations	-415.9	-190.1	-61.3	-16.3
Cash flow arising from investing activities	**-2,576.6**	**-2,180.7**	**-807.2**	**-835.6**
Cash flow before financing activities (free cash flow)	**-749.9**	**-4.9**	**275.6**	**-127.3**
Change in indebtedness	961.3	701.7	-105.4	-362.5
Successive purchases	-70.8	-2.7	-0.3	-0.1
Dividends paid	-950.0	-900.0	—	—
Dividends paid to and cash changes from equity transactions with non-controlling interests	-25.5	-29.3	-0.7	-1.8
Cash and cash equivalents arising from first-time consolidation of subsidiaries	0.4	2.0	—	1.5
Cash flow arising from financing activities	**-84.6**	**-228.3**	**-106.4**	**-362.9**
Change in cash and cash equivalents	**-834.5**	**-233.2**	**169.2**	**-490.2**
Cash and cash equivalents at the beginning of the reporting period	2,761.4	1,881.5	1,786.3	2,131.5
Effect of exchange-rate changes on cash and cash equivalents	44.3	-26.6	15.7	-19.6
Cash and cash equivalents at the end of the reporting period	**1,971.2**	**1,621.7**	**1,971.2**	**1,621.7**

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

Consolidated Statement of Changes in Equity

€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from: remeasurement of defined benefit plans[3]	Difference from: currency translation[4]	Difference from: financial instru-ments[5]	Subtotal	Non-controlling interests	Total
As at January 1, 2018	**512.0**	**4,155.6**	**13,669.3**	**-183.3**	**-1,720.7**	**-610.2**	**5.7**	**15,828.4**	**461.9**	**16,290.3**
Effects from the first-time adoption of new standards (IFRS 9/15)[6]	–	–	30.8	–	–	–	-3.4	27.4	-0.1	**27.3**
Adjusted as at January 1, 2018	**512.0**	**4,155.6**	**13,700.1**	**-183.3**	**-1,720.7**	**-610.2**	**2.3**	**15,855.8**	**461.8**	**16,317.6**
Net income	–	–	2,185.8	–	–	–	–	2,185.8	37.7	**2,223.5**
Comprehensive income	–	–	-0.2	–	56.2	23.9	-1.3	78.6	-0.9	**77.7**
Net profit for the period	**–**	**–**	**2,185.6**	**–**	**56.2**	**23.9**	**-1.3**	**2,264.4**	**36.8**	**2,301.2**
Dividends paid	–	–	-900.0	–	–	–	–	-900.0	-33.4	**-933.4**
Successive purchases	–	–	–	-4.4	–	–	–	-4.4	0.3	**-4.1**
Other changes[7]	–	–	–	-0.4	–	–	–	-0.4	-0.4	**-0.8**
As at September 30, 2018	**512.0**	**4,155.6**	**14,985.7**	**-188.1**	**-1,664.5**	**-586.3**	**1.0**	**17,215.4**	**465.1**	**17,680.5**
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	–	–	-926.4	–	–	–	–	-926.4	30.8	**-895.6**
Comprehensive income	–	–	0.0	–	-897.4	352.2	-4.2	-549.4	13.3	**-536.1**
Net profit for the period	**–**	**–**	**-926.4**	**–**	**-897.4**	**352.2**	**-4.2**	**-1,475.8**	**44.1**	**-1,431.7**
Dividends paid/resolved	–	–	-950.0	–	–	–	–	-950.0	-25.8	**-975.8**
Successive purchases	–	–	–	18.0	–	–	–	18.0	-33.3	**-15.3**
Other changes[7]	–	–	–	0.2	–	–	–	0.2	0.0	**0.2**
As at September 30, 2019	**512.0**	**4,155.6**	**13,820.8**	**-187.4**	**-2,692.9**	**-157.8**	**-7.5**	**15,442.8**	**467.9**	**15,910.7**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of €18.0 million (PY: -€4.1 million) from successive purchases of shares in fully consolidated companies (of which €29.2 million relates to the exercise of the put option for Zonar Systems Inc. and -€11.2 million to the acquisition of remaining shares in ContiTech Grand Ocean Fluid (Changchun) Co., Ltd.) and an amount of €0.2 million (PY: -€0.4 million) relating to effects from the first-time consolidation of previously non-consolidated subsidiaries. The prior-year period also includes the change in value of a put option of -€0.3 million for the acquisition of remaining shares in a fully consolidated company.
3 Includes shareholder's portion of €0.1 million (PY: –) in non-realized gains and losses from pension obligations of equity-accounted investees.
4 Includes shareholder's portion of -€0.8 million (PY: -€5.7 million) in the currency translation of equity-accounted investees.
5 The change in the difference arising from financial instruments, including deferred taxes, was due to the expiry of cash flow hedges for interest and currency hedging of -€0.7 million (PY: –), other investments of -€3.6 million (PY: –) and in the previous year to changes in the fair value of these cash flow hedges of -€1.3 million.
6 Please see our comments in the "Revenue from contracts with customers" and "Financial instruments" sections of the 2018 Annual Report.
7 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to September 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
External sales	7,002.2	5,756.9	7,232.8	8,653.9	4,768.3	–	33,414.1
Intercompany sales	30.6	135.9	45.6	37.7	80.0	-329.8	–
Sales (total)	**7,032.8**	**5,892.8**	**7,278.4**	**8,691.6**	**4,848.3**	**-329.8**	**33,414.1**
EBIT (segment result)	-279.3	-250.6	-1,241.1	1,203.6	256.6	-83.1	-393.9
in % of sales	-4.0	-4.3	-17.1	13.8	5.3	–	-1.2
Depreciation and amortization[1]	1,102.4	611.3	1,778.6	618.0	259.4	4.2	4,373.9
thereof impairment[2]	723.7	244.1	1,378.6	16.8	1.0	–	2,364.2
Capital expenditure[3]	444.7	464.6	447.9	622.7	192.1	32.4	2,204.4
in % of sales	6.3	7.9	6.2	7.2	4.0	–	6.6
Operating assets as at September 30	4,879.3	3,884.0	5,136.3	8,093.3	3,570.9	66.7	25,630.5
Number of employees as at September 30[4]	48,302	41,877	48,110	57,595	46,154	478	242,516
Adjusted sales[5]	7,032.8	5,892.8	7,168.9	8,482.2	4,719.0	-329.8	32,965.9
Adjusted operating result (adjusted EBIT)[6]	464.9	25.4	336.9	1,250.1	368.3	-78.8	2,366.8
in % of adjusted sales	6.6	0.4	4.7	14.7	7.8	–	7.2

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

Segment report for the period from January 1 to September 30, 2018

€ millions	**Chassis & Safety**	**Powertrain**	**Interior**	**Tires**	**ContiTech**	**Other/ Holding/ Consolidation**	**Continental Corporation**
External sales	7,190.8	5,728.6	7,269.0	8,263.3	4,722.6	–	33,174.3
Intercompany sales	23.2	95.4	23.9	25.7	67.4	-235.6	–
Sales (total)	**7,214.0**	**5,824.0**	**7,292.9**	**8,289.0**	**4,790.0**	**-235.6**	**33,174.3**
EBIT (segment result)	581.7	123.0	740.8	1,339.1	302.8	-97.6	2,989.8
in % of sales	8.1	2.1	10.2	16.2	6.3	–	9.0
Depreciation and amortization[1]	319.4	334.2	297.0	455.3	226.2	2.3	1,634.4
thereof impairment[2]	1.5	13.2	-2.6	–	0.2	–	12.3
Capital expenditure[3]	454.0	428.7	347.1	538.6	175.5	12.3	1,956.2
in % of sales	6.3	7.4	4.8	6.5	3.7	–	5.9
Operating assets as at September 30	4,980.0	3,631.8	5,780.6	6,691.2	3,155.4	-29.4	24,209.6
Number of employees as at September 30[4]	49,689	43,117	48,231	55,175	47,928	442	244,582
Adjusted sales[5]	7,214.0	5,932.7	7,183.0	8,289.0	4,784.3	-256.6	33,146.4
Adjusted operating result (adjusted EBIT)[6]	583.2	166.9	614.3	1,352.5	370.3	-97.6	2,989.6
in % of adjusted sales	8.1	2.8	8.6	16.3	7.7	–	9.0

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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 September 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Sales	**7,032.8**	**5,892.8**	**7,278.4**	**8,691.6**	**4,848.3**	**–329.8**	**33,414.1**
Changes in the scope of consolidation[1]	–	–	–109.5	–209.4	–129.3	–	–448.2
Adjusted sales	**7,032.8**	**5,892.8**	**7,168.9**	**8,482.2**	**4,719.0**	**–329.8**	**32,965.9**
EBITDA	**823.1**	**360.7**	**537.5**	**1,821.6**	**516.0**	**–78.9**	**3,980.0**
Depreciation and amortization[2]	–1,102.4	–611.3	–1,778.6	–618.0	–259.4	–4.2	–4,373.9
EBIT	**–279.3**	**–250.6**	**–1,241.1**	**1,203.6**	**256.6**	**–83.1**	**–393.9**
Amortization of intangible assets from purchase price allocation (PPA)	–	8.1	42.3	15.0	68.2	–	133.6
Changes in the scope of consolidation[1]	0.4	–	–4.3	3.8	5.9	–	5.8
Special effects							
Impairment on goodwill	722.4	224.2	1,358.6	–	–	–	2,305.2
Impairment[3]	–	12.8	20.0	–	–	–	32.8
Restructuring[4]	19.8	10.0	–	29.9	37.6	–	97.3
Gains and losses from disposals of companies and business operations	–	–	–	–	0.0	–	0.0
Other	1.6	20.9	161.4	–2.2	–	4.3	186.0
Adjusted operating result (adjusted EBIT)	**464.9**	**25.4**	**336.9**	**1,250.1**	**368.3**	**–78.8**	**2,366.8**

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

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 This includes impairment losses of €1.3 million in the Chassis & Safety segment, €7.1 million in the Powertrain segment, €16.8 million in the Tire segment and €1.0 million in the ContiTech segment.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to September 30, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Sales	**7,214.0**	**5,824.0**	**7,292.9**	**8,289.0**	**4,790.0**	**-235.6**	**33,174.3**
Changes in the scope of consolidation[1]	–	108.7	-109.9	–	-5.7	-21.0	-27.9
Adjusted sales	**7,214.0**	**5,932.7**	**7,183.0**	**8,289.0**	**4,784.3**	**-256.6**	**33,146.4**
EBITDA	**901.1**	**457.2**	**1,037.8**	**1,794.4**	**529.0**	**-95.3**	**4,624.2**
Depreciation and amortization[2]	-319.4	-334.2	-297.0	-455.3	-226.2	-2.3	-1,634.4
EBIT	**581.7**	**123.0**	**740.8**	**1,339.1**	**302.8**	**-97.6**	**2,989.8**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	8.6	38.2	13.4	67.9	–	128.1
Changes in the scope of consolidation[1]	–	12.5	-15.3	–	-0.3	–	-3.1
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	1.5	9.9	0.2	–	–	–	11.6
Restructuring[4]	–	12.9	-2.8	–	0.2	–	10.3
Gains and losses from disposals of companies and business operations	–	–	-143.9	–	-0.3	–	-144.2
Other	–	–	-2.9	–	–	–	-2.9
Adjusted operating result (adjusted EBIT)	**583.2**	**166.9**	**614.3**	**1,352.5**	**370.3**	**-97.6**	**2,989.6**

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

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 This includes an impairment loss of €3.3 million in the Powertrain segment and €0.2 million in the ContiTech segment, as well as a reversal of impairment losses of €2.8 million in the Interior segment.

Reconciliation of EBIT to net income

	January 1 to September 30		Third Quarter	
€ millions	**2019**	2018	**2019**	2018
Chassis & Safety	-279.3	581.7	-590.9	110.6
Powertrain	-250.6	123.0	-367.8	-87.1
Interior	-1,241.1	740.8	-1,465.8	340.7
Tires	1,203.6	1,339.1	391.4	450.0
ContiTech	256.6	302.8	95.8	69.4
Other/Holding/Consolidation	-83.1	-97.6	-33.2	-32.0
EBIT	**-393.9**	**2,989.8**	**-1,970.5**	**851.6**
Financial result	-158.9	-150.1	-60.9	-39.0
Earnings before tax	**-552.8**	**2,839.7**	**-2,031.4**	**812.6**
Income tax expense	-342.8	-616.2	53.5	-176.4
Net income	**-895.6**	**2,223.5**	**-1,977.9**	**636.2**
Non-controlling interests	-30.8	-37.7	-8.5	-10.1
Net income attributable to the shareholders of the parent	**-926.4**	**2,185.8**	**-1,986.4**	**626.1**

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

Segment reporting

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

Information on the development of the Continental Corporation's five divisions can be found in the Corporate Management Report as at September 30, 2019.

Accounting principles

These interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor, the International Financial Reporting Interpretations Committee (IFRIC), and the former Standing Interpretations Committee (SIC). The interim financial statements were prepared in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim financial statements as in the consolidated financial statements for 2018. These accounting policies are described in detail in the 2018 Annual Report. In addition, the IFRS amendments and new regulations effective as at September 30, 2019, have also been applied in the interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2018 Annual Report.

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

All other IFRS amendments and new regulations effective as at September 30, 2019, had no material effect on the reporting of the Continental Corporation.

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

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

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

Leases

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

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

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

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

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

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

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

€ millions	**September 30, 2019**	January 1, 2019
Land and buildings	1,604.8	1,637.9
Technical equipment and machinery	8.7	8.1
Other equipment, factory and office equipment	87.6	88.9
	1,701.1	**1,734.9**

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

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

Companies consolidated

In addition to the parent company, the consolidated financial statements include 577 (PY: 544) 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, 446 (PY: 412) are fully consolidated and 131 (PY: 132) are accounted for using the equity method.

The number of consolidated companies has increased by a total of five since December 31, 2018. Nine companies were acquired, one company was founded and five previously unconsolidated entities were included in consolidation for the first time. In addition, the number of companies consolidated was reduced by eight as a result of mergers and two liquidations.

Since September 30, 2018, the number of consolidated companies has increased by a total of 33. The additions to the scope of consolidation essentially resulted from companies that were newly founded as part of the transformation of the Powertrain division into an independent legal entity. Companies no longer included in the scope of consolidation are mostly attributable to liquidations and mergers.

Acquisition and disposal of companies and business operations

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

Three asset deals and two share deals took place in the Tire segment. The purchase prices totaling €9.5 million were paid in cash. The purchase price allocations resulted in intangible assets of €3.7 million and a bargain purchase effect of €2.2 million, which was recognized in profit or loss under other income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2019.

In the Chassis & Safety segment, there was a reduction in the purchase price of €2.0 million from €3.5 million to €1.5 million for a share deal from fiscal 2018 in connection with the final purchase price settlement. The final purchase price allocation therefore results in goodwill of €1.1 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2019.

In the Interior segment, Continental Automotive GmbH, Hanover, Germany, acquired 100% of the shares in Kathrein Automotive GmbH, Hildesheim, Germany, on February 1, 2019. The company, a leading manufacturer of antenna and satellite technology as well as a broad range of communications technology, generated sales of €135.5 million in fiscal 2018. The acquisition augments the Body & Security business unit's expertise with the key segment of intelligent vehicle antennas. The purchase price for Kathrein Automotive GmbH now totals €149.9 million and was paid in cash. The total incidental acquisition costs incurred were recognized as other expenses in the amount of €0.5 million in fiscal 2018 and €0.8 million in fiscal 2019. The provisional purchase price allocation mainly resulted in goodwill of €38.9 million; other intangible assets of €93.7 million; property, plant and equipment of €28.4 million; inventories of €16.9 million; accounts receivable of €17.4 million; and accounts payable of €19.3 million for the Interior segment. If the transaction had already been completed on January 1, 2019, net income after tax would have been €0.0 million lower and sales would have been up by €15.1 million. The transaction was closed on February 1, 2019. Since then, the company has generated sales of €106.1 million and, taking into account the effects of purchase price allocation, contributed net income after tax of €13.5 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2019.

In the ContiTech segment, a share and asset deal took place on April 1, 2019, for the acquisition of the anti-vibration systems business of Cooper-Standard Automotive Inc., Novi, Michigan, U.S.A. The business, which comprises the manufacturing of weight-optimized anti-vibration solutions to reduce noise and vibration in vehicles, generated sales of €294.7 million in fiscal 2018. The acquisition boosts the Vibration Control business unit's global presence in the area of vibration control and noise isolation, particularly in North America. The preliminary purchase price totals €216.8 million and was paid in cash. The total incidental acquisition costs incurred were recognized as other expenses in the amount of €2.1 million in fiscal 2018. The provisional purchase price allocation mainly resulted in goodwill of €67.2 million; other intangible assets of €76.0 million; property, plant and equipment of €70.9 million; accounts receivable of €45.2 million; and accounts payable of €38.1 million for the ContiTech segment. If the transaction had already been completed on January 1, 2019, net income after tax would have been €8.5 million higher and sales would have been up by €53.1 million. The transaction was closed on April 1, 2019. Since then the business has generated sales of €129.3 million. Taking into account the effects of purchase price allocation and incurred integration costs, the business has contributed net income after tax of -€2.7 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2019.

Revenue from contracts with customers

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

Revenue from contracts with customers from January 1 to September 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Germany	1,366.9	1,194.2	1,962.2	1,168.1	945.6	–190.0	6,447.0
Europe excluding Germany	1,550.6	1,616.5	1,976.8	3,495.6	1,257.7	–48.9	9,848.3
North America	1,747.0	1,439.7	1,769.9	2,353.7	1,539.6	–62.9	8,787.0
Asia	2,246.3	1,554.5	1,389.7	1,122.3	795.3	–22.2	7,085.9
Other countries	122.0	87.9	179.8	551.9	310.1	–5.8	1,245.9
Sales by region	**7,032.8**	**5,892.8**	**7,278.4**	**8,691.6**	**4,848.3**	**–329.8**	**33,414.1**
Automotive original-equipment business	6,795.8	5,679.7	6,511.7	2,359.9	2,447.6	–192.2	23,602.5
Industrial/replacement business	237.0	213.1	766.7	6,331.7	2,400.7	–137.6	9,811.6
Sales by customer type	**7,032.8**	**5,892.8**	**7,278.4**	**8,691.6**	**4,848.3**	**–329.8**	**33,414.1**

Revenue from contracts with customers from January 1 to September 30, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Germany	1,491.6	1,108.5	1,998.3	1,236.0	1,063.6	–129.9	6,768.1
Europe excluding Germany	1,601.9	1,606.0	1,930.7	3,417.9	1,264.5	–46.2	9,774.8
North America	1,670.6	1,342.8	1,643.1	2,148.6	1,316.7	–34.2	8,087.6
Asia	2,339.8	1,675.1	1,493.0	948.0	848.4	–20.2	7,284.1
Other countries	110.1	91.6	227.8	538.5	296.8	–5.1	1,259.7
Sales by region	**7,214.0**	**5,824.0**	**7,292.9**	**8,289.0**	**4,790.0**	**–235.6**	**33,174.3**
Automotive original-equipment business	6,887.5	5,760.4	6,578.7	2,376.4	2,439.6	–183.6	23,859.0
Industrial/replacement business	326.5	63.6	714.2	5,912.6	2,350.4	–52.0	9,315.3
Sales by customer type	**7,214.0**	**5,824.0**	**7,292.9**	**8,289.0**	**4,790.0**	**–235.6**	**33,174.3**

Impairment

The corporation immediately reviews other intangible assets and property, plant and equipment, investment property, financial investments and goodwill as soon as there is an indication of impairment (triggering event).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles is not expected to increase substantially over the next five years until 2024. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, the discount rate and its parameters, and the long-term growth rate – goodwill was impaired by €2,305.2 million. The Interior segment accounted for €1,358.6 million of this, the Chassis & Safety segment for €722.4 million and the Powertrain segment for €224.2 million. This impairment of goodwill is recognized in other expenses.

The expected cash flows for the business units are essentially derived from long-term planning that covers the next five years. For the cash-generating units High Voltage Power Applications, Low Voltage & Control Unit Applications, and Engine & Drivetrain Systems, a detailed model with long-term detailed planning was used as a basis due to the specific situation.

Impairment testing over the course of the year was performed on the basis of the bottom-up business plan for 2019–2023 approved by management but adjusted for the changes in expectations for the global production of passenger cars and light commercial vehicles. For the CGUs of the Interior and Chassis & Safety segments, the cash flows were discounted with an interest rate before tax of 10.0%; for those of the Powertrain segment, they were discounted with an interest rate of 9.6%; and for those of the Tire and ContiTech segments, with an interest rate of 8.2%. This pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is -0.03% and the market risk premium 7.0%. Borrowing costs were calculated as the total of the risk-free interest rate plus the credit spreads of peer group companies rated by Standard & Poor's, Moody's or Fitch.

The long-term growth rate was 1.5% for the CGUs of the Interior and Chassis & Safety segments and 1.0% for those of the Powertrain segment. For those of the Tire and ContiTech segments, the long-term growth rate was 0.5%. These growth rates do not exceed the long-term average growth rates for the fields of business in which the CGUs operate.

The recoverable amount of the CGUs affected by impairment corresponds to their value in use following this impairment.

	September 30, 2019	
Cash-generating unit in € millions	Value in use	Impairment
Infotainment & Connectivity	315.2	570.2
Instrumentation & Driver HMI	1,554.8	788.4
Hydraulic Brake Systems	759.7	268.5
Vehicle Dynamics	1,904.1	453.9
Engine & Drivetrain Systems	2,118.6	224.2
		2,305.2

Assuming a 0.5-percentage-point increase in the discount rate to 10.5% for the Interior and Chassis & Safety segments,10.1% for the Powertrain segment and 8.7% for the Tire and ContiTech segments would potentially result in an additional asset impairment in Infotainment & Connectivity of around €39 million and in Instrumentation & Driver HMI of around €154 million. Goodwill would additionally be impaired by around €64 million in Hydraulic Brake Systems, around €144 million in Vehicle Dynamics and around €158 million in Engine & Drivetrain Systems. Reducing the long-term growth rate by 0.5 percentage points would potentially result in an asset impairment of around €34 million in Infotainment & Connectivity and around €125 million in Instrumentation & Driver HMI. Goodwill would additionally be impaired by around €51 million in Hydraulic Brake Systems, around €112 million in Vehicle Dynamics and around €90 million in Engine & Drivetrain Systems. If sales in perpetuity would decline by 5.0%, consequently reducing free cash flow as a key planning parameter, this would potentially result in an asset impairment of around €34 million in Infotainment & Connectivity and around €116 million in Instrumentation & Driver HMI. Goodwill would additionally be impaired by around €48 million in Hydraulic Brake Systems, around €102 million in Vehicle Dynamics and around €82 million in Engine & Drivetrain Systems. On the basis of these sensitivity analyses, there would be no asset or goodwill impairment in the other CGUs.

In the Interior segment, other intangible assets from purchased know-how for software were impaired, resulting in an expense of €20.0 million. The carrying amount for the associate OSRAM Continental GmbH, Munich, was also impaired due to changes in expectations with regard to future business development, resulting in an expense of €157.9 million.

In connection with restructuring for the location in Petaling Jaya, Malaysia, impairment on property, plant and equipment resulted in expense of €15.4 million in the Tire segment. Further restructuring measures in other segments resulted in impairment on property, plant and equipment totaling €10.8 million. In addition to the restructuring measures, impairment on property, plant and equipment resulted in expense of €12.8 million in the Powertrain segment.

Income tax expense

Income tax expense in the first nine months of 2019 amounted to €342.8 million (PY: €616.2 million). The tax rate in the reporting period amounted to -62.0% (PY: 21.7%).

Assets held for sale

As at the end of the reporting period, assets held for sale from the disposal of joint venture SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, in the amount of €88.4 million are included.

Long-term employee benefits

Compared to December 31, 2018, the remeasurement of defined benefit pension plans as at September 30, 2019, led to a €844.5-million decrease (PY: €73.2-million increase) in other comprehensive income, which resulted from a decline (PY: rise) in discount rates. The corresponding decrease in equity contrasted with a rise in long-term employee benefits of €1,213.7 million (PY: fall of €100.0 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 September 30, 2019, the companies of the Continental Corporation made regular payments of €81.6 million (PY: €80.1 million) into these pension funds.

Payments for pension obligations totaled €177.6 million (PY: €154.0 million) in the period from January 1 to September 30, 2019. Payments for obligations similar to pensions totaled €11.4 million (PY: €10.8 million).

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

	January 1 to September 30, 2019						January 1 to September 30, 2018					
€ millions	**Germany**	**U.S.A.**	**Canada**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	Canada	U.K.	Other	Total
Current service cost	164.5	3.1	1.2	1.4	18.0	**188.2**	167.4	3.8	1.2	1.8	16.6	190.8
Interest on defined benefit obligations	67.3	33.2	2.9	7.5	7.9	**118.8**	58.9	28.9	2.7	7.1	7.1	104.7
Expected return on the plan assets	-17.0	-29.9	-2.5	-8.0	-4.2	**-61.6**	-16.8	-20.2	-2.2	-7.1	-3.7	-50.0
Effect of change of asset ceiling	–	–	–	–	0.1	**0.1**	–	–	–	–	0.1	0.1
Other pension income and expenses	–	1.2	0.3	–	0.1	**1.6**	–	0.9	0.3	–	-0.1	1.1
Net pension cost	**214.8**	**7.6**	**1.9**	**0.9**	**21.9**	**247.1**	**209.5**	**13.4**	**2.0**	**1.8**	**20.0**	**246.7**

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

	January 1 to September 30	
€ millions	**2019**	2018
Current service cost	0.9	1.1
Interest on healthcare and life-insurance benefit obligations	6.0	5.4
Net cost of obligations similar to pensions	**6.9**	**6.5**

Indebtedness

On March 20, 2019, Continental AG instructed four banks to market a promissory note bank loan. The transaction was successfully completed as planned at the end of April 2019. The promissory note bank loan issued consists of four tranches with a total volume of €500.0 million and terms of three or five years. Fixed coupons were agreed upon for 76% of the volume.

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

In September 2019, Continental AG successfully placed two euro bonds with nominal volumes of €500.0 million and €600.0 million with investors under Continental's Debt Issuance Programme (DIP). The issue price of the €500.0-million bond issued on September 12, 2019, amounted to 99.804%. This bond has a term of four years and an interest rate of 0.000% p.a. The issue price of the €600.0-million bond issued on September 27, 2019, amounted to 99.802%. This bond has a term of five years and nine months and an interest rate of 0.375% p.a.

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021 and had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €338.8 million at the end of September 2019. In the previous year, it was utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and Continental AG in the amount of €538.6 million.

For more information on indebtedness and the financial result, please refer to the Corporate Management Report as at September 30, 2019.

Financial instruments

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

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Sept. 30, 2019	Fair value as at Sept. 30, 2019	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	197.2	197.2	–	–	197.2
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	17.8	17.8	–	17.8	–
Debt instruments	FVPL	30.8	30.8	20.4	10.4	–
Debt instruments	at cost	159.3	159.3	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	8,408.6	8,408.6	–	–	–
Bank drafts	FVOCIwR	304.1	304.1	–	304.1	–
Other financial assets						
Other financial assets	FVPL	36.7	36.7	–	36.7	–
Miscellaneous financial assets	at cost	192.1	192.1	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	1,777.8	1,777.8	–	–	–
Cash and cash equivalents	FVPL	193.4	193.4	193.4	0.0	–
Financial assets		**11,317.8**	**11,317.8**	**213.8**	**369.0**	**197.2**
Indebtedness without lease liabilities[1]						
Derivative instruments not accounted for as effective hedging instruments	FVPL	9.2	9.2	–	9.2	–
Other indebtedness	at cost	5,887.3	5,940.3	2,473.5	948.2	–
Trade accounts payable	at cost	6,868.6	6,868.6	–	–	–
Other financial liabilities	at cost	1,032.2	1,032.2	–	0.7	–
Financial liabilities without lease liabilities[1]		**13,797.3**	**13,850.3**	**2,473.5**	**958.1**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		304.1				
Financial assets (FVOCIwoR)		197.2				
Financial assets (FVPL)		278.7				
Financial assets (at cost)		10,537.8				
Financial liabilities (FVPL)		9.2				
Financial liabilities (at cost)		13,788.1				

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

Abbreviations

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

Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*:

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

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

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

Litigation and compensation claims

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

Contingent liabilities and other financial obligations

As at September 30, 2019, there were no material changes in the contingent liabilities and other financial obligations as described in the 2018 Annual Report.

Appropriation of net income

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

Earnings per share

Basic earnings per share decreased to -€4.63 (PY: €10.93) in the first nine months of 2019 and to -€9.93 (PY: €3.13) in the period from July 1 to September 30, 2019. These figures were the same for the diluted earnings per share.

Transactions with related parties

In the period under review, there were no material changes in transactions with related parties compared to December 31, 2018. For further information, please refer to the comments in the 2018 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 Continental's website. Earlier declarations in accordance with Section 161 *AktG* can also be found there.

Review by an independent auditor

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

Significant Events after September 30, 2019

On October 11, 2019, Continental signed a letter of intent to sell its 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, to Faurecia Automotive GmbH, Stadthagen, Germany, for €225 million. The contract is expected to be concluded in the first quarter of 2020. The respective carrying amount for equity-accounted investees was classified as "held for sale" and included in the "Assets held for sale" item. Continental anticipates a gain from the disposal of around €137 million.

In October 2019, Continental AG issued two euro bonds with nominal volumes of €200.0 million and €100.0 million under Continental's Debt Issuance Programme (DIP). The privately placed bonds have a term of 18 months and five years respectively.

Hanover, October 22, 2019

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

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

2020	
Annual Financial Press Conference	March 5
Analyst and Investor Conference Call	March 5
Annual Shareholders' Meeting (including key figures for the first quarter of 2020)	April 30
Financial Report as at March 31, 2020	May 7
Half-Year Financial Report as at June 30, 2020	August 4
Financial Report as at September 30, 2020	November 10

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