Continental
The Future in Motion

Q2

Half-Year Financial Report

as at June 30, 2019

Continental Shares and Bonds

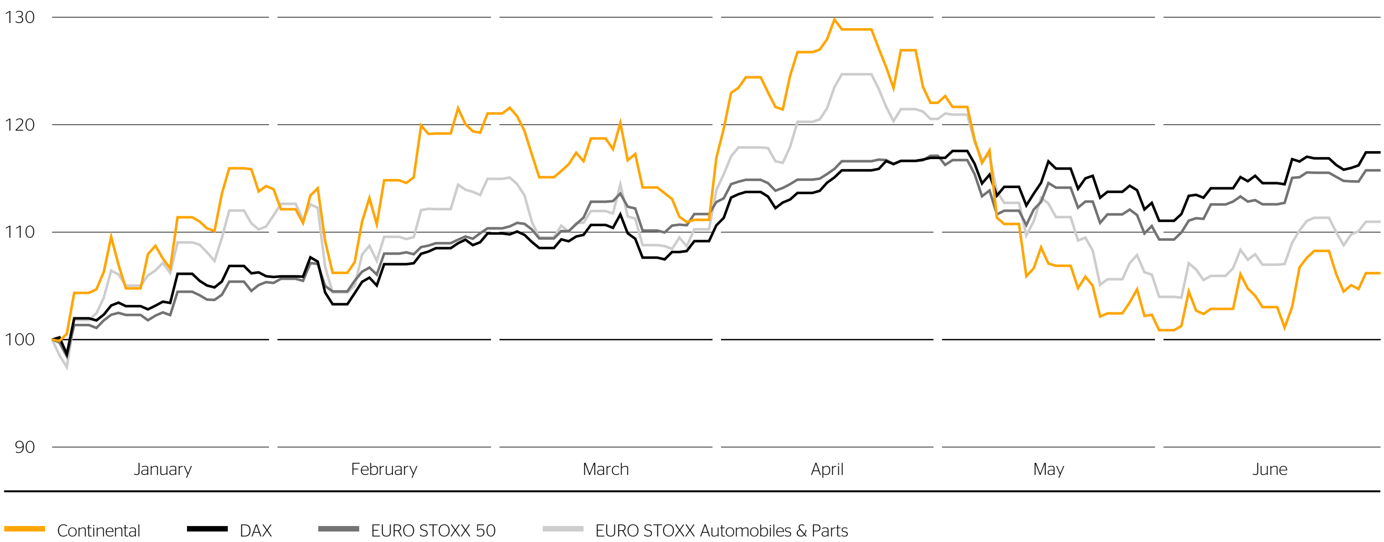
Recovery on stock markets
After the substantial price declines in the fourth quarter of 2018, stock markets worldwide stabilized over the course of the first quarter of 2019. The turnaround in sentiment was due to surprisingly positive U.S. job market data, the Chinese government's announcement of new 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 following hints to that effect from the U.S. Federal Reserve (Fed). In February and March 2019, the ongoing uncertainty over the United Kingdom's exit from the European Union (E.U.), and especially the lower growth forecasts by the European Central Bank (ECB) for the eurozone and the Fed for the U.S. economy, had a dampening effect. 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 better-than-expected 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. This was due to statements by several central banks, in particular the ECB and the Fed, outlining their intention to refrain from raising interest rates in the current year and to relax their respective monetary policies if necessary. The DAX ended June at 12,398.80 points, thereby rising by 7.6% in the second quarter of 2019. It ended the first half of 2019 up 17.4% compared to the end of 2018. The EURO STOXX 50 closed the second quarter at 3,473.69 points, increasing 3.6% in the second quarter and 15.7% in the first half of 2019.

Persistently weak 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 ECB and the Fed as well as possible U.S. import tariffs on European cars. The EURO STOXX Automobiles & Parts ended March 2019 at 465.84 points, representing a rise of 10.3% compared to the end of the previous year.

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 temporarily 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 automotive 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 than at the end of March. It rose by 11.0% compared to the end of the previous year.

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



Outstanding bonds as at June 30, 2019

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at June 30, 2019	Price as at December 31, 2018
A2DARM/XS1529561182	0.000%	February 5, 2020	600.0	99.410%	100.129%	100.041%
A1X3B7/XS0969344083	3.125%	September 9, 2020	750.0	99.228%	103.990%	104.985%

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. As the month progressed, the announcement of the full business figures for 2018 and the confirmation of the outlook for the challenging current fiscal year together with sinking economic forecasts led to profit taking by investors. Continental shares closed the first quarter of 2019 at €134.20, increasing 11.1% compared to the closing price for 2018 of €120.75.

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% 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 ended June 2019 at €128.22, having fallen in value by 4.5% in the second quarter. Over the reporting period as a whole, they achieved a price gain of 6.2%. Assuming reinvestment of the €4.75 dividend distributed at the start of May, the shares recorded a gain of 9.6% in the first half of 2019.

Continental bonds continue at low yield level

As in the previous year, Continental bonds persisted at a low yield level in the first half 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, particularly in the first quarter of 2019.

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 basis points in the second quarter.

The price of the 3.125% euro bond maturing on September 9, 2020, decreased by 99.5 basis points in the first half of 2019, 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.

Continental's credit rating unchanged

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

Credit rating for Continental AG

	June 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	stable	stable

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

Continental Investor Relations online

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

Key Figures for the Continental Corporation

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

	January 1 to June 30		Second Quarter	
€ millions	**2019**	2018	**2019**	2018
Sales	22,310.7	22,386.5	11,264.0	11,373.8
EBITDA	2,930.6	3,212.4	1,456.9	1,657.4
in % of sales	13.1	14.3	12.9	14.6
EBIT	1,576.6	2,138.2	753.3	1,119.0
in % of sales	7.1	9.6	6.7	9.8
Net income attributable to the shareholders of the parent	1,060.0	1,559.7	484.8	822.1
Basic earnings per share in €	5.30	7.80	2.42	4.11
Diluted earnings per share in €	5.30	7.80	2.42	4.11
Adjusted sales[1]	22,037.7	22,360.9	11,083.2	11,360.0
Adjusted operating result (adjusted EBIT)[2]	1,752.3	2,220.9	868.1	1,154.7
in % of adjusted sales	8.0	9.9	7.8	10.2
Free cash flow	-1,025.5	122.4	-262.2	81.5
Net indebtedness as at June 30	5,665.8	2,858.1		
Gearing ratio in %	31.3	16.8		
Number of employees as at June 30[3]	244,615	243,311		

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 June 30		Second Quarter	
Automotive Group in € millions	**2019**	2018	**2019**	2018
Sales	13,450.9	13,792.2	6,761.5	6,978.3
EBITDA	1,439.2	1,703.4	747.8	855.9
in % of sales	10.7	12.4	11.1	12.3
EBIT	653.5	1,081.3	332.5	544.5
in % of sales	4.9	7.8	4.9	7.8
Depreciation and amortization[1]	785.7	622.1	415.3	311.4
thereof impairment[2]	13.2	3.7	7.0	–1.9
Capital expenditure[3]	873.5	706.0	480.3	429.7
in % of sales	6.5	5.1	7.1	6.2
Operating assets as at June 30	16,489.6	14,132.1		
Number of employees as at June 30[4]	139,351	139,293		
Adjusted sales[5]	13,385.0	13,769.8	6,722.7	6,960.9
Adjusted operating result (adjusted EBIT)[6]	725.6	1,110.4	368.4	553.4
in % of adjusted sales	5.4	8.1	5.5	8.0

	January 1 to June 30		Second Quarter	
Rubber Group in € millions	**2019**	2018	**2019**	2018
Sales	8,889.3	8,621.8	4,517.7	4,409.6
EBITDA	1,539.5	1,573.2	750.7	831.5
in % of sales	17.3	18.2	16.6	18.9
EBIT	973.0	1,122.5	463.0	605.1
in % of sales	10.9	13.0	10.2	13.7
Depreciation and amortization[1]	566.5	450.7	287.7	226.4
thereof impairment[2]	2.4	0.2	2.4	0.2
Capital expenditure[3]	533.7	459.3	288.3	279.8
in % of sales	6.0	5.3	6.4	6.3
Operating assets as at June 30	11,401.0	9,625.0		
Number of employees as at June 30[4]	104,795	103,589		
Adjusted sales[5]	8,682.2	8,618.4	4,375.7	4,406.9
Adjusted operating result (adjusted EBIT)[6]	1,075.0	1,176.1	540.3	631.9
in % of adjusted sales	12.4	13.6	12.3	14.3

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

Corporate Management Report

Argus and T-Systems protect cars from cyberattacks
On April 4, 2019, we announced that T-Systems GmbH, Frankfurt am Main, Germany – a subsidiary of Deutsche Telekom AG, Bonn – and Argus Cyber Security Ltd, Tel Aviv, Israel – a subsidiary of Continental AG – will be working together on cyberdefense for cars. T-Systems is currently setting up a security operations center specializing in connected vehicles. Argus specializes in automotive cybersecurity and provides secure onboard systems for vehicles as well as cyberdefense technology. Manufacturers and operators of large fleets see possible dangers for the connected vehicle. The companies are now working together on a comprehensive and robust solution for cybersecurity in the automotive sector. This will enable carmakers and fleet operators to realize their vision of safe and secure mobility.

Innovations for a clean mobility mix
On May 15, 2019, at the 40th Vienna Motor Symposium, we presented various technologies that demonstrate how different types of powertrains can be improved further. The ultraclean diesel and gasoline engines combined with electric drive systems are already helping the climate today. Continental showcased the entirely new 48-volt high-power technology, which has a peak output of 30 kW, and therefore now enables all-electric journeys. The 48-volt high-power technology thus delivers all the advantages of a conventional full-hybrid vehicle with a high-voltage system, reducing fuel consumption and CO_2 emissions substantially while optimizing driving efficiency. As another solution for enhancing efficiency and reducing emissions, the experts presented the innovative ring catalyst turbocharger. The combination of turbocharger and catalyst is an innovation that provides additional benefits compared to separately installing the individual components. In conventional turbochargers, the exhaust gases expand quickly as they leave the turbine, which causes fluid dynamic losses and impacts efficiency. This is solved by the ring catalyst turbocharger, with which efficiency can be increased further.

New 3D display brings the third dimension to vehicles
On June 11, 2019, we announced that we are developing – in cooperation with the U.S. company Leia Inc., based in Silicon Valley, California – an innovative cockpit solution: the Natural 3D Lightfield Display. The solution will bring the third dimension to vehicle displays, offering unprecedented quality. The new lightfield displays allow the comfortable perception of 3D depth not only for the driver but also for passengers in the front and back seats as well. The system does not need a head-tracker camera. The technology takes the graphic possibilities to a new level by rendering highlights, sparkles and other complex light effects. In this way, information can be safely presented to drivers in real time, allowing their interaction with the vehicle to become more practical and intuitive. The system is to be ready for production by 2022.

New production facilities in Lousado, Portugal
On June 11, 2019, we announced the expansion of production capacity in Lousado, Portugal. The new capacity will be used for the production of tires with a diameter of 24 inches or larger for radial earthmoving vehicles and vehicles used in ports. The investment is part of the Tire division's growth strategy. Besides the new production facilities, the research and development center in Lousado has been expanded. The center will be used for continuous performance and quality tests of all agricultural, port and earthmoving tires. Both the port and earthmoving segments are among the key growth areas in the commercial specialty tire market.

Agreement on the purchase of the Merlett Group, specialists in thermoplastics
On June 25, 2019, Continental reached an agreement on the purchase of the Merlett Group, specialists in thermoplastics, based in Daverio, Italy. With this acquisition, we are expanding our material expertise in high-performance thermoplastics technologies and solutions. Smart hose solutions help improve production efficiency and economic effectiveness. Merlett has outstanding expertise in engineering, processing and handling thermoplastics. The agreement includes the purchase of the Merlett Group, with three manufacturing plants in Italy and Switzerland as well as a comprehensive network of sales offices in 12 European countries. Completion of the acquisition is subject to clearance by the respective antitrust authorities.

Right-turn assist system for passenger cars protects cyclists and pedestrians
On June 25, 2019, we unveiled a new short-range radar for even more precise detection of vehicle surroundings. In place of the 24 Gigahertz (GHz) technology used up to now, the new radar generation operates using 77 GHz technology. Thanks to the change in this technology, the environment can be detected at a higher resolution and level of accuracy, and other road users and obstacles can be detected earlier and more precisely. The 77 GHz sensor also detects movement directions and speeds more precisely than was possible with the 24 GHz range previously used. This means that cyclists can be detected when a vehicle turns right, for example. If the driver does not react to the warning signal, emergency braking can be triggered automatically to avoid a collision. This system helps drivers effectively when they turn right or in other precarious situations in which something or someone could be in their blind spot. One of the new radar sensors can be positioned at each of the four corners of the vehicle's body to ensure almost seamless 360-degree monitoring of the vehicle's surroundings. Radar systems already form the basis of various advanced driver assistance systems that employ sensors. For example, they monitor the blind spots to the left and right of the vehicle in a horizontal direction, they detect the vehicle's surroundings for Lane Change Assist, and they monitor cross-traffic and intersections for the Intersection and Emergency Brake Assist systems.

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 and by 0.7% compared to the same period of the previous year. Consumer spending and exports increased in particular. Economists expect growth to decline slightly in the second quarter and the second half of 2019. This is suggested by the fall in order intake in the industry and various sentiment indicators, which have deteriorated in recent months. Worldwide trade conflicts and uncertainty over the United Kingdom's exit from the E.U. continue to weigh on sentiment. In its June report, the Deutsche Bundesbank expects Germany's GDP to increase by 0.6% this year.

The eurozone economy achieved growth of 0.4% in the first quarter of 2019 compared to the previous quarter. GDP increased by 1.2% in relation to the first quarter of 2018. Corporate investment and exports recorded the biggest gains. In the second quarter and the second half of 2019, experts expect the situation in the eurozone to remain stable. Economic development was boosted further in the reporting period by the monetary policy of the European Central Bank (ECB), which continued to adhere to its expansionary measures. In June, the ECB also signaled that it would relax its monetary policy further if necessary. It raised its 2019 growth forecast for the eurozone by 0.1 percentage points compared to its forecast in March 2019 and is now projecting GDP growth of 1.2%.

In the first quarter of 2019, the U.S. economy grew by 3.1% compared to the fourth quarter of 2018 and by 3.2% compared to the first quarter of 2018. Growth was supported primarily by increasing private investment, exports and government spending. Economists expect growth to decline somewhat in the second quarter and the second half of the year. The U.S. Federal Reserve (Fed) kept its key interest rate stable in the first half of the year but indicated after its meeting in June that it would cut rates in the future if necessary. Its forecast for GDP growth in the U.S.A. in 2019 remained unchanged at 2.1%.

In the first quarter of 2019, growth in the Japanese economy came to 0.9% year-on-year, boosted by private investment and the positive foreign trade balance. The greater decline in imports more than compensated for the decline in exports. Experts expect foreign trade to stabilize and growth rates to fall slightly in the second quarter and the second half of the year. In its Global Economic Prospects study of June 2019, the World Bank lowered its forecast for economic growth in Japan by 0.1 percentage points to 0.8% for the current year.

The Chinese economy continued to benefit from a substantial increase in consumer spending in the first half of 2019. After 6.4% for the first quarter of 2019, GDP growth of 6.2% year-on-year was recorded for the second quarter. For 2019 as a whole, the World Bank anticipated growth of 6.2% in June. For India, which recorded growth of 5.8% in the first quarter of 2019 compared to the high prior-year figure, the World Bank still forecast growth of 7.5% for the full year in June, whereas various economists scaled back their 2019 growth expectations to less than 7% in July. Weaker economic data also signals lower growth than previously assumed for Brazil and Russia in 2019, with the World Bank lowering its GDP estimates for Brazil by 0.7 percentage points to 1.5% and for Russia by 0.3 percentage points to 1.2% in June. For emerging and developing economies, the World Bank reduced the expected growth for 2019 from 4.3% to 4.0% in its June forecast.

As a result of the reduced growth expectations for individual countries and regions, the World Bank lowered its growth forecast for the global economy for 2019 by 0.3 percentage points to 2.6% in its June forecast. The World Bank cites a sudden increase in political uncertainty – triggered, for example, by an escalation in existing or new trade conflicts between the world's major economies – as a key risk for a further economic slowdown. An unexpectedly severe weakening of the major economies could also have significant adverse effects on emerging and developing 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 3% in the first half of 2019. The decline in demand was particularly significant in Sweden at over 25% and in the Netherlands and Finland at over 10% each. Four of the five biggest markets in Europe also recorded a decrease in volume. The sales volume declined in Spain by 6% and in Italy by 4%. In the United Kingdom, new car registrations fell by another 3% compared to the weak prior-year figure, while demand in France contracted by 2%. Only in Germany did the sales volume of passenger cars increase, by 1%.

In the U.S.A., the number of new car registrations fell by 2% to 8.4 million units in the first half of 2019. This was due to the continuing decline in demand for sedans, whose sales volume fell by 9% compared to the same period of the previous year to 2.5 million units. In contrast, the sales volume of light commercial vehicles, especially pickups, rose by more than 1% despite increased lending rates and fuel prices.

In Japan, the sales volume of passenger cars in the first half of 2019 was on par with the previous year and slightly above the average level of the last four years at 2.3 million units. The slight decline in demand for passenger cars in the first quarter of 2019 of 2% was compensated for by a higher sales volume in the second 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 14% to 9.9 million units in the first half of 2019 compared to the record figure of 11.5 million units in the previous year. In India, the sales volume slumped by 18% in the second quarter compared to the high prior-year basis. As a result, the number of new car registrations decreased by 10% in the first half of the year. The main reasons given for consumer reticence were the upcoming parliamentary elections and higher prices for passenger cars due to the introduction of stricter safety standards. In Russia, the sales volume of passenger cars fell by 2% in the reporting period, while in Brazil the recovery in demand continued with growth of 11%.

New registrations/sales of passenger cars

	January 1 to June 30			Second Quarter		
millions of units	**2019**	2018	Change	**2019**	2018	Change
Europe (EU-28 and EFTA)	8.4	8.7	-3%	4.3	4.4	-3%
U.S.A.	8.4	8.6	-2%	4.4	4.5	-1%
Japan	2.3	2.3	0%	1.0	1.0	2%
Brazil	1.3	1.1	11%	0.7	0.6	12%
Russia	0.8	0.8	-2%	0.4	0.5	-4%
India	1.6	1.7	-10%	0.7	0.9	-18%
China	9.9	11.5	-14%	4.8	5.5	-14%
Worldwide	**44.1**	**47.4**	**-7%**	**22.2**	**23.8**	**-7%**

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

According to preliminary data, global new-car registrations decreased in both quarters by around 7% year-on-year in the reporting period. Overall, there was a decline of more than 3.3 million units to 44.1 million units in the first half of 2019.

Development of production of passenger cars and light commercial vehicles

After a decline of 5% in the first quarter, the production of passenger cars and light commercial vehicles weighing less than 6 metric tons fell by 7% in Europe in the second quarter of 2019. Passenger-car plants in Germany, Spain, the United Kingdom and Turkey reduced their production in particular. According to preliminary data, production in Europe decreased by 6% overall in the first half of 2019. In the second half of the year, we expect production volumes to remain stagnant at the level of the second half of 2018 due to the weak demand for passenger cars. For 2019 as a whole, we now anticipate a decrease in production of 3%. We had previously expected production to be on par with the previous year.

Weaker demand also led to lower production of passenger cars and light commercial vehicles in North America in the first half of 2019, particularly in the U.S.A. and Canada. On the basis of preliminary figures, the production volume fell by almost 3%. Having previously anticipated stagnating production for 2019 as a whole, we now expect a decline of 2%.

In South America, the development of passenger-car and light-commercial-vehicle production varied considerably in the first half of 2019. While Brazil recorded a rise in production figures due to increasing demand, production in Argentina plummeted. Preliminary data shows that production in South America fell by 3% in the first half of 2019. For the second half of the year, we anticipate only similar production figures to the previous year. For 2019 as a whole, we are lowering our forecast from 2% to -1%.

The drop in production in China of over 13% in the reporting period led to lower-than-expected production of passenger cars and light commercial vehicles in Asia. India, Indonesia and other countries also posted declining units. Preliminary data shows that production in Asia fell by 9% year-on-year in the first half of 2019. For the second half of the year, we anticipate a production volume of 5% below the previous year due to the restrained demand in China and other countries. Rather than stagnating production, we now expect a decline of 7% for the year as a whole.

On the basis of preliminary figures, the global production of passenger cars and light commercial vehicles decreased year-on-year by 7% in the first half of 2019, which was more than expected. As a result of this and only the slight stabilization expected in the second half of the year, we are lowering our forecast for the year as a whole from 0% to around -5%.

Development of production of medium and heavy commercial vehicles

In Europe, weak economic growth in the reporting period led to lower production volumes of commercial vehicles weighing more than 6 metric tons compared to the same period of the previous year. According to preliminary data, production in the first half of 2019 fell by around 3% year-on-year. Rather than stagnating production of medium and heavy commercial vehicles in Europe, we now therefore anticipate a decline of 2% for 2019.

In North America, the increase in commercial-vehicle production continued in the first half of 2019 despite the high prior-year basis. Production of medium and heavy commercial vehicles increased by around 10% year-on-year on the basis of preliminary figures. Due to the decline in order intake, we expect a significant slowdown in production in the second half of the year. For the year as a whole, we still expect a 4% increase.

Preliminary data shows that South America recorded a substantial increase in production of commercial vehicles of more than 30% year-on-year in the reporting period, which was attributable to the growing Brazilian economy. Due to the strong development in the first half of 2019, we are raising our forecast for the production of medium and heavy commercial vehicles in South America from 15% to 20% for the year as a whole.

A fall in the production of medium and heavy commercial vehicles of over 10% could be seen in Asia on the basis of preliminary figures. In China in particular, demand and the production of commercial vehicles declined significantly due to the uncertainty arising from the unresolved trade conflict with the U.S.A. Production in India also slumped in the second quarter. Due to the weak first half of the year, we are lowering our forecast for commercial-vehicle production in Asia from -3% to -5% for 2019 as a whole.

For the first half of 2019, we estimate the decline in global production of medium and heavy commercial vehicles to be around -6% on the basis of preliminary figures. For the year as a whole, we are lowering our forecast from -1% to -3%.

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 volumes fell by 2% compared with the high prior-year figure. The decline was primarily attributable to weaker demand from Central Europe and Turkey. As a result, we are lowering our growth forecast for 2019 as a whole from 2% to 0%.

In North America, sales volumes of replacement tires for passenger cars and light commercial vehicles posted significant growth of 4% in the first half of 2019 on the basis of preliminary figures. As such, the positive trend in demand experienced in the first three months of 2019 continued in the second quarter. In the second half of the year, we anticipate only stable development due to the high prior-year figures. 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 4% in the period under review compared to the high comparative figures from the previous year. We expect a recovery over the remainder of the year. For 2019 as a whole, we are lowering our forecast from 2% to 0%.

According to preliminary data, demand for replacement tires for passenger cars and light commercial vehicles in Asia increased by 3% in the first half of 2019. In China, the most important Asian market, demand recovered and was up 4% on the previous year's level. This was driven mainly by growth in vehicle numbers and replenishment of stocks. For 2019, 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 first six months of 2019 by 1% according to preliminary figures. For 2019 as a whole, we are lowering our growth forecast from 2% to 1%.

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

In Europe, weak demand in Turkey in particular resulted in a decline in sales volumes of replacement tires for medium and heavy commercial vehicles in the first half of 2019. Compared to the previous year's figure, volumes fell by 1% according to preliminary figures. Over the remainder of the year, we expect a slight recovery. For 2019 as a whole, we are lowering our growth forecast from 1% to 0%.

In North America, preliminary figures show that demand for replacement tires for medium and heavy commercial vehicles fell by 9% in the first half of 2019 compared to the high prior-year figure. This was mainly due to the imposition of tariffs on truck tire imports from China. For the year as a whole, we are lowering our sales volume forecast from -5% to -8%, as other providers will not be able to close the supply gap immediately and as customers increasingly switch to retreaded tires.

According to preliminary figures, sales volumes of replacement tires for medium and heavy commercial vehicles in South America declined by 1% in the reporting period compared to the high comparative basis from the previous year. As a result of the economic development in Brazil, we expect demand to increase in the subsequent quarters. For 2019 as a whole, we anticipate volumes to be at the previous year's level instead of increasing by 2%.

In Asia, sales volumes of replacement tires for medium and heavy commercial vehicles were up 2% in the first half 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 was stagnant in the reporting period according to preliminary data. For 2019 as a whole, we are leaving our forecast of stable sales volumes unchanged.

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 June 30		Second Quarter	
€ millions	**2019**	2018	**2019**	2018
Sales	22,310.7	22,386.5	11,264.0	11,373.8
EBITDA	2,930.6	3,212.4	1,456.9	1,657.4
in % of sales	13.1	14.3	12.9	14.6
EBIT	1,576.6	2,138.2	753.3	1,119.0
in % of sales	7.1	9.6	6.7	9.8
Net income attributable to the shareholders of the parent	1,060.0	1,559.7	484.8	822.1
Basic earnings per share in €	5.30	7.80	2.42	4.11
Diluted earnings per share in €	5.30	7.80	2.42	4.11
Research and development expenses (net)	1,819.4	1,712.9	916.6	864.9
in % of sales	8.2	7.7	8.1	7.6
Depreciation and amortization[1]	1,354.0	1,074.2	703.6	538.4
thereof impairment[2]	15.6	3.9	9.4	–1.7
Capital expenditure[3]	1,426.3	1,174.4	784.5	715.0
in % of sales	6.4	5.2	7.0	6.3
Operating assets as at June 30	27,817.6	23,720.7		
Number of employees as at June 30[4]	244,615	243,311		
Adjusted sales[5]	22,037.7	22,360.9	11,083.2	11,360.0
Adjusted operating result (adjusted EBIT)[6]	1,752.3	2,220.9	868.1	1,154.7
in % of adjusted sales	8.0	9.9	7.8	10.2
Net indebtedness as at June 30	5,665.8	2,858.1		
Gearing ratio in %	31.3	16.8		

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 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 down 0.3%
Sales down 2.9% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first six months of 2019 decreased by 0.3% year-on-year to €22,310.7 million (PY: €22,386.5 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.9%.

Adjusted EBIT down 21.1%
Adjusted EBIT for the corporation declined by €468.6 million or 21.1% year-on-year to €1,752.3 million (PY: €2,220.9 million) in the first six months of 2019, corresponding to 8.0% (PY: 9.9%) of adjusted sales.

EBIT down 26.3%
The corporation's EBIT fell by €561.6 million or 26.3% compared to the previous year to €1,576.6 million (PY: €2,138.2 million) in the first six months of 2019. The return on sales fell to 7.1% (PY: 9.6%).

Special effects in the first half of 2019
The transformation of the Powertrain division into an independent group of legal entities resulted in expense totaling €19.8 million (Chassis & Safety €1.4 million; Powertrain €15.4 million; Interior €1.4 million; Holding €1.6 million).

In the Chassis & Safety division, an expense of €3.3 million resulted from restructuring for the location in Varzea Paulista, Brazil. This included impairment on property, plant and equipment in the amount of €1.2 million.

Impairment on property, plant and equipment resulted in expense totaling €7.7 million in the Powertrain division.

Moreover, restructuring for the location in Newport News, Virginia, U.S.A., resulted in expense of €5.7 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 an acquisition of shares.

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 €6.5 million was incurred in the Tire division. This included impairment on property, plant and equipment in the amount of €1.4 million.

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 six months of 2019 amounted to €80.3 million.

Special effects in the first half of 2018
Impairment on property, plant and equipment resulted in expense totaling €6.4 million in the Powertrain division.

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

In connection with restructuring, there was a reversal of impairment losses on property, plant and equipment in the amount of €2.9 million in the Interior division.

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

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

Total consolidated expense from special effects in the first six months of 2018 amounted to €1.0 million.

Research and development
In the first six months of 2019, research and development expenses (net) rose by 6.2% compared with the same period of the previous year to €1,819.4 million (PY: €1,712.9 million), representing 8.2% (PY: 7.7%) of sales. €1,581.1 million (PY: €1,486.7 million) of this related to the Automotive Group, corresponding to 11.8% (PY: 10.8%) of sales, and €238.3 million (PY: €226.2 million) to the Rubber Group, corresponding to 2.7% (PY: 2.6%) of sales.

Financial result
The negative financial result decreased by €13.1 million year-on-year to €98.0 million (PY: €111.1 million) in the first half of 2019. This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments.

Interest income increased by €14.5 million year-on-year to €59.1 million (PY: €44.6 million) in the first half of 2019. Expected income from long-term employee benefits and pension funds totaled €37.4 million in this period (PY: €28.5 million). This does not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €142.4 million in the first half of 2019 and was thus €10.9 million higher than the previous year's figure of €131.5 million. The interest expense from long-term employee benefits totaled €77.6 million (PY: €70.7 million) in this period. This does not include the interest expense from the defined benefit obligations of the pension contribution funds. At €64.8 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was slightly higher than the prior-year figure of €60.8 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 six months of 2019, this interest expense amounted to €16.6 million (PY: €0.4 million). The bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., resulted in expenses of €16.4 million (PY: €33.0 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 €7.2 million (PY: €40.9 million) in the first six months of 2019. The effects from changes in the fair value of derivative instruments, and other valuation effects, resulted in an expense totaling €7.5 million in the same period (PY: earnings of €16.7 million). Other valuation effects accounted for an expense of €0.1 million (PY: earnings of €1.7 million). Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in the first half of 2019 were negatively impacted by €14.6 million (PY: €25.9 million).

Income tax expense
Income tax expense in the first half of 2019 amounted to €396.3 million (PY: €439.8 million). The tax rate in the reporting period amounted to 26.8% (PY: 21.7%).

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent decreased by 32.0% to €1,060.0 million (PY: €1,559.7 million). After the first six months of 2019, basic earnings per share amounted to €5.30 (PY: €7.80), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow
EBIT for the first six months of 2019 declined by €561.6 million year-on-year to €1,576.6 million (PY: €2,138.2 million).

Interest payments increased by €2.6 million to €53.4 million (PY: €50.8 million).

Income tax payments rose by €33.2 million to €470.1 million (PY: €436.9 million).

At €1,281.6 million as at June 30, 2019, the net cash outflow arising from the increase in operating working capital was €394.1 million higher than the figure for the previous year of €887.5 million.

At €743.9 million as at June 30, 2019, cash provided by operating activities was €723.6 million lower than the previous year's figure of €1,467.5 million.

Cash flow arising from investing activities amounted to an outflow of €1,769.4 million (PY: €1,345.1 million) in the first six months of 2019. Capital expenditure on property, plant and equipment, and software was up €119.3 million from €1,174.4 million to €1,293.7 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 €353.8 million (PY: €174.0 million).

The free cash flow in the first half of 2019 resulted in an outflow of €1,025.5 million (PY: inflow of €122.4 million), €1,147.9 million less than in the same period of the previous year. The recognition of depreciation on the reportable right-of-use assets in cash flow from operating activities, as part of the first-time adoption of IFRS 16, *Leases*, resulted in a corresponding improvement in free cash flow of €158.1 million compared to the previous year.

Financing and indebtedness
At €5,665.8 million as at June 30, 2019, the Continental Corporation's net indebtedness was above the previous year's level of €2,858.1 million. Compared to the figure of €1,661.3 million as at December 31, 2018, it had increased by €4,004.5 million. The gearing ratio increased to 31.3% (PY: 16.8%) as at the end of the first half of 2019.

The new IFRS 16 standard, the application of which has been mandatory since January 1, 2019, resulted in the recognition of all leases in the statement of financial position and thus an increase in lease liabilities. These amounted to €1,745.2 million on June 30, 2019 (PY: €14.5 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 for 76% of the volume.

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

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021 and had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €689.7 million at the end of June 2019 (PY: –).

As at June 30, 2019, Continental had liquidity reserves totaling €4,758.9 million (PY: €5,799.8 million), consisting of cash and cash equivalents of €1,786.3 million (PY: €2,131.5 million) and committed, unutilized credit lines totaling €2,972.6 million (PY: €3,668.3 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 June 30, 2019, unrestricted cash and cash equivalents totaled €1,581.2 million (PY: €1,982.3 million).

Reconciliation of net indebtedness

€ millions	June 30, 2019	December 31, 2018	June 30, 2018
Long-term indebtedness	2,793.2	1,449.0	1,460.8
Short-term indebtedness	4,875.8	3,157.9	3,692.9
Long-term derivative instruments and interest-bearing investments	-51.9	-32.4	-21.5
Short-term derivative instruments and interest-bearing investments	-165.0	-151.8	-142.6
Cash and cash equivalents	-1,786.3	-2,761.4	-2,131.5
Net indebtedness	**5,665.8**	**1,661.3**	**2,858.1**

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 June 30		Second 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**	**4,302.2**	**1,983.8**
Cash flow arising from operating activities	743.9	1,467.5	746.1	833.4
Cash flow arising from investing activities	-1,769.4	-1,345.1	-1,008.3	-751.9
Cash flow before financing activities (free cash flow)	**-1,025.5**	**122.4**	**-262.2**	**81.5**
Dividends paid	-950.0	-900.0	-950.0	-900.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-24.8	-27.5	-24.4	-21.1
Non-cash changes	-149.0	27.9	-49.5	15.3
Other	-121.9	-2.5	-80.2	0.6
Exchange-rate effects	-3.2	-30.8	2.7	-50.6
Change in net indebtedness	**-2,274.4**	**-810.5**	**-1,363.6**	**-874.3**
Net indebtedness at the end of the reporting period	**5,665.8**	**2,858.1**	**5,665.8**	**2,858.1**

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 half of 2019, capital expenditure on property, plant and equipment, and software amounted to €1,426.3 million (PY: €1,174.4 million). €132.7 million of the year-on-year increase of €251.9 million resulted from the first-time adoption of IFRS 16, *Leases*. The capital expenditure ratio after six months was 6.4% (PY: 5.2%).

A total of €873.5 million (PY: €706.0 million) of this capital expenditure was attributable to the Automotive Group, representing 6.5% (PY: 5.1%) 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 Kaunas, Lithuania, in the construction of a new plant. 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 €533.7 million (PY: €459.3 million), equivalent to 6.0% (PY: 5.3%) of sales. A sum of €88.9 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 leasing of new stores for tire trading in Austria. 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 €43,926.1 million (PY: €39,380.3 million), total assets as at June 30, 2019, were €4,545.8 million higher than on the same date in the previous year. A sum of €1,722.7 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Goodwill, at €7,351.5 million, was up by €332.3 million compared to the previous year's figure of €7,019.2 million. Other intangible assets climbed by €190.4 million to €1,700.7 million (PY: €1,510.3 million). Property, plant and equipment increased by €3,089.2 million to €14,513.1 million (PY: €11,423.9 million). Deferred tax assets were up €261.0 million at €1,792.2 million (PY: €1,531.2 million). Inventories increased by €397.6 million to €4,944.8 million (PY: €4,547.2 million). Trade accounts receivable fell by €150.1 million to €8,409.9 million (PY: €8,560.0 million). Short-term derivative instruments and interest-bearing investments increased by €22.4 million to €165.0 million (PY: €142.6 million). At €1,786.3 million, cash and cash equivalents were down €345.2 million from €2,131.5 million on the same date in the previous year.

Equity including non-controlling interests was up €1,070.8 million at €18,108.4 million as compared to €17,037.6 million as at June 30, 2018. This was due primarily to the increase in retained earnings of €1,447.5 million. Other comprehensive income changed by -€365.2 million to -€2,820.9 million (PY: -€2,455.7 million). The gearing ratio worsened from 16.8% to 31.3%. The equity ratio fell to 41.2% (PY: 43.3%).

Compared with December 31, 2018, total assets increased by €3,480.7 million to €43,926.1 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 €2,137.6 million to €14,513.1 million (PY: €12,375.5 million). A sum of €1,722.7 million of this resulted from the first-time adoption of IFRS 16, *Leases*. Trade accounts receivable rose by €551.7 million to €8,409.9 million (PY: €7,858.2 million).

Equity including non-controlling interests was down €224.9 million at €18,108.4 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. The positive net income attributable to the shareholders of the parent resulted in an increase of €1,060.0 million. Other comprehensive income changed by -€306.5 million to -€2,820.9 million (PY: -€2,514.4 million). The gearing ratio changed from 9.1% to 31.3%.

Employees

As at the end of the second quarter of 2019, the corporation had 244,615 employees, representing a rise of 1,389 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 665. In the Rubber Group, the increase in the number of employees by 2,032 was chiefly attributable to the acquisition of the anti-vibration systems business 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 up by a total of 1,304.

Reconciliation to operating assets as at June 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Total assets	**8,147.4**	**6,474.2**	**9,096.4**	**10,286.6**	**4,958.4**	**4,963.1**	**43,926.1**
Cash and cash equivalents	–	–	–	–	–	1,786.3	1,786.3
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	216.9	216.9
Other financial assets	11.9	19.0	30.2	13.2	7.1	3.5	84.9
Less financial assets	**11.9**	**19.0**	**30.2**	**13.2**	**7.1**	**2,006.7**	**2,088.1**
Less other non-operating assets	**19.2**	**2.1**	**-19.1**	**1.7**	**22.2**	**748.5**	**774.6**
Deferred tax assets	–	–	–	–	–	1,792.2	1,792.2
Income tax receivables	–	–	–	–	–	377.3	377.3
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,169.5**	**2,169.5**
Segment assets	**8,116.3**	**6,453.1**	**9,085.3**	**10,271.7**	**4,929.1**	**38.4**	**38,893.9**
Total liabilities and provisions	**3,694.4**	**2,926.3**	**3,302.0**	**3,274.5**	**1,892.8**	**10,727.7**	**25,817.7**
Short- and long-term indebtedness	–	–	–	–	–	7,669.0	7,669.0
Interest payable and other financial liabilities	–	–	–	–	–	34.0	34.0
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**7,703.0**	**7,703.0**
Deferred tax liabilities	–	–	–	–	–	410.5	410.5
Income tax payables	–	–	–	–	–	871.4	871.4
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,281.9**	**1,281.9**
Less other non-operating liabilities	**1,190.3**	**750.8**	**816.5**	**782.5**	**585.0**	**1,631.4**	**5,756.5**
Segment liabilities	**2,504.1**	**2,175.5**	**2,485.5**	**2,492.0**	**1,307.8**	**111.4**	**11,076.3**
Operating assets	**5,612.2**	**4,277.6**	**6,599.8**	**7,779.7**	**3,621.3**	**-73.0**	**27,817.6**

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Reconciliation to operating assets as at June 30, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Total assets	**7,633.6**	**5,774.9**	**8,020.7**	**8,859.7**	**4,546.3**	**4,544.1**	**39,379.3**
Cash and cash equivalents	–	–	–	–	–	2,131.5	2,131.5
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	164.1	164.1
Other financial assets	12.4	49.4	25.9	19.2	5.6	5.4	117.9
Less financial assets	**12.4**	**49.4**	**25.9**	**19.2**	**5.6**	**2,301.0**	**2,413.5**
Less other non-operating assets	**0.0**	**1.6**	**-38.5**	**-0.2**	**5.9**	**487.8**	**456.6**
Deferred tax assets	–	–	–	–	–	1,531.2	1,531.2
Income tax receivables	–	–	–	–	–	175.5	175.5
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,706.7**	**1,706.7**
Segment assets	**7,621.2**	**5,723.9**	**8,033.3**	**8,840.7**	**4,534.8**	**48.6**	**34,802.5**
Total liabilities and provisions	**3,904.1**	**2,858.6**	**3,175.6**	**3,305.7**	**1,874.8**	**7,222.9**	**22,341.7**
Short- and long-term indebtedness	–	–	–	–	–	5,153.7	5,153.7
Interest payable and other financial liabilities	–	–	–	–	–	94.8	94.8
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**5,248.5**	**5,248.5**
Deferred tax liabilities	–	–	–	–	–	354.0	354.0
Income tax payables	–	–	–	–	–	899.9	899.9
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,253.9**	**1,253.9**
Less other non-operating liabilities	**1,182.2**	**830.6**	**679.2**	**895.3**	**534.7**	**635.5**	**4,757.5**
Segment liabilities	**2,721.9**	**2,028.0**	**2,496.4**	**2,410.4**	**1,340.1**	**85.0**	**11,081.8**
Operating assets	**4,899.3**	**3,695.9**	**5,536.9**	**6,430.3**	**3,194.7**	**-36.4**	**23,720.7**

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

Development of the Divisions

Chassis & Safety in € millions	January 1 to June 30		Second Quarter	
	2019	2018	**2019**	2018
Sales	4,743.0	4,966.4	2,384.0	2,455.2
EBITDA	562.7	681.4	292.7	324.6
in % of sales	11.9	13.7	12.3	13.2
EBIT	311.6	471.1	164.4	218.2
in % of sales	6.6	9.5	6.9	8.9
Depreciation and amortization[1]	251.1	210.3	128.3	106.4
thereof impairment[2]	1.2	–	1.2	–
Capital expenditure[3]	289.3	263.5	165.3	169.6
in % of sales	6.1	5.3	6.9	6.9
Operating assets as at June 30	5,612.2	4,899.3		
Number of employees as at June 30[4]	48,585	48,750		
Adjusted sales[5]	4,743.0	4,966.4	2,384.0	2,455.2
Adjusted operating result (adjusted EBIT)[6]	316.4	471.1	167.6	218.2
in % of adjusted sales	6.7	9.5	7.0	8.9

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.

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first six 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. 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 4.5%
Sales down 6.5% before changes in the scope of consolidation and exchange-rate effects
Sales of the Chassis & Safety division were down 4.5% at €4,743.0 million (PY: €4,966.4 million) in the first six 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 6.5%.

Adjusted EBIT down 32.8%
Adjusted EBIT for the Chassis & Safety division fell by €154.7 million or 32.8% year-on-year to €316.4 million (PY: €471.1 million) during the first six months of 2019, corresponding to 6.7% (PY: 9.5%) of adjusted sales.

EBIT down 33.9%
Compared with the same period of the previous year, the Chassis & Safety division reported a decline in EBIT of €159.5 million or 33.9% to €311.6 million (PY: €471.1 million) in the first six months of 2019. The return on sales fell to 6.6% (PY: 9.5%).

Special effects in the first half of 2019

The transformation of the Powertrain division into an independent group of legal entities resulted in expense of €1.4 million in the Chassis & Safety division.

In addition, an expense of €3.3 million resulted from restructuring for the location in Varzea Paulista, Brazil. This included impairment on property, plant and equipment in the amount of €1.2 million.

Special effects in the first half of 2019 had a negative impact totaling €4.7 million in the Chassis & Safety division.

Special effects in the first half of 2018

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

	January 1 to June 30		Second Quarter	
Powertrain in € millions	**2019**	2018	**2019**	2018
Sales	3,967.0	3,970.8	1,961.4	2,025.2
EBITDA	371.4	426.5	185.4	219.2
in % of sales	9.4	10.7	9.5	10.8
EBIT	117.2	210.1	56.3	110.7
in % of sales	3.0	5.3	2.9	5.5
Depreciation and amortization[1]	254.2	216.4	129.1	108.5
thereof impairment[2]	12.0	6.4	5.8	1.0
Capital expenditure[3]	295.6	253.2	164.3	152.1
in % of sales	7.5	6.4	8.4	7.5
Operating assets as at June 30	4,277.6	3,695.9		
Number of employees as at June 30[4]	42,412	42,608		
Adjusted sales[5]	3,967.0	4,040.9	1,961.4	2,061.1
Adjusted operating result (adjusted EBIT)[6]	151.4	231.1	72.5	118.9
in % of adjusted sales	3.8	5.7	3.7	5.8

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 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 six months of 2019, while those of injectors, pumps 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 of exhaust-gas sensors and SCR systems in particular rose as a result of emissions legislation. The sales volumes of fuel delivery modules, mechatronic sensors for combustion engines and catalytic converters were down year-on-year.

Sales down 0.1%
Sales down 3.4% before changes in the scope of consolidation and exchange-rate effects
Sales of the Powertrain division were down 0.1% at €3,967.0 million (PY: €3,970.8 million) in the first six months of 2019 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 3.4%.

Adjusted EBIT down 34.5%
Adjusted EBIT for the Powertrain division fell by €79.7 million or 34.5% year-on-year to €151.4 million (PY: €231.1 million) during the first six months of 2019, corresponding to 3.8% (PY: 5.7%) of adjusted sales.

EBIT down 44.2%
Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €92.9 million or 44.2% to €117.2 million (PY: €210.1 million) in the first six months of 2019. The return on sales fell to 3.0% (PY: 5.3%).

Special effects in the first half of 2019
Impairment on property, plant and equipment resulted in expense totaling €7.7 million.

The transformation into an independent group of legal entities resulted in expense of €15.4 million.

Moreover, restructuring for the location in Newport News, Virginia, U.S.A., resulted in expense of €5.7 million. This included impairment on property, plant and equipment in the amount of €4.3 million.

For the Powertrain division, the total negative impact from special effects in the first half of 2019 amounted to €28.8 million.

Special effects in the first half of 2018
Impairment on property, plant and equipment resulted in expense totaling €6.4 million in the Powertrain division.

	January 1 to June 30		Second Quarter	
Interior in € millions	**2019**	2018	**2019**	2018
Sales	4,869.9	4,941.0	2,474.7	2,539.3
EBITDA	505.1	595.5	269.7	312.1
in % of sales	10.4	12.1	10.9	12.3
EBIT	224.7	400.1	111.8	215.6
in % of sales	4.6	8.1	4.5	8.5
Depreciation and amortization[1]	280.4	195.4	157.9	96.5
thereof impairment[2]	–	-2.7	–	-2.9
Capital expenditure[3]	288.6	189.3	150.7	108.0
in % of sales	5.9	3.8	6.1	4.3
Operating assets as at June 30	6,599.8	5,536.9		
Number of employees as at June 30[4]	48,354	47,935		
Adjusted sales[5]	4,804.0	4,861.2	2,435.9	2,498.7
Adjusted operating result (adjusted EBIT)[6]	257.8	408.2	128.3	216.3
in % of adjusted sales	5.4	8.4	5.3	8.7

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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 above the previous year's level in the first half of 2019. Development in the Asia region declined but was more than offset by growth in the Europe region. The integration of the new Intelligent Antenna Systems business area in February 2019 contributed to the increase in sales volumes. Sales figures in the Infotainment & Connectivity business unit considerably exceeded the previous year's figure. The 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 pro rata transfer to the Powertrain division. In the Instrumentation & Driver HMI business unit, sales volumes in the first six 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 1.4%
Sales down 2.6% before changes in the scope of consolidation and exchange-rate effects

Sales of the Interior division were down 1.4% at €4,869.9 million (PY: €4,941.0 million) in the first six 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 2.6%.

Adjusted EBIT down 36.8%

Adjusted EBIT for the Interior division fell by €150.4 million or 36.8% year-on-year to €257.8 million (PY: €408.2 million) during the first six months of 2019, corresponding to 5.4% (PY: 8.4%) of adjusted sales.

EBIT down 43.8%

Compared with the same period of the previous year, the Interior division reported a decline in EBIT of €175.4 million or 43.8% to €224.7 million (PY: €400.1 million) in the first six months of 2019. The return on sales fell to 4.6% (PY: 8.1%).

Special effects in the first half of 2019
The transformation of the Powertrain division into an independent group of legal entities resulted in expense of €1.4 million in the Interior division.

In addition, an expense of €1.9 million resulted from a subsequent purchase price adjustment to an acquisition of shares.

For the Interior division, the total negative impact from special effects in the first six months of 2019 amounted to €3.3 million.

Special effects in the first half of 2018
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 €2.9 million.

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

For the Interior division, there was a total positive impact from special effects in the first six months of 2018 of €5.6 million.

	January 1 to June 30		Second Quarter	
Tires in € millions	**2019**	2018	**2019**	2018
Sales	5,701.5	5,437.1	2,871.0	2,801.6
EBITDA	1,207.8	1,190.8	597.8	645.0
in % of sales	21.2	21.9	20.8	23.0
EBIT	812.2	889.1	398.2	493.6
in % of sales	14.2	16.4	13.9	17.6
Depreciation and amortization[1]	395.6	301.7	199.6	151.4
thereof impairment[2]	1.4	–	1.4	–
Capital expenditure[3]	406.6	342.2	218.0	212.1
in % of sales	7.1	6.3	7.6	7.6
Operating assets as at June 30	7,779.7	6,430.3		
Number of employees as at June 30[4]	57,813	55,239		
Adjusted sales[5]	5,564.0	5,437.1	2,798.6	2,801.6
Adjusted operating result (adjusted EBIT)[6]	827.3	897.9	410.6	497.9
in % of adjusted sales	14.9	16.5	14.7	17.8

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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 six 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 1.2% before changes in the scope of consolidation and exchange-rate effects
Sales of the Tire division were up 4.9% at €5,701.5 million (PY: €5,437.1 million) in the first six 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 1.2%.

Adjusted EBIT down 7.9%
Adjusted EBIT for the Tire division decreased by €70.6 million or 7.9% year-on-year to €827.3 million (PY: €897.9 million) during the first six months of 2019, corresponding to 14.9% (PY: 16.5%) of adjusted sales.

EBIT down 8.6%
Compared with the same period of the previous year, the Tire division reported a decline in EBIT of €76.9 million or 8.6% to €812.2 million (PY: €889.1 million) in the first six months of 2019. The return on sales fell to 14.2% (PY: 16.4%).

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

In connection with restructuring for the location in Port Elizabeth, South Africa, an expense of €6.5 million was incurred. This included impairment on property, plant and equipment in the amount of €1.4 million.

For the Tire division, the total negative impact from special effects in the first six months of 2019 amounted to €4.3 million.

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

	January 1 to June 30		Second Quarter	
ContiTech in € millions	**2019**	2018	**2019**	2018
Sales	3,250.0	3,231.6	1,677.1	1,629.9
EBITDA	331.7	382.4	152.9	186.5
in % of sales	10.2	11.8	9.1	11.4
EBIT	160.8	233.4	64.8	111.5
in % of sales	4.9	7.2	3.9	6.8
Depreciation and amortization[1]	170.9	149.0	88.1	75.0
thereof impairment[2]	1.0	0.2	1.0	0.2
Capital expenditure[3]	127.1	117.1	70.3	67.7
in % of sales	3.9	3.6	4.2	4.2
Operating assets as at June 30	3,621.3	3,194.7		
Number of employees as at June 30[4]	46,982	48,350		
Adjusted sales[5]	3,180.4	3,228.2	1,607.5	1,627.2
Adjusted operating result (adjusted EBIT)[6]	247.7	278.2	129.7	134.0
in % of adjusted sales	7.8	8.6	8.1	8.2

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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.

ContiTech

Sales up 0.6%
Sales down 2.8% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech division were up 0.6% at €3,250.0 million (PY: €3,231.6 million) in the first six 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 2.8%.

Due to the continuing depressed market environment in the automotive industry, sales in the original equipment business fell short of the previous year's level. This negative development was only partially offset by growth in the industrial business, in particular in the Air Spring Systems, Industrial Fluid Solutions and Conveyor Belt Group business units.

Adjusted EBIT down 11.0%
Adjusted EBIT for the ContiTech division decreased by €30.5 million or 11.0% year-on-year to €247.7 million (PY: €278.2 million) during the first six months of 2019, corresponding to 7.8% (PY: 8.6%) of adjusted sales.

EBIT down 31.1%
Compared with the same period of the previous year, the ContiTech division reported a decline in EBIT of €72.6 million or 31.1% to €160.8 million (PY: €233.4 million) in the first six months of 2019. The return on sales fell to 4.9% (PY: 7.2%).

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

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

As reported in the ad-hoc disclosure from July 22, 2019, a number of factors have led to an adjustment of the forecast for fiscal 2019. Specifically, these are 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. The causes of these potential warranty costs and the corresponding amounts are currently still being clarified. Provided that exchange rates remain constant in comparison to the first half of 2019, the above factors give rise to the following amended 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%. Based on current expectations, 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%. Based on current expectations, 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, is now 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.

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

All other elements of the previous forecast remain unchanged:

- 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.

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

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

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

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 June 30		Second Quarter	
€ millions	**2019**	2018	**2019**	2018
Sales	**22,310.7**	**22,386.5**	**11,264.0**	**11,373.8**
Cost of sales	-16,878.1	-16,656.8	-8,523.5	-8,435.0
Gross margin on sales	**5,432.6**	**5,729.7**	**2,740.5**	**2,938.8**
Research and development expenses	-2,232.9	-2,103.9	-1,150.0	-1,077.4
Selling and logistics expenses	-1,346.7	-1,235.2	-679.4	-627.0
Administrative expenses	-585.9	-574.1	-294.6	-287.0
Other income	723.0	605.2	413.9	318.3
Other expenses	-425.4	-324.6	-282.3	-172.6
Income from equity-accounted investees	11.4	40.6	4.7	25.5
Other income from investments	0.5	0.5	0.5	0.4
EBIT	**1,576.6**	**2,138.2**	**753.3**	**1,119.0**
Interest income	59.1	44.6	29.5	22.6
Interest expense	-142.4	-131.5	-72.1	-67.2
Effects from currency translation	-7.2	-40.9	-2.3	-25.4
Effects from changes in the fair value of derivative instruments, and other valuation effects	-7.5	16.7	0.4	7.2
Financial result	**-98.0**	**-111.1**	**-44.5**	**-62.8**
Earnings before tax	**1,478.6**	**2,027.1**	**708.8**	**1,056.2**
Income tax expense	-396.3	-439.8	-213.9	-220.4
Net income	**1,082.3**	**1,587.3**	**494.9**	**835.8**
Non-controlling interests	-22.3	-27.6	-10.1	-13.7
Net income attributable to the shareholders of the parent	1,060.0	1,559.7	484.8	822.1
Basic earnings per share in €	**5.30**	**7.80**	**2.42**	**4.11**
Diluted earnings per share in €	**5.30**	**7.80**	**2.42**	**4.11**

Consolidated Statement of Comprehensive Income

	January 1 to June 30		Second Quarter	
€ millions	**2019**	2018	**2019**	2018
Net income	**1,082.3**	**1,587.3**	**494.9**	**835.8**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	-638.9	32.9	-324.0	4.6
Fair value adjustments[1]	-637.3	41.3	-331.9	21.4
Investment in equity-accounted investees[2]	0.0	–	0.0	–
Currency translation[1]	-1.6	-8.4	7.9	-16.8
Other investments	-3.6	–	-3.6	–
Investment in equity-accounted investees	-3.6	–	-3.6	–
Tax on other comprehensive income	196.3	-12.0	102.3	-5.8
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	130.2	44.4	-183.7	102.9
Difference from currency translation[1]	130.7	44.2	-183.2	102.7
Reclassification adjustments to profit and loss	0.0	0.2	0.0	0.2
Investment in equity-accounted investees[2]	-0.5	–	-0.5	–
Cash flow hedges	-0.9	-0.1	0.0	-1.3
Fair value adjustments	-8.4	-15.4	0.0	-31.3
Reclassification adjustments to profit and loss	7.5	15.3	0.0	30.0
Tax on other comprehensive income	0.2	0.7	0.0	2.9
Other comprehensive income	**-316.7**	**65.9**	**-409.0**	**103.3**
Comprehensive income	**765.6**	**1,653.2**	**85.9**	**939.1**
Attributable to non-controlling interests	-30.3	-34.1	-6.3	-17.8
Attributable to the shareholders of the parent	735.3	1,619.1	79.6	921.3

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

Assets in € millions	June 30, 2019	December 31, 2018	June 30, 2018
Goodwill	7,351.5	7,233.4	7,019.2
Other intangible assets	1,700.7	1,566.3	1,510.3
Property, plant and equipment	14,513.1	12,375.5	11,423.9
Investment property	11.8	12.0	10.4
Investments in equity-accounted investees	663.2	644.9	461.0
Other investments	195.9	192.9	197.2
Deferred tax assets	1,792.2	1,464.4	1,531.2
Defined benefit assets	39.9	27.8	27.0
Long-term contract assets	0.1	0.1	0.0
Long-term derivative instruments and interest-bearing investments	51.9	32.4	21.5
Long-term other financial assets	116.3	81.4	85.5
Long-term other assets	27.0	27.6	25.3
Non-current assets	**26,463.6**	**23,658.7**	**22,312.5**
Inventories	4,944.8	4,521.1	4,547.2
Trade accounts receivable[1]	8,409.9	7,858.2	8,560.0
Short-term contract assets	97.3	67.4	72.1
Short-term other financial assets[1]	119.3	94.4	147.5
Short-term other assets	1,562.6	1,124.2	1,293.9[2]
Income tax receivables	377.3	208.2	171.0[2]
Short-term derivative instruments and interest-bearing investments	165.0	151.8	142.6
Cash and cash equivalents	1,786.3	2,761.4	2,131.5
Assets held for sale	–	–	2.0
Current assets	**17,462.5**	**16,786.7**	**17,067.8[2]**
Total assets	**43,926.1**	**40,445.4**	**39,380.3[2]**

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

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

Equity and liabilities in € millions	**June 30, 2019**	*December 31, 2018*	June 30, 2018
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	15,807.2	*15,697.2*	14,359.7
Other comprehensive income	–2,820.9	*–2,514.4*	–2,455.7
Equity attributable to the shareholders of the parent	**17,653.9**	***17,850.4***	**16,571.6**
Non-controlling interests	454.5	*482.9*	466.0
Total equity	**18,108.4**	***18,333.3***	**17,037.6**
Long-term employee benefits	5,243.2	*4,407.0*	4,451.2
Deferred tax liabilities	410.5	*315.7*	354.0
Long-term provisions for other risks and obligations	214.0	*163.7*	163.9
Long-term indebtedness	2,793.2	*1,449.0*	1,460.8
Long-term other financial liabilities	31.8	*38.4*	35.3
Long-term contract liabilities	11.0	*11.0*	15.0
Long-term other liabilities	21.8	*13.4*	15.1
Non-current liabilities	**8,725.5**	***6,398.2***	**6,495.3**
Short-term employee benefits	1,377.3	*1,454.2*	1,364.9
Trade accounts payable[1]	6,956.3	*7,525.6*	7,123.3
Short-term contract liabilities	167.8	*150.2*	139.9[2]
Income tax payables	871.4	*750.7*	784.6[3]
Short-term provisions for other risks and obligations	993.7	*1,066.1*	977.3[3]
Short-term indebtedness	4,875.8	*3,157.9*	3,692.9
Short-term other financial liabilities[1]	916.5	*1,042.6*	1,043.4[2]
Short-term other liabilities	933.4	*566.6*	721.1[3]
Current liabilities	**17,092.2**	***15,713.9***	**15,847.4[3]**
Total equity and liabilities	**43,926.1**	***40,445.4***	**39,380.3[3]**

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

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

Consolidated Statement of Cash Flows

	January 1 to June 30		Second Quarter	
€ millions	**2019**	2018	**2019**	2018
Net income	**1,082.3**	**1,587.3**	**494.9**	**835.8**
Income tax expense	396.3	439.8	213.9	220.4
Financial result	98.0	111.1	44.5	62.8
EBIT	**1,576.6**	**2,138.2**	**753.3**	**1,119.0**
Interest paid	-53.4	-50.8[1]	-24.7	-16.7[1]
Interest received	42.2	12.5[1]	12.3	5.6[1]
Income tax paid	-470.1	-436.9[1]	-261.4	-253.1[1]
Dividends received	16.0	15.6	16.0	0.4
Depreciation, amortization, impairment and reversal of impairment losses	1,354.0	1,074.2	703.6	538.4
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	-11.9	-41.1	-5.2	-25.9
Gains/losses from the disposal of assets, companies and business operations	-4.3	-8.9	-2.9	-2.2
Changes in				
inventories	-355.6	-402.5	-71.3	-148.2
trade accounts receivable	-255.9	-540.8[1]	183.8	15.5[1]
trade accounts payable	-670.1	55.8[1]	-205.2	102.5[1]
employee benefits and other provisions	-14.1	-154.8	-290.5	-426.9
other assets and liabilities	-409.5	-193.0[1]	-61.7	-75.0[1]
Cash flow arising from operating activities	**743.9**	**1,467.5**	**746.1**	**833.4**
Cash flow from the disposal of assets	15.5	35.8	8.1	10.9
Capital expenditure on property, plant and equipment, and software	-1,293.7	-1,174.4	-728.7	-715.0
Capital expenditure on intangible assets from development projects and miscellaneous	-137.4	-32.5	-62.4	-18.8
Cash flow from the disposal of companies and business operations	0.8	-0.2	0.7	-0.2
Acquisition of companies and business operations	-354.6	-173.8	-226.0	-28.8
Cash flow arising from investing activities	**-1,769.4**	**-1,345.1**	**-1,008.3**	**-751.9**
Cash flow before financing activities (free cash flow)	**-1,025.5**	**122.4**	**-262.2**	**81.5**
Change in indebtedness	1,066.7	1,064.2	1,294.5	676.5
Successive purchases	-70.5	-2.6	-70.5	0.0
Dividends paid	-950.0	-900.0	-950.0	-900.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-24.8	-27.5	-24.4	-21.1
Cash and cash equivalents arising from first-time consolidation of subsidiaries	0.4	0.5	0.0	0.5
Cash flow arising from financing activities	**21.8**	**134.6**	**249.6**	**-244.1**
Change in cash and cash equivalents	**-1,003.7**	**257.0**	**-12.6**	**-162.6**
Cash and cash equivalents at the beginning of the reporting period	2,761.4	1,881.5	1,816.6	2,288.6
Effect of exchange-rate changes on cash and cash equivalents	28.6	-7.0	-17.7	5.5
Cash and cash equivalents at the end of the reporting period	**1,786.3**	**2,131.5**	**1,786.3**	**2,131.5**

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.

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

Consolidated Statement of Changes in Equity

€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from remeasurement of defined benefit plans[3]	Difference from currency translation[4]	Difference from financial instruments[5]	Subtotal	Non-controlling interests	Total
As at January 1, 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	–	–	1,559.7	–	–	–	–	1,559.7	27.6	**1,587.3**
Comprehensive income	–	–	-0.1	–	20.9	39.7	-1.1	59.4	6.5	**65.9**
Net profit for the period	**–**	**–**	**1,559.6**	**–**	**20.9**	**39.7**	**-1.1**	**1,619.1**	**34.1**	**1,653.2**
Dividends paid	–	–	-900.0	–	–	–	–	-900.0	-29.8	**-929.8**
Successive purchases	–	–	–	-1.9	–	–	–	-1.9	-0.1	**-2.0**
Other changes	–	–	–	-1.4	–	–	–	-1.4	–	**-1.4**
As at June 30, 2018	**512.0**	**4,155.6**	**14,359.7**	**-186.6**	**-1,699.8**	**-570.5**	**1.2**	**16,571.6**	**466.0**	**17,037.6**
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	–	–	1,060.0	–	–	–	–	1,060.0	22.3	**1,082.3**
Comprehensive income	–	–	0.0	–	-442.8	122.3	-4.2	-324.7	8.0	**-316.7**
Net profit for the period	**–**	**–**	**1,060.0**	**–**	**-442.8**	**122.3**	**-4.2**	**735.3**	**30.3**	**765.6**
Dividends paid/resolved	–	–	-950.0	–	–	–	–	-950.0	-25.4	**-975.4**
Successive purchases	–	–	–	18.0	–	–	–	18.0	-33.3	**-15.3**
Other changes[7]	–	–	–	0.2	–	–	–	0.2	0.0	**0.2**
As at June 30, 2019	**512.0**	**4,155.6**	**15,807.2**	**-187.4**	**-2,238.3**	**-387.7**	**-7.5**	**17,653.9**	**454.5**	**18,108.4**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of €18.0 million (PY: -€1.6 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: -€1.4 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 €0.0 million (PY: –) in non-realized gains and losses from pension obligations of equity-accounted investees.
4 Includes shareholder's portion of -€0.5 million (PY: –) 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 the cash flow hedges of -€1.1 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 June 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
External sales	4,721.6	3,876.2	4,843.4	5,677.7	3,191.8	–	22,310.7
Intercompany sales	21.4	90.8	26.5	23.8	58.2	-220.7	–
Sales (total)	**4,743.0**	**3,967.0**	**4,869.9**	**5,701.5**	**3,250.0**	**-220.7**	**22,310.7**
EBIT (segment result)	311.6	117.2	224.7	812.2	160.8	-49.9	1,576.6
in % of sales	6.6	3.0	4.6	14.2	4.9	–	7.1
Depreciation and amortization[1]	251.1	254.2	280.4	395.6	170.9	1.8	1,354.0
thereof impairment[2]	1.2	12.0	–	1.4	1.0	–	15.6
Capital expenditure[3]	289.3	295.6	288.6	406.6	127.1	19.1	1,426.3
in % of sales	6.1	7.5	5.9	7.1	3.9	–	6.4
Operating assets as at June 30	5,612.2	4,277.6	6,599.8	7,779.7	3,621.3	-73.0	27,817.6
Number of employees as at June 30[4]	48,585	42,412	48,354	57,813	46,982	469	244,615
Adjusted sales[5]	4,743.0	3,967.0	4,804.0	5,564.0	3,180.4	-220.7	22,037.7
Adjusted operating result (adjusted EBIT)[6]	316.4	151.4	257.8	827.3	247.7	-48.3	1,752.3
in % of adjusted sales	6.7	3.8	5.4	14.9	7.8	–	8.0

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

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

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

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
External sales	4,951.5	3,905.8	4,925.1	5,420.0	3,184.1	–	22,386.5
Intercompany sales	14.9	65.0	15.9	17.1	47.5	-160.4	–
Sales (total)	**4,966.4**	**3,970.8**	**4,941.0**	**5,437.1**	**3,231.6**	**-160.4**	**22,386.5**
EBIT (segment result)	471.1	210.1	400.1	889.1	233.4	-65.6	2,138.2
in % of sales	9.5	5.3	8.1	16.4	7.2	–	9.6
Depreciation and amortization[1]	210.3	216.4	195.4	301.7	149.0	1.4	1,074.2
thereof impairment[2]	–	6.4	-2.7	–	0.2	–	3.9
Capital expenditure[3]	263.5	253.2	189.3	342.2	117.1	9.1	1,174.4
in % of sales	5.3	6.4	3.8	6.3	3.6	–	5.2
Operating assets as at June 30	4,899.3	3,695.9	5,536.9	6,430.3	3,194.7	-36.4	23,720.7
Number of employees as at June 30[4]	48,750	42,608	47,935	55,239	48,350	429	243,311
Adjusted sales[5]	4,966.4	4,040.9	4,861.2	5,437.1	3,228.2	-172.9	22,360.9
Adjusted operating result (adjusted EBIT)[6]	471.1	231.1	408.2	897.9	278.2	-65.6	2,220.9
in % of adjusted sales	9.5	5.7	8.4	16.5	8.6	–	9.9

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 of these figures are not comparable with the figures for the reporting period.

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

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to June 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Sales	**4,743.0**	**3,967.0**	**4,869.9**	**5,701.5**	**3,250.0**	**–220.7**	**22,310.7**
Changes in the scope of consolidation[1]	–	–	–65.9	–137.5	–69.6	–	–273.0
Adjusted sales	**4,743.0**	**3,967.0**	**4,804.0**	**5,564.0**	**3,180.4**	**–220.7**	**22,037.7**
EBITDA	**562.7**	**371.4**	**505.1**	**1,207.8**	**331.7**	**–48.1**	**2,930.6**
Depreciation and amortization[2]	–251.1	–254.2	–280.4	–395.6	–170.9	–1.8	–1,354.0
EBIT	**311.6**	**117.2**	**224.7**	**812.2**	**160.8**	**–49.9**	**1,576.6**
Amortization of intangible assets from purchase price allocation (PPA)	–	5.4	30.4	10.3	45.0	–	91.1
Changes in the scope of consolidation[1]	0.1	–	–0.6	0.5	4.3	–	4.3
Special effects							
Impairment[3]	–	7.7	–	–	–	–	7.7
Restructuring[4]	3.3	5.7	–	6.5	37.6	–	53.1
Gains and losses from disposals of companies and business operations	–	–	–	–	0.0	–	0.0
Other	1.4	15.4	3.3	–2.2	–	1.6	19.5
Adjusted operating result (adjusted EBIT)	**316.4**	**151.4**	**257.8**	**827.3**	**247.7**	**–48.3**	**1,752.3**

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 €1.2 million in the Chassis & Safety segment, €4.3 million in the Powertrain segment, €1.4 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 June 30, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Sales	**4,966.4**	**3,970.8**	**4,941.0**	**5,437.1**	**3,231.6**	**-160.4**	**22,386.5**
Changes in the scope of consolidation[1]	–	70.1	-79.8	–	-3.4	-12.5	-25.6
Adjusted sales	**4,966.4**	**4,040.9**	**4,861.2**	**5,437.1**	**3,228.2**	**-172.9**	**22,360.9**
EBITDA	**681.4**	**426.5**	**595.5**	**1,190.8**	**382.4**	**-64.2**	**3,212.4**
Depreciation and amortization[2]	-210.3	-216.4	-195.4	-301.7	-149.0	-1.4	-1,074.2
EBIT	**471.1**	**210.1**	**400.1**	**889.1**	**233.4**	**-65.6**	**2,138.2**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	5.9	25.4	8.8	44.8	–	84.9
Changes in the scope of consolidation[1]	–	8.7	-11.7	–	-0.2	–	-3.2
Special effects							
Impairment[3]	–	6.4	0.2	–	–	–	6.6
Restructuring[4]	–	–	-2.9	–	0.2	–	-2.7
Gains and losses from disposals of companies and business operations	–	–	–	–	–	–	–
Other	–	–	-2.9	–	–	–	-2.9
Adjusted operating result (adjusted EBIT)	**471.1**	**231.1**	**408.2**	**897.9**	**278.2**	**-65.6**	**2,220.9**

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 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 €0.2 million in the ContiTech segment and a reversal of impairment losses of €2.9 million in the Interior segment.

Reconciliation of EBIT to net income

	January 1 to June 30		Second Quarter	
€ millions	**2019**	2018	**2019**	2018
Chassis & Safety	311.6	471.1	164.4	218.2
Powertrain	117.2	210.1	56.3	110.7
Interior	224.7	400.1	111.8	215.6
Tires	812.2	889.1	398.2	493.6
ContiTech	160.8	233.4	64.8	111.5
Other/Holding/Consolidation	-49.9	-65.6	-42.2	-30.6
EBIT	**1,576.6**	**2,138.2**	**753.3**	**1,119.0**
Financial result	-98.0	-111.1	-44.5	-62.8
Earnings before tax	**1,478.6**	**2,027.1**	**708.8**	**1,056.2**
Income tax expense	-396.3	-439.8	-213.9	-220.4
Net income	**1,082.3**	**1,587.3**	**494.9**	**835.8**
Non-controlling interests	-22.3	-27.6	-10.1	-13.7
Net income attributable to the shareholders of the parent	**1,060.0**	**1,559.7**	**484.8**	**822.1**

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 June 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 June 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 June 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:

- At the date of first-time adoption, Continental as lessee measures the lease liability at the present value of the lease payments not yet made. It is recognized under indebtedness. Discounting is determined using term- and currency-specific incremental borrowing rates on January 1, 2019, as the interest rates underlying the leases often cannot be determined.

- The right-of-use asset recognized by the lessee at the date of first-time adoption is measured at cost. This amount comprises the corresponding lease liability and prepaid lease payments, taking any lease incentives received into account. It is recognized in property, plant and equipment. Depreciation is charged on a straight-line basis.

- The lease liability is subsequently measured according to the effective interest method. The resulting interest expenses are recognized in the financial result.

- Continental utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value.

- Continental does not remeasure the leases existing as at the date of first-time adoption.

- When determining the lease term with regard to extension or termination options, Continental as lessee uses hindsight in connection with the measurement.

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

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

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

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

- In total, right-of-use assets of €1,734.9 million and financial liabilities of €1,742.4 million were recognized from leases. €284.9 million of the latter are allocated to short-term indebtedness and €1,457.5 million to long-term indebtedness. The difference from the change in net indebtedness due to the first-time adoption of IFRS 16 is attributable to liabilities from finance leases in accordance with IAS 17 that were already accounted for as at December 31, 2018.

- The difference of €7.5 million results from the reclassification of assets and lease liabilities that were previously classified as finance leases under IAS 17 and from prepaid lease payments and lease incentives received.

- The difference between the obligations from leases in accordance with IAS 17 as at December 31, 2018, and the opening carrying amount in accordance with IFRS 16 as at January 1, 2019, amounts to €189.6 million. In addition to the effect from the discounting of operating leases in accordance with IAS 17, the amount results primarily from the use of exemptions for short-term and low-value leases and from the different treatment of extension options.

- The obligations from operating leases in accordance with IAS 17 existing before the first-time adoption of IFRS 16 were discounted by a weighted-average incremental borrowing rate of 2.35% as at January 1, 2019.

- As lessee, Continental has recognized assets and liabilities for the following classes of property, plant and equipment, mainly from operating leases:

€ millions	June 30, 2019	January 1, 2019
Land and buildings	1,629.9	1,637.9
Technical equipment and machinery	9.0	8.1
Other equipment, factory and office equipment	83.8	88.9
	1,722.7	**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 576 (PY: 533) 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, 445 (PY: 413) are fully consolidated and 131 (PY: 120) are accounted for using the equity method.

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

Since June 30, 2018, the number of consolidated companies has increased by a total of 43. The additions to the scope of consolidation essentially resulted from companies that were newly founded as part of the transformation of the Powertrain division into an independent group of legal entities. Companies no longer included in the scope of consolidation are mostly attributable to liquidations and mergers.

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

Two asset deals and one share deal took place in the Tire segment. The purchase prices totaling €0.7 million were paid in cash. The purchase price allocations resulted in intangible assets of €0.3 million and a bargain purchase effect of €2.2 million, which was recognized in profit or loss under other income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at June 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 June 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 important key segment of intelligent vehicle antennas. The purchase price for Kathrein Automotive GmbH totals €107.1 million and was paid in cash. The total incidental acquisition costs incurred were recognized as other expenses in the amount of €0.5 million in fiscal 2018 and €0.8 million in fiscal 2019. The provisional purchase price allocation resulted in goodwill of €38.9 million and intangible assets of €93.7 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 €62.5 million and, taking into account the effects of purchase price allocation, contributed net income after tax of €9.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at June 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 resulted in goodwill of €67.2 million and intangible assets of €72.2 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 €69.6 million. Taking into account the effects of purchase price allocation and incurred integration costs, the business has contributed net income after tax 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 June 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 June 30, 2019

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Germany	955.0	790.6	1,298.2	753.8	649.9	-127.0	4,320.5
Europe excluding Germany	1,080.5	1,125.3	1,352.8	2,314.9	851.7	-35.0	6,690.2
North America	1,172.1	954.7	1,171.3	1,521.3	1,021.8	-40.1	5,801.1
Asia	1,458.5	1,036.7	927.2	748.6	529.1	-14.9	4,685.2
Other countries	76.9	59.7	120.4	362.9	197.5	-3.7	813.7
Sales by region	**4,743.0**	**3,967.0**	**4,869.9**	**5,701.5**	**3,250.0**	**-220.7**	**22,310.7**
Automotive original-equipment business	4,508.0	3,929.1	4,368.7	1,642.0	1,638.3	-167.4	15,918.7
Industrial/replacement business	235.0	37.9	501.2	4,059.5	1,611.7	-53.3	6,392.0
Sales by customer type	**4,743.0**	**3,967.0**	**4,869.9**	**5,701.5**	**3,250.0**	**-220.7**	**22,310.7**

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

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Holding/ Consolidation	Continental Corporation
Germany	1,049.6	765.3	1,351.6	803.5	733.4	-89.8	4,613.6
Europe excluding Germany	1,141.7	1,120.7	1,358.4	2,281.7	879.8	-31.6	6,750.7
North America	1,115.0	878.7	1,064.2	1,365.8	860.9	-22.2	5,262.4
Asia	1,583.6	1,145.7	1,005.3	630.0	562.7	-13.3	4,914.0
Other countries	76.5	60.4	161.5	356.1	194.8	-3.5	845.8
Sales by region	**4,966.4**	**3,970.8**	**4,941.0**	**5,437.1**	**3,231.6**	**-160.4**	**22,386.5**
Automotive original-equipment business	4,964.8	3,929.2	4,474.7	1,627.2	1,673.4	-124.4	16,544.9
Industrial/replacement business	1.6	41.6	466.3	3,809.9	1,558.2	-36.0	5,841.6
Sales by customer type	**4,966.4**	**3,970.8**	**4,941.0**	**5,437.1**	**3,231.6**	**-160.4**	**22,386.5**

Impairment

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

There were no indications of impairment from the transformation of the Powertrain division into an independent group of legal entities.

Income tax expense

Income tax expense in the first half of 2019 amounted to €396.3 million (PY: €439.8 million). The tax rate in the reporting period amounted to 26.8% (PY: 21.7%).

Long-term employee benefits

Compared to December 31, 2018, the remeasurement of defined benefit pension plans as at June 30, 2019, led to a €460.9 million decrease (PY: €35.9 million increase) in other comprehensive income, which resulted from a decline (PY: rise) in discount rates. The corresponding decrease in equity contrasted with a rise in long-term employee benefits of €656.0 million (PY: fall of €47.4 million).

Cash changes in pension and similar obligations
Pension funds exist solely for pension obligations – particularly in Germany, the U.S.A., Canada and the U.K. – and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to June 30, 2019, the companies of the Continental Corporation made regular payments of €32.6 million (PY: €33.4 million) into these pension funds.

Payments for pension obligations totaled €118.2 million (PY: €102.3 million) in the period from January 1 to June 30, 2019. Payments for obligations similar to pensions totaled €7.6 million (PY: €7.2 million).

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

	January 1 to June 30, 2019						January 1 to June 30, 2018					
€ millions	**Germany**	**U.S.A.**	**Canada**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	Canada	U.K.	Other	Total
Current service cost	109.7	2.0	0.8	1.0	12.0	**125.5**	111.6	2.5	0.8	1.2	11.0	127.1
Interest on defined benefit obligations	44.9	22.0	1.9	5.1	5.3	**79.2**	39.3	19.0	1.8	4.7	4.8	69.6
Expected return on the plan assets	-11.3	-19.8	-1.6	-5.4	-2.8	**-40.9**	-11.2	-13.3	-1.5	-4.8	-2.4	-33.2
Effect of change of asset ceiling	—	—	—	—	0.1	**0.1**	—	—	—	—	0.1	0.1
Other pension income and expenses	—	0.8	0.2	—	0.0	**1.0**	—	0.6	0.2	—	-0.1	0.7
Net pension cost	**143.3**	**5.0**	**1.3**	**0.7**	**14.6**	**164.9**	**139.7**	**8.8**	**1.3**	**1.1**	**13.4**	**164.3**

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 June 30	
€ millions	**2019**	2018
Current service cost	0.6	0.7
Interest on healthcare and life-insurance benefit obligations	4.0	3.6
Net cost of obligations similar to pensions	**4.6**	**4.3**

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 for 76% of the volume.

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

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021 and had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €689.7 million at the end of June 2019 (PY: —).

For more information on indebtedness and the financial result, please refer to the Corporate Management Report as at June 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 June 30, 2019	Fair value as at June 30, 2019	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	195.9	195.9	–	–	195.9
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	7.6	7.6	–	7.6	–
Debt instruments	FVPL	30.4	30.4	20.5	9.9	–
Debt instruments	at cost	178.9	178.9	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	8,062.3	8,062.3	–	–	–
Bank drafts	FVOCIwR	347.6	347.6	–	347.6	–
Other financial assets						
Other financial assets	FVPL	30.0	30.0	–	30.0	–
Miscellaneous financial assets	at cost	205.6	205.6	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	1,683.9	1,683.9	–	–	–
Cash and cash equivalents	FVPL	102.4	102.4	76.8	25.6	–
Financial assets		**10,844.6**	**10,844.6**	**97.3**	**420.7**	**195.9**
Indebtedness without lease liabilities[1]						
Derivative instruments not accounted for as effective hedging instruments	FVPL	8.1	8.1	–	8.1	–
Other indebtedness	at cost	5,915.7	5,974.6	1,380.7	1,315.0	–
Trade accounts payable	at cost	6,956.3	6,956.3	–	–	–
Other financial liabilities	at cost	948.3	948.3	–	1.0	–
Financial liabilities without lease liabilities[1]		**13,828.4**	**13,887.3**	**1,380.7**	**1,324.1**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		347.6				
Financial assets (FVOCIwoR)		195.9				
Financial assets (FVPL)		170.4				
Financial assets (at cost)		10,130.7				
Financial liabilities (FVPL)		8.1				
Financial liabilities (at cost)		13,820.3				

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

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

Contingent liabilities and other financial obligations
The risk assessment as at June 30, 2019, identified a number of potential guarantee cases that are currently less than likely to occur. Other than this, there were no material changes in the contingent liabilities and other financial obligations as at June 30, 2019, 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 €5.30 (PY: €7.80) in the first half of 2019 and to €2.42 (PY: €4.11) in the period from April 1 to June 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 in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz, AktG)* on the German Corporate Governance Code by the Executive Board and Supervisory Board of Continental AG is made permanently available to shareholders on Continental's website. Earlier declarations in accordance with Section 161 *AktG* can also be found there.

Significant Events after June 30, 2019

There were no significant events after June 30, 2019.

Hanover, July 22, 2019

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company's Legal Representatives

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

Hanover, July 22, 2019

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed interim consolidated financial statements of Continental Aktiengesellschaft – comprising the consolidated statement of financial position, consolidated statement of income and comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and explanatory notes to the consolidated financial statements – together with the interim corporate management report of Continental Aktiengesellschaft, Hanover, for the period from January 1 to June 30, 2019, that are part of the semi-annual report according to Section 115 *WpHG*. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim corporate management report in accordance with the requirements of the *WpHG* applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim corporate management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim corporate management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim corporate management report has not been prepared, in material respects, in accordance with the requirements of the *WpHG* applicable to interim corporate management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim corporate management report has not been prepared, in material respects, in accordance with the requirements of the *WpHG* applicable to interim corporate management reports.

Hanover, July 30, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. K. Tonne	A. Modder
Wirtschaftsprüfer	Wirtschaftsprüfer

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

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

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

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

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