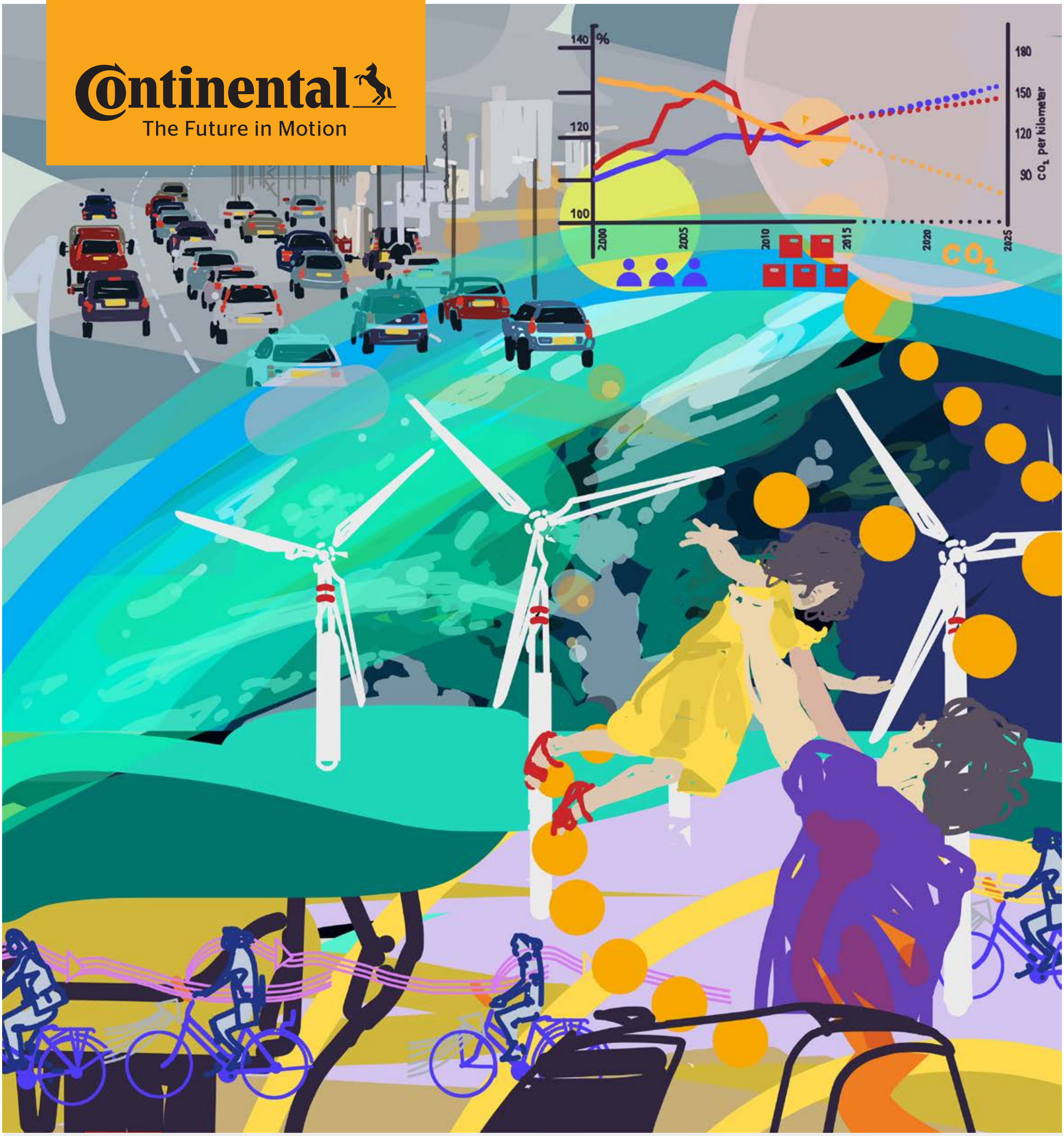
Continental
The Future in Motion



Q3

Financial Report
as at September 30, 2018

Continental Shares and Bonds

Turbulence on stock markets worldwide

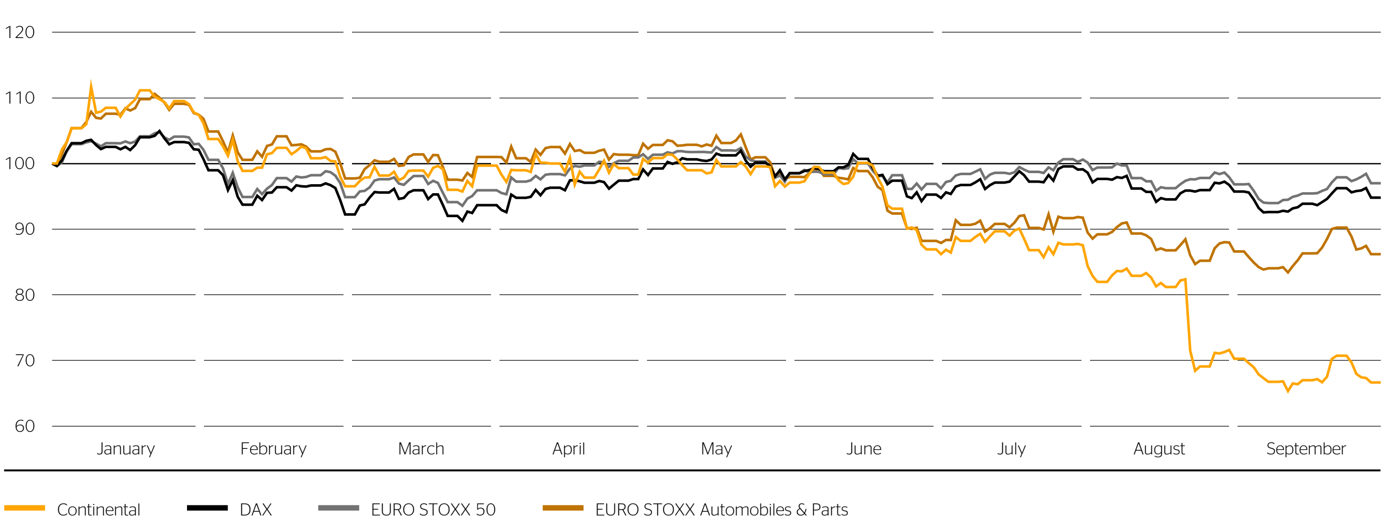
Thanks to good U.S. economic data, the U.S. benchmark indexes continued their multi-year upward trend at the start of the year, setting records almost every day during January 2018. The rally on the U.S. stock markets caused share prices in Europe and Asia to rise as well. However, the indication by the U.S. Federal Reserve (Fed) at the end of January 2018 that it would implement three interest-rate hikes in the current year and three in 2019 increased fears of rising interest rates and prompted prices to fall on the U.S. bond markets. Prices on the stock markets in the U.S.A., Europe and Asia also consequently recorded substantial losses of up to one-tenth. After a temporary stabilization in the second half of February, the announcements by the U.S.A. that it would impose import tariffs on steel and aluminum products and on various Chinese products caused prices to fall again on the stock markets in early March and at the end of March. In addition, the capital markets were again negatively impacted by interest rate fears due to increased inflation in the U.S.A. At the end of March, the DAX hovered around the 12,000-point mark. It closed the first quarter of 2018 at 12,096.73 points, down 6.4% on the end of 2017. The EURO STOXX 50 declined by 4.1% to 3,361.50 points in the first quarter.

In early April 2018, reports that the U.S. and Chinese governments were willing to negotiate in the trade conflict ushered in a recovery phase on the stock markets. At the end of May, the U.S. government's announcement that it was examining import tariffs on cars took the global stock markets by surprise and had a particularly negative impact on the share prices of automotive manufacturers. Furthermore, the failure to form a government in Italy provoked fears of a new euro crisis. At the start of June, another upswing in U.S. technology stocks brought about an improvement in general sentiment on the markets. European stocks also benefited from the announcement by the European Central Bank (ECB) that it would not change its key interest rate, keeping it at 0.0% until well into 2019, and that it would only scale back its bond-buying program significantly. However, the U.S. government's announcement that it would enforce extensive import tariffs on Chinese goods in the third quarter unsettled the stock markets again in the second half of June. This had a negative impact on the Chinese stock markets in particular, which dropped more than 10% in June and thus posted price decreases of around 20% from the end of January. By contrast, most of the European stock markets closed the second quarter at the same level as at the start of the quarter. At the end of June, the EURO STOXX 50 posted an increase of 1.0% for the second quarter to 3,395.60 points. In the second quarter of 2018, the DAX marked an increase of 1.7% and was quoted at 12,306.00 points at the end of June.

In July 2018, the stock markets in the U.S.A. and in Europe stabilized thanks to data reflecting a good economic trend. There were also positive effects at the end of July when the U.S.A. and the EU agreed for the time being that they would not introduce any new import tariffs and that they wanted to reduce existing ones in the future. This was followed at the end of August by the new trade deal between the U.S.A. and Mexico, which Canada later accepted. During the quarter, U.S. stock markets reached record levels again, boosted by the continuing rise in U.S. technology stocks. By contrast, the European stock markets were negatively impacted in August and September by weaker economic data, new concerns about Italy's budget policy, increasing depreciation of the currencies of several emerging countries, particularly Turkey, and further escalation of the trade dispute between the U.S.A. and China. The DAX fluctuated between 11,900 and 12,900 points during the quarter. At the end of September, it was at 12,246.73 points, which meant it had fallen by 0.5% in the third quarter of 2018 and by a total of 5.2% since the start of the year. The EURO STOXX 50 ranged between 3,300 and 3,550 points in the third quarter, ending September at 3,399.20 points, 0.1% higher than at the end of June and 3.0% lower than at the start of the year.

In October 2018, increasing fears of rising interest rates, particularly in the U.S.A.; the further escalation of trade conflicts; and

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2018



	September 30, 2018	in % vs. December 31, 2017
Continental shares (Xetra price)	149.95	–33.4
DAX	12,246.73	–5.2
EURO STOXX 50	3,399.20	–3.0
EURO STOXX Automobiles & Parts	511.57	–13.8

weaker economic data and expectations for Europe, China and South America caused prices to fall significantly on stock markets around the world. Furthermore, in Europe, the prices of Italian and Greek bank stocks slumped as a result of growing concerns about credit risks in Italy and Greece in view of high debts and rising interest rates. This also had a negative impact on other European bank stocks and the European stock markets in general. On October 22, 2018 – the closing date of this report – the DAX closed trading at 11,524.34 points. The EURO STOXX 50 fell to 3,190.09 points.

Automotive stock prices decline in reporting period

European automotive and supplier stocks benefited in January 2018 from the generally positive market sentiment and several buy recommendations from various analysts. Companies' initial business figures for the fourth quarter of 2017 also provided a boost. In addition to the general market turbulence, prices for the European automotive sector were also dragged down during the first quarter by declining sales and production figures for the U.S. and European car markets as well as the threat of bans on diesel cars. The EURO STOXX Automobiles & Parts closed at 599.25 points at the end of March, having increased by around 10% to over 650 points in January 2018. This equated to a rise of 1.0% in the first quarter of 2018 compared to the end of the previous year.

In the second quarter, the automotive sector initially benefited from the general price recovery and from the Chinese government's announcement that it would lower its import tariffs for foreign automotive manufacturers from 25% to 15% starting in July. The U.S. government's announcement that it was examining import tariffs on cars ended the recovery phase and resulted in falling share prices of automotive manufacturers and suppliers worldwide in late May. In addition to the escalation in the trade conflict between the U.S.A. and China, reports from German automotive manufacturers regarding constraints of their production as a result of the transition to the new exhaust-gas test procedure WLTP (Worldwide Harmonized Light Vehicles Test Procedure) and several profit warnings for German automotive stocks caused a slump of around 10% in the sector in the second half of June. The EURO STOXX Automobiles & Parts fell by a total of 12.6% in the second quarter of 2018.

In July, stocks in the European automotive sector initially recovered as a result of the general market stabilization and thanks to the avoidance of U.S. import tariffs on European cars. Over the remainder of the quarter, however, further profit warnings in the automotive sector caused share prices to fall. The main reasons cited in the warnings were lower production volumes in Europe as a result of the transition to WLTP and declining sales and production volumes in China. In the third quarter of 2018, the EURO STOXX Automobiles & Parts was down again, falling 2.3%. Overall, there was a price decrease of 13.8% to 511.57 points in the first nine months of 2018.

Significant decline in the price of Continental shares

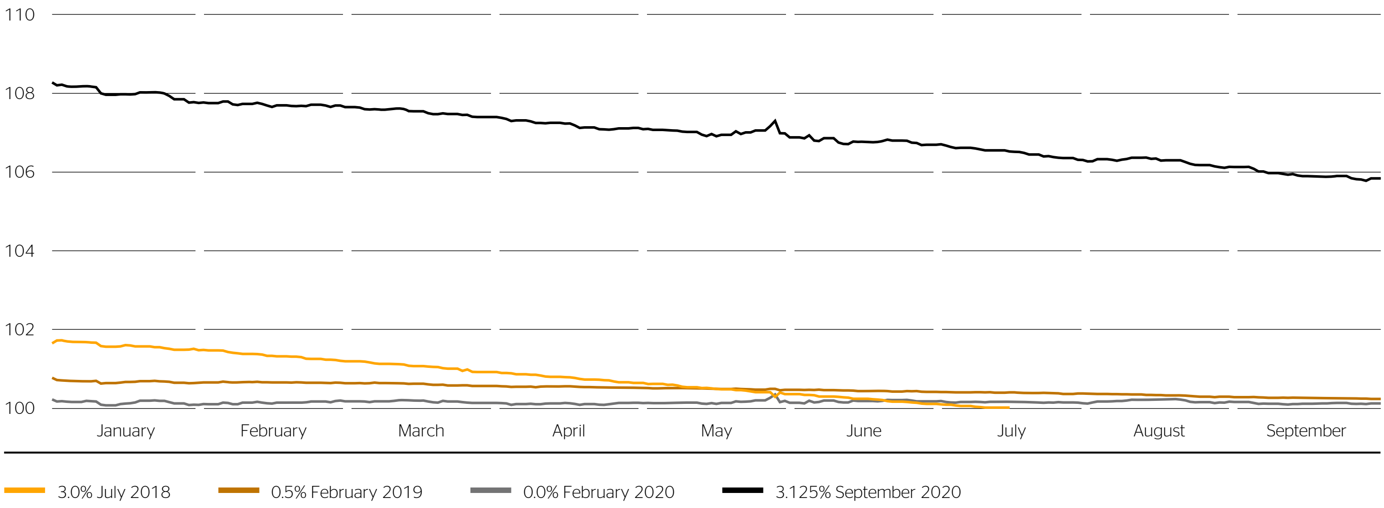
In the first trading days of 2018, Continental shares rose from €225.05 at the end of 2017 to more than €230 as a result of several buy recommendations from analysts. During the course of January 9, 2018, media reports about a major reorganization of the Continental Corporation caused the Continental share price to soar to €257.40, a new all-time high. On the same day, Continental confirmed that it was at an early stage of analysis and that it was not yet possible to say if or what changes could result from the various scenarios. In subsequent trading days, Continental shares sank initially to €240, before renewed buy recommendations and price target increases by several analysts nudged the price back up to around €250. In February and March 2018, Continental shares performed largely in line with the automotive sector, closing the first quarter of 2018 at €224.30, down 0.3% from their price of €225.05 at the end of 2017.

Continental shares mostly followed the trend in the European automotive sector in the second quarter as well. The change of the 2018 outlook for the Continental Corporation on April 18, 2018, only temporarily impacted the price of Continental shares. They ended June 2018 at €195.55, having fallen in value by 12.8% in the second quarter.

At the start of the third quarter, Continental shares also benefited from the slight recovery of automotive stocks in Europe. The announcement on July 18 of the reorganization of Continental AG and the transformation of the Powertrain division into an independent group of legal entities resulted in a slight decrease in the price of Continental shares in the following days. Another change to the 2018 guidance for the Continental Corporation on August 22 caused the Continental share price to fall by 13.2%. The share price decreased further in the following weeks as a result of weaker market data, particularly from China, and further profit warnings from the sector. At the end of September, Continental shares were quoted at €149.95. This corresponded to a decline of 23.3% in the third quarter. Compared to the end of 2017, the price loss in the reporting period came to 33.4%.

In October 2018, the tightening of 2030 EU emission limits and further profit warnings from manufacturers and suppliers had a negative impact on stocks in the European automotive sector. Continental shares also posted further decreases. On October 22, 2018 – the closing date of this report – they ended trading at €133.30.

Price performance of Continental bonds in the reporting period



Continental bonds continues at low yield level

As in the previous year, Continental bonds persisted at a low yield level during the first nine months of 2018. The fluctuations on the bond markets and the slight rise in interest rates for corporate bonds had only a marginal impact on the prices of Continental bonds. At the end of September 2018, the 0.5% euro bond maturing on February 19, 2019, was quoted at 100.244%, down 53.2 basis points compared to the end of 2017. The price of the 0.0% euro bond maturing on February 5, 2020, was slightly above the 100% mark during the reporting period. On September 30, 2018, it was quoted at 100.127%, down 10.0 basis points compared to the end of 2017. The 3.125% euro bond maturing on September 9, 2020, decreased by 243.3 basis points in the period under review as a result of the reduction in its remaining maturity and was quoted at 105.839% at the end of September 2018.

3.0% euro bond redeemed on July 16, 2018

During the reporting period, the price of the 3.0% euro bond of Continental AG, which matured on July 16, 2018, continued to fall toward the 100% mark. The nominal value of €750.0 million was repaid on the maturity date.

Market turbulence leads to rising CDS premiums

The premiums for insuring against credit risks (credit default swap, CDS) remained largely unchanged at a very low level in January 2018. In parallel with the rising interest rates on the bond markets and the turbulence on the stock markets, the CDS premiums for corporate bonds also increased over the following months. The Markit iTraxx Europe rose by 24 basis points to 68.806 basis points as at September 30, 2018 (44.776 basis points as at December 31, 2017).

The five-year CDS premium for Continental fell from 32.563 basis points at the end of 2017 to below 30 basis points briefly at the end of January 2018. Over the remainder of the reporting period, it rose in line with its reference index Markit iTraxx Europe. Risk premiums for automotive stocks rose further in September as a result of the sector's weakness. At the end of September, the five-year CDS premium for Continental exceeded its reference index again for the first time in three years and came to 75.515 basis points, around 43 basis points up on the end of 2017. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to 6.709 basis points as at September 30, 2018. As at December 31, 2017, it had amounted to -12.213 basis points.

Continental's credit rating unchanged

The three major rating agencies each confirmed or maintained their credit ratings for Continental AG during the reporting period.

September 30, 2018	Rating	Outlook
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB+	stable
Moody's[3]	Baa1	stable

December 31, 2017	Rating	Outlook
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB+	stable
Moody's[3]	Baa1	stable

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Non-contracted rating since February 1, 2014.

Continental Investor Relations online

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

In addition, updates about Continental are also available on Twitter at @Continental_IR.

Key Figures for the Continental Corporation

Due to the application of the modified retrospective approach during the first-time adoption of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, as at January 1, 2018, all the following figures from comparative periods are shown unadjusted.

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Sales	33,174.3	32,725.6	10,787.8	10,692.7
EBITDA	4,624.2	4,873.1	1,411.8	1,582.2
in % of sales	13.9	14.9	13.1	14.8
EBIT	2,989.8	3,304.9	851.6	1,037.5
in % of sales	9.0	10.1	7.9	9.7
Net income attributable to the shareholders of the parent	2,185.8	2,224.1	626.1	729.1
Basic earnings per share in €	10.93	11.12	3.13	3.64
Diluted earnings per share in €	10.93	11.12	3.13	3.64
Adjusted sales[1]	33,065.9	32,704.7	10,778.6	10,678.8
Adjusted operating result (adjusted EBIT)[2]	2,992.0	3,435.1	771.8	1,104.4
in % of adjusted sales	9.0	10.5	7.2	10.3
Free cash flow	-4.9	472.0	-127.3	180.2
Net indebtedness as at September 30	2,995.1	3,297.9		
Gearing ratio in %	16.9	21.0		
Number of employees as at September 30[3]	244,582	233,270		

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

	January 1 to September 30		Third Quarter	
Automotive Group in € millions	**2018**	2017	**2018**	2017
Sales	20,203.4	19,759.7	6,411.2	6,344.3
EBITDA	2,396.1	2,428.5	692.7	774.7
in % of sales	11.9	12.3	10.8	12.2
EBIT	1,445.5	1,531.1	364.2	451.6
in % of sales	7.2	7.7	5.7	7.1
Depreciation and amortization[1]	950.6	897.4	328.5	323.1
thereof impairment[2]	12.1	30.9	8.4	28.3
Capital expenditure[3]	1,229.8	1,079.6	523.8	405.6
in % of sales	6.1	5.5	8.2	6.4
Operating assets as at September 30	14,392.4	12,970.8		
Number of employees as at September 30[4]	141,037	132,156		
Adjusted sales[5]	20,193.8	19,750.1	6,407.2	6,334.7
Adjusted operating result (adjusted EBIT)[6]	1,381.1	1,602.3	257.5	491.4
in % of adjusted sales	6.8	8.1	4.0	7.8

	January 1 to September 30		Third Quarter	
Rubber Group in € millions	**2018**	2017	**2018**	2017
Sales	13,011.8	13,003.3	4,390.0	4,361.1
EBITDA	2,323.4	2,538.7	750.2	845.7
in % of sales	17.9	19.5	17.1	19.4
EBIT	1,641.9	1,869.0	519.4	624.5
in % of sales	12.6	14.4	11.8	14.3
Depreciation and amortization[1]	681.5	669.7	230.8	221.2
thereof impairment[2]	0.2	0.1		0.1
Capital expenditure[3]	714.1	713.2	254.8	230.1
in % of sales	5.5	5.5	5.8	5.3
Operating assets as at September 30	9,846.6	9,489.4		
Number of employees as at September 30[4]	103,103	100,680		
Adjusted sales[5]	12,913.0	12,992.0	4,384.8	4,356.8
Adjusted operating result (adjusted EBIT)[6]	1,708.5	1,928.0	546.3	651.6
in % of adjusted sales	13.2	14.8	12.5	15.0

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

Corporate Management Report

Personnel
On September 27, 2018, the Supervisory Board of Continental AG reappointed Dr. Elmar Degenhart, the current CEO, for a further five years, until August 11, 2024. In addition, the appointment of José A. Avila as member of the Executive Board was terminated by mutual agreement effective September 30, 2018. Until his contract expires as scheduled on December 31, 2019, José A. Avila will assume advisory duties, including primarily the further development and implementation of Continental's strategy in the fields of battery technology and electrification technologies. He reports directly to the CEO in this role.

Continental realigns for the mobility of the future
On July 18, 2018, we announced that Continental would be realigning for the mobility of the future. A holding structure of Continental AG will be created under the new "Continental Group" umbrella brand. It will be supported by the three "group sectors": "Continental Rubber," "Continental Automotive" and "Powertrain." The reporting structure and the new names are to be used starting 2020.

Furthermore, the Chassis & Safety and Interior divisions will be reorganized by the beginning of 2020. They will become two business areas newly named "Autonomous Driving Technologies" and "Vehicle Networking Technologies," with their business results being reported under the new "Continental Automotive" group sector. The two areas will be supported by a newly created central "Automotive Research and Development" function.

The independent organizational structure of the two current divisions Tires ("Tire Technologies" in the future) and ContiTech will remain unchanged. Their business results will be reported in the future "Continental Rubber" group sector.

As part of the realignment, the Powertrain division will be transformed into an independent group of legal entities with a new name at the beginning of 2019. In addition to the combustion engine business, our future "Powertrain" group sector will continue to be in charge of all future business involving hybrid and electric drive systems and all current battery activities. At the same time, we are preparing a partial initial public offering (IPO) for the new Powertrain company, which could take place possibly beginning mid-2019. Continental does not, however, plan to relinquish control of the Powertrain business in the medium or long term.

Groundbreaking ceremony for first plant in Lithuania
On July 20, 2018, we celebrated the groundbreaking ceremony for our first plant in Kaunas, Lithuania. From the second half of 2019, the new plant will manufacture electronic components for the European market.

Cooperation with artificial intelligence research group
On July 30, 2018, we announced that we were expanding our global artificial intelligence (AI) research network in Silicon Valley. Building on the momentum of partnerships with the University of Oxford, DFKI (German Research Center for Artificial Intelligence) and other AI thought leaders, a five-year agreement was signed with the AI research group Berkeley DeepDrive (BDD) at the University of California. The research partnership focuses on optimizing the speed of neural networks in the car, as well as protecting AI systems in safety-critical applications.

Expansion of tire sales network in Australia
On August 13, 2018, we announced the acquisition of Kmart Tyre and Auto Service (KTAS), one of Australia's largest tire and auto service suppliers, for a purchase price of AU$350 million. With this acquisition, we are reinforcing our tire dealership network in Australia substantially. KTAS is being sold by Wesfarmers Limited of Australia. With a current total of 258 branches, KTAS is well represented above all in the country's densely populated coast regions. The company, which has more than 1,200 employees, is based in Sydney. The core business of KTAS comprises passenger and light commercial vehicle tire sales and service, inspections and maintenance.

Partnership for highly automated driving for trucks
On September 19, 2018, our partnership with Knorr-Bremse AG, Munich, Germany, to develop a complete system solution for highly automated driving (HAD) for commercial vehicles was announced. In the future, HAD solutions will be offered for standard truck productions of any size. The cooperation comprises all functions for driver assistance and highly automated driving. The system consists of vehicle surroundings monitoring, drive planning and decision-making, as well as the control of the actuator systems in the vehicle (such as steering and brakes) and human-machine interaction for the exchange of information between man and vehicle.

Efficient, low-NO_x truck emissions technology
In September 2018 at the 67th IAA Commercial Vehicles, we presented solutions for highly efficient exhaust aftertreatment in trucks. The aim of these technologies is to convert nitrogen oxides (NO_x conversion) into harmless emissions more efficiently. The challenge centers on ensuring that the exhaust aftertreatment system reaches – and maintains – an efficient working temperature as quickly as possible after the engine is started. The possibilities for integrating catalysts and filters differ greatly, however, from vehicle to vehicle. Not all models offer scope for close-coupled mounting of the catalyst and filter. For some models such a configuration may be out of question for many years to come, due to the long design cycles of heavy-duty truck frames. Continental has therefore developed solutions that make it possible to achieve further improvements in NO_x conversion efficiency whichever of these two situations applies.

Continental winter tires rated highly
Continental products once again fared very well in this year's tests carried out by trade magazines. The WinterContact TS 860 tire for the mid-size and compact class was the ADAC test winner, in the sizes 175/65 R14 and 205/55 R16. The WinterContact TS 850 P tire in the size 245/40 R18 for sports cars landed first place in the tests carried out by the *Sportauto* and *Sportcars* magazines. In the size 225/55 R17, it was ranked "exemplary" in the *AutoBild Allrad* test. The VanContact commercial tire in the size 225/70 R15 was the only product to be ranked "recommended" by the *Promobil* trade magazine.

Economic Report

Macroeconomic development

The German economy has recorded sound growth over the course of the year. According to the latest data, gross domestic product (GDP) grew by 2.1% year-on-year in the first quarter of 2018 and by 2.0% in the second quarter. There was particularly significant growth in private investment, while public and consumer spending saw a below-average increase. However, the appreciation of the euro and the slowdown in global trade reduced German exports and the German foreign trade surplus. Economists currently anticipate slower growth in the third and fourth quarters. In its World Economic Outlook in October, the International Monetary Fund (IMF) lowered its estimate for GDP growth in Germany by 0.3 percentage points and is now forecasting growth of 1.9% for 2018.

GDP in the eurozone grew by 2.4% year-on-year in the first quarter of 2018 and by 2.1% in the second quarter according to current data. For the third and fourth quarters, experts now also expect a slight slowdown in growth in the eurozone. Economic development was boosted further by the monetary policy of the European Central Bank (ECB), which continued to adhere to its expansionary measures in the reporting period despite the rise in inflation. However, in September it affirmed that it would terminate its bond-buying program at the end of 2018 if available data backs up the medium-term inflation outlook. In October, the IMF lowered its estimate for GDP growth in the eurozone in 2018 from 2.2% to 2.0%.

The U.S. economy achieved year-on-year growth of 2.6% in the first quarter of 2018. Growth was driven primarily by increasing private investment as a result of the corporate tax cut in the previous year. In the second quarter, consumer spending also picked up. Government spending and exports likewise increased. In the third and fourth quarters, economists still expect the economic development to continue. In this context, the U.S. Federal Reserve (Fed) increased the key interest rate again in March, June and September and raised the prospect of further increases in December and also in 2019. In October 2018, the IMF confirmed its estimate of 2.9% for GDP growth in the U.S.A. for the current year.

In Japan, GDP grew by 1.0% year-on-year in the first quarter of 2018, boosted by private investment and the positive foreign trade balance. The growth rate increased to 1.3% in the second quarter. There was a further rise in private investment in particular, while consumer spending also increased. However, experts expect growth to drop off in the third and fourth quarters as a result of the slowdown in global trade. In October, the IMF raised its GDP forecast for Japan from 1.0% to 1.1% for 2018 as a result of the better development in the second quarter.

The Chinese economy chiefly benefited from the substantial increase in consumer spending in the reporting period. By contrast, the positive foreign trade balance declined due to the escalation of the trade conflict with the U.S.A. After 6.8% for the first quarter of 2018 and 6.7% for the second quarter, GDP growth of 6.5% year-on-year was recorded for the third quarter. For the year as a whole, the IMF still anticipates growth of 6.6% in October.

In India, GDP increased year-on-year by 7.7% in the first quarter of 2018 following the previous year's economic reforms. Due to the weaker equivalent quarter of the previous year, the growth rate increased to 8.2% in the second quarter. Growth of over 7% is anticipated for the following quarters, too. In October, the IMF maintained its GDP forecast of 7.3% for India for 2018. The IMF also still anticipates GDP growth of 1.7% for Russia for 2018. For Brazil, it has lowered its GDP forecast again from 1.8% to 1.4%. With regard to emerging and developing economies, the IMF lowered its growth forecast for the current year from 4.9% to 4.7% in October.

As a result, the IMF also lowered its growth forecast for the global economy for 2018 by 0.2 percentage points to 3.7% in its October estimate. The IMF notes that economic growth has passed its peak in several economies. According to the IMF, risks include an intensification of the various trade conflicts in which the U.S.A. is involved and higher inflation, which would require many central banks to tighten their expansionary monetary policy to a greater extent than expected. Stricter financing conditions could lead to further currency turbulence and return flows of capital from emerging markets. In view of the growing risks, the IMF advises countries to build up their fiscal reserves and strengthen their financial resilience for an environment of higher market volatility.

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) rose by 2% year-on-year in the first nine months of 2018. High demand for replacements with growth rates of over 10% could be seen in Greece, the Netherlands, Spain and several Eastern European countries. New passenger-car registrations increased by just under 7% in France and by 2% in Germany. By contrast, the United Kingdom saw a decline of around 8%. Sales volumes were also down slightly year-on-year in Italy, Ireland, Norway and Switzerland. During the third quarter of 2018, the months of July and August saw a significant increase in new registrations of vehicles that could still be produced and registered in accordance with the New European Driving Cycle (NEDC) exhaust-gas test procedure applicable until August 31, 2018. Due to the decline in September, the increase in new car registrations in Europe in the third quarter only came to 1% overall.

In the U.S.A., consumers' preference for light commercial vehicles and pickup trucks also continued in the third quarter. Demand for these vehicles rose by another roughly 5% in spite of rising fuel prices and lending rates. By contrast, demand for sedans fell by 18%. During the period under review, the increase in pickup trucks and light commercial vehicles compensated for the decline in sedans, resulting in new registrations at the previous year's level overall.

New registrations/sales of passenger cars

	January 1 to September 30			Third Quarter		
millions of units	**2018**	2017	Change	**2018**	2017	Change
Europe (EU-28 and EFTA)	12.3	12.0	2%	3.6	3.6	1%
U.S.A.	12.8	12.8	0%	4.3	4.4	-3%
Japan	3.4	3.4	-1%	1.1	1.1	1%
Brazil	1.8	1.6	13%	0.7	0.6	12%
Russia	1.3	1.1	15%	0.4	0.4	9%
India	2.6	2.4	7%	0.9	0.9	-4%
China	16.9	16.7	1%	5.4	5.8	-7%
Worldwide	**69.7**	**68.5**	**2%**	**22.1**	**22.9**	**-3%**

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

In Japan, sales volumes of passenger cars in the reporting period were at the average level of the past four years at 3.4 million units. Compared to the previous year, there was a slight decline in demand for passenger cars of 1%.

According to the VDA, demand for passenger cars in China increased by 6% in the first half of 2018 as a result of the good economic situation. However, the escalating trade conflict with the U.S.A. and the resulting uncertainty among consumers led to a 7% decline in demand for passenger cars in the third quarter. Overall, China posted a 1% increase in sales volumes of passenger cars in the reporting period. The other BRIC countries saw very substantial growth in demand in the first nine months of 2018. In Russia and Brazil, demand continued to recover, with increases of 15% and 13%, respectively, compared with the weak equivalent period of the previous year. In India, new vehicle registrations rose by 7%.

According to preliminary data, global new car registrations increased by just under 3% year-on-year in the first quarter of 2018 and by almost 6% in the second quarter. However, they fell by 3% in the third quarter. Overall, there was an increase in new registrations of around 2% to 69.7 million units in the first nine months of 2018.

Development of production of passenger cars and light commercial vehicles

After a modest first quarter and a strong second quarter thanks to additional working days, European production of passenger cars and light commercial vehicles weighing less than 6 metric tons recorded a sharp decline of around 6% in the third quarter, according to preliminary data. This was attributable to the introduction of the new exhaust-gas test procedure, the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), for newly registered passenger cars and light commercial vehicles as at September 1, 2018. For German manufacturers in particular, this required significant changes in production because not all models and their engine versions could be tested in advance in accordance with WLTP. This resulted in a slump in passenger-car production of almost 20% in Germany in the third quarter, and other countries also posted double-digit decreases. By contrast, plants in France, Portugal, Romania, Russia and Slovakia increased their production in all three quarters. Production in the United Kingdom and Turkey also decreased in the reporting period, due primarily to lower demand. All in all, production of passenger cars and light commercial vehicles in Europe stagnated in the first nine months of 2018. For the year as a whole, we also anticipate the production volume to be just at the previous year's level, instead of increasing by 2%.

In North America, there was a slight increase in production in the third quarter of 2018 after the decline in production in the first and second quarters. Over the reporting period as a whole, the production of passenger cars and light commercial vehicles fell by 1% on the basis of preliminary figures. For 2018 as a whole, we are raising our forecast from -2% to -1%.

In South America, production of passenger cars and light commercial vehicles increased to a much lesser extent than expected in the third quarter. According to preliminary figures, production increased by 7% year-on-year over the reporting period. For 2018 as a whole, we are lowering our forecast for production growth from 10% to 5%.

In Asia, the development of passenger-car and light-commercial-vehicle production varied considerably in the period under review. In the second quarter, China and India in particular recorded high volume growth as a result of increased demand. By contrast, production in China, Iran and Japan decreased in the third quarter. In the Philippines, South Korea and Taiwan, production declined in all three quarters. Preliminary data shows that production in Asia as a whole grew by around 1% year-on-year in the first nine months of 2018. For the fourth quarter, we currently anticipate a slight decline in production, as in the third quarter of 2018. For the year as a whole, we now expect the production volume to just remain at the previous year's level instead of growing by 2%.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased by around 1% year-on-year in the first nine months of 2018. Due to the weaker development in Asia and Europe, we are lowering our forecast for 2018 as a whole to 0%. We had previously anticipated an increase of more than 1%.

Development of production of medium and heavy commercial vehicles
In Europe, the ongoing positive development of the economy led to a rise in the transportation of goods by road. According to preliminary data, production of commercial vehicles weighing more than 6 metric tons increased by 5% compared to the same period of the previous year. We are therefore raising our forecast of an increase in production of medium and heavy commercial vehicles in Europe for 2018 as a whole from 2% to 4%.

In North America, the significant increase in commercial-vehicle production continued in the first nine months of 2018 thanks to strong economic growth. Commercial-vehicle production rose by 16% year-on-year. As a result of high incoming orders in the third quarter, we now anticipate a 15% increase in production of medium and heavy commercial vehicles in North America for the year as a whole, after having previously anticipated 9%.

In South America, commercial-vehicle production returned to normal in the reporting period thanks to the economic recovery of Brazil, with preliminary data indicating an increase of more than 50% in comparison to the weak figure from the previous year. Due to the strong growth in the period under review, we are raising our forecast for production growth of medium and heavy commercial vehicles in South America from 15% to over 40%.

In Asia, production of medium and heavy commercial vehicles was around 5% below the previous year's level in the first nine months of 2018, based on the information currently available. As in the third quarter, production in the fourth quarter is also likely to be significantly below the high prior-year basis. For 2018 as a whole, we currently expect a decrease in commercial-vehicle production of around 8% for Asia, instead of 3% as previously anticipated.

Global production of medium and heavy commercial vehicles grew by around 1% in the reporting period. For the year as a whole, we are lowering our forecast to -1%. We had previously expected production to be on par with the previous year's level.

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 rose by 2% compared with the previous year. This growth was particularly driven by the strong increase in demand in Russia. For the year as a whole, we are confirming our sales volume forecast of 2%.

In North America, sales volumes of replacement tires for passenger cars and light commercial vehicles also posted growth in the first nine months of 2018. According to preliminary figures, tire sales volumes increased by 3% in the reporting period. This was partly attributable to purchases brought forward due to the price increases announced by some manufacturers. We expect demand for replacement tires to decline slightly in the fourth quarter. For the year as a whole, we are still maintaining our forecast of 2% growth.

In South America, the uncertain political situation and the slowdown in the economic recovery brought about a significant decline in demand from dealers for replacement tires for passenger cars and light commercial vehicles in the third quarter of 2018. Over the reporting period as a whole, sales volumes were roughly 7% below the previous year's level according to preliminary figures. As a consequence, we are lowering our growth forecast for replacement tire volumes for passenger cars and light commercial vehicles from 4% to -7% for 2018 as a whole.

After the very strong growth in the first nine months of the previous year, Asia recorded only a slight increase in demand for replacement tires for passenger cars and light commercial vehicles of 1% in the reporting period, according to preliminary data. In the third quarter, a sell-off of tire manufacturers' stocks resulted in a sharp decrease in sales volumes in China. Tire sales volumes in Japan also decreased. For the year as a whole, we are lowering our forecast for growth in demand in Asia from 3% to 0%.

Global demand for replacement tires for passenger cars and light commercial vehicles rose by 1% in the first nine months of 2018. For the year as a whole, we are lowering our previous forecast of 2% to just under 1%.

Development of replacement tire markets for medium and heavy commercial vehicles
According to preliminary data, demand for replacement tires for medium and heavy commercial vehicles in Europe increased by 1% in the period under review. For 2018 as a whole, we therefore now anticipate market growth of 1% for Europe instead of 2%.

In North America, growth was subdued at the start of 2018 but developed solidly as the year went on. According to preliminary data, sales volumes of replacement tires for medium and heavy commercial vehicles increased by 6% in the first nine months. For the year as a whole, we are raising our forecast from 4% to 5%.

Preliminary data indicates that South America recorded growth in demand for replacement tires for medium and heavy commercial vehicles of 3% in the reporting period, despite a volatile economic environment. However, sales volumes in the fourth quarter are likely to be below the high prior-year basis. For the year as a whole, we are lowering our forecast from 4% to 0%.

In Asia, sales volumes of replacement tires for medium and heavy commercial vehicles were down 2% in the first nine months of 2018 according to preliminary data. For the year as a whole, we now expect demand in Asia to decrease by 3% instead of rising by 1% as previously thought.

According to preliminary data, there was an increase of around 1% in global demand for replacement tires for medium and heavy commercial vehicles in the period under review. For 2018 as a whole, we are lowering our forecast from 2% to -1%.

Earnings, Financial and Net Assets Position of the Continental Corporation

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

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Sales	33,174.3	32,725.6	10,787.8	10,692.7
EBITDA	4,624.2	4,873.1	1,411.8	1,582.2
in % of sales	13.9	14.9	13.1	14.8
EBIT	2,989.8	3,304.9	851.6	1,037.5
in % of sales	9.0	10.1	7.9	9.7
Net income attributable to the shareholders of the parent	2,185.8	2,224.1	626.1	729.1
Basic earnings per share in €	10.93	11.12	3.13	3.64
Diluted earnings per share in €	10.93	11.12	3.13	3.64
Research and development expenses (net)	2,534.3	2,356.9	821.4	777.5
in % of sales	7.6	7.2	7.6	7.3
Depreciation and amortization[1]	1,634.4	1,568.2	560.2	544.7
thereof impairment[2]	12.3	31.0	8.4	28.4
Capital expenditure[3]	1,956.2	1,794.9	781.8	636.8
in % of sales	5.9	5.5	7.2	6.0
Operating assets as at September 30	24,209.6	22,431.9		
Number of employees as at September 30[4]	244,582	233,270		
Adjusted sales[5]	33,065.9	32,704.7	10,778.6	10,678.8
Adjusted operating result (adjusted EBIT)[6]	2,992.0	3,435.1	771.8	1,104.4
in % of adjusted sales	9.0	10.5	7.2	10.3
Net indebtedness as at September 30	2,995.1	3,297.9		
Gearing ratio in %	16.9	21.0		

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

Earnings Position

Sales up 1.4%
Sales up 4.3% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first nine months of 2018 climbed by 1.4% year-on-year to €33,174.3 million (PY: €32,725.6 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 4.3%.

Adjusted EBIT down 12.9%
Adjusted EBIT for the corporation declined by €443.1 million or 12.9% year-on-year to €2,992.0 million (PY: €3,435.1 million) in the first nine months of 2018, corresponding to 9.0% (PY: 10.5%) of adjusted sales.

EBIT down 9.5%
The corporation's EBIT fell by €315.1 million or 9.5% compared to the previous year to €2,989.8 million (PY: €3,304.9 million) in the first nine months of 2018. The return on sales fell to 9.0% (PY: 10.1%).

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

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

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

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

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

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

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

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

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

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

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

Special effects in the first nine months of 2017
The reversal of a restructuring provision resulted in income of €0.1 million in the Chassis & Safety division.

Income for the Chassis & Safety division also resulted from a reversal of an impairment loss on property, plant and equipment of €0.1 million.

Impairment on property, plant and equipment resulted in expense totaling €7.9 million in the Powertrain division.

In addition, the reversal of restructuring provisions no longer required resulted in income totaling €0.3 million in the Powertrain division.

In the Interior division, goodwill totaling €23.1 million that arose in connection with two company acquisitions to expand our mobility-services strategy was impaired.

In addition, the acquisition of the remaining shares in a joint venture resulted in income of €1.9 million in the Interior division from the adjustment of the market value of the previously held shares.

The reversal of restructuring provisions no longer required resulted in income of €0.4 million in the Interior division.

In the Tire division, the disposal of equity interests held as financial assets resulted in income totaling €14.0 million.

Moreover, a first-time consolidation resulted in a gain of €0.5 million in the Tire division.

The reversal of a restructuring provision that was no longer required resulted in income of €10.0 million in the Tire division.

Impairment on property, plant and equipment resulted in expense totaling €0.1 million in the Tire division.

In the ContiTech division, restructuring expenses and the reversal of restructuring provisions no longer required resulted in income of €0.2 million overall.

In addition, disposals of companies and assets resulted in income totaling €0.4 million in the ContiTech division.

Total consolidated expense from special effects in the first nine months of 2017 amounted to €3.2 million.

Research and development
In the first nine months of 2018, research and development expenses (net) rose by 7.5% compared with the same period of the previous year to €2,534.3 million (PY: €2,356.9 million), representing 7.6% (PY: 7.2%) of sales. €2,196.2 million (PY: €2,036.4 million) of this related to the Automotive Group, corresponding to 10.9% (PY: 10.3%) of sales, and €338.1 million (PY: €320.5 million) to the Rubber Group, corresponding to 2.6% (PY: 2.5%) of sales.

Financial result
The negative financial result decreased by €69.5 million year-on-year to €150.1 million (PY: €219.6 million) in the first nine months of 2018. This is attributable primarily to the sum of the effects from changes in the fair value of derivative instruments and from currency translation.

Interest income rose by €1.2 million year-on-year to €69.2 million (PY: €68.0 million) in the first nine months of 2018. Of this, expected income from long-term employee benefits and from pension funds amounted to €43.1 million (PY: €48.7 million). This does not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €196.2 million in the first nine months of 2018 (PY: €207.2 million). At €89.5 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €6.3 million lower than the prior-year figure of €95.8 million. The major portion related to expense of €44.3 million (PY: €54.2 million) from the bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A. The year-on-year decline in this expense is attributable to the repayment of two bonds at their respective maturity dates. On March 20, 2017, the €750.0 million euro bond from Conti-Gummi Finance B.V., Maastricht, Netherlands, was repaid. The 3.5-year bond bore interest at a rate of 2.5% p.a. On July 16, 2018, the €750.0 million euro bond from Continental AG was repaid. The five-year bond bore interest at a rate of 3.0% p.a. The interest expense from long-term employee benefits totaled €106.7 million (PY: €111.4 million) in the first nine months of 2018. This does not include the interest expense from the defined benefit obligations of the pension contribution funds.

The effects from currency translation resulted in a negative contribution to earnings of €27.3 million (PY: €101.5 million) in the first nine months of 2018. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in earnings of €4.2 million (PY: €21.1 million). Other valuation effects accounted for €0.1 million of this (PY: €1.5 million). Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings were negatively impacted by €23.2 million (PY: €81.9 million) in the first nine months of 2018. This was attributable mainly to the development of the Brazilian real in relation to the euro and the U.S. dollar. In the previous year, by contrast, the effects were primarily attributable to the development of the Mexican peso in relation to the U.S. dollar.

Income tax expense

Income tax expense in the first nine months of 2018 amounted to €616.2 million (PY: €817.7 million). The tax rate in the reporting period amounted to 21.7% (PY: 26.5%). This was largely attributable to changes in the mix of countries and to the corporate tax reform in the U.S.A.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent decreased by 1.7% to €2,185.8 million (PY: €2,224.1 million). After the first nine months of 2018, basic earnings per share amounted to €10.93 (PY: €11.12), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow

EBIT for the first nine months of 2018 declined by €315.1 million year-on-year to €2,989.8 million (PY: €3,304.9 million).

Interest payments resulting largely from bonds decreased by €18.7 million to €98.0 million (PY: €116.7 million).

Income tax payments fell by €251.2 million to €619.9 million (PY: €871.1 million).

At €1,291.3 million as at September 30, 2018, the net cash outflow arising from the increase in operating working capital was €241.7 million lower than the figure for the previous year of €1,533.0 million.

At €2,175.8 million as at September 30, 2018, cash provided by operating activities was €393.9 million lower than the previous year's figure of €2,569.7 million.

Cash flow arising from investing activities amounted to an outflow of €2,180.7 million (PY: €2,097.7 million) in the first nine months of 2018. Capital expenditure on property, plant and equipment, and software was up €161.3 million from €1,794.9 million to €1,956.2 million before finance 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 €181.2 million (PY: €252.4 million).

The free cash flow in the first three quarters of 2018 resulted in an outflow of €4.9 million (PY: inflow of €472.0 million), €476.9 million less than in the same period of the previous year.

Financing and indebtedness

At €2,995.1 million as at September 30, 2018, the Continental Corporation's net indebtedness was €302.8 million lower than the previous year's level of €3,297.9 million. Compared to the figure of €2,047.6 million as at December 31, 2017, it had increased by €947.5 million. The gearing ratio improved to 16.9% (PY: 21.0%) as at the end of the third quarter of 2018.

The €750.0 million euro bond from Continental AG that matured on July 16, 2018, was redeemed at a rate of 100.00%. The five-year bond bore interest at a rate of 3.0% p.a.

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021. At the end of September 2018, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and by Continental AG in a total amount of €538.6 million. In the previous year, it was utilized only by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in an amount of €237.0 million.

As at September 30, 2018, Continental had liquidity reserves totaling €4,712.7 million (PY: €5,164.1 million), consisting of cash and cash equivalents of €1,621.7 million (PY: €1,530.9 million) and committed, unutilized credit lines totaling €3,091.0 million (PY: €3,633.2 million).

The restrictions that may impact the availability of capital are also understood as comprising all existing restrictions on the cash and cash equivalents. In the Continental Corporation, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at September 30, 2018, unrestricted cash and cash equivalents totaled €1,458.0 million (PY: €1,346.4 million).

Reconciliation of net indebtedness

€ millions	September 30, 2018	December 31, 2017	September 30, 2017
Long-term indebtedness	1,452.1	2,017.8	2,010.4
Short-term indebtedness	3,356.7	2,072.2	2,950.5
Long-term derivative instruments and interest-bearing investments	-38.6	-113.3	-84.4
Short-term derivative instruments and interest-bearing investments	-153.4	-47.6	-47.7
Cash and cash equivalents	-1,621.7	-1,881.5	-1,530.9
Net indebtedness	**2,995.1**	**2,047.6**	**3,297.9**

Reconciliation of change in net indebtedness

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Net indebtedness at the beginning of the reporting period	**2,047.6**	**2,797.8**	**2,858.1**	**3,468.6**
Cash flow arising from operating activities	2,175.8	2,569.7	708.3	864.9
Cash flow arising from investing activities	-2,180.7	-2,097.7	-835.6	-684.7
Cash flow before financing activities (free cash flow)	**-4.9**	**472.0**	**-127.3**	**180.2**
Dividends paid	-900.0	-850.0	—	—
Dividends paid to and cash changes from equity transactions with non-controlling interests	-29.3	-29.6	-1.8	-2.7
Non-cash changes	30.2	2.6	2.3	-15.3
Other	-1.2	-150.1	1.3	0.2
Exchange-rate effects	-42.3	55.0	-11.5	8.3
Change in net indebtedness	**-947.5**	**-500.1**	**-137.0**	**170.7**
Net indebtedness at the end of the reporting period	**2,995.1**	**3,297.9**	**2,995.1**	**3,297.9**

Capital expenditure (additions)

In the first three quarters of 2018, capital expenditure on property, plant and equipment, and software amounted to €1,956.2 million (PY: €1,794.9 million). The capital expenditure ratio after nine months is 5.9% (PY: 5.5%).

A total of €1,229.8 million (PY: €1,079.6 million) of this capital expenditure was attributable to the Automotive Group, representing 6.1% (PY: 5.5%) of sales. The Automotive Group invested primarily in production equipment for the manufacture of new products and implementation of new technologies, with manufacturing capacity being expanded in Germany, China, the U.S.A. and Mexico and at European best-cost locations. In the Chassis & Safety division, the production facilities for all business units were expanded. Important additions related to the expansion of manufacturing capacity for electronic brake systems. In the Powertrain division, investments focused on the expansion of manufacturing capacity for the Engine Systems and Sensors & Actuators business units. In the Interior division, production capacity was expanded in particular for the Instrumentation & Driver HMI and Body & Security business units.

The Rubber Group invested €714.1 million (PY: €713.2 million), equivalent to 5.5% (PY: 5.5%) of sales. There were major additions relating to the new plant buildings in Rayong, Thailand, and Clinton, Mississippi, U.S.A. Production capacity was also increased at existing plants in Sumter, South Carolina, U.S.A., and in Hefei, China. Quality assurance and cost-cutting measures were also implemented. In the ContiTech division, there were major investments relating to the expansion of production capacity for the Mobile Fluid Systems, Benecke-Hornschuch Surface Group, and Power Transmission Group business units. Furthermore, investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €39,634.3 million (PY: €37,361.3 million), total assets as at September 30, 2018, were €2,273.0 million higher than on the same date in the previous year. Goodwill, at €7,037.6 million, was up by €218.8 million compared to the previous year's figure of €6,818.8 million. Other intangible assets climbed by €21.2 million to €1,503.0 million (PY: €1,481.8 million). Property, plant and equipment increased by €942.3 million to €11,665.7 million (PY: €10,723.4 million). Deferred tax assets were down €213.6 million at €1,527.7 million (PY: €1,741.3 million). Inventories increased by €334.1 million to €4,690.0 million (PY: €4,355.9 million). Trade accounts receivable rose by €178.4 million to €8,401.1 million (PY: €8,222.7 million). Short-term derivative instruments and interest-bearing investments increased by €105.7 million to €153.4 million (PY: €47.7 million). At €1,621.7 million, cash and cash equivalents were up €90.8 million from €1,530.9 million on the same date in the previous year.

Equity including non-controlling interests was up €1,981.9 million at €17,680.5 million as compared to €15,698.6 million as at September 30, 2017. This was due primarily to the increase in retained earnings of €2,076.9 million. Other comprehensive income changed by -€113.2 million to -€2,437.9 million (PY: -€2,324.7 million). The gearing ratio improved from 21.0% to 16.9%. The equity ratio rose to 44.6% (PY: 42.0%).

Compared with December 31, 2017, total assets increased by €2,193.8 million to €39,634.3 million (PY: €37,440.5 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 €463.6 million to €11,665.7 million (PY: €11,202.1 million), the increase in inventories of €561.8 million to €4,690.0 million (PY: €4,128.2 million) and the €731.8 million increase in trade accounts receivable to €8,401.1 million (PY: €7,669.3 million).

Equity including non-controlling interests was up €1,390.2 million at €17,680.5 million as compared to €16,290.3 million at the end of 2017. Equity was reduced by the payment of the dividends in the amount of €900.0 million resolved by the Annual Shareholders' Meeting. The positive net income attributable to the shareholders of the parent resulted in an increase of €2,185.8 million. Other comprehensive income changed by €70.6 million to -€2,437.9 million (PY: -€2,508.5 million). The gearing ratio changed from 12.6% to 16.9%.

Employees

As at the end of the third quarter of 2018, the corporation had 244,582 employees, representing a rise of 9,109 in comparison to the end of 2017. The number of employees in the Automotive Group rose by 6,751 as a result of increased production volumes and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels led to an increase of 2,354 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 11,312.

Reconciliation to operating assets as at September 30, 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Total assets	**7,651.9**	**5,792.4**	**8,399.5**	**9,187.2**	**4,508.1**	**4,095.2**	**39,634.3**
Cash and cash equivalents	—	—	—	—	—	1,621.7	1,621.7
Short- and long-term derivative instruments, interest-bearing investments	—	—	—	—	—	192.0	192.0
Other financial assets	12.7	53.1	26.3	19.7	7.1	3.8	122.7
Less financial assets	**12.7**	**53.1**	**26.3**	**19.7**	**7.1**	**1,817.5**	**1,936.4**
Less other non-operating assets	**1.0**	**2.8**	**-37.9**	**-3.6**	**6.1**	**494.5**	**462.9**
Deferred tax assets	—	—	—	—	—	1,527.7	1,527.7
Income tax receivables	—	—	—	—	—	208.3	208.3
Less income tax assets	**—**	**—**	**—**	**—**	**—**	**1,736.0**	**1,736.0**
Segment assets	**7,638.2**	**5,736.5**	**8,411.1**	**9,171.1**	**4,494.9**	**47.2**	**35,499.0**
Total liabilities and provisions	**3,767.5**	**2,941.8**	**3,285.3**	**3,248.8**	**1,878.5**	**6,831.9**	**21,953.8**
Short- and long-term indebtedness	—	—	—	—	—	4,808.8	4,808.8
Interest payable and other financial liabilities	—	—	—	—	—	68.5	68.5
Less financial liabilities	**—**	**—**	**—**	**—**	**—**	**4,877.3**	**4,877.3**
Deferred tax liabilities	—	—	—	—	—	378.9	378.9
Income tax payables	—	—	—	—	—	912.5	912.5
Less income tax liabilities	**—**	**—**	**—**	**—**	**—**	**1,291.4**	**1,291.4**
Less other non-operating liabilities	**1,109.3**	**837.1**	**654.8**	**768.9**	**539.0**	**586.6**	**4,495.7**
Segment liabilities	**2,658.2**	**2,104.7**	**2,630.5**	**2,479.9**	**1,339.5**	**76.6**	**11,289.4**
Operating assets	**4,980.0**	**3,631.8**	**5,780.6**	**6,691.2**	**3,155.4**	**-29.4**	**24,209.6**

Reconciliation to operating assets as at September 30, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Total assets	**7,318.0**	**5,341.8**	**7,302.8**	**8,767.5**	**4,436.7**	**4,194.5**	**37,361.3**
Cash and cash equivalents	–	–	–	–	–	1,530.9	1,530.9
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	132.1	132.1
Other financial assets	11.2	48.4	16.2	18.4	7.7	4.7	106.6
Less financial assets	**11.2**	**48.4**	**16.2**	**18.4**	**7.7**	**1,667.7**	**1,769.6**
Less other non-operating assets	**0.0**	**0.4**	**-38.9**	**-16.8**	**14.3**	**535.5**	**494.5**
Deferred tax assets	–	–	–	–	–	1,741.3	1,741.3
Income tax receivables	–	–	–	–	–	224.0	224.0
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,965.3**	**1,965.3**
Segment assets	**7,306.8**	**5,293.0**	**7,325.5**	**8,765.9**	**4,414.7**	**26.0**	**33,131.9**
Total liabilities and provisions	**3,979.6**	**2,735.4**	**3,006.5**	**3,315.1**	**1,811.4**	**6,814.7**	**21,662.7**
Short- and long-term indebtedness	–	–	–	–	–	4,960.9	4,960.9
Interest payable and other financial liabilities	–	–	–	–	–	71.2	71.2
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**5,032.1**	**5,032.1**
Deferred tax liabilities	–	–	–	–	–	465.0	465.0
Income tax payables	–	–	–	–	–	802.1	802.1
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,267.1**	**1,267.1**
Less other non-operating liabilities	**1,234.2**	**837.2**	**695.6**	**912.7**	**522.6**	**461.2**	**4,663.5**
Segment liabilities	**2,745.4**	**1,898.2**	**2,310.9**	**2,402.4**	**1,288.8**	**54.3**	**10,700.0**
Operating assets	**4,561.4**	**3,394.8**	**5,014.6**	**6,363.5**	**3,125.9**	**-28.3**	**22,431.9**

Development of the Divisions

Chassis & Safety in € millions	January 1 to September 30 2018	2017	Third Quarter 2018	2017
Sales	7,214.0	7,243.0	2,247.6	2,307.8
EBITDA	901.1	964.1	219.7	300.3
in % of sales	12.5	13.3	9.8	13.0
EBIT	581.7	666.3	110.6	200.0
in % of sales	8.1	9.2	4.9	8.7
Depreciation and amortization[1]	319.4	297.8	109.1	100.3
thereof impairment[2]	1.5	-0.1	1.5	-0.1
Capital expenditure[3]	454.0	404.2	190.5	165.1
in % of sales	6.3	5.6	8.5	7.2
Operating assets as at September 30	4,980.0	4,561.4		
Number of employees as at September 30[4]	49,689	46,637		
Adjusted sales[5]	7,214.0	7,243.0	2,247.6	2,307.8
Adjusted operating result (adjusted EBIT)[6]	583.2	666.1	112.1	199.8
in % of adjusted sales	8.1	9.2	5.0	8.7

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

Chassis & Safety

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first nine months of 2018 increased by 1% year-on-year. In the Hydraulic Brake Systems business unit, sales figures for brake boosters were up 2% compared to the previous year. Sales of brake calipers with integrated electric parking brakes increased by 19% year-on-year, more than compensating for the decline in sales figures for conventional brake calipers, which decreased by 10% year-on-year. In the Passive Safety & Sensorics business unit, the sales volume of air-bag control units rose by 2% year-on-year. Unit sales of advanced driver assistance systems were up 32%.

Sales down 0.4%
Sales up 2.7% before changes in the scope of consolidation and exchange-rate effects

Sales of the Chassis & Safety division were down 0.4% at €7,214.0 million (PY: €7,243.0 million) in the first nine months of 2018 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 2.7%.

Adjusted EBIT down 12.4%

Adjusted EBIT for the Chassis & Safety division fell by €82.9 million or 12.4% year-on-year to €583.2 million (PY: €666.1 million) during the first nine months of 2018, corresponding to 8.1% (PY: 9.2%) of adjusted sales.

EBIT down 12.7%

Compared with the same period of the previous year, the Chassis & Safety division reported a decline in EBIT of €84.6 million or 12.7% to €581.7 million (PY: €666.3 million) in the first nine months of 2018. The return on sales fell to 8.1% (PY: 9.2%).

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

Special effects in the first nine months of 2017
The reversal of a restructuring provision resulted in income of €0.1 million.

Income also resulted from a reversal of an impairment loss on property, plant and equipment of €0.1 million.

For the Chassis & Safety division, there was a total positive impact from special effects of €0.2 million in the first nine months of 2017.

	January 1 to September 30		Third Quarter	
Powertrain in € millions	**2018**	2017	**2018**	2017
Sales	5,824.0	5,760.8	1,853.2	1,810.5
EBITDA	457.2	615.7	30.7	187.4
in % of sales	7.9	10.7	1.7	10.4
EBIT	123.0	314.3	-87.1	83.1
in % of sales	2.1	5.5	-4.7	4.6
Depreciation and amortization[1]	334.2	301.4	117.8	104.3
thereof impairment[2]	13.2	7.9	6.8	5.3
Capital expenditure[3]	428.7	393.0	175.5	148.2
in % of sales	7.4	6.8	9.5	8.2
Operating assets as at September 30	3,631.8	3,394.8		
Number of employees as at September 30[4]	43,117	40,382		
Adjusted sales[5]	5,824.0	5,760.8	1,853.2	1,810.5
Adjusted operating result (adjusted EBIT)[6]	154.4	330.9	-68.0	91.3
in % of adjusted sales	2.7	5.7	-3.7	5.0

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 Systems business unit, sales volumes of engine control units, injectors, pumps and turbochargers increased in the first nine months of 2018. The Sensors & Actuators business unit is continuing to record growth. Emissions legislation has resulted in rising sales of exhaust-gas sensors in particular. The Hybrid Electric Vehicle business unit started to deliver 48-volt drive systems. The sales volume of power electronics was up year-on-year, whereas that of battery systems and on-board power supply systems was down slightly year-on-year. Sales figures of the Transmission business unit were up slightly year-on-year in the first nine months of 2018. In the Fuel & Exhaust Management business unit, the sales volume of fuel delivery modules, electronic control units for fuel delivery modules, catalytic converters and SCR systems increased year-on-year.

Sales up 1.1%
Sales up 3.6% before changes in the scope of consolidation and exchange-rate effects
Sales of the Powertrain division were up 1.1% at €5,824.0 million (PY: €5,760.8 million) in the first nine months of 2018 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 3.6%.

Adjusted EBIT down 53.3%
Adjusted EBIT for the Powertrain division fell by €176.5 million or 53.3% year-on-year to €154.4 million (PY: €330.9 million) during the first nine months of 2018, corresponding to 2.7% (PY: 5.7%) of adjusted sales.

EBIT down 60.9%
Compared with the same period of the previous year, the Powertrain division reported a decline in EBIT of €191.3 million or 60.9% to €123.0 million (PY: €314.3 million) in the first nine months of 2018. The return on sales fell to 2.1% (PY: 5.5%).

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

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

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

Special effects in the first nine months of 2017
Impairment on property, plant and equipment resulted in expense totaling €7.9 million.

In addition, the reversal of restructuring provisions no longer required resulted in income totaling €0.3 million.

For the Powertrain division, the total negative impact from special effects in the first nine months of 2017 amounted to €7.6 million.

	January 1 to September 30		Third Quarter	
Interior in € millions	**2018**	2017	**2018**	2017
Sales	7,292.9	6,881.3	2,351.9	2,269.0
EBITDA	1,037.8	848.7	442.3	287.0
in % of sales	14.2	12.3	18.8	12.6
EBIT	740.8	550.5	340.7	168.5
in % of sales	10.2	8.0	14.5	7.4
Depreciation and amortization[1]	297.0	298.2	101.6	118.5
thereof impairment[2]	–2.6	23.1	0.1	23.1
Capital expenditure[3]	347.1	282.4	157.8	92.3
in % of sales	4.8	4.1	6.7	4.1
Operating assets as at September 30	5,780.6	5,014.6		
Number of employees as at September 30[4]	48,231	45,137		
Adjusted sales[5]	7,283.3	6,871.7	2,347.9	2,259.4
Adjusted operating result (adjusted EBIT)[6]	643.5	605.3	213.4	200.3
in % of adjusted sales	8.8	8.8	9.1	8.9

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

Interior

Sales volumes

Sales volumes in the Body & Security business unit were at the previous year's level in the first three quarters of 2018. Sales figures in the Infotainment & Connectivity business unit considerably exceeded the previous year's figure. The growth was posted in the multimedia and connectivity areas. Sales volumes in the Commercial Vehicles & Aftermarket business unit were above the previous year's level overall. While commercial vehicles business was down slightly year-on-year, replacement parts and aftermarket business considerably exceeded the previous year's figures. In the Instrumentation & Driver HMI business unit, sales volumes were higher than in the same period of the previous year.

Sales up 6.0%
Sales up 8.5% before changes in the scope of consolidation and exchange-rate effects

Sales of the Interior division were up 6.0% at €7,292.9 million (PY: €6,881.3 million) in the first nine months of 2018 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 8.5%.

Adjusted EBIT up 6.3%

Adjusted EBIT for the Interior division increased by €38.2 million or 6.3% year-on-year to €643.5 million (PY: €605.3 million) during the first nine months of 2018, corresponding to 8.8% (PY: 8.8%) of adjusted sales.

EBIT up 34.6%

Compared with the same period of the previous year, the Interior division reported an increase in EBIT of €190.3 million or 34.6% to €740.8 million (PY: €550.5 million) in the first nine months of 2018. The return on sales climbed to 10.2% (PY: 8.0%).

Special effects in the first nine months of 2018

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

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

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

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

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

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

Special effects in the first nine months of 2017
In connection with two company acquisitions to expand our mobility-services strategy, goodwill totaling €23.1 million was impaired.

In addition, the acquisition of the remaining shares in a joint venture resulted in income of €1.9 million from the adjustment of the market value of the previously held shares.

The reversal of restructuring provisions no longer required resulted in income of €0.4 million.

For the Interior division, the total negative impact from special effects in the first nine months of 2017 amounted to €20.8 million.

	January 1 to September 30		Third Quarter	
Tires in € millions	**2018**	2017	**2018**	2017
Sales	8,289.0	8,387.4	2,851.9	2,815.4
EBITDA	1,794.4	1,987.8	603.6	661.7
in % of sales	21.6	23.7	21.2	23.5
EBIT	1,339.1	1,547.0	450.0	515.0
in % of sales	16.2	18.4	15.8	18.3
Depreciation and amortization[1]	455.3	440.8	153.6	146.7
thereof impairment[2]	–	0.1	–	0.1
Capital expenditure[3]	538.6	569.8	196.4	179.1
in % of sales	6.5	6.8	6.9	6.4
Operating assets as at September 30	6,691.2	6,363.5		
Number of employees as at September 30[4]	55,175	54,250		
Adjusted sales[5]	8,282.0	8,387.4	2,849.3	2,815.4
Adjusted operating result (adjusted EBIT)[6]	1,352.1	1,536.8	454.6	519.8
in % of adjusted sales	16.3	18.3	16.0	18.5

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

Tires

Sales volumes
After the first nine months of 2018, sales figures for passenger and light truck tires were slightly below the previous year's level in original equipment business and on par with the previous year's figure in the tire replacement business. Sales figures in commercial-vehicle tire business were 3% higher than the level of the previous year.

Sales down 1.2%
Sales up 2.8% before changes in the scope of consolidation and exchange-rate effects
Sales of the Tire division were down 1.2% at €8,289.0 million (PY: €8,387.4 million) in the first nine months of 2018 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 2.8%.

Adjusted EBIT down 12.0%
Adjusted EBIT for the Tire division decreased by €184.7 million or 12.0% year-on-year to €1,352.1 million (PY: €1,536.8 million) during the first nine months of 2018, corresponding to 16.3% (PY: 18.3%) of adjusted sales.

EBIT down 13.4%
Compared with the same period of the previous year, the Tire division reported a decline in EBIT of €207.9 million or 13.4% to €1,339.1 million (PY: €1,547.0 million) in the first nine months of 2018. The return on sales fell to 16.2% (PY: 18.4%).

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

Special effects in the first nine months of 2017
The disposal of equity interests held as financial assets resulted in income totaling €14.0 million.

Moreover, a first-time consolidation resulted in a gain of €0.5 million.

The reversal of a restructuring provision that was no longer required resulted in income of €10.0 million.

Impairment on property, plant and equipment resulted in expense of €0.1 million.

For the Tire division, the total positive impact from special effects in the first nine months of 2017 amounted to €24.4 million.

ContiTech in € millions	January 1 to September 30		Third Quarter	
	2018	2017	**2018**	2017
Sales	4,790.0	4,677.2	1,558.4	1,568.3
EBITDA	529.0	550.9	146.6	184.0
in % of sales	11.0	11.8	9.4	11.7
EBIT	302.8	322.0	69.4	109.5
in % of sales	6.3	6.9	4.5	7.0
Depreciation and amortization[1]	226.2	228.9	77.2	74.5
thereof impairment[2]	0.2	–	–	–
Capital expenditure[3]	175.5	143.4	58.4	51.0
in % of sales	3.7	3.1	3.7	3.3
Operating assets as at September 30	3,155.4	3,125.9		
Number of employees as at September 30[4]	47,928	46,430		
Adjusted sales[5]	4,698.2	4,665.9	1,555.8	1,564.0
Adjusted operating result (adjusted EBIT)[6]	356.4	391.2	91.7	131.9
in % of adjusted sales	7.6	8.4	5.9	8.4

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

ContiTech

Sales up 2.4%
Sales up 4.3% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech division were up 2.4% at €4,790.0 million (PY: €4,677.2 million) in the first nine months of 2018 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 4.3%. The Industrial Fluid Solutions, Air Spring Systems and Conveyor Belt Group business units posted substantial year-on-year sales increases. The Power Transmission Group and Benecke-Hornschuch Surface Group business units achieved moderate sales growth.

Adjusted EBIT down 8.9%
Adjusted EBIT for the ContiTech division decreased by €34.8 million or 8.9% year-on-year to €356.4 million (PY: €391.2 million) during the first nine months of 2018, corresponding to 7.6% (PY: 8.4%) of adjusted sales.

EBIT down 6.0%
Compared with the same period of the previous year, the ContiTech division reported a decrease in EBIT of €19.2 million or 6.0% to €302.8 million (PY: €322.0 million) in the first nine months of 2018. The return on sales fell to 6.3% (PY: 6.9%).

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

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

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

Special effects in the first nine months of 2017
Restructuring expenses and the reversal of restructuring provisions no longer required resulted in income of €0.2 million overall.

In addition, disposals of companies and assets resulted in income totaling €0.4 million.

For the ContiTech division, the total positive impact from special effects in the first nine months of 2017 amounted to €0.6 million.

Report on Risks and Opportunities

Due to the current increase in protectionist tendencies around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could lead to a decrease in the sales of vehicles, causing demand for Continental's products to drop and costs to increase.

Apart from that, 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 2017 Annual Report.

Report on Expected Developments and Outlook

As reported in the ad-hoc disclosure from April 18, 2018, exchange-rate and inventory-valuation effects impacted earnings by around €150 million in the first half of 2018. This related mainly to the Tire division.

Due to these effects, the forecast for the Rubber Group's adjusted EBIT margin in 2018 was lowered from around 15% to more than 14%. For the corporation, this resulted in the forecast for the adjusted EBIT margin being lowered from around 10.5% to more than 10%.

On July 18, 2018, Continental announced the realignment of the corporate structure. As part of this reorganization, the Powertrain division will be transformed into an independent group of legal entities by the beginning of 2019. This transformation will lead to estimated operational costs of approximately €350 million. The majority of these costs are expected to be incurred in 2018 and 2019. In addition, this is expected to result in negative tax effects totaling about €100 million, which will be incurred primarily in 2019. This has no effect on the outlook for the Continental Corporation's adjusted EBIT margin for 2018.

In the Interior division, there was a positive special effect of around €173 million in the third quarter of 2018, which is attributable to the founding of OSRAM Continental GmbH, Munich, Germany.

Owing to the change in U.S. tax laws, it was possible for the corporation to fund most of the plan assets for pensions in the U.S.A. while benefiting from tax breaks. This will result in a one-off outflow of liquidity of about €165 million in 2018, including the associated tax refunds. The pension obligations reported for the corporation will therefore be reduced and the corresponding plans nearly fully funded.

As announced on August 22, 2018, lower sales expectations, cost increases and warranty cases made it necessary to adjust the guidance for 2018 again during the third quarter. The forecast for consolidated sales in 2018 was reduced to around €45 billion, while the forecast for the corporation's adjusted EBIT margin was lowered to more than 9%. The guidance for the Automotive Group's sales was reduced to around €27.5 billion with an adjusted EBIT margin of around 7%. For the Rubber Group, the sales forecast was lowered to around €17.5 billion and the adjusted EBIT margin was revised to more than 13%. The guidance for free cash flow before acquisitions and before the outflow for the funding of pension plans was reduced to approximately €1.6 billion for the current year.

Based on our changed market assumptions, we currently still anticipate sales of around €17.5 billion and an adjusted EBIT margin of more than 13% for the Rubber Group. Following the recent adjustment of the forecast for production volumes in Europe and Asia, we expect sales in the Automotive Group to increase to approximately €27 billion and still anticipate an adjusted EBIT margin of around 7%.

This results in sales of approximately €44.5 billion for the Continental Corporation in 2018, which includes negative exchange-rate effects of around €1.2 billion. In the first nine months of 2018, changes in exchange rates had a negative impact on sales of €1.1 billion.

For the Rubber Group, every U.S. $10 increase in the average price of crude oil equates to a negative annual gross effect on EBIT of around U.S. $50 million. The average price of North Sea Brent was around U.S. $54 in 2017 and U.S. $72 after the first nine months of 2018. As a result, we expect costs for carbon black and other chemicals to increase by more than 20% compared to the average prices in 2017. For butadiene, a base material for synthetic rubber, we are lowering our forecast for the average price for the year from U.S. $1.60 per kilogram to U.S. $1.45 per kilogram. The average price for the year for natural rubber is currently expected to be below the previous year's level (2017: U.S. $1.67 per kilogram for TSR 20). We are therefore lowering our forecast again from U.S. $1.44 per kilogram to U.S. $1.39 per kilogram. For 2018 as a whole, we anticipate a negative impact of around €100 million in the Rubber Group due to the price increase for oil and higher prices for synthetic rubber, after we had previously expected a negative impact of more than €50 million.

In 2018, we still 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 less than €180 million. Owing in part to the tax breaks from the funding of the U.S. pension plans in 2018, the tax rate will be approximately 24% (previous assumption of around 25%).

We expect the negative and positive special effects for the corporation to balance each other out in 2018. In addition to the carve-out costs for the Powertrain division and the positive special effect in the Interior division, these effects now also include current negative special effects of approximately €50 million (previously €100 million).

Amortization from purchase price allocations, resulting primarily from the acquisitions of Veyance Technologies (acquired in 2015), Elektrobit Automotive (acquired in 2015) and the Hornschuch Group (acquired in 2017), is still expected to total approximately €180 million and to affect mainly the ContiTech and Interior divisions.

In fiscal 2018, the capital expenditure ratio before financial investments is still forecast to increase to around 7% of sales. Approximately 65% of capital expenditure will be attributable to the Automotive Group and 35% to the Rubber Group. For 2018, we are planning on free cash flow of approximately €1.6 billion before acquisitions and before the outflow for the funding of the U.S. pension plans.

Consolidated Financial Statements

Due to the application of the modified retrospective approach during the first-time adoption of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, as at January 1, 2018, all the following figures from comparative periods are shown unadjusted.

Consolidated Statement of Income

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Sales	**33,174.3**	**32,725.6**	**10,787.8**	**10,692.7**
Cost of sales	-24,827.3	-24,286.6	-8,170.5	-7,948.3
Gross margin on sales	**8,347.0**	**8,439.0**	**2,617.3**	**2,744.4**
Research and development expenses[1]	-3,188.4	-2,356.9	-1,084.5	-777.5
Selling and logistics expenses	-1,844.7	-1,797.2	-609.5	-588.3
Administrative expenses	-842.9	-866.1	-268.8	-269.7
Other income[1]	1,152.3	305.5	547.1	74.4
Other expenses	-678.2	-470.0	-353.6	-160.1
Income from equity-accounted investees	44.2	50.2	3.6	14.1
Other income from investments	0.5	0.4	–	0.2
EBIT	**2,989.8**	**3,304.9**	**851.6**	**1,037.5**
Interest income	69.2	68.0	24.6	21.4
Interest expense	-196.2	-207.2	-64.7	-66.6
Effects from currency translation	-27.3	-101.5	13.6	5.4
Effects from changes in the fair value of derivative instruments, and other valuation effects	4.2	21.1	-12.5	-16.0
Financial result	**-150.1**	**-219.6**	**-39.0**	**-55.8**
Earnings before tax	**2,839.7**	**3,085.3**	**812.6**	**981.7**
Income tax expense	-616.2	-817.7	-176.4	-240.0
Net income	**2,223.5**	**2,267.6**	**636.2**	**741.7**
Non-controlling interests	-37.7	-43.5	-10.1	-12.6
Net income attributable to the shareholders of the parent	2,185.8	2,224.1	626.1	729.1
Basic earnings per share in €	**10.93**	**11.12**	**3.13**	**3.64**
Diluted earnings per share in €	**10.93**	**11.12**	**3.13**	**3.64**

1 Please see the "Revenue from contracts with customers" section regarding the changes in these items resulting from the first-time adoption of new IFRS standards.

Consolidated Statement of Comprehensive Income

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Net income	**2,223.5**	**2,267.6**	**636.2**	**741.7**
Reclassification within equity not affecting net income	**-0.3**	**—**	**-0.3**	**—**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	84.0	164.6	51.1	20.0
Fair value adjustments[1]	93.7	183.5	52.4	13.5
Reclassification from disposals of pension obligations	0.3	–	0.3	–
Currency translation[1]	-10.0	31.9	-1.6	9.7
Tax on other comprehensive income	n. a.	-50.8	n. a.	-3.2
Tax on other comprehensive income	-27.5	n. a.	-15.5	n. a.
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	22.4	-561.4	-22.0	-245.0
Difference from currency translation[1]	12.9	-558.4	-31.3	-242.0
Reclassification adjustments to profit and loss	15.2	–	15.0	–
Investment in equity-accounted investees[2]	-5.7	-3.0	-5.7	-3.0
Available-for-sale financial assets	n. a.	1.2	n. a.	0.2
Fair value adjustments	n. a.	2.7	n. a.	0.6
Reclassification adjustments to profit and loss	n. a.	-1.5	n. a.	-0.4
Cash flow hedges	-1.2	-1.2	-1.1	1.7
Fair value adjustments	-15.9	57.5	-0.5	22.6
Reclassification adjustments to profit and loss	14.7	-58.7	-0.6	-20.9
Tax on other comprehensive income	0.3	-23.6	-0.4	-2.4
Other comprehensive income	**78.0**	**-420.4**	**12.1**	**-225.5**
Comprehensive income	**2,301.2**	**1,847.2**	**648.0**	**516.2**
Attributable to non-controlling interests	-36.8	-14.2	-2.7	-1.3
Attributable to the shareholders of the parent	2,264.4	1,833.0	645.3	514.9

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

Assets in € millions	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Goodwill	7,037.6	7,010.1	6,818.8
Other intangible assets	1,503.0	1,607.3	1,481.8
Property, plant and equipment	11,665.7	11,202.1	10,723.4
Investment property	11.0	10.5	10.7
Investments in equity-accounted investees	635.8	414.8	404.6
Other investments	196.9	51.0	47.3
Deferred tax assets	1,527.7	1,517.2	1,741.3
Defined benefit assets	29.7	16.0	36.1
Long-term contract assets	0.1	n. a.	n. a.
Long-term derivative instruments and interest-bearing investments	38.6	113.3	84.4
Long-term other financial assets	72.6	68.8	64.5
Long-term other assets	25.8	27.3	26.9
Non-current assets	**22,744.5**	**22,038.4**	**21,439.8**
Inventories	4,690.0	4,128.2	4,355.9
Trade accounts receivable	8,401.1	7,669.3	8,222.7
Short-term contract assets	84.6	n. a.	n. a.
Short-term other financial assets[1]	476.4	297.0	292.5
Short-term other assets[1]	1,252.4	1,186.8	1,244.9
Income tax receivables	208.3	178.2	224.0
Short-term derivative instruments and interest-bearing investments	153.4	47.6	47.7
Cash and cash equivalents	1,621.7	1,881.5	1,530.9
Assets held for sale	1.9	13.5	2.9
Current assets	**16,889.8**	**15,402.1**	**15,921.5**
Total assets	**39,634.3**	**37,440.5**	**37,361.3**

1 From the 2018 reporting year, the presentation of financial assets is made more transparent by reclassifying deferred costs from the sale of customer tooling from short-term other financial assets to short-term other assets among these items of the statement of financial position. The figures from the comparative periods have been adjusted accordingly.

Equity and liabilities in € millions	**Sept. 30, 2018**	*Dec. 31, 2017*	Sept. 30, 2017
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	14,985.7	*13,669.3*	12,908.8
Other comprehensive income	–2,437.9	*–2,508.5*	–2,324.7
Equity attributable to the shareholders of the parent	**17,215.4**	***15,828.4***	**15,251.7**
Non-controlling interests	465.1	*461.9*	446.9
Total equity	**17,680.5**	***16,290.3***	**15,698.6**
Long-term employee benefits	4,186.6	*4,394.1*	4,288.1
Deferred tax liabilities	378.9	*348.5*	465.0
Long-term provisions for other risks and obligations	168.1	*139.6*	181.8
Long-term indebtedness	1,452.1	*2,017.8*	2,010.4
Long-term other financial liabilities	34.7	*36.1*	41.5
Long-term contract liabilities	16.6	*n. a.*	n. a.
Long-term other liabilities	14.6	*25.4*	15.0
Non-current liabilities	**6,251.6**	***6,961.5***	**7,001.8**
Short-term employee benefits	1,523.4	*1,490.6*	1,479.5
Trade accounts payable	6,685.0	*6,798.5*	6,369.8
Short-term contract liabilities	1,126.7	*n. a.*	n. a.
Income tax payables	912.5	*889.7*	802.1
Short-term provisions for other risks and obligations	921.1	*943.0*	959.2
Short-term indebtedness	3,356.7	*2,072.2*	2,950.5
Short-term other financial liabilities	406.3	*1,276.8*	1,244.8
Short-term other liabilities	770.5	*717.9*	855.0
Current liabilities	**15,702.2**	***14,188.7***	**14,660.9**
Total equity and liabilities	**39,634.3**	***37,440.5***	**37,361.3**

Consolidated Statement of Cash Flows

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Net income	**2,223.5**	**2,267.6**	**636.2**	**741.7**
Income tax expense	616.2	817.7	176.4	240.0
Financial result	150.1	219.6	39.0	55.8
EBIT	**2,989.8**	**3,304.9**	**851.6**	**1,037.5**
Interest paid	-98.0	-116.7	-57.0	-55.4
Interest received	25.1	19.2	9.2	5.7
Income tax paid	-619.9	-871.1	-169.8	-273.2
Dividends received	22.6	24.2	7.0	3.2
Depreciation, amortization, impairment and reversal of impairment losses	1,634.4	1,568.2	560.2	544.7
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	-44.7	-50.6	-3.6	-14.3
Gains/losses from the disposal of assets, companies and business operations	-155.2	-26.7	-146.3	-3.2
Changes in				
inventories	-562.7	-688.1	-160.2	-183.0
trade accounts receivable	-620.6	-1,119.6	-102.2	-416.5
trade accounts payable	-108.0	274.7	-193.2	-164.9
employee benefits and other provisions	-169.9	80.6	-15.1	174.2
other assets and liabilities	-117.1	170.7	127.7	210.1
Cash flow arising from operating activities	**2,175.8**	**2,569.7**	**708.3**	**864.9**
Cash flow from the disposal of property, plant and equipment, and intangible assets	43.0	30.6	7.2	6.9
Capital expenditure on property, plant and equipment, and software	-1,956.2	-1,794.9	-781.8	-636.8
Capital expenditure on intangible assets from development projects and miscellaneous	-86.3	-81.0	-53.8	-21.1
Cash flow from the disposal of companies and business operations	8.9	20.8	9.1	0.6
Acquisition of companies and business operations	-190.1	-273.2	-16.3	-34.3
Cash flow arising from investing activities	**-2,180.7**	**-2,097.7**	**-835.6**	**-684.7**
Cash flow before financing activities (free cash flow)	**-4.9**	**472.0**	**-127.3**	**180.2**
Change in indebtedness	701.7	-87.2	-362.5	-432.8
Successive purchases	-2.7	-0.7	-0.1	0.1
Dividends paid	-900.0	-850.0	—	—
Dividends paid to and cash changes from equity transactions with non-controlling interests	-29.3	-29.6	-1.8	-2.7
Cash and cash equivalents arising from first-time consolidation of subsidiaries	2.0	0.7	1.5	0.1
Cash flow arising from financing activities	**-228.3**	**-966.8**	**-362.9**	**-435.3**
Change in cash and cash equivalents	**-233.2**	**-494.8**	**-490.2**	**-255.1**
Cash and cash equivalents at the beginning of the reporting period	1,881.5	2,107.0	2,131.5	1,806.4
Effect of exchange-rate changes on cash and cash equivalents	-26.6	-81.3	-19.6	-20.4
Cash and cash equivalents at the end of the reporting period	**1,621.7**	**1,530.9**	**1,621.7**	**1,530.9**

Consolidated Statement of Changes in Equity

					Difference from					
€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	remeasurement of defined benefit plans	currency translation[3]	financial instru-ments[4]	Subtotal	Non-controlling interests	Total
As at January 1, 2017	**512.0**	**4,155.6**	**11,534.7**	**-181.9**	**-1,783.8**	**30.0**	**3.4**	**14,270.0**	**464.8**	**14,734.8**
Net income	–	–	2,224.1	–	–	–	–	2,224.1	43.5	**2,267.6**
Comprehensive income	–	–	–	–	164.4	-554.8	-0.7	-391.1	-29.3	**-420.4**
Net profit for the period	**–**	**–**	**2,224.1**	**–**	**164.4**	**-554.8**	**-0.7**	**1,833.0**	**14.2**	**1,847.2**
Dividends paid/resolved	–	–	-850.0	–	–	–	–	-850.0	-33.1	**-883.1**
Successive purchases	–	–	–	-1.3	–	–	–	-1.3	0.5	**-0.8**
Other changes[5]	–	–	–	0.0	–	–	–	0.0	0.5	**0.5**
As at September 30, 2017	**512.0**	**4,155.6**	**12,908.8**	**-183.2**	**-1,619.4**	**-524.8**	**2.7**	**15,251.7**	**446.9**	**15,698.6**
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 of the first-time adoption of new standards (IFRS 9/15)[6]	–	–	30.8	–	–	–	-3.4	27.4	-0.1	**27.3**
Adjusted as at January 1, 2018	**512.0**	**4,155.6**	**13,700.1**	**-183.3**	**-1,720.7**	**-610.2**	**2.3**	**15,855.8**	**461.8**	**16,317.6**
Net income	–	–	2,185.8	–	–	–	–	2,185.8	37.7	**2,223.5**
Comprehensive income	–	–	-0.2	–	56.2	23.9	-1.3	78.6	-0.9	**77.7**
Net profit for the period	**–**	**–**	**2,185.6**	**–**	**56.2**	**23.9**	**-1.3**	**2,264.4**	**36.8**	**2,301.2**
Dividends paid/resolved	–	–	-900.0	–	–	–	–	-900.0	-33.4	**-933.4**
Successive purchases	–	–	–	-4.4	–	–	–	-4.4	0.3	**-4.1**
Other changes[5]	–	–	–	-0.4	–	–	–	-0.4	-0.4	**-0.8**
As at September 30, 2018	**512.0**	**4,155.6**	**14,985.7**	**-188.1**	**-1,664.5**	**-586.3**	**1.0**	**17,215.4**	**465.1**	**17,680.5**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of -€4.1 million (PY: -€0.3 million) from successive purchases of shares in fully consolidated companies, an amount of €0.0 million in the previous year from a subsequent purchase price adjustment, and an amount of -€0.4 million (PY: €0.0 million) relating to effects from the first-time consolidation of previously non-consolidated subsidiaries. The reporting period also includes the change in value of a put option of -€0.3 million (PY: -€1.0 million) for the acquisition of remaining shares in a fully consolidated company.
3 Includes shareholder's portion of -€5.7 million (PY: -€3.0 million) in the currency translation of equity-accounted investees.
4 The change in the difference arising from financial instruments, including deferred taxes, was due mainly to changes in the fair values of the cash flow hedges of -€1.3 million (PY: -€1.7 million) for interest and currency hedging and in the previous year to available-for-sale financial assets of €1.0 million.
5 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.
6 Please see our comments in the "Revenue from contracts with customers" and "Financial instruments" sections.

Explanatory Notes to the Consolidated Financial Statements

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

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
External sales	7,190.8	5,728.6	7,269.0	8,263.3	4,722.6	–	33,174.3
Intercompany sales	23.2	95.4	23.9	25.7	67.4	-235.6	–
Sales (total)	**7,214.0**	**5,824.0**	**7,292.9**	**8,289.0**	**4,790.0**	**-235.6**	**33,174.3**
EBIT (segment result)	581.7	123.0	740.8	1,339.1	302.8	-97.6	2,989.8
in % of sales	8.1	2.1	10.2	16.2	6.3	–	9.0
Depreciation and amortization[1]	319.4	334.2	297.0	455.3	226.2	2.3	1,634.4
thereof impairment[2]	1.5	13.2	-2.6	–	0.2	–	12.3
Capital expenditure[3]	454.0	428.7	347.1	538.6	175.5	12.3	1,956.2
in % of sales	6.3	7.4	4.8	6.5	3.7	–	5.9
Operating assets as at September 30	4,980.0	3,631.8	5,780.6	6,691.2	3,155.4	-29.4	24,209.6
Number of employees as at September 30[4]	49,689	43,117	48,231	55,175	47,928	442	244,582
Adjusted sales[5]	7,214.0	5,824.0	7,283.3	8,282.0	4,698.2	-235.6	33,065.9
Adjusted operating result (adjusted EBIT)[6]	583.2	154.4	643.5	1,352.1	356.4	-97.6	2,992.0
in % of adjusted sales	8.1	2.7	8.8	16.3	7.6	–	9.0

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

Segment report for the period from January 1 to September 30, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
External sales	7,220.9	5,668.1	6,860.5	8,372.2	4,603.9	–	32,725.6
Intercompany sales	22.1	92.7	20.8	15.2	73.3	-224.1	–
Sales (total)	**7,243.0**	**5,760.8**	**6,881.3**	**8,387.4**	**4,677.2**	**-224.1**	**32,725.6**
EBIT (segment result)	666.3	314.3	550.5	1,547.0	322.0	-95.2	3,304.9
in % of sales	9.2	5.5	8.0	18.4	6.9	–	10.1
Depreciation and amortization[1]	297.8	301.4	298.2	440.8	228.9	1.1	1,568.2
thereof impairment[2]	-0.1	7.9	23.1	0.1	–	–	31.0
Capital expenditure[3]	404.2	393.0	282.4	569.8	143.4	2.1	1,794.9
in % of sales	5.6	6.8	4.1	6.8	3.1	–	5.5
Operating assets as at September 30	4,561.4	3,394.8	5,014.6	6,363.5	3,125.9	-28.3	22,431.9
Number of employees as at September 30[4]	46,637	40,382	45,137	54,250	46,430	434	233,270
Adjusted sales[5]	7,243.0	5,760.8	6,871.7	8,387.4	4,665.9	-224.1	32,704.7
Adjusted operating result (adjusted EBIT)[6]	666.1	330.9	605.3	1,536.8	391.2	-95.2	3,435.1
in % of adjusted sales	9.2	5.7	8.8	18.3	8.4	–	10.5

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

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

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Sales	**7,214.0**	**5,824.0**	**7,292.9**	**8,289.0**	**4,790.0**	**-235.6**	**33,174.3**
Changes in the scope of consolidation[1]	–	–	-9.6	-7.0	-91.8	–	-108.4
Adjusted sales	**7,214.0**	**5,824.0**	**7,283.3**	**8,282.0**	**4,698.2**	**-235.6**	**33,065.9**
EBITDA	**901.1**	**457.2**	**1,037.8**	**1,794.4**	**529.0**	**-95.3**	**4,624.2**
Depreciation and amortization[2]	-319.4	-334.2	-297.0	-455.3	-226.2	-2.3	-1,634.4
EBIT	**581.7**	**123.0**	**740.8**	**1,339.1**	**302.8**	**-97.6**	**2,989.8**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	8.6	38.2	13.4	67.9	–	128.1
Changes in the scope of consolidation[1]	–	–	13.9	-0.4	-14.2	–	-0.7
Special effects							
Impairment[3]	1.5	9.9	0.2	–	–	–	11.6
Restructuring[4]	–	12.9	-2.8	–	0.2	–	10.3
Gains and losses from disposals of companies and business operations	–	–	-143.9	–	-0.3	–	-144.2
Other	–	–	-2.9	–	–	–	-2.9
Adjusted operating result (adjusted EBIT)	**583.2**	**154.4**	**643.5**	**1,352.1**	**356.4**	**-97.6**	**2,992.0**

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 in the Powertrain (€3.3 million) and ContiTech (€0.2 million) segments and a reversal of impairment losses in the Interior segment (€2.8 million).

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to September 30, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
Sales	**7,243.0**	**5,760.8**	**6,881.3**	**8,387.4**	**4,677.2**	**-224.1**	**32,725.6**
Changes in the scope of consolidation[1]	–	–	-9.6	–	-11.3	–	-20.9
Adjusted sales	**7,243.0**	**5,760.8**	**6,871.7**	**8,387.4**	**4,665.9**	**-224.1**	**32,704.7**
EBITDA	**964.1**	**615.7**	**848.7**	**1,987.8**	**550.9**	**-94.1**	**4,873.1**
Depreciation and amortization[2]	-297.8	-301.4	-298.2	-440.8	-228.9	-1.1	-1,568.2
EBIT	**666.3**	**314.3**	**550.5**	**1,547.0**	**322.0**	**-95.2**	**3,304.9**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	9.0	34.6	14.2	70.2	–	128.0
Changes in the scope of consolidation[1]	–	–	-0.6	–	-0.4	–	-1.0
Special effects							
Impairment[3]	-0.1	7.9	23.1	0.1	–	–	31.0
Restructuring	-0.1	-0.3	-0.4	-10.0	-0.2	–	-11.0
Gains and losses from disposals of companies and business operations	–	–	–	-14.0	-0.4	–	-14.4
Other	–	–	-1.9	-0.5	–	–	-2.4
Adjusted operating result (adjusted EBIT)	**666.1**	**330.9**	**605.3**	**1,536.8**	**391.2**	**-95.2**	**3,435.1**

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

Reconciliation of EBIT to net income

	January 1 to September 30		Third Quarter	
€ millions	**2018**	2017	**2018**	2017
Chassis & Safety	581.7	666.3	110.6	200.0
Powertrain	123.0	314.3	-87.1	83.1
Interior	740.8	550.5	340.7	168.5
Tires	1,339.1	1,547.0	450.0	515.0
ContiTech	302.8	322.0	69.4	109.5
Other/consolidation	-97.6	-95.2	-32.0	-38.6
EBIT	**2,989.8**	**3,304.9**	**851.6**	**1,037.5**
Financial result	-150.1	-219.6	-39.0	-55.8
Earnings before tax	**2,839.7**	**3,085.3**	**812.6**	**981.7**
Income tax expense	-616.2	-817.7	-176.4	-240.0
Net income	**2,223.5**	**2,267.6**	**636.2**	**741.7**
Non-controlling interests	-37.7	-43.5	-10.1	-12.6
Net income attributable to the shareholders of the parent	**2,185.8**	**2,224.1**	**626.1**	**729.1**

Segment reporting

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

Information on the development of the Continental Corporation's five divisions can be found in the Corporate Management Report as at September 30, 2018.

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 2017. These accounting policies are described in detail in the 2017 Annual Report. In addition, the IFRS amendments and new regulations effective as at September 30, 2018, 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 2017 Annual Report.

The first-time adoption of IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, affected the reporting period. The new standards effective in the 2018 fiscal year, IFRS 9 and IFRS 15, are described in detail in the 2017 Annual Report. As explained in the 2017 Annual Report, the corresponding accounting policy choices were made. Expected effects from the interpretation of the standards on the business models in the corporation materialized accordingly. Please see the "Financial instruments" and the "Revenue from contracts with customers" sections for information on the specific effects in the reporting period.

All other IFRS amendments and new regulations effective as at September 30, 2018, had no material effect on the reporting of the Continental Corporation.

The new standard effective from the 2019 fiscal year, IFRS 16, *Leases*, is described in detail in the 2017 Annual Report. The first-time adoption of IFRS 16 is still expected to result in the effects described in the 2017 Annual Report. The most significant impact that has been recently identified is that Continental AG as lessor will account for new assets and liabilities based on operating leases of administration and production buildings as well as warehouses. To a small extent, Continental as lessor will account for assets and liabilities for operating leases of other facilities, operating and office equipment. Moreover, there will be impacts on the consolidated income statement due to the substitution of the straight-line expenses from operating leases with the depreciation charges of the right-of-use assets and the interest expenses resulting from the measurement of lease liabilities. As a result, a positive effect on EBIT at the expense of the financial result is expected. The first-time adoption of IFRS 16 is expected to result in a significant effect. There will be quantitative effects on the net assets position of up to €1.9 billion.

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 interim consolidated financial statements 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.

Companies consolidated
In addition to the parent company, the consolidated financial statements include 544 domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10, *Consolidated Financial Statements*, or that are classified as joint arrangements or associated companies. Of these, 412 are fully consolidated and 132 are accounted for using the equity method.

The number of consolidated companies has increased by a total of 17 since December 31, 2017. Thirteen companies were acquired, 14 were founded, and three previously unconsolidated units were included in consolidation for the first time. At the same time, the number of companies consolidated decreased by 13 as a result of four mergers, two sales and seven liquidations.

Since September 30, 2017, the number of consolidated companies has increased by a total of 18. The additions to the scope of consolidation essentially resulted from newly founded companies and acquisitions by the Automotive Group. Companies no longer included in the scope of consolidation are mostly attributable to liquidations and mergers.

Acquisition and disposal of companies and business operations
Two asset deals took place in the Tire segment. €2.7 million of the purchase prices totaling €2.9 million was paid in cash. The remaining amount is recorded as a purchase price liability of €0.2 million. The purchase price allocation resulted in intangible assets of €2.1 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2018.

One share deal took place in the Tire segment. The purchase price of €10.7 million was paid in cash. The purchase price allocation resulted in goodwill of €6.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2018.

One asset deal took place in the Interior segment. The purchase price of €0.0 million was paid in cash. The purchase price allocation resulted in a bargain purchase effect of €2.9 million, which was recognized in profit or loss under other income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at September 30, 2018.

In the ContiTech segment, there was an acquisition of remaining shares for a purchase price of €2.6 million. The resulting difference of €2.5 million between the purchase price and the carrying amount of the acquired shares was recognized in other comprehensive income.

In the Interior segment, a sub-activity of the Commercial Vehicles & Aftermarket business unit was disposed of. This transaction resulted in expense of €28.9 million.

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

In the Interior segment, OSRAM Continental GmbH, Munich, commenced global operations on July 2, 2018, following the successful conclusion of all negotiations and the granting of the required merger control authorizations. OSRAM Continental GmbH is an associate of Continental in which Continental Automotive GmbH, Hanover, and OSRAM GmbH, Munich, each hold a 50% stake. Continental accounts for this shareholding using the equity method. It is expected that Continental will contribute net assets, including intangible assets, with a preliminary value of about €400 million to OSRAM Continental GmbH. Continental will generate a one-off gain, currently estimated at about €172.8 million, from this contribution. In addition, Continental received compensation payments of €37.5 million from OSRAM GmbH in this context.

Revenue from contracts with customers
The first-time adoption of IFRS 15, *Revenue from Contracts with Customers*, resulted in the following effects on the earnings, financial and net assets position:

- Due to the application of the modified retrospective approach, the cumulative effect of the first-time adoption of IFRS 15 in the amount of €30.3 million before taxes (€21.9 million after taxes) was recognized as an increase in the opening carrying amount of the retained earnings as of the date of the first-time adoption. The values of comparative periods are based on the accounting principles of IAS 18, *Revenue*, and IAS 11, *Construction Contracts*, and are shown unadjusted.

If IFRS 15 had not been applied, the application of the former accounting methods would have had the following effects in the current reporting period:

- Net income would have amounted to €2,144.2 million (€2,223.5 million with IFRS 15 applied).

- Sales would have amounted to €33,131.2 million (€33,174.3 million with IFRS 15 applied) and the cost of sales would have come to €24,813.0 million (€24,827.3 million with IFRS 15 applied).

- Research and development expenses (net) amounted to €2,534.3 million. With IFRS 15 applied, research and development expenses amounted to €3,188.4 million. These figures include the capitalization of development costs in inventories in the amount of €83.7 million. By contrast, other income would have totaled €498.2 million (€1,152.3 million with IFRS 15 applied).

- Income tax expense would have amounted to €583.0 million (€616.2 million with IFRS 15 applied).

- Not taking into account contract assets, trade accounts receivable would have been reported in the amount of €8,413.9 million (€8,401.1 million with IFRS 15 applied) and inventories, not including the capitalization of development costs, would have been reported in the amount of €4,618.5 million (€4,690.0 million with IFRS 15 applied).

- Contract liabilities of €1,143.3 million would have been recognized in the amount of €134.9 million under other liabilities and in the amount of €1,008.4 million under other financial liabilities. Overall, this would therefore have resulted in other liabilities of €920.0 million (€785.1 million with IFRS 15 applied) and other financial liabilities of €1,449.4 million (€441.0 million with IFRS 15 applied).
- Consolidated equity would have amounted to €17,578.8 million if IFRS 15 had not been applied (€17,680.5 million with IFRS 15 applied).

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

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

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

Income tax expense
Income tax expense in the first nine months of 2018 amounted to €616.2 million (PY: €817.7 million). The tax rate in the reporting period amounted to 21.7% (PY: 26.5%). This was largely attributable to changes in the mix of countries and to the corporate tax reform in the U.S.A.

Long-term employee benefits
Compared to December 31, 2017, the remeasurement of defined benefit pension plans as at September 30, 2018, led to a €73.2 million increase in other comprehensive income, which resulted from a rise in discount rates. The corresponding increase in equity contrasted with a fall in long-term employee benefits of €100.0 million.

Cash changes in pension and similar obligations
Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the U.K., and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to September 30, 2018, the companies of the Continental Corporation made regular payments of €80.1 million (PY: €81.4 million) into these pension funds.

Owing to the change in U.S. tax laws, it was possible for the corporation to fund most of the plan assets for pensions in the U.S.A. while benefiting from tax breaks. On July 11, 2018, €209.2 million was transferred to the corresponding plan assets.

Payments for retirement benefit obligations totaled €154.0 million (PY: €159.7 million) in the period from January 1 to September 30, 2018. Payments for obligations similar to pensions totaled €10.8 million (PY: €12.1 million).

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

	January 1 to September 30, 2018						January 1 to September 30, 2017					
€ millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	167.4	3.8	1.2	1.8	16.6	**190.8**	167.4	4.2	1.1	2.1	17.7	192.5
Interest on defined benefit obligations	58.9	28.9	2.7	7.1	7.1	**104.7**	58.8	36.5	4.1	7.6	5.3	112.3
Expected return on the plan assets	-16.8	-20.2	-2.2	-7.1	-3.7	**-50.0**	-14.9	-26.2	-3.7	-7.6	-2.0	-54.4
Effect of change of asset ceiling	–	–	–	–	0.1	**0.1**	–	–	0.1	–	0.1	0.2
Other pension income and expenses	–	0.9	0.3	–	-0.1	**1.1**	–	1.0	0.4	–	0.0	1.4
Net pension cost	**209.5**	**13.4**	**2.0**	**1.8**	**20.0**	**246.7**	**211.3**	**15.5**	**2.0**	**2.1**	**21.1**	**252.0**

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

	January 1 to September 30	
€ millions	**2018**	2017
Current service cost	1.1	1.2
Interest on healthcare and life-insurance benefit obligations	5.4	6.6
Net cost of obligations similar to pensions	**6.5**	**7.8**

Indebtedness

The €750.0 million euro bond from Continental AG that matured on July 16, 2018, was redeemed at a rate of 100.00%. The five-year bond bore interest at a rate of 3.0% p.a.

The syndicated loan comprises a revolving tranche of €3.0 billion. This credit line is available to Continental until April 2021. At the end of September 2018, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., and by Continental AG in a total amount of €538.6 million. In the previous year, it was utilized only by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in an amount of €237.0 million.

For more information on indebtedness and the financial result, please refer to the Corporate Management Report as at September 30, 2018.

Financial instruments

The first-time adoption of IFRS 9, *Financial Instruments*, resulted in the following effects on the earnings, financial and net assets position:

- In this context, Continental uses the modified retrospective approach. The cumulative effect of the first-time adoption of IFRS 9 in the amount of €10.9 million before taxes (€8.9 million after taxes) as of the date of first-time adoption was recognized as an increase in the opening carrying amount of retained earnings.

The cumulative effect resulted from the following matters:

- The cumulated gains of €3.4 million (including related deferred tax effects) in other comprehensive income from the previous measurement category "available-for-sale financial assets" were reclassified to retained earnings.

- In cash and cash equivalents, there was an effect of -€0.1 million from financial instruments which were measured at amortized cost in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, and are classified as FVPL (fair value through profit and loss) in accordance with IFRS 9.

- Impairment on financial instruments decreased by a total of €7.6 million before taxes. This was firstly due to the increase in impairment as a result of the impairment model implemented in accordance with IFRS 9, which takes account of expected losses. Secondly, impairment that had been recognized as at December 31, 2017, on the basis of portfolio valuation allowances using experience-based values in accordance with IAS 39 was derecognized.

The new regulations for hedge accounting in accordance with IFRS 9, which are generally to be applied prospectively, were applied to the cash flow hedges in place as at December 31, 2017, in accordance with IAS 39. The fulfilment of hedge effectiveness conditions as required under IFRS 9 was demonstrated prospectively in this context. Effectiveness is calculated by comparing the present value development of the hedged transactions and the fair value development of the hedging instruments. Ineffectiveness generally results from different recognition of credit risk and of currency basis spreads. There was no accounting effect as at the transition date on January 1, 2018.

Due to the insignificant effects of IFRS 9, adjustments to systems, processes and control workflows are insignificant as well.

As at January 1, 2018, the Continental Corporation measured other investments at FVOCIwoR (fair value through other comprehensive income without reclassification) and classified them accordingly, as these investments are held over a long term for strategic purposes. In 2017, other investments were classified as AfS (available for sale).

The values of comparative periods are based on the accounting principles of IAS 39 and are shown unadjusted.

Classification of financial assets and financial liabilities at the date of transition to IFRS 9

The table below shows the original measurement categories according to IAS 39 and the new measurement categories according to IFRS 9 for each adjusted class of financial assets and liabilities as at January 1, 2018, in € million.

Classification in acc. with IAS 39	Classification in acc. with IFRS 9	Measurement category in acc. with IAS 39	Carrying amount in acc. with IAS 39	Measurement category in acc. with IFRS 9	Carrying amount in acc. with IFRS 9
Financial assets	**Financial assets**				
Other investments	Other investments	AfS	51.0	FVOCIwoR	51.0
Derivative instruments and interest-bearing investments	Derivative instruments and interest-bearing investments				
Derivative instruments accounted for as effective hedging instruments	Derivative instruments accounted for as effective hedging instruments	n. a.	51.5	n. a.	51.5
Derivative instruments not accounted for as effective hedging instruments	Derivative instruments not accounted for as effective hedging instruments	HfT	18.5	FVPL	18.5
Available-for-sale financial assets	Debt instruments measured at fair value through profit and loss	AfS	37.8	FVPL	37.8
Other receivables with a financing character	Debt instruments measured at amortized cost	LaR	53.1	At cost	53.1
Trade accounts receivable	Trade accounts receivable				
Trade accounts receivable	Trade accounts receivable measured at amortized cost	LaR	7,469.4	At cost	7,473.3
Trade accounts receivable	Bank drafts	LaR	193.2	FVOCIwR	193.2
Trade accounts receivable	Trade accounts receivable measured at fair value through profit and loss	LaR	6.7	FVPL	6.7
Other financial assets[1]	Other financial assets[1]	LaR	365.8	At cost	365.7
Cash and cash equivalents	Cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents measured at amortized cost	LaR	1,682.1	At cost	1,618.0
Available-for-sale financial assets	Cash and cash equivalents measured at fair value through profit and loss	AfS	199.4	FVPL	263.6
Financial liabilities	**Financial liabilities**				
Derivative instruments not accounted for as effective hedging instruments	Derivative instruments not accounted for as effective hedging instruments	HfT	16.9	FVPL	16.9

1 Starting from the 2018 reporting year, deferred costs from the sale of customer tooling are no longer included in order to make the presentation of other financial assets more transparent.

Abbreviations

- AfS: available for sale
- 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
- HfT: held for trading
- LaR: loans and receivables
- OL: other liability, financial liabilities measured at amortized cost
- 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

The tables below show the carrying amounts and fair values of financial assets and liabilities, whereby non-current and current items are presented together. The structure of the table for the previous year, which was in accordance with IAS 39, was adapted to the new format.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Sept. 30, 2018	Fair value as at Sept. 30, 2018	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	196.9	196.9	–	–	196.9
Derivative instruments and interest-bearing investments						
Derivative instruments accounted for as effective hedging instruments	n. a.	36.9	36.9	–	36.9	–
Derivative instruments not accounted for as effective hedging instruments	FVPL	11.6	11.6	–	11.6	–
Debt instruments	FVPL	36.7	36.7	26.5	10.2	–
Debt instruments	At cost	106.8	106.8	–	–	–
Trade accounts receivable						
Trade accounts receivable	At cost	8,069.0	8,069.0	–	–	–
Bank drafts	FVOCIwR	324.5	324.5	–	324.5	–
Trade accounts receivable	FVPL	7.6	7.6	–	7.6	–
Other financial assets						
Other financial assets	FVPL	0.4	0.4	–	0.4	–
Miscellaneous financial assets[1]	At cost	548.6	548.6	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	At cost	1,609.0	1,609.0	–	–	–
Cash and cash equivalents	FVPL	12.7	12.7	12.7	–	–
Financial assets		**10,960.7**	**10,960.7**	**39.2**	**391.2**	**196.9**
Indebtedness						
Derivative instruments not accounted for as effective hedging instruments	FVPL	7.2	7.2	–	7.2	–
Finance lease liabilities	n. a.	13.1	13.1	–	13.1	–
Other indebtedness	OL	4,788.5	4,851.2	1,895.8	827.6	–
Trade accounts payable	OL	6,685.0	6,685.0	–	–	–
Other financial liabilities						
Liabilities to related parties from finance leases	n. a.	7.0	6.6	–	6.6	–
Miscellaneous financial liabilities	OL	434.0	433.9	–	2.4	–
Financial liabilities		**11,934.8**	**11,997.0**	**1,895.8**	**856.9**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		324.5				
Financial assets (FVOCIwoR)		196.9				
Financial assets (FVPL)		69.0				
Financial assets (At cost)		10,333.4				
Financial liabilities (FVPL)		7.2				
Financial liabilities (OL)		11,907.5				

1 Starting from the 2018 reporting year, deferred costs from the sale of customer tooling are no longer included in order to make the presentation of other financial assets more transparent.

€ millions	Measurement category in acc. with IAS 39	Carrying amount as at Dec. 31, 2017	Fair value as at Dec. 31, 2017	thereof Level 1	thereof Level 2
Other investments	AfS	51.0	51.0	–	–
Derivative instruments and interest-bearing investments					
Derivative instruments accounted for as effective hedging instruments	n. a.	51.5	51.5	–	51.5
Derivative instruments not accounted for as effective hedging instruments	HfT	18.5	18.5	–	18.5
Available-for-sale financial assets	AfS	37.8	37.8	28.3	9.5
Other receivables with a financing character	LaR	53.1	53.1	–	–
Trade accounts receivable	LaR	7,669.3	7,669.3	–	–
Other financial assets[1]	LaR	365.8	365.8	–	–
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,682.1	1,682.1	–	–
Available-for-sale financial assets	AfS	199.4	199.4	199.4	–
Financial assets		**10,128.5**	**10,128.5**	**227.7**	**79.5**
Indebtedness					
Derivative instruments not accounted for as effective hedging instruments	HfT	16.9	16.9	–	16.9
Finance lease liabilities	n. a.	16.4	16.6	–	16.6
Other indebtedness	OL	4,056.7	4,155.3	2,680.6	298.9
Trade accounts payable	OL	6,798.5	6,798.5	–	–
Other financial liabilities					
Liabilities to related parties from finance leases	n. a.	7.3	7.1	–	7.1
Miscellaneous financial liabilities	OL	1,305.6	1,305.5	–	4.9
Financial liabilities		**12,201.4**	**12,299.9**	**2,680.6**	**344.4**
Aggregated according to measurement categories as defined in IAS 39:					
Financial assets held for trading (HfT)		18.5			
Loans and receivables (LaR)		9,770.3			
Available-for-sale financial assets (AfS)		288.2			
Financial liabilities held for trading (HfT)		16.9			
Financial liabilities measured at amortized cost (OL)		12,160.8			

1 Starting from the 2018 reporting year, deferred costs from the sale of customer tooling are no longer included in order to make the presentation of other financial assets more transparent. The figures as at December 31, 2017, have been adjusted accordingly.

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.

Litigation and compensation claims
As described in detail in the 2017 Annual Report, judicial review proceedings are still pending in connection with resolutions adopted by the Annual Shareholders' Meeting of ContiTech AG, Hanover, on August 22, 2007, regarding the approval of the conclusion of a management and profit and loss transfer agreement between this company as the controlled company and ContiTech-Universe Verwaltungs-GmbH, Hanover, as the controlling company and regarding the squeeze-out of minority shareholders. These judicial review proceedings relate to the appropriateness of the settlement and compensation payment under the management and profit and loss transfer agreement and the settlement for the squeeze-out. Partial settlement agreements were entered in the records of the Hanover Regional Court *(Landgericht)* in these proceedings in 2012. Under these settlements, a payment of €3.50 plus interest per share on top of the exit compensation under the management and profit and loss transfer agreement and on account of the squeeze-out was agreed, as was – merely declaratory – a higher compensatory payment under the management and profit and loss transfer agreement. The compensation consequently increased to €28.33 per share. In October 2012, the Hanover Regional Court had awarded additional payments of the same amount. Upon appeals by some petitioners, the Celle Higher Regional Court *(Oberlandesgericht)* had revoked the rulings on July 17, 2013, and remanded the matter to the Regional Court for a new hearing and ruling. On September 19, 2018, the Hanover Regional Court now 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. The rulings are not final. 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 2017 Annual Report.

Contingent liabilities and other financial obligations
As at September 30, 2018, there were no material changes in the contingent liabilities and other financial obligations as described in the 2017 Annual Report.

Appropriation of net income
As at December 31, 2017, Continental AG reported net retained earnings of €1,470.4 million (PY: €1,103.1 million). On April 27, 2018, the Annual Shareholders' Meeting in Hanover resolved to distribute a dividend of €4.50 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution thus amounted to €900,026,923.50. The remaining amount was carried forward to new account.

Earnings per share
Basic earnings per share decreased to €10.93 (PY: €11.12) in the first nine months of 2018 and to €3.13 (PY: €3.64) in the period from July 1 to September 30, 2018. 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, 2017. For further information, please refer to the comments in the 2017 Annual Report.

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

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

Significant Events after September 30, 2018

There were no significant events after September 30, 2018.

Hanover, October 22, 2018

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2018	
Preliminary figures for fiscal 2017	January 9
Annual Financial Press Conference	March 8
Analyst and Investor Conference Call	March 8
Annual Shareholders' Meeting (including key figures for the first quarter of 2018)	April 27
Financial Report as at March 31, 2018	May 8
Half-Year Financial Report as at June 30, 2018	August 2
Financial Report as at September 30, 2018	November 8

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 5
Financial Report as at September 30, 2019	November 11

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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

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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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