

# Preliminary Consolidated Financial Statements 2018

The following results and amounts are preliminary statements that have not yet been approved or adopted by the Supervisory Board.

# Continental Corporation

<b>Continental Corporation in € millions</b>	<b>2018</b>	2017
Sales	44,404.4	44,009.5
EBITDA	6,235.7	6,678.9
in % of sales	14.0	15.2
EBIT	4,027.7	4,561.5
in % of sales	9.1	10.4
Net income attributable to the shareholders of the parent	2,897.3	2,984.6
Basic earnings per share in €	14.49	14.92
Diluted earnings per share in €	14.49	14.92
Research and development expenses (net)	3,209.0	3,103.7
in % of sales	7.2	7.1
Depreciation and amortization <sup>1</sup>	2,208.0	2,117.4
thereof impairment <sup>2</sup>	20.7	40.2
Operating assets as at December 31	23,753.7	22,213.6
Operating assets (average)	23,640.5	22,172.4
ROCE	17.0	20.6
Capital expenditure <sup>3</sup>	3,124.4	2,854.4
in % of sales	7.0	6.5
Number of employees as at December 31 <sup>4</sup>	243,226	235,473
Adjusted sales <sup>5</sup>	44,249.2	43,978.5
Adjusted operating result (adjusted EBIT) <sup>6</sup>	4,118.1	4,748.5
in % of adjusted sales	9.3	10.8

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

# Development of Core Business Areas: Automotive Group

<b>Automotive Group in € millions</b>	<b>2018</b>	2017
Sales	26,855.8	26,565.4
EBITDA	3,177.1	3,296.4
in % of sales	11.8	12.4
EBIT	1,890.4	2,086.8
in % of sales	7.0	7.9
Research and development expenses (net)	2,760.5	2,675.5
in % of sales	10.3	10.1
Depreciation and amortization <sup>1</sup>	1,286.7	1,209.6
thereof impairment <sup>2</sup>	19.2	37.3
Operating assets as at December 31	14,336.3	13,187.2
Operating assets (average)	14,095.6	12,874.1
ROCE	13.4	16.2
Capital expenditure <sup>3</sup>	2,019.1	1,789.5
in % of sales	7.5	6.7
Number of employees as at December 31 <sup>4</sup>	140,016	134,286
Adjusted sales <sup>5</sup>	26,840.7	26,546.3
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,886.3	2,180.7
in % of adjusted sales	7.0	8.2

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

# Development of Core Business Areas: Rubber Group

<b>Rubber Group in € millions</b>	<b>2018</b>	2017
Sales	17,603.1	17,494.7
EBITDA	3,196.6	3,499.6
in % of sales	18.2	20.0
EBIT	2,278.3	2,593.5
in % of sales	12.9	14.8
Research and development expenses (net)	448.5	428.2
in % of sales	2.5	2.4
Depreciation and amortization <sup>1</sup>	918.3	906.1
thereof impairment <sup>2</sup>	1.5	2.9
Operating assets as at December 31	9,556.2	9,073.6
Operating assets (average)	9,618.1	9,325.1
ROCE	23.7	27.8
Capital expenditure <sup>3</sup>	1,087.3	1,060.2
in % of sales	6.2	6.1
Number of employees as at December 31 <sup>4</sup>	102,763	100,749
Adjusted sales <sup>5</sup>	17,463.0	17,482.7
Adjusted operating result (adjusted EBIT) <sup>6</sup>	2,372.8	2,686.6
in % of adjusted sales	13.6	15.4

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

## EBITDA

EBITDA	in € millions		in % of sales	
	2018	2017	2018	2017
Chassis & Safety	1,213.3	1,301.6	12.7	13.3
Powertrain	574.6	854.8	7.4	11.2
Interior	1,389.2	1,140.0	14.3	12.3
Tires	2,495.2	2,748.7	22.0	24.3
ContiTech	701.4	750.9	11.1	12.0
Other/consolidation	-138.0	-117.1		
<b>Continental Corporation</b>	<b>6,235.7</b>	<b>6,678.9</b>	<b>14.0</b>	<b>15.2</b>

## EBIT

EBIT	in € millions		in % of sales	
	2018	2017	2018	2017
Chassis & Safety	782.5	897.7	8.2	9.2
Powertrain	119.8	439.9	1.5	5.7
Interior	988.1	749.2	10.2	8.1
Tires	1,882.1	2,151.3	16.6	19.0
ContiTech	396.2	442.2	6.2	7.1
Other/consolidation	-141.0	-118.8		
<b>Continental Corporation</b>	<b>4,027.7</b>	<b>4,561.5</b>	<b>9.1</b>	<b>10.4</b>

## Adjusted Operating Result (Adjusted EBIT)<sup>1</sup>

Adjusted operating result (adjusted EBIT) <sup>1</sup>	in € millions		in % of adjusted sales <sup>2</sup>	
	2018	2017	2018	2017
Chassis & Safety	784.9	898.1	8.2	9.2
Powertrain	202.3	469.9	2.6	6.1
Interior	899.1	812.7	9.3	8.8
Tires	1,900.0	2,146.8	16.8	19.0
ContiTech	472.8	539.8	7.6	8.7
Other/consolidation	-141.0	-118.8		
<b>Continental Corporation</b>	<b>4,118.1</b>	<b>4,748.5</b>	<b>9.3</b>	<b>10.8</b>

<sup>1</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

<sup>2</sup> Before changes in the scope of consolidation.

# Key Figures of the Continental Share<sup>1</sup>

€ (unless otherwise specified)	2018	2017
Basic earnings per share	14.49	14.92
Diluted earnings per share	14.49	14.92
Dividend per share	4.75 <sup>2</sup>	4.50
Dividend payout ratio (%)	32.8 <sup>2</sup>	30.2
Dividend yield (%)	2.5 <sup>2</sup>	2.2
Yearly average price-earnings ratio (P/E ratio) <sup>3</sup>	13.2	13.5
Share price at year end	120.75	225.05
Average share price	191.27	201.45
Share price at year high	257.40	228.85
Share price at year low	119.10	180.70
Number of outstanding shares, average (in millions)	200.0	200.0
Number of outstanding shares as at December 31 (in millions)	200.0	200.0

<sup>1</sup> All market prices are quotations of the Continental share in the Xetra system of Deutsche Börse AG.

<sup>2</sup> Subject to the approval of the Annual Shareholders' Meeting on April 26, 2019.

<sup>3</sup> Net income attributable to the shareholders of the parent per share at the annual average share price.

# Consolidated Statement of Income

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.

€ millions	2018	2017
<b>Sales</b>	<b>44,404.4</b>	<b>44,009.5</b>
Cost of sales	-33,299.5	-32,635.0
<b>Gross margin on sales</b>	<b>11,104.9</b>	<b>11,374.5</b>
Research and development expenses <sup>1</sup>	-4,280.2	-3,103.7
Selling and logistics expenses	-2,494.3	-2,430.2
Administrative expenses	-1,149.0	-1,144.3
Other income <sup>1</sup>	1,803.4	584.5
Other expenses	-1,027.5	-796.6
Income from equity-accounted investees	69.6	76.8
Other income from investments	0.8	0.5
<b>EBIT</b>	<b>4,027.7</b>	<b>4,561.5</b>
Interest income	122.9	94.4
Interest expense	-276.2	-281.5
Effects from currency translation	-30.4	-138.8
Effects from changes in the fair value of derivative instruments, and other valuation effects	5.9	40.2
<b>Financial result</b>	<b>-177.8</b>	<b>-285.7</b>
<b>Earnings before tax</b>	<b>3,849.9</b>	<b>4,275.8</b>
Income tax expense	-891.6	-1,227.5
<b>Net income</b>	<b>2,958.3</b>	<b>3,048.3</b>
Non-controlling interests	-61.0	-63.7
Net income attributable to the shareholders of the parent	2,897.3	2,984.6
<b>Basic earnings per share in €</b>	<b>14.49</b>	<b>14.92</b>
<b>Diluted earnings per share in €</b>	<b>14.49</b>	<b>14.92</b>

<sup>1</sup> These items have changed due to the first-time adoption of new IFRS standards.

# Consolidated Statement of Financial Position

<b>Assets in € millions</b>	<b>Dec. 31, 2018</b>	Dec. 31, 2017
Goodwill	7,233.4	7,010.1
Other intangible assets	1,566.3	1,607.3
Property, plant and equipment	12,375.5	11,202.1
Investment property	12.0	10.5
Investments in equity-accounted investees	644.9	414.8
Other investments	192.9	51.0
Deferred tax assets	1,464.4	1,517.2
Defined benefit assets	27.8	16.0
Long-term contract assets	0.1	n.a.
Long-term derivative instruments and interest-bearing investments	32.4	113.3
Long-term other financial assets	81.4	68.8
Long-term other assets	27.6	27.3
<b>Non-current assets</b>	<b>23,658.7</b>	<b>22,038.4</b>
Inventories	4,521.1	4,128.2
Trade accounts receivable	7,631.9	7,669.3
Short-term contract assets	67.4	n.a.
Short-term other financial assets <sup>1</sup>	320.7	297.0
Short-term other assets <sup>1</sup>	1,124.2	1,186.8
Income tax receivables	208.2	178.2
Short-term derivative instruments and interest-bearing investments	151.8	47.6
Cash and cash equivalents	2,761.4	1,881.5
Assets held for sale	–	13.5
<b>Current assets</b>	<b>16,786.7</b>	<b>15,402.1</b>
<b>Total assets</b>	<b>40,445.4</b>	<b>37,440.5</b>

<sup>1</sup> 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.



<b>Equity and liabilities in € millions</b>	<b>Dec. 31, 2018</b>	Dec. 31, 2017
Subscribed capital	512.0	512.0
Capital reserves	4,155.6	4,155.6
Retained earnings	15,697.2	13,669.3
Other comprehensive income	-2,514.4	-2,508.5
<b>Equity attributable to the shareholders of the parent</b>	<b>17,850.4</b>	<b>15,828.4</b>
Non-controlling interests	482.9	461.9
<b>Total equity</b>	<b>18,333.3</b>	<b>16,290.3</b>
Long-term employee benefits	4,407.0	4,394.1
Deferred tax liabilities	315.7	348.5
Long-term provisions for other risks and obligations	163.7	139.6
Long-term indebtedness	1,449.0	2,017.8
Long-term other financial liabilities	38.4	36.1
Long-term contract liabilities	11.0	n.a.
Long-term other liabilities	13.4	25.4
<b>Non-current liabilities</b>	<b>6,398.2</b>	<b>6,961.5</b>
Short-term employee benefits	1,454.2	1,490.6
Trade accounts payable	7,293.0	6,798.5
Short-term contract liabilities	150.2	n.a.
Income tax payables	750.7	889.7
Short-term provisions for other risks and obligations	1,066.1	943.0
Short-term indebtedness	3,157.9	2,072.2
Short-term other financial liabilities	1,275.2	1,276.8
Short-term other liabilities	566.6	717.9
<b>Current liabilities</b>	<b>15,713.9</b>	<b>14,188.7</b>
<b>Total equity and liabilities</b>	<b>40,445.4</b>	<b>37,440.5</b>

# Consolidated Statement of Cash Flows

€ millions	2018	2017
<b>Net income</b>	<b>2,958.3</b>	<b>3,048.3</b>
Income tax expense	891.6	1,227.5
Financial result	177.8	285.7
<b>EBIT</b>	<b>4,027.7</b>	<b>4,561.5</b>
Interest paid	-115.5	-131.5
Interest received	36.7	26.1
Income tax paid	-860.8	-1,122.1
Dividends received	45.0	40.7
Depreciation, amortization, impairment and reversal of impairment losses	2,208.0	2,117.4
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	-70.4	-77.3
Gains/losses from the disposal of assets, companies and business operations	-176.0	-34.6
Changes in		
inventories	-358.4	-484.3
trade accounts receivable	38.3	-737.1
trade accounts payable	456.7	737.6
employee benefits and other provisions	-232.1	94.4
other assets and liabilities	-22.0	229.7
<b>Cash flow arising from operating activities</b>	<b>4,977.2</b>	<b>5,220.5</b>
Cash flow from the disposal of property, plant and equipment, and intangible assets	64.0	59.3
Capital expenditure on property, plant and equipment, and software	-3,124.4	-2,849.7
Capital expenditure on intangible assets from development projects and miscellaneous	-161.0	-101.4
Cash flow from the disposal of companies and business operations	13.1	20.4
Acquisition of companies and business operations	-417.9	-596.3
<b>Cash flow arising from investing activities</b>	<b>-3,626.2</b>	<b>-3,467.7</b>
<b>Cash flow before financing activities (free cash flow)</b>	<b>1,351.0</b>	<b>1,752.8</b>
Net cash change in short-term indebtedness	453.7	-879.0
Cash change in long-term indebtedness	13.9	-117.8
Other cash changes	23.7	14.1
Successive purchases	-19.2	-0.7
Dividends paid	-900.0	-850.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-45.4	-46.5
Cash and cash equivalents arising from the first-time consolidation of subsidiaries	2.0	0.7
<b>Cash flow arising from financing activities</b>	<b>-471.3</b>	<b>-1,879.2</b>
<b>Change in cash and cash equivalents</b>	<b>879.7</b>	<b>-126.4</b>
Cash and cash equivalents as at January 1	1,881.5	2,107.0
Effect of exchange-rate changes on cash and cash equivalents	0.2	-99.1
<b>Cash and cash equivalents as at December 31</b>	<b>2,761.4</b>	<b>1,881.5</b>

# Segment Reporting

## Segment report by division for 2018

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
External sales	9,559.3	7,612.0	9,668.9	11,315.9	6,248.3	–	44,404.4
Intercompany sales	28.7	129.0	38.3	36.3	96.4	-328.7	–
<b>Sales (total)</b>	<b>9,588.0</b>	<b>7,741.0</b>	<b>9,707.2</b>	<b>11,352.2</b>	<b>6,344.7</b>	<b>-328.7</b>	<b>44,404.4</b>
EBIT (segment result)	782.5	119.8	988.1	1,882.1	396.2	-141.0	4,027.7
in % of sales	8.2	1.5	10.2	16.6	6.2	–	9.1
thereof income from equity-accounted investees	18.8	0.2	34.1	15.7	0.2	0.6	69.6
Capital expenditure <sup>1</sup>	749.7	691.0	578.4	837.1	250.2	18.0	3,124.4
in % of sales	7.8	8.9	6.0	7.4	3.9	–	7.0
Depreciation and amortization <sup>2</sup>	430.8	454.8	401.1	613.1	305.2	3.0	2,208.0
thereof impairment <sup>3</sup>	1.5	19.3	-1.6	1.2	0.3	0.0	20.7
Internally generated intangible assets	0.0	55.5	102.4	0.0	0.0	0.1	158.0
Significant non-cash expenses/income	4.5	-37.0	14.0	-2.2	-21.2	10.0	-31.9
Segment assets	7,700.1	5,830.5	8,389.4	9,089.6	4,391.8	76.4	35,477.8
thereof investments in equity-accounted investees	124.5	61.0	336.6	112.1	2.0	8.7	644.9
Segment liabilities	2,709.6	2,272.8	2,601.3	2,654.3	1,270.9	215.2	11,724.1
Operating assets as at December 31	4,990.5	3,557.7	5,788.1	6,435.3	3,120.9	-138.8	23,753.7
Operating assets (average)	4,887.1	3,582.2	5,626.3	6,471.2	3,146.9	-73.2	23,640.5
ROCE	16.0	3.3	17.6	29.1	12.6	–	17.0
Number of employees as at December 31 <sup>4</sup>	49,509	42,601	47,906	55,840	46,923	447	243,226
Adjusted sales <sup>5</sup>	9,586.6	7,741.0	9,693.3	11,304.9	6,251.9	-328.5	44,249.2
Adjusted operating result (adjusted EBIT) <sup>6</sup>	784.9	202.3	899.1	1,900.0	472.8	-141.0	4,118.1
in % of adjusted sales	8.2	2.6	9.3	16.8	7.6	–	9.3

1 Capital expenditure on property, plant and equipment, and software.

2 Excluding impairment on financial investments.

3 Impairment also includes necessary reversal of impairment losses.

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 by division for 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ consolidation	Continental Corporation
External sales	9,743.7	7,535.8	9,276.4	11,303.4	6,150.2	–	44,009.5
Intercompany sales	24.1	125.1	28.8	22.4	96.2	-296.6	–
<b>Sales (total)</b>	<b>9,767.8</b>	<b>7,660.9</b>	<b>9,305.2</b>	<b>11,325.8</b>	<b>6,246.4</b>	<b>-296.6</b>	<b>44,009.5</b>
EBIT (segment result)	897.7	439.9	749.2	2,151.3	442.2	-118.8	4,561.5
in % of sales	9.2	5.7	8.1	19.0	7.1	–	10.4
thereof income from equity-accounted investees	22.2	4.7	30.5	18.5	0.1	0.8	76.8
Capital expenditure <sup>1</sup>	682.5	653.7	453.3	847.0	213.2	4.7	2,854.4
in % of sales	7.0	8.5	4.9	7.5	3.4	–	6.5
Depreciation and amortization <sup>2</sup>	403.9	414.9	390.8	597.4	308.7	1.7	2,117.4
thereof impairment <sup>3</sup>	0.5	18.6	18.2	0.5	2.4	–	40.2
Internally generated intangible assets	–	51.8	40.2	–	–	0.1	92.1
Significant non-cash expenses/income	9.7	-37.1	-4.2	3.4	-20.8	7.4	-41.6
Segment assets	7,350.9	5,430.1	7,669.4	8,432.1	4,342.8	32.0	33,257.3
thereof investments in equity-accounted investees	112.4	59.9	132.3	100.2	1.7	8.3	414.8
Segment liabilities	2,805.3	2,029.3	2,428.6	2,436.4	1,264.9	79.2	11,043.7
Operating assets as at December 31	4,545.6	3,400.8	5,240.8	5,995.7	3,077.9	-47.2	22,213.6
Operating assets (average)	4,519.6	3,325.6	5,028.9	6,143.0	3,182.1	-26.8	22,172.4
ROCE	19.9	13.2	14.9	35.0	13.9	–	20.6
Number of employees as at December 31 <sup>4</sup>	47,788	40,492	46,006	53,811	46,938	438	235,473
Adjusted sales <sup>5</sup>	9,767.8	7,660.9	9,286.1	11,325.8	6,234.4	-296.5	43,978.5
Adjusted operating result (adjusted EBIT) <sup>6</sup>	898.1	469.9	812.7	2,146.8	539.8	-118.8	4,748.5
in % of adjusted sales	9.2	6.1	8.8	19.0	8.7	–	10.8

1 Capital expenditure on property, plant and equipment, and software.

2 Excluding impairment on financial investments.

3 Impairment also includes necessary reversal of impairment losses.

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 EBIT to Net Income

€ millions	2018	2017
Chassis & Safety	782.5	897.7
Powertrain	119.8	439.9
Interior	988.1	749.2
Tires	1,882.1	2,151.3
ContiTech	396.2	442.2
Other/consolidation	-141.0	-118.8
<b>EBIT</b>	<b>4,027.7</b>	<b>4,561.5</b>
Financial result	-177.8	-285.7
<b>Earnings before tax</b>	<b>3,849.9</b>	<b>4,275.8</b>
Income tax expense	-891.6	-1,227.5
<b>Net income</b>	<b>2,958.3</b>	<b>3,048.3</b>
Non-controlling interests	-61.0	-63.7
<b>Net income attributable to the shareholders of the parent</b>	<b>2,897.3</b>	<b>2,984.6</b>

## Continental AG

€ millions	2018	2017
<b>Net income</b>	<b>1,188.1</b>	<b>1,217.3</b>
Accumulated profits brought forward from the previous year	570.4	253.1
<b>Retained earnings</b>	<b>1,758.5</b>	<b>1,470.4</b>

A dividend payment of €4.75 per share shall be proposed to the Annual Shareholders' Meeting on April 26, 2019.

# Financial Calendar

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<b>2019</b>	
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 6
Financial Report as at September 30, 2019	November 12

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

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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](http://www.continental-corporation.com)