

**Q3**

**Financial Report**  
as at September 30, 2017



# Continental Shares and Bonds

## Largely positive trend on stock markets

In the first weeks of 2017, the leading stock markets in Europe, the U.S.A. and Asia initially trended sideways on the whole. This was due to the lack of clear stimuli. Sentiment on the U.S. stock markets improved from the end of January, with the new U.S. government promising extensive tax cuts, deregulation, and infrastructure measures. Prices also rose on the European stock markets in February. The increase was more modest, however, as it was curbed by concerns about the U.S.A.'s barriers to trade and the outcome of the upcoming Dutch election in March 2017, which was uncertain at the time. In Europe and in the U.S.A., support came from company results that were largely better than expected. Positive economic data from Germany and the eurozone caused European stocks to rise further at the end of March. The DAX exceeded 12,000 points at the beginning of March, closing the first quarter of 2017 up 7.2% at 12,312.87 points. The EURO STOXX 50 rose by 6.4% to 3,500.93 points in the first quarter.

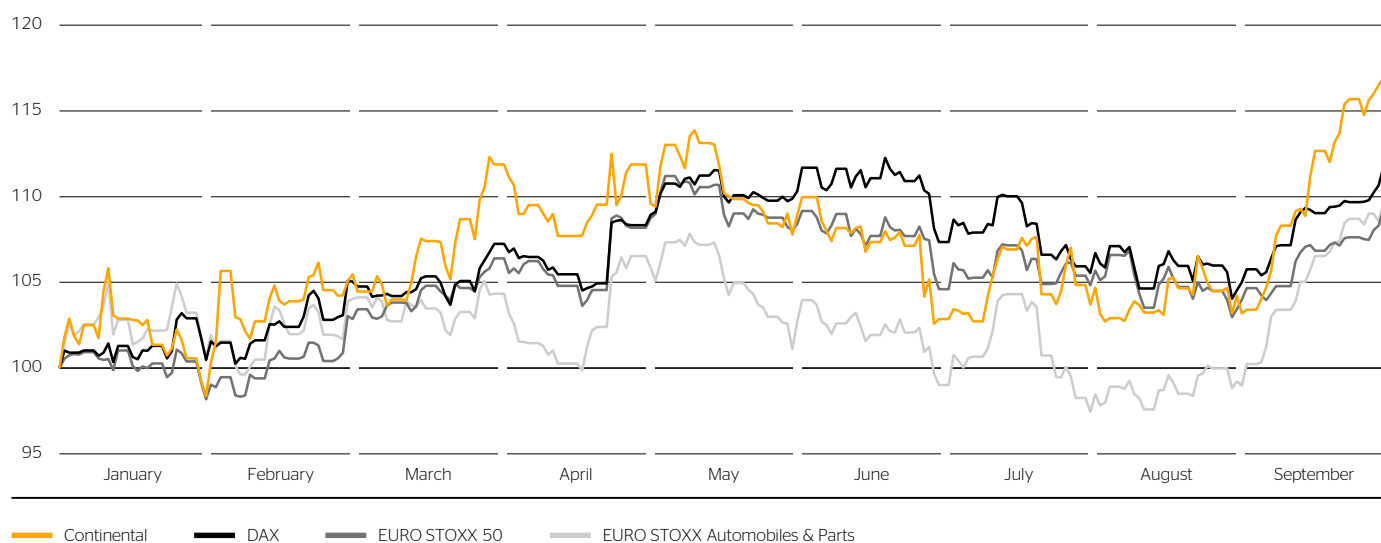
In the first weeks of the second quarter, the U.S. Federal Reserve (Fed) surprised investors with indications of a potentially more rapid normalization of its monetary policy. In addition, political tensions between the U.S.A. and North Korea as well as the conflict in Syria created uncertainty, resulting in declining prices on global stock markets. Furthermore, many shareholders were waiting for the outcome of the first round of the French presidential election on April 23, 2017. The result led to an increase in confidence and rising prices on European and many international stock markets. The positive price momentum continued in the subsequent weeks, especially on European stock markets, supported by predominantly good quarterly results and positive economic data. In mid-May, doubts about the feasibility of the fiscal and tax measures announced by the U.S. government led to profit taking on stock mar-

kets around the world. However, share prices stabilized again in the following weeks as a result of positive economic data. The DAX also rose again in June, marking a new all-time high at 12,951.54 points in the morning of June 20, 2017. Over the course of the day, however, a considerable decline in the price of crude oil and the start of negotiations for the United Kingdom's exit from the European Union prompted profit taking. In June, changes in the forecasts of individual automotive and chemical companies also resulted in further price decreases, especially on European stock markets. The DAX closed the second quarter of 2017 up 0.1% at 12,325.12 points. The EURO STOXX 50 declined by 1.7% to 3,441.88 points in the second quarter.

The appreciation of the euro that began after the French presidential election in the second quarter continued in the third quarter of 2017. This particularly affected export-oriented shares on the stock exchanges of the eurozone. In contrast, the weaker U.S. dollar together with good corporate and economic data boosted prices on U.S. stock markets. In August, the further rise in tension between the U.S.A. and North Korea as well as fears that the situation would escalate led to declining prices on stock exchanges worldwide. The DAX temporarily fell below 11,900 points, but stabilized above the 12,000 point mark at the end of August. In September, signs that tensions were easing with North Korea triggered a change of mood on the stock markets and caused prices to rise again. On the stock exchanges of the eurozone, this also helped cause a reversal of the euro, which weakened again against the U.S. dollar. This was due primarily to the prospect of long coalition negotiations following the federal election in Germany, the political tensions between Catalonia and the Spanish government, and the Fed's announcement that it would again reduce its total assets, which had been bloated by bond purchases, from October 2017. At the end of September,

## Price performance of Continental shares in the reporting period versus selected stock indexes

indexed to January 1, 2017



|                                  | September 30, 2017 | in % vs.<br>December 31, 2016 |
|----------------------------------|--------------------|-------------------------------|
| Continental shares (XETRA price) | 214.75             | 16.9                          |
| DAX                              | 12,828.86          | 11.7                          |
| EURO STOXX 50                    | 3,594.85           | 9.2                           |
| EURO STOXX Automobiles & Parts   | 571.50             | 9.6                           |

the DAX was at 12,828.86 points. It therefore grew by 4.1% in the third quarter and 11.7% in the first nine months of 2017. The EURO STOXX 50 rose by 4.4% to 3,594.85 points in the third quarter, closing the first nine months of 2017 up 9.2%.

#### Surge in the automotive sector in the third quarter

European automotive and supplier stocks benefited from positive passenger-car registration data in Western Europe in the first quarter of 2017. The major positive influence was the shift of working days between the first and second quarters. The concerns of many shareholders about the U.S.A.'s potential barriers to trade, however, had a negative impact on export-oriented European automotive stocks. This resulted in weaker performance of EURO STOXX Automobiles & Parts compared to the DAX and EURO STOXX 50 of 4.3% in the first quarter of 2017.

In the second quarter of 2017, declining sales figures for passenger cars, especially in the U.S.A., and rising inventories in China resulted in growing investor uncertainty about the expected development of passenger-car sales volumes and production in the subsequent quarters. As a result, the prices of European automotive stocks performed worse than the market as a whole over the course of the quarter. In June, forecasted reductions for the current year by various suppliers and more cautious estimates of new car sales figures

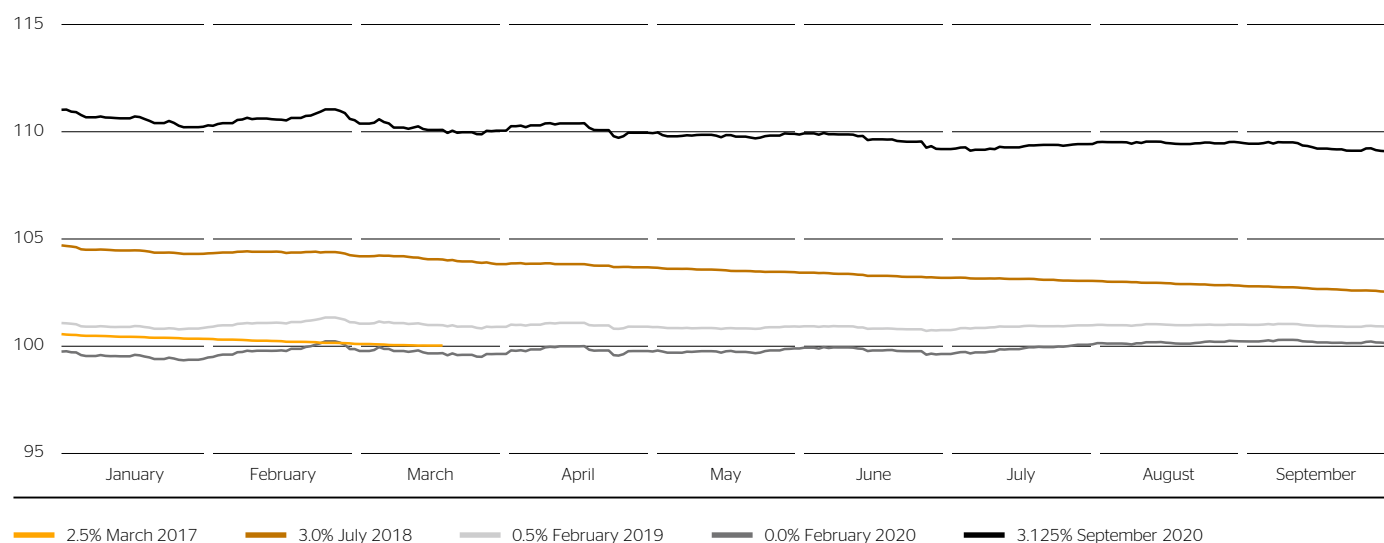
for the current year by a U.S. manufacturer caused further price declines. The EURO STOXX Automobiles & Parts declined by 5.1% to 516.21 points in the second quarter of 2017.

In the third quarter, the European automotive sector initially developed in line with the whole market. In September, the prices of European automotive and supplier stocks surged due to the general change in mood on the markets as well as several analysts' positive reassessment of the sector and the reporting on the International Motor Show in Frankfurt, Germany. The EURO STOXX Automobiles & Parts rose by 10.7% to 571.50 points in the third quarter, closing the first nine months of 2017 with price growth of 9.6%.

#### Positive development in the Continental share price

In mid-January 2017, Continental shares benefited from the announcement of the preliminary figures for the 2016 fiscal year and the publication of the complete business figures in early March. Several upgrades and price target increases by various analysts also had a positive effect in early February and the second half of March. Continental shares exceeded €200 in the last week of March 2017, reaching €205.50 by the end of that month. The share price thus increased by 11.9% in the first quarter compared to its closing price for the previous year of €183.70.

#### Price performance of Continental bonds in the reporting period



In April 2017, Continental shares initially dropped in line with the general market trend. The publication of the figures for the first quarter of 2017, the increase in the sales forecast for the current year, and repeated upgrades and price target increases by various analysts prompted Continental shares to climb again. They marked their provisional intra-year high of €210.35 in the course of May 12, 2017. In the second half of the quarter, Continental shares initially fell to around the €200 mark, before sinking further at the end of the quarter due to negative news from the automotive sector. At the end of June 2017, Continental shares were quoted at €188.95, having fallen by 8.1% in value in the second quarter.

In the third quarter, Continental shares initially ranged between €188 and €200. In September, investors' growing interest in the sector caused Continental shares to increase from around €190 at the beginning of the month to €214.75 at the end of the quarter. This meant the shares achieved a price gain of 13.7% in the third quarter and 16.9% in the first nine months of 2017. Assuming reinvestment of the dividend distributed at the beginning of May, the shares had a return of 19.4% in the reporting period, significantly exceeding their benchmark indices.

The good sentiment on the stock markets continued in October 2017, with the Dow Jones index and the DAX reaching new highs. Continental shares climbed further, reaching a preliminary annual high of €217.90 shortly after trading began on October 5, 2017, and closing the reporting period on October 23, 2017, at €212.35 at the end of trading.

#### Euro bonds at low yield level

As in the previous year, Continental euro bonds persisted at a low yield level during the first nine months of 2017. This was due to continuing low interest rates and the sound capital base of Continental AG.

Over the reporting period, the price of the 3.0% euro bond maturing on July 16, 2018 declined by 216.0 basis points to 102.543% due to the reduction in the remaining maturity.

At the end of September 2017, the 0.5% euro bond maturing on February 19, 2019, was quoted at 100.916%, down 16.5 basis points compared to the end of 2016.

The price of the 0.0% euro bond, which was issued in the fourth quarter of 2016 and matures on February 5, 2020, remained at around the 100% mark in the first nine months of 2017. On September 30, 2017, it was quoted at 100.143%, up 39.6 basis points compared to the end of 2016.

The price of the 3.125% euro bond maturing on September 9, 2020, fell by 192.7 basis points in the reporting period due mainly to the reduction in the remaining maturity. At the end of September 2017, the bond was quoting at 109.097%.

#### 2.5% euro bond redeemed on March 20, 2017

During the first quarter of 2017, the price of the 2.5% euro bond of Conti-Gummi Finance B.V., Maastricht, Netherlands, which matured on March 20, 2017, continued to fall toward the 100% mark. The nominal value of €750.0 million was repaid on the maturity date.

#### Five-year CDS premium at two-year low

The premiums for insuring against credit risks (credit default swap, CDS) initially remained largely unchanged at a relatively low level in the reporting period. This was due to the comparatively quiet stock market environment in the first quarter of 2017, the generally positive profit development of many companies, and the continually favorable interest rates in the eurozone in particular, which was thanks to the European Central Bank's (ECB) unchanged expansionary monetary policy. The growing confidence for the further development of the eurozone after the result of the first round of voting in the French presidential election also led to falling CDS premiums for euro corporate bonds after April 23, 2017.

In the first quarter of 2017, the five-year CDS premium for Continental still remained within a small range of 50 to 60 basis points. During the second and third quarter, it fell temporarily below 40 basis points, marking a new two-year low. At the end of September 2017, it was at 43.134 basis points, 15.947 down on the end of the previous year. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to -13.822 basis points as at September 30, 2017 (-13.234 basis points as at December 31, 2016).

#### Continental's credit rating unchanged

The three major rating agencies each maintained their credit ratings for Continental AG during the first nine months of 2017.

| September 30, 2017             | Rating | Outlook |
|--------------------------------|--------|---------|
| Standard & Poor's <sup>1</sup> | BBB+   | stable  |
| Fitch <sup>2</sup>             | BBB+   | stable  |
| Moody's <sup>3</sup>           | Baa1   | stable  |

| December 31, 2016              | Rating | Outlook |
|--------------------------------|--------|---------|
| Standard & Poor's <sup>1</sup> | BBB+   | stable  |
| Fitch <sup>2</sup>             | BBB+   | stable  |
| Moody's <sup>3</sup>           | Baa1   | stable  |

<sup>1</sup> Contracted rating since May 19, 2000.

<sup>2</sup> Contracted rating since November 7, 2013.

<sup>3</sup> Non-contracted rating since February 1, 2014.

#### Continental Investor Relations online

For more information about Continental shares, bonds and credit ratings, as well as our Investor Relations app, please visit [www.continental-ir.com](http://www.continental-ir.com). In addition, updates about Continental are also available on Twitter at @Continental\_IR.

# Key Figures for the Continental Corporation

| € millions                                                | January 1 to September 30 |          | Third Quarter |         |
|-----------------------------------------------------------|---------------------------|----------|---------------|---------|
|                                                           | 2017                      | 2016     | 2017          | 2016    |
| Sales                                                     | 32,725.6                  | 30,025.5 | 10,692.7      | 9,983.8 |
| EBITDA                                                    | 4,873.1                   | 4,296.0  | 1,582.2       | 1,077.4 |
| in % of sales                                             | 14.9                      | 14.3     | 14.8          | 10.8    |
| EBIT                                                      | 3,304.9                   | 2,886.6  | 1,037.5       | 596.3   |
| in % of sales                                             | 10.1                      | 9.6      | 9.7           | 6.0     |
| Net income attributable to the shareholders of the parent | 2,224.1                   | 2,017.3  | 729.1         | 378.5   |
| Earnings per share in €                                   | 11.12                     | 10.09    | 3.64          | 1.90    |
| Adjusted sales <sup>1</sup>                               | 32,243.9                  | 30,025.0 | 10,520.9      | 9,983.7 |
| Adjusted operating result (adjusted EBIT) <sup>2</sup>    | 3,417.7                   | 3,025.3  | 1,089.7       | 643.5   |
| in % of adjusted sales                                    | 10.6                      | 10.1     | 10.4          | 6.4     |
| Free cash flow                                            | 472.0                     | 1,184.0  | 180.2         | 225.0   |
| Net indebtedness as at September 30                       | 3,297.9                   | 3,298.4  |               |         |
| Gearing ratio in %                                        | 21.0                      | 24.3     |               |         |
| Number of employees as at September 30 <sup>3</sup>       | 233,270                   | 218,601  |               |         |

<sup>1</sup> Before changes in the scope of consolidation.

<sup>2</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

<sup>3</sup> Excluding trainees.

# Key Figures for the Core Business Areas

| Automotive Group in € millions                         | January 1 to September 30 |          | Third Quarter |         |
|--------------------------------------------------------|---------------------------|----------|---------------|---------|
|                                                        | 2017                      | 2016     | 2017          | 2016    |
| Sales                                                  | 19,759.7                  | 18,126.3 | 6,344.3       | 5,957.8 |
| EBITDA                                                 | 2,428.5                   | 1,758.6  | 774.7         | 293.6   |
| in % of sales                                          | 12.3                      | 9.7      | 12.2          | 4.9     |
| EBIT                                                   | 1,531.1                   | 966.0    | 451.6         | 24.2    |
| in % of sales                                          | 7.7                       | 5.3      | 7.1           | 0.4     |
| Depreciation and amortization <sup>1</sup>             | 897.4                     | 792.6    | 323.1         | 269.4   |
| thereof impairment <sup>2</sup>                        | 30.9                      | 6.8      | 28.3          | 1.8     |
| Capital expenditure <sup>3</sup>                       | 1,079.6                   | 887.5    | 405.6         | 390.5   |
| in % of sales                                          | 5.5                       | 4.9      | 6.4           | 6.6     |
| Operating assets as at September 30                    | 12,970.8                  | 11,862.4 |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 132,156                   | 123,753  |               |         |
| Adjusted sales <sup>5</sup>                            | 19,690.6                  | 18,126.3 | 6,320.1       | 5,957.8 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 1,614.0                   | 1,009.7  | 491.3         | 38.1    |
| in % of adjusted sales                                 | 8.2                       | 5.6      | 7.8           | 0.6     |

| Rubber Group in € millions                             | January 1 to September 30 |          | Third Quarter |         |
|--------------------------------------------------------|---------------------------|----------|---------------|---------|
|                                                        | 2017                      | 2016     | 2017          | 2016    |
| Sales                                                  | 13,003.3                  | 11,933.9 | 4,361.1       | 4,037.6 |
| EBITDA                                                 | 2,538.7                   | 2,626.3  | 845.7         | 821.5   |
| in % of sales                                          | 19.5                      | 22.0     | 19.4          | 20.3    |
| EBIT                                                   | 1,869.0                   | 2,011.1  | 624.5         | 610.3   |
| in % of sales                                          | 14.4                      | 16.9     | 14.3          | 15.1    |
| Depreciation and amortization <sup>1</sup>             | 669.7                     | 615.2    | 221.2         | 211.2   |
| thereof impairment <sup>2</sup>                        | 0.1                       | 3.9      | 0.1           | 0.9     |
| Capital expenditure <sup>3</sup>                       | 713.2                     | 710.9    | 230.1         | 288.8   |
| in % of sales                                          | 5.5                       | 6.0      | 5.3           | 7.2     |
| Operating assets as at September 30                    | 9,489.4                   | 8,714.6  |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 100,680                   | 94,436   |               |         |
| Adjusted sales <sup>5</sup>                            | 12,590.7                  | 11,933.4 | 4,213.5       | 4,037.5 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 1,898.9                   | 2,106.1  | 637.0         | 643.6   |
| in % of adjusted sales                                 | 15.1                      | 17.6     | 15.1          | 15.9    |

<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.

# Corporate Management Report

## **Contract of Executive Board member Hans-Jürgen Duensing extended to 2023**

At its meeting on September 28, 2017, the Supervisory Board of Continental AG extended the contract of Executive Board member Hans-Jürgen Duensing by five years to the end of April 2023.

## **Acquisition of smart mobility service provider**

On July 7, 2017, we announced the acquisition of the Singapore-based Quantum Inventions. Quantum Inventions is a supplier of smart mobility services and its urban data solutions and advanced navigation software mean it is a great fit for our growing portfolio in the field of intelligent transportation systems. The navigation software supplied by Quantum Inventions has permanent access to the latest real-time information such as traffic data, road-incident notifications and dynamic road pricing. The company has offices in Singapore, Malaysia, Indonesia and India.

## **Successful tests with synthetic diesel substitute fuel**

Synthetic fuels, which can be produced and burned without generating additional CO<sub>2</sub>, have the potential to make internal combustion engines more environmentally friendly. We successfully tested a synthetic fuel called oxymethylene ether (OME) in test vehicles. This includes the Super Clean Electrified Diesel vehicle, which operates even more cleanly using an OME admixture. Overall, the road tests confirmed that diesel fuel containing a 15% OME admixture for current diesel engines is a way to reduce CO<sub>2</sub> emissions. This is possible because the carbon dioxide generated as exhaust gas in power stations can be used in the production of OME. Linking the energy management, chemistry and automotive industries in this way means that synthetic fuels such as OME will become a clean interim technology on the road toward all-electric mobility.

## **Digital communication platform for drivers and fleets**

We have developed new communication software for managers and drivers of vehicle fleets: the VoicR app. It lets users record short voice messages and send them to people in the vicinity or to users anywhere in the world. Just like with analog CB radio technology, this app uses predefined public and personalized channels. This form of direct communication between connected users allows service providers, for example, to quickly and efficiently process customer requests. Taxi drivers, for example, can use this smartphone software to communicate with other road users and obtain information on the traffic situation before they set out to pick up a customer. Logistics companies can forward requests to drivers who still have space on board, while fleet managers can deal with urgent inquiries more quickly.

## **Surface lighting effects for enhanced safety**

We are helping to increase road safety with a new concept for the further development of surface materials. Changeable light sources integrated into the surfaces of vehicles mean that colors in the vehicle interior can be adapted to meet specific requirements. If drivers become tired or find themselves in hazardous driving situations, a change in surface color can help to improve driver attentiveness. Combining surface materials with different lighting technologies means that the background lighting, for example, can adjust to

match circadian rhythms, weather conditions and ambient light levels, while accent lighting creates different moods using color schemes and different levels of color intensity. Furthermore, custom lighting effects can be implemented in the driver, passenger and rear areas of the vehicle interior to support different activities such as driving, reading or sleeping.

## **Integrated air-supply module for air-spring systems**

Electronically controlled air-spring systems adjust the vehicle's suspension and damping behavior to suit different requirements and driving conditions. This not only enhances comfort, but also improves vehicle dynamics. To support this, we have developed a new solution: Continental Air Supply (CAirS). As a highly integrated air-supply system, this all-in-one module ensures simple installation into the vehicle. Since its functional scope is also scalable, CAirS can be installed not only for simple air-spring level regulation, but also for fully integrated solutions with all the functions required for air spring, damper and spring rate regulation in the vehicle. Since CAirS is a closed system with a pressure storage reservoir, it is extremely quiet and efficient. Its compact and lightweight design also makes it ideal for use in electric vehicles, where range is directly dependent on the energy requirements of all electrical components.

## **Innovative wheel and braking concept for electric vehicles**

We have developed the New Wheel Concept geared to the specific requirements of electric vehicles. The aim is to create highly efficient brakes especially for tall and narrow wheels coupled with a lightweight design and corrosion-resistant friction-brake components. This is helped by the use of a special type of aluminum that makes the brake disks resistant to wear and corrosion as well as a new technique that involves connecting the disk directly with the rim. The rim comprises either one or two parts depending on what the vehicle is to be used for: private or part of a fleet for the future of mobility. A new caliper-mounting approach sees the calipers grip the inner edge of the disk. This increases the brake's friction radius significantly and means the calipers can be smaller and lighter.

## **WinterContact TS 860 crowned test champion**

The WinterContact TS 860 in size 195/65 R 15 has been named the winner in the winter tire tests carried out by the major automobile clubs in Germany, Austria and Switzerland. All the automobile clubs awarded it top marks in their tests. In Germany, the ADAC gave it a "good" rating, while Austrian club ÖAMTC and Swiss club TCS awarded it a "highly recommended" rating. The judges concluded that it was "very well balanced, top marks in the wet, very good on snow, also good on dry roads and when it comes to fuel consumption." The WinterContact TS 860 (size 225/45 R17) was also the winner of the winter tire test carried out by leading British automotive weekly Auto Express. The main features highlighted were its low consumption figures combined with its precise handling on wet, dry and snow-covered roads.



# Economic Report

## Macroeconomic development

In Germany, the solid growth of the first quarter of 2017 continued over the rest of the year. Whereas in the first quarter of 2017 gross domestic product (GDP) grew by 2.0% year-on-year according to the latest figures, growth in the second quarter increased to 2.1%. This growth was due in particular to higher private investment, but consumer and public spending also rose. However, increased demand and the appreciation of the euro toward the end of the second quarter reduced the German foreign trade surplus. As a result of the good development, the International Monetary Fund (IMF) raised its growth projection for Germany's GDP by 0.2 percentage points to 2.0% for 2017 in its October 2017 World Economic Outlook.

In addition to Germany, the other countries of the eurozone also mostly saw a continuing economic upturn in the reporting period as a result of increased consumer spending and higher capital expenditure by companies. GDP growth in the eurozone increased from 2.0% year-on-year in the first quarter to 2.3% in the second quarter of 2017. Experts currently expect the pace of growth of the first two quarters to be maintained in the third and fourth quarters as well. Economic development has been boosted further by the monetary policy of the European Central Bank (ECB), which has so far continued to adhere to its expansive measures. In October, the IMF raised its estimate for GDP growth in the eurozone in 2017 from 1.9% to 2.1%.

According to the latest figures, the U.S. economy grew in the first quarter of 2017 by 2.0% compared to the first quarter of 2016. In the second quarter, growth rose to 2.2% year-on-year. This was due primarily to an increase in consumer spending and private investment. However, it was curbed by the slight decline in government spending. Foreign trade picked up significantly in the reporting period, yet the trade deficit increased slightly, as imports rose faster than exports. The U.S. Federal Reserve (Fed) increased the key interest rate for the third time since the interest rate reversal at the end of 2015 in March 2017 and then for the fourth time in June 2017. In addition, it began reducing its total assets, which were expanded enormously in the wake of the financial crisis, in October and indicated a further interest rate hike at the end of 2017 and three interest rate changes next year. In October 2017, the IMF raised its estimate for GDP growth in the U.S.A. for the current year from 2.1% to 2.2%.

According to the latest data, the Japanese economy posted year-on-year GDP growth of 1.5% in the first quarter of 2017. It grew by 1.4% in the second quarter. Experts currently anticipate growth of 1.5% to 1.6% in the third and fourth quarters. A significant portion of the growth resulted from a sharp increase in exports due to the weakening of the Japanese yen against the U.S. dollar and other currencies. Private investment and consumer spending also increased, while government spending virtually stagnated. In October 2017, the IMF raised its GDP forecast for Japan again, by 0.2 percentage points, to 1.5% for 2017.

In its October forecast, the IMF still anticipates growth of 4.6% this year for emerging and developing economies. The Chinese economy benefited in particular from a substantial increase in consumer spending in the reporting period. After GDP growth of 6.9% in both the first and second quarters of 2017, China's GDP rose 6.8% year-on-year in the third quarter. In October, the IMF raised its estimate for 2017 as a whole by 0.1 percentage points to 6.8%. In India, GDP growth slowed to 6.1% in the first and 5.7% in the second quarter of 2017 following the cash reform at the end of 2016. Growth is expected to increase to over 6.5% again for the following quarters. In October, the IMF lowered its 2017 GDP forecast for India from 7.2% to 6.5%. The Brazilian economy stabilized at a low level in the first half of 2017. For the third and fourth quarters, most economists currently anticipate growth of 1.1% and 1.8% respectively. In October, the IMF raised its GDP estimate for Brazil from 0.3% to 0.7% for this year. The IMF likewise raised its GDP forecast for Russia and now expects growth of 1.8% in 2017, which is an increase of 0.4 percentage points.

The IMF raised its forecast for the global economy by 0.1 percentage points in October 2017 to growth of 3.6% for this year. It sees risks in particular from rich valuations on many capital markets, coupled with the high level of debt held by several countries. At the same time, the IMF points to ongoing structural problems and growing income inequality in some economies. It also sees considerable risks in growing protectionist tendencies and geopolitical tensions in individual countries.

## Development of new passenger-car registrations

On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), demand for passenger cars in Europe (EU-28 and EFTA) rose by 4% year-on-year to 12.0 million units in the first nine months of 2017. In addition to the ongoing economic recovery and low interest rates, this was attributable to continued high demand, particularly in Southern and Eastern European countries. Among the major markets, this development could be observed in Italy and Spain again, with increases of 9% and 7% respectively in the period under review. France and Germany posted increases of 4% and 2% respectively. In the United Kingdom, demand fell considerably short of the previous year's high figures in both the second and third quarters, falling by 4% year-on-year over the reporting period as a whole.

In the U.S.A., the number of new car registrations fell by 2% in the first nine months of 2017. This was due to an 11% decline in demand for passenger cars. In contrast, demand for light commercial vehicles, especially pickup trucks, rose by more than 4% year-on-year due to low fuel prices and favorable lending rates. With a total of 12.8 million units, demand remained high all in all.

## New registrations/sales of passenger cars

| millions of units       | January 1 to September 30 |             |           | Third Quarter |             |           |
|-------------------------|---------------------------|-------------|-----------|---------------|-------------|-----------|
|                         | 2017                      | 2016        | Change    | 2017          | 2016        | Change    |
| Europe (EU-28 and EFTA) | 12.0                      | 11.6        | 4%        | 3.6           | 3.5         | 1%        |
| U.S.A.                  | 12.8                      | 13.0        | -2%       | 4.4           | 4.5         | -1%       |
| Japan                   | 3.4                       | 3.2         | 8%        | 1.1           | 1.0         | 4%        |
| Brazil                  | 1.6                       | 1.5         | 8%        | 0.6           | 0.5         | 15%       |
| Russia                  | 1.1                       | 1.0         | 11%       | 0.4           | 0.3         | 18%       |
| India                   | 2.4                       | 2.2         | 10%       | 0.9           | 0.8         | 13%       |
| China                   | 16.7                      | 16.2        | 3%        | 5.8           | 5.5         | 5%        |
| <b>Worldwide</b>        | <b>68.5</b>               | <b>66.7</b> | <b>3%</b> | <b>22.7</b>   | <b>22.1</b> | <b>3%</b> |

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

Demand for passenger cars in Japan rose by 8% to over 3.4 million units, due to the improved economic situation and increased consumer confidence.

After demand in China was curbed in the first half of the year by the increase in sales tax on passenger cars with a cubic capacity of less than 1.6 liters, sales volumes picked up again in the third quarter. According to the VDA, new passenger-car registrations in China rose by around 3% overall in the reporting period. In the other BRIC countries, demand grew palpably in the reporting period: sales volumes increased by 11% in Russia, by 10% in India, and by 8% in Brazil.

According to preliminary data, global new passenger-car registrations increased year-on-year by 4% in the first quarter, 1% in the second quarter and 3% in the third quarter of 2017. Overall, there was an increase in new registrations of 3% to 68.5 million units in the first nine months of 2017.

### Development of production of passenger cars and light commercial vehicles

Preliminary data indicates that production of passenger cars and light commercial vehicles weighing less than 6 metric tons in Europe increased by over 2% year-on-year in the first nine months of 2017. Production rose significantly in France, Russia and Turkey, in particular, but declined by 5% in Spain and 2% in Germany in the period under review. For 2017 as a whole, we now anticipate growth of 3% to 22 million units, rather than our previous forecast of 2%.

In North America, the decline in production in the U.S.A. and Canada in the first nine months of 2017 was only partly offset by the sharp rise in production in Mexico. Preliminary data indicates that production of passenger cars and light commercial vehicles therefore decreased by 4% in the period under review. In the fourth quarter, the replacement of vehicles destroyed by hurricanes is likely to cause production to stabilize. For 2017 as a whole, we currently expect a decline in the production volume in North America of 4%, rather than our previous forecast of 3%.

In Asia, production of passenger cars and light commercial vehicles increased in most countries in the reporting period. Japan, India and Iran saw particularly high volume growth as a result of demand. In China, production still increased sharply in the first quarter, but the momentum slowed palpably in the second and third quarters, only slightly exceeding the high figures for the previous year. Preliminary data shows that production in Asia as a whole grew by around 4% year-on-year in the first nine months of 2017. As a result, we are raising our production forecast for 2017 as a whole from 2% to 3%.

In South America, the recovery of demand led to an increase in production of passenger cars and light commercial vehicles. According to preliminary data, production volumes grew by 15% in the period under review as compared to the weak prior-year period. We expect this trend to continue for 2017 as a whole and are raising our forecast for the increase in production from 5% to 15%.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased by nearly 3% year-on-year in the first nine months of 2017. For 2017 as a whole, we continue to anticipate a 2% increase.

### Development of production of medium and heavy commercial vehicles

In Europe, the improved economic situation was reflected in a rise in the transportation of goods by road and an increase in demand for trucks. According to preliminary data, production of commercial vehicles weighing more than 6 metric tons increased by 7% compared to the same period of the previous year. For 2017 as a whole, we are increasing our forecast for production of medium and heavy commercial vehicles in Europe from 4% to 7% due to the positive development in the first three quarters.

In North America, preliminary data indicates that commercial vehicle production stabilized over the course of the reporting period, ending the first nine months of 2017 4% above the adjusted level of the previous year. Here, more recent data showed a considerably lower volume of production for 2016. For 2017 as a whole, we continue to expect a 4% increase in production.

In Asia, economic growth resulted in rising demand for trucks in most countries. Preliminary data shows growing production volumes for China in particular. For the previous year, more recent data showed a higher volume of production than previously estimated. For 2017, we continue to anticipate a 3% increase in commercial-vehicle production in Asia.

In South America, the incipient economic upturn also led to a recovery in demand for and production of commercial vehicles in the third quarter of 2017. We currently see this development continuing in the fourth quarter. For 2017 as a whole, we now expect a 3% increase in commercial-vehicle production instead of 1%.

Due to the more positive development in Europe and South America, we are raising our forecast for the global production of medium and heavy commercial vehicles from 3% to 4%.

#### **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 - price increases announced for the second quarter of 2017 by many manufacturers, due to the rise in the costs of raw materials, caused purchases to be brought forward to the first quarter and accordingly led to lower volumes in the second and third quarters. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose in the reporting period by 2% compared to the previous year. We continue to expect a 2% increase in sales volumes for the year as a whole.

Sales volumes of replacement tires for passenger cars and light commercial vehicles also increased in North America in the first quarter of 2017 due to purchases brought forward. As a result, demand was down year-on-year in the second and third quarters. According to preliminary figures, tire sales volumes fell by 1% in the reporting period. For the remainder of the year, we expect demand for replacement tires to stabilize in light of the rise in the number of miles driven. For the year as a whole, we are lowering our forecast of 2% growth to 0%.

Asia is seeing a further increase in demand for replacement tires for passenger cars and light commercial vehicles in the current year. In China, India and Japan, the growing economy also resulted in higher sales volumes of replacement tires. Preliminary data shows that sales volumes in Asia as a whole grew by over 4% in the first nine months. For 2017, we still forecast a 5% increase in replacement tire volumes for passenger cars and light commercial vehicles.

In South America, preliminary figures indicate that the stabilization of the economic situation in the reporting period led to an increase in demand for replacement tires for passenger cars and light commercial vehicles of around 9%. For 2017 as a whole, we are raising our sales volume forecast from 4% to 6% due to the positive development.

Global demand for replacement tires for passenger cars and light commercial vehicles rose by just under 3% in the reporting period due to the strong first quarter. For 2017 as a whole, we continue to anticipate a 2% increase.

#### **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 rose by around 6% in the period under review. This was driven mainly by many customers bringing their purchases forward to the first quarter in advance of the price increases announced by various manufacturers. As a result, demand was down year-on-year in the second quarter, but stabilized in the third quarter. For the year as a whole, we are raising our sales volume forecast from 2% to 4%.

In North America, purchases brought forward likewise resulted in a sharp increase in demand for replacement tires for medium and heavy commercial vehicles in the first quarter of 2017 and caused volumes to decline in the second quarter. Demand increased again in the third quarter. According to preliminary data, sales volumes grew by 4% overall in the reporting period. For the year as a whole, we are raising our forecast from 1% to 4% growth.

In Asia, demand for replacement tires for medium and heavy commercial vehicles followed the economic development of the individual countries. According to preliminary data, sales volumes increased by 3% in the first nine months of 2017. For 2017 as a whole, we now expect demand to increase by 3% instead of 4% as previously thought.

In South America, the announced price increases in the reporting period resulted in a sharp rise in demand for replacement tires for medium and heavy commercial vehicles in the first quarter and declining sales volumes in the second quarter. In the third quarter, the incipient economic upturn again resulted in increasing demand for replacement tires for commercial vehicles. Preliminary data shows a rise to around 12% compared to the first nine months of the previous year. For the year as a whole, we therefore expect growth of 10% instead of 4% as previously thought.

There was a 5% increase in global demand for replacement tires for medium and heavy commercial vehicles in the period under review. We are raising our forecast for 2017 as a whole from 3% to 4%.

## 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.

| € millions                                                | January 1 to September 30 |          | Third Quarter |         |
|-----------------------------------------------------------|---------------------------|----------|---------------|---------|
|                                                           | 2017                      | 2016     | 2017          | 2016    |
| Sales                                                     | 32,725.6                  | 30,025.5 | 10,692.7      | 9,983.8 |
| EBITDA                                                    | 4,873.1                   | 4,296.0  | 1,582.2       | 1,077.4 |
| in % of sales                                             | 14.9                      | 14.3     | 14.8          | 10.8    |
| EBIT                                                      | 3,304.9                   | 2,886.6  | 1,037.5       | 596.3   |
| in % of sales                                             | 10.1                      | 9.6      | 9.7           | 6.0     |
| Net income attributable to the shareholders of the parent | 2,224.1                   | 2,017.3  | 729.1         | 378.5   |
| Earnings per share in €                                   | 11.12                     | 10.09    | 3.64          | 1.90    |
| Research and development expenses                         | 2,356.9                   | 2,171.0  | 777.5         | 728.1   |
| in % of sales                                             | 7.2                       | 7.2      | 7.3           | 7.3     |
| Depreciation and amortization <sup>1</sup>                | 1,568.2                   | 1,409.4  | 544.7         | 481.1   |
| thereof impairment <sup>2</sup>                           | 31.0                      | 10.7     | 28.4          | 2.7     |
| Capital expenditure <sup>3</sup>                          | 1,794.9                   | 1,599.8  | 636.8         | 679.9   |
| in % of sales                                             | 5.5                       | 5.3      | 6.0           | 6.8     |
| Operating assets as at September 30                       | 22,431.9                  | 20,491.5 |               |         |
| Number of employees as at September 30 <sup>4</sup>       | 233,270                   | 218,601  |               |         |
| Adjusted sales <sup>5</sup>                               | 32,243.9                  | 30,025.0 | 10,520.9      | 9,983.7 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup>    | 3,417.7                   | 3,025.3  | 1,089.7       | 643.5   |
| in % of adjusted sales                                    | 10.6                      | 10.1     | 10.4          | 6.4     |
| Net indebtedness as at September 30                       | 3,297.9                   | 3,298.4  |               |         |
| Gearing ratio in %                                        | 21.0                      | 24.3     |               |         |

<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.

## Earnings Position

### Sales up 9.0%

#### Sales up 7.6% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales for the first nine months of 2017 climbed by 9.0% year-on-year to €32,725.6 million (PY: €30,025.5 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.6%.

### Adjusted EBIT up 13.0%

Adjusted EBIT for the corporation increased by €392.4 million or 13.0% year-on-year to €3,417.7 million (PY: €3,025.3 million) in the first nine months of 2017, corresponding to 10.6% (PY: 10.1%) of adjusted sales.

### EBIT up 14.5%

The corporation's EBIT rose by €418.3 million or 14.5% compared to the previous year to €3,304.9 million (PY: €2,886.6 million) in the first nine months of 2017. The return on sales rose to 10.1% (PY: 9.6%).

**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 restructuring provisions 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.

**Special effects in the first nine months of 2016**

Impairment on property, plant and equipment resulted in expense totaling €6.8 million in the Powertrain division.

In addition, there was a negative special effect from restructuring expenses of €1.0 million in the Powertrain division.

In the Interior division, a purchase price adjustment resulted in expense of €0.1 million.

In the Tire division, the disposal of a minority interest resulted in income of €3.9 million.

The sale of the steel cord business in Brazil, coupled with the fulfillment of conditions imposed by antitrust authorities, resulted in expense totaling €15.4 million in the ContiTech division. This figure comprises a loss on disposal of €9.0 million, market value adjustments totaling €5.8 million, and sales tax receivables that can no longer be utilized in the amount of €0.6 million.

In the ContiTech division, the temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €11.5 million, of which €3.4 million was attributable to impairment on property, plant and equipment.

Restructuring expenses of €3.1 million were incurred in Chile in the ContiTech division, including impairment on property, plant and equipment in the amount of €0.9 million.

In addition, there was a negative special effect from restructuring expenses and reversals of restructuring provisions totaling €0.2 million in the ContiTech division. This included reversal of impairment losses on property, plant and equipment in the amount of €0.4 million.

An impairment and a reversal of an impairment loss on property, plant and equipment in the ContiTech division did not result in any effect on earnings overall.

Total consolidated expense from special effects in the first nine months of 2016 amounted to €34.2 million.

**Research and development expenses**

In the first nine months of 2017, research and development expenses rose by 8.6% compared with the same period of the previous year to €2,356.9 million (PY: €2,171.0 million), representing 7.2% (PY: 7.2%) of sales. €2,036.4 million (PY: €1,889.8 million) of this related to the Automotive Group, corresponding to 10.3% (PY: 10.4%) of sales, and €320.5 million (PY: €281.2 million) to the Rubber Group, corresponding to 2.5% (PY: 2.4%) of sales.

**Net interest result**

The negative net interest result increased by €146.0 million year-on-year to €219.6 million (PY: €73.6 million) in the first nine months of 2017. This is primarily attributable to valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates.

Interest expense - not including the effects of currency translation, changes in the fair value of derivative instruments and of available-for-sale financial assets - totaled €207.2 million in the first nine months of 2017 (PY: €228.7 million). At €95.8 million, interest expense resulting from bank borrowings, capital market transactions, and other financing instruments was €9.8 million lower than the prior-year figure of €105.6 million. The major portion related to expense of €54.2 million (PY: €64.3 million) from the bonds issued by Continental AG, Conti-Gummi Finance B.V., Maastricht, Netherlands, and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A.

The interest cost on long-term employee benefits resulted in interest expense totaling €111.4 million (PY: €123.1 million) in the first nine months of 2017. This does not include the interest expense from the defined benefit obligations of the pension contribution funds.

Interest income in the first nine months of 2017 decreased by €6.3 million year-on-year to €68.0 million (PY: €74.3 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €48.7 million (PY: €55.0 million). This does not include the interest income from the plan assets of the pension contribution funds.

Valuation effects from changes in the fair value of derivative instruments and from the development of exchange rates resulted in a negative overall contribution to earnings of €81.9 million (PY: positive contribution to earnings of €80.7 million) in the first nine months of 2017. This resulted primarily from the development of the Mexican peso in relation to the U.S. dollar.

In the first nine months of 2017, available-for-sale financial assets gave rise to a positive effect of €1.5 million (PY: €0.1 million).

**Income tax expense**

Income tax expense in the first nine months of 2017 amounted to €817.7 million (PY: €742.4 million). The tax rate in the reporting period amounted to 26.5% (PY: 26.4%).

**Net income attributable to the shareholders of the parent**

Net income attributable to the shareholders of the parent was up 10.3% at €2,224.1 million (PY: €2,017.3 million), with earnings per share of €11.12 (PY: €10.09).

## Financial Position

### Reconciliation of cash flow

In the first nine months of 2017, EBIT increased by €418.3 million year-on-year to €3,304.9 million (PY: €2,886.6 million).

Interest payments resulting in particular from the bonds increased by €0.8 million to €116.7 million (PY: €115.9 million).

Income tax payments increased by €84.1 million to €871.1 million (PY: €787.0 million).

At €1,533.0 million as at September 30, 2017, the net cash outflow arising from the increase in operating working capital was €659.6 million higher than the figure for the previous year of €873.4 million.

At €2,569.7 million as at September 30, 2017, cash provided by operating activities was €395.1 million lower than the previous year's figure of €2,964.8 million.

Cash flow arising from investing activities amounted to an outflow of €2,097.7 million (PY: €1,780.8 million) in the first nine months of 2017. Capital expenditure on property, plant and equipment, and software was up €195.1 million from €1,599.8 million to €1,794.9 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 €252.4 million (PY: €139.5 million).

The free cash flow in the first three quarters of 2017 resulted in an inflow of €472.0 million (PY: €1,184.0 million), €712.0 million less than in the same period of the previous year.

### Financing and indebtedness

At €3,297.9 million as at September 30, 2017, the Continental Corporation's net indebtedness was slightly lower than the previous year's level of €3,298.4 million. Compared to the figure of €2,797.8 million as at December 31, 2016, it had increased by €500.1 million. The gearing ratio improved to 21.0% (PY: 24.3%) as at the end of the third quarter of 2017.

On November 28, 2016, Continental AG placed a euro bond with a nominal volume of €600.0 million with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The issue price was 99.41%. This bond has a term of three years and two months and an interest rate of 0.0% p.a. It was issued particularly in view of the maturity of the €750.0 million euro bond from Conti-Gummi Finance B.V., Maastricht, Netherlands, on March 20, 2017. This 3.5-year bond bore interest at a rate of 2.5% p.a. and was redeemed at a rate of 100.00%.

Following the early repayment of the term loan, the syndicated loan concluded in April 2014 has comprised only the revolving tranche of €3.0 billion since the end of March 2016. This credit line is available to Continental until April 2021. At the end of September 2017, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €237.0 million (PY: €353.8 million).

As at September 30, 2017, Continental had liquidity reserves totaling €5,164.1 million (PY: €5,135.0 million), consisting of cash and cash equivalents of €1,530.9 million (PY: €1,439.9 million) and committed, unutilized credit lines totaling €3,633.2 million (PY: €3,695.1 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, 2017, unrestricted cash and cash equivalents totaled €1,346.4 million (PY: €1,105.3 million).

### Reconciliation of net indebtedness

| € millions                                                         | September 30, 2017 | December 31, 2016 | September 30, 2016 |
|--------------------------------------------------------------------|--------------------|-------------------|--------------------|
| Long-term indebtedness                                             | 2,010.4            | 2,803.7           | 2,195.1            |
| Short-term indebtedness                                            | 2,950.5            | 2,148.6           | 2,605.6            |
| Long-term derivative instruments and interest-bearing investments  | -84.4              | -19.7             | -38.0              |
| Short-term derivative instruments and interest-bearing investments | -47.7              | -27.8             | -24.4              |
| Cash and cash equivalents                                          | -1,530.9           | -2,107.0          | -1,439.9           |
| <b>Net indebtedness</b>                                            | <b>3,297.9</b>     | <b>2,797.8</b>    | <b>3,298.4</b>     |

### Reconciliation of change in net indebtedness

| € millions                                                                                 | January 1 to September 30 |                | Third Quarter  |                |
|--------------------------------------------------------------------------------------------|---------------------------|----------------|----------------|----------------|
|                                                                                            | 2017                      | 2016           | 2017           | 2016           |
| <b>Net indebtedness at the beginning of the reporting period</b>                           | <b>2,797.8</b>            | <b>3,541.9</b> | <b>3,468.6</b> | <b>3,446.2</b> |
| Cash flow arising from operating activities                                                | 2,569.7                   | 2,964.8        | 864.9          | 982.9          |
| Cash flow arising from investing activities                                                | -2,097.7                  | -1,780.8       | -684.7         | -757.9         |
| <b>Cash flow before financing activities (free cash flow)</b>                              | <b>472.0</b>              | <b>1,184.0</b> | <b>180.2</b>   | <b>225.0</b>   |
| Dividends paid                                                                             | -850.0                    | -750.0         | -              | -              |
| Dividends paid to and cash changes from equity transactions with non-controlling interests | -29.6                     | -29.8          | -2.7           | -3.1           |
| Non-cash changes                                                                           | 2.6                       | -17.3          | -15.3          | 8.0            |
| Other                                                                                      | -150.1                    | -109.0         | 0.2            | -83.9          |
| Foreign-exchange effects                                                                   | 55.0                      | -34.4          | 8.3            | 1.8            |
| <b>Change in net indebtedness</b>                                                          | <b>-500.1</b>             | <b>243.5</b>   | <b>170.7</b>   | <b>147.8</b>   |
| <b>Net indebtedness at the end of the reporting period</b>                                 | <b>3,297.9</b>            | <b>3,298.4</b> | <b>3,297.9</b> | <b>3,298.4</b> |

### Capital expenditure (additions)

In the first three quarters of 2017, capital expenditure on property, plant and equipment, and software amounted to €1,794.9 million (PY: €1,599.8 million). The capital expenditure ratio after nine months is 5.5% (PY: 5.3%).

A total of €1,079.6 million (PY: €887.5 million) of this capital expenditure was attributable to the Automotive Group, representing 5.5% (PY: 4.9%) of sales. The Automotive Group invested primarily in production equipment for the manufacture of new products and implementation of new technologies, with investments being focused on expanding manufacturing capacity in China, in the U.S.A. and at European best-cost locations. In the Chassis & Safety division, production capacity was expanded and established in all business units. Important additions related to the creation of new production facilities for electronic brake systems. In the Powertrain division, there were investments in expanding production capacity for the Engine Systems, Sensors & Actuators, and Fuel & Exhaust Management business units. In the Interior division, there were major investments in the expansion of production facilities for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €713.2 million (PY: €710.9 million), equivalent to 5.5% (PY: 6.0%) of sales. In the Tire division, production capacity was expanded in the U.S.A., in China and at European best-cost locations. There were major additions relating to the expansion of existing production sites in Hefei, China, as well as Mount Vernon, Illinois, and Sumter, South Carolina, U.S.A. The construction of a new plant began in Rayong, Thailand. Quality assurance and cost-cutting measures were also implemented. In the ContiTech division, there were major additions relating to the expansion of production capacity for the Mobile Fluid Systems, Benecke-Hornschuch Surface Group (formerly Benecke-Kaliko Group), Power Transmission Group, and Conveyor Belt Group business units. Investments were made in all business units to rationalize existing production processes.



## Net Assets Position

At €37,361.3 million (PY: €34,994.9 million), total assets as at September 30, 2017, were €2,366.4 million higher than on the same date in the previous year. Goodwill, at €6,818.8 million, was up by €167.5 million compared to the previous year's figure of €6,651.3 million. Other intangible assets climbed by €198.8 million to €1,481.8 million (PY: €1,283.0 million). Property, plant and equipment increased by €886.2 million to €10,723.4 million (PY: €9,837.2 million). Deferred tax assets were down €320.8 million at €1,741.3 million (PY: €2,062.1 million). Inventories increased by €475.3 million to €4,355.9 million (PY: €3,880.6 million). Trade accounts receivable also rose by €676.7 million to €8,222.7 million (PY: €7,546.0 million). At €1,530.9 million, cash and cash equivalents were up €91.0 million from €1,439.9 million on the same date in the previous year.

Equity including non-controlling interests was up €2,103.3 million at €15,698.6 million as compared to €13,595.3 million as at September 30, 2016. This was primarily due to the increase in retained earnings of €2,159.3 million. Equity was reduced by the payment of the dividends in the amount of €850.0 million resolved by the Annual Shareholders' Meeting. Other comprehensive income changed only slightly to -€2,324.7 million (PY: -€2,262.5 million). The gearing ratio improved from 24.3% to 21.0%. The equity ratio rose to 42.0% (PY: 38.8%).

At €37,361.3 million, total assets were up €1,186.4 million compared with December 31, 2016 (PY: €36,174.9 million). In relation to the individual items of the statement of financial position, this is due primarily to the rise in property, plant and equipment of €185.3 million to €10,723.4 million (PY: €10,538.1 million), the increase in inventories of €602.7 million to €4,355.9 million (PY: €3,753.2 million) and the €830.0 million increase in trade accounts receivable to €8,222.7 million (PY: €7,392.7 million).

Equity including non-controlling interests was up €963.8 million at €15,698.6 million as compared to €14,734.8 million at the end of 2016. Equity was reduced by the payment of the dividends in the amount of €850.0 million resolved by the Annual Shareholders' Meeting. The positive net income attributable to the shareholders of the parent resulted in an increase of €2,224.1 million. Other comprehensive income changed by -€392.4 million to -€2,324.7 million (PY: -€1,932.3 million). The gearing ratio changed from 19.0% to 21.0%.

## Employees

As at the end of the third quarter of 2017, the corporation had 233,270 employees, representing a rise of 13,133 in comparison to the end of 2016. The number of employees in the Automotive Group rose by 7,403 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, as well as the acquisition of the Hornschuch Group, led to an increase of 5,714 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 14,669.

## Reconciliation to operating assets as at September 30, 2017

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

## Reconciliation to operating assets as at September 30, 2016

| € millions                                                                   | Chassis & Safety | Powertrain     | Interior       | Tires          | ContiTech      | Other/<br>Consolidation | Continental<br>Corporation |
|------------------------------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|-------------------------|----------------------------|
| <b>Total assets</b>                                                          | <b>6,947.7</b>   | <b>4,996.9</b> | <b>6,604.8</b> | <b>8,052.5</b> | <b>4,031.8</b> | <b>4,361.2</b>          | <b>34,994.9</b>            |
| Cash and cash equivalents                                                    | –                | –              | –              | –              | –              | 1,439.9                 | 1,439.9                    |
| Short- and long-term derivative instruments,<br>interest-bearing investments | –                | –              | –              | –              | –              | 62.4                    | 62.4                       |
| Other financial assets                                                       | 12.7             | 63.9           | 21.4           | 20.4           | 7.0            | 4.5                     | 129.9                      |
| <b>Less financial assets</b>                                                 | <b>12.7</b>      | <b>63.9</b>    | <b>21.4</b>    | <b>20.4</b>    | <b>7.0</b>     | <b>1,506.8</b>          | <b>1,632.2</b>             |
| <b>Less other non-operating assets</b>                                       | <b>5.2</b>       | <b>1.0</b>     | <b>-40.4</b>   | <b>-4.2</b>    | <b>8.3</b>     | <b>566.5</b>            | <b>536.4</b>               |
| Deferred tax assets                                                          | –                | –              | –              | –              | –              | 2,062.1                 | 2,062.1                    |
| Income tax receivables                                                       | –                | –              | –              | –              | –              | 188.2                   | 188.2                      |
| <b>Less income tax assets</b>                                                | <b>–</b>         | <b>–</b>       | <b>–</b>       | <b>–</b>       | <b>–</b>       | <b>2,250.3</b>          | <b>2,250.3</b>             |
| <b>Segment assets</b>                                                        | <b>6,929.8</b>   | <b>4,932.0</b> | <b>6,623.8</b> | <b>8,036.3</b> | <b>4,016.5</b> | <b>37.6</b>             | <b>30,576.0</b>            |
| <b>Total liabilities and provisions</b>                                      | <b>3,674.4</b>   | <b>2,606.7</b> | <b>2,780.4</b> | <b>3,139.3</b> | <b>1,572.9</b> | <b>7,625.9</b>          | <b>21,399.6</b>            |
| Short- and long-term indebtedness                                            | –                | –              | –              | –              | –              | 4,800.7                 | 4,800.7                    |
| Interest payable and other financial liabilities                             | –                | –              | –              | –              | –              | 38.7                    | 38.7                       |
| <b>Less financial liabilities</b>                                            | <b>–</b>         | <b>–</b>       | <b>–</b>       | <b>–</b>       | <b>–</b>       | <b>4,839.4</b>          | <b>4,839.4</b>             |
| Deferred tax liabilities                                                     | –                | –              | –              | –              | –              | 400.5                   | 400.5                      |
| Income tax payables                                                          | –                | –              | –              | –              | –              | 805.1                   | 805.1                      |
| <b>Less income tax liabilities</b>                                           | <b>–</b>         | <b>–</b>       | <b>–</b>       | <b>–</b>       | <b>–</b>       | <b>1,205.6</b>          | <b>1,205.6</b>             |
| <b>Less other non-operating liabilities</b>                                  | <b>1,115.4</b>   | <b>750.4</b>   | <b>572.5</b>   | <b>895.5</b>   | <b>478.5</b>   | <b>1,457.8</b>          | <b>5,270.1</b>             |
| <b>Segment liabilities</b>                                                   | <b>2,559.0</b>   | <b>1,856.3</b> | <b>2,207.9</b> | <b>2,243.8</b> | <b>1,094.4</b> | <b>123.1</b>            | <b>10,084.5</b>            |
| <b>Operating assets</b>                                                      | <b>4,370.8</b>   | <b>3,075.7</b> | <b>4,415.9</b> | <b>5,792.5</b> | <b>2,922.1</b> | <b>-85.5</b>            | <b>20,491.5</b>            |

## Development of the Divisions

| Chassis & Safety in € millions                         | January 1 to September 30 |         | Third Quarter |         |
|--------------------------------------------------------|---------------------------|---------|---------------|---------|
|                                                        | 2017                      | 2016    | 2017          | 2016    |
| Sales                                                  | 7,243.0                   | 6,624.8 | 2,307.8       | 2,176.8 |
| EBITDA                                                 | 964.1                     | 600.4   | 300.3         | -14.4   |
| in % of sales                                          | 13.3                      | 9.1     | 13.0          | -0.7    |
| EBIT                                                   | 666.3                     | 326.1   | 200.0         | -107.4  |
| in % of sales                                          | 9.2                       | 4.9     | 8.7           | -4.9    |
| Depreciation and amortization <sup>1</sup>             | 297.8                     | 274.3   | 100.3         | 93.0    |
| thereof impairment <sup>2</sup>                        | -0.1                      | -       | -0.1          | -       |
| Capital expenditure <sup>3</sup>                       | 404.2                     | 306.3   | 165.1         | 115.0   |
| in % of sales                                          | 5.6                       | 4.6     | 7.2           | 5.3     |
| Operating assets as at September 30                    | 4,561.4                   | 4,370.8 |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 46,637                    | 42,933  |               |         |
| Adjusted sales <sup>5</sup>                            | 7,243.0                   | 6,624.8 | 2,307.8       | 2,176.8 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 666.1                     | 326.4   | 199.8         | -107.3  |
| in % of adjusted sales                                 | 9.2                       | 4.9     | 8.7           | -4.9    |

<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.

## Chassis & Safety

### Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first nine months of 2017 increased by 9% year-on-year. In the Hydraulic Brake Systems business unit, sales figures for brake boosters were up 4% compared to the previous year. Sales of brake calipers with integrated electric parking brakes increased by 35% year-on-year, more than compensating for the decline in sales figures for conventional brake calipers, which decreased by 3% compared to the previous year. In the Passive Safety & Sensorics business unit, sales volumes of air bag control units rose by 19% year-on-year. Unit sales of advanced driver assistance systems were up 41%.

### Sales up 9.3%

#### Sales up 10.0% before changes in the scope of consolidation and exchange-rate effects

Sales of the Chassis & Safety division were up 9.3% at €7,243.0 million (PY: €6,624.8 million) in the first nine months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 10.0%.

### Adjusted EBIT up 104.1%

Adjusted EBIT for the Chassis & Safety division increased by €339.7 million or 104.1% year-on-year to €666.1 million (PY: €326.4 million) in the first nine months of 2017, corresponding to 9.2% (PY: 4.9%) of adjusted sales. It should be noted that several isolated events had a negative impact on the result in the third quarter of 2016.

### EBIT up 104.3%

Compared with the same period of the previous year, the Chassis & Safety division reported an increase in EBIT of €340.2 million or 104.3% to €666.3 million (PY: €326.1 million) in the first nine months of 2017. The return on sales climbed to 9.2% (PY: 4.9%). It should be noted that several isolated events had a negative impact on the result in the third quarter of 2016.

**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.

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

**Special effects in the first nine months of 2016**

There were no special effects in the Chassis & Safety division in the first nine months of 2016.

| Powertrain in € millions                               | January 1 to September 30 |         | Third Quarter |         |
|--------------------------------------------------------|---------------------------|---------|---------------|---------|
|                                                        | 2017                      | 2016    | 2017          | 2016    |
| Sales                                                  | 5,760.8                   | 5,430.4 | 1,810.5       | 1,775.4 |
| EBITDA                                                 | 615.7                     | 536.1   | 187.4         | 175.5   |
| in % of sales                                          | 10.7                      | 9.9     | 10.4          | 9.9     |
| EBIT                                                   | 314.3                     | 255.6   | 83.1          | 80.3    |
| in % of sales                                          | 5.5                       | 4.7     | 4.6           | 4.5     |
| Depreciation and amortization <sup>1</sup>             | 301.4                     | 280.5   | 104.3         | 95.2    |
| thereof impairment <sup>2</sup>                        | 7.9                       | 6.8     | 5.3           | 1.8     |
| Capital expenditure <sup>3</sup>                       | 393.0                     | 312.4   | 148.2         | 155.3   |
| in % of sales                                          | 6.8                       | 5.8     | 8.2           | 8.7     |
| Operating assets as at September 30                    | 3,394.8                   | 3,075.7 |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 40,382                    | 38,012  |               |         |
| Adjusted sales <sup>5</sup>                            | 5,752.8                   | 5,430.4 | 1,810.5       | 1,775.4 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 334.5                     | 271.9   | 91.3          | 85.1    |
| in % of adjusted sales                                 | 5.8                       | 5.0     | 5.0           | 4.8     |

<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.

## 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 2017. The Sensors & Actuators business unit is continuing to record growth. Emissions legislation has resulted in rising sales of exhaust-gas sensors. In the Hybrid Electric Vehicle business unit, sales volumes for power electronics did not match the previous year's level, whereas sales volumes for on-board power supply and battery systems were up year-on-year. Owing to program changeovers, sales figures of the Transmission business unit were down year-on-year in the first nine months of 2017. Sales volumes in the Fuel & Exhaust Management business unit increased in comparison to the same period of the previous year.

### Sales up 6.1%

#### Sales up 6.3% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain division were up 6.1% at €5,760.8 million (PY: €5,430.4 million) in the first nine months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 6.3%.

### Adjusted EBIT up 23.0%

Adjusted EBIT for the Powertrain division increased by €62.6 million or 23.0% year-on-year to €334.5 million (PY: €271.9 million) during the first nine months of 2017, corresponding to 5.8% (PY: 5.0%) of adjusted sales.

### EBIT up 23.0%

Compared with the same period of the previous year, the Powertrain division reported an increase in EBIT of €58.7 million or 23.0% to €314.3 million (PY: €255.6 million) in the first nine months of 2017. The return on sales rose to 5.5% (PY: 4.7%).

### Special effects in the first nine months of 2017

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.

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

### Special effects in the first nine months of 2016

Impairment on property, plant and equipment resulted in expense totaling €6.8 million.

In addition, there was a negative special effect from restructuring expenses of €1.0 million.

For the Powertrain division, the total negative impact from special effects in the first nine months of 2016 amounted to €7.8 million.

| Interior in € millions                                 | January 1 to September 30 |         | Third Quarter |         |
|--------------------------------------------------------|---------------------------|---------|---------------|---------|
|                                                        | 2017                      | 2016    | 2017          | 2016    |
| Sales                                                  | 6,881.3                   | 6,164.0 | 2,269.0       | 2,041.2 |
| EBITDA                                                 | 848.7                     | 622.1   | 287.0         | 132.5   |
| in % of sales                                          | 12.3                      | 10.1    | 12.6          | 6.5     |
| EBIT                                                   | 550.5                     | 384.3   | 168.5         | 51.3    |
| in % of sales                                          | 8.0                       | 6.2     | 7.4           | 2.5     |
| Depreciation and amortization <sup>1</sup>             | 298.2                     | 237.8   | 118.5         | 81.2    |
| thereof impairment <sup>2</sup>                        | 23.1                      | –       | 23.1          | –       |
| Capital expenditure <sup>3</sup>                       | 282.4                     | 268.8   | 92.3          | 120.2   |
| in % of sales                                          | 4.1                       | 4.4     | 4.1           | 5.9     |
| Operating assets as at September 30                    | 5,014.6                   | 4,415.9 |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 45,137                    | 42,808  |               |         |
| Adjusted sales <sup>5</sup>                            | 6,820.2                   | 6,164.0 | 2,244.8       | 2,041.2 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 613.4                     | 411.4   | 200.2         | 60.3    |
| in % of adjusted sales                                 | 9.0                       | 6.7     | 8.9           | 3.0     |

<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.

## Interior

### Sales volumes

Sales volumes in the Body & Security business unit were significantly above the previous year's level in the first three quarters of 2017. Sales figures in the Infotainment & Connectivity business unit slightly exceeded the previous year's figure. Sales volumes in the Commercial Vehicles & Aftermarket business unit were above the previous year's level overall. Replacement parts and aftermarket business exceeded the previous year's sales volumes, particularly in Western Europe. Sales in the commercial vehicles business also increased significantly year-on-year. In the Instrumentation & Driver HMI business unit, sales volumes in the first nine months of 2017 were higher than in the same period of the previous year.

### Sales up 11.6%

#### Sales up 10.7% before changes in the scope of consolidation and exchange-rate effects

Sales of the Interior division were up 11.6% at €6,881.3 million (PY: €6,164.0 million) in the first nine months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 10.7%.

### Adjusted EBIT up 49.1%

Adjusted EBIT for the Interior division increased by €202.0 million or 49.1% year-on-year to €613.4 million (PY: €411.4 million) in the first nine months of 2017, corresponding to 9.0% (PY: 6.7%) of adjusted sales. It should be noted that several isolated events had a negative impact on the result in the third quarter of 2016.

### EBIT up 43.2%

Compared with the same period of the previous year, the Interior division reported an increase in EBIT of €166.2 million or 43.2% to €550.5 million (PY: €384.3 million) in the first nine months of 2017. The return on sales rose to 8.0% (PY: 6.2%). It should be noted that several isolated events had a negative impact on the result in the third quarter of 2016.

**Special effects in the first nine months of 2017**

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.

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

**Special effects in the first nine months of 2016**

In the Interior division, a purchase price adjustment resulted in expense of €0.1 million.



| Tires in € millions                                    | January 1 to September 30 |         | Third Quarter |         |
|--------------------------------------------------------|---------------------------|---------|---------------|---------|
|                                                        | 2017                      | 2016    | 2017          | 2016    |
| Sales                                                  | 8,387.4                   | 7,914.1 | 2,815.4       | 2,708.7 |
| EBITDA                                                 | 1,987.8                   | 2,089.5 | 661.7         | 658.0   |
| in % of sales                                          | 23.7                      | 26.4    | 23.5          | 24.3    |
| EBIT                                                   | 1,547.0                   | 1,697.7 | 515.0         | 522.3   |
| in % of sales                                          | 18.4                      | 21.5    | 18.3          | 19.3    |
| Depreciation and amortization <sup>1</sup>             | 440.8                     | 391.8   | 146.7         | 135.7   |
| thereof impairment <sup>2</sup>                        | 0.1                       | –       | 0.1           | –       |
| Capital expenditure <sup>3</sup>                       | 569.8                     | 567.5   | 179.1         | 240.4   |
| in % of sales                                          | 6.8                       | 7.2     | 6.4           | 8.9     |
| Operating assets as at September 30                    | 6,363.5                   | 5,792.5 |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 54,250                    | 51,864  |               |         |
| Adjusted sales <sup>5</sup>                            | 8,260.0                   | 7,913.6 | 2,787.0       | 2,708.6 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 1,517.7                   | 1,699.8 | 517.7         | 520.6   |
| in % of adjusted sales                                 | 18.4                      | 21.5    | 18.6          | 19.2    |

1 Excluding impairment on financial investments.

2 Impairment also includes necessary reversal of impairment losses.

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

4 Excluding trainees.

5 Before changes in the scope of consolidation.

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

## Tires

### Sales volumes

After the first nine months of 2017, sales figures for passenger and light truck tires were at the previous year's level in original equipment business and up on the previous year's figure in the tire replacement business. Sales figures in commercial-vehicle tire business were around 8% higher than in the previous year.

### Sales up 6.0%

#### Sales up 4.3% before changes in the scope of consolidation and exchange-rate effects

Sales of the Tire division were up 6.0% at €8,387.4 million (PY: €7,914.1 million) in the first nine months of 2017 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%.

### Adjusted EBIT down 10.7%

Adjusted EBIT for the Tire division decreased by €182.1 million or 10.7% year-on-year to €1,517.7 million (PY: €1,699.8 million) during the first nine months of 2017, corresponding to 18.4% (PY: 21.5%) of adjusted sales.

### EBIT down 8.9%

Compared with the same period of the previous year, the Tire division reported a decline in EBIT of €150.7 million or 8.9% to €1,547.0 million (PY: €1,697.7 million) in the first nine months of 2017. The return on sales fell to 18.4% (PY: 21.5%).

### Special effects in the first nine months of 2017

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 restructuring provisions no longer required resulted in income of €10.0 million.

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

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

### Special effects in the first nine months of 2016

In the Tire division, the disposal of a minority interest resulted in income of €3.9 million.

| ContiTech in € millions                                | January 1 to September 30 |         | Third Quarter |         |
|--------------------------------------------------------|---------------------------|---------|---------------|---------|
|                                                        | 2017                      | 2016    | 2017          | 2016    |
| Sales                                                  | 4,677.2                   | 4,086.2 | 1,568.3       | 1,350.5 |
| EBITDA                                                 | 550.9                     | 536.8   | 184.0         | 163.5   |
| in % of sales                                          | 11.8                      | 13.1    | 11.7          | 12.1    |
| EBIT                                                   | 322.0                     | 313.4   | 109.5         | 88.0    |
| in % of sales                                          | 6.9                       | 7.7     | 7.0           | 6.5     |
| Depreciation and amortization <sup>1</sup>             | 228.9                     | 223.4   | 74.5          | 75.5    |
| thereof impairment <sup>2</sup>                        | –                         | 3.9     | –             | 0.9     |
| Capital expenditure <sup>3</sup>                       | 143.4                     | 143.4   | 51.0          | 48.4    |
| in % of sales                                          | 3.1                       | 3.5     | 3.3           | 3.6     |
| Operating assets as at September 30                    | 3,125.9                   | 2,922.1 |               |         |
| Number of employees as at September 30 <sup>4</sup>    | 46,430                    | 42,572  |               |         |
| Adjusted sales <sup>5</sup>                            | 4,392.0                   | 4,086.2 | 1,449.1       | 1,350.5 |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 381.2                     | 406.3   | 119.3         | 123.0   |
| in % of adjusted sales                                 | 8.7                       | 9.9     | 8.2           | 9.1     |

<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.

## ContiTech

### Sales up 14.5%

#### Sales up 7.5% before changes in the scope of consolidation and exchange-rate effects

Sales of the ContiTech division were up 14.5% at €4,677.2 million (PY: €4,086.2 million) in the first nine months of 2017 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.5%. The Compounding Technology and Conveyor Belt Group business units, in particular, achieved strong sales growth compared to the same period of the previous year. In addition, the Benecke-Hornschuch Surface Group (formerly Benecke-Kaliko Group) and Air Spring Systems business units also posted considerably higher sales year-on-year.

### Adjusted EBIT down 6.2%

Adjusted EBIT for the ContiTech division decreased by €25.1 million or 6.2% year-on-year to €381.2 million (PY: €406.3 million) in the first nine months of 2017, corresponding to 8.7% (PY: 9.9%) of adjusted sales.

### EBIT up 2.7%

Compared with the same period of the previous year, the ContiTech division reported a rise in EBIT of €8.6 million or 2.7% to €322.0 million (PY: €313.4 million) in the first nine months of 2017. The return on sales fell to 6.9% (PY: 7.7%).

### Special effects in the first nine months of 2017

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.

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

**Special effects in the first nine months of 2016**

The sale of the steel cord business in Brazil, coupled with the fulfillment of conditions imposed by antitrust authorities, resulted in expense totaling €15.4 million. This figure comprises a loss on disposal of €9.0 million, market value adjustments totaling €5.8 million, and sales tax receivables that can no longer be utilized in the amount of €0.6 million.

The temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €11.5 million, of which €3.4 million was attributable to impairment on property, plant and equipment.

Restructuring expenses of €3.1 million were incurred in Chile, including impairment on property, plant and equipment in the amount of €0.9 million.

In addition, there was a negative special effect from restructuring expenses and reversals of restructuring provisions totaling €0.2 million. This included reversal of impairment losses on property, plant and equipment in the amount of €0.4 million.

An impairment and a reversal of an impairment loss on property, plant and equipment did not result in any effect on earnings overall.

For the ContiTech division, the total negative impact from special effects in the first nine months of 2016 amounted to €30.2 million.

# Report on Risks and Opportunities

There were no material changes in risks and opportunities during the reporting period. For details of the main risks and opportunities, please refer to our comments in the 2016 Annual Report.

## Report on Expected Developments and Outlook

The strong growth in the first nine months of 2017 corroborates our sales performance estimate for fiscal 2017. We are therefore confirming our forecast of sales of more than €44 billion, assuming constant exchange rates year-on-year. Translation at current exchange rates gives consolidated sales of around €44 billion for 2017. The continuing positive effect of exchange rates on sales after the first half of the year turned negative to -€65 million after nine months, amounting to -€246 million in the third quarter alone.

We are leaving our sales forecasts for the Automotive Group and the Rubber Group at around €26.5 billion and more than €17 billion respectively, regardless of exchange-rate development in the fourth quarter.

We are adhering to our forecast for the corporation's adjusted EBIT margin of more than 10.5%. The same is true of the forecast for the adjusted EBIT margins of the Automotive Group and the Rubber Group, which we are leaving at around 8.5% and more than 15% respectively.

We still estimate the negative impact of rising prices of raw materials for the Rubber Group in fiscal 2017 to be around €450 million. This is because the recent development in the prices of raw materials will not have an impact until fiscal 2018. We are lowering our

forecast for the average price of natural rubber (TSR 20) from U.S. \$1.90 per kilogram to U.S. \$1.70 per kilogram. For butadiene, a base material for synthetic rubber, we are leaving our forecast at U.S. \$1.60 per kilogram. Alongside price increases for carbon black, the recent rise in the price of crude oil will also result in additional costs. For the Rubber Group, every U.S. \$10 increase in the average price of crude oil still equates to a negative annual gross effect on EBIT of around U.S. \$50 million. We estimate the average price of North Sea Brent at U.S. \$54 in 2017 (PY: U.S. \$44).

Not taking into account valuation effects, such as exchange-rate effects, we still expect the negative net interest result to be around €200 million. After the first nine months of the year, the negative valuation effects totaled €80 million (PY: positive valuation effects of €81 million). The tax rate for the current year is expected to be less than 30%. Amortization from purchase price allocations is expected to be less than €200 million (previously: approximately €200 million) and to affect mainly the ContiTech and Interior divisions. We anticipate negative special effects totaling less than €100 million (previously: approximately €100 million). In fiscal 2017, the capital expenditure ratio before financial investments will increase to around 6.5% of sales. For 2017, we are still planning on free cash flow of approximately €2 billion before acquisitions.

# Consolidated Financial Statements >

## Consolidated Statement of Income

| € millions                                                | January 1 to September 30 |                 | Third Quarter   |                |
|-----------------------------------------------------------|---------------------------|-----------------|-----------------|----------------|
|                                                           | 2017                      | 2016            | 2017            | 2016           |
| <b>Sales</b>                                              | <b>32,725.6</b>           | <b>30,025.5</b> | <b>10,692.7</b> | <b>9,983.8</b> |
| Cost of sales                                             | -24,286.6                 | -22,018.3       | -7,948.3        | -7,409.1       |
| <b>Gross margin on sales</b>                              | <b>8,439.0</b>            | <b>8,007.2</b>  | <b>2,744.4</b>  | <b>2,574.7</b> |
| Research and development expenses                         | -2,356.9                  | -2,171.0        | -777.5          | -728.1         |
| Selling and logistics expenses                            | -1,797.2                  | -1,663.2        | -588.3          | -554.0         |
| Administrative expenses                                   | -866.1                    | -763.2          | -269.7          | -265.1         |
| Other expenses and income                                 | -164.5                    | -573.3          | -85.7           | -444.4         |
| Income from equity-accounted investees                    | 50.2                      | 49.7            | 14.1            | 13.1           |
| Other income from investments                             | 0.4                       | 0.4             | 0.2             | 0.1            |
| <b>Earnings before interest and tax</b>                   | <b>3,304.9</b>            | <b>2,886.6</b>  | <b>1,037.5</b>  | <b>596.3</b>   |
| Interest income                                           | 68.0                      | 74.3            | 21.4            | 24.7           |
| Interest expense                                          | -287.6                    | -147.9          | -77.2           | -49.7          |
| <b>Net interest result</b>                                | <b>-219.6</b>             | <b>-73.6</b>    | <b>-55.8</b>    | <b>-25.0</b>   |
| <b>Earnings before tax</b>                                | <b>3,085.3</b>            | <b>2,813.0</b>  | <b>981.7</b>    | <b>571.3</b>   |
| Income tax expense                                        | -817.7                    | -742.4          | -240.0          | -175.3         |
| <b>Net income</b>                                         | <b>2,267.6</b>            | <b>2,070.6</b>  | <b>741.7</b>    | <b>396.0</b>   |
| Non-controlling interests                                 | -43.5                     | -53.3           | -12.6           | -17.5          |
| Net income attributable to the shareholders of the parent | 2,224.1                   | 2,017.3         | 729.1           | 378.5          |
| <b>Basic earnings per share in €</b>                      | <b>11.12</b>              | <b>10.09</b>    | <b>3.64</b>     | <b>1.90</b>    |
| <b>Diluted earnings per share in €</b>                    | <b>11.12</b>              | <b>10.09</b>    | <b>3.64</b>     | <b>1.90</b>    |

# Consolidated Statement of Comprehensive Income

| € millions                                                           | January 1 to September 30 |                | Third Quarter |              |
|----------------------------------------------------------------------|---------------------------|----------------|---------------|--------------|
|                                                                      | 2017                      | 2016           | 2017          | 2016         |
| <b>Net income</b>                                                    | <b>2,267.6</b>            | <b>2,070.6</b> | <b>741.7</b>  | <b>396.0</b> |
| <b>Reclassification within equity not affecting net income</b>       | <b>–</b>                  | <b>0.4</b>     | <b>–</b>      | <b>0.4</b>   |
| <b>Items that will not be reclassified to profit or loss</b>         |                           |                |               |              |
| Remeasurement of defined benefit plans <sup>1</sup>                  | 164.6                     | -601.2         | 20.0          | -43.5        |
| Fair value adjustments <sup>1</sup>                                  | 183.5                     | -898.7         | 13.5          | -64.9        |
| Reclassification from disposals of pension obligations               | –                         | -0.4           | –             | -0.4         |
| Currency translation <sup>1</sup>                                    | 31.9                      | 12.3           | 9.7           | 2.0          |
| Tax on other comprehensive income                                    | -50.8                     | 285.6          | -3.2          | 19.8         |
| <b>Items that may be reclassified subsequently to profit or loss</b> |                           |                |               |              |
| Currency translation <sup>1</sup>                                    | -561.4                    | -241.2         | -245.0        | -55.9        |
| Difference from currency translation <sup>1</sup>                    | -558.4                    | -246.1         | -242.0        | -60.8        |
| Portion for equity-accounted investees <sup>2</sup>                  | -3.0                      | 4.9            | -3.0          | 4.9          |
| Available-for-sale financial assets                                  | 1.2                       | 1.4            | 0.2           | 0.3          |
| Fair value adjustments                                               | 2.7                       | 1.5            | 0.6           | 0.3          |
| Reclassification adjustments to profit and loss                      | -1.5                      | -0.1           | -0.4          | –            |
| Cash flow hedges                                                     | -1.2                      | 6.3            | 1.7           | 8.9          |
| Fair value adjustments                                               | 57.5                      | 19.6           | 22.6          | 16.1         |
| Reclassification adjustments to profit and loss                      | -58.7                     | -13.3          | -20.9         | -7.2         |
| Tax on other comprehensive income                                    | -23.6                     | 11.6           | -2.4          | 3.8          |
| <b>Other comprehensive income</b>                                    | <b>-420.4</b>             | <b>-823.1</b>  | <b>-225.5</b> | <b>-86.4</b> |
| <b>Comprehensive income</b>                                          | <b>1,847.2</b>            | <b>1,247.9</b> | <b>516.2</b>  | <b>310.0</b> |
| Attributable to non-controlling interests                            | -14.2                     | -56.7          | -1.3          | -13.4        |
| Attributable to the shareholders of the parent                       | 1,833.0                   | 1,191.2        | 514.9         | 296.6        |

<sup>1</sup> Including non-controlling interests.

<sup>2</sup> Including taxes.

# Consolidated Statement of Financial Position

| <b>Assets in € millions</b>                                        | <b>Sept. 30, 2017</b> | <i>Dec. 31, 2016</i> | Sept. 30, 2016  |
|--------------------------------------------------------------------|-----------------------|----------------------|-----------------|
| Goodwill                                                           | 6,818.8               | 6,857.3              | 6,651.3         |
| Other intangible assets                                            | 1,481.8               | 1,514.1              | 1,283.0         |
| Property, plant and equipment                                      | 10,723.4              | 10,538.1             | 9,837.2         |
| Investment property                                                | 10.7                  | 10.3                 | 10.4            |
| Investments in equity-accounted investees                          | 404.6                 | 384.8                | 382.1           |
| Other investments                                                  | 47.3                  | 43.1                 | 39.8            |
| Deferred tax assets                                                | 1,741.3               | 1,836.1              | 2,062.1         |
| Defined benefit assets                                             | 36.1                  | 24.3                 | 34.0            |
| Long-term derivative instruments and interest-bearing investments  | 84.4                  | 19.7                 | 38.0            |
| Long-term other financial assets                                   | 64.5                  | 66.4                 | 55.1            |
| Long-term other assets                                             | 26.9                  | 26.8                 | 22.9            |
| <b>Non-current assets</b>                                          | <b>21,439.8</b>       | <b>21,321.0</b>      | <b>20,415.9</b> |
| Inventories                                                        | 4,355.9               | 3,753.2              | 3,880.6         |
| Trade accounts receivable                                          | 8,222.7               | 7,392.7              | 7,546.0         |
| Short-term other financial assets                                  | 550.0                 | 455.5                | 483.6           |
| Short-term other assets                                            | 987.4                 | 989.0                | 1,012.7         |
| Income tax receivables                                             | 224.0                 | 124.7                | 188.2           |
| Short-term derivative instruments and interest-bearing investments | 47.7                  | 27.8                 | 24.4            |
| Cash and cash equivalents                                          | 1,530.9               | 2,107.0              | 1,439.9         |
| Assets held for sale                                               | 2.9                   | 4.0                  | 3.6             |
| <b>Current assets</b>                                              | <b>15,921.5</b>       | <b>14,853.9</b>      | <b>14,579.0</b> |
| <b>Total assets</b>                                                | <b>37,361.3</b>       | <b>36,174.9</b>      | <b>34,994.9</b> |

| <b>Equity and liabilities in € millions</b>                  | <b>Sept. 30, 2017</b> | <i>Dec. 31, 2016</i> | Sept. 30, 2016  |
|--------------------------------------------------------------|-----------------------|----------------------|-----------------|
| Subscribed capital                                           | 512.0                 | 512.0                | 512.0           |
| Capital reserves                                             | 4,155.6               | 4,155.6              | 4,155.6         |
| Retained earnings                                            | 12,908.8              | 11,534.7             | 10,749.5        |
| Other comprehensive income                                   | -2,324.7              | -1,932.3             | -2,262.5        |
| <b>Equity attributable to the shareholders of the parent</b> | <b>15,251.7</b>       | <b>14,270.0</b>      | <b>13,154.6</b> |
| Non-controlling interests                                    | 446.9                 | 464.8                | 440.7           |
| <b>Total equity</b>                                          | <b>15,698.6</b>       | <b>14,734.8</b>      | <b>13,595.3</b> |
| Long-term employee benefits                                  | 4,288.1               | 4,392.3              | 4,711.5         |
| Deferred tax liabilities                                     | 465.0                 | 371.5                | 400.5           |
| Long-term provisions for other risks and obligations         | 181.8                 | 204.2                | 209.9           |
| Long-term indebtedness                                       | 2,010.4               | 2,803.7              | 2,195.1         |
| Long-term other financial liabilities                        | 41.5                  | 97.1                 | 39.2            |
| Long-term other liabilities                                  | 15.0                  | 17.1                 | 19.2            |
| <b>Non-current liabilities</b>                               | <b>7,001.8</b>        | <b>7,885.9</b>       | <b>7,575.4</b>  |
| Short-term employee benefits                                 | 1,479.5               | 1,314.1              | 1,339.8         |
| Trade accounts payable                                       | 6,369.8               | 6,248.0              | 5,997.1         |
| Income tax payables                                          | 802.1                 | 783.6                | 805.1           |
| Short-term provisions for other risks and obligations        | 959.2                 | 1,146.4              | 1,107.4         |
| Short-term indebtedness                                      | 2,950.5               | 2,148.6              | 2,605.6         |
| Short-term other financial liabilities                       | 1,244.8               | 1,187.3              | 1,099.6         |
| Short-term other liabilities                                 | 855.0                 | 726.2                | 869.6           |
| Liabilities held for sale                                    | –                     | –                    | –               |
| <b>Current liabilities</b>                                   | <b>14,660.9</b>       | <b>13,554.2</b>      | <b>13,824.2</b> |
| <b>Total equity and liabilities</b>                          | <b>37,361.3</b>       | <b>36,174.9</b>      | <b>34,994.9</b> |

# Consolidated Statement of Cash Flows

| € millions                                                                                                       | January 1 to September 30 |                 | Third Quarter  |                |
|------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------|----------------|----------------|
|                                                                                                                  | 2017                      | 2016            | 2017           | 2016           |
| <b>Net income</b>                                                                                                | <b>2,267.6</b>            | <b>2,070.6</b>  | <b>741.7</b>   | <b>396.0</b>   |
| Income tax expense                                                                                               | 817.7                     | 742.4           | 240.0          | 175.3          |
| Net interest result                                                                                              | 219.6                     | 73.6            | 55.8           | 25.0           |
| <b>EBIT</b>                                                                                                      | <b>3,304.9</b>            | <b>2,886.6</b>  | <b>1,037.5</b> | <b>596.3</b>   |
| Interest paid                                                                                                    | -116.7                    | -115.9          | -55.4          | -52.8          |
| Interest received                                                                                                | 19.2                      | 18.5            | 5.7            | 6.4            |
| Income tax paid                                                                                                  | -871.1                    | -787.0          | -273.2         | -243.0         |
| Dividends received                                                                                               | 24.2                      | 25.5            | 3.2            | 6.9            |
| Depreciation, amortization, impairment and reversal of impairment losses                                         | 1,568.2                   | 1,409.4         | 544.7          | 481.1          |
| Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses | -50.6                     | -50.1           | -14.3          | -13.2          |
| Gains/losses from the disposal of assets, companies and business operations                                      | -26.7                     | -6.5            | -3.2           | -3.1           |
| Changes in                                                                                                       |                           |                 |                |                |
| inventories                                                                                                      | -688.1                    | -533.3          | -183.0         | -75.8          |
| trade accounts receivable                                                                                        | -1,119.6                  | -903.0          | -416.5         | -281.4         |
| trade accounts payable                                                                                           | 274.7                     | 562.9           | -164.9         | -48.4          |
| employee benefits and other provisions                                                                           | 80.6                      | 427.8           | 174.2          | 512.1          |
| other assets and liabilities                                                                                     | 170.7                     | 29.9            | 210.1          | 97.8           |
| <b>Cash flow arising from operating activities</b>                                                               | <b>2,569.7</b>            | <b>2,964.8</b>  | <b>864.9</b>   | <b>982.9</b>   |
| Cash flow from the disposal of property, plant and equipment, and intangible assets                              | 30.6                      | 29.4            | 6.9            | 15.8           |
| Capital expenditure on property, plant and equipment, and software                                               | -1,794.9                  | -1,599.8        | -636.8         | -679.9         |
| Capital expenditure on intangible assets from development projects and miscellaneous                             | -81.0                     | -70.9           | -21.1          | -31.0          |
| Cash flow from the disposal of companies and business operations                                                 | 20.8                      | 2.7             | 0.6            | -2.4           |
| Acquisition of companies and business operations                                                                 | -273.2                    | -142.2          | -34.3          | -60.4          |
| <b>Cash flow arising from investing activities</b>                                                               | <b>-2,097.7</b>           | <b>-1,780.8</b> | <b>-684.7</b>  | <b>-757.9</b>  |
| <b>Cash flow before financing activities (free cash flow)</b>                                                    | <b>472.0</b>              | <b>1,184.0</b>  | <b>180.2</b>   | <b>225.0</b>   |
| Change in indebtedness                                                                                           | -87.2                     | -436.8          | -432.8         | -413.9         |
| Successive purchases                                                                                             | -0.7                      | -106.3          | 0.1            | -83.9          |
| Dividends paid                                                                                                   | -850.0                    | -750.0          | -              | -              |
| Dividends paid to and cash changes from equity transactions with non-controlling interests                       | -29.6                     | -29.8           | -2.7           | -3.1           |
| Cash and cash equivalents arising from first-time consolidation of subsidiaries                                  | 0.7                       | 0.6             | 0.1            | -              |
| <b>Cash flow arising from financing activities</b>                                                               | <b>-966.8</b>             | <b>-1,322.3</b> | <b>-435.3</b>  | <b>-500.9</b>  |
| <b>Change in cash and cash equivalents</b>                                                                       | <b>-494.8</b>             | <b>-138.3</b>   | <b>-255.1</b>  | <b>-275.9</b>  |
| Cash and cash equivalents at the beginning of the reporting period                                               | 2,107.0                   | 1,621.5         | 1,806.4        | 1,720.1        |
| Effect of exchange-rate changes on cash and cash equivalents                                                     | -81.3                     | -43.3           | -20.4          | -4.3           |
| <b>Cash and cash equivalents at the end of the reporting period</b>                                              | <b>1,530.9</b>            | <b>1,439.9</b>  | <b>1,530.9</b> | <b>1,439.9</b> |



# Consolidated Statement of Changes in Equity

| € millions                       | Subscribed capital <sup>1</sup> | Capital reserves | Retained earnings | Successive purchases <sup>2</sup> | Difference from                        |                                   |                                    | Subtotal        | Non-controlling interests | Total           |
|----------------------------------|---------------------------------|------------------|-------------------|-----------------------------------|----------------------------------------|-----------------------------------|------------------------------------|-----------------|---------------------------|-----------------|
|                                  |                                 |                  |                   |                                   | remeasurement of defined benefit plans | currency translation <sup>3</sup> | financial instruments <sup>4</sup> |                 |                           |                 |
| <b>As at January 1, 2016</b>     | <b>512.0</b>                    | <b>4,155.6</b>   | <b>9,481.8</b>    | <b>-39.8</b>                      | <b>-1,420.6</b>                        | <b>101.0</b>                      | <b>-3.7</b>                        | <b>12,786.3</b> | <b>427.6</b>              | <b>13,213.9</b> |
| Net income                       | –                               | –                | 2,017.3           | –                                 | –                                      | –                                 | –                                  | 2,017.3         | 53.3                      | <b>2,070.6</b>  |
| Comprehensive income             | –                               | –                | 0.4               | –                                 | -601.3                                 | -229.9                            | 4.7                                | -826.1          | 3.4                       | <b>-822.7</b>   |
| <b>Net profit for the period</b> | <b>–</b>                        | <b>–</b>         | <b>2,017.7</b>    | <b>–</b>                          | <b>-601.3</b>                          | <b>-229.9</b>                     | <b>4.7</b>                         | <b>1,191.2</b>  | <b>56.7</b>               | <b>1,247.9</b>  |
| Dividends paid/resolved          | –                               | –                | -750.0            | –                                 | –                                      | –                                 | –                                  | -750.0          | -30.4                     | <b>-780.4</b>   |
| Successive purchases             | –                               | –                | –                 | -73.1                             | –                                      | –                                 | –                                  | -73.1           | -13.2                     | <b>-86.3</b>    |
| Other changes                    | –                               | –                | –                 | 0.2                               | –                                      | –                                 | –                                  | 0.2             | –                         | <b>0.2</b>      |
| <b>As at September 30, 2016</b>  | <b>512.0</b>                    | <b>4,155.6</b>   | <b>10,749.5</b>   | <b>-112.7</b>                     | <b>-2,021.9</b>                        | <b>-128.9</b>                     | <b>1.0</b>                         | <b>13,154.6</b> | <b>440.7</b>              | <b>13,595.3</b> |
| <b>As at January 1, 2017</b>     | <b>512.0</b>                    | <b>4,155.6</b>   | <b>11,534.7</b>   | <b>-181.9</b>                     | <b>-1,783.8</b>                        | <b>30.0</b>                       | <b>3.4</b>                         | <b>14,270.0</b> | <b>464.8</b>              | <b>14,734.8</b> |
| Net income                       | –                               | –                | 2,224.1           | –                                 | –                                      | –                                 | –                                  | 2,224.1         | 43.5                      | <b>2,267.6</b>  |
| Comprehensive income             | –                               | –                | –                 | –                                 | 164.4                                  | -554.8                            | -0.7                               | -391.1          | -29.3                     | <b>-420.4</b>   |
| <b>Net profit for the period</b> | <b>–</b>                        | <b>–</b>         | <b>2,224.1</b>    | <b>–</b>                          | <b>164.4</b>                           | <b>-554.8</b>                     | <b>-0.7</b>                        | <b>1,833.0</b>  | <b>14.2</b>               | <b>1,847.2</b>  |
| Dividends paid/resolved          | –                               | –                | -850.0            | –                                 | –                                      | –                                 | –                                  | -850.0          | -33.1                     | <b>-883.1</b>   |
| Successive purchases             | –                               | –                | –                 | -1.3                              | –                                      | –                                 | –                                  | -1.3            | 0.5                       | <b>-0.8</b>     |
| Other changes <sup>5</sup>       | –                               | –                | –                 | 0.0                               | –                                      | –                                 | –                                  | 0.0             | 0.5                       | <b>0.5</b>      |
| <b>As at September 30, 2017</b>  | <b>512.0</b>                    | <b>4,155.6</b>   | <b>12,908.8</b>   | <b>-183.2</b>                     | <b>-1,619.4</b>                        | <b>-524.8</b>                     | <b>2.7</b>                         | <b>15,251.7</b> | <b>446.9</b>              | <b>15,698.6</b> |

1 Divided into 200,005,983 shares outstanding.

2 Includes an amount of -€0.3 million (PY: -€70.6 million) from successive purchases of shares in fully consolidated companies, an amount of €0.0 million (PY: -€2.5 million) from a subsequent purchase price adjustment, and an amount of €0.0 million (PY: €0.2 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 -€1.0 million (PY: –) for the acquisition of remaining shares in a fully consolidated company.

3 Includes shareholder's portion of -€3.0 million (PY: €4.9 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 -€1.7 million (PY: €3.4 million) for interest and currency hedging and to available-for-sale financial assets of €1.0 million (PY: €1.3 million).

5 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

# Explanatory Notes to the Consolidated Financial Statements

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

| € millions                                             | Chassis & Safety | Powertrain     | Interior       | Tires          | ContiTech      | Other/<br>Consolidation | Continental<br>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                  | –                          |
| <b>Sales (total)</b>                                   | <b>7,243.0</b>   | <b>5,760.8</b> | <b>6,881.3</b> | <b>8,387.4</b> | <b>4,677.2</b> | <b>-224.1</b>           | <b>32,725.6</b>            |
| 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 <sup>1</sup>             | 297.8            | 301.4          | 298.2          | 440.8          | 228.9          | 1.1                     | 1,568.2                    |
| thereof impairment <sup>2</sup>                        | -0.1             | 7.9            | 23.1           | 0.1            | –              | –                       | 31.0                       |
| Capital expenditure <sup>3</sup>                       | 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 <sup>4</sup>    | 46,637           | 40,382         | 45,137         | 54,250         | 46,430         | 434                     | 233,270                    |
| Adjusted sales <sup>5</sup>                            | 7,243.0          | 5,752.8        | 6,820.2        | 8,260.0        | 4,392.0        | -224.1                  | 32,243.9                   |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 666.1            | 334.5          | 613.4          | 1,517.7        | 381.2          | -95.2                   | 3,417.7                    |
| in % of adjusted sales                                 | 9.2              | 5.8            | 9.0            | 18.4           | 8.7            | –                       | 10.6                       |

1 Excluding impairment on financial investments.

2 Impairment also includes necessary reversal of impairment losses.

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

4 Excluding trainees.

5 Before changes in the scope of consolidation.

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

## Segment report for the period from January 1 to September 30, 2016

| € millions                                             | Chassis & Safety | Powertrain     | Interior       | Tires          | ContiTech      | Other/<br>Consolidation | Continental<br>Corporation |
|--------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|-------------------------|----------------------------|
| External sales                                         | 6,605.9          | 5,359.1        | 6,152.6        | 7,898.0        | 4,009.9        | –                       | 30,025.5                   |
| Intercompany sales                                     | 18.9             | 71.3           | 11.4           | 16.1           | 76.3           | -194.0                  | –                          |
| <b>Sales (total)</b>                                   | <b>6,624.8</b>   | <b>5,430.4</b> | <b>6,164.0</b> | <b>7,914.1</b> | <b>4,086.2</b> | <b>-194.0</b>           | <b>30,025.5</b>            |
| EBIT (segment result)                                  | 326.1            | 255.6          | 384.3          | 1,697.7        | 313.4          | -90.5                   | 2,886.6                    |
| in % of sales                                          | 4.9              | 4.7            | 6.2            | 21.5           | 7.7            | –                       | 9.6                        |
| Depreciation and amortization <sup>1</sup>             | 274.3            | 280.5          | 237.8          | 391.8          | 223.4          | 1.6                     | 1,409.4                    |
| thereof impairment <sup>2</sup>                        | –                | 6.8            | –              | –              | 3.9            | –                       | 10.7                       |
| Capital expenditure <sup>3</sup>                       | 306.3            | 312.4          | 268.8          | 567.5          | 143.4          | 1.4                     | 1,599.8                    |
| in % of sales                                          | 4.6              | 5.8            | 4.4            | 7.2            | 3.5            | –                       | 5.3                        |
| Operating assets as at September 30                    | 4,370.8          | 3,075.7        | 4,415.9        | 5,792.5        | 2,922.1        | -85.5                   | 20,491.5                   |
| Number of employees as at September 30 <sup>4</sup>    | 42,933           | 38,012         | 42,808         | 51,864         | 42,572         | 412                     | 218,601                    |
| Adjusted sales <sup>5</sup>                            | 6,624.8          | 5,430.4        | 6,164.0        | 7,913.6        | 4,086.2        | -194.0                  | 30,025.0                   |
| Adjusted operating result (adjusted EBIT) <sup>6</sup> | 326.4            | 271.9          | 411.4          | 1,699.8        | 406.3          | -90.5                   | 3,025.3                    |
| in % of adjusted sales                                 | 4.9              | 5.0            | 6.7            | 21.5           | 9.9            | –                       | 10.1                       |

1 Excluding impairment on financial investments.

2 Impairment also includes necessary reversal of impairment losses.

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

4 Excluding trainees.

5 Before changes in the scope of consolidation.

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

**Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) as at September 30, 2017**

| € millions                                                             | Chassis & Safety | Powertrain     | Interior       | Tires          | ContiTech      | Other/<br>Consolidation | Continental<br>Corporation |
|------------------------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|-------------------------|----------------------------|
| <b>Sales</b>                                                           | <b>7,243.0</b>   | <b>5,760.8</b> | <b>6,881.3</b> | <b>8,387.4</b> | <b>4,677.2</b> | <b>-224.1</b>           | <b>32,725.6</b>            |
| Changes in the scope of consolidation <sup>1</sup>                     | –                | -8.0           | -61.1          | -127.4         | -285.2         | –                       | -481.7                     |
| <b>Adjusted sales</b>                                                  | <b>7,243.0</b>   | <b>5,752.8</b> | <b>6,820.2</b> | <b>8,260.0</b> | <b>4,392.0</b> | <b>-224.1</b>           | <b>32,243.9</b>            |
| <b>EBITDA</b>                                                          | <b>964.1</b>     | <b>615.7</b>   | <b>848.7</b>   | <b>1,987.8</b> | <b>550.9</b>   | <b>-94.1</b>            | <b>4,873.1</b>             |
| Depreciation and amortization <sup>2</sup>                             | 297.8            | 301.4          | 298.2          | 440.8          | 228.9          | 1.1                     | 1,568.2                    |
| <b>EBIT</b>                                                            | <b>666.3</b>     | <b>314.3</b>   | <b>550.5</b>   | <b>1,547.0</b> | <b>322.0</b>   | <b>-95.2</b>            | <b>3,304.9</b>             |
| 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 <sup>1</sup>                     | –                | 3.6            | 7.5            | -19.1          | -10.4          | –                       | -18.4                      |
| Special effects                                                        |                  |                |                |                |                |                         |                            |
| Impairment <sup>3</sup>                                                | -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                       |
| <b>Adjusted operating result (adjusted EBIT)</b>                       | <b>666.1</b>     | <b>334.5</b>   | <b>613.4</b>   | <b>1,517.7</b> | <b>381.2</b>   | <b>-95.2</b>            | <b>3,417.7</b>             |

**Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) as at September 30, 2016**

| € millions                                                             | Chassis & Safety | Powertrain     | Interior       | Tires          | ContiTech      | Other/<br>Consolidation | Continental<br>Corporation |
|------------------------------------------------------------------------|------------------|----------------|----------------|----------------|----------------|-------------------------|----------------------------|
| <b>Sales</b>                                                           | <b>6,624.8</b>   | <b>5,430.4</b> | <b>6,164.0</b> | <b>7,914.1</b> | <b>4,086.2</b> | <b>-194.0</b>           | <b>30,025.5</b>            |
| Changes in the scope of consolidation <sup>1</sup>                     | –                | –              | –              | -0.5           | –              | –                       | -0.5                       |
| <b>Adjusted sales</b>                                                  | <b>6,624.8</b>   | <b>5,430.4</b> | <b>6,164.0</b> | <b>7,913.6</b> | <b>4,086.2</b> | <b>-194.0</b>           | <b>30,025.0</b>            |
| <b>EBITDA</b>                                                          | <b>600.4</b>     | <b>536.1</b>   | <b>622.1</b>   | <b>2,089.5</b> | <b>536.8</b>   | <b>-88.9</b>            | <b>4,296.0</b>             |
| Depreciation and amortization <sup>2</sup>                             | 274.3            | 280.5          | 237.8          | 391.8          | 223.4          | 1.6                     | 1,409.4                    |
| <b>EBIT</b>                                                            | <b>326.1</b>     | <b>255.6</b>   | <b>384.3</b>   | <b>1,697.7</b> | <b>313.4</b>   | <b>-90.5</b>            | <b>2,886.6</b>             |
| Amortization of intangible assets from purchase price allocation (PPA) | 0.3              | 8.5            | 27.0           | 5.9            | 62.7           | –                       | 104.4                      |
| Changes in the scope of consolidation <sup>1</sup>                     | –                | –              | –              | 0.1            | –              | –                       | 0.1                        |
| Special effects                                                        |                  |                |                |                |                |                         |                            |
| Impairment <sup>3</sup>                                                | –                | 6.8            | –              | –              | 0.0            | –                       | 6.8                        |
| Restructuring <sup>4</sup>                                             | –                | 1.0            | –              | –              | 14.8           | –                       | 15.8                       |
| Gains and losses from disposals of companies and business operations   | –                | –              | 0.1            | -3.9           | 9.0            | –                       | 5.2                        |
| Other                                                                  | –                | –              | –              | –              | 6.4            | –                       | 6.4                        |
| <b>Adjusted operating result (adjusted EBIT)</b>                       | <b>326.4</b>     | <b>271.9</b>   | <b>411.4</b>   | <b>1,699.8</b> | <b>406.3</b>   | <b>-90.5</b>            | <b>3,025.3</b>             |

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 and reversal of impairment losses in the ContiTech segment amounting to €3.9 million.

## Reconciliation of EBIT to net income

| € millions                                                       | January 1 to September 30 |                | Third Quarter  |              |
|------------------------------------------------------------------|---------------------------|----------------|----------------|--------------|
|                                                                  | 2017                      | 2016           | 2017           | 2016         |
| Chassis & Safety                                                 | 666.3                     | 326.1          | 200.0          | -107.4       |
| Powertrain                                                       | 314.3                     | 255.6          | 83.1           | 80.3         |
| Interior                                                         | 550.5                     | 384.3          | 168.5          | 51.3         |
| Tires                                                            | 1,547.0                   | 1,697.7        | 515.0          | 522.3        |
| ContiTech                                                        | 322.0                     | 313.4          | 109.5          | 88.0         |
| Other/consolidation                                              | -95.2                     | -90.5          | -38.6          | -38.2        |
| <b>EBIT</b>                                                      | <b>3,304.9</b>            | <b>2,886.6</b> | <b>1,037.5</b> | <b>596.3</b> |
| Net interest result                                              | -219.6                    | -73.6          | -55.8          | -25.0        |
| <b>Earnings before tax</b>                                       | <b>3,085.3</b>            | <b>2,813.0</b> | <b>981.7</b>   | <b>571.3</b> |
| Income tax expense                                               | -817.7                    | -742.4         | -240.0         | -175.3       |
| <b>Net income</b>                                                | <b>2,267.6</b>            | <b>2,070.6</b> | <b>741.7</b>   | <b>396.0</b> |
| Non-controlling interests                                        | -43.5                     | -53.3          | -12.6          | -17.5        |
| <b>Net income attributable to the shareholders of the parent</b> | <b>2,224.1</b>            | <b>2,017.3</b> | <b>729.1</b>   | <b>378.5</b> |

### 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 Continental Corporation's five divisions can be found in the Corporate Management Report as at September 30, 2017.

### 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 2016. These methods are described in detail in the 2016 Annual Report. In addition, the IFRS amendments and new regulations effective as at September 30, 2017, 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 2016 Annual Report.

The IFRS amendments and new regulations effective as at September 30, 2017, had no material effect on the reporting of the Continental Corporation.

The new standards effective from the 2018 fiscal year, IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, are described in detail in the 2016 Annual Report.

The first-time adoption of IFRS 9 is still not expected to result in material effects. Neither the allocation of items to the statement of financial position items nor the application of the new impairment rules gives reason to expect material effects. The reclassification effect from the "financial assets available for sale" measurement category within equity is expected to be immaterial. The hedge accounting within the corporation is not materially affected by the new regulations of IFRS 9. Therefore, the advanced implementation process in the current year has not resulted in any changes to the statements made in the 2016 Annual Report regarding the analysis of the effects of IFRS 9.

The first-time adoption of IFRS 15 is expected to result in immaterial effects only. In the volume-production business with automobile manufacturers of the Automotive Group and the ContiTech segment, no material changes to the current accounting are expected as a result of the use of an output-based measurement method within revenue recognition over time. The Tire segment's business and the industrial business of the ContiTech segment predominantly comprise revenue that is recognized at a point in time, and no material effects are expected from its recognition according to IFRS 15. In the future, revenue from research and development will no longer be recognized together with the corresponding costs. In smaller business areas, revenue recognition over time will be relevant in the future, generally leading to an earlier recognition of sales.

Furthermore, the changes in the opening statement of financial position in 2018 are expected to result in an increase in inventories of €30 million to €60 million. Contract assets are expected to total up to €20 million in the opening statement of financial position. Moreover, reclassifications are expected from other liabilities and other financial liabilities to contract liabilities. The deferred taxes arising from the adjustment of the opening statement of financial position are expected to total between €10 million and €20 million.

The revenue from reimbursements from customers for research and development expenses recognized within research and development expenses according to previous accounting standards will in the future be recognized under other income due to the application of IFRS 15.

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 526 domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associated companies. Of these, 411 are fully consolidated and 115 are accounted for using the equity method.

The number of consolidated companies has increased by a total of 16 since December 31, 2016. Fourteen companies were acquired, eight were formed and one previously unconsolidated unit was included in consolidation for the first time. Two structured entities were also fully consolidated according to IFRS 10. In addition, the number of companies consolidated decreased by nine as a result of six mergers and three liquidations.

Since September 30, 2016, the number of consolidated companies has increased by a total of 15. The additions to the scope of consolidation essentially resulted from the acquisition of the Hornschuch Group in the ContiTech segment. Companies no longer included in the scope of consolidation are mostly attributable to liquidations and mergers.

#### Acquisition and disposal of companies and business operations

Four asset deals took place in the Tire segment. The purchase prices totaling €2.6 million were paid in cash. The purchase price allocations resulted in intangible assets of €0.8 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, 2017.

On March 1, 2017, ContiTech AG, Hanover, Germany, purchased 100% of the shares in the Hornschuch Group GmbH, Weißbach, Germany. The Hornschuch Group is a leading manufacturer of design, functional, foam, and compact foils as well as artificial leather in the industrial business (furniture and construction industry) and the automotive sector. In the 2016 fiscal year, the group generated sales of €436.2 million with over 1,800 employees at four production sites in Germany and the U.S.A. With this acquisition, the Benecke-Hornschuch Surface Group business unit (formerly Benecke-Kaliko Group) intends to expand its industrial business further and tap new sales markets, particularly in North America. The purchase price of the Hornschuch Group was €245.8 million and was paid in cash. The overall incidental acquisition costs of €4.7 million were recognized as other expenses: €2.3 million for fiscal 2016 and €2.4 million for fiscal 2017. The final purchase price allocation resulted in goodwill of €91.8 million and intangible assets of €162.9 million for the ContiTech segment. If the transaction had already been completed on January 1, 2017, net income after tax would have been €3.4 million higher and sales would have been up by €75.1 million. The transaction was closed on March 1, 2017. Since then the Hornschuch Group has generated sales of €282.2 million and, taking into account the effects of purchase price allocation, contributed net income after tax of €2.3 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, 2017.

The purchase price from the acquisition of shares in Hoosier Racing Tire Corp., Lakeville, Indiana, U.S.A., on October 3, 2016, increased by €3.1 million. In the Tire segment, the final purchase price allocation therefore results in goodwill of €17.0 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, 2017.

In the Interior segment, the final purchase price settlement for the acquisition of Zonar Systems, Inc., Seattle, Washington, U.S.A., on November 1, 2016, resulted in a purchase price reduction of €0.7 million to €238.4 million. The final purchase price allocation therefore results in goodwill of €144.1 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, 2017.

Two share deals took place in the Interior segment. The purchase prices of €29.2 million were paid in cash. The purchase price allocation resulted in goodwill of €23.4 million and intangible assets of €9.6 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, 2017.

#### 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). Goodwill in the Interior segment resulting from the acquisition of two companies in 2017 was written down in full to the amount of €23.1 million in the reporting period, taking into account exchange-rate effects.

### Income tax expense

Income tax expense in the first nine months of 2017 amounted to €817.7 million (PY: €742.4 million). The tax rate in the reporting period amounted to 26.5% (PY: 26.4%).

### Long-term employee benefits

Compared to December 31, 2016, the remeasurement of defined benefit pension plans as at September 30, 2017, led to a €127.7 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 €177.2 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. In the period from January 1 to September 30, 2017, the companies of the Continental Corporation made regular payments of €81.4 million (PY: €46.0 million) into these pension funds.

Payments for retirement benefit obligations totaled €159.7 million (PY: €152.3 million) in the period from January 1 to September 30, 2017. Payments for obligations similar to pensions totaled €12.1 million (PY: €12.1 million).

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

| € millions                              | January 1 to September 30, 2017 |             |            |            |             |              | January 1 to September 30, 2016 |             |            |            |             |              |
|-----------------------------------------|---------------------------------|-------------|------------|------------|-------------|--------------|---------------------------------|-------------|------------|------------|-------------|--------------|
|                                         | Germany                         | U.S.A.      | CAN        | U.K.       | Other       | Total        | Germany                         | U.S.A.      | CAN        | U.K.       | Other       | Total        |
| Current service cost                    | 167.4                           | 4.2         | 1.1        | 2.1        | 17.7        | 192.5        | 111.4                           | 4.3         | 1.4        | 3.0        | 17.0        | 137.1        |
| Interest on defined benefit obligations | 58.8                            | 36.5        | 4.1        | 7.6        | 5.3         | 112.3        | 66.3                            | 38.4        | 4.3        | 9.8        | 6.6         | 125.4        |
| Expected return on plan assets          | -14.9                           | -26.2       | -3.7       | -7.6       | -2.0        | -54.4        | -18.6                           | -27.9       | -3.9       | -10.1      | -3.3        | -63.8        |
| Effect of change of asset ceiling       | –                               | –           | 0.1        | –          | 0.1         | 0.2          | –                               | –           | 0.0        | –          | 0.0         | 0.0          |
| Other pension income and expenses       | –                               | 1.0         | 0.4        | –          | 0.0         | 1.4          | –                               | 1.4         | 0.3        | –          | –           | 1.7          |
| <b>Net pension cost</b>                 | <b>211.3</b>                    | <b>15.5</b> | <b>2.0</b> | <b>2.1</b> | <b>21.1</b> | <b>252.0</b> | <b>159.1</b>                    | <b>16.2</b> | <b>2.1</b> | <b>2.7</b> | <b>20.3</b> | <b>200.4</b> |

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

| € millions                                                    | January 1 to September 30 |            |
|---------------------------------------------------------------|---------------------------|------------|
|                                                               | 2017                      | 2016       |
| Current service cost                                          | 1.2                       | 1.3        |
| Interest on healthcare and life insurance benefit obligations | 6.6                       | 7.6        |
| <b>Net cost of obligations similar to pensions</b>            | <b>7.8</b>                | <b>8.9</b> |

### Indebtedness

On November 28, 2016, Continental AG placed a euro bond with a nominal volume of €600.0 million with investors in Germany and abroad under Continental's Debt Issuance Programme (DIP). The issue price was 99.41%. This bond has a term of three years and two months and an interest rate of 0.0% p.a. It was issued particularly in view of the maturity of the €750.0 million euro bond from Conti-Gummi Finance B.V., Maastricht, Netherlands, on March 20, 2017. This 3.5-year bond bore interest at a rate of 2.5% p.a. and was redeemed at a rate of 100.00%.

Following the early repayment of the term loan, the syndicated loan concluded in April 2014 has comprised only the revolving tranche of €3.0 billion since the end of March 2016. This credit line is available to Continental until April 2021. At the end of September 2017, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €237.0 million (PY: €353.8 million).

For more information on indebtedness and net interest result, please refer to the Corporate Management Report as at September 30, 2017.

## Financial instruments

The carrying amounts and fair values of financial assets and liabilities in the various measurement categories, classified by statement of financial position category, as well as the summarized non-current and current items, are as follows:

| € millions                                                                | Measurement category in acc. with IAS 39 | Carrying amount as at Sept. 30, 2017 | Fair value as at Sept. 30, 2017 | Carrying amount as at Dec. 31, 2016 | Fair value as at Dec. 31, 2016 |
|---------------------------------------------------------------------------|------------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Other investments                                                         | AfS                                      | 47.3                                 | 47.3                            | 43.1                                | 43.1                           |
| Derivative instruments and interest-bearing investments                   |                                          |                                      |                                 |                                     |                                |
| Derivative instruments accounted for as effective hedging instruments     | n. a.                                    | 45.9                                 | 45.9                            | –                                   | –                              |
| Derivative instruments not accounted for as effective hedging instruments | HfT                                      | 23.1                                 | 23.1                            | 12.3                                | 12.3                           |
| Available-for-sale financial assets                                       | AfS                                      | 37.0                                 | 37.0                            | 16.8                                | 16.8                           |
| Other receivables with a financing character                              | LaR                                      | 26.1                                 | 26.1                            | 18.4                                | 18.4                           |
| Trade accounts receivable                                                 | LaR                                      | 8,222.7                              | 8,222.7                         | 7,392.7                             | 7,392.7                        |
| Other financial assets                                                    | LaR                                      | 614.5                                | 614.5                           | 521.9                               | 521.9                          |
| Cash and cash equivalents                                                 |                                          |                                      |                                 |                                     |                                |
| Cash and cash equivalents                                                 | LaR                                      | 1,530.8                              | 1,530.8                         | 2,044.4                             | 2,044.4                        |
| Available-for-sale financial assets                                       | AfS                                      | 0.1                                  | 0.1                             | 62.6                                | 62.6                           |
| <b>Financial assets</b>                                                   |                                          | <b>10,547.5</b>                      | <b>10,547.5</b>                 | <b>10,112.2</b>                     | <b>10,112.2</b>                |
| Indebtedness                                                              |                                          |                                      |                                 |                                     |                                |
| Derivative instruments accounted for as effective hedging instruments     | n. a.                                    | –                                    | –                               | 13.6                                | 13.6                           |
| Derivative instruments not accounted for as effective hedging instruments | HfT                                      | 27.7                                 | 27.7                            | 49.3                                | 49.3                           |
| Finance lease liabilities                                                 | n. a.                                    | 18.4                                 | 18.7                            | 28.9                                | 30.3                           |
| Other indebtedness                                                        | OL                                       | 4,914.8                              | 5,032.3                         | 4,860.5                             | 5,015.4                        |
| Trade accounts payable                                                    | OL                                       | 6,369.8                              | 6,369.8                         | 6,248.0                             | 6,248.0                        |
| Other financial liabilities                                               |                                          |                                      |                                 |                                     |                                |
| Liabilities to related parties from finance leases                        | n. a.                                    | 7.4                                  | 7.1                             | –                                   | –                              |
| Other financial liabilities                                               | OL                                       | 1,278.9                              | 1,278.7                         | 1,284.4                             | 1,283.9                        |
| <b>Financial liabilities</b>                                              |                                          | <b>12,617.0</b>                      | <b>12,734.3</b>                 | <b>12,484.7</b>                     | <b>12,640.5</b>                |
| Aggregated according to categories as defined in IAS 39:                  |                                          |                                      |                                 |                                     |                                |
| Financial assets held for trading (HfT)                                   |                                          | 23.1                                 |                                 | 12.3                                |                                |
| Loans and receivables (LaR)                                               |                                          | 10,394.1                             |                                 | 9,977.4                             |                                |
| Available-for-sale financial assets (AfS)                                 |                                          | 84.4                                 |                                 | 122.5                               |                                |
| Financial liabilities held for trading (HfT)                              |                                          | 27.7                                 |                                 | 49.3                                |                                |
| Financial liabilities measured at amortized cost (OL)                     |                                          | 12,563.5                             |                                 | 12,392.9                            |                                |

## Abbreviations

- > AfS: available for sale
- > HfT: held for trading
- > LaR: loans and receivables
- > n. a.: not applicable, not assigned to any measurement category
- > OL: other liability, financial liabilities measured at amortized cost

The following table shows the fair values of financial assets and liabilities and the respective levels of the fair value hierarchy in accordance with IFRS 13 relevant for calculating fair value.

- › 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.

In addition to the financial instruments measured at fair value as set out in IAS 39, the table also includes financial instruments measured at amortized cost, which have a different fair value. Financial instruments measured at amortized cost whose carrying amounts are approximately equivalent to their fair value are not shown in the table.

A detailed description of the measurement methods used for the individual financial instruments can be found in the 2016 Annual Report.

| € millions                                                                |       | Sept. 30, 2017 | Level 1        | Level 2      | Cost           |
|---------------------------------------------------------------------------|-------|----------------|----------------|--------------|----------------|
| Available-for-sale financial assets                                       | AfS   | 37.1           | 27.9           | 9.2          | 0.0            |
| Derivative instruments accounted for as effective hedging instruments     | n. a. | 45.9           | –              | 45.9         | –              |
| Derivative instruments not accounted for as effective hedging instruments | HfT   | 23.1           | –              | 23.1         | –              |
| <b>Financial assets measured at fair value</b>                            |       | <b>106.1</b>   | <b>27.9</b>    | <b>78.2</b>  | <b>0.0</b>     |
| Derivative instruments not accounted for as effective hedging instruments | HfT   | 27.7           | –              | 27.7         | –              |
| <b>Financial liabilities measured at fair value</b>                       |       | <b>27.7</b>    | <b>–</b>       | <b>27.7</b>  | <b>–</b>       |
| Finance lease liabilities                                                 | n. a. | 18.7           | –              | 18.7         | –              |
| Other indebtedness                                                        | OL    | 5,032.3        | 2,693.5        | 531.8        | 1,807.0        |
| Liabilities to related parties from finance leases                        | n. a. | 7.1            | –              | 7.1          | –              |
| Other financial liabilities                                               | OL    | 1,278.7        | –              | 15.7         | 1,263.0        |
| <b>Financial liabilities not measured at fair value</b>                   |       | <b>6,336.8</b> | <b>2,693.5</b> | <b>573.3</b> | <b>3,070.0</b> |

| € millions                                                                |       | Dec. 31, 2016  | Level 1        | Level 2      | Cost           |
|---------------------------------------------------------------------------|-------|----------------|----------------|--------------|----------------|
| Available-for-sale financial assets                                       | AfS   | 79.4           | 69.9           | 9.5          | 0.0            |
| Derivative instruments not accounted for as effective hedging instruments | HfT   | 12.3           | –              | 12.3         | –              |
| <b>Financial assets measured at fair value</b>                            |       | <b>91.7</b>    | <b>69.9</b>    | <b>21.8</b>  | <b>0.0</b>     |
| Derivative instruments accounted for as effective hedging instruments     | n. a. | 13.6           | –              | 13.6         | –              |
| Derivative instruments not accounted for as effective hedging instruments | HfT   | 49.3           | –              | 49.3         | –              |
| <b>Financial liabilities measured at fair value</b>                       |       | <b>62.9</b>    | <b>–</b>       | <b>62.9</b>  | <b>–</b>       |
| Finance lease liabilities                                                 | n. a. | 30.3           | –              | 30.3         | –              |
| Other indebtedness                                                        | OL    | 5,015.4        | 3,477.7        | 513.6        | 1,024.1        |
| Other financial liabilities                                               | OL    | 1,283.9        | –              | 23.1         | 1,260.8        |
| <b>Financial liabilities not measured at fair value</b>                   |       | <b>6,329.6</b> | <b>3,477.7</b> | <b>567.0</b> | <b>2,284.9</b> |

As in the previous year, the Continental Corporation designated currency swaps as hedging instruments in hedges of net investments in foreign operations in the year under review. This hedge accounting was terminated as at August 25, 2017. The currency swaps serve to hedge the currency risks of long-term intragroup foreign currency loans that were classified as net investments in a foreign operation in accordance with IAS 21 until August 25, 2017. Until this date, the changes in the values of these loans due to exchange rates were offset by the recognition of changes in the value of the currency swaps in consolidated equity. A sensitivity analysis was performed to prospectively measure effectiveness. Effectiveness was demonstrated retrospectively using the dollar offset

method by comparing the changes in the value of the hedging instruments with the changes in the value of the hedged transactions. If the results of retrospective effectiveness testing fell within a range of 80% to 125%, the hedges used by the corporation were considered highly effective. In the first nine months of 2017 and in the same period of the previous year, these hedges did not result in any ineffectiveness to be recognized. The valuation effects arising from the loans and hedges after August 25, 2017, are recognized in profit or loss.



**Litigation and compensation claims**

In the proceedings against Continental Automotive Electronics LLC, Bugan-myeon, South Korea (CAE), as well as other companies in connection with suspected antitrust violations in the instrument cluster business, the Supreme Court of South Korea rejected the appeal by the Korean Fair Trade Commission (KFTC) on May 31, 2017. The KFTC had lodged the appeal against the ruling by the Seoul High Court, which had vacated the administrative fine imposed by the KFTC in the amount of KRW 45,992 million (around €34 million) on CAE's appeal. It is not yet known how high the new fine from the KFTC will be. Other than this, there were either no significant new developments in the reporting period with regard to the litigation and compensation claims, including those described in the 2016 Annual Report, or no further disclosures can be made at present in order to protect the company's interests in the proceedings.

**Contingent liabilities and other financial obligations**

As at September 30, 2017, there were no material changes in the contingent liabilities and other financial obligations as described in the 2016 Annual Report.

**Appropriation of net income**

As at December 31, 2016, Continental AG reported net retained earnings of €1,103.1 million (PY: €1,014.2 million). On April 28, 2017, the Annual Shareholders' Meeting in Hanover resolved to distribute a dividend of €4.25 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 €850,025,427.75. The remaining amount was carried forward to new account.

In 2016, a dividend of €3.75 per share was distributed by Continental AG to its shareholders for 2015. With 200,005,983 shares entitled to dividends, the total distribution therefore amounted to €750,022,436.25. The remaining amount was carried forward to new account.

**Earnings per share**

Basic earnings per share increased to €11.12 (PY: €10.09) in the first nine months of 2017 and to €3.64 (PY: €1.90) in the period from July 1 to September 30, 2017. 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, 2016. For further information, please refer to the comments in the 2016 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, 2017**

There were no significant events after September 30, 2017.

Hanover, October 23, 2017

Continental Aktiengesellschaft  
The Executive Board

# Financial Calendar

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| <b>2017</b>                                                                        |            |
|------------------------------------------------------------------------------------|------------|
| Preliminary figures for fiscal 2016                                                | January 9  |
| Annual Financial Press Conference                                                  | March 2    |
| Analyst and Investor Conference Call                                               | March 2    |
| Annual Shareholders' Meeting (including key figures for the first quarter of 2017) | April 28   |
| Financial Report as at March 31, 2017                                              | May 9      |
| Half-Year Financial Report as at June 30, 2017                                     | August 3   |
| Financial Report as at September 30, 2017                                          | November 9 |

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| <b>2018</b>                                                                        |            |
|------------------------------------------------------------------------------------|------------|
| 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 |

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