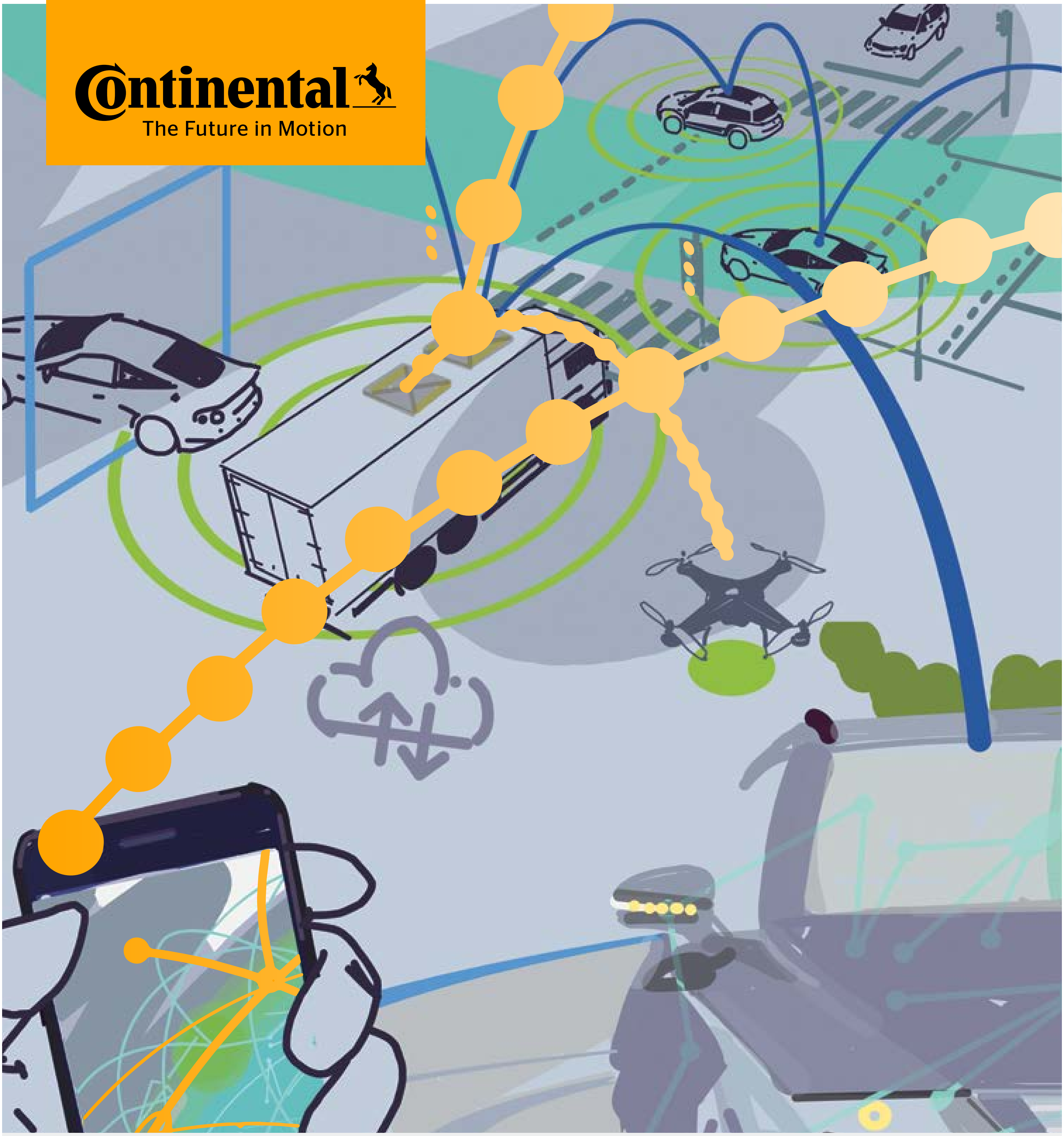


Q1

Financial Report

as at March 31, 2017

Continental Shares and Bonds

Positive trend on stock markets
After the year-end rally in the fourth quarter of 2016, the leading stock markets in Europe, the U.S.A. and Asia initially trended sideways on the whole in the first few weeks of the new year. This was due to the lack of clear stimuli.

The inauguration of the new U.S. president caused sentiment on the U.S. stock markets to improve from the end of January 2017, with the new U.S. government promising extensive tax cuts, deregulation and infrastructure measures. The Dow Jones index exceeded 20,000 points for the first time at the end of January, climbing temporarily to more than 21,000 points by the beginning of March. However, investors' increasing doubts about whether the announced measures could be implemented quickly resulted in profit taking over the rest of the month.

Prices on the European stock markets also rose 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, 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 increasing 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 on European financial markets. Shortly before the reporting date, the DAX climbed to a new all-time high of over 12,400 points.

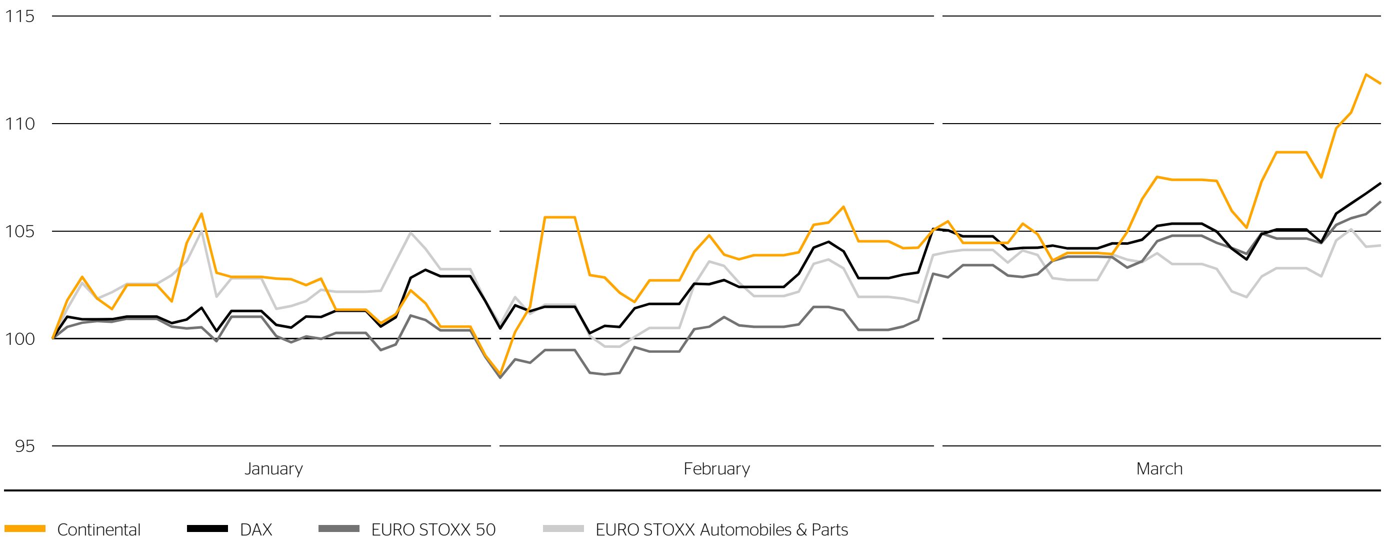
Continental share price performs well
European automotive stocks benefited from positive passenger-car registration data in Western Europe in the first quarter of 2017. The concerns of many shareholders about the U.S.A.'s potential barriers to trade, however, had a negative impact on export-oriented European automotive stocks. This resulted in somewhat 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 mid-January, Continental shares benefited from the announcement of key data for the 2016 fiscal year and the publication of the complete business figures in early March 2017. 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, closing the month of March at €205.50. The share price was thus up 11.9% in the reporting period compared to its closing price of the previous year of €183.70.

In April 2017, Continental shares dropped in line with the general market trend, quoting at €201.15 at the end of trading on April 25, 2017.

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2017



	March 31, 2017	in % vs. December 31, 2016
Continental shares (XETRA price)	205.50	11.9
DAX	12,312.87	7.2
EURO STOXX 50	3,500.93	6.4
EURO STOXX Automobiles & Parts	543.97	4.3

Euro bonds remain at low yield level
As in the previous year, Continental euro bonds persisted at a low yield level during the first three months of 2017.

Over the reporting period, the price of the 3.0% euro bond maturing on July 16, 2018, declined by 87.5 basis points to 103.828% due to the reduction in its remaining maturity.

At the end of March 2017, the 0.5% euro bond maturing on February 19, 2019, was quoted at 100.903%, down 17.8 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 over the course of the quarter. On March 31, 2017, it was quoted at 99.637%, down 11.0 basis points compared to the end of 2016.

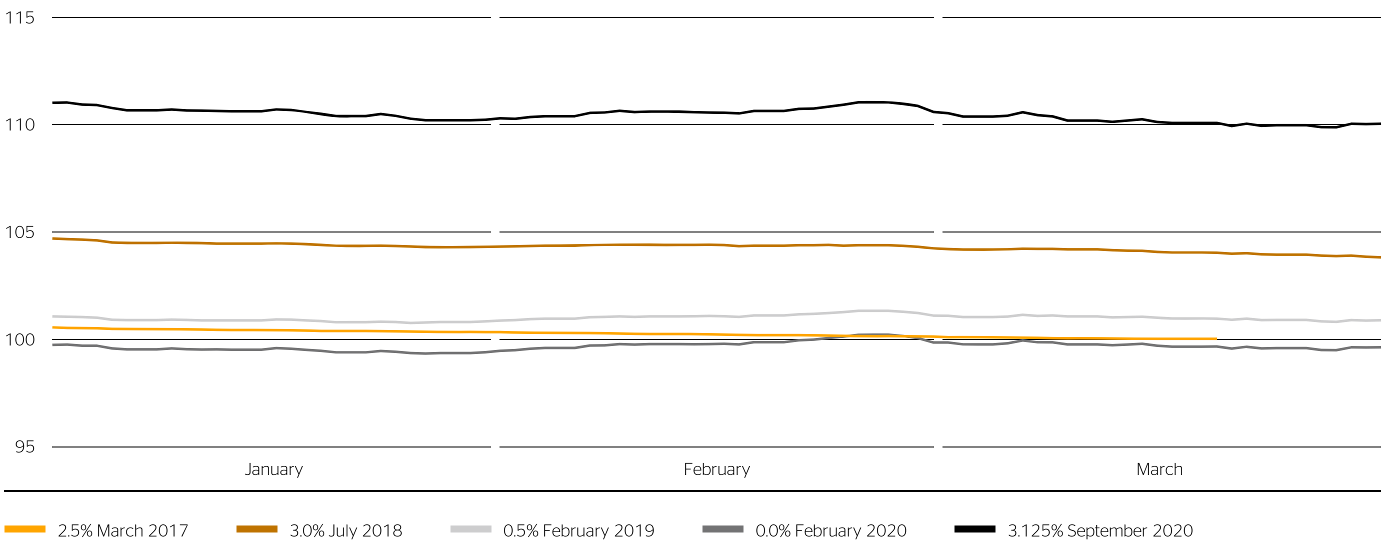
The 3.125% euro bond maturing on September 9, 2020, fell by 97.2 basis points in the reporting period and was quoted at 110.052% at the end of March 2017. This was due to the reduction in its remaining maturity and the slight increase in interest rates for medium-term euro bonds in the first quarter of 2017.

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 ends March virtually unchanged
The premiums for insuring against credit risks (credit default swap, CDS) remained largely unchanged at a relatively low level in the reporting period. This was due to the comparatively quiet stock market environment during the quarter, the generally positive profit development of many companies, and the continually favorable interest rates, especially in the eurozone, thanks to the European Central Bank's unchanged expansionary monetary policy.

In the first quarter of 2017, the five-year CDS premium for Continental therefore remained within a small range of 50 to 60 basis points. At the end of the first quarter of 2017, it was at 55.186 basis points, 3.895 down on the end of the previous year. The spread in relation to its reference index, the Markit iTraxx Europe, amounted to -18.854 basis points as at March 31, 2017 (-13.234 basis points as at December 31, 2016).

Price performance of Continental bonds in the reporting period



Continental's credit rating unchanged

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

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

December 31, 2016	Rating	Outlook
Standard & Poor's[1]	BBB+	stable
Fitch[2]	BBB+	stable
Moody's[3]	Baa1	stable

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

Continental Investor Relations online

For more information about Continental shares, bonds and credit ratings, as well as our Investor Relations app, please visit www.continental-ir.com.

Updates about Continental are also available on Twitter at @Continental_IR.

Key Figures for the Continental Corporation

	January 1 to March 31	
€ millions	**2017**	2016
Sales	10,999.9	9,850.7
EBITDA	1,638.5	1,505.5
in % of sales	14.9	15.3
EBIT	1,135.1	1,040.7
in % of sales	10.3	10.6
Net income attributable to the shareholders of the parent	749.6	733.9
Earnings per share in €	3.75	3.67
Adjusted sales[1]	10,885.2	9,850.6
Adjusted operating result (adjusted EBIT)[2]	1,165.5	1,089.6
in % of adjusted sales	10.7	11.1
Free cash flow	133.0	489.0
Net indebtedness as at March 31	2,767.6	3,083.3
Gearing ratio in %	17.6	23.1
Number of employees as at March 31[3]	227,565	212,417

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

Key Figures for the Core Business Areas

	January 1 to March 31	
Automotive Group in € millions	**2017**	2016
Sales	6,754.0	6,011.0
EBITDA	824.4	699.0
in % of sales	12.2	11.6
EBIT	541.7	439.8
in % of sales	8.0	7.3
Depreciation and amortization[1]	282.7	259.2
thereof impairment[2]	1.0	3.3
Capital expenditure[3]	287.3	201.7
in % of sales	4.3	3.4
Operating assets as at March 31	12,549.1	11,595.3
Number of employees as at March 31[4]	128,030	119,161
Adjusted sales[5]	6,729.2	6,011.0
Adjusted operating result (adjusted EBIT)[6]	566.5	454.5
in % of adjusted sales	8.4	7.6

	January 1 to March 31	
Rubber Group in € millions	**2017**	2016
Sales	4,260.4	3,851.7
EBITDA	842.6	834.2
in % of sales	19.8	21.7
EBIT	622.2	628.7
in % of sales	14.6	16.3
Depreciation and amortization[1]	220.4	205.5
thereof impairment[2]	–	3.4
Capital expenditure[3]	215.0	195.9
in % of sales	5.0	5.1
Operating assets as at March 31	9,440.6	8,366.3
Number of employees as at March 31[4]	99,110	92,858
Adjusted sales[5]	4,170.5	3,851.6
Adjusted operating result (adjusted EBIT)[6]	627.8	662.9
in % of adjusted sales	15.1	17.2

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.

Corporate Management Report

Employees worldwide share in the company's success to the tune of €150 million
The value-sharing program for our employees is based on the company's creation of value. The basis for calculating the distributed amounts varies from country to country, taking into account both legal regulations as well as local salaries and prices. The amount each employee will thus receive for fiscal 2016 is €1,056 or €528 depending on the country. The distributed amount of €150 million is on par with the amount in the previous year, while the number of entitled employees has risen.

Continental becomes long-term ADAC partner for increased driving safety in Germany
ADAC e. V. – Germany's largest automobile club – and Continental have entered into a cooperation agreement with the aim of increasing road safety in Germany. As part of this agreement, Continental will become a partner to eleven ADAC driving-safety centers nationwide. Both we and the ADAC believe this collaboration will ideally complement our respective activities aimed at improving road safety. Car drivers, including customers and media representatives, will be able to take part in driving-safety courses at these centers, where they will be able to experience first-hand Continental's state-of-the-art safety technologies such as electronic stability control and premium tires.

Construction of a new passenger tire plant in Thailand
At the beginning of 2017, Continental selected the Province of Rayong in Thailand as the site of its new passenger and light-truck tire production facility in the Asia-Pacific (APAC) region. In the first phase, around €250 million will be invested in this new plant. The start of operations is scheduled for 2019, with planned production of about four million passenger and light-truck tires per year by 2022. This investment is a key part of Vision 2025, the long-term growth strategy of Continental's Tire division, which aims to expand and balance its global manufacturing footprint to best serve its customers in all regions.

New PremiumContact 6 wins AutoBild tire test
Continental's new summer tire PremiumContact 6 won the motoring magazine AutoBild's big summer tire test, coming top out of 51 competitors. Furthermore, tire experts named it "Eco-Meister" (eco champion) thanks to its good environmental performance. With excellent braking and impressive balance of many other criteria, it continues the outstanding success story of its predecessor.

New plant for coated fabrics in China
In March 2017, ContiTech opened its new plant for coated fabrics in Changshu, China. This investment underscores our commitment to the Chinese market and enables us to better meet the needs of our Chinese customers. The plant produces high-performance coated materials for a variety of applications, from robust folding bellows that connect train carriages to fabrics for protective equipment, dry diving suits and life rafts.

Tracking solution for more efficiency and greater performance in trailer management
Continuous position monitoring for improved transparency and efficiency: the new trailer service from VDO, one of Continental's brands, lets freight companies and fleet operators track their trailers' locations at a glance. Qualified personnel install the hardware on the trailer, after which TrailerLinc transmits the trailer's GPS data to FleetVisor, VDO's comprehensive fleet-management software. This enables fleet managers to locate semitrailers or swap-body trailers and the vehicle they are attached to. Freight companies can then adapt the route plan in real time – because trailer tracking errors are now a thing of the past.

Gesture interaction and touchscreen technology combined to reduce driver distractions
To improve non-verbal communication between drivers and their vehicles, we have designed a range of user-friendly touch gestures for the cockpit. Thanks to a combination of gesture interaction and touchscreen technology, drivers can draw specific, defined symbols on the input display to instantly trigger a diverse array of functions and features for rapid access. For example, drivers can use two fingers to draw a heart symbol to call one of their favorite contacts or a house roof symbol to tell the navigation system to take them home. The use of gestures and touchscreen controls allows drivers to access controls much faster than with conventional buttons and switches. But drivers can still be distracted. Combining these two elements significantly reduces the extent to which a driver is distracted compared with conventional touchscreen controls.

Continental wins 2017 Automotive News PACE Award
Continental won the 2017 Automotive News PACE (Premier Automotive Suppliers Contribution to Excellence) Award for its MK C1 integrated braking system. The PACE awards are the global benchmark for innovations in our industry. The MK C1 makes a major contribution to safe and dynamic driving as well as to energy efficiency. It enables 100% recuperation of braking energy thank to its "brake-by-wire" design. Further benefits include around a 30% reduction in weight, remote control, and efficient braking dynamics in a compact unit.

From gasoline to hybrid: the new control unit from Continental
In all models of the new Mercedes E-Class, Continental's central powertrain controller (CPC) is the gateway that is the electronic control center for the drive system – be it gasoline, diesel or a plug-in hybrid. This newly developed control unit with its open variable interconnection architecture is in charge of all communication between the powertrain's various control units – and it can also take over the control functions of other devices. The CPC is the first control unit based on our newly developed Engine Management System 3 platform, which is tailored to meet the future requirements of electrified and interconnected powertrains.

Economic Report

Macroeconomic development
The German economy was in good shape in the reporting period. Industrial production increased year-on-year and companies' incoming orders picked up in February. The unemployment rate continued to fall, stimulating consumer spending. The good economic situation was also reflected in various sentiment indicators. In its April 2017 World Economic Outlook, the International Monetary Fund (IMF) raised its estimate by 0.1 percentage points. It is now projecting that the gross domestic product (GDP) of Germany will grow by 1.6% in 2017 (PY: 1.9%). One reason for the lower growth compared to 2016 is that there are fewer working days; another is the anticipated smaller increase in government spending after the drop in the number of refugees.

According to available data, the eurozone is likely to have seen development similar to that of the German economy in the first quarter of 2017. Most countries recorded a slight increase in industrial production and consumer spending. The unemployment rate fell from 9.6% in December 2016 to 9.5% in February 2017. Various sentiment indicators also improved over the course of the quarter. Economic development was boosted further by the monetary policy of the European Central Bank, which continued to adhere to its expansive measures despite rising prices. In April, the IMF increased its estimate for GDP growth in the eurozone by 0.1 percentage points to 1.7% for 2017.

For the U.S. economy, initial data has so far shown only small increases in industrial production and consumer spending. However, several sentiment indicators suggest the economy will pick up in the next few months. As expected, 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 indicated a further tightening of its monetary policy over the course of the year. In April 2017, the IMF kept its estimate for GDP growth in the U.S.A. the same at 2.3% for the current year.

The Japanese economy benefited from an export revival in the first quarter of 2017. One of the reasons for this was the weakening of the Japanese yen against the U.S. dollar and other currencies toward the end of the fourth quarter of 2016. In addition to exports, industrial production also increased in 2017. A revival in domestic demand was reflected in a sharp rise in new passenger-car registrations while consumer spending otherwise rose slightly and consumer confidence increased. In its April forecast, the IMF increased its growth projection for Japan by 0.4 percentage points to 1.2% for 2017.

For China, which posted a 6.9% increase in GDP for the first quarter of 2017, the IMF raised its projection in April by 0.1 percentage points to 6.6% for 2017 as a whole. India will also grow significantly again in 2017. The IMF maintained its GDP forecast of 7.2% for India. For Brazil, it continues to expect stabilization this year and anticipates unchanged marginal growth of 0.2%. On the basis of new economic data, the IMF raised its 2017 GDP forecast for Russia by 0.3 percentage points to 1.4%. In contrast, it lowered its estimates for countries in the Middle East and Africa. In its April forecast, the IMF continues to expect growth of 4.5% for emerging and developing economies overall.

The IMF increased its projection for global economic growth in the current year by 0.1 percentage points to 3.5% in its April forecast. At the same time, the IMF points to ongoing structural problems in many economies and sees considerable risks in growing protectionist tendencies that could have a negative effect on international trade and the global economy. Faster than previously anticipated increases in U.S. key interest rates and an associated appreciation of the U.S. dollar could also hit emerging and developing economies that have pegged their currencies to the U.S. dollar or have debts in U.S. dollars. Furthermore, according to the IMF, geopolitical tensions in various countries are noticeably slowing down the economic development of these countries. In 2017, the IMF primarily sees opportunities in stronger-than-expected fiscal policy measures in the U.S.A. and/or China with corresponding positive effects on their primary trading partners.

Development of new passenger-car registrations
Demand for passenger cars in Europe (EU-28 + EFTA) grew sharply in the first quarter of 2017. On the basis of preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), the number of new passenger-car registrations increased by 8% to 4.3 million units compared to the equivalent quarter of the previous year. In addition to the continuing economic recovery and low interest rates, this was attributable primarily to a mostly higher number of working days compared to the same quarter of the previous year as well as relatively high replacement demand in some countries. Among the major markets, this development was again visible in Italy, with growth of 12% in the period under review. Spain and Germany posted increases of 8% and 7% respectively. Demand rose by 6% in the U.K. and by 5% in France.

In the U.S.A., the number of new car registrations fell by 1% in the first quarter of 2017. This was due to a 12% decline in demand for passenger cars. In contrast, demand for light commercial vehicles, especially pickup trucks, rose by another 6% year-on-year due to low fuel prices and favorable lending rates. With 4.0 million units in total, demand remained high all in all.

Demand for passenger cars in Japan rose by nearly 8% to over 1.3 million units, due in part to the improved economic situation and increased consumer confidence.

In China, demand was curbed only at the beginning of the first quarter of 2017 by the increase in sales tax from 2.5% to 7.5% on purchases of passenger cars with a cubic capacity of less than 1.6 liters. According to the VDA, passenger-car sales volumes increased by nearly 6% to 5.8 million units in the reporting period, marking a new record for a first quarter. In the other BRIC countries, demand developed in line with the respective macroeconomic situation. While volumes in India increased by 11% in the first quarter of 2017, there were only small changes at a low level in Russia with +1% and Brazil with -1%.

New registrations/sales of passenger cars

millions of units	1st Quarter 2017	1st Quarter 2016	Change
Europe (EU-28 and EFTA)	4.3	3.9	8%
U.S.A.	4.0	4.1	–1%
Japan	1.3	1.2	8%
Brazil	0.5	0.5	–1%
Russia	0.3	0.3	1%
India	0.8	0.7	11%
China	5.8	5.5	6%
Worldwide	**23.0**	**22.1**	**4%**

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

According to preliminary data, global new passenger-car registrations increased by 4.0% year-on-year to around 23.0 million units in the first quarter of 2017.

Development of production of passenger cars and light commercial vehicles

In Europe, the sharp rise in demand for passenger cars in the reporting period resulted in higher production of passenger cars and light commercial vehicles weighing less than 6 metric tons. In particular, passenger-car plants in Russia, Czechia, Italy and Turkey increased their production considerably. In contrast, there was a modest increase of 2% in Germany and France. Preliminary data and estimates indicate that passenger-car production in Europe grew by 5% year-on-year in the first quarter of 2017. For 2017 as a whole, we continue to anticipate a 2% increase.

In North America, the slight decline in production in the U.S.A. and Canada in the first quarter of 2017 was more than offset by a sharp rise in production in Mexico. Preliminary data indicates that production of passenger cars and light commercial vehicles therefore increased by 2% in the period under review. For 2017 as a whole, we still expect the production volume to fall by 3% in North America due to declining demand and the high comparative basis.

In Asia, the production of passenger cars and light commercial vehicles increased in most countries in the period under review. China, Japan, Iran and India saw particularly high volume growth as a result of demand. By contrast, production volumes decreased in South Korea and Thailand. Preliminary data shows that production in Asia as a whole grew by 6% year-on-year in the first quarter of 2017. For 2017 as a whole, we continue to anticipate a 3% increase for Asia due to the rising comparative basis.

In South America, the stabilization of demand led to an increase in production of passenger cars and light commercial vehicles. According to preliminary data, the production volume grew by 19% in the reporting period compared to the weak equivalent quarter of the previous year, but remained below the volume of the fourth quarter of 2016. For 2017 as a whole, we are raising our forecast for the increase in production from 2% to 5%.

On the basis of preliminary data, global production of passenger cars and light commercial vehicles increased by 5% year-on-year in the first quarter of 2017. For the time being, we are adhering to our forecast of a 1% increase for 2017 as a whole due to the rising comparative basis.

Development of production of medium and heavy commercial vehicles

In Europe, the improved economic situation in Western and Eastern Europe was reflected in a rise in goods transportation by road and an increase in demand for trucks. According to initial data, production of commercial vehicles weighing more than 6 metric tons increased by 9% on the comparatively weak equivalent quarter of the previous year. However, the increase in incoming orders was relatively low. For 2017 as a whole, we continue to expect a 2% decline in production of medium and heavy commercial vehicles in Europe due to the rising comparative basis.

According to preliminary figures, commercial-vehicle production in North America decreased by 8% year-on-year in the period under review. However, the increase in incoming orders in March 2017 indicates a stabilization of production. For 2017 as a whole, we continue to expect a 5% decline in production.

In China, economic growth resulted in rising demand for trucks. As a result, production of medium and heavy commercial vehicles increased by 15% in the first quarter of 2017 according to preliminary data. Initial data also shows a slight rise in production volumes in India and Japan. In contrast, production declined in some ASEAN countries. For Asia as a whole, we are still assuming there will be an increase in commercial-vehicle production of 4% in 2017.

According to preliminary data, South America posted another slight decline in commercial-vehicle production of 4% in the first quarter of 2017. For the subsequent quarters, we expect demand and production to stabilize at a low level. For 2017 as a whole, we continue to expect a 1% increase in commercial-vehicle production.

We are maintaining our forecast of growth in global production of medium and heavy commercial vehicles of 1% this year.

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 by many manufacturers, due to the rise in the costs of raw materials, led to purchases being brought forward. According to preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by 6% year-on-year in the reporting period. We therefore expect only a slight increase in volumes in the following quarters and are still forecasting market growth of 2% for the year as a whole.

In North America, there was relatively stable demand for replacement tires for passenger cars and light commercial vehicles in the period under review. According to preliminary figures, tire sales volumes increased by 2%. For the remainder of the year, we still expect demand for replacement tires to grow in light of the rise in the number of miles driven. For the year as a whole, we are still maintaining our forecast of 2% growth.

Asia is seeing a further increase in demand for replacement tires for passenger cars and light commercial vehicles in the current year. In China – the most important Asian market – preliminary data indicates that demand rose by 10% in the first quarter of 2017. In India and Japan, the growing economy is also likely to have resulted in higher sales volumes of replacement tires. By contrast, we anticipate rather modest development of demand in South Korea and the ASEAN countries. For Asia as a whole, we currently foresee a 5% (previously 4%) increase in replacement tire volumes for passenger cars and light commercial vehicles in 2017.

In South America, preliminary figures indicate that demand for replacement tires for passenger cars and light commercial vehicles increased by 5% despite the continuing difficult economic situation. For 2017 as a whole, we continue to expect a 2% increase in volumes.

All in all, we believe the first three months of 2017 have validated our forecast of 2% growth in global demand for replacement tires for passenger cars and light commercial vehicles in the year as a whole.

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 11% in the period under review. This was driven mainly by many customers bringing their purchases forward in advance of the price increases announced by various manufacturers. Demand is likely to normalize in the following quarters. For the year as a whole, we still expect sales volumes in Europe to increase by 2% overall.

In North America, purchases brought forward likewise resulted in a sharp increase in demand for replacement tires for medium and heavy commercial vehicles. According to preliminary data, sales volumes increased by 12% in the first quarter of 2017. We expect volumes to normalize over the rest of the year here too. For the year as a whole, we are leaving our forecast unchanged at growth of 1%.

In Asia, demand for replacement tires for medium and heavy commercial vehicles is expected to follow the economic development of the individual countries. For Asia as a whole, we still expect demand to increase by 4% in 2017.

In South America, the announced price increases resulted in a sharp rise in demand for replacement tires for medium and heavy commercial vehicles in the reporting period. As a result of the rather modest economic activity, we also expect demand to normalize in subsequent quarters here. For the year as a whole, we expect higher growth of 4% (previously 2%).

We are leaving our forecast for growth in global demand for replacement tires for medium and heavy commercial vehicles at 3% for 2017 as a whole.

Earnings, Financial and Net Assets Position of the Continental Corporation

For reconciliation of adjusted sales and the adjusted operating result (adjusted EBIT), please refer to the information provided in the Consolidated Financial Statements.

	January 1 to March 31	
€ millions	**2017**	2016
Sales	10,999.9	9,850.7
EBITDA	1,638.5	1,505.5
in % of sales	14.9	15.3
EBIT	1,135.1	1,040.7
in % of sales	10.3	10.6
Net income attributable to the shareholders of the parent	749.6	733.9
Earnings per share in €	3.75	3.67
Research and development expenses	780.7	716.1
in % of sales	7.1	7.3
Depreciation and amortization[1]	503.4	464.8
thereof impairment[2]	1.0	6.7
Capital expenditure[3]	502.7	397.8
in % of sales	4.6	4.0
Operating assets as at March 31	21,980.4	19,882.2
Number of employees as at March 31[4]	227,565	212,417
Adjusted sales[5]	10,885.2	9,850.6
Adjusted operating result (adjusted EBIT)[6]	1,165.5	1,089.6
in % of adjusted sales	10.7	11.1
Net indebtedness as at March 31	2,767.6	3,083.3
Gearing ratio in %	17.6	23.1

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.

Earnings Position

Sales up 11.7%
Sales up 9.5% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first three months of 2017 climbed by 11.7% year-on-year to €10,999.9 million (PY: €9,850.7 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 9.5%.

Adjusted EBIT up 7.0%
Adjusted EBIT for the corporation increased by €75.9 million, or 7.0%, year-on-year to €1,165.5 million (PY: €1,089.6 million) in the first three months of 2017, corresponding to 10.7% (PY: 11.1%) of adjusted sales.

EBIT up 9.1%
EBIT rose by €94.4 million or 9.1% compared to the previous year to €1,135.1 million (PY: €1,040.7 million) in the first quarter of 2017. The return on sales decreased to 10.3% (PY: 10.6%).

Special effects in the first quarter of 2017
Impairment on property, plant and equipment resulted in expense of €1.0 million in the Powertrain division.

In the Tire division, the disposal of equity interests held as financial assets resulted in income totaling €13.0 million.

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

The ContiTech division incurred restructuring expenses of €0.1 million.

Special effects had a positive impact for the corporation totaling €12.4 million in the first three months of 2017.

Special effects in the first quarter of 2016
Impairment on property, plant and equipment resulted in expense totaling €3.3 million in the Powertrain division.

Restructuring expenses of €0.2 million were incurred in the Powertrain division.

In the ContiTech division, the temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €10.6 million, of which €3.4 million was attributable to impairment on property, plant and equipment.

In addition, restructuring expenses resulted in a negative special effect totaling €0.8 million in the ContiTech division.

Total consolidated expense from special effects in the first three months of 2016 amounted to €14.9 million.

Research and development expenses
In the first three months of 2017, research and development expenses rose by 9.0% compared with the same period of the previous year to €780.7 million (PY: €716.1 million), representing 7.1% (PY: 7.3%) of sales. €676.1 million (PY: €625.4 million) of this related to the Automotive Group, corresponding to 10.0% (PY: 10.4%) of sales, and €104.6 million (PY: €90.7 million) to the Rubber Group, corresponding to 2.5% (PY: 2.4%) of sales.

Net interest result
The negative net interest result increased by €49.8 million year-on-year to €83.6 million (PY: €33.8 million) in the first quarter 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 foreign currency translation, changes in the fair value of derivative instruments and available-for-sale financial assets – totaled €72.2 million in the first three months of 2017 (PY: €75.2 million). At €34.2 million, interest expense resulting from bank borrowings, capital market transactions and other financing instruments was €0.2 million lower than the prior-year figure of €34.4 million. The major portion related to expense of €21.1 million (PY: €21.3 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 €38.0 million (PY: €40.8 million) in the first quarter of 2017. This does not include the interest expense related to the defined benefit obligations of the pension contribution funds.

Interest income in the first three months of 2017 decreased by €1.4 million year-on-year to €23.4 million (PY: €24.8 million). Of this, expected income from long-term employee benefits and from pension funds amounted to €16.8 million (PY: €18.4 million). This does not include the interest income relating to 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 €35.1 million (PY: positive contribution to earnings of €16.6 million) in the first quarter of 2017. This resulted primarily from the development of the Mexican peso in relation to the U.S. dollar. In the first three months of 2017, available-for-sale financial assets gave rise to a positive effect of €0.3 million (PY: €0.0 million).

Income tax expense
Income tax expense in the first three months of 2017 amounted to €287.0 million (PY: €255.8 million). The tax rate in the reporting period was 27.3% after 25.4% for the same period of the previous year.

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent was up 2.1% at €749.6 million (PY: €733.9 million), with earnings per share of €3.75 (PY: €3.67).

Financial Position

Reconciliation of cash flow
EBIT for the first quarter of 2017 increased by €94.4 million year-on-year to €1,135.1 million (PY: €1,040.7 million).

Interest payments resulting in particular from the bonds increased by €1.2 million to €47.6 million (PY: €46.4 million).

Income tax payments increased by €42.9 million to €260.3 million (PY: €217.4 million).

At €679.7 million as at March 31, 2017, the net cash outflow arising from the increase in operating working capital was €186.2 million higher than the figure for the previous year of €493.5 million.

At €864.3 million as at March 31, 2017, cash provided by operating activities was €106.5 million lower than the previous year's figure of €970.8 million.

Cash flow arising from investing activities amounted to an outflow of €731.3 million (PY: €481.8 million) in the first three months of 2017. Capital expenditure on property, plant and equipment, and software was up €104.9 million from €397.8 million to €502.7 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 €211.7 million (PY: €77.7 million).

The free cash flow in the first quarter of 2017 resulted in an inflow of €133.0 million (PY: €489.0 million), €356.0 million less than in the same period of the previous year.

Financing and indebtedness
As at March 31, 2017, the Continental Corporation's net indebtedness was down by €315.7 million year-on-year to €2,767.6 million (PY: €3,083.3 million). This decrease is attributable to the good free cash flow as at the end of 2016. As at March 31, 2017, net indebtedness was down €30.2 million in comparison to December 31, 2016, when it had amounted to €2,797.8 million. The gearing ratio improved to 17.6% (PY: 23.1%) as at the end of the first 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%.

At the time a new syndicated loan was concluded in April 2014 with an original committed volume of €4.5 billion, it consisted of a term loan for an amount of €1.5 billion that matured in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There were two contractual amendments to the term of the revolving tranche. In April 2015 and in April 2016, all the banks involved approved a one-year extension in each case. This financing commitment is therefore available to Continental until April 2021. Since the full early repayment of the term loan at the end of March 2016, the syndicated loan now comprises only the revolving tranche. This credit line had not been utilized as at the end of March 2017. In the previous year, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., used €65.9 million of this credit line.

As at March 31, 2017, Continental had liquidity reserves totaling €5,758.1 million (PY: €5,453.8 million), consisting of cash and cash equivalents of €1,895.7 million (PY: €1,693.8 million) and committed, unutilized credit lines totaling €3,862.4 million (PY: €3,760.0 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 March 31, 2017, unrestricted cash and cash equivalents totaled €1,425.7 million (PY: €1,285.1 million).

Reconciliation of net indebtedness

€ millions	March 31, 2017	March 31, 2016
Long-term indebtedness	2,783.2	2,418.8
Short-term indebtedness	1,939.4	2,459.2
Long-term derivative instruments and interest-bearing investments	–17.3	–31.5
Short-term derivative instruments and interest-bearing investments	–42.0	–69.4
Cash and cash equivalents	–1,895.7	–1,693.8
Net indebtedness	**2,767.6**	**3,083.3**

Reconciliation of change in net indebtedness

	January 1 to March 31	
€ millions	2017	2016
Net indebtedness at the beginning of the reporting period	**2,797.8**	**3,541.9**
Cash flow arising from operating activities	864.3	970.8
Cash flow arising from investing activities	–731.3	–481.8
Cash flow before financing activities (free cash flow)	**133.0**	**489.0**
Dividends paid to and cash changes from equity transactions with non-controlling interests	–0.4	–0.7
Non-cash changes	26.7	–20.2
Other	–150.1	–4.9
Foreign-exchange effects	21.0	–4.6
Change in net indebtedness	**30.2**	**458.6**
Net indebtedness at the end of the reporting period	**2,767.6**	**3,083.3**

Capital expenditure (additions)

In the first quarter of 2017, capital expenditure on property, plant and equipment, and software amounted to €502.7 million (PY: €397.8 million). The capital expenditure ratio after three months is 4.6% (PY: 4.0%).

A total of €287.3 million (PY: €201.7 million) of this capital expenditure was attributable to the Automotive Group, representing 4.3% (PY: 3.4%) 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 and establishing manufacturing capacity at best-cost locations. In the Chassis & Safety division, there were major additions relating to the expansion of production facilities for the Vehicle Dynamics, Hydraulic Brake Systems and Advanced Driver Assistance Systems business units. Manufacturing capacity for electronic brake systems was expanded in particular. In the Powertrain division, there were major investments in expanding production capacity. In the Interior division, production capacity was expanded in particular for the Instrumentation & Driver HMI and Body & Security business units.

The Rubber Group invested €215.0 million (PY: €195.9 million), equivalent to 5.0% (PY: 5.1%) 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 was begun 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-Kaliko Group, Conveyor Belt Group and Power Transmission Group business units. Investments were made in all business units to rationalize existing production processes.

Net Assets Position

At €37,911.8 million (PY: €33,605.9 million), total assets as at March 31, 2017, were €4,305.9 million higher than on the same date in the previous year. Goodwill, at €6,977.1 million, was up by €376.2 million compared to the previous year's figure of €6,600.9 million. Other intangible assets climbed by €321.8 million to €1,620.5 million (PY: €1,298.7 million). Property, plant and equipment increased by €1,331.9 million to €10,766.8 million (PY: €9,434.9 million). Inventories increased by €593.5 million to €4,116.5 million (PY: €3,523.0 million). Trade accounts receivable also rose by €1,166.8 million to €8,351.9 million (PY: €7,185.1 million). Short-term other assets increased by €265.6 million to €1,103.1 million (PY: €837.5 million). At €1,895.7 million, cash and cash equivalents were up €201.9 million from €1,693.8 million on the same date in the previous year.

Equity including non-controlling interests was up €2,360.5 million at €15,722.4 million as compared to €13,361.9 million as at March 31, 2016. This was primarily due to the increase in retained earnings of €2,068.5 million. Other comprehensive income changed by €239.6 million to -€1,700.6 million (PY: -€1,940.2 million). The gearing ratio improved from 23.1% to 17.6%. The equity ratio rose to 41.5% (PY: 39.8%).

At €37,911.8 million, total assets were up €1,736.9 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 €228.7 million to €10,766.8 million (PY: €10,538.1 million), the increase in inventories of €363.3 million to €4,116.5 million (PY: €3,753.2 million) and the €959.2 million increase in trade accounts receivable to €8,351.9 million (PY: €7,392.7 million).

Equity including non-controlling interests was up €987.6 million at €15,722.4 million as compared to €14,734.8 million at the end of 2016. The positive net income attributable to the shareholders of the parent resulted in an increase of €749.6 million. Other comprehensive income changed by €231.7 million to -€1,700.6 million (PY: -€1,932.3 million). The gearing ratio improved from 19.0% to 17.6%.

Employees

As at the end of the first quarter of 2017, the corporation had 227,565 employees, representing a rise of 7,428 in comparison to the end of 2016. The number of employees in the Automotive Group rose by 3,277 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 4,144 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of 15,148.

Reconciliation to operating assets as at March 31, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Total assets	**7,402.4**	**5,335.0**	**7,332.0**	**8,592.2**	**4,638.6**	**4,611.6**	**37,911.8**
Cash and cash equivalents	–	–	–	–	–	1,895.7	1,895.7
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	59.3	59.3
Other financial assets	11.9	49.2	17.5	16.2	6.3	17.5	118.6
Less financial assets	**11.9**	**49.2**	**17.5**	**16.2**	**6.3**	**1,972.5**	**2,073.6**
Less other non-operating assets	**–**	**0.5**	**-45.4**	**-2.2**	**-7.7**	**634.9**	**580.1**
Deferred tax assets	–	–	–	–	–	1,819.5	1,819.5
Income tax receivables	–	–	–	–	–	145.8	145.8
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,965.3**	**1,965.3**
Segment assets	**7,390.5**	**5,285.3**	**7,359.9**	**8,578.2**	**4,640.0**	**38.9**	**33,292.8**
Total liabilities and provisions	**4,152.2**	**2,916.5**	**3,137.1**	**3,401.2**	**1,854.2**	**6,728.2**	**22,189.4**
Short- and long-term indebtedness	–	–	–	–	–	4,722.6	4,722.6
Interest payable and other financial liabilities	–	–	–	–	–	97.3	97.3
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**4,819.9**	**4,819.9**
Deferred tax liabilities	–	–	–	–	–	444.7	444.7
Income tax payables	–	–	–	–	–	829.0	829.0
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,273.7**	**1,273.7**
Less other non-operating liabilities	**1,246.2**	**816.1**	**656.9**	**952.7**	**525.1**	**586.4**	**4,783.4**
Segment liabilities	**2,906.0**	**2,100.4**	**2,480.2**	**2,448.5**	**1,329.1**	**48.2**	**11,312.4**
Operating assets	**4,484.5**	**3,184.9**	**4,879.7**	**6,129.7**	**3,310.9**	**-9.3**	**21,980.4**

Reconciliation to operating assets as at March 31, 2016

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Total assets	**6,653.8**	**4,700.6**	**6,456.5**	**7,537.0**	**4,038.0**	**4,220.0**	**33,605.9**
Cash and cash equivalents	–	–	–	–	–	1,693.8	1,693.8
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	100.9	100.9
Other financial assets	10.1	50.8	19.6	20.4	6.5	6.2	113.6
Less financial assets	**10.1**	**50.8**	**19.6**	**20.4**	**6.5**	**1,800.9**	**1,908.3**
Less other non-operating assets	**5.4**	**0.6**	**–34.7**	**–13.0**	**0.1**	**444.7**	**403.1**
Deferred tax assets	–	–	–	–	–	1,815.0	1,815.0
Income tax receivables	–	–	–	–	–	141.8	141.8
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**1,956.8**	**1,956.8**
Segment assets	**6,638.3**	**4,649.2**	**6,471.6**	**7,529.6**	**4,031.4**	**17.6**	**29,337.7**
Total liabilities and provisions	**3,315.4**	**2,553.5**	**2,613.4**	**3,025.6**	**1,525.9**	**7,210.2**	**20,244.0**
Short- and long-term indebtedness	–	–	–	–	–	4,878.0	4,878.0
Interest payable and other financial liabilities	–	–	–	–	–	47.5	47.5
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**4,925.5**	**4,925.5**
Deferred tax liabilities	–	–	–	–	–	367.6	367.6
Income tax payables	–	–	–	–	–	736.9	736.9
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,104.5**	**1,104.5**
Less other non-operating liabilities	**1,057.9**	**716.4**	**544.2**	**862.0**	**494.8**	**1,083.2**	**4,758.5**
Segment liabilities	**2,257.5**	**1,837.1**	**2,069.2**	**2,163.6**	**1,031.1**	**97.0**	**9,455.5**
Operating assets	**4,380.8**	**2,812.1**	**4,402.4**	**5,366.0**	**3,000.3**	**–79.4**	**19,882.2**

Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31 2017	2016
Sales	2,497.4	2,201.8
EBITDA	336.9	302.8
in % of sales	13.5	13.8
EBIT	238.9	213.2
in % of sales	9.6	9.7
Depreciation and amortization[1]	98.0	89.6
thereof impairment[2]	–	–
Capital expenditure[3]	100.8	82.6
in % of sales	4.0	3.8
Operating assets as at March 31	4,484.5	4,380.8
Number of employees as at March 31[4]	44,952	40,764
Adjusted sales[5]	2,497.4	2,201.8
Adjusted operating result (adjusted EBIT)[6]	238.9	213.3
in % of adjusted sales	9.6	9.7

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

Chassis & Safety

Sales volumes
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first three months of 2017 increased by 13% year-on-year. In the Hydraulic Brake Systems business unit, sales of brake boosters climbed by 3% year-on-year. Sales of brake calipers with integrated electric parking brakes increased by 47% year-on-year, thus more than compensating for the decline in sales figures for conventional brake calipers, which decreased slightly by 1% year-on-year. In the Passive Safety & Sensorics business unit, the sales volume of air bag control units rose by 21% year-on-year. Unit sales of advanced driver assistance systems were up 40%.

Sales up 13.4%
Sales up 12.5% before changes in the scope of consolidation and exchange-rate effects
Sales of the Chassis & Safety division were up 13.4% at €2,497.4 million (PY: €2,201.8 million) in the first three 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 12.5%.

Adjusted EBIT up 12.0%
Adjusted EBIT for the Chassis & Safety division increased by €25.6 million or 12.0% year-on-year to €238.9 million (PY: €213.3 million) during the first three months of 2017, corresponding to 9.6% (PY: 9.7%) of adjusted sales.

EBIT up 12.1%
Compared with the same period of the previous year, the Chassis & Safety division reported an increase in EBIT of €25.7 million or 12.1% to €238.9 million (PY: €213.2 million) in the first three months of 2017. The return on sales fell slightly to 9.6% (PY: 9.7%).

Special effects
There were no special effects in the Chassis & Safety division in either the first quarter of 2017 or the same period of the previous year.

	January 1 to March 31	
Powertrain in € millions	**2017**	2016
Sales	2,003.1	1,813.5
EBITDA	213.9	158.8
in % of sales	10.7	8.8
EBIT	117.1	66.5
in % of sales	5.8	3.7
Depreciation and amortization[1]	96.8	92.3
thereof impairment[2]	1.0	3.3
Capital expenditure[3]	98.8	60.9
in % of sales	4.9	3.4
Operating assets as at March 31	3,184.9	2,812.1
Number of employees as at March 31[4]	38,957	36,961
Adjusted sales[5]	1,995.1	1,813.5
Adjusted operating result (adjusted EBIT)[6]	124.7	72.1
in % of adjusted sales	6.3	4.0

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

Powertrain

Sales volumes
In the Engine Systems business unit, sales volumes of engine control units, injectors, pumps and turbochargers increased in the first three months of 2017. The Sensors & Actuators business unit is continuing to record growth. Boosted by stricter exhaust-gas legislation, higher sales figures are being achieved for exhaust-gas sensors in particular. In the Hybrid Electric Vehicle business unit, the sales volumes for power electronics did not match the previous year's level, whereas the sales volumes for on-board power supply and battery systems were up year-on-year. Owing to program changeovers at the end of fiscal 2016, the sales figures of the Transmission business unit were down slightly year-on-year in the first three 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 10.5%
Sales up 9.5% before changes in the scope of consolidation and exchange-rate effects
Sales of the Powertrain division were up 10.5% at €2,003.1 million (PY: €1,813.5 million) in the first three 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 9.5%.

Adjusted EBIT up 73.0%
Adjusted EBIT for the Powertrain division rose by €52.6 million or 73.0% year-on-year to €124.7 million (PY: €72.1 million) in the first three months of 2017, corresponding to 6.3% (PY: 4.0%) of adjusted sales.

EBIT up 76.1%
Compared with the same period of the previous year, the Powertrain division reported an increase in EBIT of €50.6 million or 76.1% to €117.1 million (PY: €66.5 million) in the first three months of 2017. The return on sales rose to 5.8% (PY: 3.7%).

Special effects in the first quarter of 2017
Impairment on property, plant and equipment resulted in expense of €1.0 million.

Special effects in the first quarter of 2016
Impairment on property, plant and equipment resulted in expense totaling €3.3 million.

In addition, restructuring expenses of €0.2 million were incurred.

For the Powertrain division, the total negative impact from special effects in the first three months of 2016 amounted to €3.5 million.

Interior in € millions	January 1 to March 31 **2017**	2016
Sales	2,293.9	2,023.0
EBITDA	273.6	237.4
in % of sales	11.9	11.7
EBIT	185.7	160.1
in % of sales	8.1	7.9
Depreciation and amortization[1]	87.9	77.3
thereof impairment[2]	–	–
Capital expenditure[3]	87.7	58.2
in % of sales	3.8	2.9
Operating assets as at March 31	4,879.7	4,402.4
Number of employees as at March 31[4]	44,121	41,436
Adjusted sales[5]	2,277.1	2,023.0
Adjusted operating result (adjusted EBIT)[6]	202.9	169.1
in % of adjusted sales	8.9	8.4

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

Interior

Sales volumes

Sales volumes in the Body & Security business unit were significantly above the previous year's level in the first quarter of fiscal 2017. There were increases in Asia and Europe in particular. Sales figures in the Infotainment & Connectivity business unit nearly reached the previous year's level. While the new products that went into production could not compensate for radio and multimedia products that had been discontinued, the connectivity business area saw significant increases in sales volumes due to new products worldwide. Sales volumes in the Commercial Vehicles & Aftermarket business unit were above the previous year's level overall, with sales of commercial vehicles increasing year-on-year. Replacement parts and aftermarket business significantly exceeded the previous year's sales volumes, particularly in the U.S.A., Western Europe and China. In the Instrumentation & Driver HMI business unit, sales volumes in the first quarter of 2017 were higher than in the same period of the previous year. There was an increase, particularly on the European market, as a result of new products that went into production and a further increase in demand for the display solutions and instrument clusters product groups.

Sales up 13.4%
Sales up 11.9% before changes in the scope of consolidation and exchange-rate effects

Sales of the Interior division were up 13.4% at €2,293.9 million (PY: €2,023.0 million) in the first three 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 11.9%.

Adjusted EBIT up 20.0%

Adjusted EBIT for the Interior division rose by €33.8 million or 20.0% year-on-year to €202.9 million (PY: €169.1 million) in the first three months of 2017, corresponding to 8.9% (PY: 8.4%) of adjusted sales.

EBIT up 16.0%

Compared with the same period of the previous year, the Interior division reported an increase in EBIT of €25.6 million or 16.0% to €185.7 million (PY: €160.1 million) in the first three months of 2017. The return on sales rose to 8.1% (PY: 7.9%).

Special effects

There were no special effects in the Interior division in either the first quarter of 2017 or the same period of the previous year.

Tires in € millions	January 1 to March 31 **2017**	2016
Sales	2,756.3	2,512.7
EBITDA	651.3	658.1
in % of sales	23.6	26.2
EBIT	505.1	530.0
in % of sales	18.3	21.1
Depreciation and amortization[1]	146.2	128.1
thereof impairment[2]	–	–
Capital expenditure[3]	172.2	146.7
in % of sales	6.2	5.8
Operating assets as at March 31	6,129.7	5,366.0
Number of employees as at March 31[4]	53,322	50,357
Adjusted sales[5]	2,710.0	2,512.6
Adjusted operating result (adjusted EBIT)[6]	486.2	531.9
in % of adjusted sales	17.9	21.2

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
In the first quarter of 2017, sales figures for passenger and light truck tires in both original equipment business and tire replacement business were up on the previous year's level. Sales figures in commercial vehicle tire business were around 15% higher than in the previous year.

Sales up 9.7%
Sales up 6.3% before changes in the scope of consolidation and exchange-rate effects
Sales of the Tire division were up 9.7% at €2,756.3 million (PY: €2,512.7 million) in the first three 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 down 8.6%
Adjusted EBIT for the Tire division decreased by €45.7 million or 8.6% year-on-year to €486.2 million (PY: €531.9 million) in the first three months of 2017, corresponding to 17.9% (PY: 21.2%) of adjusted sales.

EBIT down 4.7%
Compared with the same period of the previous year, the Tire division reported a decline in EBIT of €24.9 million or 4.7% to €505.1 million (PY: €530.0 million) in the first three months of 2017. The return on sales fell to 18.3% (PY: 21.1%).

Special effects in the first quarter of 2017
In the Tire division, the disposal of equity interests held as financial assets resulted in income totaling €13.0 million.

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

For the Tire division, the total positive impact from special effects in the first three months of 2017 amounted to €13.5 million.

Special effects in the first quarter of 2016
There were no special effects in the Tire division in the first quarter of 2016.

	January 1 to March 31	
ContiTech in € millions	**2017**	2016
Sales	1,521.4	1,359.1
EBITDA	191.3	176.1
in % of sales	12.6	13.0
EBIT	117.1	98.7
in % of sales	7.7	7.3
Depreciation and amortization[1]	74.2	77.4
thereof impairment[2]	–	3.4
Capital expenditure[3]	42.8	49.2
in % of sales	2.8	3.6
Operating assets as at March 31	3,310.9	3,000.3
Number of employees as at March 31[4]	45,788	42,501
Adjusted sales[5]	1,477.8	1,359.1
Adjusted operating result (adjusted EBIT)[6]	141.6	131.0
in % of adjusted sales	9.6	9.6

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.

ContiTech

Sales up 11.9%
Sales up 7.6% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech division were up 11.9% at €1,521.4 million (PY: €1,359.1 million) in the first three 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 7.6%. Compared to the previous year, the Air Spring Systems, Benecke-Kaliko Group and Mobile Fluid Systems business units have reported much more positive sales development. Similarly, the Compounding Technology business unit generated substantial volume growth. Due to the market recovery in the extractive industry, the Conveyor Belt Group business unit generated higher sales than in the same quarter of the previous year.

Adjusted EBIT up 8.1%
Adjusted EBIT for the ContiTech division rose by €10.6 million or 8.1% year-on-year to €141.6 million (PY: €131.0 million) in the first three months of 2017, corresponding to 9.6% (PY: 9.6%) of adjusted sales.

EBIT up 18.6%
Compared with the same period of the previous year, the ContiTech division reported an increase in EBIT of €18.4 million or 18.6% to €117.1 million (PY: €98.7 million) in the first three months of 2017. The return on sales rose to 7.7% (PY: 7.3%).

Special effects in the first quarter of 2017
The ContiTech division incurred restructuring expenses of €0.1 million.

Special effects in the first quarter of 2016
The temporary cessation of conveyor belt production in Volos, Greece, resulted in restructuring expenses of €10.6 million, of which €3.4 million was attributable to impairment on property, plant and equipment.

In addition, restructuring expenses resulted in a negative special effect totaling €0.8 million.

For the ContiTech division, the total negative impact from special effects in the first three months of 2016 amounted to €11.4 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

After a successful start to the new fiscal year, we are raising our forecast for consolidated sales from more than €43 billion to more than €43.5 billion, assuming exchange rates remain constant year-on-year. In the first quarter of 2017, the positive effect from exchange rates was nearly €100 million. The increase in the forecast for consolidated sales affects the Automotive Group, in which we now expect sales to grow to more than €26 billion instead of around €26 billion. Our sales forecast for the Rubber Group is still more than €17 billion.

We are adhering to our forecast for the corporation's adjusted EBIT margin of more than 10.5%. This also applies to the forecasts for the adjusted EBIT margins of the Automotive and Rubber groups, which we are leaving unchanged at around 8.5% and more than 15%, respectively.

We also confirm the following aspects of our forecast published in our 2016 Annual Report for the 2017 fiscal year. We still anticipate a negative effect for the Rubber Group of €500 million from the rising prices of raw materials. Not taking into account valuation effects, such as exchange-rate effects, we still expect the negative net interest result to be around €200 million and the tax rate for the current year to be less than 30%. Amortization from purchase price allocations is expected to total approximately €200 million and to affect mainly the ContiTech and Interior divisions. We continue to anticipate negative special effects totaling 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 planning on free cash flow of approximately €2 billion before acquisitions.

Consolidated Financial Statements ›
Consolidated Statement of Income

	January 1 to March 31	
€ millions	**2017**	2016
Sales	**10,999.9**	**9,850.7**
Cost of sales	–8,135.2	–7,249.6
Gross margin on sales	**2,864.7**	**2,601.1**
Research and development expenses	–780.7	–716.1
Selling and logistics expenses	–600.5	–548.0
Administrative expenses	–297.8	–243.7
Other expenses and income	–64.4	–69.0
Income from equity-accounted investees	13.8	16.4
Other income from investments	–	–
Earnings before interest and tax	**1,135.1**	**1,040.7**
Interest income	23.4	24.8
Interest expense	–107.0	–58.6
Net interest result	**–83.6**	**–33.8**
Earnings before tax	**1,051.5**	**1,006.9**
Income tax expense	–287.0	–255.8
Net income	**764.5**	**751.1**
Non-controlling interests	–14.9	–17.2
Net income attributable to the shareholders of the parent	749.6	733.9
Basic earnings per share in €	**3.75**	**3.67**
Diluted earnings per share in €	**3.75**	**3.67**

Consolidated Statement of Comprehensive Income

	January 1 to March 31	
€ millions	**2017**	2016
Net income	**764.5**	**751.1**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans[1]	83.7	–364.3
Fair value adjustments[1]	116.3	–554.2
Currency translation[1]	1.9	13.7
Tax on other comprehensive income	–34.5	176.2
Items that may be reclassified subsequently to profit or loss		
Currency translation[1]	172.6	–210.2
Difference from currency translation[1]	172.6	–210.2
Available-for-sale financial assets	0.2	0.1
Fair value adjustments	0.5	0.1
Reclassification adjustments to profit and loss	–0.3	0.0
Cash flow hedges	–3.4	–3.3
Fair value adjustments	3.4	15.7
Reclassification adjustments to profit and loss	–6.8	–19.0
Tax on other comprehensive income	–14.8	–2.5
Other comprehensive income	**238.3**	**–580.2**
Comprehensive income	**1,002.8**	**170.9**
Attributable to non-controlling interests	–20.6	–10.6
Attributable to the shareholders of the parent	982.2	160.3

1 Including non-controlling interests.

Consolidated Statement of Financial Position

Assets in € millions	March 31, 2017	Dec. 31, 2016	March 31, 2016
Goodwill	6,977.1	6,857.3	6,600.9
Other intangible assets	1,620.5	1,514.1	1,298.7
Property, plant and equipment	10,766.8	10,538.1	9,434.9
Investment property	10.3	10.3	15.8
Investments in equity-accounted investees	382.8	384.8	354.6
Other investments	44.0	43.1	39.7
Deferred tax assets	1,819.5	1,836.1	1,815.0
Defined benefit assets	36.8	24.3	16.7
Long-term derivative instruments and interest-bearing investments	17.3	19.7	31.5
Long-term other financial assets	68.0	66.4	49.4
Long-term other assets	27.1	26.8	22.8
Non-current assets	**21,770.2**	**21,321.0**	**19,680.0**
Inventories	4,116.5	3,753.2	3,523.0
Trade accounts receivable	8,351.9	7,392.7	7,185.1
Short-term other financial assets	484.6	455.5	465.0
Short-term other assets	1,103.1	989.0	837.5
Income tax receivables	145.8	124.7	141.8
Short-term derivative instruments and interest-bearing investments	42.0	27.8	69.4
Cash and cash equivalents	1,895.7	2,107.0	1,693.8
Assets held for sale	2.0	4.0	10.3
Current assets	**16,141.6**	**14,853.9**	**13,925.9**
Total assets	**37,911.8**	**36,174.9**	**33,605.9**

Equity and liabilities in € millions	March 31, 2017	Dec. 31, 2016	March 31, 2016
Subscribed capital	512.0	512.0	512.0
Capital reserves	4,155.6	4,155.6	4,155.6
Retained earnings	12,284.3	11,534.7	10,215.8
Other comprehensive income	–1,700.6	–1,932.3	–1,940.2
Equity attributable to the shareholders of the parent	**15,251.3**	**14,270.0**	**12,943.2**
Non-controlling interests	471.1	464.8	418.7
Total equity	**15,722.4**	**14,734.8**	**13,361.9**
Long-term employee benefits	4,356.1	4,392.3	4,306.4
Deferred tax liabilities	444.7	371.5	367.6
Long-term provisions for other risks and obligations	205.5	204.2	179.0
Long-term indebtedness	2,783.2	2,803.7	2,418.8
Long-term other financial liabilities	106.2	97.1	45.7
Long-term other liabilities	16.0	17.1	20.7
Non-current liabilities	**7,911.7**	**7,885.9**	**7,338.2**
Short-term employee benefits	1,596.1	1,314.1	1,484.2
Trade accounts payable	6,760.1	6,248.0	5,707.3
Income tax payables	829.0	783.6	736.9
Short-term provisions for other risks and obligations	1,198.2	1,146.4	793.4
Short-term indebtedness	1,939.4	2,148.6	2,459.2
Short-term other financial liabilities	1,111.0	1,187.3	1,017.5
Short-term other liabilities	843.9	726.2	706.8
Liabilities held for sale	–	–	0.5
Current liabilities	**14,277.7**	**13,554.2**	**12,905.8**
Total equity and liabilities	**37,911.8**	**36,174.9**	**33,605.9**

Consolidated Statement of Cash Flows

	January 1 to March 31	
€ millions	2017	2016
Net income	**764.5**	**751.1**
Income tax expense	287.0	255.8
Net interest result	83.6	33.8
EBIT	**1,135.1**	**1,040.7**
Interest paid	–47.6	–46.4
Interest received	6.8	5.4
Income tax paid	–260.3	–217.4
Dividends received	10.2	15.0
Depreciation, amortization, impairment and reversal of impairment losses	503.4	464.8
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	–13.8	–16.4
Gains/losses from the disposal of assets, companies and business operations	–18.1	–1.3
Changes in		
inventories	–248.6	–199.5
trade accounts receivable	–879.5	–575.3
trade accounts payable	448.4	281.3
employee benefits and other provisions	338.5	241.2
other assets and liabilities	–110.2	–21.3
Cash flow arising from operating activities	**864.3**	**970.8**
Cash flow from the disposal of property, plant and equipment, and intangible assets	13.4	4.2
Capital expenditure on property, plant and equipment, and software	–502.7	–397.8
Capital expenditure on intangible assets from development projects and miscellaneous	–30.3	–10.5
Cash flow from the disposal of companies and business operations	19.1	—
Acquisition of companies and business operations	–230.8	–77.7
Cash flow arising from investing activities	**–731.3**	**–481.8**
Cash flow before financing activities (free cash flow)	**133.0**	**489.0**
Change in indebtedness	–361.7	–380.0
Successive purchases	–0.6	–2.2
Dividends paid to and cash changes from equity transactions with non-controlling interests	–0.4	–0.7
Cash and cash equivalents arising from first-time consolidation of subsidiaries	0.6	0.6
Cash flow arising from financing activities	**–362.1**	**–382.3**
Change in cash and cash equivalents	**–229.1**	**106.7**
Cash and cash equivalents at the beginning of the reporting period	2,107.0	1,621.5
Effect of exchange-rate changes on cash and cash equivalents	17.8	–34.4
Cash and cash equivalents at the end of the reporting period	**1,895.7**	**1,693.8**

Consolidated Statement of Changes in Equity

					Difference from					
€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	remeasurement of defined benefit plans	currency translation	financial instru-ments[3]	Subtotal	Non-controlling interests	**Total**
As at January 1, 2016	**512.0**	**4,155.6**	**9,481.8**	**-39.8**	**-1,420.6**	**101.0**	**-3.7**	**12,786.3**	**427.6**	**13,213.9**
Net income	–	–	733.9	–	–	–	–	733.9	17.2	**751.1**
Comprehensive income	–	–	0.1	–	-364.6	-204.6	-4.5	-573.6	-6.6	**-580.2**
Net profit for the period	**–**	**–**	**734.0**	**–**	**-364.6**	**-204.6**	**-4.5**	**160.3**	**10.6**	**170.9**
Dividends paid	–	–	–	–	–	–	–	–	-18.7	**-18.7**
Successive purchases	–	–	–	-3.6	–	–	–	-3.6	-0.8	**-4.4**
Other changes	–	–	–	0.2	–	–	–	0.2	–	**0.2**
As at March 31, 2016	**512.0**	**4,155.6**	**10,215.8**	**-43.2**	**-1,785.2**	**-103.6**	**-8.2**	**12,943.2**	**418.7**	**13,361.9**
As at January 1, 2017	**512.0**	**4,155.6**	**11,534.7**	**-181.9**	**-1,783.8**	**30.0**	**3.4**	**14,270.0**	**464.8**	**14,734.8**
Net income	–	–	749.6	–	–	–	–	749.6	14.9	**764.5**
Comprehensive income	–	–	–	–	83.9	153.4	-4.7	232.6	5.7	**238.3**
Net profit for the period	**–**	**–**	**749.6**	**–**	**83.9**	**153.4**	**-4.7**	**982.2**	**20.6**	**1,002.8**
Dividends paid/resolved	–	–	–	–	–	–	–	–	-15.3	**-15.3**
Successive purchases	–	–	–	-0.9	–	–	–	-0.9	0.5	**-0.4**
Other changes[4]	–	–	–	–	–	–	–	–	0.5	**0.5**
As at March 31, 2017	**512.0**	**4,155.6**	**12,284.3**	**-182.8**	**-1,699.9**	**183.4**	**-1.3**	**15,251.3**	**471.1**	**15,722.4**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of -€0.4 million (PY: -€0.3 million) from successive purchases of shares in fully consolidated companies, an amount of €0.0 million (PY: -€3.3 million) from a subsequent purchase price adjustment, and in the previous year an amount of -€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 -€0.5 million (PY: –) for the acquisition of remaining shares in a fully consolidated company.
3 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 -€4.9 million (PY: -€4.5 million) for interest and currency hedging and to available-for-sale financial assets of €0.2 million (PY: €0.0 million).
4 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 March 31, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	2,488.8	1,972.2	2,288.1	2,751.2	1,499.6	–	10,999.9
Intercompany sales	8.6	30.9	5.8	5.1	21.8	–72.2	–
Sales (total)	**2,497.4**	**2,003.1**	**2,293.9**	**2,756.3**	**1,521.4**	**–72.2**	**10,999.9**
EBIT (segment result)	238.9	117.1	185.7	505.1	117.1	–28.8	1,135.1
in % of sales	9.6	5.8	8.1	18.3	7.7	–	10.3
Depreciation and amortization[1]	98.0	96.8	87.9	146.2	74.2	0.3	503.4
thereof impairment[2]	–	1.0	–	–	–	–	1.0
Capital expenditure[3]	100.8	98.8	87.7	172.2	42.8	0.4	502.7
in % of sales	4.0	4.9	3.8	6.2	2.8	–	4.6
Operating assets as at March 31	4,484.5	3,184.9	4,879.7	6,129.7	3,310.9	–9.3	21,980.4
Number of employees as at March 31[4]	44,952	38,957	44,121	53,322	45,788	425	227,565
Adjusted sales[5]	2,497.4	1,995.1	2,277.1	2,710.0	1,477.8	–72.2	10,885.2
Adjusted operating result (adjusted EBIT)[6]	238.9	124.7	202.9	486.2	141.6	–28.8	1,165.5
in % of adjusted sales	9.6	6.3	8.9	17.9	9.6	–	10.7

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

Segment report for the period from January 1 to March 31, 2016

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	2,194.9	1,792.9	2,020.4	2,507.9	1,334.6	–	9,850.7
Intercompany sales	6.9	20.6	2.6	4.8	24.5	–59.4	–
Sales (total)	**2,201.8**	**1,813.5**	**2,023.0**	**2,512.7**	**1,359.1**	**–59.4**	**9,850.7**
EBIT (segment result)	213.2	66.5	160.1	530.0	98.7	–27.8	1,040.7
in % of sales	9.7	3.7	7.9	21.1	7.3	–	10.6
Depreciation and amortization[1]	89.6	92.3	77.3	128.1	77.4	0.1	464.8
thereof impairment[2]	–	3.3	–	–	3.4	–	6.7
Capital expenditure[3]	82.6	60.9	58.2	146.7	49.2	0.2	397.8
in % of sales	3.8	3.4	2.9	5.8	3.6	–	4.0
Operating assets as at March 31	4,380.8	2,812.1	4,402.4	5,366.0	3,000.3	–79.4	19,882.2
Number of employees as at March 31[4]	40,764	36,961	41,436	50,357	42,501	398	212,417
Adjusted sales[5]	2,201.8	1,813.5	2,023.0	2,512.6	1,359.1	–59.4	9,850.6
Adjusted operating result (adjusted EBIT)[6]	213.3	72.1	169.1	531.9	131.0	–27.8	1,089.6
in % of adjusted sales	9.7	4.0	8.4	21.2	9.6	–	11.1

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 March 31, 2017

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**2,497.4**	**2,003.1**	**2,293.9**	**2,756.3**	**1,521.4**	**–72.2**	**10,999.9**
Changes in the scope of consolidation[1]	–	–8.0	–16.8	–46.3	–43.6	–	–114.7
Adjusted sales	**2,497.4**	**1,995.1**	**2,277.1**	**2,710.0**	**1,477.8**	**–72.2**	**10,885.2**
EBITDA	**336.9**	**213.9**	**273.6**	**651.3**	**191.3**	**–28.5**	**1,638.5**
Depreciation and amortization[2]	–98.0	–96.8	–87.9	–146.2	–74.2	–0.3	–503.4
EBIT	**238.9**	**117.1**	**185.7**	**505.1**	**117.1**	**–28.8**	**1,135.1**
Amortization of intangible assets from purchase price allocation (PPA)	0.0	3.0	11.6	4.8	21.8	–	41.2
Changes in the scope of consolidation[1]	–	3.6	5.6	–10.2	2.6	–	1.6
Special effects							
Impairment[3]	–	1.0	–	–	–	–	1.0
Restructuring	–	–	–	–	0.1	–	0.1
Gains and losses from disposals of companies and business operations	–	–	–	–13.0	–	–	–13.0
Other	–	–	–	–0.5	–	–	–0.5
Adjusted operating result (adjusted EBIT)	**238.9**	**124.7**	**202.9**	**486.2**	**141.6**	**–28.8**	**1,165.5**

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) as at March 31, 2016

€ millions	Chassis & Safety	Powertrain	Interior	Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	**2,201.8**	**1,813.5**	**2,023.0**	**2,512.7**	**1,359.1**	**–59.4**	**9,850.7**
Changes in the scope of consolidation[1]	–	–	–	–0.1	–	–	–0.1
Adjusted sales	**2,201.8**	**1,813.5**	**2,023.0**	**2,512.6**	**1,359.1**	**–59.4**	**9,850.6**
EBITDA	**302.8**	**158.8**	**237.4**	**658.1**	**176.1**	**–27.7**	**1,505.5**
Depreciation and amortization[2]	–89.6	–92.3	–77.3	–128.1	–77.4	–0.1	–464.8
EBIT	**213.2**	**66.5**	**160.1**	**530.0**	**98.7**	**–27.8**	**1,040.7**
Amortization of intangible assets from purchase price allocation (PPA)	0.1	2.1	9.0	1.9	20.9	–	34.0
Changes in the scope of consolidation[1]	–	–	–	0.0	–	–	0.0
Special effects							
Impairment[3]	–	3.3	–	–	–	–	3.3
Restructuring[4]	–	0.2	–	–	11.4	–	11.6
Gains and losses from disposals of companies and business operations	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Adjusted operating result (adjusted EBIT)	**213.3**	**72.1**	**169.1**	**531.9**	**131.0**	**–27.8**	**1,089.6**

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 in the ContiTech segment amounting to €3.4 million.

Reconciliation of EBIT to net income

	January 1 to March 31	
€ millions	**2017**	2016
Chassis & Safety	238.9	213.2
Powertrain	117.1	66.5
Interior	185.7	160.1
Tires	505.1	530.0
ContiTech	117.1	98.7
Other/consolidation	–28.8	–27.8
EBIT	**1,135.1**	**1,040.7**
Net interest result	–83.6	–33.8
Earnings before tax	**1,051.5**	**1,006.9**
Income tax expense	–287.0	–255.8
Net income	**764.5**	**751.1**
Non-controlling interests	–14.9	–17.2
Net income attributable to the shareholders of the parent	**749.6**	**733.9**

Segment reporting

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

Information on the development of the Continental Corporation's five divisions can be found in the Corporate Management Report as at March 31, 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 March 31, 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 March 31, 2017, had no material effect on the reporting of the Continental Corporation.

Income tax expense is calculated based on the estimated, weighted average annual 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 520 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, 407 are fully consolidated and 113 are accounted for using the equity method.

The number of consolidated companies has increased by a total of ten since December 31, 2016. Twelve companies were acquired and one was formed. In addition, the number of companies consolidated decreased by three as a result of a merger and two liquidations.

Since March 31, 2016, the number of consolidated companies has increased by a total of 16. The additions to the scope of consolidation essentially resulted from the acquisitions of the Bandvulc Group in the Tire segment and 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

Three asset deals took place in the Tire segment. The purchase prices totaling €2.3 million were paid in cash. The purchase price allocations resulted in intangible assets of €0.6 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at March 31, 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-Kaliko Group business unit intends to expand its industrial business further and tap new sales markets, particularly in North America. The provisional purchase price of the Hornschuch Group was €245.8 million and was paid in cash. The overall incidental acquisition costs of €5.2 million were recognized as other expenses: €2.3 million for fiscal 2016 and €2.9 million for fiscal 2017. The provisional purchase price allocation resulted in goodwill of €109.6 million and intangible assets of €146.6 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. Since the transaction was closed on March 1, 2017, the Hornschuch Group has generated sales of €42.0 million and, taking into account the effects of purchase price allocation, contributed net income after tax of -€3.3 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at March 31, 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 €0.4 million. In the Tire segment, the provisional purchase price allocation therefore results in goodwill of €14.3 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Corporation as at March 31, 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 March 31, 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). No significant impairment resulted from these reviews in the reporting period.

Income tax expense

Income tax expense in the first three months of 2017 amounted to €287.0 million (PY: €255.8 million). The tax rate in the reporting period was 27.3% after 25.4% for the same period of the previous year.

Long-term employee benefits

Compared to December 31, 2016, the remeasurement of defined benefit pension plans as at March 31, 2017, led to a €79.6 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 €114.0 million.

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the U.K., and not for other benefit obligations. In the period from January 1 to March 31, 2017, the companies of the Continental Corporation made regular payments totaling €20.9 million (PY: €8.2 million) into these pension funds.

Payments for retirement benefit obligations totaled €54.2 million (PY: €51.0 million) in the period from January 1 to March 31, 2017. Payments for obligations similar to pensions totaled €4.1 million (PY: €4.0 million).

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

	January 1 to March 31, 2017						January 1 to March 31, 2016					
€ millions	**Germany**	**U.S.A.**	**CAN**	**U.K.**	**Other**	**Total**	Germany	U.S.A.	CAN	U.K.	Other	Total
Current service cost	55.8	1.4	0.4	0.7	5.9	**64.2**	37.1	1.4	0.5	1.1	5.6	45.7
Interest on defined benefit obligations	19.6	12.7	1.4	2.6	1.8	**38.1**	21.9	13.0	1.4	3.4	2.2	41.9
Expected return on plan assets	–5.0	–9.1	–1.2	–2.6	–0.7	**–18.6**	–6.0	–9.4	–1.3	–3.5	–1.1	–21.3
Effect of change of asset ceiling	—	—	0.0	—	0.0	**0.0**	—	0.0	0.0	0.0	0.0	0.0
Other pension income and expenses	—	0.4	0.1	—	0.0	**0.5**	—	0.5	0.1	0.0	0.0	0.6
Net pension cost	**70.4**	**5.4**	**0.7**	**0.7**	**7.0**	**84.2**	**53.0**	**5.5**	**0.7**	**1.0**	**6.7**	**66.9**

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

	January 1 to March 31	
€ millions	**2017**	2016
Current service cost	0.4	0.5
Interest on healthcare and life insurance benefit obligations	2.3	2.5
Net cost of obligations similar to pensions	**2.7**	**3.0**

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%.

At the time a new syndicated loan was concluded in April 2014 with an original committed volume of €4.5 billion, it consisted of a term loan for an amount of €1.5 billion that matured in April 2016 and a revolving credit line of €3.0 billion that has been granted until April 2019. There were two contractual amendments to the term of the revolving tranche. In April 2015 and in April 2016, all the banks involved approved a one-year extension in each case. This financing commitment is therefore available to Continental until April 2021. Since the full early repayment of the term loan at the end of March 2016, the syndicated loan now comprises only the revolving tranche. This credit line had not been utilized as at the end of March 2017. In the previous year, Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., used €65.9 million of this credit line.

For more information on indebtedness and net interest result, please refer to the Corporate Management Report as at March 31, 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 March 31, 2017	Fair value as at March 31, 2017	Carrying amount as at Dec. 31, 2016	Fair value as at Dec. 31, 2016
Other investments	AfS	44.0	44.0	43.1	43.1
Derivative instruments and interest-bearing investments					
Derivative instruments not accounted for as effective hedging instruments	HfT	24.1	24.1	12.3	12.3
Available-for-sale financial assets	AfS	16.7	16.7	16.8	16.8
Other receivables with a financing character	LaR	18.5	18.5	18.4	18.4
Trade accounts receivable	LaR	8,351.9	8,351.9	7,392.7	7,392.7
Other financial assets	LaR	552.6	552.6	521.9	521.9
Cash and cash equivalents					
Cash and cash equivalents	LaR	1,814.0	1,814.0	2,044.4	2,044.4
Available-for-sale financial assets	AfS	81.7	81.7	62.6	62.6
Financial assets		**10,903.5**	**10,903.5**	**10,112.2**	**10,112.2**
Indebtedness					
Derivative instruments accounted for as effective hedging instruments	n. a.	8.3	8.3	13.6	13.6
Derivative instruments not accounted for as effective hedging instruments	HfT	25.9	25.9	49.3	49.3
Finance lease liabilities	n. a.	21.2	21.6	28.9	30.3
Other indebtedness	OL	4,667.2	4,800.7	4,860.5	5,015.4
Trade accounts payable	OL	6,760.1	6,760.1	6,248.0	6,248.0
Other financial liabilities	OL	1,217.2	1,216.8	1,284.4	1,283.9
Financial liabilities		**12,699.9**	**12,833.4**	**12,484.7**	**12,640.5**
Aggregated according to categories as defined in IAS 39:					
Financial assets held for trading (HfT)		24.1		12.3	
Loans and receivables (LaR)		10,737.0		9,977.4	
Available-for-sale financial assets (AfS)		142.4		122.5	
Financial liabilities held for trading (HfT)		25.9		49.3	
Financial liabilities measured at amortized cost (OL)		12,644.5		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		**March 31, 2017**	Level 1	Level 2	Cost
Available-for-sale financial assets	AfS	98.4	88.8	9.6	0.0
Derivative instruments not accounted for as effective hedging instruments	HfT	24.1	–	24.1	–
Financial assets measured at fair value		**122.5**	**88.8**	**33.7**	**0.0**
Derivative instruments accounted for as effective hedging instruments	n. a.	8.3	–	8.3	–
Derivative instruments not accounted for as effective hedging instruments	HfT	25.9	–	25.9	–
Financial liabilities measured at fair value		**34.2**	**–**	**34.2**	**–**
Finance lease liabilities	n. a.	21.6	–	21.6	–
Other indebtedness	OL	4,800.7	2,707.9	596.5	1,496.3
Other financial liabilities	OL	1,216.8	–	21.9	1,194.9
Financial liabilities not measured at fair value		**6,039.1**	**2,707.9**	**640.0**	**2,691.2**

€ 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	–
Financial assets measured at fair value		**91.7**	**69.9**	**21.8**	**0.0**
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	–
Financial liabilities measured at fair value		**62.9**	**–**	**62.9**	**–**
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
Financial liabilities not measured at fair value		**6,329.6**	**3,477.7**	**567.0**	**2,284.9**

Litigation and compensation claims
There were either no significant new developments in the reporting period with regard to 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 March 31, 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). The distribution of a dividend of €4.25 per share to the shareholders of Continental AG for the past fiscal year will be proposed to the Annual Shareholders' Meeting to be held in Hanover on April 28, 2017. With 200,005,983 shares entitled to dividends, the total distribution will thus amount to €850,025,427.75. The remaining amount is to be 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
After the first three months of 2017, basic earnings per share amounted to €3.75 (PY: €3.67), the same amount as 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 March 31, 2017

There were no significant events after March 31, 2017.

Hanover, April 25, 2017

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2017	
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

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

Publication Details

This Financial Report has also been published in German.
The 2016 Annual Report is available in English and German.

If you wish to receive copies of any of these reports, please contact:

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