Continental
The Future in Motion

Q2

TRANSFORMATION

HALF-YEAR FINANCIAL REPORT AS AT JUNE 30, 2020

Continental Shares and Bonds

COVID-19 pandemic dominates the stock markets
In the first quarter of 2020, the spread of the novel coronavirus, the subsequent extensive economic shutdowns in many countries as well as numerous company profit warnings and forecast retractions triggered a sharp decline in global stock market prices from the end of February to mid-March. In the second half of March, the announcement of extensive support measures for companies by European governments, the European Union and the US government gave rise to hopes that the crisis would soon be overcome. The DAX closed the first quarter of 2020 at 9,935.84 points. This represented a decline of 25.0% compared with the end of 2019, when it was quoted at 13,249.01 points. The EURO STOXX 50 followed almost exactly the same trend, falling by 25.6% in the first quarter to 2,786.90 points.

The second quarter of 2020 was initially characterized by a rapid recovery of the stock markets, driven mainly by relief programs put in place by central banks, the stimulus packages introduced by many countries and the gradual resumption of production in industry. Resurging infection rates in some countries led to another decline in prices during June. The DAX grew by 23.9% in the second quarter compared to the end of the previous quarter, closing June 2020 at 12,310.93 points. For the first six months of 2020, however, it decreased by 7.1% compared to the start of the year. The EURO STOXX 50 rose in the second quarter of 2020, closing the reporting period at 3,234.07 points, an increase of 16.0%. For the first half of 2020, it declined by 13.6% compared to the end of 2019.

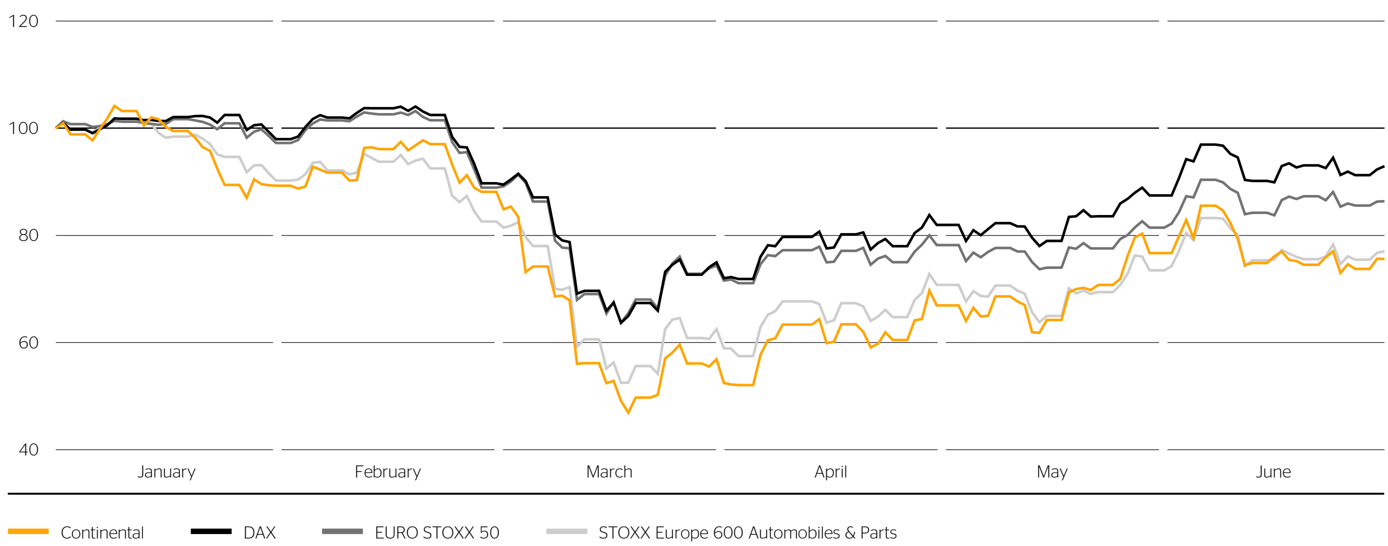
Automotive stocks severely affected by the COVID-19 pandemic
The COVID-19 pandemic in China and the resulting negative effects on local vehicle demand and production weighed heavily on global automotive stocks in the first quarter of 2020. Plant closures by vehicle manufacturers and suppliers in March and the anticipated negative effects of various measures on vehicle demand and production in the second quarter caused the prices of European automotive stocks to plummet in March 2020. In the first quarter of 2020, the STOXX Europe 600 Automobiles & Parts fell to 317.82 points, a decline of 37.5% compared to the end of 2019.

Driven by the general market rally, the STOXX Europe 600 Automobiles & Parts recovered in the second quarter of 2020, rising by 23.2% to 391.65 points as a result of the renewed increase in sales and production volumes. For the first half of 2020 overall, however, it recorded a decrease of 23.0%.

Decline in the Continental share price in the reporting period
Continental shares largely followed the trend in the European automotive sector in the first quarter of 2020, although they were somewhat more volatile. They closed March 2020 at €65.61, having fallen 43.1% compared to the 2019 year-end price of €115.26.

In the second quarter of 2020, Continental shares continued to move broadly in line with the development of the European automotive sector. They increased by 32.8% in the second quarter and ended June 2020 at €87.16. Compared to the 2019 year-end price, this represented a decline of 24.4% for the first half of 2020.

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2020



Continental's key bonds outstanding as at June 30, 2020

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at June 30, 2020	Price as at Dec. 31, 2019
A1X3B7/XS0969344083	3.125%	September 9, 2020	750.0	99.228%	100.525%	102.311%
A2YPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	97.865%	99.308%
A28XTQ/XS2178585423	2.125%	November 27, 2023	750.0	99.559%	103.251%	–
A28YEC/XS2193657561	1.125%	September 25, 2024	625.0	99.589%	99.820%	–
A2YPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	95.628%	99.780%
A28XTR/XS2178586157	2.500%	August 27, 2026	750.0	98.791%	105.513%	–

Decline in the price of Continental's old bonds

Uncertainty about the projected duration of government measures to contain the COVID-19 pandemic and possible negative effects on companies' solvency led to a significant rise in interest rates for European corporate bonds in the first quarter of 2020. As a result, the prices of listed bonds declined. Interest rates fell again in the second quarter, with the prices of corporate bonds mostly recovering significantly compared to the end of the first quarter as a result.

The price of the 0.0% euro bond from Continental maturing on September 12, 2023, decreased by 144.3 basis points in the reporting period and ended June 2020 at 97.865%. The price of the 0.375% euro bond maturing on June 27, 2025, decreased by 415.2 basis points in the reporting period and closed the first half of 2020 at 95.628%. The price of the 3.125% euro bond maturing on September 9, 2020, decreased by 178.6 basis points in the reporting period to 100.525%, primarily due to the reduction in its remaining maturity.

0.0% euro bond redeemed

The price of the 0.0% euro bond of Continental that matured on February 5, 2020, hovered around the 100% mark in January and February 2020. The nominal value of €600.0 million was repaid on the maturity date.

Successful placement of new euro bonds

In May and June 2020, Continental AG and Conti-Gummi Finance B.V. successfully placed a total of three euro bonds with investors in Germany and abroad under the Debt Issuance Programme (DIP).

Two euro bonds were offered on May 18, 2020 – one with an interest coupon of 2.125% for a term of three and a half years and the other with an interest coupon of 2.5% for a term of six years and three months. The nominal volume of each bond was set at €750.0 million. The respective issue prices amounted to 99.559% and 98.791%. Both bonds were issued on the regulated market of the Luxembourg Stock Exchange on May 27, 2020.

The third euro bond was offered on June 17, 2020, with an interest coupon of 1.125%. With a nominal volume of €625.0 million, the issue price amounted to 99.589%. The bond has a term of four years and three months. It was issued on the regulated market of the Luxembourg Stock Exchange on June 25, 2020.

Credit rating for Continental AG lowered

The rating agency Standard & Poor's confirmed its long-term credit rating of BBB+ on March 5, 2020 – after the publication of the Continental Group's preliminary financial figures for 2019 – but lowered its outlook to negative. On March 30, 2020, it downgraded the long-term credit rating to BBB and left the outlook of negative unchanged.

The rating agency Moody's downgraded its long-term credit rating from Baa1 to Baa2 on March 13, 2020, and left its outlook of negative unchanged.

The rating agency Fitch downgraded its long-term credit rating from BBB+ to BBB on April 20, 2020, and left its outlook of stable unchanged.

Credit rating for Continental AG

	June 30, 2020	December 31, 2019
Standard & Poor's[1]		
Long-term	BBB	BBB+
Short-term	A-2	A-2
Outlook	negative	stable
Fitch[2]		
Long-term	BBB	BBB+
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa2	Baa1
Short-term	no rating	no rating
Outlook	negative	negative

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

Investor Relations online

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

Key Figures for the Continental Group

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Sales	16,532.4	22,310.7	6,619.7	11,264.0
EBITDA	1,052.3	2,930.6	–108.1	1,456.9
in % of sales	6.4	13.1	–1.6	12.9
EBIT	–392.8	1,576.6	–829.1	753.3
in % of sales	–2.4	7.1	–12.5	6.7
Net income attributable to the shareholders of the parent	–448.8	1,060.0	–741.1	484.8
Basic earnings per share in €	–2.24	5.30	–3.70	2.42
Diluted earnings per share in €	–2.24	5.30	–3.70	2.42
Adjusted sales[1]	16,411.8	22,307.3	6,599.5	11,262.7
Adjusted operating result (adjusted EBIT)[2]	–202.3	1,749.2	–634.0	864.9
in % of adjusted sales	–1.2	7.8	–9.6	7.7
Free cash flow	–1,802.3	–1,025.5	–1,812.7	–262.2
Net indebtedness as at June 30	5,923.7	5,665.8		
Gearing ratio in %	41.1	31.3		
Number of employees as at June 30[3]	232,023	244,615		

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 Group Sectors

	January 1 to June 30		Second Quarter	
Automotive Technologies in € millions	**2020**	2019	**2020**	2019
Sales	6,740.4	9,578.8	2,560.0	4,841.0
EBITDA	139.6	1,067.8	–287.3	562.3
in % of sales	2.1	11.1	–11.2	11.6
EBIT	–401.9	536.3	–552.6	276.2
in % of sales	–6.0	5.6	–21.6	5.7
Depreciation and amortization[1]	541.5	531.5	265.3	286.2
thereof impairment[2]	4.4	–	–0.2	–
Capital expenditure[3]	390.2	577.9	196.6	316.0
in % of sales	5.8	6.0	7.7	6.5
Operating assets as at June 30	9,980.4	12,212.0		
Number of employees as at June 30[4]	93,936	96,939		
Adjusted sales[5]	6,726.6	9,577.6	2,560.0	4,840.2
Adjusted operating result (adjusted EBIT)[6]	–387.3	575.9	–462.3	297.3
in % of adjusted sales	–5.8	6.0	–18.1	6.1

	January 1 to June 30		Second Quarter	
Rubber Technologies in € millions	**2020**	2019	**2020**	2019
Sales	6,933.2	8,889.3	2,961.5	4,517.7
EBITDA	942.3	1,539.5	291.3	750.7
in % of sales	13.6	17.3	9.8	16.6
EBIT	338.0	973.0	–8.4	463.0
in % of sales	4.9	10.9	–0.3	10.2
Depreciation and amortization[1]	604.3	566.5	299.7	287.7
thereof impairment[2]	1.4	2.4	1.4	2.4
Capital expenditure[3]	338.5	533.7	174.3	288.3
in % of sales	4.9	6.0	5.9	6.4
Operating assets as at June 30	10,925.4	11,401.0		
Number of employees as at June 30[4]	99,490	104,795		
Adjusted sales[5]	6,826.4	8,887.1	2,941.3	4,517.2
Adjusted operating result (adjusted EBIT)[6]	416.2	1,070.2	35.2	535.7
in % of adjusted sales	6.1	12.0	1.2	11.9

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

	January 1 to June 30		Second Quarter	
Powertrain Technologies in € millions	**2020**	2019	**2020**	2019
Sales	2,960.2	3,967.0	1,131.2	1,961.4
EBITDA	25.2	371.4	–91.3	185.4
in % of sales	0.9	9.4	–8.1	9.5
EBIT	–267.2	117.2	–244.3	56.3
in % of sales	–9.0	3.0	–21.6	2.9
Depreciation and amortization[1]	292.4	254.2	153.0	129.1
thereof impairment[2]	51.0	12.0	33.0	5.8
Capital expenditure[3]	164.2	295.6	60.0	164.3
in % of sales	5.5	7.5	5.3	8.4
Operating assets as at June 30	3,498.5	4,277.6		
Number of employees as at June 30[4]	38,150	42,412		
Adjusted sales[5]	2,960.2	3,967.0	1,131.2	1,961.4
Adjusted operating result (adjusted EBIT)[6]	–172.0	151.4	–183.9	72.5
in % of adjusted sales	–5.8	3.8	–16.3	3.7

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.

Consolidated Management Report

Effects of the COVID-19 pandemic
On April 1, 2020, we announced that the ongoing COVID-19 pandemic, the resulting restrictions imposed by governments and authorities as well as production stops and other measures taken by customers and suppliers in the reporting period had led to significant adjustments and interruptions in key areas of the Continental Group.

To preserve our financial liquidity, we are lowering our costs, optimizing our working capital and postponing projects and investments that are not urgently required until further notice. To ensure our ability to act, however, we are continuing to push ahead with key development projects as well as preparations for upcoming production start-ups.

More than 40% of Continental's 249 production locations worldwide temporarily ceased activities for a few days to several weeks in order to protect employees and in response to the drop in demand. The cutback in production continues to affect in particular locations in Europe as well as in North and South America. In China, production was initially halted in compliance with local regulations and has been gradually resumed since February 10, 2020.

In Germany, up to 30,000 employees were registered for short-time work at the peak of the pandemic. Of employees who were able to work from home, more than 95% did so.

Vitesco Technologies spin-off to take place once market environment has improved
On April 30, 2020, we announced the decision made by Continental's Executive Board, as a result of the COVID-19 pandemic and the resulting ongoing economic uncertainty, to not implement the planned spin-off with listing of Vitesco Technologies this year. The spin-off is to be completed as soon as the market environment has noticeably improved and is more stable.

Personnel: Andreas Wolf appointed to the Executive Board
Andreas Wolf was appointed to the Executive Board of Continental AG with effect from June 3, 2020. He has led the Powertrain Technologies group sector, which specializes in the electrification of the powertrain, since October 2018. His appointment will run for three years. If the planned spin-off of Vitesco Technologies is completed within this period, his term will end ahead of time.

Dividend adjusted
On June 3, 2020, the Executive Board and Supervisory Board of Continental AG decided to propose a dividend distribution of €3.00 per share for fiscal 2019 to the Annual Shareholders' Meeting. The previously announced proposal for the appropriation of net income of €4.00 per share was thus adjusted. The reason for this is the impact of the COVID-19 pandemic. The proposed appropriation of net income of €3.00 per share was adopted by the Annual Shareholders' Meeting on July 14, 2020.

Transformation 2019–2029 structural program
On July 14, 2020, the Supervisory Board of Continental AG approved the next steps for the implementation of the Transformation 2019–2029 structural program. The first resolution relates to the closure of the location in Rubi, Spain, by the end of 2021. The production of display and control technologies there is to be gradually phased out or transferred to other European locations by 2021. Continental has drawn up a pre-agreement together with the employee representatives and labor unions for the approximately 740 people employed at this location. The resolution is subject to the formal conclusion of a consultation phase, which is required in Spain in the event of restructuring. This phase involves representatives of Continental, employee representatives and local authorities. The second resolution relates to the closure of the location in Nogales, Mexico, with around 2,000 employees. The production of vehicle communication and connectivity technology and drive system components at the location will be gradually phased out, probably by mid-2024, with some activities transferred to other locations in the region.

PRORETA 5: joint research into artificial intelligence
We are continuing our series of PRORETA research projects, together with the Technical University of Darmstadt and the University of Bremen in Germany as well as the Technical University of Iasi in Romania. PRORETA 5 is dedicated to one of the most challenging tasks for automated driving: recognizing complex traffic situations in inner cities and how algorithms from sensor data can deduce the correct driving decisions in these situations. At an unregulated intersection, for example, it is a challenge to correctly interpret all objects related to the intended direction of travel – including their direction of movement, intention and priority – without human intervention. Artificial intelligence plays a key role in this.

Development partnership for SiC power semiconductors
In June 2020, Vitesco Technologies and ROHM Semiconductor entered into a development partnership for silicon carbide (SiC) power semiconductors. Vitesco Technologies will use SiC components to further increase the efficiency of its power electronics for electric vehicles. Through their enhanced performance, SiC semiconductors make better use of the electric energy stored in a vehicle battery. This increases the range of the vehicle or allows the battery to be made smaller without affecting the range.

New orders for smartphone-based car keys
As part of a development phase with customers and partners, we have secured new production orders for our CoSmA smartphone-based vehicle access system. Three more major vehicle manufacturers are integrating the smartphone solution worldwide into the architecture of their upcoming vehicle generations. The start of production is planned for 2021. The CoSmA technology replaces conventional keys and is particularly user-friendly because drivers can access, unlock and start their car using their own smartphone without even having to pick up the device. The core of the system

is a digital key that contains the access authorization for a specific vehicle. In a single app, the vehicle owner can generate and manage multiple digital keys at the same time and share them easily with family and friends. Package delivery services can even deliver online orders directly to the vehicle. As soon as authentication is provided by the backend key management system in the Continental.cloud, access to the vehicle is granted.

Efficient drive belts for wind turbines

Continental is equipping the wind turbines made by Chinese manufacturer Xinjiang Goldwind Science and Technology with drive belts. These are an efficient alternative to gearboxes, which are used to adjust the blades in wind turbines and can respond flexibly to changing wind strengths. In comparison with gearbox solutions, belts are less complex and less susceptible to vibrations and malfunctions. They are less prone to wear, more durable, more cost-effective and therefore more efficient in the long term.

Microsite about CO_2 emissions regulations

To combat climate change in line with the Paris Agreement, the first carbon dioxide emissions regulations for new heavy-duty vehicles (HDV) were introduced by the European Commission in 2019. These stipulate a reduction in average CO_2 emissions from new HDVs of 15% by 2025 and of 30% by 2030 compared to the period from July 2019 to June 2020. To ensure that the reduction targets can be met and CO_2 emissions and fuel consumption can be calculated, the Commission launched the VECTO simulation tool. To provide fleet managers with comprehensive information about VECTO, the new regulations and their implications, we have made a new microsite available – not least because tires significantly influence the amount of CO_2 emissions generated by a vehicle.

Economic Report

Macroeconomic development
In June 2020, the International Monetary Fund (IMF) again lowered its growth forecast for the global economy, as the COVID-19 pandemic had a more negative impact on economic activity in many countries in the first half of 2020 than previously expected. The economic recovery expected in the second half of the year is also likely to be slower than previously forecast.

In its World Economic Outlook Update (WEO Update), the IMF now anticipates a decline in global economic output of 4.9% for 2020. The IMF had previously forecast a decline in global economic output of 3.0% in its estimates from April 2020. In its latest baseline scenario, it anticipates impaired productivity for companies due to increased safeguarding measures right through to renewed shutdowns of businesses or even cities in countries with persistently high infection rates.

For Europe, the IMF expects more substantial negative effects on economic output. According to its estimates, gross domestic product (GDP) for the eurozone is likely to fall by 10.2% in 2020, rather than the 7.5% previously forecast. Of the major eurozone economies, it sees France, Italy and Spain as being particularly affected, with GDP declining year-on-year by more than 12%. For Germany, it currently expects a decline of 7.8% compared to 2019. Countries outside of the eurozone are also expected to report considerably lower economic output. For the UK and Russia, the IMF now assumes a decline in economic output of 10.2% and 6.6%, respectively.

For North America too, the IMF revised its forecast downwards. For the USA, due to the COVID-19 pandemic, it now anticipates a decline in GDP of 8.0% in 2020, rather than the 5.9% previously forecast. Canada and Mexico are likely to be even more heavily affected, with declines in GDP of 8.4% and 10.5%, respectively, in 2020. The IMF anticipates a more substantial decline in economic output in other countries in the Americas as well. For Brazil, for example, it currently predicts a decline in GDP of 9.1%, rather than the 5.3% previously forecast.

For Asian countries, the IMF again lowered the growth forecast, though to a lesser extent in most cases. It reports that China is still likely to record year-on-year economic growth for 2020 of 1.0%. For other Asian countries, meanwhile, the IMF still expects economic output to fall only slightly in most cases. It expects a noticeable decline in GDP of 5.8% for Japan's export-oriented economy as well as a decline of 4.5% for India's economy.

The IMF stresses that there is still extreme uncertainty around its global growth forecast, and that future economic development in individual countries will depend on many factors – including the course of the COVID-19 pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, changes in demand, the repercussions of the dramatic tightening in global financial market conditions, confidence effects, as well as possible restructuring in global supply chains.

Development of new passenger-car registrations
Due to the COVID-19 pandemic and the containment measures taken by individual countries, demand for passenger cars fell sharply in all regions across the world. According to preliminary data, global new-car registrations decreased by 28% in the first half of 2020.

Over the course of the pandemic, China was initially the hardest hit. Here, the Chinese government had already taken comprehensive containment measures at the end of January 2020. Once these were eased, a rapid recovery in demand was seen in the second quarter. Preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA) indicates a decline in new-car registrations in China of 22% for the first half of 2020.

In April and May 2020, the containment measures of many countries likewise led to significant slumps in demand for passenger cars. In the European car market (EU27, EFTA and UK), sales volumes fell by 39% in the first half of 2020 according to preliminary data from the VDA. Brazil also recorded an equivalent slump in demand. According to the VDA, significant declines in sales of more than 20% were also seen in the USA (23%), Russia (23%) and Japan (20%).

Development of production of passenger cars and light commercial vehicles
The closures of automotive plants and falling demand for passenger cars resulted in a substantial decline in the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons of around 33% in the first half of 2020, according to preliminary data.

In China, production was almost halved as a result of the extensive plant closures in the first quarter of 2020. Production recovered quickly in the second quarter, increasing by 9% year-on-year according to preliminary data. For the first half of 2020, it declined by around 20% year-on-year.

In Europe and North America – the Continental Group's other two core markets in addition to China – initial plant closures led to a decline in production of 18% and 11%, respectively, in the first quarter of 2020. According to preliminary figures, the production standstill in April and its gradual resumption in May and June caused an extreme slump in volumes in the second quarter, of 63% and 69%, respectively. The production of passenger cars and light commercial vehicles fell by around 40% in both Europe and North America in the first half of 2020.

Significant declines in production were also recorded by many other countries during the reporting period, in particular Brazil, India, Japan and South Korea.

Looking ahead to the third quarter of 2020, we again anticipate a slight negative trend in China and expect production volumes to decline by up to 10% year-on-year.

In Europe, subdued demand and high inventory levels are likely to slow down the recovery in the third quarter of 2020. We therefore expect production volumes to be 10% to 20% lower than in the previous year.

For North America, we expect volumes to continue to normalize. Production figures are still likely to be between 5% and 15% lower year-on-year in the third quarter of 2020, however.

Overall, we currently expect the global production of passenger cars and light commercial vehicles to fall by 10% to 20% in the third quarter of 2020.

Due to the dynamic nature of developments related to the pandemic, the timing for a new outlook for the year in its entirety cannot be currently determined. This also applies to the following key customer sectors, for which we also only consider the third quarter of 2020.

Development of production of medium and heavy commercial vehicles

According to preliminary data, the decline in order intake from the previous year coupled with plant closures due to the COVID-19 pandemic led to a decline in the global production of medium and heavy commercial vehicles weighing more than 6 metric tons of around 23% in the first half of 2020. North America was particularly affected, with truck production falling by around 45% in the reporting period according to preliminary data. In Europe, preliminary data indicates that the decline in production came to around 35% over the reporting period. China recorded a decline in volumes of around 20% in the first quarter of 2020, but this was more than offset by the sharp rise in production of 45% in the second quarter. China ended the first half of 2020 with production up 13% overall.

In the third quarter of 2020, the situation in Europe and North America is expected to improve only slowly. Volumes in Europe are still likely to be down by between 20% and 30% year-on-year. For North America too, we expect production figures to be between 45% and 55% lower than the previous year. For China, after strong growth in the second quarter, we expect a slight decline in production of up to 10% in the third quarter. For the global production of medium and heavy commercial vehicles, we expect a decline of between 20% and 30% in the third quarter of 2020.

Development of replacement-tire markets for passenger cars and light commercial vehicles

According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons fell by around 15% year-on-year in the first half of 2020 in the wake of the COVID-19 pandemic. The global market slump in the first quarter of 2020 was caused in particular by weak demand in China, where the coronavirus first broke out. Demand here normalized in the second quarter and was up slightly year-on-year according to preliminary figures. Over the reporting period as a whole, the decline in sales volumes came to around 15%. In Europe and North America, the COVID-19 pandemic and the containment measures caused demand for tires to fall in the second quarter. On the basis of preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles in Europe and North America fell by around 20% respectively in the first half of 2020.

In the third quarter of 2020, we expect demand for replacement tires for cars and light commercial vehicles to normalize. For Europe, we still expect volumes to be 10% to 15% lower than the previous year's figures. In North America, sales volumes are likely be 5% to 10% lower year-on-year. For China, we expect demand to increase by up to 5% compared with the same quarter of the previous year. We expect global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons to fall by 5% to 10% in the third quarter of 2020.

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

In our core market of Europe, preliminary data indicates that demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons fell by around 8% year-on-year in the first half of 2020 in the wake of the COVID-19 pandemic. North America, our other core market, recorded a similar decline of 7%.

For the third quarter of 2020, we currently expect a year-on-year decline in demand for replacement tires for medium and heavy commercial vehicles of 5% to 10% in Europe as well as in North America.

Vehicle production and sales volumes in the tire-replacement business

	Vehicle production				Replacement sales of tires			
	of passenger cars and light commercial vehicles		of medium and heavy commercial vehicles		for passenger cars and light commercial vehicles		for medium and heavy commercial vehicles	
	H1 2020	Q3 2020	**H1 2020**	Q3 2020	**H1 2020**	Q3 2020	**H1 2020**	Q3 2020
Europe	~ -40%	-10% to -20%	~ -35%	-20% to -30%	~ -20%	-10% to -15%	~ -8%	-5% to -10%
North America	~ -40%	-5% to -15%	~ -45%	-45% to -55%	~ -20%	-5% to -10%	~ -7%	-5% to -10%
China	~ -20%	0% to -10%	~ 13%	0% to -10%	~ -15%	0% to 5%	n. a.	n. a.
Worldwide	**~ -33%**	**-10% to -20%**	**~ -23%**	**-20% to -30%**	**~ -15%**	**-5% to -10%**	**n. a.**	**n. a.**

Source: Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey). Preliminary figures for H1 2020 and own estimates for Q3 2020.

Earnings, Financial and Net Assets Position of the Continental Group

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

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Sales	16,532.4	22,310.7	6,619.7	11,264.0
EBITDA	1,052.3	2,930.6	-108.1	1,456.9
in % of sales	6.4	13.1	-1.6	12.9
EBIT	-392.8	1,576.6	-829.1	753.3
in % of sales	-2.4	7.1	-12.5	6.7
Net income attributable to the shareholders of the parent	-448.8	1,060.0	-741.1	484.8
Basic earnings per share in €	-2.24	5.30	-3.70	2.42
Diluted earnings per share in €	-2.24	5.30	-3.70	2.42
Research and development expenses (net)	1,721.6	1,819.4	808.6	916.6
in % of sales	10.4	8.2	12.2	8.1
Depreciation and amortization[1]	1,445.1	1,354.0	721.0	703.6
thereof impairment[2]	56.8	15.6	34.2	9.4
Capital expenditure[3]	923.4	1,426.3	448.4	784.5
in % of sales	5.6	6.4	6.8	7.0
Operating assets as at June 30	24,480.5	27,817.6		
Number of employees as at June 30[4]	232,023	244,615		
Adjusted sales[5]	16,411.8	22,307.3	6,599.5	11,262.7
Adjusted operating result (adjusted EBIT)[6]	-202.3	1,749.2	-634.0	864.9
in % of adjusted sales	-1.2	7.8	-9.6	7.7
Net indebtedness as at June 30	5,923.7	5,665.8		
Gearing ratio in %	41.1	31.3		

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

Earnings Position

Sales down 25.9%
Sales down 25.7% before changes in the scope of consolidation and exchange-rate effects
Consolidated sales for the first six months of 2020 decreased by 25.9% year-on-year to €16,532.4 million (PY: €22,310.7 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 25.7%.

Adjusted EBIT down 111.6%
Adjusted EBIT for the Continental Group declined by €1,951.5 million or 111.6% year-on-year to -€202.3 million (PY: €1,749.2 million) in the first six months of 2020, corresponding to -1.2% (PY: 7.8%) of adjusted sales.

EBIT down 124.9%
The Group's EBIT fell by €1,969.4 million or 124.9% year-on-year to -€392.8 million (PY: €1,576.6 million) in the first six months of 2020. The return on sales fell to -2.4% (PY: 7.1%).

Special effects in the first half of 2020
The transformation of the Powertrain business area into an independent legal entity resulted in expense totaling €37.6 million (Autonomous Mobility and Safety €4.9 million; Vehicle Networking and Information €5.2 million; Powertrain €25.1 million; holding €2.4 million).

Impairment on property, plant and equipment resulted in expense totaling €50.0 million (Autonomous Mobility and Safety €4.5 million; Powertrain €45.5 million; holding €0.0 million). A reversal of impairment losses on property, plant and equipment in the Vehicle Networking and Information business area resulted in income of €0.3 million.

In the first six months, severance payments resulted in a negative special effect totaling €23.0 million (Autonomous Mobility and Safety €4.3 million; Vehicle Networking and Information €4.7 million; Tires €3.4 million; ContiTech €6.3 million; Powertrain €4.2 million; holding €0.1 million).

In the Autonomous Mobility and Safety business area, there were restructuring expenses of €19.5 million for the location in Gifhorn, Germany, and €14.6 million for the location in Palmela, Portugal. These restructuring expenses included impairment on property, plant and equipment totaling €0.2 million.

The reversal of restructuring provisions no longer required for the location in Henderson, North Carolina, USA, also resulted in income of €2.9 million in the Autonomous Mobility and Safety business area.

In the Vehicle Networking and Information business area, there were restructuring expenses of €80.0 million for the location in Rubi, Spain.

In the ContiTech business area, there were restructuring expenses of €0.4 million for the location in Nyiregyhaza, Hungary; €8.7 million for the location in Mitchell, Canada; and €4.4 million for the location in Yangsan-City, South Korea. These restructuring expenses included impairment on property, plant and equipment totaling €1.4 million.

In the Powertrain business area, there were restructuring expenses of €6.7 million for the location in Faulquemont, France; €0.8 million for the location in Roding, Germany; €0.2 million for the location in Kaluga, Russia; and €5.9 million for the location in Cergy, France. These restructuring expenses included impairment on property, plant and equipment totaling €5.5 million.

Also in the Powertrain business area, the reversal of restructuring provisions no longer required resulted in income of €1.0 million for the location in Sibiu, Romania; €1.4 million for the location in Newport News, Virginia, USA; and €0.6 million for the location in Singapore, Singapore.

In addition, restructuring-related expenses resulted in expense totaling €9.7 million (Autonomous Mobility and Safety €3.9 million; Vehicle Networking and Information €1.2 million; Powertrain €4.6 million).

For the Vehicle Networking and Information business area, the sale of an equity-accounted investee resulted in income of €157.4 million.

For the Tires business area, the disposal of companies and assets resulted in expense totaling €0.2 million.

Total consolidated expense from special effects in the first six months of 2020 amounted to €98.1 million.

Special effects in the first half of 2019
The transformation of the Powertrain business area into an independent legal entity resulted in expense totaling €19.8 million (Autonomous Mobility and Safety €1.4 million; Vehicle Networking and Information €1.4 million; Powertrain €15.4 million; holding €1.6 million).

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

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

Moreover, restructuring for the location in Newport News, Virginia, USA, resulted in expense of €5.7 million in the Powertrain business area. This included impairment on property, plant and equipment in the amount of €4.3 million.

In the Vehicle Networking and Information business area, an expense of €1.9 million resulted from a subsequent purchase price adjustment to an acquisition of shares.

A business combination resulted in a gain of €2.2 million in the Tires business area.

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

In the ContiTech business area, there were restructuring expenses of €37.6 million in the Mobile Fluid Systems business unit. These included impairment on property, plant and equipment in the amount of €1.0 million.

Total consolidated expense from special effects in the first six months of 2019 amounted to €80.3 million.

Research and development

In the first six months of 2020, research and development expenses (net) fell by 5.4% compared with the same period of the previous year to €1,721.6 million (PY: €1,819.4 million), representing 10.4% (PY: 8.2%) of sales. €1,153.4 million (PY: €1,215.3 million) of this related to Automotive Technologies, corresponding to 17.1% (PY: 12.7%) of sales; €223.5 million (PY: €238.3 million) to Rubber Technologies, corresponding to 3.2% (PY: 2.7%) of sales; and €344.7 million (PY: €365.8 million) to Powertrain Technologies, corresponding to 11.6% (PY: 9.2%) of sales.

Financial result

The negative financial result improved by €35.0 million year-on-year to €63.0 million (PY: €98.0 million) in the first half of 2020. This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments.

Interest income decreased by €9.2 million year-on-year to €49.9 million (PY: €59.1 million) in the first half of 2020. Expected income from long-term employee benefits and pension funds totaled €30.1 million in this period (PY: €37.4 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €130.3 million in the first half of 2020 and was thus €12.1 million lower than the previous year's figure of €142.4 million. The interest expense from long-term employee benefits totaled €63.2 million (PY: €77.6 million) in this period. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €67.1 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was slightly higher than the prior-year figure of €64.8 million.

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €19.6 million (PY: bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, USA, resulted in expenses of €16.4 million). The increase resulted primarily from the issue of euro bonds with a total volume of €1,400.0 million in the second half of 2019 and with a total volume of €2,125.0 million in the second quarter of 2020. In addition to a floating-rate €200.0-million bond from Continental AG, the other bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, have a fixed interest rate of between 0.000% p.a. and 2.500% p.a. A counter-effect is attributable to the repayment of two euro bonds. These were the €500.0-million bond from Continental Rubber of America, Corp., Wilmington, Delaware, USA, that matured on February 19, 2019, and the €600.0-million bond from Continental AG that matured on February 5, 2020.

The effects from currency translation resulted in a negative contribution to earnings of €19.0 million (PY: €7.2 million) in the first half of 2020. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in earnings totaling €36.4 million (PY: expense of €7.5 million). Other valuation effects accounted for an expense of €0.9 million (PY: €0.1 million). Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in the first half of 2020 were positively impacted by €18.3 million (PY: negatively impacted by €14.6 million).

Income tax expense

Income tax expense in the first half of 2020 amounted to tax income of €10.7 million (PY: tax expense of €396.3 million). The tax rate amounted to 2.3% (PY: 26.8%) as a result of the negative consolidated income before taxes in the reporting period.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent decreased by 142.3% to -€448.8 million (PY: €1,060.0 million). After the first six months of 2020, basic earnings per share amounted to -€2.24 (PY: €5.30), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow

EBIT for the first six months of 2020 declined by €1,969.4 million year-on-year to -€392.8 million (PY: €1,576.6 million).

Interest payments increased by €17.5 million to €70.9 million (PY: €53.4 million).

Income tax payments fell by €100.1 million to €370.0 million (PY: €470.1 million).

At €1,445.1 million, depreciation, amortization, impairment and reversal of impairment losses increased by €91.1 million from €1,354.0 million in the previous year.

At €1,531.4 million as at June 30, 2020, the net cash outflow arising from the increase in operating working capital was €249.8 million higher than the figure for the previous year of €1,281.6 million.

At €1,174.0 million as at June 30, 2020, the net cash outflow arising from operating activities was €1,917.9 million lower than the previous year's figure (PY: cash inflow of €743.9 million).

Cash flow arising from investing activities amounted to an outflow of €628.3 million (PY: €1,769.4 million) in the first six months of 2020. Capital expenditure on property, plant and equipment, and software was down €483.1 million from €1,293.7 million to €810.6 million before leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies resulted in a total cash inflow of €270.0 million (PY: cash outflow of €353.8 million).

The free cash flow in the first half of 2020 resulted in an outflow of €1,802.3 million (PY: €1,025.5 million). The free cash flow thus decreased by €776.8 million year-on-year.

Financing and indebtedness

At €5,923.7 million as at June 30, 2020, the Continental Group's net indebtedness was above the previous year's level of €5,665.8 million. Compared to the figure of €4,071.7 million as at December 31, 2019, it had increased by €1,852.0 million. The gearing ratio increased to 41.1% (PY: 31.3%) as at the end of the first half of 2020.

The €600.0-million euro bond from Continental AG that matured on February 5, 2020, was redeemed at a rate of 100.00%. This bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months.

In September and October 2019, Continental AG issued two listed euro bonds and two private placements with a total issue volume of €1,400.0 million under the Debt Issuance Programme (DIP). The maturities are between April 2021 and June 2025. For details regarding these bonds, please refer to the comments in the 2019 annual report. The Continental Group utilized the favorable market and interest rate environment to place three further euro bonds with investors in Germany and abroad through Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, as part of this program in the second quarter of 2020. The issue price of the €750.0-million bond issued by Continental AG on May 27, 2020, amounted to 98.791%. This bond has a term of six years and three months and an interest rate of 2.500% p.a. The €750.0-million and €625.0-million bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, on May 27, 2020, and June 25, 2020, have a term of three years and six months and four years and three months, respectively. The issue price of the bonds with a fixed interest rate of 2.125% p.a. and 1.125% p.a. amounted to 99.559% and 99.589%.

The syndicated loan from 2014, which has been granted until April 2021, was renewed ahead of schedule in December 2019. In doing so, the volume of the revolving tranche was increased from €3,000.0 million to €4,000.0 million. This credit line is available to the Continental Group until December 2024. For further details regarding the syndicated loan, please refer to the comments in the 2019 annual report. This credit line had not been utilized as at the end of June 2020. In the previous year, it was utilized by Continental Rubber of America, Corp., Wilmington, Delaware, USA, in the amount of €689.7 million. In addition to the increase to the existing syndicated loan, a further syndicated loan in the amount of €3,000.0 million was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility during the COVID-19 pandemic and therefore has a short term of 364 days. This credit line can only be used by Continental AG and had not been utilized as at the end of June 2020.

As at June 30, 2020, the Continental Group had liquidity reserves totaling €10,144.4 million (PY: €4,758.9 million), consisting of cash and cash equivalents of €2,455.6 million (PY: €1,786.3 million) and committed, unutilized credit lines of €7,688.8 million (PY: €2,972.6 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at June 30, 2020, unrestricted cash and cash equivalents totaled €2,249.2 million (PY: €1,581.2 million).

Reconciliation of net indebtedness

€ millions	June 30, 2020	*December 31, 2019*	June 30, 2019
Long-term indebtedness	5,217.2	*3,375.2*	2,793.2
Short-term indebtedness	3,425.7	*4,243.8*	4,875.8
Long-term derivative instruments and interest-bearing investments	–107.9	*–54.0*	–51.9
Short-term derivative instruments and interest-bearing investments	–155.7	*–151.5*	–165.0
Cash and cash equivalents	–2,455.6	*–3,341.8*	–1,786.3
Net indebtedness	**5,923.7**	***4,071.7***	**5,665.8**

Reconciliation of change in net indebtedness

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Net indebtedness at the beginning of the reporting period	**4,071.7**	**3,391.4**	**3,995.6**	**4,302.2**
Cash flow arising from operating activities	-1,174.0	743.9	-1,443.1	746.1
Cash flow arising from investing activities	-628.3	-1,769.4	-369.6	-1,008.3
Cash flow before financing activities (free cash flow)	**-1,802.3**	**-1,025.5**	**-1,812.7**	**-262.2**
Dividends paid	–[1]	-950.0	–[1]	-950.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-19.7	-24.8	-11.7	-24.4
Non-cash changes	-22.4	-149.0	-89.5	-49.5
Other	-2.8	-121.9	–	-80.2
Exchange-rate effects	-4.8	-3.2	-14.2	2.7
Change in net indebtedness	**-1,852.0**	**-2,274.4**	**-1,928.1**	**-1,363.6**
Net indebtedness at the end of the reporting period	**5,923.7**	**5,665.8**	**5,923.7**	**5,665.8**

1 A dividend of €3.00 per share was resolved at the Annual Shareholders' Meeting on July 14, 2020. A total of €600.0 million was paid out on July 17, 2020.

Capital expenditure (additions)
In the first half of 2020, capital expenditure on property, plant and equipment, and software amounted to €923.4 million (PY: €1,426.3 million). All business areas contributed to the decline of €502.9 million. The capital expenditure ratio after six months was 5.6% (PY: 6.4%).

A total of €390.2 million (PY: €577.9 million) of this capital expenditure was attributable to the Automotive Technologies group sector, representing 5.8% (PY: 6.0%) of sales. Investments were made primarily in production equipment for the manufacture of new products and the implementation of new technologies, with production capacity being increased at European best-cost locations, as well as in Germany, Mexico, China and the USA. An investment was also made in Aguascalientes, Mexico, in the construction of a new plant. In the Autonomous Mobility and Safety business area, there were major additions relating to production facilities for the Vehicle Dynamics, Advanced Driver Assistance Systems and Passive Safety and Sensorics business units. In the Vehicle Networking and Information business area, investments were made in particular in the Human Machine Interface and Connected Car Networking business units.

The Rubber Technologies group sector invested €338.5 million (PY: €533.7 million), equivalent to 4.9% (PY: 6.0%) of sales. In the Tires business area, there were major additions relating to the new plant buildings in Rayong, Thailand, and Clinton, Mississippi, USA. Production capacity was also increased at existing plants at European best-cost locations. Quality assurance and cost-cutting measures were implemented as well. In the ContiTech business area, there were major additions relating to the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, Surface Solutions and Conveying Solutions business units. In Pune, India, an investment was made in the establishment of an additional production site for the Surface Solutions business unit. In addition, investments were made in all business units to rationalize existing production processes.

The Powertrain Technologies group sector invested €164.2 million (PY: €295.6 million), equivalent to 5.5% (PY: 7.5%) of sales. The capital expenditure was primarily attributable to production equipment for the manufacture of new products and the implementation of new technologies, with investments being made in production facilities at existing plants in China, Germany, Hungary and the USA. An investment was also made in Debrecen, Hungary, in the construction of a new plant. Significant investments were made in the expansion of production capacity for the Electronic Controls and Sensing and Actuation business units.

Net Assets Position

At €39,852.8 million (PY: €43,926.1 million), total assets as at June 30, 2020, were €4,073.3 million lower than on the same date in the previous year. Goodwill, at €5,073.4 million, was down by €2,278.1 million compared to the previous year's figure of €7,351.5 million. Other intangible assets fell by €49.3 million to €1,651.4 million (PY: €1,700.7 million). Property, plant and equipment fell by €411.5 million to €14,101.6 million (PY: €14,513.1 million). Deferred tax assets were up €434.4 million at €2,226.6 million (PY: €1,792.2 million). Inventories fell by €98.1 million to €4,846.7 million (PY: €4,944.8 million), and trade accounts receivable fell by €1,936.9 million to €6,473.0 million (PY: €8,409.9 million). Short-term derivative instruments and interest-bearing investments fell by €9.3 million to €155.7 million (PY: €165.0 million). At €2,455.6 million, cash and cash equivalents were up €669.3 million from €1,786.3 million on the same date in the previous year.

Equity including non-controlling interests was down €3,691.5 million at €14,416.9 million as compared to €18,108.4 million as at June 30, 2019. This was due primarily to the decrease in retained earnings of €2,733.9 million. Other comprehensive income changed by €949.5 million to -€3,770.4 million (PY: -€2,820.9 million). The gearing ratio worsened from 31.3% to 41.1%. The equity ratio fell to 36.2% (PY: 41.2%).

Compared with December 31, 2019, total assets decreased by €2,715.4 million to €39,852.8 million (PY: €42,568.2 million). In relation to the individual items of the statement of financial position, this is primarily due to the decline in property, plant and equipment of €831.1 million to €14,101.6 million (PY: €14,932.7 million) and the decline in trade accounts receivable by €1,238.6 million to €6,473.0 million (PY: €7,711.6 million).

Equity including non-controlling interests was down €1,458.8 million at €14,416.9 million as compared to €15,875.7 million at the end of 2019. Net income attributable to the shareholders of the parent resulted in a decline of €448.8 million. Other comprehensive income changed by €976.0 million to -€3,770.4 million (PY: -€2,794.4 million). The gearing ratio changed from 25.6% to 41.1%.

Employees

As at the end of the second quarter of 2020, the Continental Group had 232,023 employees, representing a decline of 9,435 in comparison to the end of 2019. Counter to further expansion in research and development, increases in efficiency and lower production volumes due to the COVID-19 pandemic in the Automotive Technologies and Powertrain Technologies group sectors led to a reduction in the overall number of employees by 6,209. In the Rubber Technologies group sector, the decrease in the number of employees by 3,195 was attributable to process optimizations as well as the adjustment to lower production volumes due to the COVID-19 pandemic. Compared with the reporting date for the previous year, the number of employees in the Continental Group was down by a total of 12,592.

Reconciliation to operating assets as at June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,023.7**	**7,185.2**	**9,456.4**	**4,534.6**	**5,632.3**	**6,020.6**	**39,852.8**
Cash and cash equivalents	–	–	–	–	–	2,455.6	2,455.6
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	263.6	263.6
Other financial assets	f14.4	26.2	13.9	5.6	22.0	31.9	114.0
Less financial assets	**14.4**	**26.2**	**13.9**	**5.6**	**22.0**	**2,751.1**	**2,833.2**
Less other non-operating assets	**22.2**	**-6.2**	**1.5**	**-0.4**	**-12.6**	**586.1**	**590.6**
Deferred tax assets	–	–	–	–	–	2,226.6	2,226.6
Income tax receivables	–	–	–	–	–	322.4	322.4
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,549.0**	**2,549.0**
Segment assets	**6,987.1**	**7,165.2**	**9,441.0**	**4,529.4**	**5,622.9**	**134.4**	**33,880.0**
Total liabilities and provisions	**3,535.5**	**3,297.5**	**2,817.5**	**1,798.5**	**2,919.5**	**11,067.4**	**25,435.9**
Short- and long-term indebtedness	–	–	–	–	–	8,642.9	8,642.9
Interest payable and other financial liabilities	–	–	–	–	–	38.7	38.7
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**8,681.6**	**8,681.6**
Deferred tax liabilities	–	–	–	–	–	278.8	278.8
Income tax payables	–	–	–	–	–	832.7	832.7
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,111.5**	**1,111.5**
Less other non-operating liabilities	**1,559.2**	**1,105.4**	**876.0**	**694.9**	**795.1**	**1,212.7**	**6,243.3**
Segment liabilities	**1,976.3**	**2,192.1**	**1,941.5**	**1,103.6**	**2,124.4**	**61.6**	**9,399.5**
Operating assets	**5,010.8**	**4,973.1**	**7,499.5**	**3,425.8**	**3,498.5**	**72.8**	**24,480.5**

Reconciliation to operating assets as at June 30, 2019

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

Development of the Business Areas

	January 1 to June 30		Second Quarter	
Autonomous Mobility and Safety in € millions	**2020**	2019	**2020**	2019
Sales	3,316.5	4,743.0	1,256.2	2,384.0
EBITDA	89.7	562.7	-61.6	292.7
in % of sales	2.7	11.9	-4.9	12.3
EBIT	-182.1	311.6	-193.9	164.4
in % of sales	-5.5	6.6	-15.4	6.9
Depreciation and amortization[1]	271.8	251.1	132.3	128.3
thereof impairment[2]	4.7	1.2	0.1	1.2
Capital expenditure[3]	176.8	289.3	91.5	165.3
in % of sales	5.3	6.1	7.3	6.9
Operating assets as at June 30	5,010.8	5,612.2		
Number of employees as at June 30[4]	46,495	48,585		
Adjusted sales[5]	3,316.5	4,743.0	1,256.2	2,384.0
Adjusted operating result (adjusted EBIT)[6]	-133.3	316.3	-187.7	167.4
in % of adjusted sales	-4.0	6.7	-14.9	7.0

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.

Autonomous Mobility and Safety (AMS)

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the first six months of 2020 was markedly lower than the previous year's level. In the Hydraulic Brake Systems business unit, sales figures for brake boosters were down significantly year-on-year. Unit sales of brake calipers with integrated electric parking brakes decreased significantly year-on-year. In the Passive Safety and Sensorics business unit, the sales volume of airbag control units decreased significantly year-on-year. Unit sales of advanced driver assistance systems were down compared to the previous year. The year-on-year decline in sales volumes in the business units was primarily attributable to the knock-on effects of measures to contain the COVID-19 pandemic.

Sales down 30.1%
Sales down 29.9% before changes in the scope of consolidation and exchange-rate effects

Sales of the Autonomous Mobility and Safety business area were down 30.1% at €3,316.5 million (PY: €4,743.0 million) in the first six months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 29.9%.

Adjusted EBIT down 142.1%

Adjusted EBIT for the Autonomous Mobility and Safety business area declined by €449.6 million or 142.1% year-on-year to -€133.3 million (PY: €316.3 million) in the first six months of 2020, corresponding to -4.0% (PY: 6.7%) of adjusted sales.

EBIT down 158.4%

Compared with the same period of the previous year, the Autonomous Mobility and Safety business area reported a decline in EBIT of €493.7 million or 158.4% to -€182.1 million (PY: €311.6 million) in the first six months of 2020. The return on sales fell to -5.5% (PY: 6.6%).

Please see our comments on page 11 regarding the special effects for 2020 and 2019.

	January 1 to June 30		Second Quarter	
Vehicle Networking and Information in € millions	**2020**	2019	**2020**	2019
Sales	3,449.6	4,869.9	1,315.1	2,474.7
EBITDA	50.9	505.1	-225.4	269.7
in % of sales	1.5	10.4	-17.1	10.9
EBIT	-218.9	224.7	-358.5	111.8
in % of sales	-6.3	4.6	-27.3	4.5
Depreciation and amortization[1]	269.8	280.4	133.1	157.9
thereof impairment[2]	-0.3	–	-0.3	–
Capital expenditure[3]	213.4	288.6	105.1	150.7
in % of sales	6.2	5.9	8.0	6.1
Operating assets as at June 30	4,973.1	6,599.8		
Number of employees as at June 30[4]	47,441	48,354		
Adjusted sales[5]	3,435.8	4,868.7	1,315.1	2,473.9
Adjusted operating result (adjusted EBIT)[6]	-253.1	259.6	-274.4	129.9
in % of adjusted sales	-7.4	5.3	-20.9	5.3

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

Vehicle Networking and Information (VNI)

Sales volumes

Global sales volumes in the Connected Car Networking business unit were below the previous year's level in the first half of 2020. This development was primarily attributable to the COVID-19 pandemic. In the Human Machine Interface business unit, sales figures were also lower than the previous year's level. Sales volumes in the Commercial Vehicles and Services business unit were below the previous year's figure overall. The commercial-vehicles business recorded a greater decline than the replacement-parts and aftermarket business as a result of the COVID-19 pandemic.

Sales down 29.2%
Sales down 28.4% before changes in the scope of consolidation and exchange-rate effects

Sales of the Vehicle Networking and Information business area were down 29.2% at €3,449.6 million (PY: €4,869.9 million) in the first six months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 28.4%.

Adjusted EBIT down 197.5%

Adjusted EBIT for the Vehicle Networking and Information business area declined by €512.7 million or 197.5% year-on-year to -€253.1 million (PY: €259.6 million) in the first six months of 2020, corresponding to -7.4% (PY: 5.3%) of adjusted sales.

EBIT down 197.4%

Compared with the same period of the previous year, the Vehicle Networking and Information business area reported a decline in EBIT of €443.6 million or 197.4% to -€218.9 million (PY: €224.7 million) in the first six months of 2020. The return on sales fell to -6.3% (PY: 4.6%).

Please see our comments on page 11 regarding the special effects for 2020 and 2019.

	January 1 to June 30		Second Quarter	
Tires in € millions	**2020**	2019	**2020**	2019
Sales	4,395.7	5,701.5	1,912.2	2,871.0
EBITDA	713.4	1,207.8	241.8	597.8
in % of sales	16.2	21.2	12.6	20.8
EBIT	287.6	812.2	31.0	398.2
in % of sales	6.5	14.2	1.6	13.9
Depreciation and amortization[1]	425.8	395.6	210.8	199.6
thereof impairment[2]	–	1.4	–	1.4
Capital expenditure[3]	255.2	406.6	139.2	218.0
in % of sales	5.8	7.1	7.3	7.6
Operating assets as at June 30	7,499.5	7,779.7		
Number of employees as at June 30[4]	56,266	57,813		
Adjusted sales[5]	4,392.0	5,701.5	1,910.8	2,871.0
Adjusted operating result (adjusted EBIT)[6]	301.4	826.8	37.2	410.3
in % of adjusted sales	6.9	14.5	1.9	14.3

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

Tires

Sales volumes

As a result of the COVID-19 pandemic, sales figures for passenger and light truck tires in the first six months of 2020 were significantly below the previous year's level in the original-equipment business. Sales figures for passenger and light truck tires in the tire-replacement business and in the commercial-vehicle tire business were also considerably below the level of the previous year.

Sales down 22.9%
Sales down 22.1% before changes in the scope of consolidation and exchange-rate effects

Sales of the Tires business area were down 22.9% at €4,395.7 million (PY: €5,701.5 million) in the first six months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 22.1%.

Adjusted EBIT down 63.5%

Adjusted EBIT for the Tires business area declined by €525.4 million or 63.5% year-on-year to €301.4 million (PY: €826.8 million) in the first six months of 2020, corresponding to 6.9% (PY: 14.5%) of adjusted sales.

EBIT down 64.6%

Compared with the same period of the previous year, the Tires business area reported a decline in EBIT of €524.6 million or 64.6% to €287.6 million (PY: €812.2 million) in the first six months of 2020. The return on sales fell to 6.5% (PY: 14.2%).

Please see our comments on page 11 regarding the special effects for 2020 and 2019.

	January 1 to June 30		Second Quarter	
ContiTech in € millions	**2020**	2019	**2020**	2019
Sales	2,584.6	3,250.0	1,063.7	1,677.1
EBITDA	229.0	331.7	49.6	152.9
in % of sales	8.9	10.2	4.7	9.1
EBIT	50.5	160.8	–39.3	64.8
in % of sales	2.0	4.9	–3.7	3.9
Depreciation and amortization[1]	178.5	170.9	88.9	88.1
thereof impairment[2]	1.4	1.0	1.4	1.0
Capital expenditure[3]	83.3	127.1	35.1	70.3
in % of sales	3.2	3.9	3.3	4.2
Operating assets as at June 30	3,425.8	3,621.3		
Number of employees as at June 30[4]	43,224	46,982		
Adjusted sales[5]	2,481.5	3,247.8	1,044.9	1,676.6
Adjusted operating result (adjusted EBIT)[6]	114.9	243.4	–1.9	125.4
in % of adjusted sales	4.6	7.5	–0.2	7.5

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

ContiTech

Sales down 20.5%
Sales down 22.3% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech business area were down 20.5% at €2,584.6 million (PY: €3,250.0 million) in the first six months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 22.3%. The COVID-19 pandemic and the resulting crisis meant that sales to customers in the automotive industry fell significantly short of the previous year's figures. In the industrial business too, a significant drop in sales was recorded. The business area had shut down or closed a number of its plants in the second quarter as a result.

Adjusted EBIT down 52.8%
Adjusted EBIT for the ContiTech business area declined by €128.5 million or 52.8% year-on-year to €114.9 million (PY: €243.4 million) in the first six months of 2020, corresponding to 4.6% (PY: 7.5%) of adjusted sales.

EBIT down 68.6%
Compared with the same period of the previous year, the ContiTech business area reported a decline in EBIT of €110.3 million or 68.6% to €50.5 million (PY: €160.8 million) in the first six months of 2020. The return on sales fell to 2.0% (PY: 4.9%).

Please see our comments on page 11 regarding the special effects for 2020 and 2019.

	January 1 to June 30		Second Quarter	
Powertrain in € millions	**2020**	2019	**2020**	2019
Sales	2,960.2	3,967.0	1,131.2	1,961.4
EBITDA	25.2	371.4	–91.3	185.4
in % of sales	0.9	9.4	–8.1	9.5
EBIT	–267.2	117.2	–244.3	56.3
in % of sales	-9.0	3.0	–21.6	2.9
Depreciation and amortization[1]	292.4	254.2	153.0	129.1
thereof impairment[2]	51.0	12.0	33.0	5.8
Capital expenditure[3]	164.2	295.6	60.0	164.3
in % of sales	5.5	7.5	5.3	8.4
Operating assets as at June 30	3,498.5	4,277.6		
Number of employees as at June 30[4]	38,150	42,412		
Adjusted sales[5]	2,960.2	3,967.0	1,131.2	1,961.4
Adjusted operating result (adjusted EBIT)[6]	–172.0	151.4	–183.9	72.5
in % of adjusted sales	-5.8	3.8	–16.3	3.7

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.

Powertrain

Sales volumes

In the Electronic Controls business unit, sales volumes of transmission control units increased year-on-year in the first six months of 2020, while those of engine control units, turbochargers, pumps and injectors were down year-on-year. In the Electrification Technology business unit, sales figures for power electronics and electric motors were up year-on-year, while sales volumes of power stabilization products, 48-volt drive systems and battery systems fell year-on-year. In the Sensing and Actuation business unit, sales figures for catalytic converters and SCR systems, fuel delivery modules and mechatronic sensors for combustion engines were down year-on-year. The varying development of sales volumes in the individual business units was due to the negative effects of the COVID-19 pandemic.

Sales down 25.4%
Sales down 24.8% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain business area were down 25.4% at €2,960.2 million (PY: €3,967.0 million) in the first six months of 2020 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 24.8%.

Adjusted EBIT down 213.6%

Adjusted EBIT for the Powertrain business area fell by €323.4 million or 213.6% year-on-year to -€172.0 million (PY: €151.4 million) in the first six months of 2020, corresponding to -5.8% (PY: 3.8%) of adjusted sales.

EBIT down 328.0%

Compared with the same period of the previous year, the Powertrain business area reported a decline in EBIT of €384.4 million or 328.0% to -€267.2 million (PY: €117.2 million) in the first six months of 2020. The return on sales fell to -9.0% (PY: 3.0%).

Please see our comments on page 11 regarding the special effects for 2020 and 2019.

Report on Risks and Opportunities

Due to the ongoing COVID-19 pandemic and the associated lockdowns worldwide, as well as the significant restrictions on production both at the Continental Group and at its customers and suppliers, there is a risk of significant and long-term negative effects on the Continental Group's sales and procurement markets. There is also the risk of long-term negative effects on the Continental Group's earnings, financial and net assets position due to the expected macroeconomic consequences.

Other than this, there were no material changes in risks and opportunities. For details of the other main risks and opportunities, please refer to our comments in the 2019 annual report.

Report on Expected Developments and Outlook

On April 1, 2020, we announced that the ongoing COVID-19 pandemic, the resulting restrictions imposed by governments and authorities as well as production stops and other measures taken by customers and suppliers in the reporting period had led to significant adjustments and interruptions in key areas of the Continental Group.

Due to the uncertainty regarding the duration of restrictions ad given the difficulty in estimating the further consequences for production, supply chains and demand, the decision was made to withdraw the outlook for fiscal 2020 contained in the 2019 annual report.

The company has taken numerous measures to adjust costs and reduce demands on liquidity. These include adjustments to working times as well as wage and salary costs. In addition, the company continues to implement measures for optimizing working capital and postpone investments. These and other steps will be adjusted as needed. This situation has had a significant impact on the financial results achieved in the first half of 2020.

Though the business development of the Continental Group improved over the course of the second quarter, the economic environment continues to be characterized by considerable uncertainty due to the ongoing COVID-19 pandemic. It therefore remains difficult to gauge possible further adverse consequences for production, supply chains and demand. As a result, it has become more difficult to reassess the forecast for fiscal 2020, and this cannot be done with the usual level of detail and degree of accuracy.

It is reasonably certain, however, that the Continental Group's sales volumes and sales will fall short of prior-year levels for 2020 as a whole.

In addition, we anticipate a noticeable year-on-year decline in adjusted EBIT in fiscal 2020.

The decline in earnings is also expected to lead to a considerable decrease in free cash flow in 2020 compared to the previous year.

Consolidated Financial Statements

Consolidated Statement of Income

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Sales	**16,532.4**	**22,310.7**	**6,619.7**	**11,264.0**
Cost of sales	-13,261.9	-16,878.1	-5,609.8	-8,523.5
Gross margin on sales	**3,270.5**	**5,432.6**	**1,009.9**	**2,740.5**
Research and development expenses	-2,133.0	-2,232.9	-989.4	-1,150.0
Selling and logistics expenses	-1,225.0	-1,346.7	-562.2	-679.4
Administrative expenses	-571.2	-585.9	-288.2	-294.6
Other income	813.6	723.0	284.2	413.9
Other expenses	-551.1	-425.4	-284.6	-282.3
Income from equity-accounted investees	3.0	11.4	0.8	4.7
Other income from investments	0.4	0.5	0.4	0.5
EBIT	**-392.8**	**1,576.6**	**-829.1**	**753.3**
Interest income	49.9	59.1	23.6	29.5
Interest expense	-130.3	-142.4	-65.7	-72.1
Effects from currency translation	-19.0	-7.2	46.3	-2.3
Effects from changes in the fair value of derivative instruments, and other valuation effects	36.4	-7.5	-57.4	0.4
Financial result	**-63.0**	**-98.0**	**-53.2**	**-44.5**
Earnings before tax	**-455.8**	**1,478.6**	**-882.3**	**708.8**
Income tax expense	10.7	-396.3	144.8	-213.9
Net income	**-445.1**	**1,082.3**	**-737.5**	**494.9**
Non-controlling interests	-3.7	-22.3	-3.6	-10.1
Net income attributable to the shareholders of the parent	-448.8	1,060.0	-741.1	484.8
Basic earnings per share in €	**-2.24**	**5.30**	**-3.70**	**2.42**
Diluted earnings per share in €	**-2.24**	**5.30**	**-3.70**	**2.42**

Consolidated Statement of Comprehensive Income

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Net income	**-445.1**	**1,082.3**	**-737.5**	**494.9**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	-295.0	-638.9	-173.3	-324.0
Fair value adjustments[1]	-303.7	-637.3	-182.7	-331.9
Investment in equity-accounted investees[2]	–	0.0	–	0.0
Currency translation[1]	8.7	-1.6	9.4	7.9
Other investments	–	-3.6	–	-3.6
Investment in equity-accounted investees	–	-3.6	–	-3.6
Tax on other comprehensive income	-23.9	196.3	-49.4	102.3
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	-672.5	130.2	-131.1	-183.7
Difference from currency translation[1]	-672.5	130.7	-131.1	-183.2
Reclassification adjustments to profit and loss	–	0.0	–	0.0
Investment in equity-accounted investees[2]	–	-0.5	–	-0.5
Cash flow hedges	–	-0.9	–	0.0
Fair value adjustments	–	-8.4	–	0.0
Reclassification adjustments to profit and loss	–	7.5	–	0.0
Tax on other comprehensive income	–	0.2	–	0.0
Other comprehensive income	**-991.4**	**-316.7**	**-353.8**	**-409.0**
Comprehensive income	**-1,436.5**	**765.6**	**-1,091.3**	**85.9**
Attributable to non-controlling interests	12.3	-30.3	-0.7	-6.3
Attributable to the shareholders of the parent	-1,424.2	735.3	-1,092.0	79.6

1 Including non-controlling interests.
2 Including taxes.

Consolidated Statement of Financial Position

Assets in € millions	**June 30, 2020**	*December 31, 2019*	June 30, 2019
Goodwill	5,073.4	*5,113.5*	7,351.5
Other intangible assets	1,651.4	*1,691.8*	1,700.7
Property, plant and equipment	14,101.6	*14,932.7*	14,513.1
Investment property	11.4	*11.7*	11.8
Investments in equity-accounted investees	383.9	*397.7*	663.2
Other investments	167.3	*197.6*	195.9
Deferred tax assets	2,226.6	*2,174.4*	1,792.2
Defined benefit assets	10.1	*7.8*	39.9
Long-term contract assets	0.1	*0.1*	0.1
Long-term derivative instruments and interest-bearing investments	107.9	*54.0*	51.9
Long-term other financial assets	124.8	*114.6*	116.3
Long-term other assets	24.9	*28.6*	27.0
Non-current assets	**23,883.4**	***24,724.5***	**26,463.6**
Inventories	4,846.7	*4,694.4*	4,944.8
Trade accounts receivable	6,473.0	*7,711.6*	8,409.9
Short-term contract assets	130.1	*89.1*	97.3
Short-term other financial assets	147.8	*118.5*	119.3
Short-term other assets	1,419.9	*1,406.7*	1,562.6
Income tax receivables	322.4	*240.5*	377.3
Short-term derivative instruments and interest-bearing investments	155.7	*151.5*	165.0
Cash and cash equivalents	2,455.6	*3,341.8*	1,786.3
Assets held for sale	18.2	*89.6*	–
Current assets	**15,969.4**	***17,843.7***	**17,462.5**
Total assets	**39,852.8**	***42,568.2***	**43,926.1**

Equity and liabilities in € millions	**June 30, 2020**	*December 31, 2019*	June 30, 2019
Subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings	13,073.3	*13,522.1*	15,807.2
Other comprehensive income	–3,770.4	*–2,794.4*	–2,820.9
Equity attributable to the shareholders of the parent	**13,970.5**	***15,395.3***	**17,653.9**
Non-controlling interests	446.4	*480.4*	454.5
Total equity	**14,416.9**	***15,875.7***	**18,108.4**
Long-term employee benefits	5,852.2	*5,406.3*	5,243.2
Deferred tax liabilities	278.8	*305.4*	410.5
Long-term provisions for other risks and obligations	722.7	*666.1*	214.0
Long-term indebtedness	5,217.2	*3,375.2*	2,793.2
Long-term other financial liabilities	31.3	*31.7*	31.8
Long-term contract liabilities	14.0	*16.7*	11.0
Long-term other liabilities	35.0	*20.0*	21.8
Non-current liabilities	**12,151.2**	***9,821.4***	**8,725.5**
Short-term employee benefits	1,289.5	*1,368.7*	1,377.3
Trade accounts payable	4,522.6	*7,111.0*	6,956.3
Short-term contract liabilities	270.7	*234.9*	167.8
Income tax payables	832.7	*938.6*	871.4
Short-term provisions for other risks and obligations	1,258.3	*1,261.6*	993.7
Short-term indebtedness	3,425.7	*4,243.8*	4,875.8
Short-term other financial liabilities	915.2	*1,046.3*	916.5
Short-term other liabilities	770.0	*666.2*	933.4
Current liabilities	**13,284.7**	***16,871.1***	**17,092.2**
Total equity and liabilities	**39,852.8**	***42,568.2***	**43,926.1**

Consolidated Statement of Cash Flows

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Net income	**-445.1**	**1,082.3**	**-737.5**	**494.9**
Income tax expense	-10.7	396.3	-144.8	213.9
Financial result	63.0	98.0	53.2	44.5
EBIT	**-392.8**	**1,576.6**	**-829.1**	**753.3**
Interest paid	-70.9	-53.4	-49.7	-24.7
Interest received	18.2	42.2	7.0	12.3
Income tax paid	-370.0	-470.1	-104.8	-261.4
Dividends received	10.9	16.0	0.7	16.0
Depreciation, amortization, impairment and reversal of impairment losses	1,445.1	1,354.0	721.0	703.6
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	-3.4	-11.9	-1.2	-5.2
Gains/losses from the disposal of assets, companies and business operations	-171.8	-4.3	-27.7	-2.9
Changes in				
inventories	-293.6	-355.6	293.3	-71.3
trade accounts receivable	1,211.0	-255.9	866.8	183.8
trade accounts payable	-2,448.8	-670.1	-2,226.2	-205.2
employee benefits and other provisions	159.4	-14.1	-162.5	-290.5
other assets and liabilities	-267.3	-409.5	69.3	-61.7
Cash flow arising from operating activities	**-1,174.0**	**743.9**	**-1,443.1**	**746.1**
Cash flow from the disposal of assets	31.4	15.5	16.2	8.1
Capital expenditure on property, plant and equipment, and software	-810.6	-1,293.7	-374.6	-728.7
Capital expenditure on intangible assets from development projects and miscellaneous	-119.1	-137.4	-57.1	-62.4
Cash flow from the disposal of companies and business operations	284.5	0.8	50.1	0.7
Acquisition of companies and business operations	-14.5	-354.6	-4.2	-226.0
Cash flow arising from investing activities	**-628.3**	**-1,769.4**	**-369.6**	**-1,008.3**
Cash flow before financing activities (free cash flow)	**-1,802.3**	**-1,025.5**	**-1,812.7**	**-262.2**
Change in indebtedness	1,004.2	1,066.7	1,743.8	1,294.5
Successive purchases	-2.8	-70.5	–	-70.5
Dividends paid	–[1]	-950.0	–[1]	-950.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-19.7	-24.8	-11.7	-24.4
Cash and cash equivalents arising from first-time consolidation of subsidiaries	–	0.4	–	0.0
Cash flow arising from financing activities	**981.7**	**21.8**	**1,732.1**	**249.6**
Change in cash and cash equivalents	**-820.6**	**-1,003.7**	**-80.6**	**-12.6**
Cash and cash equivalents at the beginning of the reporting period	3,341.8	2,761.4	2,555.0	1,816.6
Effect of exchange-rate changes on cash and cash equivalents	-65.6	28.6	-18.8	-17.7
Cash and cash equivalents at the end of the reporting period	**2,455.6**	**1,786.3**	**2,455.6**	**1,786.3**

1 A dividend of €3.00 per share was resolved at the Annual Shareholders' Meeting on July 14, 2020. A total of €600.0 million was paid out on July 17, 2020.

Consolidated Statement of Changes in Equity

€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from remeasurement of defined benefit plans[3]	Difference from currency translation[4]	Difference from financial instruments[5]	Subtotal	Non-controlling interests	Total
As at January 1, 2019	**512.0**	**4,155.6**	**15,697.2**	**-205.6**	**-1,795.5**	**-510.0**	**-3.3**	**17,850.4**	**482.9**	**18,333.3**
Net income	–	–	1,060.0	–	–	–	–	1,060.0	22.3	**1,082.3**
Comprehensive income	–	–	0.0	–	-442.8	122.3	-4.2	-324.7	8.0	**-316.7**
Net profit for the period	**–**	**–**	**1,060.0**	**–**	**-442.8**	**122.3**	**-4.2**	**735.3**	**30.3**	**765.6**
Dividends paid/resolved	–	–	-950.0	–	–	–	–	-950.0	-25.4	**-975.4**
Successive purchases	–	–	–	18.0	–	–	–	18.0	-33.3	**-15.3**
Other changes[6]	–	–	–	0.2	–	–	–	0.2	0.0	**0.2**
As at June 30, 2019	**512.0**	**4,155.6**	**15,807.2**	**-187.4**	**-2,238.3**	**-387.7**	**-7.5**	**17,653.9**	**454.5**	**18,108.4**
As at January 1, 2020	**512.0**	**4,155.6**	**13,522.1**	**-187.4**	**-2,366.4**	**-233.1**	**-7.5**	**15,395.3**	**480.4**	**15,875.7**
Net income	–	–	-448.8	–	–	–	–	-448.8	3.7	**-445.1**
Comprehensive income	–	–	–	–	-318.9	-656.5	–	-975.4	-16.0	**-991.4**
Net profit for the period	**–**	**–**	**-448.8**	**–**	**-318.9**	**-656.5**	**–**	**-1,424.2**	**-12.3**	**-1,436.5**
Dividends paid/resolved[7]	–	–	–	–	–	–	–	–	-19.4	**-19.4**
Successive purchases	–	–	–	-0.6	–	–	–	-0.6	-2.3	**-2.9**
Other changes[6]	–	–	–	–	–	–	–	–	–	**–**
As at June 30, 2020	**512.0**	**4,155.6**	**13,073.3**	**-188.0**	**-2,685.3**	**-889.6**	**-7.5**	**13,970.5**	**446.4**	**14,416.9**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of -€0.6 million (PY: €18.0 million) from successive purchases of shares in fully consolidated companies. The prior-year period also includes an amount of €0.2 million relating to effects from the first-time consolidation of previously non-consolidated subsidiaries.
3 The prior-year period includes a shareholder's portion of €0.0 million in non-realized gains and losses from pension obligations of equity-accounted investees.
4 The prior-year period includes a shareholder's portion of -€0.5 million in the currency translation of equity-accounted investees.
5 In the prior-year period, the change in the difference arising from financial instruments, including deferred taxes, was due to the expiry of cash flow hedges for interest and currency hedging of -€0.7 million as well as other investments of -€3.6 million.
6 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.
7 A dividend of €3.00 per share was resolved at the Annual Shareholders' Meeting on July 14, 2020. A total of €600.0 million was paid out on July 17, 2020.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	3,302.3	3,425.3	4,366.7	2,552.8	2,885.3	–	16,532.4
Intercompany sales	14.2	24.3	29.0	31.8	74.9	-174.2	–
Sales (total)	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**-174.2**	**16,532.4**
EBIT (segment result)	-182.1	-218.9	287.6	50.5	-267.2	-62.7	-392.8
in % of sales	-5.5	-6.3	6.5	2.0	-9.0	–	-2.4
Depreciation and amortization[1]	271.8	269.8	425.8	178.5	292.4	6.8	1,445.1
thereof impairment[2]	4.7	-0.3	–	1.4	51.0	0.0	56.8
Capital expenditure[3]	176.8	213.4	255.2	83.3	164.2	30.5	923.4
in % of sales	5.3	6.2	5.8	3.2	5.5	–	5.6
Operating assets as at June 30	5,010.8	4,973.1	7,499.5	3,425.8	3,498.5	72.8	24,480.5
Number of employees as at June 30[4]	46,495	47,441	56,266	43,224	38,150	447	232,023
Adjusted sales[5]	3,316.5	3,435.8	4,392.0	2,481.5	2,960.2	-174.2	16,411.8
Adjusted operating result (adjusted EBIT)[6]	-133.3	-253.1	301.4	114.9	-172.0	-60.2	-202.3
in % of adjusted sales	-4.0	-7.4	6.9	4.6	-5.8	–	-1.2

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.

Segment report for the period from January 1 to June 30, 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	4,721.6	4,843.4	5,677.7	3,191.8	3,876.2	–	22,310.7
Intercompany sales	21.4	26.5	23.8	58.2	90.8	–220.7	–
Sales (total)	**4,743.0**	**4,869.9**	**5,701.5**	**3,250.0**	**3,967.0**	**–220.7**	**22,310.7**
EBIT (segment result)	311.6	224.7	812.2	160.8	117.2	–49.9	1,576.6
in % of sales	6.6	4.6	14.2	4.9	3.0	–	7.1
Depreciation and amortization[1]	251.1	280.4	395.6	170.9	254.2	1.8	1,354.0
thereof impairment[2]	1.2	–	1.4	1.0	12.0	–	15.6
Capital expenditure[3]	289.3	288.6	406.6	127.1	295.6	19.1	1,426.3
in % of sales	6.1	5.9	7.1	3.9	7.5	–	6.4
Operating assets as at June 30	5,612.2	6,599.8	7,779.7	3,621.3	4,277.6	–73.0	27,817.6
Number of employees as at June 30[4]	48,585	48,354	57,813	46,982	42,412	469	244,615
Adjusted sales[5]	4,743.0	4,868.7	5,701.5	3,247.8	3,967.0	–220.7	22,307.3
Adjusted operating result (adjusted EBIT)[6]	316.3	259.6	826.8	243.4	151.4	–48.3	1,749.2
in % of adjusted sales	6.7	5.3	14.5	7.5	3.8	–	7.8

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

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**-174.2**	**16,532.4**
Changes in the scope of consolidation[1]	–	-13.8	-3.7	-103.1	–	–	-120.6
Adjusted sales	**3,316.5**	**3,435.8**	**4,392.0**	**2,481.5**	**2,960.2**	**-174.2**	**16,411.8**
EBITDA	**89.7**	**50.9**	**713.4**	**229.0**	**25.2**	**-55.9**	**1,052.3**
Depreciation and amortization[2]	-271.8	-269.8	-425.8	-178.5	-292.4	-6.8	-1,445.1
EBIT	**-182.1**	**-218.9**	**287.6**	**50.5**	**-267.2**	**-62.7**	**-392.8**
Amortization of intangible assets from purchase price allocation (PPA)	–	33.2	9.6	46.4	5.2	–	94.4
Changes in the scope of consolidation[1]	–	-0.8	0.6	-1.8	–	–	-2.0
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	4.5	-0.3	–	–	45.5	0.0	49.7
Restructuring[4]	31.2	80.0	0.0	13.5	10.6	–	135.3
Restructuring-related expenses	3.9	1.2	–	–	4.6	–	9.7
Severance payments	4.3	4.7	3.4	6.3	4.2	0.1	23.0
Gains and losses from disposals of companies and business operations	–	-157.4	0.2	0.0	–	–	-157.2
Other	4.9	5.2	–	–	25.1	2.4	37.6
Adjusted operating result (adjusted EBIT)	**-133.3**	**-253.1**	**301.4**	**114.9**	**-172.0**	**-60.2**	**-202.3**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 This includes impairment losses of €0.2 million in the Autonomous Mobility and Safety segment, €1.4 million in the ContiTech segment and €5.5 million in the Powertrain segment.

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

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**4,743.0**	**4,869.9**	**5,701.5**	**3,250.0**	**3,967.0**	**–220.7**	**22,310.7**
Changes in the scope of consolidation[1]	–	–1.2	–	–2.2	–	–	–3.4
Adjusted sales	**4,743.0**	**4,868.7**	**5,701.5**	**3,247.8**	**3,967.0**	**–220.7**	**22,307.3**
EBITDA	**562.7**	**505.1**	**1,207.8**	**331.7**	**371.4**	**–48.1**	**2,930.6**
Depreciation and amortization[2]	–251.1	–280.4	–395.6	–170.9	–254.2	–1.8	–1,354.0
EBIT	**311.6**	**224.7**	**812.2**	**160.8**	**117.2**	**–49.9**	**1,576.6**
Amortization of intangible assets from purchase price allocation (PPA)	–	30.4	10.3	45.0	5.4	–	91.1
Changes in the scope of consolidation[1]	–	1.2	–	–	–	–	1.2
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	–	–	–	–	7.7	–	7.7
Restructuring[4]	3.3	–	6.5	37.6	5.7	–	53.1
Restructuring-related expenses	–	–	–	–	–	–	–
Severance payments	–	–	–	–	–	–	–
Gains and losses from disposals of companies and business operations	–	–	–	0.0	–	–	0.0
Other	1.4	3.3	–2.2	–	15.4	1.6	19.5
Adjusted operating result (adjusted EBIT)	**316.3**	**259.6**	**826.8**	**243.4**	**151.4**	**–48.3**	**1,749.2**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 This includes impairment losses of €1.2 million in the Autonomous Mobility and Safety segment, €1.4 million in the Tires segment, €1.0 million in the ContiTech segment and €4.3 million in the Powertrain segment.

Reconciliation of EBIT to net income

	January 1 to June 30		Second Quarter	
€ millions	**2020**	2019	**2020**	2019
Autonomous Mobility and Safety	-182.1	311.6	-193.9	164.4
Vehicle Networking and Information	-218.9	224.7	-358.5	111.8
Tires	287.6	812.2	31.0	398.2
ContiTech	50.5	160.8	-39.3	64.8
Powertrain	-267.2	117.2	-244.3	56.3
Other/Holding/Consolidation	-62.7	-49.9	-24.1	-42.2
EBIT	**-392.8**	**1,576.6**	**-829.1**	**753.3**
Financial result	-63.0	-98.0	-53.2	-44.5
Earnings before tax	**-455.8**	**1,478.6**	**-882.3**	**708.8**
Income tax expense	10.7	-396.3	144.8	-213.9
Net income	**-445.1**	**1,082.3**	**-737.5**	**494.9**
Non-controlling interests	-3.7	-22.3	-3.6	-10.1
Net income attributable to the shareholders of the parent	**-448.8**	**1,060.0**	**-741.1**	**484.8**

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 Group's five business areas can be found in the consolidated management report as at June 30, 2020.

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 2019. These accounting policies are described in detail in the 2019 annual report. In addition, the IFRS amendments and new regulations effective as at June 30, 2020, 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 2019 annual report.

The IFRS amendments and new regulations effective as at June 30, 2020, had no material effect on the reporting of the Continental Group.

Income tax expense is calculated based on the estimated, weighted average tax rate expected for the year as a whole. Tax effects of specific significant items that can only be allocated to the respective period under review are taken into account.

Although certain elements of the Continental Group's business are seasonal, the overall comparability of the consolidated financial reports is not compromised. All significant effects in the current period are shown in this report. Changes in the recognition or measurement of assets and liabilities within the scope of company acquisitions are presented retrospectively once the final purchase price allocation has been determined.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros (€ millions). Please note that differences may arise as a result of the use of rounded amounts and percentages.

Adjustment to the consolidated financial statements as at March 31, 2020
As part of the change in the accounting policy for revenue recognition for subsidiaries in China, the Continental Group recognized the following amounts in the first quarter of 2020 as a result of an error correction in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Sales increased by €68.7 million to a total of €9,912.7 million for the Continental Group, while manufacturing costs rose by €68.9 million to a total of €7,652.1 million. In the consolidated statement of financial position, trade accounts receivable were adjusted by €81.6 million to a total of €7,323.9 million, cash and cash equivalents by €27.9 million to a total of €2,555.0 million, trade accounts payable by €74.9 million to a total of €6,727.8 million, and short-term other financial liabilities by €34.8 million to a total of €906.2 million.

The effect on gross margin on sales and subsequent earnings figures of -€0.2 million is not material.

Effects of the COVID-19 pandemic on accounting in the reporting period

It is still not currently possible to predict the long-term economic consequences of the COVID-19 pandemic and the stabilization measures that have been introduced. On the basis of the information available in the reporting period, an analysis of the effects on the accounting of the Continental Group was carried out as at June 30, 2020.

- Financial instruments: The effects of the COVID-19 pandemic on possible credit losses cannot be reliably determined at this time. The Continental Group regularly reviews the expected credit loss model pursuant to IFRS 9 in order to identify potential effects on the model and make any necessary adjustments. A review based on the information currently available did not reveal any need for adjustment as at June 30, 2020.

- Goodwill impairment test: Based on the currently determined weighted average cost of capital (WACC), the underlying planning data and the currently expected possible effects of the COVID-19 pandemic, there was no need for adjustment as at June 30, 2020. For the impairment test over the course of the year, the cash flows of the cash-generating units (CGUs) of the Autonomous Mobility and Safety and Vehicle Networking and Information segments were discounted with an interest rate before tax of 10.7% (December 31, 2019: 11.1%); those of the Powertrain segment were discounted with an interest rate of 10.8% (December 31, 2019: 10.7%); and those of the Tires and ContiTech segments with an interest rate of 9.0% (December 31, 2019: 9.2%). At the time the test was performed, this pre-tax WACC was based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate was -0.02% (December 31, 2019: 0.2%) and the market risk premium 7.5% (December 31, 2019: 7.5%). Borrowing costs were calculated as the total of the risk-free interest rate plus the credit spreads of peer group companies rated by Standard & Poor's, Moody's or Fitch.

  On average, the growth rate in the detailed planning period for the CGUs in the Autonomous Mobility and Safety segment was 3.2% (December 31, 2019: 4.0%), in Vehicle Networking and Information 5.2% (December 31, 2019: 6.1%), in Powertrain 5.0% (December 31, 2019: 5.9%), in Tires 3.0% (December 31, 2019: 3.8%) and in ContiTech 2.7% (December 31, 2019: 3.5%). The long-term growth rate was 1.5% (December 31, 2019: 1.5%) for the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments and 1.0% (December 31, 2019: 1.0%) for those of the Powertrain segment. For those of the Tires and ContiTech segments, the long-term growth rate was 0.5% (December 31, 2019: 0.5%). These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

  Assuming a 0.5-percentage-point increase in the discount rate would result in an impairment of goodwill of around €97 million in the CGU Vehicle Dynamics. Reducing the long-term growth rate by 0.5 percentage points would result in an impairment of goodwill of around €68 million in Vehicle Dynamics. If sales in perpetuity would decline by 5.0%, consequently reducing free cash flow as a key planning parameter, this would result in an impairment of goodwill of around €66 million in Vehicle Dynamics.

- Leases: As a result of the COVID-19 pandemic, changes to lease payments may lead to the different accounting treatment of individual leases. All relevant matters have been reviewed by the Continental Group and accounted for in accordance with the requirements of IFRS 16. As at June 30, 2020, there was no material need for adjustment.

- Employee benefits: The review of the defined actuarial assumptions for employee benefits, including the interest rate, did not result in any need for adjustment due to the COVID-19 pandemic as at June 30, 2020.

The Continental Group will continuously review the possible effects on accounting with respect to further developments of the COVID-19 pandemic.

Companies consolidated

In addition to the parent company, the number of companies consolidated includes 565 (PY: 576) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10, *Consolidated Financial Statements*, or that are classified as joint arrangements or associated companies. Of these, 449 (PY: 445) are fully consolidated and 116 (PY: 131) are accounted for using the equity method.

The number of companies consolidated has decreased by a total of 16 since December 31, 2019. Four companies were founded. The number of companies consolidated also decreased by 20 as a result of 15 disposals, four mergers and one liquidation.

Since June 30, 2019, the number of companies consolidated has decreased by a total of 11. The additions to the scope of consolidation resulted mainly from acquisitions in the ContiTech segment. Companies no longer included in the scope of consolidation are mostly attributable to disposals and mergers.

Acquisition and disposal of companies and business operations

An asset deal took place in the Tires segment. The purchase price of €0.3 million in total was paid in cash. The purchase price allocation mainly resulted in intangible assets of €0.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at June 30, 2020.

In the Autonomous Mobility and Safety segment, there was an acquisition of non-controlling interests for a purchase price of €2.8 million. The resulting difference of €0.5 million between the purchase price and the carrying amount of the acquired shares was recognized in other comprehensive income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at June 30, 2020.

In the Vehicle Networking and Information segment, the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, was sold to Faurecia Automotive GmbH, Stadthagen, Germany, with effect from January 30, 2020, for an amount of €248.4 million (taking into account a purchase price adjustment). The transaction thus resulted in a gain from disposal of €157.4 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at June 30, 2020.

Revenue from contracts with customers

The following table shows the breakdown of sales in accordance with IFRS 15, *Revenue from Contracts with Customers*, into main geographical markets, segments and customer groups.

Sales from contracts with customers from January 1 to June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Germany	571.4	975.3	623.6	492.3	581.2	–96.4	3,147.4
Europe excluding Germany	720.3	936.8	1,761.1	660.8	784.6	–23.2	4,840.4
North America	798.9	747.3	1,135.5	778.7	630.2	–35.5	4,055.1
Asia	1,185.1	736.0	640.1	490.2	932.4	–16.8	3,967.0
Other countries	40.8	54.2	235.4	162.6	31.8	–2.3	522.5
Sales by region	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**–174.2**	**16,532.4**
Automotive original-equipment business	3,316.1	3,045.7	992.1	1,169.5	2,845.9	–104.7	11,264.6
Industrial/replacement business	0.4	403.9	3,403.6	1,415.1	114.3	–69.5	5,267.8
Sales by customer type	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**–174.2**	**16,532.4**

Sales from contracts with customers from January 1 to June 30, 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Germany	955.0	1,298.2	753.8	649.9	790.6	–127.0	4,320.5
Europe excluding Germany	1,080.5	1,352.8	2,314.9	851.7	1,125.3	–35.0	6,690.2
North America	1,172.1	1,171.3	1,521.3	1,021.8	954.7	–40.1	5,801.1
Asia	1,458.5	927.2	748.6	529.1	1,036.7	–14.9	4,685.2
Other countries	76.9	120.4	362.9	197.5	59.7	–3.7	813.7
Sales by region	**4,743.0**	**4,869.9**	**5,701.5**	**3,250.0**	**3,967.0**	**–220.7**	**22,310.7**
Automotive original-equipment business	4,741.6	4,368.7	1,642.0	1,638.3	3,929.1	–170.4	16,149.3
Industrial/replacement business	1.4	501.2	4,059.5	1,611.7	37.9	–50.3	6,161.4
Sales by customer type	**4,743.0**	**4,869.9**	**5,701.5**	**3,250.0**	**3,967.0**	**–220.7**	**22,310.7**

Impairment

The Continental Group 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 half of 2020 amounted to tax income of €10.7 million (PY: tax expense of €396.3 million). The tax rate amounted to 2.3% (PY: 26.8%) as a result of the negative consolidated income before taxes in the reporting period.

Leases

The table below shows the right-of-use assets reported as at June 30, 2020:

€ millions	June 30, 2020	December 31, 2019
Land and buildings	1,475.9	1,591.8
Technical equipment and machinery	6.5	7.9
Other equipment, factory and office equipment	78.4	84.6
Total right-of-use assets	**1,560.8**	**1,684.3**

The lease liabilities as at June 30, 2020, are shown in the table below:

€ millions	June 30, 2020	December 31, 2019
Lease liabilities	1,610.9	1,715.0
Current	317.9	318.3
Non-current	1,293.0	1,396,7

Long-term employee benefits

Compared to December 31, 2019, the remeasurement of defined benefit pension plans as at June 30, 2020, led to a €217.6 million decrease (PY: €460.9 million) in other comprehensive income, which resulted from a decline in discount rates. The corresponding decrease in equity contrasted with a rise in long-term employee benefits of €304.4 million (PY: €656.0 million). €113.3 million of this relates to the change to the process for determining the discount rates, which led to a further decline in discount rates.

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations – particularly in Germany, the USA, Canada and the UK – and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to June 30, 2020, the companies of the Continental Group made regular payments of €29.8 million (PY: €32.6 million) into these pension funds.

Payments for pension obligations totaled €115.8 million (PY: €118.2 million) in the period from January 1 to June 30, 2020. Payments for obligations similar to pensions totaled €7.7 million (PY: €7.6 million).

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

	January 1 to June 30, 2020						January 1 to June 30, 2019					
€ millions	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Current service cost	138.1	2.0	0.9	1.2	14.0	**156.2**	109.7	2.0	0.8	1.0	12.0	125.5
Interest on defined benefit obligations	34.5	18.8	1.8	4.0	4.9	**64.0**	44.9	22.0	1.9	5.1	5.3	79.2
Expected return on the plan assets	-7.7	-17.6	-1.5	-3.9	-2.3	**-33.0**	-11.3	-19.8	-1.6	-5.4	-2.8	-40.9
Effect of change of asset ceiling	–	–	–	–	0.0	**0.0**	–	–	–	–	0.1	0.1
Other pension income and expenses	–	0.8	0.2	–	0.0	**1.0**	–	0.8	0.2	–	0.0	1.0
Net pension cost	**164.9**	**4.0**	**1.4**	**1.3**	**16.6**	**188.2**	**143.3**	**5.0**	**1.3**	**0.7**	**14.6**	**164.9**

The net cost of healthcare and life-insurance benefit obligations of the Continental Group in the USA and Canada consists of the following:

	January 1 to June 30	
€ millions	**2020**	2019
Current service cost	0.8	0.6
Interest on healthcare and life-insurance benefit obligations	3.4	4.0
Net cost of obligations similar to pensions	**4.2**	**4.6**

Indebtedness

At €5,923.7 million as at June 30, 2020, the Continental Group's net indebtedness was above the previous year's level of €5,665.8 million. Compared to the figure of €4,071.7 million as at December 31, 2019, it had increased by €1,852.0 million. The gearing ratio increased to 41.1% (PY: 31.3%) as at the end of the first half of 2020.

The €600.0-million euro bond from Continental AG that matured on February 5, 2020, was redeemed at a rate of 100.00%. This bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months.

In September and October 2019, Continental AG issued two listed euro bonds and two private placements with a total issue volume of €1,400.0 million under the Debt Issuance Programme (DIP). The maturities are between April 2021 and June 2025. For details regarding these bonds, please refer to the comments in the 2019 annual report. The Continental Group utilized the favorable market and interest rate environment to place three further euro bonds with investors in Germany and abroad through Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, as part of this program in the second quarter of 2020. The issue price of the €750.0-million bond issued by Continental AG on May 27, 2020, amounted to 98.791%. This bond has a term of six years and three months and an interest rate of 2.500% p.a. The €750.0-million and €625.0-million bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, on May 27, 2020, and June 25, 2020, have a term of three years and six months and four years and three months, respectively. The issue price of the bonds with a fixed interest rate of 2.125% p.a. and 1.125% p.a. amounted to 99.559% and 99.589%.

The syndicated loan from 2014, which has been granted until April 2021, was renewed ahead of schedule in December 2019. In doing so, the volume of the revolving tranche was increased from €3,000.0 million to €4,000.0 million. This credit line is available to the Continental Group until December 2024. For further details regarding the syndicated loan, please refer to the comments in the 2019 annual report. This credit line had not been utilized as at the end of June 2020. In the previous year, it was utilized by Continental Rubber of America, Corp., Wilmington, Delaware, USA, in the amount of €689.7 million. In addition to the increase to the existing syndicated loan, a further syndicated loan in the amount of €3,000.0 million was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility during the COVID-19 pandemic and therefore has a short term of 364 days. This credit line can only be used by Continental AG and had not been utilized as at the end of June 2020.

As at June 30, 2020, the Continental Group had liquidity reserves totaling €10,144.4 million (PY: €4,758.9 million), consisting of cash and cash equivalents of €2,455.6 million (PY: €1,786.3 million) and committed, unutilized credit lines of €7,688.8 million (PY: €2,972.6 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at June 30, 2020, unrestricted cash and cash equivalents totaled €2,249.2 million (PY: €1,581.2 million).

Financial instruments

The tables below show the carrying amounts and fair values of financial assets and liabilities, whereby non-current and current items are presented together. In addition, the relevant measurement categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair value according to IFRS 13, *Fair Value Measurement*.

€ millions	Measurement category in acc. with IFRS 9	**Carrying amount as at June 30, 2020**	**Fair value as at June 30, 2020**	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	167.3	167.3	–	–	167.3
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	49.5	49.5	–	49.5	–
Debt instruments	FVPL	85.1	85.1	74.8	10.3	–
Debt instruments	at cost	129.0	129.0	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	6,162.7	6,162.7	–	–	–
Bank drafts	FVOCIwR	310.3	310.3	–	310.3	–
Other financial assets						
Other financial assets	FVPL	48.0	48.0	–	48.0	–
Other financial assets	at cost	224.6	224.6	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,418.1	2,418.1	–	–	–
Cash and cash equivalents	FVPL	37.5	37.5	37.5	–	–
Financial assets		**9,632.1**	**9,632.1**	**112.3**	**418.1**	**167.3**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	21.8	21.8	–	21.8	–
Other indebtedness	at cost	7,010.2	7,068.5	4,006.6	984.3	–
Trade accounts payable	at cost	4,522.6	4,522.6	–	–	–
Other financial liabilities	at cost	946.5	946.5	–	0.2	–
Financial liabilities without lease liabilities		**12,501.0**	**12,559.4**	**4,006.6**	**1,006.3**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		310.3				
Financial assets (FVOCIwoR)		167.3				
Financial assets (FVPL)		220.1				
Financial assets (at cost)		8,934.4				
Financial liabilities (FVPL)		21.8				
Financial liabilities (at cost)		12,479.3				

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2019	Fair value as at Dec. 31, 2019	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	197.6	197.6	–	–	197.6
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	7.5	7.5	–	7.5	–
Debt instruments	FVPL	39.8	39.8	29.1	10.7	–
Debt instruments	at cost	158.2	158.2	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	7,571.2	7,571.2	–	–	–
Bank drafts	FVOCIwR	134.2	134.2	–	134.2	–
Trade accounts receivable	FVPL	6.2	6.2	–	6.2	–
Other financial assets						
Other financial assets	FVPL	36.5	36.5	–	36.5	–
Other financial assets	at cost	196.6	196.6	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,748.6	2,748.6	–	–	–
Cash and cash equivalents	FVPL	593.2	593.2	400.6	192.6	–
Financial assets		**11,689.6**	**11,689.6**	**429.7**	**387.7**	**197.6**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	13.3	13.3	–	13.3	–
Other indebtedness	at cost	5,890.7	5,926.8	2,462.7	908.3	–
Trade accounts payable	at cost	7,111.0	7,111.0	–	–	–
Other financial liabilities	at cost	1,078.0	1,078.0	–	0.4	–
Financial liabilities without lease liabilities		**14,093.0**	**14,129.1**	**2,462.7**	**922.0**	**–**
Aggregated according to measurement categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		134.2				
Financial assets (FVOCIwoR)		197.6				
Financial assets (FVPL)		683.2				
Financial assets (at cost)		10,674.6				
Financial liabilities (FVPL)		13.3				
Financial liabilities (at cost)		14,079.7				

Abbreviations:

- at cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit and loss
- n. a.: not applicable, not assigned to any measurement category

Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*:

- Level 1: quoted prices in active markets for identical instruments
- Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- Level 3: measurement methods for which the major input factors are not based on observable market data

For other investments for which there are no quoted prices in active markets for identical instruments (level 1) or for similar instruments, or for which there are no applicable measurement methods in which all major input factors are based on observable market data (level 2), the fair value must be calculated using a measurement method for which the major input factors are not based on observable market data (level 3). If external valuation reports or information from other financing rounds is available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case: for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if the most recent information available for fair value measurement is insufficient. Other investments are centrally monitored with regard to any changes to the key non-observable input factors and continuously checked for changes in value. As at the reporting date, there were no indications of any significant change in the value of the financial investments. For this reason, there is no need to present the changes in carrying amounts separately, or for a sensitivity analysis.

Litigation and compensation claims
There were no significant new findings or developments in the reporting period with regard to the litigation and compensation claims described in the 2019 annual report.

Contingent liabilities and other financial obligations
As at June 30, 2020, there were no material changes in the contingent liabilities and other financial obligations described in the 2019 annual report.

Appropriation of net income
As at December 31, 2019, Continental AG reported net retained earnings of €5,856.0 million (PY: €1,758.5 million). On July 14, 2020, the Annual Shareholders' Meeting resolved to distribute a dividend of €3.00 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution thus amounts to €600,017,949.00. The remaining amount was carried forward to new account.

Earnings per share
Basic earnings per share fell to -€2.24 (PY: €5.30) in the first half of 2020 and to -€3.70 (PY: €2.42) for the period from April 1 to June 30, 2020. These figures were the same for the diluted earnings per share.

Transactions with related parties
In the period under review, there were no material changes in transactions with related parties compared to December 31, 2019. For further information, please refer to the comments in the 2019 annual report.

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

Significant Events after June 30, 2020

On July 14, 2020, the Annual Shareholders' Meeting resolved to distribute a dividend of €3.00 per share to the shareholders of Continental AG for the past fiscal year. With 200,005,983 shares entitled to dividends, the total distribution thus amounts to €600,017,949.00.

Hanover, July 21, 2020

Continental Aktiengesellschaft
The Executive Board

Other than this, there were no significant events after June 30, 2020.

Responsibility Statement by the Company's Legal Representatives

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

Hanover, July 21, 2020

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed interim consolidated financial statements of Continental Aktiengesellschaft – comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the explanatory notes to the consolidated financial statements – together with the interim consolidated management report of Continental Aktiengesellschaft, Hanover, for the period from January 1 to June 30, 2020, that are part of the half-year financial report according to Section 115 of the German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)*. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim consolidated management report in accordance with the requirements of the *WpHG* applicable to interim consolidated management reports, is the responsibility of the company's legal representatives. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim consolidated management report based on our review.

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

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

Hanover, July 31, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. K. Tonne	A. Modder
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

2020	
Annual Financial Press Conference	March 5
Analyst and Investor Conference Call	March 5
Financial Report as at March 31, 2020	May 7
Virtual Annual Shareholders' Meeting	July 14
Half-Year Financial Report as at June 30, 2020	August 5
Financial Report as at September 30, 2020	November 11

2021	
Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting (including key figures for the first quarter of 2021)	April 29
Financial Report as at March 31, 2021	May
Half-Year Financial Report as at June 30, 2021	August
Financial Report as at September 30, 2021	November

Publication Details

The annual report, the annual financial statements, the half-year financial report, and the interim reports are available online at:
www.continental-ir.com

Published by:
Continental Aktiengesellschaft, Hanover, Germany

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

The Future in Motion