Continental

Press Release

Continental Confirms Outlook and Sees Still-Strong Order Books

- **Automotive supplier grows sales to about €22.6 billion after nine months**
- **Adjusted EBIT of approximately €2.2 billion / margin of 9.9%**
- **Net income at €894 million more than double year-on-year**
- **Raw material costs will rise to exceed €950 million for the corporation as a whole**

Hanover, November 3, 2011. The international automotive supplier Continental is right on target and is confirming its forecast for the current fiscal year. “We are still expecting sales to reach at least €29.5 billion. In addition, we still feel we can achieve an adjusted EBIT margin of some 10% for the full year 2011, even if this must meanwhile be viewed as an ambitious target owing to the higher-than-expected burden we are experiencing from raw material costs,” said Continental Executive Board Chairman Dr. Elmar Degenhart on Thursday. “We expect that positive effects primarily from the very good utilization of our capacities will roughly offset the negative impact from the increasing raw material costs. Moreover, at present we still see strong order books.”

Degenhart explained that the Rubber Group must cope with a burden of more than €900 million in raw material costs in the current fiscal year instead of the previously anticipated €850 million, in particular because increasing prices for synthetic rubber impacted operating results earlier than had been expected. “Furthermore, the Automotive Group is contending with additional costs totaling a maximum of €50 million in the fourth quarter as a result of the recent spike in rare earth prices. In the course of the year, for instance, the price of dysprosium has soared nearly twentyfold from its low level in 2010,” said Degenhart. Dysprosium is used in manufacturing magnets for electric motors, as well as other products.

Year-on-year, the Continental Corporation raised its **sales** in the first nine months of 2011 by 18% to €22.6 billion. At the same time, the automotive supplier achieved an **EBIT** of €1.9 billion, about €540 million or nearly 40% more than in the same period last year. The EBIT margin is 8.5%, compared with 7.2% in 2010.

.../2

Your contact:
Hannes Boekhoff, Phone: +49 511 938-1278

Adjusted EBIT before acquisition-related amortization and special effects rose by roughly €433 million or nearly one quarter to €2.2 billion. This represents an adjusted EBIT margin of 9.9%, compared with 9.4% in 2010. In the first nine months of this year, **net income attributable to the shareholders of the parent** grew by €531 million, and was far more than double at €894 million. Earnings per share increased to €4.47 from €1.82 for the third quarter of 2010. At the end of September, Continental had a total workforce of 164,078 **employees**, approximately 18,000 more than at the end of September 2010.

Chief financial officer Wolfgang Schäfer pointed out that in the first three quarters of 2011 Continental had achieved a free cash flow of minus €54 million, a year-on-year improvement of nearly €116 million. "We confirm our target of generating free cash flow of more than €500 million and reducing our net indebtedness to well below €7 billion by the end of this year," said Schäfer. At the end of the third quarter, **net indebtedness** stood at just under €7.3 billion, nearly €800 million less than at the end of September 2010. The gearing ratio was 103.3% as opposed to 137.9% at the end of September 2010. On September 30, 2011, the corporation had at its disposal liquidity reserves of just under €3.9 billion. "With about €1.5 billion in cash and cash reserves, we had nearly €500 million more available to us than on the same date in 2010," explained Schäfer. Unutilized, committed credit lines amounted to some €2.3 billion, approximately as high as they were at the end of September 2010.

"Thanks to contributions made by both the Automotive and Rubber Groups, we are well on our way to achieving the annual targets we revised upward in the summer. In the **Automotive Group**, we posted sales volumes of approximately €13.7 billion after three quarters. This represents 15% growth year-on-year after nine months, which is substantially stronger than the growth experienced by our key markets," said Degenhart. "At the end of three quarters, we can report an adjusted EBIT of approximately €1.1 billion. The adjusted EBIT margin was 8.1%, compared with 6.5% for the same period of 2010."

The **Rubber Group** boosted its sales in the first nine months of 2011 year-on-year by about €1.5 billion to approximately €8.9 billion. Despite raw material costs amounting to €765 million in the first three quarters, the adjusted EBIT rose roughly €113 million to nearly €1.2 billion. The adjusted EBIT margin was 13.5% after 14.7% for the same period of 2010.

.../3

Your contact:
Hannes Boekhoff, Phone: +49 511 938-1278

In the first three quarters of 2011, the Continental Corporation **invested** roughly €1 billion after €782 million in the same period of 2010. Approximately €1.2 billion was spent on **research and development**, €82 million more than in the first nine months of 2010. "Our successes this year and the customer interest in the new products we showcased at the latest IAA Motor Show demonstrate that we were right in deciding to invest more than €1.3 billion in research and development (R&D) even in the 2009 crisis year. At 5.4% of sales, our R&D rate is now returning to the normal level, after 6% a year ago and 6.7% in 2009," said Degenhart.

With sales of €26 billion in 2010, Continental is among the leading automotive suppliers worldwide. As a supplier of brake systems, systems and components for powertrains and chassis, instrumentation, infotainment solutions, vehicle electronics, tires and technical elastomers, Continental contributes to enhanced driving safety and global climate protection. Continental is also an expert partner in networked automobile communication. Continental currently has approximately 164,000 employees in 45 countries.

Dr. Felix Gress
Senior Vice President
Corporate Communications
Continental AG
Vahrenwalder Str. 9
30165 Hanover, Germany
Phone: +49 511 938-1485
Fax: +49 511 938-1055
E-mail: prkonzern@conti.de

Hannes Boekhoff
Vice President
Media Relations
Continental AG
Vahrenwalder Str. 9
30165 Hanover, Germany
Phone: +49 511 938-1278
Fax: +49 511 938-1016
E-mail: corporate-media-relations@conti.de

This press release is available in the following languages: Chinese, Czech, English, French, German, Hungarian, Japanese, Portuguese (Brazil), Portuguese (Portugal), Romanian, Russian, Slovakian, Spanish.

Online media database: www.mediacenter.continental-corporation.com

Financial reports: www.continental-ir.de

.../4

Key Figures for the Continental Corporation

in € millions	1. January 1 to September 30		Third Quarter	
	2011	2010	2011	2010
Sales	22,592.6	19,144.2	7,714.4	6,489.8
EBITDA	3,109.8	2,611.2	1,037.1	786.9
in % of sales	13.8	13.6	13.4	12.1
EBIT	1,916.7	1,376.2	635.7	365.1
in % of sales	8.5	7.2	8.2	5.6
Net income attributable to the shareholders of the parent	893.7	363.0	210.7	14.1
Earnings per share (in €)	4.47	1.82	1.05	0.07
Adjusted sales[1]	22,412.4	19,140.3	7,606.6	6,489.8
Adjusted operating result (adjusted EBIT)[2]	2,227.0	1,794.2	743.7	484.9
in % of adjusted sales	9.9	9.4	9.8	7.5
Free cash flow	-54.0	-169.8	-90.9	-125.9
Net indebtedness at September 30	7,297.4	8,092.1		
Gearing ratio in %	103.3	137.9		
Number of employees at September 30[3]	164,078	146,190		

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

Your contact:
Hannes Boekhoff, Phone: +49 511 938-1278