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## In Demonstrating 3rd Quarter Operative Strength and Eliminating Bottom Line Risks, Continental Corporation Opens Up Prospects for Successful Refinancing

- Automotive supplier achieves adjusted EBIT\* of €413.4 million in 3rd quarter and €662.1 million in first nine months
- Goodwill impairments of €875.8 million cleans up financial risks
- Capital increase and negotiations on refinancing to be concluded no later than end of 1st quarter of 2010

Hanover, October 29, 2009. In the 3rd quarter of 2009, Continental AG, Hanover, demonstrated operative strength in clearly continuing the positive trend of the previous two quarters. With adjusted EBIT\* of €413.4 million, the international automotive supplier clearly topped the comparable value for the same period last year. In the first nine months adjusted EBIT\* amounted to €662.1 million. Special effects of around €1.36 billion, and in particular a goodwill impairment of €875.8 in the Automotive Group, are contained in the consolidated earnings. "The 3rd quarter bears witness to a sustained major improvement in our operations. The progress made is the result of successful restructuring and a slight recovery in the markets. At the same time, with wide-ranging one-off effects we have tackled weighty risks to our bottom line. The combination of these two aspects bodes well for us in refinancing our indebtedness and in improving our capital structures, both of which endeavors we intend to conclude by the end of the 1st quarter of 2010, at the very latest," said Dr. Elmar Degenhart, chairman of the Continental Executive Board, in Hanover.

Continental Corporation	In millions of €		Margin in %	
	Q3/2009	Q3/2008	Q3/2009	Q3/2008
Sales	5,337.0	5,892.0		
EBITDA	440.6	596.4	8.3	10.1
EBIT	-911.8	162.7	-17.1	2.8
Adjusted EBIT*	413.4	319.1	7.8	5.5
Net Income Attributable to the Shareholders of the Parent	-1,038.5	2.4		
Earnings per share (in €)	-6.14	0.01		

\*Adjusted EBIT: Before amortization of intangible assets from PPA and taking into account changes in the scope of consolidation and special effects.

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**Consolidated sales** for the first nine months of 2009 fell by 24.8% year-on-year to €14,400.2 million (PY: €19,146 million). Adjusted for changes in the scope of consolidation and exchange rate effects, the sales drop amounts to 23.5%. The reduction resulted primarily from volume decreases brought on by the global economic crisis. In the third quarter of 2009, consolidated sales fell, year-on-year, by 9.4% to €5,337.0 million (PY: €5,892 million). Adjusted to account for changes in the scope of consolidation and exchange rate effects, sales dropped by 8.6%. Sales in the 2nd quarter, calculated on a comparable basis, were down by as much as 27.4%.

Year-on-year, **adjusted consolidated EBIT\*** for the first nine months of 2009 declined by €840.7 million, or 55.9 %, to €662.1 million (PY: €1,502.8 million), corresponding to 4.6 % of adjusted sales (PY: 8.0%). Adjusted consolidated EBIT\* in the third quarter of 2009 was €413.4 million (PY: €319.1 million). Year-on-year, this represented an improvement of €94.3 million, or 29.6 %, corresponding to 7.8 % (PY: 5.5%) of adjusted sales. Comparably calculated, adjusted EBIT\* for the 2nd quarter of 2009 stood at €283.0 million.

In the first nine months of 2009, **consolidated EBIT** fell to €-1,038 million. This was €2,113.1 million – or 196.5% – under the level for the same period last year (€1,075.1 million). Return on sales fell to -7.2 % (PY: 5.6 %). **Net consolidated income** attributable to the shareholders of the parent declined to €-1,495.6 million (PY: €363.5 million), with per-share earnings at €-8.85 (PY: €2.24).

In the first nine months of 2009, **research and development** expenses shrank 9.9 % year-on-year to €1,092.4 million (PY: €1,212.5 million), corresponding to 7.6 % of sales (PY: 6.3%). Of that sum, €926.9 million (PY: €1,041.3 million) went to the Automotive Group, corresponding to 10.8 % of sales (PY: 8.7%), while €165.5 million went to the Rubber Group (PY: €171.2 million), corresponding to 2.8% of sales (PY: 2.4%).

At €9,464.8 million, the consolidated **net indebtedness** on September 30, 2009, was €1,018.7 million lower than on December 31, 2008, and €1,342.3 million lower than on September 30, 2008 (€10,807.1 million). Despite the reduction in net indebtedness, the **gearing ratio**, at 225.9%, exceeds the prior year's level of 146.0%.

This is due to reduced equity vis-à-vis the level end of September 2008. In the first nine months of 2009, **net interest earnings** worsened €7.7 million year-on-year to €-517.4 million (PY: €-509.7 million).

The **free cash flow** for the first nine months of 2009 amounted to €1,084.0 million (PY: €123.8 million), up €960.2 million year-on-year. All told, Continental had **liquidity** reserves of €3,290.5 million at its disposal as of September 30, 2009. These consist of cash and cash equivalents of €1,556.3 million and unused credit lines in the order of €1,734.2 million.

At the end of the third quarter of 2009, the corporation had 134,216 **employees** on its payroll, down 4,939 from the end of 2008, due mainly to the poorer economic environment overall.

At the end of nine months, the Continental Corporation's two groups continue to clearly reflect the impact of the global financial and economic crisis. A radical improvement in EBIT is, however, increasingly evident. In the **Automotive Group**, the Chassis & Safety division has, after nine months, attained adjusted EBIT\* of €223.1. Of this, €134.7 was earned in the 3rd quarter, which thus fared better than the corresponding quarter last year (€121.3). The Powertrain division posted 3rd quarter adjusted EBIT\* of €-72.7 million, on the heels of €-46.9 million in the second quarter. The Interior division was back in the black in the 3rd quarter, with adjusted EBIT\* of €32.8 million.

In the Automotive Group, balance sheet for the 3rd quarter contains goodwill impairments in the amount of €875.8 million that cleans up financial risks. €61.4 million of this applied to the Interior division, €367.0 million to the Chassis & Safety division and €447.4 million to the Powertrain division.

Automotive Group	In millions of €		Margin in %	
	Q3/2009	Q3/2008	Q3/2009	Q3/2008
Sales	3,233.0	3,492.0		
EBITDA	169.1	272.0	5.2	7.8
EBIT	-1,058.7	-56.9	-32.8	-1.6
Adjusted EBIT*	94.7	119.8	3.0	3.5

In the face of tenaciously intractable market conditions, the Rubber Group finished the first nine months with adjusted EBIT\* of €726.6 million, thereby closing in on the value for the comparable period last year (€766.6 million). With sales down vis-à-vis the corresponding period last year, the margin – at 12.6% – tops the previous year’s value of 10.7%.

After nine months, the Passenger and Light Truck Tires division achieved adjusted EBIT\* of €538 million, of which €241.4 million was recorded in the 3rd quarter. Despite relentlessly tailspinning sales as the result of market conditions, the Commercial Vehicle Tires division closed out the first nine months of the year in the black, with adjusted EBIT\* of €19.2 million. The 3rd quarter contributed a crucial €32.5 million to that. The ContiTech division posted adjusted EBIT\* of €169.3 million for the first nine months, €70.5 million of that in the 3rd quarter.

Rubber Group	In millions of €		Margin in %	
	Q3/2009	Q3/2008	Q3/2009	Q3/2008
Sales	2,118.0	2,404.1		
EBITDA	374.4	336.8	17.7	14.0
EBIT	250.5	232.5	11.8	9.7
Adjusted EBIT*	344.6	212.2	16.5	8.8

**Outlook:** From the present vantage point, we still expect to likewise be able to hold to our covenants in the 4th quarter, notwithstanding persistently adverse economic conditions and lingering uncertainties. Despite punctual payment of tranche A in August, in the amount of €800 million, available liquidity (cash and cash equivalents as well as unused approved credit lines) stood at a solid level of approximately €3.3 billion at the end of the first nine months. Owing to increasing capital expenditures in the 4th quarter and the seasonally atypical pattern in working capital requirements of late, one could see a renewed rise in net indebtedness at the year pulls to a close.

Continental is currently looking into various options for the repayment or refinancing of tranche B of our loan facility, due in August 2010, with the goal of substantially improving the capital structure as well. To this end, the company is planning to implement a capital increase of €1.0 billion to €1.5 billion no later than the end of the 1st quarter of 2010. Parallel to that, and likewise no later than the end of Q1 2010, we plan to complete negotiations on the refinancing of the €3.5 billion due in August 2010.

Based on information presently at our disposal, we envision a significant year-on-year improvement in sales and EBIT in the final quarter. The corporation will, admittedly, be incurring additional restructuring expenses for the planned works closures and production adjustments previously announced. For this and other reasons, marked year-on-year aberrations might still be in the offing.

With sales exceeding €24 billion in 2008, the Continental Corporation is one of the top automotive suppliers worldwide. As a supplier of brake systems, powertrain and chassis systems and components, instrumentation, infotainment solutions, vehicle electronics, tires and technical elastomers, the corporation contributes towards enhanced driving safety and protection of the global climate. Continental is also a competent partner in networked automobile communication. The corporation currently employs approximately 134,000 at nearly 190 locations in 37 countries.

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