

Corporate Governance Report and Declaration Regarding Key Management Practices pursuant to Section 289a of the German Commercial Code (HGB)

Our Corporate Governance Principles are the basis of our success in the interests of all stakeholders.

Good and responsible corporate governance geared towards sustainable, long-term value creation is the measure that governs the actions of the Executive Board and Supervisory Board of Continental AG, and the basis of the company's success in the interests of all its stakeholders. In the following, the Executive Board and Supervisory Board report on corporate governance at Continental in accordance with our Corporate Governance Principles, Item 3.10 of the German Corporate Governance Code and Section 289a of the German Commercial Code (*Handels-gesetzbuch – HGB*). The report is supplemented by the Remuneration Report of Continental AG, which is part of the company's Management Report.

Continental AG's Corporate Governance Principles are closely modeled on the German Corporate Governance Code. Together with the BASICS, which we have used to lay down our corporate goals and guidelines since 1989, and our Code of Conduct, these principles form a guideline for corporate management and control at Continental.

Corporate bodies

In line with the law and the Articles of Incorporation, the company's executive bodies are the Executive Board, the Supervisory Board and the Shareholders' Meeting. As a German stock corporation, Continental AG has a dual management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body.

The Executive Board and its practices

The Executive Board has sole responsibility for managing the company free from instructions from third parties in accordance with the law, the Articles of Incorporation, the Executive Board's By-Laws, while taking into account the resolutions of the

Shareholders' Meeting. Regardless of the principle of joint responsibility, whereby all members of the Executive Board equally share responsibility for the management of the company, each Executive Board member is responsible for the areas entrusted to him. The chairman of the Executive Board is responsible for the company's overall management and business policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board currently has eight members.

The Executive Board has By-Laws which regulate in particular the allocation of duties among the Executive Board members, key matters pertaining to the company and its subsidiaries that require a decision to be made by the Executive Board, the duties of the Executive Board chairman, as well as the process in which the Executive Board passes resolutions. Article 14 of the Articles of Incorporation and the Supervisory Board By-Laws require the consent of the Supervisory Board for significant measures carried out by management.

The Supervisory Board and its practices

The Supervisory Board appoints the Executive Board and supervises and advises it in the management of the company. The Supervisory Board is directly involved in decisions of material importance to the company. As specified by law, the Articles of Incorporation and the Supervisory Board By-Laws, certain corporate management matters require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates its work and represents its interests vis-à-vis third parties. He is in regular contact with the Executive Board, and in particular with its chairman, to discuss the company's strategy, business development and risk management.

Composition of the Supervisory Board

In accordance with the German Co-determination Act (*Mitbestimmungsgesetz – MitbestG*) and the company's Articles of Incorporation, the Supervisory Board comprises 20 members. Half the members of the Supervisory Board are elected by the shareholders in the Annual Shareholders' Meeting, while the other half are elected by the employees of Continental AG and its German subsidiaries. The current term of office of all members of the Supervisory Board ends with the conclusion of the 2014 Annual Shareholders' Meeting.

Both the shareholder representatives and the employee representatives have an equal duty to act in the interest of the company. The Supervisory Board's chairman represents the shareholders. He has the casting vote in the event of a tie.

The Supervisory Board has drawn up By-Laws for itself, which supplement the law and the Articles of Incorporation with more detailed provisions including provisions on Supervisory Board meetings, the duty of confidentiality, on handling conflicts of interest, the Executive Board's reporting obligations, and a list of legal transactions that require approval from the Supervisory Board.

Committees of the Supervisory Board

The Supervisory Board currently has four committees: the Chairman's Committee, the Audit Committee, the Nomination Committee and the committee that must be formed in line with Section 27(3) of the *MitbestG* (Mediation Committee).

The Chairman's Committee is comprised of the Supervisory Board's chairman, vice chairman, and the two additional members of the Mediation Committee. One of the key responsibilities of the Chairman's Committee is preparing the appointment of Executive Board members and concluding, terminating, and amending their employment contracts and other agreements with them. However, the plenum of the Supervisory Board alone is responsible for establishing the total remuneration of the Executive Board. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions by the company as specified in the Supervisory Board By-Laws. The Supervisory Board conferred these participation rights on the Chairman's Committee with the proviso that, in individual cases, each of its

members may demand that a matter be submitted to the plenary session for decision.

The Audit Committee's tasks relate to the company's accounting, the audit of the financial statements, and compliance. In particular, the committee monitors the accounting process and the effectiveness of the internal controlling system, the risk management system and internal audit system, performs a preliminary examination of Continental AG's annual financial statements and the consolidated financial statements, and makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to Section 171 of the German Stock Corporation Act (*Aktiengesetz – AktG*). Furthermore, the committee discusses the company's draft interim financial reports and is responsible for assuring the necessary independence of auditors, for engaging the auditors, for determining the focus of the audit as required, and for negotiating the fee. The committee also gives its recommendation for the Supervisory Board's proposal to the Shareholders' Meeting for the election of the auditor. The chairman of the Audit Committee, Dr. Bernd W. Voss, is independent and, as former CFO of Dresdner Bank, has special knowledge and experience in the application of accounting principles and internal control procedures. Previous members of the company's Executive Board and the chairman of the Supervisory Board may not act as chairman of the Audit Committee.

The Nomination Committee is responsible for nominating suitable candidates for the Supervisory Board to propose to the Annual Shareholders' Meeting for election. This committee consists entirely of shareholder representatives.

In accordance with Section 31(3) Sentence 1 of the *MitbestG*, the Mediation Committee becomes active only if the first round of voting on a proposal to appoint a member of the Executive Board or his joint removal does not have the legally required two-thirds majority. This committee must then attempt mediation before a new vote is taken.

Shares held by Supervisory Board and Executive Board members; directors' dealings

Shares representing 42.17% of the common stock of the company were attributable to two members of the

Supervisory Board – Maria-Elisabeth Schaeffler and Georg F. W. Schaeffler – held as specified in the notification of voting rights on June 29, 2010. As of February 8, 2011, the remaining members of the Supervisory Board held shares representing a total interest of less than 1% in the common stock of the company. As of February 8, 2011, the members of the Executive Board held shares also representing a total interest of less than 1% in the common stock of the company.

In accordance with Section 15a of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*), members of the Executive Board and Supervisory Board of Continental AG and their related parties must disclose the acquisition and disposal of shares of the company and of financial instruments related thereto. In fiscal year 2010, Continental AG gave notice in line with Section 15a *WpHG* to the effect that two members of the Executive Board had obtained a total of 310 shares by exercising subscription rights.

Shareholders and the Annual Shareholders' Meeting

The company's shareholders exercise their rights of codetermination and control at the Annual Shareholders' Meeting. The Annual Shareholders' Meeting, which is held in the first eight months of every fiscal year, decides on all issues assigned to it by law such as the appropriation of profits, election and dismissal of Supervisory Board and Executive Board members, appointment of auditors, and amendments to the company's Articles of Incorporation. Each Continental AG share entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights, nor do any limitations on voting rights exist.

All shareholders who register in a timely manner and prove their entitlement to participate in the Shareholders' Meeting and to exercise their voting rights are entitled to participate in the Shareholders' Meeting. To facilitate the exercise of their rights and to prepare them for the Shareholders' Meeting, the shareholders are fully informed about the past fiscal year and the points on the upcoming agenda before the Shareholders' Meeting by means of the Annual Report and the invitation to the meeting. All documents and information on the Shareholders'

Meeting, including the Annual Report, are also published on the company's website in German and English. To facilitate the exercise of shareholders' rights, the company offers all shareholders who cannot or do not want to exercise their voting rights themselves the opportunity to vote at the Shareholders' Meeting via a proxy who is bound by instructions.

Declaration in accordance with Section 161 of the AktG and deviations from the German Corporate Governance Code

The Government Commission on the German Corporate Governance Code resolved another series of amendments to the Code in 2010. The Supervisory Board and Executive Board discussed these proposals in detail and resolved to follow most of these amendments for Continental and to adjust Continental's Corporate Governance Principles accordingly.

On October 18, 2010, the Executive Board and the Supervisory Board issued the following annual declaration in accordance with Section 161 of the *AktG*:

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 of the *AktG* that the company has complied with and will comply with the recommendations issued by the 'Government Commission on the German Corporate Governance Code' (as amended on May 26, 2010, and published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (*elektronischer Bundesanzeiger*) on July 2, 2010), subject to the following limitations. This refers to the Declaration of the Executive Board and Supervisory Board of October 19, 2009, regarding the recommendations of the German Corporate Governance Code in the version dated June 18, 2009.

- Section 2.3.2 recommends that the convening notice to the annual general meeting and the documents relating thereto should be sent electronically to all domestic and foreign financial services providers, shareholders, and shareholders' associations. The company cannot fulfill this recommendation because shares of the company are bearer shares (Article 5 of the Articles of

Incorporation), which means that it is not feasible to identify all possible recipients.

- Under Section 5.4.1, the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board, and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. The Supervisory Board has resolved to follow the recommendations in Section 5.4.1, and has tasked a committee to prepare the resolution on the objectives for the Supervisory Board. After agreeing on the objectives, the Supervisory Board will publish them in accordance with the Code.

Hanover, October 18, 2010

Prof. Dr. Ing. Wolfgang Reitzle
Chairman of the Supervisory Board

Dr. Elmar Degenhart
Chairman of the Executive Board"

The declaration was made permanently available to shareholders on Continental's website. Earlier declarations in accordance with Section 161 of the *AktG* also can be found on the website. In Continental AG's Corporate Governance Principles, the Executive Board and the Supervisory Board have undertaken to explain not only deviations from the recommendations made by the Code, but also any deviations from its suggestions.

- With regard to the suggestion in Section 2.3.4 of the Code, to date the company has not given shareholders the opportunity to follow the Annual Shareholders' Meeting using communication media such as the Internet. Although our Articles of Incorporation permit the use of electronic media to transmit some or all of the Annual Shareholders' Meeting, we do not think that the benefit to shareholders currently justifies the costs associated with such use and therefore do not follow this suggestion.

The Corporate Governance Principles of Continental AG are published on the Internet at:
www.continental-corporation.com.

Key management practices

In addition to the Corporate Governance Principles, the following principles are also a key basis of our long-term responsible corporate governance:

- The BASICS – Continental AG's corporate guidelines

The BASICS, our corporate guidelines, have reflected the vision, values and self-image of the corporation since 1989. At the same time, the BASICS are intended to aid in shaping our future.

- Compliance

Compliance with all laws applicable to our business activities and all internal guidelines has long been a permanent cornerstone of our corporate culture. The Executive Board considers one of its main duties to be ensuring compliance through appropriate measures. To further improve compliance activities and make them even more effective, a global compliance organization with a central compliance department was established. It reports to the Corporate Compliance Officer. The compliance department's work focuses in part on the prevention of corruption and non-compliance with antitrust laws, rules governing competition, and property crimes.

- Code of conduct

Continental AG is convinced that long-term corporate success depends to a considerable degree on the ability to make business relations responsible on a sustainable basis. Against this background, the corporation voluntarily introduced a global Code of Conduct in the spirit of voluntary self-regulation.

The Code of Conduct describes the basic values and rules that are binding for all Continental employees in their day-to-day work and in dealing with co-workers, customers and other corporate interest groups.

- Corporate social responsibility

For the Continental Corporation, sustainable responsible action means striking a balance that is acceptable to all involved between the economic needs of the company and the justified expectations of its interest groups. With this aim in mind, the Executive Board adopted the Corporate Social Responsibility (CSR) Guideline in June 2008.

The aforementioned documents are available on the company's website at:
www.continental-corporation.com.

Accounting

The Continental Corporation's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code (*Handelsgesetzbuch*).

Internal control system and risk management

Careful corporate management and good corporate governance also require that the company deal with risk in a responsible manner. Continental has a corporation-wide internal control and risk management system, especially in terms of the accounting process,

that helps analyze and manage the company's risk situation. The risk management system serves to identify and evaluate developments that could trigger significant disadvantages and to avoid risks that would endanger the continued existence of the company.

Transparent and prompt reporting

The company regularly reports equally to shareholders, analysts, shareholders' associations, the media, and interested members of the public on significant developments in the corporation and on its position. All shareholders thus have immediate access to all information in German and English which is also available to financial analysts and similar addressees. In particular, the website of Continental AG is utilized to guarantee the timely distribution of information. The company's financial reports, presentations made at analyst conferences as well as press releases and ad-hoc announcements are also available for downloading from the website. The dates of key periodic publications and events (annual reports, interim reports, Annual Shareholders' Meetings, and press and analyst conferences) are announced in a timely manner in the company's financial calendar. The dates already set for 2011 and 2012 can be found on the Internet at: www.continental-ir.com.