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Preliminary Consolidated Financial Statements 2010

The following results and amounts are preliminary statements that have not yet been approved or adopted by the Supervisory Board.

Continental Corporation

Continental Corporation in € millions	2010	2009
Sales	26,046.9	20,095.7
EBITDA	3,587.6	1,591.2
in % of sales	13.8	7.9
EBIT	1,935.2	-1,040.4
in % of sales	7.4	-5.2
Net income attributable to the shareholders of the parent	576.0	-1,649.2
Earnings per share (in €)	2.88	-9.76
Research and development expenses	1,450.4	1,356.3
in % of sales	5.6	6.7
Depreciation and amortization ¹	1,652.4	2,631.6
– thereof impairment ²	57.7	993.0
Operating assets (at December 31)	15,282.8	14,582.7
EBIT in % of operating assets (at December 31)	12.7	-7.1
Operating assets (average)	15,580.0	16,024.1
EBIT in % of operating assets (average)	12.4	-6.5
Capital expenditure ³	1,296.4	860.1
in % of sales	5.0	4.3
Number of employees at December 31 ⁴	148,228	134,434
Free cash flow	566.9	1,640.3
Net indebtedness	7,317.0	8,895.5
Gearing ratio in %	118.0	219.0
Total equity	6,202.9	4,061.7
Equity ratio in %	25.4	17.6
Dividend in €	–	–
Adjusted sales ⁵	25,945.3	19,941.0
Adjusted operating result (adjusted EBIT) ⁶	2,516.8	1,180.5
in % of adjusted sales	9.7	5.9

¹ Excluding write-downs of investments.

² Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Development of Core Business Areas: Automotive Group

Automotive Group in € millions	2010	2009
Sales	15,917.0	12,042.4
EBITDA	1,779.1	608.9
in % of sales	11.2	5.1
EBIT	567.9	-1,561.6
in % of sales	3.6	-13.0
Research and development expenses	1,227.1	1,144.3
in % of sales	7.7	9.5
Depreciation and amortization ¹	1,211.2	2,170.5
– thereof impairment ²	35.6	949.0
Operating assets (at December 31)	11,308.8	11,119.5
EBIT in % of operating assets (at December 31)	5.0	-14.0
Operating assets (average)	11,512.0	12,015.9
EBIT in % of operating assets (average)	4.9	-13.0
Capital expenditure ³	739.8	538.1
in % of sales	4.6	4.5
Number of employees at December 31 ⁴	86,723	78,030
Adjusted sales⁵	15,900.0	11,912.6
Adjusted operating result (adjusted EBIT)⁶	1,068.6	203.7
in % of adjusted sales	6.7	1.7

¹ Excluding write-downs of investments.

² Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Development of Core Business Areas: Rubber Group

Rubber Group in € millions	2010	2009
Sales	10,152.5	8,068.3
EBITDA	1,851.5	1,114.5
in % of sales	18.2	13.8
EBIT	1,413.1	655.7
in % of sales	13.9	8.1
Research and development expenses	223.3	212.0
in % of sales	2.2	2.6
Depreciation and amortization ¹	438.4	458.8
– thereof impairment ²	22.1	44.0
Operating assets (at December 31)	4,019.3	3,553.2
EBIT in % of operating assets (at December 31)	35.2	18.5
Operating assets (average)	4,112.1	3,989.8
EBIT in % of operating assets (average)	34.4	16.4
Capital expenditure ³	555.8	321.7
in % of sales	5.5	4.0
Number of employees at December 31 ⁴	61,265	56,183
Adjusted sales⁵	10,067.9	8,043.4
Adjusted operating result (adjusted EBIT)⁶	1,513.4	1,038.5
in % of adjusted sales	15.0	12.9

¹ Excluding write-downs of investments.

² Impairment also includes necessary reversals 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 the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

EBITDA

EBITDA	in € millions		in % of sales	
	2010	2009	2010	2009
Chassis & Safety	891.7	601.6	15.4	13.8
Powertrain	268.2	-13.3	5.7	-0.4
Interior	619.1	20.4	11.2	0.5
Passenger & Light Truck Tires	1,241.0	793.1	21.3	16.9
Commercial Vehicle Tires	142.2	47.5	10.0	4.5
ContiTech	468.2	274.0	15.1	11.4
Other/Consolidation	-42.8	-132.1	—	—
Continental Corporation	3,587.6	1,591.2	13.8	7.9

EBIT

EBIT	in € millions		in % of sales	
	2010	2009	2010	2009
Chassis & Safety	569.0	-102.5	9.9	-2.3
Powertrain	-198.1	-943.2	-4.2	-27.7
Interior	197.0	-516.0	3.6	-11.8
Passenger & Light Truck Tires	993.3	536.4	17.1	11.4
Commercial Vehicle Tires	50.1	-50.1	3.5	-4.7
ContiTech	369.6	169.4	11.9	7.0
Other/Consolidation	-45.7	-134.4	—	—
Continental Corporation	1,935.2	-1,040.4	7.4	-5.2

Adjusted Operating Result (Adjusted EBIT)¹

Adjusted operating result (adjusted EBIT) ¹	in € millions		in % of adjusted sales ²	
	2010	2009	2010	2009
Chassis & Safety	630.2	352.8	10.9	8.1
Powertrain	26.0	-206.3	0.6	-6.2
Interior	412.4	57.0	7.5	1.3
Passenger & Light Truck Tires	1,030.5	774.4	17.9	16.5
Commercial Vehicle Tires	85.9	22.0	6.1	2.1
ContiTech	396.9	242.1	12.9	10.2
Other/Consolidation	-65.1	-61.5	—	—
Continental Corporation	2,516.8	1,180.5	9.7	5.9

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

² Before changes in the scope of consolidation.

Key Figures per Share

Key figures per share in €	2010	2009
Basic earnings	2.88	-9.76
Diluted earnings	2.88	-9.76
Free cash flow	2.83	9.71
Dividend	—	—
Dividend payout ratio (%)	—	—
Dividend yield (%)	—	—
Total equity (book value)	31.01	24.03
Share price at year-end	59.14	37.67*
Average share price	47.12	25.47*
Average price-earnings ratio (P/E ratio)	16.36	—
High	66.84	42.82*
Low	32.13	11.35*
Average trading volume (XETRA)	537,455	278,992
Number of shares, average (in millions)	200.0	169.0
Number of shares at December 31 (in millions)	200.0	169.0

* Taking into account the capital increase.

Consolidated Statements of Income

in € millions	2010	2009
Sales	26,046.9	20,095.7
Cost of sales	-20,267.6	-16,082.0
Gross margin on sales	5,779.3	4,013.7
Research and development expenses	-1,450.4	-1,356.3
Selling and logistics expenses	-1,311.0	-1,123.2
Administrative expenses	-645.7	-607.1
Other income and expenses	-517.7	-1,903.0
At-equity share in earnings of associates	76.5	-73.2
Other income from investments	4.2	8.7
Earnings before interest and taxes	1,935.2	-1,040.4
Interest income	22.6	30.3
Interest expense ¹	-719.8	-751.1
Net interest expense	-697.2	-720.8
Earnings before income taxes	1,238.0	-1,761.2
Income tax expense	-592.1	154.3
Net income	645.9	-1,606.9
Non-controlling interests	-69.9	-42.3
Net income attributable to the shareholders of the parent	576.0	-1,649.2
Basic earnings per share in €	2.88	-9.76
Diluted earnings per share in €	2.88	-9.76

¹ Including gains/losses from foreign currency translation, gains/losses from the change in the fair value of derivative instruments, and gains/losses from securities available for sale.

Consolidated Balance Sheets

Assets in € millions	Dec 31, 2010	Dec 31, 2009
Goodwill	5,643.6	5,536.6
Other intangible assets	1,723.3	2,068.7
Property, plant and equipment	6,098.7	5,784.3
Investment properties	19.9	19.3
Investments in associates	440.4	398.0
Other investments	7.0	8.0
Deferred tax assets	680.7	728.9
Deferred pension charges	73.8	70.8
Long-term derivative instruments and interest bearing investments	157.9	78.4
Other long-term financial assets	29.5	18.9
Other assets	13.1	12.7
Non-current assets	14,887.9	14,724.6
Inventories	2,637.8	2,076.0
Trade accounts receivable	4,454.0	3,648.1
Other short-term financial assets	213.3	184.9
Other assets	536.5	540.5
Income tax receivable	123.4	94.2
Short-term derivative instruments and interest bearing investments	44.3	25.8
Cash and cash equivalents	1,471.3	1,712.8
Assets held for sale	22.0	42.3
Current assets	9,502.6	8,324.6
Total assets	24,390.5	23,049.2

Liabilities in € millions	Dec 31, 2010	Dec 31, 2009
Common stock	512.0	432.6
Capital reserves	4,149.0	3,139.5
Retained earnings	1,212.4	636.4
Other reserves	-13.8	-435.9
Equity attributable to the shareholders of the parent	5,859.6	3,772.6
Minority interests	343.3	289.1
Total equity	6,202.9	4,061.7
Provisions for pension liabilities and other post-employment benefits	1,404.5	1,345.0
Deferred tax liabilities	207.7	196.5
Long-term provisions for other risks	325.4	351.7
Long-term portion of indebtedness	7,752.4	5,967.7
Other long-term financial liabilities	0.8	—
Other long-term liabilities	39.4	36.2
Non-current liabilities	9,730.2	7,897.1
Trade accounts payable	3,510.5	2,819.5
Income tax payable	697.9	644.7
Short-term provisions for other risks	1,164.0	1,342.9
Indebtedness	1,238.1	4,744.8
Other short-term financial liabilities	1,203.4	880.3
Other liabilities	643.5	648.1
Liabilities held for sale	0.0	10.1
Current liabilities	8,457.4	11,090.4
Total equity and liabilities	24,390.5	23,049.2

Consolidated Cash Flow Statements

in € millions	2010	2009
EBIT	1,935.2	-1,040.4
Interest paid	-725.6	-757.2
Interest received	22.6	30.5
Income tax paid	-493.0	-204.8
Dividends received	47.4	73.3
Depreciation, amortization and impairments	1,652.4	2,631.6
At-equity share in earnings of associates and accrued dividend income from other investments, incl. impairments	-80.7	64.5
Gains from the disposal of assets, subsidiaries and business units	-6.6	-12.1
Other non-cash items	-19.8	64.5
Changes in		
inventories	-443.2	549.8
trade accounts receivable	-611.1	-280.4
change in discounted notes	-7.0	6.5
trade accounts payable	564.4	319.1
pension and post-employment provisions	38.2	714.8
other assets and liabilities	-24.0	267.4
Cash provided by operating activities	1,849.2	2,427.1
Proceeds on disposal of property, plant and equipment and intangible assets	46.3	77.1
Capital expenditure on property, plant and equipment and software	-1,242.6	-859.4
Capital expenditure on intangible assets from development projects and miscellaneous	-81.5	-51.6
Proceeds on disposal of subsidiaries and business units	20.6	143.8
Acquisition of subsidiaries and business units	-25.1	-97.8
Interest bearing advances	—	1.1
Cash used for investing activities	-1,282.3	-786.8
Cash flow before financing activities (free cash flow)	566.9	1,640.3
Changes in short-term debt	-276.6	-1,169.1
Proceeds from the issuance of long-term debt	3,084.3	40.6
Principal repayments on long-term debt	-4,706.6	-378.3
Successive share purchases	-25.8	—
Proceeds from the issuance of shares	1,056.0	—
Shareholder contributions	—	23.7
Dividends paid and repayment of capital to minority interests	-35.2	-33.0
Cash used for financing activities	-903.9	-1,516.1
Change in cash and cash equivalents	-337.0	124.2
Cash and cash equivalents at January 1	1,712.8	1,569.4
Effect of exchange rate changes on cash and cash equivalents	95.5	19.2
Cash and cash equivalents at December 31	1,471.3	1,712.8

Segment Reporting

Segment report by division for 2010

in € millions	Chassis & Safety	Powertrain	Interior	Passenger & Light Truck Tires
Sales to external customers	5,746.9	4,663.1	5,506.7	5,803.8
Intercompany sales	28.5	67.7	11.4	17.0
Total sales	5,775.4	4,730.8	5,518.1	5,820.8
EBIT (segment result)	569.0	-198.1	197.0	993.3
in % of sales	9.9	-4.2	3.6	17.1
– thereof at-equity share in earnings of associates	19.3	-0.4	45.5	11.8
Capital expenditure ¹	247.1	301.5	191.3	404.3
in % of sales	4.3	6.4	3.5	6.9
Depreciation and amortization ²	322.7	466.3	422.1	247.7
– thereof impairment ³	3.8	36.6	-4.8	7.2
Internally generated intangible assets	11.9	22.9	39.7	–
Significant non-cash expenses/income	25.3	15.8	35.4	10.5
Segment assets	5,214.0	4,336.2	5,764.1	3,650.5
– thereof investments in associates	80.8	118.7	164.0	67.3
Operating assets (at December 31)	3,940.5	2,997.8	4,370.5	2,351.3
ROCE in % (at December 31)	14.4	-6.6	4.5	42.2
Operating assets (average)	3,997.0	3,112.2	4,402.8	2,422.9
ROCE in % (average)	14.2	-6.4	4.5	41.0
Segment liabilities	1,273.5	1,338.4	1,393.6	1,299.2
Number of employees at December 31 ⁴	30,495	26,614	29,614	28,276

in € millions	Commercial Vehicle Tires	ContiTech	Other/Con- solidation	Continental Corporation
Sales to external customers	1,351.3	2,975.1	–	26,046.9
Intercompany sales	76.5	120.2	-321.3	–
Total sales	1,427.8	3,095.3	-321.3	26,046.9
EBIT (segment result)	50.1	369.6	-45.7	1,935.2
in % of sales	3.5	11.9	–	7.4
– thereof at-equity share in earnings of associates	-0.4	0.2	0.5	76.5
Capital expenditure ¹	51.2	100.3	0.7	1,296.4
in % of sales	3.6	3.2	–	5.0
Depreciation and amortization ²	92.1	98.6	2.9	1,652.4
– thereof impairment ³	12.8	2.1	–	57.7
Internally generated intangible assets	–	–	–	74.5
Significant non-cash expenses/income	-4.6	13.1	28.1	123.6
Segment assets	968.3	1,588.6	-15.9	21,505.8
– thereof investments in associates	2.5	1.0	6.1	440.4
Operating assets (at December 31)	631.3	1,036.7	-45.3	15,282.8
ROCE in % (at December 31)	7.9	35.7	–	12.7
Operating assets (average)	628.4	1,060.7	-44.0	15,580.0
ROCE in % (average)	8.0	34.8	–	12.4
Segment liabilities	337.0	551.9	29.4	6,223.0
Number of employees at December 31 ⁴	7,156	25,833	240	148,228

¹ Capital expenditure on property, plant and equipment and software.

² Excluding write-downs of investments.

³ Impairment also includes necessary reversals of impairment losses.

⁴ Excluding trainees.

Segment report by division for 2009

in € millions	Chassis & Safety	Powertrain	Interior	Passenger & Light Truck Tires
Sales to external customers	4,349.3	3,339.4	4,353.3	4,686.8
Intercompany sales	24.3	59.8	9.4	9.6
Total sales	4,373.6	3,399.2	4,362.7	4,696.4
EBIT (segment result)	-102.5	-943.2	-516.0	536.4
in % of sales	-2.3	-27.7	-11.8	11.4
– thereof at-equity share in earnings of associates	16.3	-1.5	-95.7	7.7
Capital expenditure ¹	159.5	247.2	131.3	198.3
in % of sales	3.6	7.3	3.0	4.2
Depreciation and amortization ²	704.1	929.9	536.4	256.7
– thereof impairment	370.4	488.0	90.6	24.6
Internally generated intangible assets	12.0	13.3	23.7	–
Significant non-cash expenses/income	57.6	-28.2	-94.3	16.9
Segment assets	4,923.2	4,151.8	5,597.8	3,084.0
– thereof investments in associates	81.4	109.3	133.2	65.0
Operating assets (at December 31)	3,824.9	3,034.2	4,260.3	2,012.1
ROCE in % (at December 31)	-2.7	-31.1	-12.1	26.7
Operating assets (average)	4,034.0	3,401.8	4,580.1	2,348.4
ROCE in % (average)	-2.5	-27.7	-11.3	22.8
Segment liabilities	1,098.3	1,117.6	1,337.5	1,071.9
Number of employees at December 31 ³	27,148	24,172	26,710	26,510

in € millions	Commercial Vehicle Tires	ContiTech	Other/Con- solidation	Continental Corporation
Sales to external customers	1,000.0	2,366.9	–	20,095.7
Intercompany sales	65.6	39.2	-207.9	–
Total sales	1,065.6	2,406.1	-207.9	20,095.7
EBIT (segment result)	-50.1	169.4	-134.4	-1,040.4
in % of sales	-4.7	7.0	–	-5.2
– thereof at-equity share in earnings of associates	-0.7	0.2	0.5	-73.2
Capital expenditure ¹	40.5	82.8	0.5	860.1
in % of sales	3.8	3.4	–	4.3
Depreciation and amortization ²	97.6	104.6	2.3	2,631.6
– thereof impairment	15.7	3.7	–	993.0
Internally generated intangible assets	–	–	–	49.0
Significant non-cash expenses/income	-7.8	2.7	-74.5	-127.6
Segment assets	865.7	1,375.8	6.3	20,004.6
– thereof investments in associates	2.8	2.5	3.8	398.0
Operating assets (at December 31)	570.4	970.6	-89.8	14,582.7
ROCE in % (at December 31)	-8.8	17.5	–	-7.1
Operating assets (average)	634.7	1,006.7	18.4	16,024.1
ROCE in % (average)	-7.9	16.8	–	-6.5
Segment liabilities	295.3	405.2	96.1	5,421.9
Number of employees at December 31 ³	7,594	22,079	221	134,434

¹ Capital expenditure on property, plant and equipment and software.

² Excluding write-downs of investments.

³ Excluding trainees.

Reconciliation of EBIT to Consolidated Net Income

Reconciliation of EBIT to net income in € millions	2010	2009
Chassis & Safety	569.0	-102.5
Powertrain	-198.1	-943.2
Interior	197.0	-516.0
Passenger and Light Truck Tires	993.3	536.4
Commercial Vehicle Tires	50.1	-50.1
ContiTech	369.6	169.4
Other/Consolidation	-45.7	-134.4
EBIT	1,935.2	-1,040.4
Net interest expense	-697.2	-720.8
Earnings before income taxes	1,238.0	-1,761.2
Income taxes	-592.1	154.3
Net income	645.9	-1,606.9
Non-controlling interests	-69.9	-42.3
Net income attributable to the shareholders of the parent	576.0	-1,649.2
Earnings per share (in €), undiluted	2.88	-9.76

Continental AG

in € millions	2010	2009
Net income (PY: Net loss) for the year	1,054.8	-654.0
Retained losses brought forward from the previous year	-993.7	-339.7
Retained earnings (PY: Retained losses)	61.1	-993.7

A proposal will be made to the Annual Shareholders' Meeting to carry forward the net retained earnings of €61.1 million to new account and to forego a dividend payment.

Continental Aktiengesellschaft, P.O.Box 169, 30001 Hanover, Germany
Vahrenwalder Straße 9, 30165 Hanover/Germany, Phone +49 511 938-01, Fax +49 511 938-81770
mailservice@conti.de, www.continental-corporation.com

