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The spoken word shall prevail.

On the Way to Setting New Records

**Remarks of the Executive Board Chairman
of Continental Aktiengesellschaft**

Dr. Elmar Degenhart

**on the occasion of the
Annual Shareholders' Meeting
on April 28, 2011, in Hanover**

My dear Shareholders,
members of the Supervisory Board,
Ladies and Gentlemen, honored Guests,

On behalf of the Executive Board and the employees of Continental AG, I would like to welcome you to our Annual Shareholders' Meeting. I am very pleased to see you here today and thank you for your interest in your Continental.

How many of you came here by car today?

It is extremely likely that Continental helped you again today to drive here safely and comfortably and to arrive on time. This is because our products are found in three out of four cars built worldwide in one year. They make the cars safe, economical, comfortable and affordable.

With our products, we are represented in about 50 million vehicles this year alone worldwide. That makes 50 million motorists who trust our products.

And as you just saw in the film, your Continental has already been demonstrating its innovative prowess and commitment to its customers for 140 years now. Our tradition is a commitment on our way to the future.

Your Continental, ladies and gentlemen, has not only returned to the road to success once and for all, but it has also gained considerable momentum. Today, we can even say that it is on its way to setting new records.

- We have increased our **sales** by 30 percent to €26 billion, a new record. Our growth in Asia has been extremely strong. That is where things are happening and where we are focusing on future growth. The Automotive divisions already generate more than 20 percent of their sales in Asia. And the trend is headed upward. In 2010, the corporation's total sales in Asia increased by almost half compared with the previous year. Nowadays we are generating over €4 billion there and still stepping on the gas!
- The most pleasing news is the **consolidated operating result (EBIT)**, which rose by almost €3 billion compared with the crisis year of 2009. At €1.9 billion, it is a record high at any rate. The margin is more than seven percent, after minus five percent the year before.
- We reduced our net indebtedness again considerably to €7.3 billion.
- Compared with 2009, the net income attributable to the shareholders of the parent increased by more than €2 billion to €576 million, corresponding to **earnings per share** of €2.88 after -€9.76 the year before.

One year ago we announced to you that a new era for your Continental was beginning. Today, we can say that the new era has got off to a good start. 2010 was very challenging for us, but we were boosted by the economic recovery. That, along with our own hard work, made us regain our former strength breathtakingly fast. Your Continental is off to an impressive start!

All of us can and ought to be proud of this outstanding achievement!

I hope I may speak on your behalf when I express heartfelt thanks to all our extremely committed employees.

With new strength and new ideas, we are shaping the future of mobility.

Five themes characterize our present work:

1. **More value** – create above-average value, indeed in all of our business units and segments.
2. **More cash** – generate more free cash flow to further reduce debt and exploit new opportunities.
3. **More quality** – achieve what is best for our customers with high-quality products and services.
4. **More growth** – above-average, profitable growth especially in emerging markets.
5. **More appreciation** – we want to become continuously more competitive with an open entrepreneurial culture within the corporation and thereby achieve long-lasting growing success for Continental in the future.

Creating more value and generating more cash

Ladies and gentlemen,

Continental is presenting itself here today as a company with top achievements in operations. Here are some examples:

- Our **Passenger and Light Truck Tires division** again generated a record-breaking result. Its strong cash flow played a major role in reducing the corporation's debt while concurrently allowing it to make additional large investments.
- Our **Powertrain division** has made significant headway, improving quarter by quarter, and even exceeded the break-even point at adjusted EBIT level a year earlier than we had expected in view of the crisis.
- Our **Commercial Vehicle Tires division** used the revival in the industry last year to contribute to positive performance in all regions.
- Our **ContiTech division** ended 2010 with 29 percent more sales and set a new EBIT record.
- The **Interior division** put in a very positive performance, the most striking of which is the strong growth of almost 60 percent in the Asia region. Europe and NAFTA also generated double-digit growth, and margin development is trending in the right direction, too.
- Compared with the previous year, the **Chassis & Safety division** further improved its EBIT substantially in 2010 and created significant value – and this was done at a very high cash flow.

Successful start to 2011

2011 began as we expected – despite the natural disaster in Japan and its aftermath. The first quarter has provided us with a solid foundation for our annual targets:

- Based on our preliminary figures for the first three months of this year, we recorded **sales** of more than €7.3 billion. We therefore grew faster than the automotive market did and are about one-fifth or around €1.3 billion up on last year's quarter.
- The **EBIT operating result** is around €634 million, just under €140 million more than the prior-year period. The current margin is 8.6 percent, after 8.2 percent a year ago.

We will publish all the key financial figures on May 5.

Despite our delight at the successful beginning to the year, this year will have many more surprises in store. We must remain realistic. Recent events in Japan show again what kind of common fate the global economic network shares. Even before Japan, there were volcanic eruptions, hurricanes, and financial crises. Evidently there are simply no "normal" fiscal years anymore. Rather we must adapt to managing the unexpected on an almost daily basis and understanding that as normality.

A quick look at the challenges

One challenge this year is the extremely **high raw material costs**. They are having a negative impact in particular on the results of the two Tire divisions and ContiTech. This is the case even though we have already passed on part of the costs to the market in the form of price increases. All told, we expect a negative impact of more than €700 million by the end of the year in the Rubber Group alone.

Another challenge is the adverse effects from the natural disaster in **Japan** that I already mentioned. Thankfully, our employees were not harmed in the catastrophe. But Japanese-produced components were hard to come by at times. In addition, the production volumes of Japanese OE customers were reduced. It is still too early to assign numbers to these ramifications. Generally, though, our sales losses in Japan are remaining within manageable limits. Above all, they can be more than offset by positive performance in other markets.

At this point in time, we anticipate that we will comfortably achieve the targets we have set ourselves for this year – despite the challenges I just mentioned. This is not, however, a sure-fire thing, but will require hard and dedicated work, just like the overall crisis management for the disaster in Japan and its consequences has demanded – and will continue to demand – a great deal of hard work. It is not at all easy to fully reorganize supply chains practically overnight – and to do that in a global market that is not exactly swimming in excess capacity, especially in the case of electronic components. Here too, the Continental team did an outstanding job since we have succeeded so far in upholding our supply capabilities to our customers. And we are confident that we will continue to be successful in this regard.

Further debt reduction, reorganization of financial framework

It is vital to our corporate success that we continue on in the same direction, regardless of any unexpected external circumstances. That is why I am pleased to report that we have successfully completed our homework from the previous years. In addition to the visible success of our operations, we almost entirely reorganized our financial framework and completed it to the furthest extent possible. In the process, by the end of 2010, we accomplished the following:

1. We reduced our net indebtedness by approximately €1.6 billion. The capital increase we carried out in January of 2010 helped with this.
2. We improved our gearing ratio by around 100 percentage points to 118 percent. By the end of this year, the gearing ratio could fall below the key 100 percent mark. We have thus quickly attained a further key benchmark of stability. Our goal is to achieve a gearing ratio of 70 percent.
3. We have achieved a more favorable timetable for our loan payment due dates and thus spread our charges over years.
4. We have created a better balance between bank loans and financial market resources by issuing bonds to investors. These bonds allow us to become more independent from bank loans and expand our entrepreneurial flexibility.

And, not least of all, we wanted to achieve better loan conditions for our remaining bank facilities in order to pay less interest. We succeeded in this a few weeks ago when we successfully renegotiated our bank loans and reduced the interest margin.

Considering these facts, we can say to you today: Financially, your Continental is standing on good solid ground.

Ladies and gentlemen, my colleague Wolfgang Schäfer and his team deserve special thanks for this outstanding achievement!

Just a short time ago, Moody's rating agency lifted our rating – incidentally for the first time since the VDO acquisition! Although this is only the first step to returning to the investment grade we are striving for, you all know the first step is oftentimes the most difficult.

Next, we want to substantially increase our free cash flow further with a new program: The **Continental Business System** is starting up in the second half of 2011 and aims to reduce our current assets quickly and effectively and to improve the ratio of current assets to sales on a permanent basis.

At the same time, we want to use this program to introduce more elements of lean management and also simplify our value chains.

One key aspect of the program is to prepare us even better for the already increased speed of change in the markets, which will probably accelerate even further. "More flow and less congestion" is one of the aims of our cooperation throughout the company as a whole. We are therefore preparing ourselves for the future so that we can be permanently successful in the champions league of our industry.

Option of returning to DAX

Ladies and gentlemen,

A few weeks ago another window to the future opened for Continental that will be of particular interest to you as shareholders:

We have the opportunity to return to the DAX index!

I am sure you have followed the news that two credit institutes sold 30 million Continental shares as arranged with our major shareholder Schaeffler.

This means that the free float of Continental shares has risen to almost 40%. It also provides us with the option of moving back into the DAX once again, following our first return in 2003. However, this is by no means a sure thing, because two conditions need to be met at the same time:

- We have to be amongst the top 30 listed German companies with regards to the market capitalization and trading volume of the shares.

40% of our current market capitalization of roughly €13 billion – so about €5 billion – would according to the actual ranking of Deutsche Börse suffice for a spot among the top 30 listed German companies, but the trading volume of our shares must reach a certain level at the same time. And, from the current point of view, this would still require some catching up.

Our move back into the DAX – and I am emphasizing this specifically – is not up to us alone: At least one current DAX member must also fall below 35th place in one of these two criteria in order to make room for us. At any rate, we shall do all we can to make our shares as valuable and desirable as possible. The decision regarding our share's value is, of course, made in the end by the financial markets and investors.

Maybe the analyst statements will help orient you: 26 bank analysts have currently evaluated us, 23 of which have given a buy recommendation. The expected average price is €79 – from the current point of view this is a jump of more than 14 percent. Incidentally, the highest price expectation is even higher, at €101 per share.

Ladies and gentlemen,

The past year for us was mostly about securing and strengthening the corporation's excellent capability. And we succeeded! Now some investors also asked us how the cooperation with our major shareholder is coming.

It is quite easy to answer this question: Both companies are solid top performers in our industry. As automotive suppliers, both want to be prized by their customers as much for their innovative strength as for their high-quality products. Bearing this in mind, we cooperate in our operations wherever it makes sense and can be done very efficiently. This applies equally to our now well-established joint procurement activity and to the forthcoming production launch for a completely new generation of technically sophisticated turbochargers. All in all, our cooperation is characterized by pragmatism and the desire to succeed.

For Continental itself, I would like to say again: We have our finances in order; we have improved our operating clout and created value. At the same time, we have answered some open questions about us with our achievements and created more transparency for our future. I am convinced that this is good news for all shareholders. And that is why we will continue in the direction we are heading.

Quality awareness at the highest level

Continental is driving flat out towards long-term competitiveness with another three programs:

Our current **Quality First** program has again dramatically reduced our sources of error and increased our customers' satisfaction. The purpose of the program is to ensure this happens on an ongoing basis.

The issue for us is to direct all aspects of our work pertaining to our customers to the highest quality requirements – from research and development to supplier selection down to production, logistics and service. We want to think and live quality and therefore become a benchmark in our industry.

Above-average profitable growth in emerging markets

Asia is our declared future market! We are targeting above-average profitable growth there, particularly in China. Alongside that, we have similar targets for India – as well as for Brazil and Russia.

The demand for mobility in these countries is growing dramatically. At present, our Automotive divisions achieve 21 percent of their sales in Asia, and we intend to increase that figure to 30 percent.

This is why we, as a corporation, experienced above-average sales growth there of nearly 50 percent to over €4 billion in 2010.

We want to generate strong growth in Asia in the Rubber divisions also. One element of this is our new tire factory in Hefei, China, which began production at the beginning of this year. However, our intended acquisition of the Indian tire producer Modi is also part of this growth strategy.

In **Asia**, the Continental Corporation presently has a total of around 40 production sites and 30 sales offices currently staffed by some 25,000 employees. Proximity to customers is crucial in expanding our activities. It is also about working in the region for that region, which means we intend to work locally along the entire value-added chain from research and development through purchasing down to production and sales.

We are also active in Brazil, however, and will quickly double our tire production capacity there. We also intend to establish our own tire production site in Russia.

Not least of all, we also want to cover rising demand in the **NAFTA region**, including the large U.S. market, with local production – so there are plans for a new tire factory there, too. Incidentally, these plans are further proof for the depth of the turnaround that the Passenger and Light Truck Tires division has achieved in the Americas region by means of determination and perseverance. Back at the beginning of the new millennium, the passenger and light truck tire business incurred massive losses in this region – today it is profitable and, at the same time, a growth area. This is due to the division's impressive management performance and the dedicated teams in the Americas. And the investments we are planning demonstrate that we are convinced of more success!

Paving the way for the mobility of tomorrow

Ladies and gentlemen,

Ladies and gentlemen, to ensure that our company grows, we are pursuing not only a proven strategy for tapping new markets by investing in new plants, we are also including a lot of new ideas with which we will create the future of global mobility.

Megatrend 1: Cars for the tight budget

Continental develops the right solution for every vehicle and every market to satisfy various customer requirements. Our high demands on quality apply to all products, regardless of where they are manufactured. The vision of affordable mobility for everyone includes three of the other megatrends: safety, information management and environmental considerations.

Megatrend 2: Greater safety

The growing need for traffic safety still continues to be an extremely important issue for us since it is all about protecting lives and avoiding accidents. Already today, we are playing a significant role in realizing the vision of “zero accidents” with a large number of products and systems. Each day we work to achieve our goal of making safety technologies such as electronic stability control (ESC) and emergency brake assist available in all vehicle classes. Safety for everyone is the keyword, and ContiGuard® is the name of the overall system.

For the production of commercial vehicles, we also offer our customers a new emergency brake assist that recognizes stationary obstacles on the road in time and warns the driver sufficiently early or even automatically initiates an emergency stop. Each year, thousands of people die on Germany's roads alone as a result of accidents involving rear-end collisions. Our sensor helps to significantly reduce the risk of such accidents

Megatrend 3: Information management

In this area, Continental builds for instance systems that link the vehicle with other vehicles or with the traffic infrastructure. They help drivers to be linked to networks from their cars, to communicate, and to drive with maximum fuel economy. Our main task is to integrate the thousands of modern electronic applications and the diverse offerings of the Web into the vehicle in such a way that the strain on drivers is greatly reduced so they drive safely.

Megatrend 4: Lower fuel consumption, reduced emissions

In this domain, Continental builds tires with reduced rolling resistance, and develops lightweight construction technologies and optimized fuel injection systems for lower fuel consumption and CO₂ emissions. Above all else, the sustainable vehicle of the future must be lighter and more highly-networked. It will contain a protective shield made of electronic sensor systems and increasingly incorporate new drive systems.

This shows you that we research, develop and build innovations that contribute to an individual and mobile future across the entire company and product spectrum. In Germany, we rank among the most active third of patent applicants; in Europe, we rank among the top 50 according to the European patent office. It is also clear that we want to be the leading supplier, regardless of where each main market for our innovations and technologies is.

Leading supplier for electro mobility

China will be such a key market for electromobility. The Chinese government is supporting the introduction of this new technology with one billion euros annually, starting this year and for the next nine years – so with a total of €10 billion.

This opens up major opportunities for us since our company has the highest level of expertise in combustion engines as well as in electric drives. We are pleased to say that this year we are producing the first all-electric powertrain for a standard vehicle manufactured by a European carmaker. The electric motor for it will be manufactured in Gifhorn – only about 60 kilometers from here.

Despite all the excitement about electric vehicles and the related major opportunities for the future in this area: the combustion engine will still be with us for many decades to come. We are convinced that our engineers have the gripping ambition to make the diesel engine as environmentally friendly as the gasoline engine and the gasoline engine as efficient as the diesel engine. I am certain that they will succeed in reducing fuel consumption by as much as 50 percent by 2020, with emissions having been cut considerably along the way.

Goals for 2011

Let's now turn to the goals for this year. The goals we have set for ourselves next are:

- We anticipate that the corporation will see sales increase by 10% to more than €28.5 billion this year. The first quarter strongly confirms our assessment.
- We anticipate an adjusted consolidated EBIT margin at the previous year's level of 9.7%. After the first quarter, we are fully in line with our plans, and are even exceeding our expectations slightly.
- Reducing our net indebtedness by at least €500 million to less than €7 billion remains our declared goal in 2011 as well.

Ladies and gentlemen,

We are aware that you as our shareholders are interested in an answer to the question regarding the payment of a **dividend** for fiscal year 2011. As you know, we at Continental always consider the total return from the share price performance plus dividends. With an increase in share price of some 13 percent since the beginning of the year or 58 percent in the last 12 months, we feel we have a good basis.

You also know that we want to further improve your company's profitability and value creation with major investments, especially in growth regions.

And we are of course continuing to focus in particular on reducing our level of debt. We would do well to reduce our debt load even further, particularly in times of unpredictable developments on the financial markets and in view of more and more rescue packages for highly-indebted countries. And we are working to do just that.

In the context of these tasks, we feel that, as things look now, the payment of a dividend is possible in principle. All in all, however, it seems to be too early for us to make a tenable statement in this regard. We still need some more time in order to be in a better position to judge how things look for the year as a whole.

More value creation through greater appreciation

The financial and economic crisis of 2009 demonstrated in a dramatic way that our world's globalized markets have become much more multi-layered and dynamic, and less predictable. The winners in the long term will not be the biggest or even the fastest companies, but those that can adapt most effectively.

This is why in the past year we began to clearly analyze where and how we can become better in our daily work behavior, and we have launched a comprehensive development process to this end. With a corporate culture based on openness and entrepreneurial spirit we want to be competitive on a permanent basis and provide for our future, growing success in a sustainable manner. Over the new few months, we will consistently focus our management on the increasing appreciation of our employees and other stakeholders.

Our goal is to have more than 150,000 enthusiastic Continental fans in the company!

To do this, we will systematically accelerate and strengthen employee development across the entire company. We shall promote diversity, expand overarching cooperation at the company and with our customers and establish a network culture.

All of this is intended to help us adjust to fast-changing customer requirements and to become the preferred address as a supplier and employer. This shows you that this is a key component for our growing future success and the long-term guarantee of our competitiveness!

Ladies and gentlemen,

You can see that the entire Continental team is again full of vigor and on an extremely successful path – and we want to stay that way. We are therefore looking forward to the road ahead and are glad that you will be supporting us along the way.

Your Continental is getting in top shape again to set new records. We have trained hard. We are gaining practical experience every day. Now we want to go further – and not just regarding the DAX!

We are fighting with all our dedication every day for the recognition and trust of our customers.

We are also fighting for the recognition of our investors, for your trust!

You can be assured that we at Continental are continuing on our path to success with 100% dedication. And because we have seen the success this has brought us, we look forward to tackling the challenges facing us with your support.