



Q1

Financial Report as of March 31, 2010

Continental 

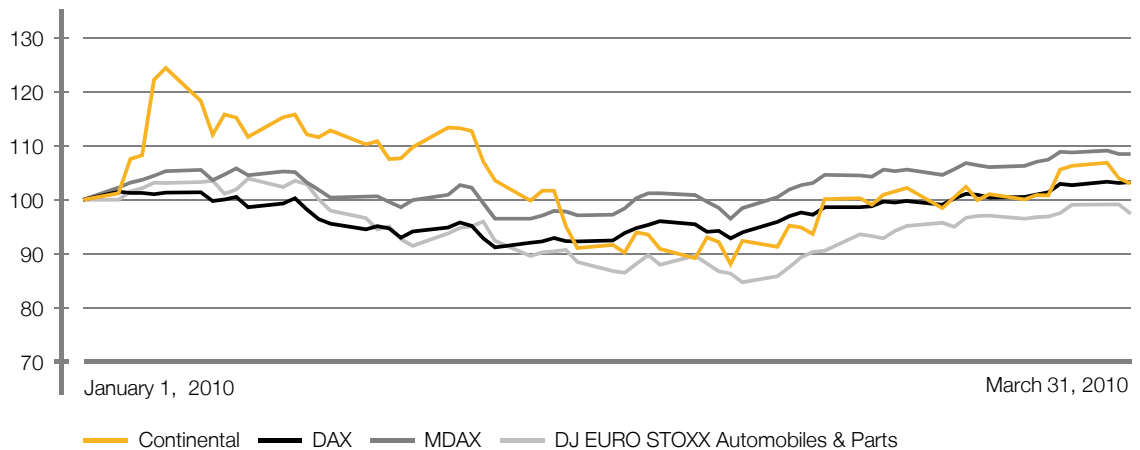
Continental's Share Price Performance

At the start of the first quarter, performance of Continental's share price was assisted mainly by a continuing improvement in the sentiment on the capital markets. The capital increase implemented at the beginning of the year, resulting in 31 million shares being issued, was met with great interest by institutional investors and was concluded on January 28, 2010, at an average price of €35.93. This led to gross proceeds of €1.114 billion. With the measure, the free float of the Continental share rose from 11% to nearly 25%, making Continental currently one of the 10 largest companies in the MDAX as measured by market capitalization. The price of the Continental share reached its highest peak for the year so far on January 8, 2010, at €45.35. Starting mid-January, concerns about the government debts in Portugal, Italy, Ireland, and Greece (PIIGs), which have mushroomed as a result of the financial and economic crisis, weighed heavily on the capital markets. The price of the Continental share was likewise unable to escape this development, falling to a low of €32.13 on February 25, 2010. The preliminary results for fiscal 2009 published on Febru-

ary 23, 2010, were met very positively by the market. Numerous analysts then increased their profit estimates for the current and next fiscal years and rated the share as a "buy". Thanks in part to this, the price recovered, closing first-quarter trading at €37.55, which represents an increase of 3.0% since the beginning of the year. The Continental share underperformed the DAX by just 0.3 percentage points, but outperformed the industrial index for the automotive industry by 5.2 percentage points. The average daily trading volume in the first quarter of 2010 was roughly 2% of the free float.

Throughout the remainder of the quarter, new fundamental data for Q1 2010 (new vehicle registrations, vehicle production; demand on the tire replacement markets) positively influenced market sentiment with regard to automotive supplier stocks. The Continental share has been able to continue its positive trend since February 25, 2010, surpassing the 40 euro mark.

Share Price Performance vs. Major Stock Indexes



Key Figures for the Continental Corporation

in € millions	January 1 to March 31	
	2010	2009
Sales	5,996.7	4,302.0
EBITDA	888.3	249.5
in % of sales	14.8	5.8
EBIT	494.4	-165.0
in % of sales	8.2	-3.8
Net income attributable to the shareholders of the parent	227.7	-267.3
Earnings per share (in €)	1.14	-1.58
Adjusted sales ¹	5,955.1	4,257.6
Adjusted operating result (adjusted EBIT) ²	604.7	-36.7
in % of adjusted sales	10.2	-0.9
Free cash flow	-363.2	-566.7
Net indebtedness at March 31	8,231.9	11,041.5
Gearing ratio in %	144.9	210.0
Number of employees at March 31 ³	137,959	132,834

¹ Before changes in the scope of consolidation.

² Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

³ Excluding trainees.

Key Figures for the Core Business Areas

Automotive Group in € millions	January 1 to March 31	
	2010	2009
Sales	3,770.3	2,521.3
EBITDA	472.4	46.1
in % of sales	12.5	1.8
EBIT	182.3	-266.3
in % of sales	4.8	-10.6
Depreciation and amortization ¹	290.1	312.4
Capital expenditure ²	106.1	149.9
Operating assets (at March 31)	11,590.7	13,255.5
Number of employees at March 31 ³	80,730	77,885
Adjusted sales ⁴	3,753.3	2,482.1
Adjusted operating result (adjusted EBIT) ⁵	299.9	-145.9
in % of adjusted sales	8.0	-5.9

Rubber Group in € millions	January 1 to March 31	
	2010	2009
Sales	2,231.9	1,783.6
EBITDA	415.9	215.1
in % of sales	18.6	12.1
EBIT	312.8	112.9
in % of sales	14.0	6.3
Depreciation and amortization ¹	103.1	102.2
Capital expenditure ²	72.3	90.7
Operating assets (at March 31)	3,971.9	4,294.7
Number of employees at March 31 ³	56,990	54,663
Adjusted sales ⁴	2,207.3	1,778.4
Adjusted operating result (adjusted EBIT) ⁵	320.0	120.7
in % of adjusted sales	14.5	6.8

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Corporate Management Report as of March 31, 2010

ContiTech buys special-purpose belt operations

ContiTech is strengthening its special-purpose belts business and is taking over the plant of Metso Minerals (Deutschland) GmbH in Moers, Germany. The plant with a workforce of 60, which belongs to the Finnish Metso Group, manufactures Flexowell and Pocketlift conveyor belts that are used primarily in the chemical and steel industries. Transfer of the business is scheduled for May 1, 2010.

Air spring systems for 50 new high-speed trains in China

ContiTech is also expanding its position in Chinese rail transport technology and will supply air spring systems for 50 of the new China Railways CRH1 high-speed trains. The contract was signed at ContiTech's new plant in Changshu, China. The trains are being developed by Bombardier Transportation, the world's largest manufacturer of rail equipment, and are based on Bombardier's latest ZEFIRO high-speed technology. The first parts will be delivered to China starting in the fall of 2010. All the trains are to have been built by 2014.

Extension of supply contract with Volvo

Commercial vehicle manufacturer Volvo Group Europe and Continental have extended their long-standing truck tire supply contract by three years until 2012. We continue to be the original equipment supplier for commercial vehicles of all brands made by Volvo Group Europe. The agreement was signed for the years 2010 through 2012.

Premium technology for varied assignments in goods transport

The new multi-talented Continental HD Hybrid tire for transport trucks is ideal for long-distance routes with similar long stretches as well as for regional haulage with a variety of speeds and road conditions. Thanks to a new tread technology, the tire guarantees maximum traction while boosting cost-efficiency. The HD Hybrid supplements the two successful tire families launched last year for extremely economic long-distance service and varied tasks in regional and distribution traffic.

New engine control for clean diesel engines in heavy trucks

We supply the new S8 engine control unit (ECU) for heavy trucks made by Scania, the commercial vehicle manufacturer. The ECU is used in the five- and six-cylinder engines of the new R-series truck, which was awarded the title "International Truck of the Year 2010" by a jury of experts from 22 European countries. The S8 control unit supports a purely in-engine solution for meeting the Euro 5 standard, and is designed to meet the significantly more stringent Euro 6 standard which will apply to diesel engines from 2014. Under Euro 6, emissions of particulates, particularly nitrogen oxides from diesel engines, are to be reduced by as much as 80%.

Automotive News PACE Award for smart NOx sensor

Continental has earned the 2010 *Automotive News* PACE (Premier Automotive Suppliers Contribution to Excellence) Award in the Product Europe category for its smart nitrogen oxide sensor (NOx sensor) for gasoline and diesel engines. The sensor controls key engine parameters such as exhaust gas recirculation, air/fuel ratio and injection for the aftertreatment of exhaust gases to reduce nitrogen oxide emissions. Continental is the world's leading manufacturer of NOx sensors.

Active gas pedal warns of potential hazards and cuts fuel consumption

The Accelerator Force Feedback Pedal (AFFP®) from Continental is the world's first active accelerator pedal in use. It provides a new way to warn drivers of potential hazards or help them adopt a more fuel-efficient style of driving. The AFFP® uses haptic feedback signals, such as a discreet double 'ticking' interval or a counterforce in the accelerator pedal to assist the person at the wheel, because drivers are far more responsive to such signals than to warning lights or audible alerts. In addition, by signaling the optimal gearshift point, this Human Machine Interface can lead to fuel savings of up to 7%, depending on the type of vehicle.

Intelligent antenna module for networked cars

Continental and the antenna specialist Kathrein-Werke KG are developing an intelligent antenna module that

simplifies wiring throughout the vehicle, takes up less space and improves signal quality. The new antenna module integrates into one unit the individual antennas for wireless communication between the vehicle and its outside environment, which previously were spread throughout the vehicle, the antennas for the vehicle interior as well as the corresponding transmission and reception electronics. A module enables services such as telephone, GPS, remote keyless entry, tire pressure monitoring system, WLAN, radio, TV, or the future car-to-car communication. A digital bus links the antenna module with the control units in the vehicle, which process the data and make applications available to the driver.

Preparations for volume production of next-generation head-up display

Two European car manufacturers have chosen to use the new head-up display from Continental. The first volume productions of the space-optimized, yet more powerful, head-up display are scheduled for 2010 and 2011. Six years after the introduction of the first generation of a head-up display that was based on a powerful TFT display and could depict any image, two different vehicle manufacturers will begin to use a new generation. In order to enable future use of the head-up display in small models as well, the space required for its installation has been almost halved compared to the first generation. Car manufacturers can use the head-up display to show various information relevant to the journey, such as speed, navigation details and warning information, directly in the driver's line of vision, allowing the driver to fully concentrate on the road without missing out on important information. This in turn leads to increased safety, as it takes an average of one second to read information on the screen in the central console, which at 50 km/h means the vehicle already has traveled approximately 14 meters.

Apps conquer the road

Together with Deutsche Telekom, we are preparing the stage for a completely open, flexible and future-proof infotainment concept based on the AutoLinQ communications network. Via a mobile radio link the vehicles remain networked – always and everywhere – with cell phones, home computer and entertainment systems, online databases and diverse Internet-based value-added services similar to the apps offered for modern cell phones. At CeBIT 2010 in Hanover, Con-

tinental and Deutsche Telekom jointly presented an initial demonstration vehicle with a fully functioning infrastructure.

Economic climate

Economic development continued to stabilize in the first quarter of 2010. Early indicators such as the Purchasing Managers Index for the Eurozone exceeded expectations in the end (increasing by 2.4 points to 56.6 points). Production figures and order intake rose for the eighth month in a row. The IMF (International Monetary Fund) recently confirmed its GDP growth forecast for the Eurozone of 1.0%. One reason for the confirmation of the forecast was the recent comparable weakness of the euro which lost roughly 6% of its value against the U.S. dollar compared to the final quarter of 2009, thus providing a positive boost for exports. The favorable trend in the early indicators for the U.S.A. brought about a positive adjustment of the IMF's estimate: The growth forecast was raised by 0.4% to 3.1% for 2010. The IMF still sees risks for the economic stabilization in advanced economies, such as the substantial increase in the debts of some governments and the much narrower latitude available for fiscal policy measures. The IMF therefore emphasizes that "the outlook for activity remains unusually uncertain".

Estimates for the emerging and developing economies, which according to the IMF include Brazil, Russia, India and China, continue to be positive. There are, however, concerns that these markets could overheat in view of the extremely rapid growth rates, for instance in China. Already in the spring of 2010, China's central bank began to increase the minimum reserve requirements to dampen the expansive lending activities in 2009. In its World Economic Outlook update of April 21, 2010, the IMF continues to forecast growth of at least 10% for China.

Backed by this positive economic development, new car registrations in the first quarter of 2010 proceeded to build upon the good trend in the fourth quarter of 2009. In total, more than 7.6 million new vehicles were registered in the triad markets of Europe, NAFTA and Japan (Q4 2009: 7.2 million). This represents an almost 14% increase compared to the figure for the first quarter of 2009, which at that time had dropped by about a third for this region. The good development in 2010 is attributable primarily to the increase in new car

registrations in the U.S.A. (+16%) and Japan (+24%), whereas the European market was up just 10% following the expiration of the scrapping incentive program in Germany.

New registrations were also up in the BRIC countries (Brazil, Russia, India, China), reaching an impressive 5.1 million (+49%) vehicles. In addition to the very stable trend in new car registrations in Brazil (+17%) and India (+31%), there is no let-up in the boom on the Chinese market in particular, where new registrations rose 77% to more than 3.5 million cars in the first quarter of 2010. The only decrease was recorded on the Russian market, where new registrations again fell by 25% to approximately 293,000 vehicles – despite the car scrapping program launched in March 2010 and the low basis of the previous year.

In response to the strong development in new car registrations, based on preliminary figures, first-quarter 2010 light vehicle output rose substantially compared to the fourth quarter of 2009 (16.7 million units) to more than 17 million units, corresponding to an increase of more than 50% over the first quarter of 2009. Production was also up almost 50% to nearly 7.6 million units in the North American and European markets, where Continental's Automotive Group makes some 77% of its sales, after production had plummeted by as much as 45% in the previous year (Q1 2009). At just under 2.1 million units, output in Japan was virtually on par with the level in the fourth quarter of 2009. This is equivalent to a 53% increase compared to the first quarter of 2009.

Given the strong first quarter, the forecast issued at the beginning of the year for light vehicle output in Europe (forecast February 2010: -1% to 16.6 million units) and in NAFTA (forecast February 2010: +20% to 10.2 million units) appears to be too low, as there is no sign at present of a substantial decrease in volumes for the rest of the year. For that reason, we are increasing our full-year forecast for Europe by 500,000 vehicles to 17.1 million units (+2% vs. 2009) and for NAFTA also by 500,000 vehicles to 10.7 million units (+26% vs. 2009).

Heavy vehicle production continues to be subdued. Despite the low basis of the previous year (Q1 2009 vs. Q1 2008: Europe -60% and NAFTA -40%), commercial vehicle output did not increase significantly in

the first quarter of 2010 in Europe and North America. For the year on the whole, we thus continue to expect weak growth from a low level.

Trends on the tire replacement markets were very positive in the first quarter of 2010. Demand rose for replacement passenger tires by 11% in Europe and by 10% in North America compared to the first quarter of 2009. This rise was due mainly to the comparably low level of the previous year since the tire replacement markets in Europe and North America had nosedived by 10% and 14% respectively in the first quarter of 2009. Demand for replacement truck tires also developed positively in the first quarter of 2010, rising nearly 38% in Europe and almost 27% in North America. The low level of the previous year was responsible for this substantial increase as well. It was not possible to match the volume levels of 2008.

At the beginning of the year we forecast growth ranging from 2% to 4% for Europe and North America, and as things are shaping up at present, we feel that the upper end of this range will be achieved on the passenger tire replacement markets. We are, however, sticking to our estimate from February 2010 for the truck tire replacement markets.

Earnings, Financial and Net Assets Position of the Continental Corporation

Earnings Position

Sales up 39.4%;

Sales up 38.5% before changes in the scope of consolidation and exchange rate effects

Consolidated sales for the first three months of 2010 jumped 39.4% year-on-year to €5,996.7 million (PY: €4,302.0 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 38.5%. This increase resulted primarily from the recovery of all of our markets compared to the first quarter of 2009, when the lowest sales figures for the global economic crisis were posted.

Adjusted EBIT up €641.4 million

The adjusted EBIT for the corporation was up in the first three months of 2010 compared with the same period of 2009 by €641.4 million, or 1,747.7%, to €604.7 million (PY: -€36.7 million), equivalent to 10.2% (PY: -0.9%) of adjusted sales.

EBIT up €659.4 million

In the first quarter of 2010, consolidated EBIT was up €659.4 million on the previous year to €494.4 million (PY: -€165.0 million), an increase of 399.6%. The return on sales increased to 8.2% (PY: -3.8%).

Special effects in the first quarter of 2010

In the Interior division, expenses of €4.9 million were recognized in the first quarter of 2010 for further winding-up activities in conjunction with the disposal of business operations.

In the Passenger and Light Truck Tires division, there were further restructuring expenses of €3.9 million for the closure of tire production in Clairoux, France.

There was also a negative effect totaling €6.1 million for all divisions, primarily from restructuring measures and severance payments.

Due to the anticipated higher cash outflow for the VDO loan resulting from higher interest margins, the carrying amount was adjusted as expense in September and December 2009. This deferral is being amortized over the term of the loan and reduces expenses accordingly, thus leading to a positive effect of €14.5 million in the first quarter of 2010.

Total consolidated net expense from special effects in the first quarter of 2010 amounted to €0.4 million.

Special effects in the first quarter of 2009

In the Interior division, the product portfolio was reviewed in conjunction with the acquisition of Siemens VDO and business sections in the non-OE sector were identified that are not part of our core business. The sale process was initiated for one of these business sections in 2008 which led to recognition of impairment losses in the amount of €1.8 million in the first quarter of 2009.

The antitrust proceedings initiated in 2007 against Dunlop Oil & Marine Ltd., UK, a subsidiary of ContiTech AG, in the area of offshore hoses, resulted in further expenses of €0.6 million in the first quarter of 2009.

In addition, there were further expenses, chiefly from restructuring measures, totaling €1.1 million for the Interior, Powertrain and ContiTech divisions in the first quarter of 2009.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €12.3 million in the first quarter of 2009.

The total consolidated net expense from special effects in the first quarter of 2009 amounted to €15.8 million.

Research and development expenses

In the first quarter of 2010, research and development expenses fell by 3.0% compared with the same period of 2009 to €375.0 million (PY: €386.5 million), representing 6.3% (PY: 9.0%) of sales. Of that sum, €318.4 million (PY: €329.7 million) was attributable to the Automotive Group, corresponding to 8.4% (PY: 13.1%) of sales, and €56.6 million (PY: €56.8 million) to the Rubber Group, corresponding to 2.5% (PY: 3.2%) of sales.

Net interest expense

At -€153.7 million, net interest expense was €25.8 million higher in the first three months of 2010 compared with -€127.9 million for the same period of 2009. This increase was due, among other things, to (mostly non-cash) effects of exchange rate changes, as well as effects from changes in the fair value of derivative instruments which, at €19.3 million, were €13.6 million down on the previous year's figure of

€32.9 million. For the first three months of 2010, interest income was €5.8 million (PY: €9.7 million). Interest expense, which was due primarily to the utilization of the VDO loan agreement with a current committed volume of €9,945.5 million, rose by €8.3 million year-on-year to -€178.8 million (PY: -€170.5 million). The main reason for this slight increase in expense as against the previous year is the higher margins for the VDO loan compared to the previous year as a consequence of the deterioration in the credit rating over the course of 2009. The increase could not be fully offset by the lower market interest rate and the substantial reduction in net indebtedness. This reduction in net indebtedness was attributable mainly to the capital increase, which was implemented successfully in January 2010. The higher margins were mainly attributable to the renegotiation in December 2009 of the covenants contained in the VDO loan agreement. In addition, net interest expense was also negatively impacted in the first quarter of 2010 by additional expenses for financing in connection with the aforementioned renegotiation of the loan covenants.

Income tax expense

Income tax expense rose in the first three months of 2010 by €127.5 million to €96.4 million (PY: income of €31.1 million). The change in the tax rate from 10.6% to 28.3% is based in particular on a different country distribution of the earnings before taxes.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent was up 185.2% to €227.7 million (PY: -€267.3 million), with earnings per share higher at €1.14 (PY: -€1.58).

Development of the Continental Corporation

in € millions	January 1 to March 31	
	2010	2009
Sales	5,996.7	4,302.0
EBITDA	888.3	249.5
in % of sales	14.8	5.8
EBIT	494.4	-165.0
in % of sales	8.2	-3.8
Net income attributable to the shareholders of the parent	227.7	-267.3
Earnings per share (in €)	1.14	-1.58
Research and development expenses	375.0	386.5
Depreciation and amortization ¹	393.9	414.5
Capital expenditure ²	178.1	239.8
Operating assets (at March 31)	15,552.3	17,618.1
Number of employees at March 31 ³	137,959	132,834
Adjusted sales ⁴	5,955.1	4,257.6
Adjusted operating result (adjusted EBIT) ⁵	604.7	-36.7
in % of adjusted sales	10.2	-0.9
Net indebtedness at March 31	8,231.9	11,041.5
Gearing ratio in %	144.9	210.0

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Financial Position

Cash flow

At -€196.0 million, cash flow used for operating activities as of March 31, 2010, was €99.3 million lower than on March 31, 2009 (-€295.3 million).

In the first quarter of 2010, free cash flow stood at -€363.2 million (PY: -€566.7 million), an improvement of €203.5 million. A positive factor was provided by the EBIT, which at €494.4 million (PY: -€165.0 million) exceeded the figure for the same period of 2009 by €659.4 million. The higher level of working capital, which led to an increase of €613.8 million in cash outflows compared to the first quarter of 2009, had a negative impact, owing primarily to an increase in trade accounts receivable.

In the first quarter of 2010, total cash outflows amounting to -€167.2 million (PY: -€271.4 million) resulted from investment activities.

Financing

At €8,231.9 million, net indebtedness for the corporation on March 31, 2010, was €663.6 million lower than on December 31, 2009, and €2,809.6 million lower than on March 31, 2009 (€11,041.5 million). This reduction in net indebtedness was attributable mainly to the capital increase, which was implemented successfully in January 2010 and led to net proceeds of €1,056.8 million (before tax effects), as well as to the very strong free cash flow at the end of 2009. The resulting strengthening of the company's capital base in conjunction with the reduction of net indebtedness produced a significant year-on-year improvement in the gearing ratio which amounted to 144.9% on March 31, 2010 (PY: 210.0%).

As of March 31, 2010, the VDO loan had been drawn on by Continental AG and Continental Rubber of America, Corp. (CRoA), Wilmington, U.S.A., in a nominal amount of €8,216.2 million (PY: €10,523.2 mil-

lion). With the repayment of tranche A due in August 2009 (nominal amount of €800.0 million) and the partial repayment of tranche B in January 2010, the total committed amount of this loan as of March 31, 2010, decreased to €9,945.5 million (PY: €11,800.0 million). In accordance with the agreement, the net proceeds (before tax effects) from the capital increase in January 2010 were used for the partial repayment of tranche B due in August 2010, which is currently drawn upon in an amount of €2,445.5 million (PY: €3,500.0 million). With the capital increase, Continental has fulfilled the condition for the provision of a forward start facility (FSF) with a maximum volume of €2,500.0 million for the refinancing of tranche B in August 2010. This condition was part of the refinancing package concluded successfully in December 2009 to improve the financial and capital structure.

For tranche C with a nominal value of €5,000.0 million due in August 2012, there were interest hedges at the end of March 2010 amounting to €3,125.0 million (PY: €3,125.0 million). The resulting average fixed interest rate to be paid is 4.19% (PY: 4.19%) plus margin.

For the loan issued by the European Investment Bank (EIB) for an original amount of €600.0 million, early partial repayments totaling €300.0 million were undertaken in March 2009, August 2009 and January 2010. The nominal amount of the EIB loan drawn thus decreased to €300.0 million at the end of March 2010.

As of March 31, 2010, Continental had at its disposal liquidity reserves totaling €3,561.0 million (PY: €2,892.7 million), consisting of cash and cash equivalents of €1,410.3 million (PY: €1,206.5 million) as well as unused credit lines totaling €2,150.7 million (PY: €1,686.2 million).

Capital expenditure (additions)

In the first quarter of 2010, €178.1 million (PY: €239.8 million) was invested in property, plant, equipment and software, €0.1 million (PY: €0.0 million) of which resulted from the capitalization of borrowing costs. The capital expenditure ratio after three months was 3.0% (PY: 5.6%).

€106.1 million (PY: €149.9 million) of this sum, corresponding to 2.8% (PY: 5.9%) of sales, was attributable to the Automotive Group.

The Automotive Group invested primarily in production equipment for the manufacture of new products and the implementation of new technologies for electronic brake and safety systems as well as engine and transmission control units, with investment being intensified in manufacturing capacities at best-cost locations.

The Rubber Group invested €72.3 million (PY: €90.7 million), which is equivalent to 3.2% (PY: 5.1%) of sales.

Key investment priorities were the expansions in our South American and European plants as well as quality assurance measures.

ContiTech invested in rationalizing production processes and in new products. Production capacities in China, Hungary and Romania were expanded.

Change in net indebtedness

in € millions	January 1 to March 31	
	2010	2009
Cash used for operating activities	-196.0	-295.3
Cash used for investing activities	-167.2	-271.4
Cash flow before financing activities (free cash flow)	-363.2	-566.7
Dividends paid and repayment of capital to minority interests	-0.9	-6.0
Proceeds from the issuance of shares	1,056.8	—
Non-cash changes	-21.0	15.7
Other	-2.5	30.9
Foreign exchange effects	-5.6	-31.9
Change in net indebtedness	663.6	-558.0

Net Assets Position

At €24,098.9 million, total assets on March 31, 2010, were €445.7 million lower than on the same date in 2009. The reduction in total assets was mainly the result of the €797.7 million decrease in goodwill due primarily to impairment in the fall of 2009, the €450.2 million decline in other intangible assets due primarily to amortization from PPA, as well as the €273.0 million decrease in investments in associates resulting from the valuation allowances and disposals of VDO Huizhou and Hyundai Autonet. This was partially offset by the higher volume of trade accounts receivable as a result of the growing operating activities. Deferred tax assets were up by €286.2 million.

At €5,681.1 million, total equity including minority interests was up €424.1 million compared with March 31, 2009. The proceeds from the capital increase in January 2010 of €1,073.7 million (taking into account the issuing costs and the corresponding tax effects) and positive exchange rate effects totaling €427.8 million offset the negative net income attributable to the shareholders of the parent of €1,154.2 million.

Total assets, at €24,098.9 million, rose by €1,049.7 million compared with December 31, 2009. This was due mainly to a €257.5 million rise in inventories and an €853.2 million increase in amounts receivable as a result of seasonal factors and the growing operating activities. Conversely, the reduction in cash and cash equivalents brought total assets down by €302.5 million.

At €5,681.1 million, total equity including minority interests was up €1,619.4 million compared with the end of 2009, due primarily to the proceeds from the capital increase, positive exchange rate effects totaling €299.1 million, and the net income attributable to the shareholders of the parent of €227.7 million. The gearing ratio improved from 219.0% to 144.9%.

Employees

At the end of the first quarter of 2010, the corporation's employees numbered 137,959, an increase of 3,525 compared with the end of 2009. Rising sales, above all in the Automotive Group and the ContiTech division, led to increases in the workforce of 2,700 and 1,194 persons respectively. The number of employees working for the Tire divisions fell by 387 as a result of structural changes and capacity adjustments. Compared with the reporting date for 2009, there was a total of 5,125 more employees.

Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31	
	2010	2009
Sales	1,354.4	866.7
EBITDA	229.6	68.7
in % of sales	17.0	7.9
EBIT	149.0	-14.6
in % of sales	11.0	-1.7
Depreciation and amortization ¹	80.6	83.3
Capital expenditure ²	30.4	30.9
Operating assets (at March 31)	4,017.1	4,327.1
Number of employees at March 31 ³	28,169	25,518
Adjusted sales ⁴	1,354.4	865.2
Adjusted operating result (adjusted EBIT) ⁵	163.1	0.4
in % of adjusted sales	12.0	0.0

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Chassis & Safety

Sales volumes

Sales volumes in the Electronic Brake Systems business unit jumped year-on-year by 71.0% to 4.1 million units in the first quarter of 2010. In the Hydraulic Brake Systems business unit, sales of brake boosters were up 62.4% to 3.8 million units. Brake caliper sales rose to 7.8 million units, equivalent to an increase of 59.0%. In the Passive Safety & Advanced Driver Assistance Systems business unit, sales of air bag control units increased by 35.2% to 3.2 million units. Sales of driver assistance systems soared to 218,800 units, an increase of 129.4%.

Sales up 56.3%;

Sales up 56.0% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division rose by 56.3% to €1,354.4 million in the first three months of 2010 compared with the same period of 2009 (PY: €866.7 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 56.0%. The increase was due to the recovery in all of our markets, and to the fact that the first quarter of 2009 was hit the hardest by the global economic crisis.

Adjusted EBIT up €162.7 million

The Chassis & Safety division's adjusted EBIT was up in the first three months of 2010 compared with the first three months of 2009 by €162.7 million to €163.1 million (PY: €0.4 million), equivalent to 12.0% (PY: 0.0%) of adjusted sales.

EBIT up €163.6 million

Compared with the same period of last year, the Chassis & Safety division reported an increase in EBIT of €163.6 million, or 1,120.5%, to €149.0 million (PY: -€14.6 million) in the first quarter of 2010. The return on sales increased to 11.0% (PY: -1.7%).

Special effects in the first quarter of 2010

In the first quarter of 2010, the Chassis & Safety division incurred expenses for restructuring measures and severance payments totaling €0.8 million.

Special effects in the first quarter of 2009

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €1.7 million in the Chassis & Safety division in the first quarter of 2009.

Powertrain in € millions	January 1 to March 31	
	2010	2009
Sales	1,105.5	690.5
EBITDA	83.4	-37.3
in % of sales	7.5	-5.4
EBIT	-21.6	-150.3
in % of sales	-2.0	-21.8
Depreciation and amortization ¹	105.0	113.0
Capital expenditure ²	49.0	78.1
Operating assets (at March 31)	3,148.2	3,859.7
Number of employees at March 31 ³	24,997	23,801
Adjusted sales ⁴	1,088.5	674.2
Adjusted operating result (adjusted EBIT) ⁵	22.0	-102.0
in % of adjusted sales	2.0	-15.1

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Powertrain

Sales volumes

The positive trend of the fourth quarter of 2009 continued in the first quarter of 2010. Year-on-year, sales rose worldwide by some 60%, whereby the Asian market experienced above average growth. All of the Powertrain division's business units were able to increase their sales volumes, with transmission control units and injection systems achieving exceptionally high growth rates of more than 60%.

Sales up 60.1%;

Sales up 61.5% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division rose by 60.1% to €1,105.5 million in the first three months of 2010 compared with the same period of 2009 (PY: €690.5 million). Before changes in the scope of consolidation and exchange rate effects, the increase was 61.5%, due primarily to the substantial recovery of the markets compared to the first quarter of 2009.

Adjusted EBIT up €124.0 million

The Powertrain division's adjusted EBIT was up in the first three months of 2010 compared with the same period of 2009 by €124.0 million, or 121.6%, to €22.0 million (PY: -€102.0 million), equivalent to 2.0% (PY: -15.1%) of adjusted sales.

EBIT up €128.7 million

Compared to the same period of last year, the Powertrain division reported an increase in EBIT of €128.7 million, or 85.6%, to -€21.6 million (PY: -€150.3 million) in the first quarter of 2010. The return on sales increased to -2.0% (PY: -21.8%).

Special effects in the first quarter of 2010

In the first quarter of 2010, the Powertrain division incurred expenses for restructuring measures and severance payments totaling €1.3 million.

Special effects in the first quarter of 2009

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €2.3 million in the Powertrain division in the first quarter of 2009.

Restructuring expenses and expenses for further winding-up activities in connection with the sale of the electric motors activities to the Brose Group totaling €0.4 million were also incurred.

Special effects in the first quarter of 2009 impacted the Powertrain division by a total of €2.7 million.

Interior in € millions	January 1 to March 31	
	2010	2009
Sales	1,340.3	990.6
EBITDA	159.5	14.7
in % of sales	11.9	1.5
EBIT	54.9	-101.4
in % of sales	4.1	-10.2
Depreciation and amortization ¹	104.6	116.1
Capital expenditure ²	26.7	40.8
Operating assets (at March 31)	4,425.3	5,068.7
Number of employees at March 31 ³	27,564	28,566
Adjusted sales ⁴	1,340.3	969.2
Adjusted operating result (adjusted EBIT) ⁵	114.8	-44.3
in % of adjusted sales	8.6	-4.6

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Interior

Sales volumes

Sales volumes in the Body & Security business unit rose for all product groups in the first quarter of 2010. Particularly high increases were achieved for tire information systems, fuel pump electronics, and in the battery & energy management business.

Owing to the persistently weak commercial vehicle market, quantities of digital tachographs rose only slightly in the Commercial Vehicles & Aftermarket business unit.

In the Infotainment & Connectivity business unit, sales volumes of audio components, connectivity systems and multimedia systems were up, thanks in particular to the positive development in sales to our U.S. customers.

Sales of instrument clusters in the Instrumentation & Driver HMI business unit were substantially higher than in the previous year.

Sales up 35.3%;

Sales up 35.9% before changes in the scope of consolidation and exchange rate effects

Sales of the Interior division rose by 35.3% to €1,340.3 million in the first three months of 2010 compared with the same period of 2009 (PY: €990.6 million). Before changes in the scope of consolidation and exchange rate effects, the increase was 35.9%, which resulted primarily from the substantial recovery of the markets compared to the first quarter of 2009.

Adjusted EBIT up €159.1 million

The Interior division's adjusted EBIT was up in the first three months of 2010 compared with the same period of 2009 by €159.1 million, or 359.1%, to €114.8 million (PY: -€44.3 million), equivalent to 8.6% (PY: -4.6%) of adjusted sales.

EBIT up €156.3 million

Compared with the same period of last year, the Interior division reported an increase in EBIT of €156.3 million, or 154.1%, to €54.9 million (PY: -€101.4 million) in the first quarter of 2010. The return on sales increased to 4.1% (PY: -10.2%).

Special effects in the first quarter of 2010

In the Interior division, expenses of €4.9 million were recognized in the first quarter of 2010 for further winding-up activities in conjunction with the disposal of business operations.

In addition, there were further restructuring expenses and severance payments totaling €1.2 million.

For the Interior division, the total net expense from special effects in the first quarter of 2010 amounted to €6.1 million.

Special effects in the first quarter of 2009

In the Interior division, the product portfolio was reviewed in conjunction with the acquisition of Siemens VDO and business sections in the non-OE sector were identified that are not part of our core business. The sale process was initiated for one of these business sections in 2008 which led to recognition of impairment losses in the amount of €1.8 million in the first quarter of 2009.

In addition, there were further restructuring expenses of €0.2 million for the Interior division.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €2.8 million in the Interior division.

For the Interior division, the total net expense from special effects in the first quarter of 2009 amounted to €4.8 million.

Passenger and Light Truck Tires in € millions	January 1 to March 31	
	2010	2009
Sales	1,283.0	997.1
EBITDA	274.2	150.0
in % of sales	21.4	15.0
EBIT	214.7	92.0
in % of sales	16.7	9.2
Depreciation and amortization ¹	59.5	58.0
Capital expenditure ²	42.8	55.8
Operating assets (at March 31)	2,328.1	2,530.6
Number of employees at March 31 ³	26,625	26,196
Adjusted sales ⁴	1,264.7	997.9
Adjusted operating result (adjusted EBIT) ⁵	219.6	96.9
in % of adjusted sales	17.4	9.7

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Passenger and Light Truck Tires

Sales volumes

In the Passenger and Light Truck Tires division, year-on-year sales volumes in all regions and business units saw strong double-digit percentage growth in the first three months of 2010, with the biggest increase being reported by the Original Equipment business unit. In the Replacement Business, growth was highest in The Americas business unit. The revival of the markets was reflected in the sales figures for all units.

Sales up 28.7%;

Sales up 24.8% before changes in the scope of consolidation and exchange rate effects

Sales of the Passenger and Light Truck Tires division rose by 28.7% to €1,283.0 million in the first three months of 2010 compared with the same period of 2009 (PY: €997.1 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 24.8%.

Adjusted EBIT up €122.7 million

The Passenger and Light Truck Tires division's adjusted EBIT rose in the first three months of 2010 compared with the same period of 2009 by €122.7 million, or 126.6%, to €219.6 million (PY: €96.9 million), equivalent to 17.4% (PY: 9.7%) of adjusted sales.

EBIT up €122.7 million

Compared with the same period of last year, the Passenger and Light Truck Tires division reported an increase in EBIT of €122.7 million, or 133.4%, to €214.7 million (PY: €92.0 million) in the first quarter of 2010. The return on sales increased to 16.7% (PY: 9.2%).

Special effects in the first quarter of 2010

In the Passenger and Light Truck Tires division, there were restructuring expenses and severance payments totaling €5.8 million in the first quarter of 2010, €3.9 million of which related to the closure of tire production in Clairoux, France.

Special effects in the first quarter of 2009

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €4.1 million in the Passenger and Light Truck Tires division in the first quarter of 2009.

Commercial Vehicle Tires in € millions	January 1 to March 31	
	2010	2009
Sales	280.8	238.0
EBITDA	25.9	6.9
in % of sales	9.2	2.9
EBIT	5.9	-13.7
in % of sales	2.1	-5.8
Depreciation and amortization ¹	20.0	20.6
Capital expenditure ²	8.8	11.1
Operating assets (at March 31)	596.8	692.6
Number of employees at March 31 ³	7,092	7,705
Adjusted sales ⁴	275.9	237.2
Adjusted operating result (adjusted EBIT) ⁵	7.2	-13.2
in % of adjusted sales	2.6	-5.6

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

Commercial Vehicle Tires

Sales volumes

The first quarter of 2010 saw a substantial revival of the markets compared to the first quarter of 2009, causing sales figures to be significantly higher than those for the same period last year. While sales volumes for the original equipment business in Europe still lagged behind those for the previous year, replacement sales in all regions topped figures for the same period of 2009 by between 30% and 50%.

Sales up 18.0%;

Sales up 14.4% before changes in the scope of consolidation and exchange rate effects

Sales of the Commercial Vehicle Tires division rose by 18.0% to €280.8 million in the first three months of 2010 compared with the same period of 2009 (PY: €238.0 million). Before changes in the scope of consolidation and exchange rate effects, sales increased by 14.4%.

Adjusted EBIT up €20.4 million

The Commercial Vehicle Tires division's adjusted EBIT rose in the first three months of 2010 compared with the same period of 2009 by €20.4 million, or 154.5%, to €7.2 million (PY: -€13.2 million), equivalent to 2.6% (PY: -5.6%) of adjusted sales.

EBIT up €19.6 million

Compared with the same period of last year, the Commercial Vehicle Tires division reported an increase in EBIT of €19.6 million, or 143.1%, to €5.9 million (PY: -€13.7 million) in the first quarter of 2010. The return on sales increased to 2.1% (PY: -5.8%).

Special effects in the first quarter of 2010

In the first quarter of 2010, the Commercial Vehicle Tires division incurred expenses for severance payments totaling €0.4 million.

Special effects in the first quarter of 2009

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €0.3 million in the Commercial Vehicle Tires division in the first quarter of 2009.

ContiTech in € millions	January 1 to March 31	
	2010	2009
Sales	702.3	568.7
EBITDA	115.8	58.2
in % of sales	16.5	10.2
EBIT	92.2	34.6
in % of sales	13.1	6.1
Depreciation and amortization ¹	23.6	23.6
Capital expenditure ²	20.6	23.7
Operating assets (at March 31)	1,047.0	1,071.5
Number of employees at March 31 ³	23,273	20,762
Adjusted sales ⁴	700.9	563.5
Adjusted operating result (adjusted EBIT) ⁵	93.2	37.0
in % of adjusted sales	13.3	6.6

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

⁴ Before changes in the scope of consolidation.

⁵ Before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects.

ContiTech

Sales up 23.5%;

Sales up 22.9% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division rose year-on-year by 23.5% to €702.3 million in the first three months of 2010 (PY: €568.7 million). Before changes in the scope of consolidation and exchange rate effects, sales were up by 22.9%. This increase was due primarily to the recovery of the auto markets. Automotive original equipment sales were some 50% higher, with the passenger car sector experiencing stronger growth (+54%) than the truck sector (+32%). Although automotive replacement sales also rose substantially by approximately 24%, sales in the industrial sector remained on par with the previous year. Here there is a lack of large projects, particularly in the conveyor belt business.

Adjusted EBIT up €56.2 million

The ContiTech division's adjusted EBIT was up in the first three months of 2010 compared with the same period of 2009 by €56.2 million, or 151.9%, to €93.2 million (PY: €37.0 million), equivalent to 13.3% (PY: 6.6%) of adjusted sales.

EBIT up €57.6 million

Compared to the same period of last year, the ContiTech division reported an increase in EBIT of €57.6 million, or 166.5%, to €92.2 million (PY: €34.6 million) in the first quarter of 2010. The return on sales increased to 13.1% (PY: 6.1%).

Special effects in the first quarter of 2010

In the first quarter of 2010, special effects resulted in expenses amounting to €0.4 million for the ContiTech division.

Special effects in the first quarter of 2009

The antitrust proceedings initiated in 2007 against Dunlop Oil & Marine Ltd., UK, a subsidiary of ContiTech AG, in the area of offshore hoses, resulted in further expenses of €0.6 million in the first quarter of 2009.

In addition, there were further restructuring expenses of €0.5 million for the ContiTech division in the first quarter of 2009.

The cost-cutting program initiated worldwide in response to the economic crisis led to expenses for severance payments totaling €1.1 million in the ContiTech division in the first quarter of 2009.

For the ContiTech division, the total net expense from special effects in the first quarter of 2009 amounted to €2.2 million.

Report on Expected Developments and Outlook for the Corporation

The first quarter provides a very firm basis for us to achieve the goals we have set for 2010. Based on the modified growth estimates for the markets relevant to Continental, we should be able to increase consolidated sales by at least 5% this year, and there is a chance of upping sales by as much as 10%. As for the adjusted EBIT of the Automotive Group, it appears more than probable that the figure will double as already forecast, and in view of the very good start to the year, it is not unrealistic to say that last year's EBIT figure may even be tripled. Uncertainty, however, continues to prevail regarding the trend in output during the second half of 2010.

Despite the sharp increase in prices for natural rubber, it is still possible that the Rubber Group's good results in 2009 can be maintained thanks to the positive development on the tire replacement markets. It cannot however be ruled out that results may be impacted by more than €250 million in view of the current price trends for raw materials, primarily for natural rubber. From the current perspective, it is improbable that the higher procurement costs can be passed on in full by undertaking further price increases in the current year.

Nonetheless, we can explicitly confirm the forecast we made at the beginning of the year for a minimum 5% growth in consolidated sales and a substantial increase in adjusted consolidated EBIT for 2010.

During the rest of the year, we do however expect lower growth rates for the key performance indicators in comparison to 2009 due to baseline effects. The indicators may even be below the previous year's levels in some cases because of the trend in raw material costs. We expect net indebtedness to increase slightly over the course of the first half of 2010 owing to seasonal influences. Continental will report on the development of the first half of 2010 on July 29 and

substantiate its full-year estimates on the basis of the figures available at that time.

In August 2012, tranche C and the revolving facility under the VDO loan agreement as well as the loan drawn under the forward start facility granted for the refinancing of the tranche B due in August 2010 will become due for repayment. To improve the debt maturity profile and diversify financing resources, Continental still intends to issue a high-yield bond. The exact date of the issue depends on the situation in the market.

Consolidated Financial Statements as of March 31, 2010

Consolidated Statements of Income and Comprehensive Income

in € millions	January 1 to March 31	
	2010	2009
Sales	5,996.7	4,302.0
Cost of sales	-4,615.5	-3,646.2
Gross margin on sales	1,381.2	655.8
Research and development expenses	-375.0	-386.5
Selling and logistics expenses	-308.4	-284.8
Administrative expenses	-147.4	-148.4
Other income and expenses	-72.5	-7.5
At-equity share in earnings of associates	13.8	1.2
Other income from investments	2.7	5.2
Earnings before interest and taxes	494.4	-165.0
Interest income	5.8	9.7
Interest expense ¹	-159.5	-137.6
Net interest expense	-153.7	-127.9
Earnings before taxes	340.7	-292.9
Income tax expense	-96.4	31.1
Net income	244.3	-261.8
Minority interests	-16.6	-5.5
Net income attributable to the shareholders of the parent	227.7	-267.3
Undiluted earnings per share in €	1.14	-1.58
Diluted earnings per share in €	1.14	-1.58

¹ Including gains/losses from foreign currency translation and gains/losses from the change in the fair value of derivative instruments.

in € millions	January 1 to March 31	
	2010	2009
Net income	244.3	-261.8
Difference from currency translation ¹	317.9	6.3
Available-for-sale financial assets	1.4	0.0
Deferred taxes on available-for-sale financial assets	-0.4	0.0
Cash flow hedges	-24.0	-54.6
Deferred taxes on cash flow hedges	7.3	16.6
Share of other comprehensive income of associates	0.0	0.0
Other comprehensive income²	302.2	-31.7
Total comprehensive income	546.5	-293.5
Minority interests	35.4	2.1
Total comprehensive income attributable to the shareholders of the parent	511.1	-295.6

¹ Including minority interests.

² The comparative figures as of March 31, 2009, are shown adjusted accordingly.

Consolidated Balance Sheets

Assets in € millions	March 31, 2010	Dec. 31, 2009	March 31, 2009
Goodwill	5,622.5	5,536.6	6,420.2
Other intangible assets	2,000.5	2,068.7	2,450.7
Property, plant, and equipment	5,869.2	5,784.3	6,113.9
Investment properties	18.8	19.3	19.8
Investments in associates	392.7	398.0	665.7
Other investments	8.0	8.0	14.2
Deferred tax assets	777.2	728.9	491.0
Deferred pension charges	71.1	70.8	88.9
Long-term derivative instruments and interest-bearing investments	83.7	78.4	20.8
Other long-term financial assets	20.2	18.9	33.3
Other assets	12.2	12.7	9.4
Non-current assets	14,876.1	14,724.6	16,327.9
Inventories	2,333.5	2,076.0	2,568.4
Trade accounts receivable	4,501.3	3,648.1	3,456.0
Other short-term financial assets	212.4	184.9	154.7
Other assets	618.3	540.5	623.1
Income tax receivable	114.2	94.2	134.5
Short-term derivative instruments and interest-bearing investments	18.7	25.8	27.0
Cash and cash equivalents	1,410.3	1,712.8	1,206.5
Assets held for sale	14.1	42.3	46.5
Current assets	9,222.8	8,324.6	8,216.7
Total assets	24,098.9	23,049.2	24,544.6

Total equity and liabilities in € millions	March 31, 2010	Dec. 31, 2009	March 31, 2009
Common stock	512.0	432.6	432.6
Capital reserves	4,137.3	3,139.5	3,120.9
Retained earnings	864.1	636.4	2,017.7
Other comprehensive income	-153.9	-435.9	-579.3
Equity attributable to the shareholders of the parent	5,359.5	3,772.6	4,991.9
Minority interests	321.6	289.1	265.1
Total equity	5,681.1	4,061.7	5,257.0
Provisions for pension liabilities and other post-employment benefits	1,383.0	1,345.0	771.3
Deferred tax liabilities	196.5	196.5	398.9
Long-term provisions for other risks	357.3	351.7	418.1
Long-term portion of indebtedness	5,990.8	5,967.7	9,621.5
Other non-current liabilities	36.3	36.2	44.1
Non-current liabilities	7,963.9	7,897.1	11,253.9
Trade accounts payable	2,946.2	2,819.5	2,340.4
Income tax payable	722.4	644.7	523.1
Short-term provisions for other risks	1,325.3	1,342.9	972.1
Indebtedness	3,753.8	4,744.8	2,674.3
Other short-term financial liabilities	900.2	880.3	879.1
Other liabilities	801.9	648.1	603.6
Liabilities held for sale	4.1	10.1	41.1
Current liabilities	10,453.9	11,090.4	8,033.7
Total equity and liabilities	24,098.9	23,049.2	24,544.6

Consolidated Cash Flow Statements

in € millions	January 1 to March 31	
	2010	2009
EBIT	494.4	-165.0
Interest paid	-243.9	-246.1
Interest received	6.5	10.6
Income tax paid	-63.4	-38.8
Dividends received	19.3	33.5
Depreciation, amortization and impairments	393.9	414.5
At-equity share in earnings of associates and accrued dividend income from other investments, incl. impairments	-16.5	-6.4
Gains/losses from the disposal of assets, subsidiaries and business units	0.9	-0.3
Other non-cash items	-14.5	—
Changes in		
inventories	-174.1	43.4
trade accounts receivable	-716.4	-119.5
trade accounts payable	33.2	-160.6
pension and post-employment provisions	21.8	119.6
other assets and liabilities	62.8	-180.2
Cash used for operating activities	-196.0	-295.3
Proceeds on disposal of property, plant, equipment and intangible assets	7.4	11.6
Capital expenditure on property, plant, equipment and software	-178.0	-239.8
Capital expenditure on intangible assets from development projects and miscellaneous	-11.0	-1.3
Proceeds on disposal of subsidiaries and business units, including surrendered cash and cash equivalents	23.8	-0.4
Acquisition of subsidiaries and business units, incl. acquired cash and cash equivalents	-9.4	-42.9
Interest bearing advances	0.0	1.4
Cash used for investing activities	-167.2	-271.4
Cash flow before financing activities	-363.2	-566.7
Change in indebtedness	-1,058.8	192.4
Proceeds from the issuance of shares	1,056.8	—
Dividends paid and repayment of capital to minority interests	-0.9	-6.0
Cash provided by/used for financing activities	-2.9	186.4
Change in cash and cash equivalents	-366.1	-380.3
Cash and cash equivalents at the beginning of the reporting period	1,712.8	1,569.4
Effect of exchange rate changes on cash and cash equivalents	63.6	17.4
Cash and cash equivalents at the end of the reporting period	1,410.3	1,206.5

Consolidated Statements of Changes in Total Equity

in € millions	Number of shares ¹ (thousands)	Common stock	Capital reserves	Retained earnings	Successive share purchases ²	Other comprehensive income		Subtotal	Minority interests	Total
						currency translation ³	financial instruments ⁴			
At Jan. 1, 2009	169,006	432.6	3,097.9	2,217.2	-33.4	-346.0	-102.9	5,265.4	264.5	5,529.9
Net income	—	—	—	-267.3	—	—	—	-267.3	5.5	-261.8
Comprehensive income	—	—	—	—	—	9.7	-38.0	-28.3	-3.4	-31.7
Net profit for the period	—	—	—	-267.3	—	9.7	-38.0	-295.6	2.1	-293.5
Dividends paid/declared	—	—	—	—	—	—	—	—	-6.0	-6.0
Issuance of shares ⁵	—	—	3.0	—	—	—	—	3.0	—	3.0
Successive purchases	—	—	—	—	-0.9	—	—	-0.9	-0.1	-1.0
Changes in minority interests ⁶	—	—	—	—	—	—	—	—	4.6	4.6
Euro introduction in Slovakia	—	—	—	67.8	—	-67.8	—	—	—	—
Schaeffler investor agreement	—	—	20.0	—	—	—	—	20.0	—	20.0
At March 31, 2009	169,006	432.6	3,120.9	2,017.7	-34.3	-404.1	-140.9	4,991.9	265.1	5,257.0
At Jan. 1, 2010	169,006	432.6	3,139.5	636.4	-34.4	-276.0	-125.5	3,772.6	289.1	4,061.7
Net income	—	—	—	227.7	—	—	—	227.7	16.6	244.3
Comprehensive income	—	—	—	—	—	299.1	-15.7	283.4	18.8	302.2
Net profit for the period	—	—	—	227.7	—	299.1	-15.7	511.1	35.4	546.5
Dividends paid/declared	—	—	—	—	—	—	—	—	-5.8	-5.8
Issuance of shares ⁵	31,000	79.4	997.8	—	—	—	—	1,077.2	—	1,077.2
Successive purchases	—	—	—	—	-1.4	—	—	-1.4	—	-1.4
Changes in minority interests ⁶	—	—	—	—	—	—	—	—	2.9	2.9
At March 31, 2010	200,006	512.0	4,137.3	864.1	-35.8	23.1	-141.2	5,359.5	321.6	5,681.1

¹ Shares outstanding.

² Successive acquisitions of shares of fully consolidated companies and companies consolidated according to the equity method.

³ Includes the shareholders' €0.0 million (PY: €0.0 million) portion of the foreign currency translation of companies consolidated according to the equity method.

⁴ The difference from financial instruments, including deferred taxes, is mainly due to the change in the market value of the cash flow hedges on interest and currency.

⁵ Includes the expenditure resulting from stock option plans and the redemption offer for granted and not yet exercised stock options. The proceeds from the capital increase, net of tax effects, are also included in 2010.

⁶ Relates to changes in minority interests from consolidation changes or capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report by division for the period from January 1 to March 31, 2010

in € millions	Chassis & Safety	Powertrain	Interior	Passenger and Light Truck Tires
Sales	1,354.4	1,105.5	1,340.3	1,283.0
EBIT	149.0	-21.6	54.9	214.7
in % of sales	11.0	-2.0	4.1	16.7
Depreciation and amortization ¹	80.6	105.0	104.6	59.5
Capital expenditure ²	30.4	49.0	26.7	42.8
Operating assets (at March 31)	4,017.1	3,148.2	4,425.3	2,328.1
Number of employees at March 31 ³	28,169	24,997	27,564	26,625

in € millions	Commercial Vehicle Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	280.8	702.3	-69.6	5,996.7
EBIT	5.9	92.2	-0.7	494.4
in % of sales	2.1	13.1	—	8.2
Depreciation and amortization ¹	20.0	23.6	0.6	393.9
Capital expenditure ²	8.8	20.6	-0.2	178.1
Operating assets (at March 31)	596.8	1,047.0	-10.2	15,552.3
Number of employees at March 31 ³	7,092	23,273	239	137,959

Segment report by division for the period from January 1 to March 31, 2009

in € millions	Chassis & Safety	Powertrain	Interior	Passenger and Light Truck Tires
Sales	866.7	690.5	990.6	997.1
EBIT	-14.6	-150.3	-101.4	92.0
in % of sales	-1.7	-21.8	-10.2	9.2
Depreciation and amortization ¹	83.3	113.0	116.1	58.0
Capital expenditure ²	30.9	78.1	40.8	55.8
Operating assets (at March 31)	4,327.1	3,859.7	5,068.7	2,530.6
Number of employees at March 31 ³	25,518	23,801	28,566	26,196

in € millions	Commercial Vehicle Tires	ContiTech	Other/ Consolidation	Continental Corporation
Sales	238.0	568.7	-49.6	4,302.0
EBIT	-13.7	34.6	-11.6	-165.0
in % of sales	-5.8	6.1	—	-3.8
Depreciation and amortization ¹	20.6	23.6	-0.1	414.5
Capital expenditure ²	11.1	23.7	-0.6	239.8
Operating assets (at March 31)	692.6	1,071.5	67.9	17,618.1
Number of employees at March 31 ³	7,705	20,762	286	132,834

¹ Excluding write-downs of investments.

² Capital expenditure on property, plant, equipment and software.

³ Excluding trainees.

Reconciliation of EBIT to Net Income

in € millions	January 1 to March 31	
	2010	2009
Chassis & Safety	149.0	-14.6
Powertrain	-21.6	-150.3
Interior	54.9	-101.4
Passenger and Light Truck Tires	214.7	92.0
Commercial Vehicle Tires	5.9	-13.7
ContiTech	92.2	34.6
Other/consolidation	-0.7	-11.6
EBIT	494.4	-165.0
Net interest expense	-153.7	-127.9
Earnings before taxes	340.7	-292.9
Income tax expense	-96.4	31.1
Net income	244.3	-261.8
Minority interests	-16.6	-5.5
Net income attributable to the shareholders of the parent	227.7	-267.3
Undiluted earnings per share in €	1.14	-1.58

Accounting principles

This Interim Report, as presented, has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the closing date and endorsed by the European Union, as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). The Interim Report was drawn up in compliance with IAS 34, Interim Financial Reporting. The same accounting principles and basis of valuation are applied in the Interim Report as were used in the annual financial statements for 2009. These methods are disclosed in detail in the Annual Report 2009. In addition, the IFRS amendments and new IFRS regulations mandated as of March 31, 2010, are applied in the Interim Report. These mandatory amendments and new regulations were disclosed in detail in the Annual Report 2009. They had no significant effect on the Continental Corporation.

Taxes are calculated based on the estimated, weighted-average annual tax rate expected for the year as a whole, taking into account the tax impact of specific significant items not expected to reoccur in the remainder of the year.

Although certain elements of the corporation's business are seasonal, the overall comparability of the interim consolidated financial statements is not compromised. All significant effects in the current period are shown in the financial summaries or in the accompanying explanations. Changes in the recognition or valuation of assets and liabilities within the scope of company acquisitions are applied retroactively once the final purchase price allocation has been determined.

Pension obligations

Consolidated net pension expenses can be summarized as follows:

in € millions	January 1 to March 31, 2010					January 1 to March 31, 2009				
	Ger- many	USA/ CAN	UK	Others	Total	Ger- many	USA/ CAN	UK	Others	Total
Current service cost	12.6	2.2	0.7	2.7	18.2	12.8	2.0	0.7	2.5	18.0
Interest on defined benefit obligation	21.9	13.1	2.7	2.5	40.2	21.9	14.2	2.6	2.5	41.2
Expected return on plan assets	-7.3	-12.5	-2.8	-1.2	-23.8	-15.3	-12.0	-2.6	-1.0	-30.9
Amortization of actuarial gains and losses as well as other costs	0.0	5.0	0.3	0.3	5.6	1.1	6.5	0.2	0.0	7.8
Effects of asset limitation and curtailments	—	0.8	—	—	0.8	—	0.0	0.0	—	0.0
Net periodic pension cost	27.2	8.6	0.9	4.3	41.0	20.5	10.7	0.9	4.0	36.1

The refunds from the Contractual Trust Arrangements (CTAs) set up in Germany, the asset reclassification and restructuring within the CTAs, as well as the discontinuation of the status of the remaining assets of

the respective CTAs as qualifying plan assets in 2009 had a negative impact of €8.5 million on EBIT and thus on the net pension expenses in the period under review compared to the same period of 2009.

Consolidated net expenses for retirement healthcare and life insurance obligations in the U.S.A. and Canada are made up of the following:

in € millions	January 1 to March 31	
	2010	2009
Current service cost	0.4	1.1
Interest cost on defined benefit obligation	2.8	3.1
Amortization of actuarial gains and losses as well as other costs	0.0	-1.3
Net cost of other post-employment benefits	3.2	2.9

Cash changes in post-employment obligations

Pension funds exist solely for pension obligations, particularly in Germany, the U.S.A., Canada and the United Kingdom, and not for other benefit obligations. The companies of the Continental Corporation paid €4.3 million (PY: €4.0 million) into these pension funds for the period from January 1 to March 31, 2010. From the CTAs and from assets transferred to a trustee in this conjunction, there was a refund in the first quarter of 2009 totaling €103.5 million for pension payments that arose since the creation of the CTAs and advanced by the Continental Corporation to date.

In the period from January 1 to March 31, 2010, payments for retirement benefit obligations totaled €45.4 million (PY: €41.6 million). Payments for other post-employment benefits totaled €3.6 million (PY: €3.4 million).

Companies consolidated

In addition to the parent company, the consolidated financial statements include a total of 359 domestic and foreign companies in which Continental AG holds a direct or indirect interest of at least 20% of the voting rights. Of these companies, 314 are fully consolidated and 45 are carried at equity.

Since December 31, 2009, the total number of consolidated companies has increased by four. Three companies were founded and seven units were acquired. Three companies were merged, two units sold and one company deconsolidated.

In relation to March 31, 2009, the net number of consolidated companies decreased by two. Reductions in the scope of consolidated companies relate primarily to mergers and disposals in the Automotive divisions as well as deconsolidations and liquidations in the ContiTech division. The additions pertain chiefly to the

founding of new companies within the scope of the carve-out and acquisitions in the Rubber divisions.

Acquisition and sale of companies

In the period under review, the full purchase price of €6.2 million for the acquisition of 49% of the shares in AVTOELEKTRONIKA-ELKAR (Avtel), Kaluga, Russia, was paid. Further acquisitions relate to the purchase of shares in a European tire sales group.

The effects of these transactions, including the corresponding preliminary purchase price allocations, on the assets, earnings and financial situation of Continental as of March 31, 2010, are insignificant.

The effects of the final purchase price settlement from the sale of VDO Automotive Huizhou Co. Ltd, Huizhou, China, in February 2010, which resulted in proceeds of €25.3 million, are insignificant. The sale of a small business operation of ContiTech that had been held for sale also had no significant effect on the assets, earnings and financial situation of Continental as of March 31, 2010.

Impairment

Continental immediately reviews intangible assets and property, plant, and equipment as well as investment property as soon as there is an indication of impairment. No significant impairments resulted from such reviews in the first quarter of 2010 or in the first quarter of 2009.

Dividend payment

Due to the fact that Continental AG reported a net loss for fiscal 2009, payment of a dividend for that year is out of the question. Because of Continental AG's net loss for the year before, no dividend was paid for fiscal 2008 either.

Earnings per share

Undiluted earnings per share for the first three months of 2010 rose to €1.14 (PY: -€1.58) and correspond to the diluted earnings per share.

Contingent liabilities and other financial obligations

As of March 31, 2010, there were no significant changes in the non-recognized contingent liabilities and other financial obligations as described in the Annual Report 2009. In the future, an affiliated company could face significant obligations arising from preliminary investigations by the European Commission of alleged antitrust violations by automotive electric components suppliers, if antitrust violations are found.

Transactions with related parties

In the period under review, there were no significant changes in the nature of transactions with related parties compared with December 31, 2009. Please see the remarks regarding this topic in the Annual Report 2009. In the same period of 2009, Continental and the Schaeffler Group agreed upon a global purchasing cooperation with the goal of minimizing the cost of materials as well as of non-manufacturing materials and achieving benefits by jointly approaching the steel markets and component suppliers.

German Corporate Governance Code

The annual declaration in accordance with section 161 of the *Aktengesetz* (German Stock Corporation Act) regarding the German Corporate Governance Code from the Executive Board and Supervisory Board of Continental AG was made permanently available to shareholders on Continental's website. Earlier declarations in accordance with Section 161 of the *Aktengesetz* also can be found on the website.

Indebtedness and net income from financial activities

Comments on indebtedness and the net income from financial activities are provided in the Corporate Management Report as of March 31, 2010.

Income tax expense

Income tax expense rose in the first three months of 2010 by €127.5 million to €96.4 million (PY: income of €31.1 million). The change in the tax rate from 10.6% to 28.3% is based in particular on a different country distribution of the earnings before taxes.

Capital increase

On January 6, 2010, the Executive Board of Continental AG resolved – with Supervisory Board approval – an increase in the share capital of €432,655,316.48 by a nominal amount of €79,360,000.00 to €512,015,316.48 by issuing 31,000,000 new shares from authorized capital (Authorized Capital 2007).

The capital increase was implemented by way of a rights offering to the shareholders of Continental AG. In an initial step, a bank consortium led by Deutsche Bank AG, Goldman Sachs International and J.P. Morgan Securities Ltd. placed 24.55 million shares with institutional investors in a private placement on January 6, 2010. An additional 6.45 million shares were placed with institutional investors at a price of €40.00 on January 12 as part of an accelerated bookbuilt offering. 3.4 million fewer shares were allotted as a result of the subscription rights exercised by the free float shareholders. The capital increase was accompanied by BNP Paribas, CALYON and HSBC Trinkaus, in addition to the institutes already mentioned.

Existing shareholders could exercise their subscription rights from January 12 to January 25, 2010, acquiring two shares for every eleven shares they possessed at the time. The rights trading of the subscription rights on the Frankfurt Stock Exchange took place from January 12, 2010, until (and including) January 21, 2010. The new shares have full dividend entitlement as of fiscal 2009.

On January 26, 2010, Continental announced that more than 99% of the free float shareholders had made use of their subscription rights and that the total net proceeds amounted to €1,056.8 million (before tax effects). The capital increase served to repay Continental AG's liabilities from the VDO loan.

The major shareholders of Continental AG, representing 88.9% of the share capital of the company before the capital increase (Schaeffler KG 49.9%, M.M.Warburg & CO KGaA 19.5%, B. Metzler seel. Sohn & Co. Holding AG 19.5%) had irrevocably undertaken vis-à-vis the bank consortium not to exercise their subscription rights and not to transfer such subscription rights to third parties. Upon the completion of the rights offering, these major shareholders were calculated to hold an aggregate of 75.1% of the in-

creased share capital of Continental AG. The free float of the Continental share therefore increased to 24.9%.

The inclusion of the new shares in trading on the regulated market of the stock exchanges of Frankfurt, Hanover, Hamburg and Stuttgart began on January 14, 2010. The delivery and settlement of the new shares subscribed in the rights offering or otherwise not subscribed took place on January 28, 2010.

Shareholder structure

Since the completion of the capital increase in January 2010, the shareholder structure with regard to the 200,005,983 outstanding Continental shares has been calculated as follows: 42.2% Schaeffler KG, 16.5% M.M.Warburg & CO KGaA, 16.5% B. Metzler seel. Sohn & Co. Holding AG. The free float rate is 24.9%.

The last notifications regarding voting rights of the aforementioned shareholders in accordance with Section 21 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) were received by Continental on November 25, 2009 (before the capital increase).

Significant Events after March 31, 2010

No significant events requiring disclosure occurred after March 31.

Hanover, April 21, 2010

The Executive Board of Continental Aktiengesellschaft

Financial Calendar

2010

Annual Financial Press Conference	February 23
Analyst Conference	February 23
Annual Shareholders' Meeting	April 28
Financial Report as of March 31, 2010	May 4
Half-Year Financial Report as of June 30, 2010	July 29
Financial Report as of September 30, 2010	November 3

2011

Annual Financial Press Conference	February
Analyst Conference	February
Annual Shareholders' Meeting	April 28
Financial Report as of March 31, 2011	April
Half-Year Financial Report as of June 30, 2011	August
Financial Report as of September 30, 2011	Oktober

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