

# Financial Report as of

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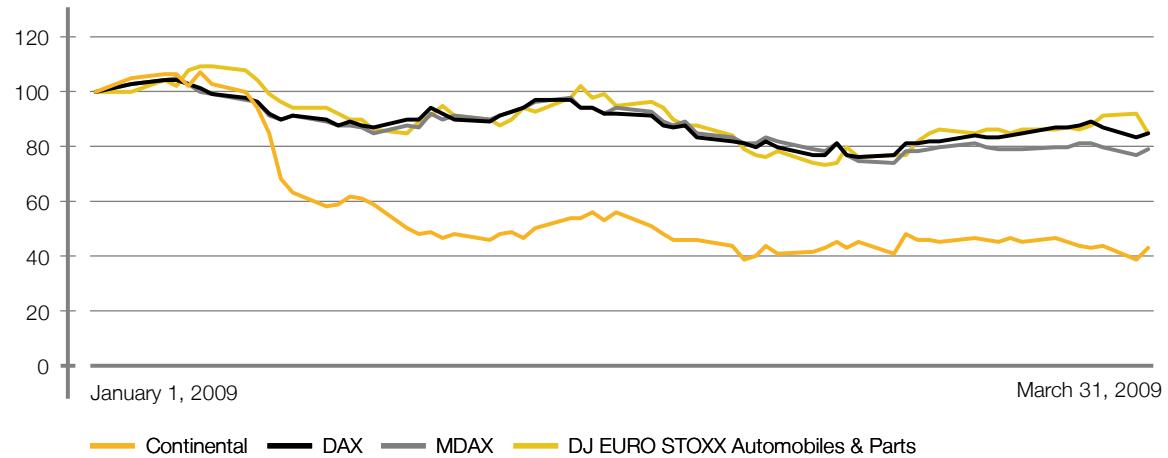
## Continental's Share Price Performance

In addition to the partial lessening of the slump in the automotive sector, Continental's share price performance in the first quarter of 2009 was also affected by the completion of the takeover offer by the Schaeffler Group on January 8, 2009. As a result of the completion of the takeover offer, only roughly 11% of all Continental shares are available as free float. In this situation, speculation regarding an upcoming capital increase and the alleged need for federal assistance, as well as changes in the management at Executive Board and Supervisory Board levels substantially impacted the share price, causing it to drop 61% to €11.40. After the positive reaction of the share price to the preliminary results for fiscal 2008, there was little in the way of a further improvement of the

Continental share price despite recovery of the market on the whole. Closing the first quarter at €12.56, Continental's share price was down substantially by 57% compared with December 31, 2008, thus significantly underperforming the DAX, EURO STOXX 50 and the European industrial index for the automotive sector. Compared with the MDAX index, the share registered a decline of 36 percentage points.

Early in the second quarter, revival of the stock market continued to gain momentum. Against this background, the Continental share price was able to increasingly recover some of its losses from the first quarter.

**Share Price Performance**



# Key Figures for the Continental Corporation

in € millions	January 1 to March 31	
	2009	2008
Sales	4,302.0	6,639.4
EBITDA	249.5	884.0
in % of sales	5.8	13.3
EBIT	-165.0	456.7
in % of sales	-3.8	6.9
Net income attributable to the shareholders of the parent	-267.3	166.8
Earnings per share (in €)	-1.58	1.03
Adjusted sales <sup>1</sup>	4,291.2	6,412.2
Adjusted EBIT before amortization of intangible assets from PPA <sup>2</sup>	-46.6	581.9
in % of adjusted sales	-1.1	9.1
Free cash flow	-566.7	-316.7
Net indebtedness at March 31	11,041.5	11,221.1
Gearing ratio in %	210.0	162.3
Number of employees at March 31 <sup>3</sup>	132,834	153,587

<sup>1</sup> Before changes in the scope of consolidation.

<sup>2</sup> Before changes in the scope of consolidation and special effects.

<sup>3</sup> Excluding trainees.

# Key Figures for the Core Business Areas

Automotive Group in € millions		January 1 to March 31	
		2009	2008
Sales		2,521.3	4,351.3
EBITDA		46.1	538.2
in % of sales		1.8	12.4
EBIT		-266.3	212.0
in % of sales		-10.6	4.9
Depreciation and amortization <sup>1</sup>		312.4	326.2
Capital expenditure <sup>2</sup>		149.9	234.3
Number of employees at March 31 <sup>3</sup>		77,885	94,201
Adjusted sales <sup>4</sup>		2,519.8	4,139.6
Adjusted EBIT before amortization of intangible assets from PPA <sup>5</sup>		-150.8	337.4
in % of adjusted sales		-6.0	8.2

Rubber Group in € millions		January 1 to March 31	
		2009	2008
Sales		1,783.6	2,292.2
EBITDA		215.1	355.0
in % of sales		12.1	15.5
EBIT		112.9	254.9
in % of sales		6.3	11.1
Depreciation and amortization <sup>1</sup>		102.2	100.1
Capital expenditure <sup>2</sup>		90.7	102.0
Number of employees at March 31 <sup>3</sup>		54,663	59,126
Adjusted sales <sup>4</sup>		1,774.3	2,276.7
Adjusted EBIT before amortization of intangible assets from PPA <sup>5</sup>		115.7	254.7
in % of adjusted sales		6.5	11.2

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

<sup>5</sup> Before changes in the scope of consolidation and special effects.

# Corporate Management Report as of March 31, 2009

## **Changes in the Executive Board**

At its meeting on January 24, 2009, the Supervisory Board of Continental AG gave its consent to the request of Dr. Alan Hippe, vice chairman of the Executive Board, CFO, and head of the Rubber Group of Continental AG, to release him from his duties as member of the Executive Board of Continental AG prematurely as of February 28, 2009, by mutual agreement.

Effective March 1, 2009, Gérard Cordonnier assumed the role of CFO for the Continental Corporation on a temporary basis.

Also effective March 1, 2009, Nikolai Setzer assumed the role of head of the Passenger and Light Truck Tires division on a temporary basis, alongside his existing duties as head of the Replacement Business for Passenger and Light Truck Tires in Europe and Africa.

## **Changes in the Supervisory Board**

In line with the agreement reached with the Schaeffler Group, Jan P. Oosterveld (on January 26, 2009), Fred Steingraber (on January 26, 2009), Prof. Jürgen Stockmar (on January 25, 2009) and Christian Streiff (on February 3, 2009) stepped down from their positions as Supervisory Board members. By court order of February 5, 2009, the district court of Hanover appointed Maria-Elisabeth Schaeffler, Georg F. W. Schaeffler, Dr. Jürgen Geißinger and Rolf Koerfer as their successors.

The employee representatives on the Supervisory Board were elected on March 24, 2009. They are listed on page 25 of this report.

In an extraordinary meeting on March 27, 2009, the Supervisory Board of Continental AG elected Rolf Koerfer as its new chairman, who thus succeeds Dr. Hubertus von Grünberg, who resigned on March 6.

## **Continental and the Schaeffler Group Start Cooperation with Joint Purchasing Activities**

Through a global purchasing agreement, Continental and the Schaeffler Group have started their first large joint project. The cooperation deal was contractually agreed as of March 27, 2009. Its goal is to minimize the cost of manufacturing and non-manufacturing materials and thus achieve an annual triple-digit million benefit by

jointly approaching the steel markets and component suppliers. The combined purchasing volume of Continental and Schaeffler totaled approximately €20 billion in 2008. The annual purchasing volume capable of benefiting from synergies comes to about €6.6 billion, resulting in total savings potential of €350 to €400 million for the two companies for the period between 2009 and 2011. Under the purchasing cooperation, the companies follow the principle of acting independently while, however, creating synergies through cooperative actions.

## **Production Adjustments in Europe**

In response to steep drops in original equipment sales and marked deteriorations on the replacement markets, we announced our intention to adjust production in Europe on March 11, 2009. Due to the persistently negative market trend, it is becoming apparent that, this year alone, capacity at Continental's tire plants in Europe will exceed demand by roughly 15 million passenger and light truck tires and about 1.7 million commercial vehicle tires. We are assuming that in the short- and medium-range future, the market will not recover sufficiently for us to make optimum use of existing capacities.

Plans foresee the discontinuation of commercial vehicle tire production at the plant in Hanover-Stöcken, Germany, with a previous capacity of 1.4 million units, as of December 31, 2009. In addition, production at the plant in Puchov, Slovakia, will be reduced by 20%.

In Clairoix, France, the intention to suspend tire production was announced to the central and local works councils, as the plant has the highest production costs for passenger tires of all our European passenger tire plants. This shall reduce the annual capacity by 8 million tires. It will be completed in two stages, but not before March 31, 2010.

## **Economic Climate**

Economic development in the first quarter of 2009 was characterized by the impact of the global financial crisis on the real economy. In its forecast at the end of March, the OECD predicted an even further deterioration of the global economy, anticipating a decline of 2.75% in 2009. GDP growth in Germany is expected to decrease by as much as 5.3% in 2009. To mitigate the consequences of the financial crisis, economic stimulus packages were initiated or expanded by governments around the world,

in addition to the ongoing stabilization of the financial system with guarantees, granting of loans and federal shareholdings in banks. The very low inflation rates as a result of the continuing low raw material prices made it possible for the central banks in the Eurozone to lower key interest rates further. In the first quarter, the European Central Bank alone dropped the key interest rate to 1.5% in two steps, reducing it by an additional 25 basis points early in April to 1.25%. Beside the continuing low key interest rates in the U.S.A. (0 – 0.25%), the Fed decided to introduce additional quantitative measures to provide the U.S. economy with liquidity.

Against the background of the poor economic situation in the first months of the year and the high degree of uncertainty regarding the effectiveness of monetary and fiscal measures, DAX lost 24% and EURO STOXX 50 more than 26% by the start of March in comparison to the end of 2008. However, the economic forecasts made by financial experts surveyed by the Center for European Economic Research (ZEW) each month improved steadily, starting at a very low level for the Eurozone. These initial signs of stabilization of the extremely tense economic situation calmed the stock markets, with the DAX and EURO STOXX 50 recovering more than 10% over the low point early in March, and the first quarter closed on March 31 at index values of 4,085 and 2,071 points with declines of 15% and 16% respectively.

The very poor macroeconomic situation worldwide had a corresponding impact on the automotive industry, which is a cyclical business industry. In the first three months of the year, the industry was heavily hit by a slump in the number of new vehicle registrations in its key markets of Europe (approx. -17%), North America (approx. -38%) and Japan (approx. -24%), which was even more painful than in the preceding quarter. Only in Europe did the slump decelerate sharply, particularly in March, thanks to the government's car scrapping incentive in Germany, France and Italy. The European markets also benefited from various factors, including a reversal of the Easter effect experienced last year, giving March 2009 an average of three more working days. Development in the BRIC countries was less negative. First-quarter new vehicle sales in China and Brazil were even as much as 8% and 6% respectively higher than in the first quarter 2008; India posted only a slight decrease, whereby Russia experienced a drop of approximately 41%. This could not, however, prevent the number of new vehicle

registrations from falling approximately 21% below the figure for Q1 2008 worldwide.

The generally weak demand for cars in North America, Europe and Japan in the first quarter led to substantial adjustments in production amongst car makers in these regions. As a result of inventory level adjustments in addition, production cuts exceeded the decline in new vehicle registrations. The heaviest cuts took place in the North American market, where Continental makes roughly 20% of its Automotive Group sales and where vehicle output was more than halved. Production declined by nearly 40% year-on-year in Europe as well, where Continental generates more than 60% of its sales in the automotive sector. These production cuts were implemented by nearly all manufacturers equally: GM, Ford and Chrysler throttled their output by 41%, 45% and 55% respectively, due to high stock levels. But the Japanese manufacturers Toyota, Nissan and Honda also reduced output in the first quarter by more than 40% compared to Q1 2008. Of the European car makers, only Fiat and Volkswagen made minor cuts in production.

The negative trend in production figures from the fourth quarter of 2008 (approx. -25%) were thus heavily exceeded again in the first quarter of 2009, probably running at approximately -45% in Western Europe and North America. This indicates that automobile production in 2009 will most likely be at the lower end of the broad range of market forecasts made early this year, which varied from 54 to 61 million units.

However, output figures for the truck markets turned out even worse, with production in Europe plunging more than 50%, and 45% in North America for Class 5-7 and Class 8 vehicles.

The passenger tire markets also faced a difficult situation, despite the fact that they are less susceptible to cyclical fluctuations. The replacement business fell by a high single-digit percentage in Europe and – despite a lower comparative basis – more than 14% in North America. The original equipment business suffered from the weak production volumes described above.

The truck tire replacement markets experienced substantial declines in volumes as well, with sales figures dropping 33% in Europe and 28% in North America.

In the first two months of 2009, the machine construction sector, which is usually considered to be strong, also experienced a 23% decline year-on-year, according to VDMA, the German Engineering Federation.

In view of the situation described, automotive shares lost another 27% in value. As the overall market recovered, the automotive shares recovered as well, with the Dow Jones EURO STOXX Automobiles & Parts closing with a quarterly loss of just 15% on March 31.

## Earnings, Financial and Net Assets Position of the Continental Corporation

### **Earnings Position**

#### **Sales Down 35.2%;**

#### **Sales Down 33.0% Before Changes in the Scope of Consolidation and Exchange Rate Effects**

Consolidated sales for the first three months of 2009 fell by 35.2% to €4,302.0 million (Q1 2008: €6,639.4 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 33.0%, primarily as a result of volume decreases caused by the global economic crisis.

#### **EBIT Down 108.0% Before Amortization of Intangible Assets from PPA, Changes in the Scope of Consolidation, and Special Effects**

In the first three months of 2009, consolidated EBIT before amortization of intangible assets from PPA, changes in the scope of consolidation, and special effects was down compared with the same period of last year by €628.5 million, or 108.0%, to -€46.6 million (Q1 2008: €581.9 million), equivalent to -1.1% (Q1 2008: 9.1%) of adjusted sales.

#### **EBIT Down 136.1%**

In the first quarter of 2009, EBIT was down €621.7 million on the previous year to -€165.0 million (Q1 2008: €456.7 million), a decrease of 136.1%. The return on sales fell to -3.8% (Q1 2008: 6.9%).

### **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. In 2008 the sale process was initiated for one of these business sections, leading to recognition of further impairment losses in the amount of €1.8 million in 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 total consolidated net expense from special effects in the first quarter of 2009 amounted to €3.5 million.

### **Special Effects in the First Quarter of 2008**

In the first quarter of 2008, the ContiTech division, and thus the corporation on the whole, incurred restructuring expenses totaling €0.2 million for Roulunds, Denmark.

### **Research and Development Expenses**

In the first quarter of 2009, research and development expenses declined by 6.9% compared with the same period of 2008 to €386.5 million (Q1 2008: €415.2 million), representing 9.0% (Q1 2008: 6.3%) of sales. Of that sum, €329.7 million (Q1 2008: €354.9 million) was attributable to the Automotive Group, corresponding to 13.1% (Q1 2008: 8.2%) of sales, and €56.8 million (Q1 2008: €60.3 million) to the Rubber Group, corresponding to 3.2% (Q1 2008: 2.6%) of sales.

### **Net Interest Expense**

At -€127.9 million, net interest expense improved by €78.9 million in the first three months of 2009 compared with the same period of last year (Q1 2008: -€206.8 million).

The improvement over the same period of 2008 was due in particular to exchange rate effects, for the most part with no effect on cash, which at €32.9 million were €81.5 million higher than in Q1 2008 (-€48.6 million). Compared to March 31, 2008, interest expense fell by €8.0 million to -€170.5 million (Q1 2008: -€178.5 million). For the first three months of 2009, interest income was €9.7 million (Q1 2008: €20.3 million).

### **Net Income Attributable to the Shareholders of the Parent**

Net income attributable to the shareholders of the parent was down 260.3% to -€267.3 million (Q1 2008: €166.8 million), with earnings per share lower at -€1.58 (Q1 2008: €1.03).

## Financial Position

### Cash Flow

At -€295.3 million, cash flow used for operating activities as of March 31, 2009, was €314.4 million lower than on March 31, 2008 (€19.1 million).

In the first quarter of 2009, free cash flow stood at -€566.7 million (Q1 2008: -€316.7 million), down €250.0 million on the first quarter of 2008. The interest payments totaling -€246.1 million (Q1 2008: -€154.1 million) resulting from the purchase price financing for the acquisition of Siemens VDO in particular had a negative impact. This figure includes one-off payments totaling about €70 million resulting from the renegotiations of the credit agreements as of January 23, 2009. Free cash flow was also impacted by the squeeze out redemption paid to the minority shareholders of ContiTech AG on February 16, 2009, amounting to some €37 million. A decrease in working capital, which reduced cash outflow by €500.2 million compared to the same period of 2008, had a positive effect.

The refund from the Contractual Trust Arrangements (CTA) existing for two subsidiaries covering pension obligations that arose and payments that were effected by Continental since mid-2006 amounting to €103.5 million had a positive effect on free cash flow.

At -€165.0 million, EBIT was down €621.7 million (Q1 2008: €456.7 million).

In the first quarter of 2009, total cash outflows amounting to €271.4 million (Q1 2008: €335.8 million) resulted from investment activities.

### Financing

At €11,041.5 million, the net indebtedness of the corporation on March 31, 2009, was €558.0 million higher than on December 31, 2008, and €179.6 million lower than on March 31, 2008 (€11,221.1 million).

At 210.0%, the gearing ratio is thus higher than the previous year's level (Q1 2008: 162.3%) despite the reduction in net indebtedness due to reduced equity in comparison to the end of March 2008.

Bonds were down €724.2 million in comparison to March 31, 2008. This is chiefly attributable to the utilization of conversion rights and early repayment of the convertible bonds of Conti-Gummi Finance B.V. (original issue amount €400 million) and repayment of the bond of

Continental AG in a nominal amount of €369.5 million in the second half of 2008.

The €11.8 billion syndicated loan taken out to finance the purchase price for the acquisition of Siemens VDO was drawn upon at the end of March 2009 in the nominal amount of €10,523.2 million.

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 2009 amounting to €3,125.0 million. The resulting average fixed interest rate to be paid is 4.19% plus margin.

As of March 31, 2009, Continental had at its disposal liquidity reserves totaling €2,892.7 million, consisting of cash and cash equivalents of €1,206.5 million as well as unused credit lines in volumes of €1,686.2 million.

### Capital Expenditure (Additions)

In the first quarter of 2009, €239.8 million (Q1 2008: €352.1 million) was invested in property, plant, equipment and software, corresponding to a capital expenditure ratio after three months of 5.6% (Q1 2008: 5.3%). €149.9 million (Q1 2008: €234.3 million) of this sum, corresponding to 5.9% (Q1 2008: 5.4%) of sales, was attributable to the Automotive Group.

In the Automotive Group, primary investments were in production facilities 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, whereby the expansion of manufacturing capacities at low-cost locations was intensified.

The Rubber Group invested €90.7 million (Q1 2008: €102.0 million), which is equivalent to 5.1% (Q1 2008: 4.4%) of sales.

In the Tire divisions, investments focused on the areas of quality assurance and cost reduction.

ContiTech invested in rationalizing production processes and in new products. In addition, investment projects were carried out in Romania (Fluid Technology), China (Vibration Control) and Brazil (Conveyor Belt Group).

### **Net Assets Position**

At €24,544.6 million, total assets on March 31, 2009, were €2,365.6 million lower than on the same date in 2008 (€26,910.2 million). This is mainly due to the goodwill impairment in 2008 totaling €1,230.0 million, a €939.5 million reduction of receivables, as well as the sale of the electric motors activities to the Brose Group.

Total assets were down €143.3 million compared with December 31, 2008. That decline was attributable mainly to a €72.0 million decrease in other intangible assets due to amortization, and a €362.9 million decrease in cash and cash equivalents, which are partially offset by a €168.5 million increase in amounts receivable as a result of seasonal fluctuations. Deferred tax assets went up

€99.7 million, due in particular to the negative net income (attributable to the shareholders of the parent) in the first quarter of 2009.

### **Employees**

At the end of the first quarter of 2009, the corporation's employees numbered 132,834, a decrease of 6,321 compared with the end of 2008. The deterioration in the general economic environment led to a significant reduction in staff, above all in the Automotive Group (-4,852 employees). Due to volume declines, it was necessary to implement capacity adjustments and hiring freezes. In the Rubber Group, the workforce was reduced by 1,491. Compared with the reporting date for 2008, there were 20,753 fewer employees.

## Development of the Continental Corporation

in € millions	January 1 to March 31	
	2009	2008
Sales	4,302.0	6,639.4
EBITDA	249.5	884.0
in % of sales	5.8	13.3
EBIT	-165.0	456.7
in % of sales	-3.8	6.9
Net income attributable to the shareholders of the parent	-267.3	166.8
Earnings per share (in €)	-1.58	1.03
Research and development expenses	386.5	415.2
Depreciation and amortization <sup>1</sup>	414.5	427.3
Capital expenditure <sup>2</sup>	239.8	352.1
Number of employees at March 31 <sup>3</sup>	132,834	153,587
Adjusted sales <sup>4</sup>	4,291.2	6,412.2
Adjusted EBIT before amortization of intangible assets from PPA <sup>5</sup>	-46.6	581.9
in % of adjusted sales	-1.1	9.1
Net indebtedness at March 31	11,041.5	11,221.1
Gearing ratio in %	210.0	162.3

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

<sup>5</sup> Before changes in the scope of consolidation and special effects.

## Reconciliation of Cash Flow to the Change in Net Indebtedness

in € millions	January 1 to March 31	
	2009	2008
Cash provided by operating activities	-295.3	19.1
Cash used for investing activities	-271.4	-335.8
<b>Cash flow before financing activities (free cash flow)</b>	<b>-566.7</b>	<b>-316.7</b>
Dividends paid and repayment of capital to minority interests	-6.0	-4.6
Proceeds from the issuance of shares	—	0.2
Non-cash changes	15.7	-38.7
Other	30.9	2.8
Foreign exchange effects	-31.9	-7.7
<b>Change in net indebtedness</b>	<b>-558.0</b>	<b>-364.7</b>

## Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31	
	2009	2008
Sales	866.7	1,452.9
EBITDA	68.7	224.1
in % of sales	7.9	15.4
EBIT	-14.6	141.1
in % of sales	-1.7	9.7
Depreciation and amortization <sup>1</sup>	83.3	83.0
Capital expenditure <sup>2</sup>	30.9	62.6
Number of employees at March 31 <sup>3</sup>	25,518	28,545
Adjusted sales <sup>4</sup>	866.7	1,449.7
Adjusted EBIT before amortization of intangible assets from PPA <sup>4</sup>	-1.1	153.0
in % of adjusted sales	-0.1	10.6

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

### Chassis & Safety

#### Sales Volumes

In the Electronic Brake Systems business unit, sales of electronic brake systems fell year-on-year by 41.7% to 2.4 million units in the first quarter of 2009.

In our Hydraulic Brake Systems business unit, sales volumes of brake boosters were down by 34.3% to 2.3 million units in the first three months of 2009 compared with the same period of last year. Sales of brake calipers dropped to 4.9 million units, a decline of 44.5%.

In our Passive Safety & Advanced Driver Assistance Systems business unit, sales volumes of air bag control units were down by 35.0% to 2.4 million units in the first three months of 2009 compared with the same period of last year. In contrast, sales of driver assistance systems were up to 95,400 units, an increase of 36.3%.

#### Sales Down 40.3%;

#### Sales Down 41.1% Before Changes in the Scope of Consolidation and Exchange Rate Effects

Sales of the Chassis & Safety division fell by 40.3% to €866.7 million in the first three months of 2009 compared with the same period of 2008 (Q1 2008: €1,452.9 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 41.1%, due primarily to significant production declines in North America and Europe resulting from the global economic crisis.

### EBIT Down 100.7% Before Amortization of Intangible Assets from PPA and Changes in the Scope of Consolidation

In the first three months of 2009, the Chassis & Safety division's EBIT before amortization of intangible assets from PPA and changes in the scope of consolidation was down compared with the same period of last year by €154.1 million, or 100.7%, to -€1.1 million (Q1 2008: €153.0 million), equivalent to -0.1% (Q1 2008: 10.6%) of adjusted sales.

### EBIT Down 110.3%

Compared with the same period of last year, the Chassis & Safety division reported a decrease in EBIT of €155.7 million, or 110.3%, to -€14.6 million (Q1 2008: €141.1 million) in the first quarter of 2009. The return on sales fell to -1.7% (Q1 2008: 9.7%).

### Special Effects

For the Chassis & Safety division, there were no special effects for either the first quarter of 2009 or for the first quarter of 2008.

Powertrain in € millions	January 1 to March 31	
	2009	2008
Sales	690.5	1,294.4
EBITDA	-37.3	121.8
in % of sales	-5.4	9.4
EBIT	-150.3	-10.1
in % of sales	-21.8	-0.8
Depreciation and amortization <sup>1</sup>	113.0	131.9
Capital expenditure <sup>2</sup>	78.1	111.8
Number of employees at March 31 <sup>3</sup>	23,801	31,968
Adjusted sales <sup>4</sup>	690.5	1,081.4
Adjusted EBIT before amortization of intangible assets from PPA <sup>5</sup>	-105.3	39.0
in % of adjusted sales	-15.2	3.6

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

<sup>5</sup> Before changes in the scope of consolidation and special effects.

## Powertrain

### Sales Volumes

Significant volume decreases were recorded by the Engine Systems (injection systems installed in cars as well as light and medium commercial vehicles), Transmissions (transmission control units) and Sensors & Actuators business units as a result of the reductions in global production.

### Sales Down 46.7%;

### Sales Down 37.6% Before Changes in the Scope of Consolidation and Exchange Rate Effects

Sales of the Powertrain division fell by 46.7% to €690.5 million in the first three months of 2009 compared with the same period in 2008 (Q1 2008: €1,294.4 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 37.6%, primarily as a result of volume declines stemming from the global economic crisis.

### EBIT Down 370.0% Before Amortization of Intangible Assets from PPA, Changes in the Scope of Consolidation, and Special Effects

In the first three months of 2009, the Powertrain division's EBIT before amortization of intangible assets from PPA, changes in the scope of consolidation and special effects was down compared with the same period of last year by €144.3 million, or 370.0%, to -€105.3 million

(Q1 2008: €39.0 million), equivalent to -15.2% (Q1 2008: 3.6%) of adjusted sales.

### EBIT Down 1,388.1%

Compared with the same period of last year, the Powertrain division reported a decrease in EBIT of €140.2 million, or 1,388.1%, to -€150.3 million (Q1 2008: -€10.1 million) in the first quarter of 2009. The return on sales fell to -21.8% (Q1 2008: -0.8%).

### Special Effects in the First Quarter of 2009

In the first quarter of 2009, the Powertrain division incurred 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.

### Special Effects in the First Quarter of 2008

There were no special effects for the Powertrain division in the first quarter of 2008.

Interior in € millions	January 1 to March 31	
	2009	2008
Sales	990.6	1,656.6
EBITDA	14.7	192.3
in % of sales	1.5	11.6
EBIT	-101.4	81.0
in % of sales	-10.2	4.9
Depreciation and amortization <sup>1</sup>	116.1	111.3
Capital expenditure <sup>2</sup>	40.8	59.9
Number of employees at March 31 <sup>3</sup>	28,566	33,688
Adjusted sales <sup>4</sup>	989.1	1,645.6
Adjusted EBIT before amortization of intangible assets from PPA <sup>5</sup>	-44.4	145.4
in % of adjusted sales	-4.5	8.8

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

<sup>5</sup> Before changes in the scope of consolidation and special effects.

## Interior

### Sales Volumes

In the Body & Security business unit, sales volumes were down for access control systems and body electronics. Sales of instrument clusters declined to 2.9 million units in the Instrumentation & Displays business unit. Sales volumes of digital tachographs in the Commercial Vehicles and Aftermarket business unit were also down.

### Sales Down 40.2%;

### Sales Down 40.0% Before Changes in the Scope of Consolidation and Exchange Rate Effects

Sales of the Interior division fell by 40.2% to €990.6 million in the first three months of 2009 compared with the same period in 2008 (Q1 2008: €1,656.6 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 40.0%, primarily as a result of cuts in the production of cars and commercial vehicles.

### EBIT Down 130.5% Before Amortization of Intangible Assets from PPA, Changes in the Scope of Consolidation, and Special Effects

In the first three months of 2009, the Interior division's EBIT before amortization of intangible assets from PPA, changes in the scope of consolidation and special effects was down compared with the same period of last year by €189.8 million, or 130.5%, to -€44.4 million

(Q1 2008: €145.4 million), equivalent to -4.5% (Q1 2008: 8.8%) of adjusted sales.

### EBIT Down 225.2%

Compared with the same period of last year, the Interior division reported a decrease in EBIT of €182.4 million, or 225.2%, to -€101.4 million (Q1 2008: €81.0 million) in the first quarter of 2009. The return on sales fell to -10.2% (Q1 2008: 4.9%).

### Special Effects in the First Quarter of 2009

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. In 2008 the sale process was initiated for one of these business sections, leading to recognition of further impairment losses in the amount of €1.8 million in 2009. In addition, there were further restructuring expenses of €0.2 million for the Interior division in the first quarter of 2009.

For the Interior division, the total net expense from special effects in the first quarter of 2009 amounted to €2.0 million.

### Special Effects in the First Quarter of 2008

There were no special effects for the Interior division in the first quarter of 2008.

**Passenger and Light Truck Tires in € millions**

	<b>January 1 to March 31</b>	
	<b>2009</b>	<b>2008</b>
Sales	997.1	1,202.9
EBITDA	150.0	197.7
in % of sales	15.0	16.4
EBIT	92.0	142.2
in % of sales	9.2	11.8
Depreciation and amortization <sup>1</sup>	58.0	55.5
Capital expenditure <sup>2</sup>	55.8	61.4
Number of employees at March 31 <sup>3</sup>	26,196	26,740
Adjusted sales <sup>4</sup>	994.4	1,206.0
Adjusted EBIT before amortization of intangible assets from PPA <sup>4</sup>	93.0	144.0
in % of adjusted sales	9.4	11.9

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

**Passenger and Light Truck Tires**

**Sales Volumes**

Our Replacement Business units for The Americas and for Europe posted volume losses in the first quarter of 2009 compared with the same period of 2008. Sales volumes in the Original Equipment unit fell on a global basis compared with the first three months of 2008, with declines in the NAFTA region being greater than in Europe. A significant factor behind these decreases was the global economic crisis.

**Sales Down 17.1%;**

**Sales Down 15.7% Before Changes in the Scope of Consolidation and Exchange Rate Effects**

Sales of the Passenger and Light Truck Tires division fell by 17.1% to €997.1 million in the first three months of 2009 compared to the same period of 2008 (Q1 2008: €1,202.9 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 15.7%,

(Q1 2008: €144.0 million), equivalent to 9.4% (Q1 2008: 11.9%) of adjusted sales.

**EBIT Down 35.3%**

Compared with the same period of last year, the Passenger and Light Truck Tires division reported a decrease in EBIT of €50.2 million, or 35.3%, to €92.0 million (Q1 2008: €142.2 million) in the first quarter of 2009. The return on sales fell to 9.2% (Q1 2008: 11.8%).

**Special Effects**

For the Passenger and Light Truck Tires division, there were no special effects for either the first quarter of 2009 or for the first quarter of 2008.

**EBIT Down 35.4% Before Amortization of Intangible Assets from PPA and Changes in the Scope of Consolidation**

In the first three months of 2009, the Passenger and Light Truck Tires division's EBIT before amortization of intangible assets from PPA and changes in the scope of consolidation was down compared with the same period of last year by €51.0 million, or 35.4%, to €93.0 million

Commercial Vehicle Tires in € millions	January 1 to March 31	
	2009	2008
Sales	238.0	328.3
EBITDA	6.9	31.6
in % of sales	2.9	9.6
EBIT	-13.7	12.2
in % of sales	-5.8	3.7
Depreciation and amortization <sup>1</sup>	20.6	19.4
Capital expenditure <sup>2</sup>	11.1	19.6
Number of employees at March 31 <sup>3</sup>	7,705	8,423
Adjusted sales <sup>4</sup>	236.8	325.2
Adjusted EBIT before amortization of intangible assets from PPA <sup>4</sup>	-13.6	11.2
in % of adjusted sales	-5.7	3.4

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

## Commercial Vehicle Tires

### Sales Volumes

The global economic crisis with its extreme market downturns in all regions pushed sales figures below the previous year's level. In Europe, the figures for the replacement business as well as for the original equipment business were down on last year's first-quarter figures. In Asia we also posted declines in sales. In The Americas region, sales figures for the original equipment business remained below the previous year's level, whereas we achieved a slight increase here in the replacement business, thanks particularly to the good development in South America.

### Sales Down 27.5%;

### Sales Down 27.1% Before Changes in the Scope of Consolidation and Exchange Rate Effects

Sales of the Commercial Vehicle Tires division fell by 27.5% to €238.0 million in the first three months of 2009 compared to the same period of 2008 (Q1 2008: €328.3 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 27.1%,

### EBIT Down 221.4% Before Amortization of Intangible Assets from PPA and Changes in the Scope of Consolidation

In the first three months of 2009, the Commercial Vehicle Tires division's EBIT before amortization of intangible

assets from PPA and changes in the scope of consolidation was down compared with the same period of last year by €24.8 million, or 221.4%, to -€13.6 million (Q1 2008: €11.2 million), equivalent to -5.7% (Q1 2008: 3.4%) of adjusted sales.

### EBIT Down 212.3%

Compared with the same period of last year, the Commercial Vehicle Tires division reported a decrease in EBIT of €25.9 million, or 212.3%, to -€13.7 million (Q1 2008: €12.2 million) in the first quarter of 2009. The return on sales fell to -5.8% (Q1 2008: 3.7%).

### Special Effects

For the Commercial Vehicle Tires division, there were no special effects for either the first quarter of 2009 or for the first quarter of 2008.

### ContiTech in € millions

	January 1 to March 31	
	2009	2008
Sales	568.7	798.4
EBITDA	58.2	125.6
in % of sales	10.2	15.7
EBIT	34.6	100.4
in % of sales	6.1	12.6
Depreciation and amortization <sup>1</sup>	23.6	25.2
Capital expenditure <sup>2</sup>	23.7	21.0
Number of employees at March 31 <sup>3</sup>	20,762	23,963
Adjusted sales <sup>4</sup>	563.3	782.9
Adjusted EBIT before amortization of intangible assets from PPA <sup>5</sup>	36.3	99.3
in % of adjusted sales	6.4	12.7

<sup>1</sup> Excluding write-downs of investments.

<sup>2</sup> Capital expenditure on property, plant, equipment and software.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Before changes in the scope of consolidation.

<sup>5</sup> Before changes in the scope of consolidation and special effects.

### ContiTech

#### Sales Down 28.8%;

#### Sales Down 26.3% Before Changes in the Scope of Consolidation and Exchange Rate Effects

Sales of the ContiTech division fell by 28.8% to €568.7 million in the first three months of 2009 compared with the same period in 2008 (Q1 2008: €798.4 million). Before changes in the scope of consolidation and exchange rate effects, sales dropped by 26.3%, primarily as a result of volume decreases caused by the global economic crisis. While sales in the automotive original equipment sector fell about 41%, sales to the replacement business were on par with the previous year's level, and non-automotive sales were down approximately 14%. Increases in sales were achieved in particular with conveyor belts, Fluid Technology's oil and marine products, and air suspension systems for rail vehicles.

#### EBIT Down 63.4% Before Amortization of Intangible Assets from PPA, Changes in the Scope of Consolidation, and Special Effects

In the first three months of 2009, the ContiTech division's EBIT before amortization of intangible assets from PPA, changes in the scope of consolidation and special effects was down compared with the same period of last year by €63.0 million, or 63.4%, to €36.3 million (Q1 2008: €99.3 million), equivalent to 6.4% (Q1 2008: 12.7%) of adjusted sales.

### EBIT Down 65.5%

Compared with the same period of last year, the ContiTech division reported a decrease in EBIT of €65.8 million, or 65.5%, to €34.6 million (Q1 2008: €100.4 million) in the first quarter of 2009. The return on sales fell to 6.1% (Q1 2008: 12.6%).

#### 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.

For the ContiTech division, the total net expense from special effects in the first quarter of 2009 amounted to €1.1 million.

#### Special Effects in the First Quarter of 2008

In the first quarter of 2008, the ContiTech division incurred restructuring expenses totaling €0.2 million for Roulunds, Denmark.

## **Report on Expected Developments and Outlook**

In view of the continuing turbulence on the financial markets, the recession in many parts of the world and the lack of reliable underlying data, it is extremely difficult to forecast how the year will develop on the whole.

Considering the fact that we have complied with the covenants in the first quarter of 2009 and that business activities during the first three months have revived, we are assuming, as things look now, that we will be able to comply with our credit agreements throughout the remainder of the year as well, despite the adverse economic conditions.

At €2.9 billion, the available liquidity (cash and cash equivalents as well as unused approved credit lines) was also within the target range at the end of the first quarter. The corporation's top goal continues to be further reduction of debt, despite the seasonal increase in net indebtedness at the end of the first quarter, as is typical for the business.

We therefore still anticipate substantial free cash flow in 2009. This will be fostered by the suspension of the

dividend, the substantial cuts in capital spending, and further reductions in fixed costs. These efforts are also being boosted by the purchasing cooperation with the Schaeffler Group announced in April, which is designed to save hundreds of millions in costs. This adds up to total benefits for the two companies of €400 million for the period between 2009 and 2011.

At the Annual Shareholders' Meeting of Continental AG on April 23, 2009, we also announced our intention to provide an overall concept for the future cooperation between the Schaeffler Group and Continental in 100 days at the latest. The future strategy, financing and extent of cooperation shall be covered by this concept.

Based upon the latest information, we are expecting a clear revival in second quarter sales and operating results compared to the very weak first quarter of 2009. The plant closures announced for the Passenger and Light Truck Tires, Commercial Vehicle Tires as well as ContiTech divisions will result in restructuring expenses in the coming quarters. As a result of this and other factors, considerable deviations can thus still arise in comparison with last year's figures.

# Consolidated Financial Statements as of March 31, 2009

## Consolidated Income Statements

in € millions	January 1 to March 31	
	2009	2008
<b>Sales</b>		
Cost of sales	4,302.0	6,639.4
<b>Gross margin on sales</b>	<b>655.8</b>	<b>1,386.8</b>
Research and development expenses	-386.5	-415.2
Selling and logistics expenses	-284.8	-296.9
Administrative expenses	-148.4	-194.3
Other income and expenses	-7.5	-44.1
At-equity share in earnings of associates	1.2	16.1
Other income from investments	5.2	4.3
<b>Earnings before interest and taxes</b>	<b>-165.0</b>	<b>456.7</b>
Interest income	9.7	20.3
Interest expense	-137.6	-227.1
<b>Net interest expense</b>	<b>-127.9</b>	<b>-206.8</b>
<b>Earnings before taxes</b>	<b>-292.9</b>	<b>249.9</b>
Income tax expense	31.1	-70.0
<b>Net income</b>	<b>-261.8</b>	<b>179.9</b>
Minority interests	-5.5	-13.1
<b>Net income attributable to the shareholders of the parent</b>	<b>-267.3</b>	<b>166.8</b>
 <b>Undiluted earnings per share in €</b>	 <b>-1.58</b>	 <b>1.03</b>
 <b>Diluted earnings per share in €</b>	 <b>-1.58</b>	 <b>1.00</b>

Consolidated Statements of Income and Comprehensive Income	January 1 to March 31	
	2009	2008
<b>Net income</b>	<b>-261.8</b>	<b>179.9</b>
Differences from currency translation	6.2	-140.6
Available-for-sale financial assets	0.0	1.0
Deferred taxes on available-for-sale financial assets	0.0	0.0
Cash flow hedges	-54.6	8.2
Deferred taxes on cash flow hedges	16.6	3.7
Revaluation due to successive share purchases	-0.9	0.0
Share of other comprehensive income of associates	0.0	0.0
<b>Other comprehensive income</b>	<b>-32.7</b>	<b>-127.7</b>
<b>Total comprehensive income</b>	<b>-294.5</b>	<b>52.2</b>
Minority interests	-2.0	-14.4
Total comprehensive income attributable to the shareholders of the parent	-296.5	37.8

## Consolidated Balance Sheets

Assets in € millions	March 31, 2009	Dec. 31, 2008	March 31, 2008
Goodwill	6,420.2	6,384.1	7,254.1
Other intangible assets	2,450.7	2,522.7	2,827.6
Property, plant, and equipment	6,113.9	6,122.2	5,920.2
Investment properties	19.8	19.9	29.3
Investments in associates	665.7	718.3	796.6
Other investments	14.2	14.2	17.9
Deferred tax assets	491.0	391.3	168.9
Deferred pension charges	88.9	116.0	77.4
Long-term derivative instruments and interest-bearing investments	20.8	16.6	30.7
Other long-term financial assets	33.3	34.1	48.7
Other assets	9.4	9.0	18.9
<b>Non-current assets</b>	<b>16,327.9</b>	<b>16,348.4</b>	<b>17,190.3</b>
Inventories	2,568.4	2,570.5	2,678.1
Trade accounts receivable	3,456.0	3,287.5	4,395.5
Other short-term financial assets	154.7	126.8	170.0
Other assets	623.1	543.0	589.1
Income tax receivable	134.5	148.0	205.2
Short-term derivative instruments and interest-bearing investments	27.0	47.8	117.2
Cash and cash equivalents	1,206.5	1,569.4	967.7
Assets held for sale	46.5	46.5	597.1
<b>Current assets</b>	<b>8,216.7</b>	<b>8,339.5</b>	<b>9,719.9</b>
<b>Total assets</b>	<b>24,544.6</b>	<b>24,687.9</b>	<b>26,910.2</b>

Total equity and liabilities in € millions	March 31, 2009	Dec. 31, 2008	March 31, 2008
Common stock	432.6	432.6	414.0
Capital reserves	3,120.9	3,097.9	2,815.6
Retained earnings	2,017.7	2,217.2	3,781.2
Other comprehensive income	-579.3	-482.3	-382.9
<b>Equity attributable to the shareholders of the parent</b>	<b>4,991.9</b>	<b>5,265.4</b>	<b>6,627.9</b>
Minority interests	265.1	264.5	284.4
<b>Total equity</b>	<b>5,257.0</b>	<b>5,529.9</b>	<b>6,912.3</b>
Provisions for pension liabilities and other post-employment benefits	771.3	669.7	681.0
Deferred tax liabilities	398.9	401.7	500.8
Long-term provisions for other risks	418.1	429.7	458.9
Long-term portion of indebtedness	9,621.5	9,768.3	9,907.0
Other long-term financial liabilities	—	—	73.5
Other non-current liabilities	44.1	40.9	43.7
<b>Non-current liabilities</b>	<b>11,253.9</b>	<b>11,310.3</b>	<b>11,664.9</b>
Trade accounts payable	2,340.4	2,469.8	2,730.9
Income tax payable	523.1	507.8	528.9
Short-term provisions for other risks	972.1	1,026.3	805.8
Indebtedness	2,674.3	2,349.0	2,429.7
Other short-term financial liabilities	879.1	889.2	875.7
Other liabilities	603.6	566.0	739.9
Liabilities held for sale	41.1	39.6	222.1
<b>Current liabilities</b>	<b>8,033.7</b>	<b>7,847.7</b>	<b>8,333.0</b>
<b>Total equity and liabilities</b>	<b>24,544.6</b>	<b>24,687.9</b>	<b>26,910.2</b>

## Consolidated Cash Flow Statements

in € millions	January 1 to March 31	
	2009	2008
EBIT	-165.0	456.7
Interest paid	-246.1	-154.1
Interest received	10.6	17.6
Income tax paid	-38.8	-57.0
Dividends received	33.5	4.8
Depreciation and amortization	414.5	427.3
At-equity share in earnings of associates and accrued dividend income from other investments	-6.4	-20.4
Gains/losses from the disposal of assets, subsidiaries and business units	-0.3	2.9
Changes in		
inventories	43.4	-197.1
trade accounts receivable	-119.5	-555.2
trade accounts payable	-160.6	14.8
pension and post-employment provisions	119.6	16.7
other assets and liabilities	-180.2	62.1
<b>Cash flow provided by operating activities</b>	<b>-295.3</b>	<b>19.1</b>
Proceeds on disposal of property, plant, equipment and intangible assets	11.6	25.8
Capital expenditure on property, plant, equipment and software	-239.8	-352.1
Capital expenditure on intangible assets from development projects	-1.3	-1.2
Proceeds on disposal of subsidiaries and business units, including surrendered cash and cash equivalents	-0.4	9.2
Acquisition of subsidiaries and business units, incl. acquired cash and cash equivalents	-42.9	-23.2
Interest bearing advances	1.4	5.7
<b>Cash used for investing activities</b>	<b>-271.4</b>	<b>-335.8</b>
<b>Cash flow before financing activities</b>	<b>-566.7</b>	<b>-316.7</b>
Change in indebtedness	192.4	-887.9
Proceeds from the issuance of shares	—	0.2
Dividends paid and repayment of capital to minority interests	-6.0	-4.6
<b>Cash flow provided by/used for financing activities</b>	<b>186.4</b>	<b>-892.3</b>
<b>Change in cash and cash equivalents</b>	<b>-380.3</b>	<b>-1,209.0</b>
Cash and cash equivalents at the beginning of the reporting period	1,569.4	2,199.4
Effect of exchange rate changes on cash and cash equivalents	17.4	-22.7
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,206.5</b>	<b>967.7</b>

## Consolidated Statements of Changes in Total Equity

	Number of shares	Common stock	Capital reserves	Retained earnings	Other comprehensive income		Subtotal	Minority interests	Total	
						Difference from				
						success- sive share pur- chases <sup>1</sup>	currency trans- lation	financial instru- ments <sup>2</sup>		
in € millions	(thou- sands)									
As of Jan. 1, 2008	161,712	414.0	2,808.7	3,614.4	-35.6	-218.5	0.2	6,583.2	272.9	6,856.1
Net income	—	—	—	166.8	—	—	—	166.8	13.1	179.9
Comprehensive income	—	—	—	—	—	-141.9	12.9	-129.0	1.3	-127.7
<b>Net profit for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>166.8</b>	<b>—</b>	<b>-141.9</b>	<b>12.9</b>	<b>37.8</b>	<b>14.4</b>	<b>52.2</b>
Dividends paid	—	—	—	—	—	—	—	—	-4.6	-4.6
Issuance of shares <sup>3</sup>	12	0.0	6.9	—	—	—	—	6.9	—	6.9
Changes in minority interests <sup>4</sup>	—	—	—	—	—	—	—	—	1.7	1.7
<b>As of March 31, 2008</b>	<b>161,724</b>	<b>414.0</b>	<b>2,815.6</b>	<b>3,781.2</b>	<b>-35.6</b>	<b>-360.4</b>	<b>13.1</b>	<b>6,627.9</b>	<b>284.4</b>	<b>6,912.3</b>
As of 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	—	—	—	—	-0.9	9.7	-38.0	-29.2	-3.5	-32.7
<b>Net profit for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-267.3</b>	<b>-0.9</b>	<b>9.7</b>	<b>-38.0</b>	<b>-296.5</b>	<b>2.0</b>	<b>-294.5</b>
Dividends paid	—	—	—	—	—	—	—	—	-6.0	-6.0
Issuance of shares <sup>3</sup>	—	—	3.0	—	—	—	—	3.0	—	3.0
Changes in minority interests <sup>4</sup>	—	—	—	—	—	—	—	—	4.6	4.6
Euro introduction in Slovakia	—	—	—	67.8	—	-67.8	—	—	—	—
Schaeffler investor agreement	—	—	20.0	—	—	—	—	20.0	—	20.0
<b>As of March 31, 2009</b>	<b>169,006</b>	<b>432.6</b>	<b>3,120.9</b>	<b>2,017.7</b>	<b>-34.3</b>	<b>-404.1</b>	<b>-140.9</b>	<b>4,991.9</b>	<b>265.1</b>	<b>5,257.0</b>

<sup>1</sup> Successive acquisitions of shares of fully consolidated companies.<sup>2</sup> The difference from financial instruments, including deferred taxes, is mainly due to the change in the market value of the cash flow hedge on interest.<sup>3</sup> Includes the expenditure resulting from stock option plans, the redemption offer for granted and not yet exercised stock options, as well as the exercise in 2008 of rights derived from stock option plans.<sup>4</sup> Relates in particular to changes in minority interests from consolidation changes.

## Explanatory Notes to the Consolidated Financial Statements

### 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 2008. These methods are disclosed in detail in the Annual Report 2008. In addition, the IFRS amendments and new regulations mandated as of March 31, 2009, are applied in the Interim Report. These mandatory IFRS amendments and new regulations were disclosed in detail in the Annual Report 2008. They had no significant effect on the Continental Corporation. Processes and systems are and will be introduced at group member companies so that – as opposed to the annual financial statements – no interim

adjustments are made to certain accrued fixed cost items. This mainly applies to fixed costs capitalized for finished goods and work-in-progress inventories, as well as provisions for accrued vacation of hourly and salaried employees. 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, 2009					January 1 to March 31, 2008				
	Ger- many	U.S.A./ CAN	UK	Others	Total	Ger- many	U.S.A./ CAN	UK	Others	Total
Current service cost	12.8	2.0	0.7	2.5	18.0	13.9	2.1	1.0	2.0	19.0
Interest on defined benefit obligation	21.9	14.2	2.6	2.5	41.2	20.8	12.1	2.9	2.0	37.8
Expected return on plan assets	-15.3	-12.0	-2.6	-1.0	-30.9	-15.8	-16.1	-3.7	-1.4	-37.0
Amortization of actuarial gains and losses as well as other costs	1.1	6.5	0.2	0.0	7.8	0.0	0.1	0.0	0.0	0.1
Effects of asset limitation and curtailments	—	0.0	0.0	—	0.0	—	0.5	0.0	—	0.5
<b>Net periodic pension cost</b>	<b>20.5</b>	<b>10.7</b>	<b>0.9</b>	<b>4.0</b>	<b>36.1</b>	<b>18.9</b>	<b>-1.3</b>	<b>0.2</b>	<b>2.6</b>	<b>20.4</b>

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, 2009	January 1 to March 31, 2008
Current service cost	1.1	1.1
Interest cost on defined benefit obligation	3.1	2.8
Amortization of actuarial gains and losses as well as other costs	-1.3	-0.1
<b>Net cost of other post-employment benefits</b>	<b>2.9</b>	<b>3.8</b>

### **Cash Changes in Post-Employment Obligations**

Pension funds exist solely to cover 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 €4.0 million (Q1 2008: €3.9 million) into these pension funds for the period from January 1 to March 31, 2009. In the period under review, there was a refund from the Contractual Trust Arrangements (CTA) existing for two German subsidiaries totaling €103.5 million from the corresponding CTA assets for pension obligations that have arisen and payments that have been effected by the respective subsidiaries since mid-2006.

In the period from January 1 to March 31, 2009, payments for retirement benefit obligations totaled €41.6 million (Q1 2008: €39.6 million). Payments for other post-employment benefits totaled €3.4 million (Q1 2008: €3.3 million).

### **Companies Consolidated**

In addition to the parent company, the consolidated financial statements include a total of 361 domestic and foreign companies in which Continental Aktiengesellschaft holds a direct or indirect interest of at least 20% of the voting rights. Of these companies, 312 are fully consolidated and 49 are carried at equity.

Since December 31, 2008, the total number of consolidated companies has increased by five. Two companies were formed, one company was acquired, and a total of five other companies were included in the scope of consolidation for the first time as a result of the acquisition of further shares in an associated company. Two companies were merged, one company was liquidated, and one company was sold.

Compared with March 31, 2008, the scope of consolidated companies decreased by 15 altogether. 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.

### **Company Acquisitions**

In order to significantly improve the market position for industrial solid tires in the growth region of Asia as well as in the U.S. dollar zone, Continental Global Holding Netherlands BV, the Netherlands, purchased 51% of the shares of Eu-Retec (Private) Limited, which is headquartered in Kalutara, Sri Lanka. The purchase agreement

was signed on February 25, 2009. The first consolidation on March 1, 2009, as well as the preliminary purchase price allocation had no material effect on the earnings, financial and net assets position of Continental on March 31, 2009. The company has been assigned to the Commercial Vehicle Tires division.

To strengthen the market position for injectors and injection systems, Continental Automotive Systems US, Inc., U.S.A., purchased a further 8% of the shares of Synerject LLC, U.S.A., and its subsidiaries, thus attaining a majority holding in the company which had previously been jointly managed. The purchase agreement was signed on March 27, 2009. The first consolidation on March 31, 2009, as well as the preliminary purchase price allocation had no material effect on the earnings, financial and net assets position of Continental on March 31, 2009. The company has been assigned to the Powertrain division.

The resolution to transfer minority shareholders' shares to ContiTech Universe Verwaltungs-GmbH for a cash redemption offer in accordance with Section 327a of the *Aktiengesetz* (squeeze out) as passed at the Annual Shareholders' Meeting of ContiTech AG on August 22, 2007, was entered in the commercial register of ContiTech AG on February 10, 2009, thus becoming effective. The squeeze out redemption in an amount of €24.38 per share was paid out on February 16, 2009. In addition, the remaining minority interest in a tire sales company was acquired.

### **Earnings per Share**

Undiluted earnings per share for the first three months of 2009 amounted to -€1.58 (Q1 2008: €1.03). Diluted earnings per share for the first three months of 2009 were -€1.58 (Q1 2008: €1.00).

### **Contingent Liabilities and Other Financial Obligations**

As of March 31, 2009, there were no significant changes in the non-recognized contingent liabilities and other financial obligations as described in the Annual Report 2008.

### **Transactions with Related Parties**

On March 27, 2009, Continental and the Schaeffler Group agreed upon a global purchasing cooperation. We refer to the remarks in the Corporate Management Report as of March 31, 2009.

There were no further significant changes in the nature of transactions with related parties compared with the same period of the previous year.

#### **German Corporate Governance Code**

The annual declaration in accordance with Section 161 of the *Aktiengesetz* (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 *Aktiengesetz* also can be found on the website.

#### **Segment Reporting**

Regarding the explanations of the development of the six divisions of Continental AG, we refer to the remarks in the Corporate Management Report as of March 31, 2009.

#### **Indebtedness and Net Income from**

#### **Financial Activities**

Regarding the explanations of indebtedness and the net income from financial activities, we refer to the remarks in the Corporate Management Report as of March 31, 2009.

#### **Shareholder Structure**

Since January 8, 2009, the shareholder structure with regard to the 169,005,983 outstanding Continental shares has been as follows: Schaeffler KG, 49.90%; Sal. Oppenheim jr. & Cie., 19.86%; and B. Metzler seel. Sohn & Co., 19.50%. The free float rate is 10.74%.

## Significant Events after March 31, 2009

### **Acquisition of Kolubara Univerzal. D.O.O.**

ContiTech Rubber Industrial Kft., Hungary, acquired Kolubara Univerzal. D.O.O. in Veliki Crjeni, Serbia, on April 6, 2009. The company produces conveyor belts and will be assigned to the Conveyor Belt Group of the ContiTech division. It will improve the business unit's access to the market in Eastern Europe.

### **Election of the Supervisory Board**

On April 23, 2009, the Annual Shareholders' Meeting of Continental AG elected the following persons as shareholder representatives on the Supervisory Board: Dr. Gunter Dunkel, chairman of the board of management of Norddeutsche Landesbank Girozentrale; Dr. Michael Frenzel, chairman of the executive board of TUI AG; Dr. Jürgen M. Geißinger, president and CEO of INA-Holding Schaeffler KG; Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, honorary professor at the University of Mannheim; Rolf Koerfer, lawyer; Dr. Klaus Mangold, chairman of the supervisory board of Rothschild GmbH; Klaus Rosenfeld, CFO of the Schaeffler Group; Georg F. W. Schaeffler, partner in the Schaeffler Group; Maria-Elisabeth Schaeffler, partner in the Schaeffler Group; Dr. Bernd W. Voss, member of various supervisory boards. Substitute members are: Dr. h. c. Manfred Bodin, member of various supervisory boards, and Prof. Dr. Hans Heinrich Peters, chairman of the supervisory board of BÖAG Finanzdienst Aktiengesellschaft.

The employee representatives on the Supervisory Board were elected already on March 24, 2009. They are: Werner Bischoff, member of the executive board of IG Bergbau, Chemie, Energie; Michael Deister, deputy chairman of the works council for the Stöcken plant and deputy chairman of the corporate works council; Hans Fischl, chairman of the works council for the Regensburg location, chairman of the central works council of Continental Automotive GmbH and member of the corporate works council of Continental AG; Michael Igihaut, chairman of the works council for the Frankfurt location, chairman of the central works council of Continental Teves AG & Co. oHG and first deputy chairman of the corporate works council; Jörg Köhlunger, trade union secretary of IG Metall for Frankfurt and IG Metall officer assigned to the corporate works council, the central works council of Continental Teves as well as the working committee of the central works councils of Continental Teves, Temic and Automotive; Hartmut Meine, district manager of IG Metall for Lower Saxony and Saxony-Anhalt; Dirk Nordmann, chairman of the works council for the Vahrenwald plant, ContiTech Antriebssysteme

GmbH; Dr. Thorsten Reese, head of corporate Quality & Environment; Jörg Schönfelder, chairman of the works council for the Korbach plant; Erwin Wörle, chairman of the works council of Conti Temic microelectronic GmbH, Ingolstadt.

Rolf Koerfer was elected chairman, Werner Bischoff deputy chairman.

### **Dismissal of Charges Regarding Production Adjustments at the Clairoix Plant**

Charges brought by the unions and the joint works council against Continental AG were dismissed in all points by the Tribunal de Grande Instance (roughly equivalent to a high court) of Sarreguemines on April 21, 2009. These charges centered mainly around the allegation that company management had failed to adhere properly to the procedure stipulated by French law whereby employee representatives must be notified and consulted in respect of the intention to discontinue production in Clairoix in spring 2010.

# Financial Calendar

## **2009**

Financial press conference	February 19
Analyst telephone conference	February 19
Annual Shareholders' Meeting	April 23
Interim Report as of March 31, 2009	April 29
Interim Report as of June 30, 2009	July 30
Interim Report as of September 30, 2009	October 29

## **2010**

Financial press conference	February
Analyst telephone conference	February
Annual Shareholders' Meeting	April 28
Interim Report as of March 31, 2010	May
Interim Report as of June 30, 2010	August
Interim Report as of September 30, 2010	October

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