

Continental Shares and Bonds

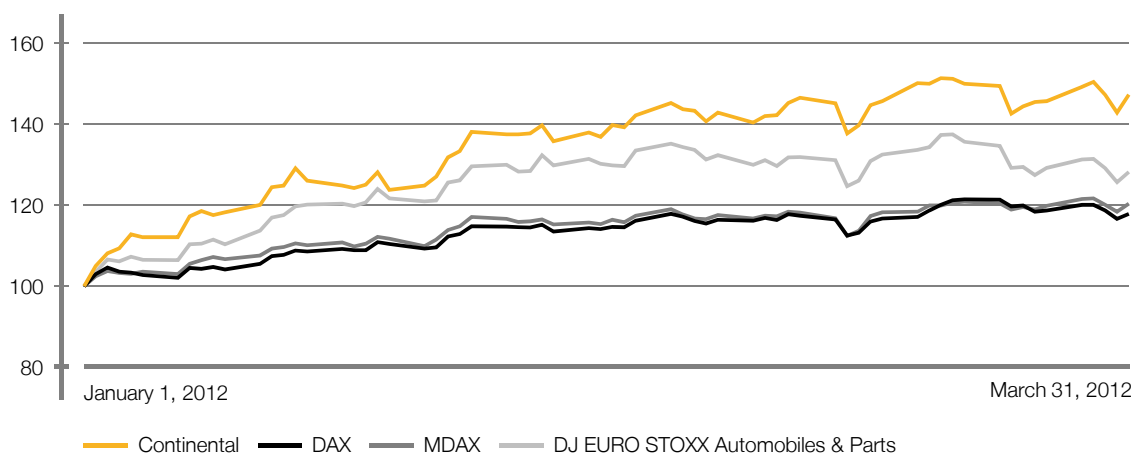
Over the course of the first quarter of 2012, better-than-expected economic data in the U.S.A., an easing of the debt crisis in Europe and the provision of liquidity to the markets by the central banks in Europe, the U.S.A. and Japan led to positive sentiment on the stock markets. Boosted by this positive sentiment, cyclical stocks in particular posted significant price gains in some cases at the beginning of the year. The European index for automobile and automotive supplier stocks (DJ EURO STOXX Automobiles & Parts), at 320 points on March 31, 2012, rose by 28% in the first quarter of 2012. It thus performed 10 percentage points better than the German stock index, the DAX, which was up 18% since the beginning of the year at 6,947 points as of the end of the first quarter. It also performed 8 percentage points better than the MDAX, which had risen by 20% to 10,703 points in the same period. The two indices were thus only slightly below their highest levels in the first quarter of 2012 of 7,158 points (DAX on March 16, 2012) and 10,821 points (MDAX on March 27, 2012). The DJ EURO STOXX Automobiles & Parts reached its high for the first quarter of 343 points on March 15, 2012.

The Continental share also gained in value considerably at the beginning of the year. Boosted by the preliminary key data for 2011 published in advance of the Detroit Motor Show in mid-January 2012, which were met with a very positive response from market partici-

pants, the share price had risen to €68.33 by the time the preliminary figures for the corporation for fiscal 2011 were announced on March 1, 2012, and also continued to increase after this. The announcement that a proposal would be put forth to the Annual Shareholders' Meeting on April 27, 2012, that a dividend of €1.50 per share be paid already for 2011 was also favorably received. The Continental share reached its high for the first quarter of 2012 of €72.72 on March 14 and closed at €70.77 on March 31, 2012. This represents a price gain of 47% over the first quarter. The Continental share therefore performed 19 percentage points better than the DJ EURO Stoxx Automobiles & Parts and outstripped the DAX and the MDAX by 29 and 27 percentage points respectively. Within the index for European automobile and automotive supplier stocks, the share thus ranked second in the first quarter of 2012 behind the share of carmaker Renault, which rose by 47.5%.

Continental's bonds also performed very positively in the first quarter of 2012. On average, the four bonds increased by 390 basis points, with the bond with a volume of €625 million maturing in October 2018 rising by as much as 540 basis points. Except for the bond with a volume of €750 million maturing in July 2015, the three other bonds reached new all-time highs on March 19, 2012, since being issued in September and

Share price performance vs. major stock indexes



	March 31, 2012	in % vs. Dec. 31, 2011
Continental	70.77	47
DJ EURO Stoxx 50	2,477.28	7
DAX	6,946.83	18
MDAX	10,703.10	20
DJ EURO STOXX Automobiles & Parts	320.01	28

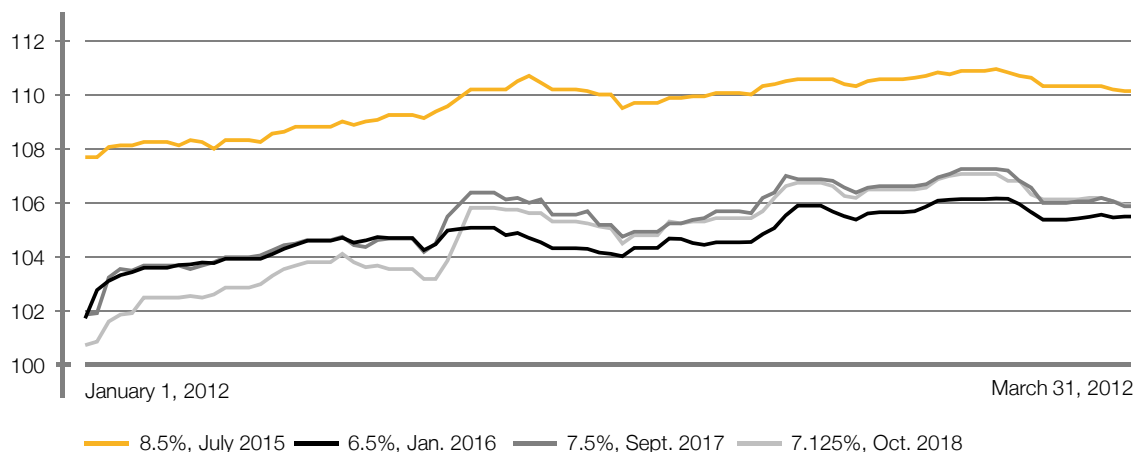
October 2010 respectively. This development was accompanied by a decrease in the premium for insurance against credit risks, expressed in the Continental five-year CDS (Credit Default Swap), which fell by 23% to 365 basis points over the course of the first quarter of 2012. It thus developed almost 248 basis points better than the index for comparable credit risks, which closed the first quarter of 2012 at 613 points.

Continental's credit rating did not change during the first quarter of 2012 and remains at B+, positive outlook (Standard & Poor's) and Ba3, stable outlook (Moody's). In addition to a good operating performance by the company, the main factor influencing

Continental's credit rating is still the credit rating issued by the two rating agencies for the major shareholder. If judging on a standalone basis, the two rating agencies would classify Continental in the upper non-investment grade category.

At the beginning of the second quarter of 2012, worse-than-expected labor market data for March in the U.S.A. and renewed concerns about the debt situations in Spain and Portugal led to a slight degree of profit-taking on the equity markets. The Continental share was able to escape this trend and quoted at €71.69 on April 25, 2012, above the closing price for the first quarter.

Performance of the Continental bonds



Key Figures for the Continental Corporation

in € millions	January 1 to March 31	
	2012	2011
Sales	8,319.5	7,345.6
EBITDA	1,182.3	1,028.5
in % of sales	14.2	14.0
EBIT	765.6	633.9
in % of sales	9.2	8.6
Net income attributable to the shareholders of the parent	482.9	368.2
Earnings per share (in €)	2.41	1.84
Adjusted sales ¹	8,270.5	7,345.6
Adjusted operating result (adjusted EBIT) ²	874.9	733.9
in % of adjusted sales	10.6	10.0
Free cash flow	-147.7	-362.9
Net indebtedness as at March 31	6,841.2	7,604.9
Gearing ratio in %	85.3	117.3
Number of employees as at March 31 ³	167,154	154,753

¹ Before changes in the scope of consolidation.

² Before amortization of intangible assets from the 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	
	2012	2011
Sales	5,070.8	4,518.1
EBITDA	602.1	546.3
in % of sales	11.9	12.1
EBIT	294.2	256.9
in % of sales	5.8	5.7
Depreciation and amortization ¹	307.9	289.4
– thereof impairment ²	–	-1.1
Capital expenditure ³	175.6	167.2
in % of sales	3.5	3.7
Operating assets as at March 31	11,540.7	11,509.9
Number of employees as at March 31 ⁴	97,776	91,109
Adjusted sales ⁵	5,070.8	4,518.1
Adjusted operating result (adjusted EBIT) ⁶	402.6	359.4
in % of adjusted sales	7.9	8.0

Rubber Group in € millions	January 1 to March 31	
	2012	2011
Sales	3,255.4	2,833.9
EBITDA	600.1	497.4
in % of sales	18.4	17.6
EBIT	491.4	392.6
in % of sales	15.1	13.9
Depreciation and amortization ¹	108.7	104.8
– thereof impairment ²	-0.1	-0.2
Capital expenditure ³	211.9	87.5
in % of sales	6.5	3.1
Operating assets as at March 31	5,381.4	4,358.1
Number of employees as at March 31 ⁴	69,104	63,389
Adjusted sales ⁵	3,206.4	2,833.9
Adjusted operating result (adjusted EBIT) ⁶	494.0	397.1
in % of adjusted sales	15.4	14.0

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Corporate Management Report as of March 31, 2012

Expansion of market position in India

In March 2012, we acquired the remaining 50% share of Continental Rico Hydraulic Brakes India Private Ltd. from Rico Auto Industries. As a result of this transaction, the company is now a wholly owned subsidiary of Continental.

Since 2009 the plant in Gurgaon near New Delhi has produced components for hydraulic brake systems for automotive manufacturers in India, including products and services for brake calipers for front and rear axles, drum brakes, brake master cylinders, brake boosters and load-sensitive brake pressure regulators for all types of cars. The company also provides services in this sector.

50 millionth piezo injector produced

Just twelve years ago, Limbach-Oberfrohna experienced a world premiere when the first series produced piezo injectors were manufactured here. Their extremely rapid and precise injection technology revolutionized diesel common-rail systems, making engines more efficient and more eco-friendly. And to this day, Continental's production site in Saxony retains a major share in the triumph enjoyed throughout the world by these injection nozzles; so far, the plant has produced 50 million piezo injectors, 10 million in the past year alone.

The new Conti.eContact: Tires for electric vehicles and hybrids now available

With the Conti.eContact, we offer a new tire that has been developed for the special requirements of electric vehicles (known as e-cars) and hybrid cars. A particular achievement in developing these tires was that the rolling resistance was lowered considerably in order to increase the travel range of e-cars and to facilitate longer operation with the electric motor in hybrid vehicles.

The new Conti.eContact is produced at the plant in Korbach, Germany. An initial approval as sole tire supplier for Renault's Twizy has already been received.

A bonus for economic fleets

Continental has further developed its successful second generation of long-distance tires. The new tires from generation 2+ allow greater overall mileage

and offer optimized driving properties and handling thanks to new micro-sipes in the longitudinal grooves.

The newly developed HDL2+ and HSL2+ tires are the continuation of Continental's second generation for international long-distance transport that was introduced in 2010. The steering axle tires are particularly important for fleets since this axle position accounts for over 35% of the replacement requirements.

Start of production for an internet-enabled multimedia system

For 2014, we are preparing for volume production of an internet-enabled multimedia head unit for a European carmaker. Alongside radio, audio management, 3-D navigation and connectivity, the system's basic features also include access to internet services such as traffic information and weather forecasts.

As with a smartphone, drivers will be able to download new services and updates from a certain range via the internet and therefore enjoy the latest infotainment throughout the lifecycle of their vehicle. The head unit will be produced in different versions for the compact vehicle categories and with additional functions also for mid-range and luxury vehicles. As such, it covers the entire product portfolio across all brands of the automotive manufacturer for which Continental is developing the system on the basis of the GENIVI software standard.

Continental's new head-up display makes the leap from the luxury to the mid-range category

For the new BMW 3 Series, we are now supplying our second-generation head-up display, which shows information such as speed, navigation and infotainment data and warnings in the driver's direct field of vision. The virtual image of the head-up display appears at a distance of roughly two meters above the engine hood. This means that drivers can inform themselves of all important aspects without having to look away from the road.

The head-up display reduces driver distraction and makes driving safer. It is important to us to pass on these benefits to as many drivers as possible. Therefore it is particularly positive that the head-up display is now available for mid-range vehicles, too.

Economic Environment

Macroeconomic development

In the fourth quarter of last year, the global upturn began to stall in view of numerous shocks over the course of 2011. According to the International Monetary Fund (IMF), the global economy experienced growth of only 3.9% in total. This was due primarily to subdued growth of just 1.6% in the countries referred to by the IMF as “advanced economies”, the adverse effect on macroeconomic development in the countries impacted by the euro debt crisis, and the subdued growth resulting from restrictive monetary and fiscal policy in the countries referred to by the IMF as “emerging and developing economies”. Following numerous interventions of a fiscal and monetary nature by the national governments and central banks, there were however increasing signs of a stabilizing global economic development in the first quarter of 2012.

The macroeconomic data published in the past months have largely confirmed a gradual upward trend in the global economy. This development was encouraged not least by decisions by heads of state and government in the EU and the agreement on restructuring Greece's debts. It was also supported by the fact that monetary policy in many industrialized nations – above all the historically low key interest rates and special monetary policy measures taken by the European Central Bank (ECB) and the key interest rate policy of the U.S. central bank (Fed) as well as the Bank of Japan (BoJ) – will remain expansive and has also either been eased, or is expected to be eased, in some emerging economies.

Especially in the U.S.A., a further acceleration of economic activity became apparent in the first three months of 2012. For example, retail and new car sales saw a further substantial increase. The residential real estate market also stabilized, although at a low level. The situation on the labor market also improved somewhat, although the development was then dampened by the data published for March.

This more positive environment should persist in the short term, provided there is no further exacerbation of the sovereign debt crisis in Europe or – as a result of a potential escalating conflict with Iran – of the situation on the oil market.

Against the background described above, in its World Economic Outlook from April 2012 the IMF raised its expectations for global economic growth by 0.2 percentage points to 3.5%. The same adjustment was made for both the advanced economies and the emerging economies. The IMF now anticipates that these countries' economies will expand by 1.4% and 5.7% respectively in 2012, resulting in a positive revision of the January forecast of 0.2 percentage points each. For the euro zone, the IMF continues to expect economic growth to decline. At -0.3%, this decrease will be 20 basis points better than the last forecast in January according to the IMF. The forecasted slump will be due primarily to the consequences of the debt crisis, the effects on the real economy of banks' efforts to reduce debt, and budget consolidation by EU member states.

Regardless of the brighter short-term global prospects, the pace of growth in the advanced economies is expected to continue to be curbed by “structural barriers” in the medium term. For instance, according to IMF the recovery of the labor and residential real estate markets in some leading industrialized nations is developing slowly, and the restructuring of public and private budgets is also far from complete according to IMF.

New registration development

Based on preliminary data from the German Association of the Automotive Industry (VDA), the development of new car registrations on the global sales markets varied significantly in the first quarter of 2012, as expected. Whereas new registrations in Japan (up 50%) and NAFTA (up 13%) increased considerably year-on-year in some cases in the first quarter of 2012, the number of newly registered vehicles in Europe saw a high single-digit decline (down 7%). It should be noted that particularly the rise in new registration figures in Japan of more than 50% is attributable to catch-up effects due to the rebuilding of production capacity following the natural disaster in Fukushima in March 2011. In contrast, new registrations in the BRIC countries (Brazil, Russia, India and China) saw a low single-digit increase (up 4%) due to the positive development in India and Russia. The number of new registrations in China had a negative effect on growth within the BRIC countries. Here, newly registered vehicles stagnated in comparison to the first quarter of 2011, chiefly due to the high basis from the previous year. Overall, global

new registrations rose by roughly 5% to just under 19.9 million units in the first quarter of 2012.

Production development

As a result of the increase in global new car registrations, the number of vehicles produced also increased by around 5% to approximately 19.3 million units in the first quarter of 2012 on the basis of preliminary data, but remained below the very high volume from the fourth quarter of 2011, when more than 20 million units were produced worldwide. This significant increase in production was mainly attributable to Japan, which accounted for over 90% of production growth in the first quarter of 2012. The increase in production in Europe and NAFTA, where Continental generates roughly 74% of its sales in the Automotive Group, was considerably lower. In Europe in particular, the weak demand situation, especially in Southern European countries, meant that the previous year's level was not re-achieved and the number of vehicles produced fell by approximately 400,000 units or almost 7%. In contrast, vehicle production in NAFTA rose by around 14% or more than 470,000 units due to strong demand. Overall, growth in the two regions was moderate at approximately 1%.

We consider that there is a good chance that the forecast we prepared at the beginning of the year may prove to be too conservative in view in particular of the substantial rise in production volumes in NAFTA and in Asia, which is currently still driven primarily by the recovery of volumes in Japan. To date, we have assumed an increase in global light vehicle production of around 1% to 77 million units, but in the above context a rise approaching the 79 million mark seems equally possible.

The development of commercial vehicle production also varied considerably in our core markets in Europe and in NAFTA during the first quarter. Whereas the number of commercial vehicles produced in Europe declined by 3%, in NAFTA it was up 31% year-on-year. The development in the first quarter of 2012 confirms the general direction of the market assessment we made at the beginning of the year, although a double-digit increase in commercial vehicle production in NAFTA seems possible.

Tire replacement market development

Demand on the replacement passenger and light truck tire markets in Europe and NAFTA remained significantly below our expectations. In Europe, demand for replacement passenger and light truck tires dropped by more than 10% in the first quarter of 2012. We mainly attribute this to the high basis from the previous year (growth of 9% was recorded in the first quarter of 2011), weak demand in Southern European countries and the repercussions of the comparatively weak winter tire business. Demand in NAFTA also decreased by roughly 5% on the basis of preliminary figures, which we likewise consider to be primarily due to robust demand for replacement passenger and light truck tires in the first quarter of 2011.

Demand for replacement truck tires remains very weak, despite continued stable freight rates in Europe and NAFTA. In Europe, demand for replacement truck tires dropped by approximately 27% in the first quarter of 2012 on the basis of preliminary data. In the first quarter of 2011, it had risen by just under 26%. In NAFTA, demand for replacement truck tires also fell considerably and was down roughly 10% year-on-year in the first quarter. In view of the very weak start to 2012, the forecasts we prepared at the beginning of the year seem overly optimistic. We are therefore adjusting our estimate for the replacement truck tire market in Europe from +3% to -5%. In NAFTA, we now anticipate a 3% decline in demand in 2012.

New registrations/sales of light vehicles in millions of units

	Q1 2012	Q1 2011	Change
Europe (E27+EFTA)	3.4	3.7	-7%
Russia	0.6	0.5	18%
USA	3.5	3.0	13%
Japan	1.4	1.0	50%
Brazil	0.8	0.8	-1%
India	0.8	0.7	15%
China	3.1	3.1	0%
Worldwide	19.9	19.0	5%

Source: VDA and Renault

Earnings, Financial and Net Assets Position of the Continental Corporation

Earnings Position

Sales up 13.3%;

Sales up 11.6% before changes in the scope of consolidation and exchange rate effects

Consolidated sales for the first three months of 2012 rose 13.3% year-on-year to €8,319.5 million (PY: €7,345.6 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 11.6%.

Adjusted EBIT up 19.2%

In the first three months of 2012, the adjusted EBIT for the corporation was up by €141.0 million, or 19.2%, on the previous year to €874.9 million (PY: €733.9 million), equivalent to 10.6% (PY: 10.0%) of adjusted sales.

EBIT up 20.8%

In the first quarter of 2012, consolidated EBIT rose €131.7 million on the previous year to €765.6 million (PY: €633.9 million), an increase of 20.8%. The return on sales rose to 9.2% (PY: 8.6%).

Special effects in the first quarter of 2012

In the Tire and ContiTech divisions, there was a positive effect of €5.9 million overall.

Owing to the anticipated higher cash outflow for the syndicated loan resulting from rising interest margins, the carrying amount was adjusted in profit or loss in 2009 and 2010. However, at the end of June 2011 the carrying amount was adjusted in profit or loss due to signs of decreasing margins and the associated anticipated lower cash outflow for the syndicated loan. These deferrals will be amortized over the term of the loan, reducing or increasing expenses accordingly. The amortization of the carrying amount adjustments led to a positive effect totaling €1.7 million in the first quarter of 2012.

Total consolidated income from special effects in the first quarter of 2012 amounted to €7.6 million.

Special effects in the first quarter of 2011

In the divisions there was a total positive effect of €2.8 million, mainly as a result of the reversal of restructuring provisions no longer required.

Owing to the anticipated higher cash outflow for the syndicated loan resulting from rising interest margins, the carrying amount was adjusted in profit or loss in 2009 and 2010. These deferrals are amortized over the term of the loan, reducing expenses accordingly. This led to a positive effect of €7.0 million in the first quarter of 2011.

Total consolidated income from special effects in the first quarter of 2011 amounted to €9.8 million.

Research and development expenses

In the first quarter of 2012, research and development expenses rose by 10.8% compared with the same period of the previous year to €449.2 million (PY: €405.4 million), representing 5.4% (PY: 5.5%) of sales. €382.8 million (PY: €347.1 million) of this relates to the Automotive Group, corresponding to 7.5% (PY: 7.7%) of sales, and €66.4 million (PY: €58.3 million) to the Rubber Group, corresponding to 2.0% (PY: 2.1%) of sales.

Net interest expense

At €43.4 million, net interest expense in the first quarter of 2012 was €125.2 million lower than in the previous year (PY: €168.6 million). In addition to the decrease in interest expenses, this is due in particular to gains from changes in the fair value of derivatives.

Interest expenses, which primarily result from the utilization of the syndicated loan and the bonds issued in the third quarter of 2010 by Conti-Gummi Finance B.V., Maastricht, Netherlands, were €38.3 million lower than in the previous year at €145.0 million (PY: €183.3 million). This is due both to the significant reduction in net indebtedness as of the end of 2011 and to the lower margins for the syndicated loan than in the previous year. The margin reduction and its link to the Continental Corporation's leverage ratio (net indebtedness/EBITDA, as defined in the syndicated loan agreement) were agreed as part of the successful renegotiation in late March 2011 of the syndicated loan originally due in August 2012. In the third quarter of 2011, a further margin reduction was already achieved for the syndicated loan as a result of the improved leverage ratio as of June 30, 2011. By March 31, 2012, interest expenses for the syndicated loan amounted to €68.8 million (PY: €104.6 million). As in the previous year, the bonds issued in the third quarter of 2010 resulted in interest expenses totaling €56.9 million.

Interest income in the first three months of 2012 increased by €1.1 million year-on-year to €7.5 million (PY: €6.4 million). In the first quarter of 2012, gains from changes in the fair value of derivatives amounted to €86.0 million (PY: €11.6 million). Of this amount, €47.3 million (PY: -€1.2 million) related solely to the reporting of call options for the bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, in 2010.

Income tax expense

Income tax expense in the first three months of 2012 amounted to €221.7 million (PY: €80.2 million). The tax rate in the reporting period was 30.7% after 17.2% for the same period of the previous year.

In the same period of the previous year, income tax expense was significantly influenced by tax income for prior years in the amount of €68.2 million resulting from a tax item established out of court. In comparison to the tax rate for the prior-year period adjusted for this special effect (31.9%), the lower tax rate in the reporting period was influenced in particular by a different distribution of earnings before taxes across the different countries.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent was up 31.2% to €482.9 million (PY: €368.2 million), with earnings per share higher at €2.41 (PY: €1.84).

Development of the Continental Corporation

in € millions	January 1 to March 31	
	2012	2011
Sales	8,319.5	7,345.6
EBITDA	1,182.3	1,028.5
in % of sales	14.2	14.0
EBIT	765.6	633.9
in % of sales	9.2	8.6
Net income attributable to the shareholders of the parent	482.9	368.2
Earnings per share (in €)	2.41	1.84
Research and development expenses	449.2	405.4
Depreciation and amortization ¹	416.7	394.6
– thereof impairment ²	-0.1	-1.3
Capital expenditure ³	387.9	254.8
in % of sales	4.7	3.5
Operating assets as at March 31	16,881.2	15,869.1
Number of employees as at March 31 ⁴	167,154	154,753
Adjusted sales ⁵	8,270.5	7,345.6
Adjusted operating result (adjusted EBIT) ⁶	874.9	733.9
in % of adjusted sales	10.6	10.0
Net indebtedness as at March 31	6,841.2	7,604.9
Gearing ratio in %	85.3	117.3

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Financial Position

Cash flow

At €256.1 million as of March 31, 2012, net cash flow arising from operating activities was €349.4 million higher than the figure for the previous year of -€93.3 million.

The free cash flow in the first quarter of 2012 improved by €215.2 million as against the first three months of 2011 to -€147.7 million (PY: -€362.9 million).

EBIT increased by €131.7 million year-on-year to €765.6 million (PY: €633.9 million).

Interest payments resulting in particular from the syndicated loan and the bonds fell by €14.6 million to €204.3 million (PY: €218.9 million). Income tax payments increased by €48.6 million to €135.0 million (PY: €86.4 million).

At €768.0 million as of March 31, 2012, net cash flow arising from the increase in operating working capital was €198.7 million lower than the figure for the previous year of €966.7 million.

In the first three months of 2012, total cash flow amounting to €403.8 million (PY: €269.6 million) resulted from investing activities. Capital expenditure on property, plant and equipment, and software was up €133.2 million from €254.7 million to €387.9 million before financial leasing and the capitalization of borrowing costs.

Financing

As of March 31, 2012, the corporation's net indebtedness was down €763.7 million year-on-year from €7,604.9 million to €6,841.2 million. In comparison to the end of 2011, net indebtedness had increased by €69.1 million. The gearing ratio improved to 85.3% as of the end of the first quarter of 2012 (PY: 117.3%).

At the end of March 2011, renegotiation of the syndicated loan originally due in August 2012 was completed. The renegotiation primarily focused on extended terms and improved conditions. A maturity in August 2012 was agreed for the first tranche of €625.0 million, and the term for the other two tranches, including a revolving credit line of €2.5 billion, was extended to April 2014. As a result of early partial repayments in 2011, the volume committed as of the end of March 2011 in the amount of €6,484.9 million decreased to €5,375.0 million as of the end of the first quarter of 2012. A partial repayment of €484.9 million was made in early April 2011, and at the end of December 2011 the tranche of €625.0 million originally due in August 2012 was repaid early.

The renegotiation also stipulates lower credit margins. They have since been based on the Continental Corporation's leverage ratio (net indebtedness/EBITDA, according to the definition in the syndicated loan agreement) rather than its rating. The leverage ratio had already improved as of June 30, 2011, which meant that Continental benefited from a further margin reduction for the syndicated loan in the third quarter of 2011. The associated expectation of a lower cash outflow for this loan led to an adjustment in profit or loss of its carrying amount as of June 30, 2011. Together with the adjustments of the carrying amount in profit or loss that were required in 2009 and 2010 due to rising margins and the associated anticipated higher cash outflow for the syndicated loan, the negative value of the carrying amount adjustments totaled €14.0 million as of March 31, 2012 (PY: €37.8 million). These deferrals will be amortized over the term of the loan and increase or reduce expenses accordingly.

As of March 31, 2012, the syndicated loan had been utilized by Continental AG and by Continental Rubber of America, Corp. (CRoA), Wilmington, U.S.A., in a nominal amount of €3,792.5 million (PY: €4,644.0 million).

As of the end of March 2012, there were still interest rate hedges of €3,125.0 million for the syndicated loan. The average fixed interest rate to be paid resulting from the hedges maturing in August 2012 is still 4.19% p.a. plus margin.

As of the end of July 2011, the cash flow hedge accounting for the partial amount of €2.5 billion of the tranche of the syndicated loan due in April 2014 was voluntarily terminated prematurely.

At the end of December 2011, hedge accounting for the partial amount of €625.0 million was terminated on account of the early repayment of the tranche of the syndicated loan originally due in August 2012. There is still an economically effective hedge as the tranche repaid early at the end of December 2011 was refinanced in full by utilizing the revolving tranche of the syndicated loan, and the parameters of this utilization are still consistent with those of the interest hedge.

As of March 31, 2012, Continental had liquidity reserves totaling €3,656.2 million (PY: €3,857.5 million), consisting of cash and cash equivalents of €1,297.9 million (PY: €1,467.5 million) and committed, unutilized credit lines totaling €2,358.3 million (PY: €2,390.0 million).

Capital expenditure (additions)

In the first quarter of 2012, €387.9 million (PY: €254.8 million) was invested in property, plant and equipment, and software. The capital expenditure ratio after three months is 4.7% (PY: 3.5%).

€175.6 million (PY: €167.2 million) of investments was attributable to the Automotive Group, corresponding to 3.5% (PY: 3.7%) of sales. The Automotive Group primarily invested in production facilities for the manufacture of new products and implementation of new technologies, with investment being focused on manufacturing capacity at best-cost locations. Important additions in the Chassis & Safety division related to the creation of new production facilities for the next generation of electronic braking systems. In the Powertrain division, manufacturing facilities for engine injection systems and transmission control units were expanded in particular. Investments in the Interior division focused primarily on expanding production capacity for the Body & Security and Instrumentation & Driver HMI business units.

The Rubber Group invested €211.9 million (PY: €87.5 million), equivalent to 6.5% (PY: 3.1%) of sales.

Investments in the Tire division focused on expanding capacity at European best-cost locations and in North and South America. The division also invested in the construction of a new plant in Kaluga, Russia, and the expansion of the existing site in Hefei, China. Quality assurance and cost-cutting measures were also implemented. ContiTech invested in rationalizing production processes and in expanding production capacity for new products. Major additions related to the ex-

pansion of production facilities in China, Mexico, Hungary and Romania. In Serbia, investments are being

made in the establishment of a new plant for the Fluid Technology business unit.

Change in net indebtedness

in € millions	January 1 to March 31	
	2012	2011
Cash flow arising from operating activities	256.1	-93.3
Cash flow arising from investing activities	-403.8	-269.6
Cash flow before financing activities (free cash flow)	-147.7	-362.9
Dividends paid and repayment of capital to non-controlling interests	-21.9	-13.2
Non-cash changes	77.0	61.8
Other	-5.4	-0.2
Foreign exchange effects	28.9	26.6
Change in net indebtedness	-69.1	-287.9

Net Assets Position

At €26,843.2 million, total assets on March 31, 2012, were €1,657.4 million higher than on the same date in 2011 (€25,185.8 million). This was due primarily to the €793.7 million increase in trade accounts receivable to €6,034.1 million (PY: €5,240.4 million) as a result of further growth in business activities. Property, plant and equipment also increased by €703.3 million to €6,699.7 million (PY: €5,996.4 million). This was offset by a €348.2 million decline in other intangible assets to €1,255.5 million (PY: €1,603.7 million) owing primarily to amortization from purchase price allocation (PPA). At €1,297.9 million (PY: €1,467.5 million), cash and cash equivalents were down €169.6 million.

Equity including non-controlling interests was up €1,534.7 million to €8,018.9 million as compared to €6,484.2 million on March 31, 2011. This was due primarily to the positive net income attributable to the shareholders of the parent of €1,356.9 million. The reserves recognized directly in equity increased by €121.9 million to €26.4 million (PY: -€95.5 million), primarily due to the change in the difference from financial instruments and to currency translation. The gearing ratio improved from 117.3% to 85.3%.

At €26,843.2 million, total assets were up €804.8 million compared with December 31, 2011 (€26,038.4 million). This resulted in particular from the following increases caused by seasonal factors and by further growth in business activities: inventories up €156.6

million to €3,146.3 million (PY: €2,989.7 million), trade accounts receivable up €692.6 million to €6,034.1 million (PY: €5,341.5 million), and property, plant and equipment up €91.2 million to €6,699.7 million (PY: €6,608.5 million). This was offset by the €110.4 million decline in other intangible assets to €1,255.5 million (PY: €1,365.9 million) owing primarily to amortization from PPA. At €1,297.9 million (PY: €1,541.2 million), cash and cash equivalents were down €243.3 million.

Equity including non-controlling interests was up €475.6 million to €8,018.9 million as compared to €7,543.3 million at the end of 2011. This was due primarily to the positive net income attributable to the shareholders of the parent of €482.9 million. The gearing ratio was down from 89.8% to 85.3%.

Employees

As of the end of the first quarter of 2012, the corporation's employees numbered 167,154, a rise of 3,366 compared with the end of 2011. In the Automotive Group in particular, growth in sales volumes was the main reason for the headcount increase of 2,640 employees. The number of employees working for the Tire division rose by 892 as a result of capacity expansions. In the ContiTech division, the decrease in the headcount by 172 employees takes into account the closure of the location in Coslada, Spain, with 137 employees. As against the reporting date for the previous year, the number of employees in the corporation rose by a total of 12,401.

Development of the Divisions

Chassis & Safety in € millions	January 1 to March 31	
	2012	2011
Sales	1,812.4	1,618.7
EBITDA	242.8	251.3
in % of sales	13.4	15.5
EBIT	159.8	172.0
in % of sales	8.8	10.6
Depreciation and amortization ¹	83.0	79.3
– thereof impairment ²	–	–
Capital expenditure ³	61.4	57.7
in % of sales	3.4	3.6
Operating assets as at March 31	4,062.3	4,042.6
Number of employees as at March 31 ⁴	33,989	31,827
Adjusted sales ⁵	1,811.2	1,621.8
Adjusted operating result (adjusted EBIT) ⁶	173.1	184.8
in % of adjusted sales	9.6	11.4

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Chassis & Safety

Sales volumes

Sales volumes in the Electronic Brake Systems business unit rose by 10.5% year-on-year to 5.13 million units in the first quarter of 2012. In the Hydraulic Brake Systems business unit, sales of brake boosters were up 16.1% to 5.06 million units. Brake caliper sales jumped to 11.55 million units, equivalent to an increase of 14.9%. In the Passive Safety & Advanced Driver Assistance Systems business unit, sales of air bag control units increased by 11.7% to 3.90 million units. Sales of driver assistance systems soared to 600,900 units, an increase of 52.0%.

Sales up 12.0%;

Sales up 10.0% before changes in the scope of consolidation and exchange rate effects

Sales of the Chassis & Safety division rose by 12.0% to €1,812.4 million in the first three months of 2012 compared with the same period of the previous year (€1,618.7 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 10.0%.

Adjusted EBIT down 6.3%

The Chassis & Safety division's adjusted EBIT decreased by €11.7 million or 6.3% year-on-year in the first three months of 2012 to €173.1 million (PY: €184.8 million), equivalent to 9.6% (PY: 11.4%) of adjusted sales. This decline was chiefly due to raw material price effects in rare earths and exchange rate effects in relation to procurement.

EBIT down 7.1%

Compared with the same period of last year, the Chassis & Safety division reported a decrease in EBIT of €12.2 million, or 7.1%, to €159.8 million (PY: €172.0 million) in the first quarter of 2012. The return on sales fell to 8.8% (PY: 10.6%).

Special effects in the first quarter of 2012

There were no special effects in the Chassis & Safety division in the first quarter of 2012.

Special effects in the first quarter of 2011

Special effects in the first quarter of 2011 had a positive impact totaling €1.3 million in the Chassis & Safety division.

Powertrain in € millions	January 1 to March 31	
	2012	2011
Sales	1,626.2	1,396.8
EBITDA	162.2	120.6
in % of sales	10.0	8.6
EBIT	43.8	13.0
in % of sales	2.7	0.9
Depreciation and amortization ¹	118.4	107.6
– thereof impairment ²	–	-1.1
Capital expenditure ³	64.5	63.8
in % of sales	4.0	4.6
Operating assets as at March 31	3,120.6	3,031.0
Number of employees as at March 31 ⁴	31,472	28,862
Adjusted sales ⁵	1,626.2	1,396.8
Adjusted operating result (adjusted EBIT) ⁶	87.7	55.4
in % of adjusted sales	5.4	4.0

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Powertrain

Sales volumes

In the first quarter of 2012, sales in the Powertrain division increased by 16.4% year-on-year, with particularly strong growth in sales volumes of over 40% generated in NAFTA. All business units in the division contributed to the increase in sales. Particularly high volume increases were achieved for transmission control units, sensors for emission control and fuel supply product groups.

Sales up 16.4%;

Sales up 14.9% before changes in the scope of consolidation and exchange rate effects

Sales of the Powertrain division rose by 16.4% to €1,626.2 million in the first three months of 2012 compared with the same period of 2011 (€1,396.8 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 14.9%.

Adjusted EBIT up 58.3%

In the first three months of 2012, the Powertrain division's adjusted EBIT was up by €32.3 million or 58.3% compared with the same period of previous year to €87.7 million (PY: €55.4 million), equivalent to 5.4% (PY: 4.0%) of adjusted sales.

EBIT up 236.9%

Compared with the same period of 2011, the Powertrain division reported an increase in EBIT of €30.8 million, or 236.9%, to €43.8 million (PY: €13.0 million) in the first quarter of 2012. The return on sales rose to 2.7% (PY: 0.9%).

Special effects in the first quarter of 2012

There were no special effects in the Powertrain division in the first quarter of 2012.

Special effects in the first quarter of 2011

Special effects in the first quarter of 2011 had a positive impact totaling €1.8 million in the Powertrain division.

Interior in € millions	January 1 to March 31	
	2012	2011
Sales	1,660.9	1,530.0
EBITDA	197.2	174.3
in % of sales	11.9	11.4
EBIT	90.6	71.8
in % of sales	5.5	4.7
Depreciation and amortization ¹	106.6	102.5
– thereof impairment ²	–	0.0
Capital expenditure ³	49.7	45.7
in % of sales	3.0	3.0
Operating assets as at March 31	4,357.7	4,436.3
Number of employees as at March 31 ⁴	32,315	30,420
Adjusted sales ⁵	1,660.9	1,526.9
Adjusted operating result (adjusted EBIT) ⁶	141.8	119.0
in % of adjusted sales	8.5	7.8

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Interior

Sales volumes

Sales volumes in the Body & Security business unit were up year-on-year for the majority of the product groups in the first quarter of 2012. Particularly high increases were achieved for central body control units, access control and starting systems, and tire pressure monitoring systems.

In Infotainment & Connectivity, sales volumes of audio components increased in the first quarter of 2012, primarily due to the growing demand on the U.S. market and the start of a new production run. Sales volumes of multimedia systems rose significantly as a result of high RNS demand. A slight increase in the area of connectivity and telematics was posted.

Sales volumes in the Commercial Vehicles & Aftermarket business unit were at the previous year's level. This was mainly due to weaker OE business in Western Europe and Asia, which was offset by replacement parts and aftermarket activities.

In the Instrumentation & Driver HMI business unit, sales figures increased across all product groups as

compared to the first quarter of 2011. There was substantial growth here in sales volumes of instrument clusters.

Sales up 8.6%;

Sales up 7.7% before changes in the scope of consolidation and exchange rate effects

Year-on-year, sales of the Interior division rose by 8.6% to €1,660.9 million in the first three months of 2012 (PY: €1,530.0 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 7.7%.

Adjusted EBIT up 19.2%

The Interior division's adjusted EBIT was up by €22.8 million or 19.2% year-on-year in the first three months of 2012 to €141.8 million (PY: €119.0 million), equivalent to 8.5% (PY: 7.8%) of adjusted sales.

EBIT up 26.2%

Compared with the same period of last year, the Interior division reported an increase in EBIT of €18.8 million, or 26.2%, to €90.6 million (PY: €71.8 million) in the first quarter of 2012. The return on sales rose to 5.5% (PY: 4.7%).

Special effects in the first quarter of 2012

There were no special effects in the Interior division in the first quarter of 2012.

Special effects in the first quarter of 2011

Special effects in the first quarter of 2011 had a positive impact totaling €2.8 million in the Interior division.

Tires in € millions	January 1 to March 31	
	2012	2011
Sales	2,366.8	1,981.3
EBITDA	462.2	356.5
in % of sales	19.5	18.0
EBIT	378.0	275.7
in % of sales	16.0	13.9
Depreciation and amortization ¹	84.2	80.8
– thereof impairment ²	-0.1	-0.2
Capital expenditure ³	187.4	66.8
in % of sales	7.9	3.4
Operating assets as at March 31	4,268.2	3,294.0
Number of employees as at March 31 ⁴	42,027	36,685
Adjusted sales ⁵	2,319.5	1,981.3
Adjusted operating result (adjusted EBIT) ⁶	378.4	278.9
in % of adjusted sales	16.3	14.1

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Tires

Sales volumes

The sales figures for passenger and light truck tires rose by 3% year-on-year in the first three months of 2012, with the highest increases recorded in Asia. Sales volumes in commercial vehicle tire business were at the previous year's level, or down 7% year-on-year before changes in the scope of consolidation.

Sales up 19.5%;

Sales up 16.5% before changes in the scope of consolidation and exchange rate effects

Year-on-year, sales of the Tire division rose by 19.5% to €2,366.8 million in the first three months of 2012 (PY: €1,981.3 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 16.5%.

Adjusted EBIT up 35.7%

In the first three months of 2012, the Tire division's adjusted EBIT was up by €99.5 million or 35.7% compared with the same period of the previous year to €378.4 million (PY: €278.9 million), equivalent to 16.3% (PY: 14.1%) of adjusted sales.

EBIT up 37.1%

Compared with the same period of last year, the Tire division reported an increase in EBIT of €102.3 million, or 37.1%, to €378.0 million (PY: €275.7 million) in the first quarter of 2012. The return on sales rose to 16.0% (PY: 13.9%).

Special effects in the first quarter of 2012

There was a positive effect of €6.3 million overall in the Tire division.

Special effects in the first quarter of 2011

The net expense from special effects in the first quarter of 2011 totaled €2.5 million in the Tire division.

ContiTech in € millions	January 1 to March 31	
	2012	2011
Sales	923.0	886.0
EBITDA	137.8	140.9
in % of sales	14.9	15.9
EBIT	113.3	116.9
in % of sales	12.3	13.2
Depreciation and amortization ¹	24.5	24.0
– thereof impairment ²	–	–
Capital expenditure ³	24.5	20.7
in % of sales	2.7	2.3
Operating assets as at March 31	1,113.2	1,064.1
Number of employees as at March 31 ⁴	27,077	26,704
Adjusted sales ⁵	921.3	886.0
Adjusted operating result (adjusted EBIT) ⁶	115.4	118.2
in % of adjusted sales	12.5	13.3

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from the purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

ContiTech

Sales up 4.2%;

Sales up 4.4% before changes in the scope of consolidation and exchange rate effects

Sales of the ContiTech division rose by 4.2% year-on-year to €923.0 million (PY: €886.0 million) in the first three months of 2012. Before changes in the scope of consolidation and exchange rate effects, sales rose by 4.4%. Industrial business generated the highest growth – nearly 6% – while the increase in both automotive OE business and automotive replacement business amounted to approximately 3%.

Adjusted EBIT down 2.4%

In the first three months of 2012, the ContiTech division's adjusted EBIT was down by €2.8 million or 2.4% year-on-year to €115.4 million (PY: €118.2 million), equivalent to 12.5% (PY: 13.3%) of adjusted sales. This decrease was significantly influenced by the development of raw material prices for synthetic rubber.

EBIT down 3.1%

Compared with the same period of 2011, the ContiTech division reported a decrease in EBIT of €3.6 million, or 3.1%, to €113.3 million (PY: €116.9 million) in the first quarter of 2012. The return on sales fell to 12.3% (PY: 13.2%).

Special effects in the first quarter of 2012

For the ContiTech division, the total net expense from special effects in the first quarter of 2012 amounted to €0.4 million.

Special effects in the first quarter of 2011

In the first quarter of 2011, the ContiTech division reported expenses for special effects of €0.6 million in total.

Report on Expected Developments and Outlook for the Corporation

The successful start to fiscal 2012 makes us highly confident that we will achieve the goals we have set for 2012 despite all the uncertainties on the global sales markets and the difficult economic situation in some European Union member states. There is also a chance that our estimate for the rise in global light vehicle production to 77 million units in 2012 may prove to be too conservative. Based on the better-than-expected development of production in NAFTA and in Asia, an increase to 79 million units seems possible. This would have a positive effect on the anticipated sales development within the Automotive Group, where we generally aim for growth of around 5 percentage points above the global production volume. The weaker development on the replacement tire markets than was previously expected will not have a significant impact on our own volume forecast for 2012, which anticipates a rise of 3% to 4%.

Despite the additional opportunities, after the first three months of the fiscal year we continue to anticipate an increase in consolidated sales of more than 5% to over €32 billion. We are also maintaining the goal of matching the previous year's high adjusted EBIT margin. We still expect gross expenses of approximately €100 million from the rising raw material costs for the Rubber Group. Based on current knowledge, the expenses from the price increase for rare earths should amount to less than €150 million. The special effects for the corporation will total around €50 million. The investment volume will amount to approximately €2 billion. The target for free cash flow remains at more than €600 million.

The start to the second quarter of 2012 also gives cause for confidence. For example, current information indicates that sales in the period from April to June should amount to roughly the same level as in the first quarter.

Consolidated Financial Statements as of March 31, 2012

Consolidated Statement of Income and Comprehensive Income

in € millions	January 1 to March 31	
	2012	2011
Sales	8,319.5	7,345.6
Cost of sales	-6,553.9	-5,747.1
Gross margin on sales	1,765.6	1,598.5
Research and development expenses	-449.2	-405.4
Selling and logistics expenses	-380.5	-341.5
Administrative expenses	-164.5	-156.2
Other expenses and income	-20.1	-74.8
At-equity share in earnings of associates	12.6	15.8
Other income from investments	1.7	-2.5
Earnings before interest and taxes	765.6	633.9
Interest income	7.5	6.4
Interest expense ¹	-50.9	-175.0
Net interest expense	-43.4	-168.6
Earnings before taxes	722.2	465.3
Income tax expense	-221.7	-80.2
Net income	500.5	385.1
Non-controlling interests	-17.6	-16.9
Net income attributable to the shareholders of the parent	482.9	368.2
Basic earnings per share in €	2.41	1.84
Diluted earnings per share in €	2.41	1.84

¹ Including gains and losses from foreign currency translation, from changes in the fair value of derivative instruments, as well as from available-for-sale financial assets.

in € millions	January 1 to March 31	
	2012	2011
Net income	500.5	385.1
Currency translation ¹	-9.0	-120.2
Difference from currency translation ¹	-10.2	-119.5
Reclassification adjustments to profit and loss	1.2	-0.7
Portion for at-equity accounted investees	0.0	—
Available-for-sale financial assets	4.3	-0.1
Fair value adjustments	4.3	-0.1
Reclassification adjustments to profit and loss	0.0	—
Cash flow hedges	11.5	47.9
Fair value adjustments	0.0	47.9
Reclassification adjustments to profit and loss	11.5	—
Deferred taxes on other comprehensive income	-10.6	-19.3
Other comprehensive income	-3.8	-91.7
Comprehensive income	496.7	293.4
Attributable to non-controlling interests	-10.6	-6.9
Attributable to the shareholders of the parent	486.1	286.5

¹ Including non-controlling interests.

Consolidated Statement of Financial Position

Assets in € millions	March 31, 2012	Dec. 31, 2011	March 31, 2011
Goodwill	5,698.6	5,692.4	5,614.4
Other intangible assets	1,255.5	1,365.9	1,603.7
Property, plant and equipment	6,699.7	6,608.5	5,996.4
Investment property	19.9	19.0	19.5
Investments in associates	466.9	480.2	435.6
Other investments	6.6	6.9	7.0
Deferred tax assets	558.8	565.8	615.0
Defined benefit assets	99.8	102.9	66.1
Long-term derivative instruments and interest-bearing investments	320.1	193.2	152.6
Other long-term financial assets	29.3	26.7	27.6
Other long-term assets	11.7	14.0	13.0
Non-current assets	15,166.9	15,075.5	14,550.9
Inventories	3,146.3	2,989.7	2,898.5
Trade accounts receivable	6,034.1	5,341.5	5,240.4
Other short-term financial assets	294.1	263.5	231.5
Other short-term assets	673.0	624.0	594.1
Income tax receivables	92.8	101.7	160.0
Short-term derivative instruments and interest-bearing investments	94.9	55.9	21.7
Cash and cash equivalents	1,297.9	1,541.2	1,467.5
Assets held for sale	43.2	45.4	21.2
Current assets	11,676.3	10,962.9	10,634.9
Total assets	26,843.2	26,038.4	25,185.8

Total equity and liabilities in € millions	March 31, 2012	Dec. 31, 2011	March 31, 2011
Subscribed capital	512.0	512.0	512.0
Capital reserves	4,155.6	4,155.6	4,153.2
Retained earnings	2,937.5	2,454.6	1,580.6
Other comprehensive income	26.4	23.9	-95.5
Equity attributable to the shareholders of the parent	7,631.5	7,146.1	6,150.3
Non-controlling interests	387.4	397.2	333.9
Total equity	8,018.9	7,543.3	6,484.2
Provisions for pension liabilities and similar obligations	1,432.3	1,432.2	1,400.4
Deferred tax liabilities	289.2	269.3	200.1
Long-term provisions for other risks and obligations	366.4	321.8	375.8
Long-term portion of indebtedness	6,001.5	6,048.0	7,149.5
Other long-term financial liabilities	8.0	8.0	0.8
Other long-term liabilities	55.1	57.1	36.9
Non-current liabilities	8,152.5	8,136.4	9,163.5
Trade accounts payable	4,229.0	4,111.4	3,685.5
Income tax payables	697.5	648.2	683.4
Short-term provisions for other risks and obligations	834.6	905.1	1,069.5
Indebtedness	2,552.6	2,514.4	2,097.2
Other short-term financial liabilities	1,478.1	1,415.2	1,223.0
Other short-term liabilities	880.0	764.4	779.5
Current liabilities	10,671.8	10,358.7	9,538.1
Total equity and liabilities	26,843.2	26,038.4	25,185.8

Consolidated Statement of Cash Flows

in € millions	January 1 to March 31	
	2012	2011
Net income	500.5	385.1
Income tax expense	221.7	80.2
Net interest expense	43.4	168.6
EBIT	765.6	633.9
Interest paid	-204.3	-218.9
Interest received	7.5	6.8
Income tax paid	-135.0	-86.4
Dividends received	27.5	17.5
Depreciation, amortization and impairments	416.7	394.6
At-equity share in earnings of associates and accrued dividend income from other investments, incl. impairments	-14.3	-13.3
Gains from the disposal of assets, companies and business operations	-0.8	-4.5
Other non-cash items	-1.7	-7.0
Changes in		
inventories	-154.7	-313.6
trade accounts receivable	-717.7	-870.7
notes sold	—	-6.4
trade accounts payable	104.4	217.6
pension and similar obligations	6.1	13.6
other assets and liabilities	156.8	143.5
Cash flow arising from operating activities	256.1	-93.3
Proceeds on disposal of property, plant and equipment, and intangible assets	9.1	11.1
Capital expenditure on property, plant and equipment, and software	-387.9	-254.7
Capital expenditure on intangible assets from development projects and miscellaneous	-19.5	-24.3
Proceeds on disposal of companies and business operations	—	—
Acquisition of companies and business operations	-5.5	-1.7
Cash flow arising from investing activities	-403.8	-269.6
Cash flow before financing activities (free cash flow)	-147.7	-362.9
Change in indebtedness	-63.2	405.2
Successive purchases	-10.4	—
Dividends paid and repayment of capital to non-controlling interests	-21.9	-13.2
Cash and cash equivalents arising from first consolidation of subsidiaries	4.8	—
Cash flow arising from financing activities	-90.7	392.0
Change in cash and cash equivalents	-238.4	29.1
Cash and cash equivalents at the beginning of the reporting period	1,541.2	1,471.3
Effect of exchange rate changes on cash and cash equivalents	-4.9	-32.9
Cash and cash equivalents at the end of the reporting period	1,297.9	1,467.5

Consolidated Statement of Changes in Equity

in € millions	Number of shares ¹ (thousands)	Subscribed capital	Capital reserves	Retained earnings	Successive purchases ²	Difference from		Subtotal	Non-controlling interests	Total
						currency translation	financial instruments ³			
As at Jan. 1, 2011	200,006	512.0	4,149.0	1,212.4	-44.5	134.6	-103.9	5,859.6	343.3	6,202.9
Net income	—	—	—	368.2	—	—	—	368.2	16.9	385.1
Comprehensive income	—	—	—	—	—	-114.9	33.2	-81.7	-10.0	-91.7
Net profit for the period	—	—	—	368.2	—	-114.9	33.2	286.5	6.9	293.4
Dividends paid/resolved	—	—	—	—	—	—	—	—	-13.2	-13.2
Issuance of shares ⁴	—	—	4.2	—	—	—	—	4.2	—	4.2
Successive purchases	—	—	—	—	—	—	—	—	-3.1	-3.1
As at March 31, 2011	200,006	512.0	4,153.2	1,580.6	-44.5	19.7	-70.7	6,150.3	333.9	6,484.2
As at Jan. 1, 2012	200,006	512.0	4,155.6	2,454.6	-59.8	105.3	-21.6	7,146.1	397.2	7,543.3
Net income	—	—	—	482.9	—	—	—	482.9	17.6	500.5
Comprehensive income	—	—	—	—	—	-5.6	8.8	3.2	-7.0	-3.8
Net profit for the period	—	—	—	482.9	—	-5.6	8.8	486.1	10.6	496.7
Dividends paid/resolved	—	—	—	—	—	—	—	—	-21.9	-21.9
Issuance of shares ⁴	—	—	—	—	—	—	—	—	—	—
Successive purchases	—	—	—	—	-4.7	—	—	-4.7	-2.7	-7.4
Other changes ⁵	—	—	—	—	4.0	—	—	4.0	4.2	8.2
As at March 31, 2012	200,006	512.0	4,155.6	2,937.5	-60.5	99.7	-12.8	7,631.5	387.4	8,018.9

¹ Shares outstanding.

² Successive acquisitions of shares in fully consolidated companies, subsequent purchase price adjustment and effects from the first consolidation of previously non-consolidated subsidiaries.

³ In the period under review, the difference from financial instruments, including deferred taxes, is mainly due to the voluntary termination of cash flow hedge accounting for interest rate exposures in 2011. The prior year figure resulted primarily from changes in the fair value of the cash flow hedges on interest and currency.

⁴ Includes the expenditure resulting from stock option plans and the compensation offer for granted and not yet exercised stock options.

⁵ Other changes in non-controlling interests due to changes in the scope of consolidation, capital increases and effects from the first consolidation of previously non-consolidated subsidiaries.

Explanatory Notes to the Consolidated Financial Statements

Segment report by division for the period from January 1 to March 31, 2012

in € millions	Chassis & Safety	Powertrain	Interior
External sales	1,802.0	1,611.3	1,657.3
Intercompany sales	10.4	14.9	3.6
Sales (total)	1,812.4	1,626.2	1,660.9
EBITDA	242.8	162.2	197.2
in % of sales	13.4	10.0	11.9
EBIT (segment result)	159.8	43.8	90.6
in % of sales	8.8	2.7	5.5
Depreciation and amortization ¹	83.0	118.4	106.6
– thereof impairment ²	–	–	–
Capital expenditure ³	61.4	64.5	49.7
in % of sales	3.4	4.0	3.0
Operating assets as at March 31	4,062.3	3,120.6	4,357.7
Number of employees as at March 31 ⁴	33,989	31,472	32,315

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	2,362.7	886.2	–	8,319.5
Intercompany sales	4.1	36.8	-69.8	–
Sales (total)	2,366.8	923.0	-69.8	8,319.5
EBITDA	462.2	137.8	-19.9	1,182.3
in % of sales	19.5	14.9	–	14.2
EBIT (segment result)	378.0	113.3	-19.9	765.6
in % of sales	16.0	12.3	–	9.2
Depreciation and amortization ¹	84.2	24.5	0.0	416.7
– thereof impairment ²	-0.1	–	–	-0.1
Capital expenditure ³	187.4	24.5	0.4	387.9
in % of sales	7.9	2.7	–	4.7
Operating assets as at March 31	4,268.2	1,113.2	-40.8	16,881.2
Number of employees as at March 31 ⁴	42,027	27,077	274	167,154

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

The Passenger and Light Truck Tires segment and the Commercial Vehicle Tires segment, which were reported separately in the past, were merged into the

Tire segment at the organizational level. The figures for the previous year have been restated accordingly for comparison purposes.

Segment report by division for the period from January 1 to March 31, 2011

in € millions	Chassis & Safety	Powertrain	Interior
External sales	1,610.0	1,382.8	1,525.2
Intercompany sales	8.7	14.0	4.8
Sales (total)	1,618.7	1,396.8	1,530.0
EBITDA	251.3	120.6	174.3
in % of sales	15.5	8.6	11.4
EBIT (segment result)	172.0	13.0	71.8
in % of sales	10.6	0.9	4.7
Depreciation and amortization ¹	79.3	107.6	102.5
– thereof impairment ²	–	-1.1	0.0
Capital expenditure ³	57.7	63.8	45.7
in % of sales	3.6	4.6	3.0
Operating assets as at March 31	4,042.6	3,031.0	4,436.3
Number of employees as at March 31 ⁴	31,827	28,862	30,420

in € millions	Tires	ContiTech	Other/ Consolidation	Continental Corporation
External sales	1,978.1	849.5	–	7,345.6
Intercompany sales	3.2	36.5	-67.2	–
Sales (total)	1,981.3	886.0	-67.2	7,345.6
EBITDA	356.5	140.9	-15.1	1,028.5
in % of sales	18.0	15.9	–	14.0
EBIT (segment result)	275.7	116.9	-15.5	633.9
in % of sales	13.9	13.2	–	8.6
Depreciation and amortization ¹	80.8	24.0	0.4	394.6
– thereof impairment ²	-0.2	–	–	-1.3
Capital expenditure ³	66.8	20.7	0.1	254.8
in % of sales	3.4	2.3	–	3.5
Operating assets as at March 31	3,294.0	1,064.1	1.1	15,869.1
Number of employees as at March 31 ⁴	36,685	26,704	255	154,753

¹ Excluding impairments on financial investments.

² Impairment also includes necessary reversals of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

Reconciliation of EBIT to Net Income

in € millions	January 1 to March 31	
	2012	2011
Chassis & Safety	159.8	172.0
Powertrain	43.8	13.0
Interior	90.6	71.8
Tires	378.0	275.7
ContiTech	113.3	116.9
Other/consolidation	-19.9	-15.5
EBIT	765.6	633.9
Net interest expense	-43.4	-168.6
Earnings before taxes	722.2	465.3
Income tax expense	-221.7	-80.2
Net income	500.5	385.1
Non-controlling interests	-17.6	-16.9
Net income attributable to the shareholders of the parent	482.9	368.2

Accounting principles

This Interim Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the reporting 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 consolidated financial statements for 2011. These methods are disclosed in detail in the 2011 Annual Report. In addition, the IFRS amendments and new IFRS regulations mandated as of March 31, 2012, are applied in the Interim Report. These mandatory amendments and new regulations were disclosed in detail in the 2011 Annual Report. They have no material 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 summary of the Interim Report or in the accompanying explanations. Changes in the recognition or valuation of assets and liabilities within the scope of company acquisitions are presented retrospectively once the final purchase price allocation has been determined.

The consolidated financial statements have been prepared in euro. Unless otherwise stated, all amounts are presented in millions of euro. Please note that differences may arise as a result of the use of rounded amounts and percentages.

Pension obligations

Net pension cost of the Continental Corporation can be summarized as follows:

in € millions	January 1 to March 31, 2012					January 1 to March 31, 2011				
	Germany	USA/ CAN	UK	Others	Total	Germany	USA/ CAN	UK	Others	Total
Current service cost	15.3	0.1	0.8	3.9	20.1	15.5	0.2	0.7	4.2	20.6
Interest on defined benefit obligations	23.4	11.9	3.0	2.7	41.0	22.0	13.2	2.9	2.7	40.8
Expected return on plan assets	-7.4	-11.6	-3.5	-1.2	-23.7	-7.4	-13.7	-3.3	-1.3	-25.7
Amortization of actuarial losses as well as other costs	0.4	7.0	0.4	0.4	8.2	1.2	4.7	0.4	0.6	6.9
Effects of asset ceiling and curtailments	—	2.4	—	0.0	2.4	—	0.1	—	—	0.1
Net pension cost	31.7	9.8	0.7	5.8	48.0	31.3	4.5	0.7	6.2	42.7

Net cost of healthcare and life insurance obligations of the Continental Corporation in the U.S.A. and Canada are made up of the following:

in € millions	January 1 to March 31	
	2012	2011
Current service cost	0.4	0.3
Interest on defined benefit obligations	2.4	2.7
Amortization of actuarial losses as well as other costs	0.7	0.4
Net cost of obligations similar to pensions	3.5	3.4

Cash changes in pension and similar 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 €12.7 million (PY: €12.8 million) into these pension funds for the period from January 1 to March 31, 2012.

In the period from January 1 to March 31, 2012, payments for retirement benefit obligations totaled €49.3 million (PY: €61.7 million). Payments for obligations similar to pensions totaled €3.7 million (PY: €3.9 million).

Companies consolidated

In addition to the parent company, the consolidated financial statements include a total of 432 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, 305 are fully consolidated and 127 are carried at equity.

Since December 31, 2011, the number of consolidated companies has decreased by a total of seven. One company was acquired, two companies were founded and one previously non-consolidated unit was fully consolidated. Two companies were sold and four were liquidated. In addition, the number of companies consolidated was reduced by five as a result of mergers.

Since March 31, 2011, the total number of consolidated companies has increased by five, with the additions to the consolidated companies arising primarily from acquisitions in the Rubber Group. Reductions in the number of consolidated companies resulted chiefly from liquidations of inactive companies and mergers.

Acquisition and sale of companies and business operations

To strengthen the sales network of the Tire division, share and asset deals with a total value of €6.0 million were carried out. Intangible assets were capitalized in the amount of €1.4 million. In the context of the preliminary purchase price allocation, the individual transactions resulted in positive differences that were capitalized as goodwill in the amount of €2.2 million. The effects of these transactions, including the corresponding preliminary purchase price allocations, have no material effect on the net assets, financial and earnings position as of March 31, 2012.

The acquisition of the remaining 50% of the shares in Continental Rico Hydraulic Brakes India Private Ltd., Gurgaon, India, was completed in the reporting period for a purchase price of €7.4 million. The closing of the transaction occurred on March 9, 2012. The effects of this transaction have no material effect on the net assets, financial and earnings position of the Continental Corporation as of March 31, 2012. The difference between purchase price and non-controlling interests was recognized within equity in the amount of -€4.8 million.

The sale of two smaller operations of the Powertrain and ContiTech divisions also has no material effect on the net assets, financial and earnings position as of March 31, 2012.

Impairment

The corporation immediately reviews intangible assets, property, plant and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). No significant impairment resulted from these impairment tests in the reporting period or in the same period of the previous year.

Appropriation of net income

As of December 31, 2011, Continental AG posted net retained earnings of €508.5 million (PY: €61.1 million). The distribution of a dividend of €1.50 per share to the shareholders of Continental AG for the past fiscal year will be proposed to the Annual Shareholders' Meeting in Hanover on April 27, 2012. With 200,005,983 shares entitled to dividends, the total distribution will therefore amount to €300,008,974.50. The remaining amount is to be carried forward to new account. In 2011, no dividend was distributed for 2010 by Continental AG.

Earnings per share

Basic earnings per share for the first three months of 2012 rose to €2.41 (PY: €1.84) and are equal to the diluted earnings per share.

Contingent liabilities and other financial obligations

As of March 31, 2012, there were no material changes in the contingent liabilities and other financial obligations as described in the 2011 Annual Report.

Transactions with related parties

In the period under review, there were no material changes in the nature of transactions with related parties compared with December 31, 2011. Please see the comments in the 2011 Annual Report.

German Corporate Governance Code

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

Segment reporting

Comments on the development of Continental AG's five divisions are provided in the Corporate Management Report as of March 31, 2012.

Indebtedness and net income from financial activities

At the end of March 2011, renegotiation of the syndicated loan originally due in August 2012 was completed. The renegotiation primarily focused on extended terms and improved conditions. A maturity in

August 2012 was agreed for the first tranche of €625.0 million, and the term for the other two tranches, including a revolving credit line of €2.5 billion, was extended to April 2014. As a result of early partial repayments in 2011, the volume committed as of the end of March 2011 in the amount of €6,484.9 million decreased to €5,375.0 million as of the end of the first quarter of 2012.

Comments on indebtedness and the net income from financial activities are also provided in the Corporate Management Report as of March 31, 2012.

Income tax expense

Income tax expense in the first three months of 2012 amounted to €221.7 million (PY: €80.2 million). The tax rate in the reporting period was 30.7% after 17.2% for the same period of the previous year.

In the same period of the previous year, income tax expense was significantly influenced by tax income for prior years in the amount of €68.2 million resulting from a tax item established out of court. In comparison to the tax rate for the prior-year period adjusted for this special effect (31.9%), the lower tax rate in the reporting period was influenced in particular by a different distribution of earnings before taxes across the different countries.

Litigation and compensation claims

There were no significant new findings in the reporting period with regard to litigation and compensation claims. For further information, please refer to the comments in the 2011 Annual Report.

Shareholder structure

On March 21, 2012, the Government of Singapore Investment Corporation Pte Ltd, Singapore, informed us that its share of voting rights in Continental AG had fallen below the 3% threshold on March 16, 2012, and amounted to 2.90% (5,808,371 voting rights) as of that day.

After applying rounding, the shareholder structure with regard to the 200,005,983 outstanding Continental shares was as follows: 49.90% Schaeffler Group, 5.19% M.M.Warburg & CO KGaA, 5.19% B. Metzler seel. Sohn & Co. Holding AG. The free float amounts to 39.71%.

Review by an independent auditor

The interim management report and the abbreviated interim financial statements have not been audited in accordance with Section 317 of the *Handelsgesetz-*

buch (HGB – German Commercial Code) or reviewed by a qualified auditor.

Significant Events after March 31, 2012

Voting rights notification from Black Rock Investment Management (UK) Limited

Black Rock Investment Management (UK) Limited, London, England, notified us on April 3, 2012, that:

▶ the share of voting rights in Continental AG held by BlackRock, Inc., New York, U.S.A., exceeded the threshold of 3% on March 27, 2012, and amounted to 3.01% (6,027,325 voting rights) as of that day,

▶ the share of voting rights in Continental AG held by BlackRock Holdco 2, Inc., Wilmington, Delaware, U.S.A., exceeded the threshold of 3% on March 29, 2012, and amounted to 3.07% (6,148,020 voting rights) as of that day,

▶ the share of voting rights in Continental AG held by BlackRock Financial Management, Inc., New York, U.S.A., exceeded the threshold of 3% on March 29, 2012, and amounted to 3.07% (6,148,020 voting rights) as of that day.

Hanover, April 25, 2012

Continental Aktiengesellschaft
The Executive Board

Financial Calendar

2012

Annual Financial Press Conference	March 1
Analyst Telephone Conference	March 1
Annual Shareholders' Meeting	April 27
Financial Report as of March 31, 2012	May 3
Half-Year Financial Report as of June 30, 2012	August 2
Financial Report as of September 30, 2012	October 31

2013

Annual Financial Press Conference	March
Analyst Telephone Conference	March
Annual Shareholders' Meeting	May 15
Financial Report as of March 31, 2013	May
Half-Year Financial Report as of June 30, 2013	August
Financial Report as of September 30, 2013	November

Contact

This interim report is also published in German. The Annual Report 2011 of Continental Aktiengesellschaft is also available in English and German.

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