



Dr. Elmar Degenhart, Chairman of the Executive Board

Dear Shareholders,

The past fiscal year was in many respects a particularly exciting one for us: Continental is now 140 years old and generated record sales and its absolute best result in the company’s history. At the same time, your company has again grown faster than automotive production. For the first time in years, all divisions were in the black again. Moreover, Continental has gained further operational and financial leeway and leveraged this for strong investments to enhance the value of your company – especially in the growth markets. The Continental team achieved all this with your support. We would therefore like to thank you for your ongoing confidence in our performance and are delighted that the company is in the position to reward this confidence by distributing a dividend for 2011 – the first since 2007.

I am convinced that I speak on your behalf as well when I express my heartfelt thanks to our highly committed employees around the world for the excellent work they have done.

No doubt, the good overall state of the international automotive industry gave us some lift in 2011. However, we had to face a series of negative influences from without. By these I mean factors such as the massive rise in commodities prices, the natural disasters in Japan and Thailand and the effects of the debt crisis leading to slowing growth in Europe.

The rising prices for natural and synthetic rubber, so essential for the manufacture of products in the Rubber Group, impacted our operating result substantially. This is also true of the recent surges in the prices of rare earths which are affecting the Automotive Group. By the end of 2011, these costs had exceeded one billion euros. We have only been able to cope with this because we have been successful in further reducing our costs and achieving excellent capacity utilization. Nonetheless, some of these costs have had to be passed on to our customers in the form of price increases.

All in all, we have again proved something special in 2011: Continental performs best when it remembers its very own values. They bring us success and make our successes lasting. In our newly formulated statements on our vision, our mission and values, we have recently renewed, updated, and re-established the inner core of our value-driving corporate strategy. Above all, these are four values that help to enhance the value of Continental on an ongoing basis.

Firstly, there is the Continental team's "Passion To Win". Thanks to this, we can identify and take advantage of the business opportunities that arise quickly and effectively – even and especially when things are stormy on world markets.

A further value is our team spirit as one Continental – "For One Another". This allows us to achieve the greatest value for the company as a whole – instead of focusing on isolated, lesser benefits for individual units.

A third value is the principle of "Freedom To Act", because we unleash undreamed-of capabilities in our employees by conferring the freedom to act and responsibility early on and minimizing bureaucracy in the truest sense of the word.

Finally, there is "Trust", the value that is particularly important in an increasingly complex and dynamic world. Because in 2011 one thing dramatically changed right before our eyes: Market changes can no longer be adequately foreseen or even planned. We can therefore adapt to them better and faster only if we continue to minimize our complexity as an organization, expand our network approach, make much greater use of the collective intelligence of our organization and allies, and do all this on the basis of trusting relationships internally and externally. We are confident that by earning the trust we give, we can increase the motivation of all involved and grow faster than others. Incidentally, you will find the wording of our newly formulated values in this Annual Report starting on page 10.

We have set ourselves demanding but realistic goals for the coming years. These are five of the most important:

- ▶ Strong, profitable growth by focusing on megatrends: Our portfolio covers all key trends in individual mobility. This includes safety (our goal: zero accidents on roads), the environment (our goal: clean power, i.e. reducing emissions as far as the laws of nature allow), information (our goal: a safe, internally and externally networked vehicle) and affordable cars (our goal: mobility for all, without restrictions on basic functionalities).

- ▶ Strong, profitable growth through our portfolio: We anticipate sales of at least €40 billion by 2020 at the latest – assuming no crashes in the global economy. Half of our automotive portfolio consists of the 25 fastest growing automotive product groups, including navigation systems, systems for reducing consumption and emissions, safety assistance systems such as emergency braking functions, battery systems and turbochargers.

We are convinced that only market-driven development will lead to lasting success. We are therefore pursuing a dual strategy: Firstly, strengthening research and development in countries of knowledge such as Germany. Secondly, building practical development expertise in emerging markets. We have therefore laid the foundations for three new research and development centers in Singapore, Brazil, and Germany. This growth will result in further expansion in our headcount, which rose by 15,560 in 2011 alone.

- ▶ Strong, profitable growth in emerging markets: This is where demand for individual mobility is growing the fastest. We are currently achieving a 17% share of sales in Asia alone, and we want to continue to up that share.
- ▶ Strong, profitable growth in the tire business: In building new tire plants and expanding existing ones, we intend to invest a total figure of approximately one billion euros by 2015 in addition to our regular capital expenditure. These include the new tire plant in Hefei, China, that took up production in 2011, followed by new plants in Kaluga, Russia, and Sumter, U.S.A., and extensive capacity expansion in Camaçari, Brazil; Mt. Vernon, U.S.A.; and Modipuram, India. Thus, we are expanding our capacity by a combined total of more than 22 million tires.
- ▶ Strong, profitable growth in electromobility: Continental is already one of the world’s technology leaders in this field. Our product portfolio for safe, efficient and comfortable electromobility is comprehensive and unique. We have a global network of around 1,600 specialists in battery system and electric powertrain technology, regenerative braking, rolling-resistance-optimized tires and interior applications. We are currently working on around 90 production projects for 17 manufacturers around the world and providing them with components for electric and hybrid vehicles. These include key components such as electric motors, power electronics, battery technology, instrumentation, telematics, regenerative braking systems, sensor systems and components for safe charging. In the fall of 2011, we became the world’s first automotive supplier to start mass producing a highly efficient synchronous machine for all-electric vehicles that requires no rare earth materials. With the intended enterprise together with SK Innovation, Seoul, South Korea, we want to be able in roughly two years to develop and manufacture complete lithium-ion battery systems from the cell through to the electronics and offer them to the automotive industry for use in hybrid and electric vehicles. Our mutual goal here is global technology leadership.

This shows you that we are making our clear strategies a reality with new energy and drive. We are able to do so because at the end of March 2011, we completed the refinancing of our company that began in 2009, thus putting it back on a solid financial footing.

Our cooperation with the Schaeffler Group is also helping us in this. We have therefore enhanced this cooperation further, thus creating substantial extra annual value-added as separate companies. A closer combination of the two companies is not currently being pursued.

The list of the operational changes made in the past year would not be complete without mentioning the merger of our Passenger and Light Truck Tires division and our Commercial Vehicle Tires division to form one single division headed by Executive Board member Nikolai Setzer. This move is intended to increase the clout of our tire business. In this regard, my particular thanks go to Dr. Hans-Joachim Nikolin, who left our Executive Board as of July 31, 2011. Thus, an impressive and highly competent manager who always strove for the success of Continental as a whole, even in the most trying of times, has departed from the company.

I welcome Elke Strathmann as a new member of the Executive Board, who since January 2012 has filled a crucial role in our team as a proven HR expert: She will continue the work of adding value begun by Heinz-Gerhard Wente by designing a corporate culture based on values and esteem, forming a fixed element of the culture of our company. At the same time, I would like to thank Heinz-Gerhard Wente for his excellent work as Executive Board member for HR. In the future, he will be devoting his energies to the task of further expanding the extremely successful ContiTech division. In addition, he will be responsible for corporate purchasing.

Everything we have achieved and our long-term course give us every cause for confidence. We are clearly on track for growth and success, and — buoyed by your trust in us — we look forward to reaching the next level.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elmar Degenhart', with a stylized flourish extending to the right.

Dr. Elmar Degenhart
Chairman of the Executive Board