

Continental Shares and Bonds

Economic concerns and debt crisis hamper performance of Continental shares in the second half of the year.

Continental share listings

Continental's shares are listed on the German stock exchanges in Frankfurt, Hanover, Hamburg and Stuttgart. In the U.S.A., they are traded as part of an American Depositary Receipt program on the over-the-counter market. They are not admitted for trading on a U.S. stock exchange.

Continental is also listed in the MDAX of Deutsche Börse AG. As of December 31, 2011, the free float market capitalization of Continental AG amounted to €3.91 billion according to Deutsche Börse AG rankings. Thus, Continental ranked second within this index of 50 securities. The turnover of shares, calculated as the average value of the last twelve months, amounted to €9.67 billion. Measured by this criterion, Continental took first place within the MDAX. It is Continental's goal to return to the DAX, the most significant German share index, in the medium term.

The no-par-value shares have a notional value of €2.56 per share.

Continental share data

Type of share	No-par-value share
Stock exchanges	Frankfurt (Prime Standard), Hanover (NISAX), Hamburg, Stuttgart
German securities code number	543900
ISIN number	DE0005439004
Reuters ticker symbol	CONG
Bloomberg ticker symbol	CON
Index membership	MDAX Prime All Share Prime Automobile
Number of outstanding shares at Dec. 31, 2011	200,005,983

American Depositary Receipt data

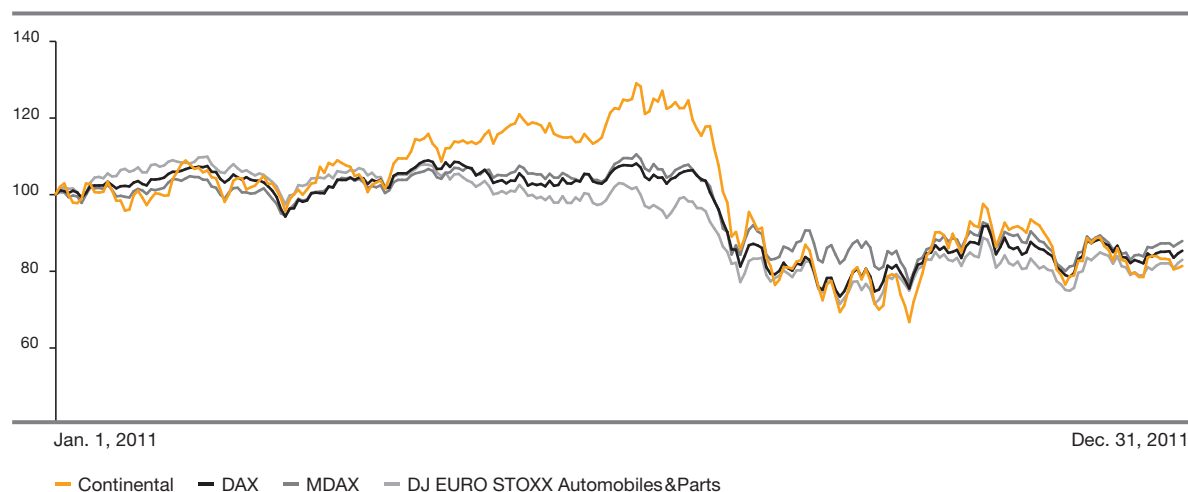
Ratio	1:1
ISIN number	US2107712000
Reuters ticker symbol	CTTAY.PK
Bloomberg ticker symbol	CTTAY
ADR level	Level 1
Trading	OTC
Sponsor	Deutsche Bank Trust Company Americas

Performance of Continental shares hampered by economic concerns in the second half-year

The price of Continental shares fell 18.7% year-on-year to €48.10 as of December 31, 2011. However, this performance was around six percentage points better than that of the industry index for European automotive and automotive supplier stocks, which slid in 2011 to 24.8% below the end-of-year level for 2010. It was four percentage points behind the performance of the DAX and seven percentage points behind the MDAX. Both indices closed the year down as against the closing rates as of December 31, 2010, by 14.7% and 12.1% respectively.

However, there were two completely different phases in share performance over the year: Until the middle of the year, price performance was lifted by the good figures for 2010, Continental AG's solid start to fiscal 2011 and the significant rise in free float from the end of March 2011. In addition, Continental renegotiated its syndicated bank loan as of the end of the first quarter, in doing so achieving significantly better terms and a further improvement in its maturity profile. As a result of this positive fundamental development and the fact that Continental's business performance did not suffer any negative repercussions from the earthquake in Japan by virtue of its excellent crisis management, the share price rose to its highest level for several years of

Share price performance vs. major stock indexes



€76.28 as of July 7, 2011. Continental's shares had last exceeded this level on May 30, 2008. Owing to the severe escalation of the debt crisis in Europe and of the sharp downturn in economic forecasts, the shares lost more than 48% of their value by the start of October, reaching their low for the year of €39.44 on October 4, 2011. As roadshow activities were then intensified once again, Continental was able to stabilize the price of its shares and bring them back towards the €60 mark by the end of October. In spite of the excellent figures for the first nine months that were published on November 3, 2011, Continental's shares closed at

€48.10 on December 31, 2011, marking a decline of 19% over the year.

At the start of 2012, sentiment brightened considerably on the stock markets and Continental shares also gained around 12% in the first week of trading. The preliminary key data for fiscal 2011, which in many respects set new records, were received positively by the market. A favorable environment for cyclical stocks helped push the price of Continental shares even higher up to the end of January. At times it was almost 40% above the end-of-year price on December 31, 2011.

	March 31, 2011	vs. Dec. 31, 2010	June 30, 2011	vs. Dec. 31, 2010	Sep. 30, 2011	vs. Dec. 31, 2010	Dec. 31, 2011	vs. Dec. 31, 2010
Continental	63.67	8%	72.45	23%	43.64	-26%	48.10	-19%
DJ EURO STOXX 50	2,910.91	4%	2,848.53	2%	2,179.66	-22%	2,316.55	-17%
DAX	7,041.31	2%	7,376.24	7%	5,502.02	-20%	5,898.35	-15%
MDAX	10,310.08	2%	10,932.33	8%	8,341.08	-18%	8,897.81	-12%
DJ EURO STOXX Automobiles & Parts	325.76	-2%	364.63	10%	240.00	-28%	249.78	-25%

Economic slowdown causes indices to slide in the second half of the year

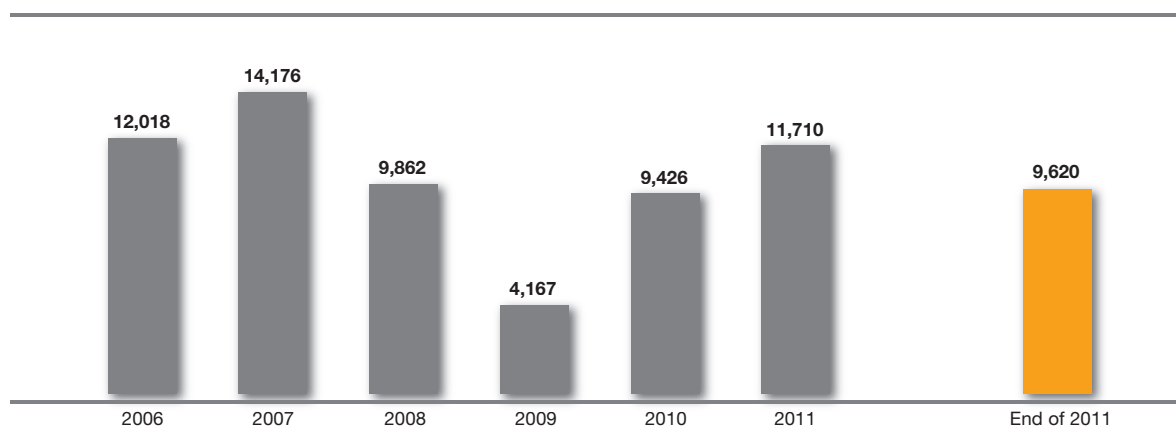
The issues that dominated market events in 2011 were the democracy movement in the Middle East, the natural disaster in Japan, diminishing economic prospects for the U.S.A. and the sharp escalation of the European debt crisis, which depressed the economic outlook significantly from the second half of 2011. Other than the events in the Middle East, generally referred to as the Arab Spring, the dominant issue in the first half of 2011 was the natural disaster in Japan. Until that point, market events had been shaped by positive economic prospects. By the middle of February, the DAX benchmark index had climbed to its provisional high for the year of 7,427 points before the escalation in the Middle East drove it back below the 7,000 line. A key factor in the index's decline was the rise in the price of oil by that time to over \$115 per barrel – an increase of more than 45% in the period from September 2010 to March 2011. On March 11, 2011, Japan was rocked by an underwater earthquake and the subsequent tsunami destroyed large sections in the north of the country. The DAX again lost ground significantly in the wake of these events, dropping to its low for the year to date of 6,514 points on March 16, 2011. The index for automotive and automotive supplier stocks also shed 19% as against the highs of January.

After it became clear that the natural disaster's impact on the global economy would be limited and that there would be only minor bottlenecks in global supply chains in spite of considerable tension, the indices recovered quickly from these setbacks by mid-May 2011 despite the European Central Bank's (ECB) hike in interest rates. At the start of May, the DAX rose above its previous highs to 7,528 points. The index for automotive and automotive supplier stocks climbed to almost 356 points, just slightly below its high for the year at that time of 363 points (January 18, 2011).

Poor economic data from the U.S.A. and the growing realization that Greece would not manage without a significant boost to the aid already committed temporarily forced the DAX back towards the 7,000 line, which it would rise above once again by mid-July 2011.

The recurring downgrades of several euro nations – the rating agencies' response to the escalating euro debt crisis – and the fact that the U.S.A. lost its top AAA rating with at least one rating agency at the start of August, must be considered responsible for the sell-off on the world's stock markets. The DAX lost 24% of its value on eleven consecutive trading days up to August 10, when it listed at only 5,613 points. It hit its low for the year of 5,072 points on September 12,

Market capitalization at average prices (in € millions)



Key figures per share in €	2011	2010
Basic earnings	6.21	2.88
Diluted earnings	6.21	2.88
Free cash flow	2.45	2.83
Dividend	1.50*	–
Dividend payout ratio (%)	24.2	–
Dividend yield (%)	2.60	–
Total equity (book value)	37.72	31.01
Share price at year-end	48.10	59.14
Average share price	58.55	47.12
Average price-earnings ratio (P/E ratio)	9.4	16.4
High	76.28	66.84
Low	39.44	32.13
Average trading volume (XETRA)	640,216	537,455
Number of shares, average (in millions)	200.0	200.0
Number of shares at December 31 (in millions)	200.0	200.0

* Subject to the approval of the Annual Shareholders' Meeting on April 27, 2012.

Investments in Continental shares*

Initial investment	Jan. 1, 2002	Jan. 1, 2007	Jan. 1, 2011
Investment period in years	10	5	1
Portfolio growth in € at December 31, 2011	33,250	-40,000	-11,040
Dividend distribution in € in investment period	6,770	4,000	–
Shareholder return p.a. in %**	14.0	-10.0	-18.7
Average returns of comparable indexes in %			
DAX 30	1.3	-2.2	-14.7
DJ EURO STOXX 50	-3.3	-0.7	-17.1

*Number of shares: 1,000.

**Assuming that the dividend is not reinvested.

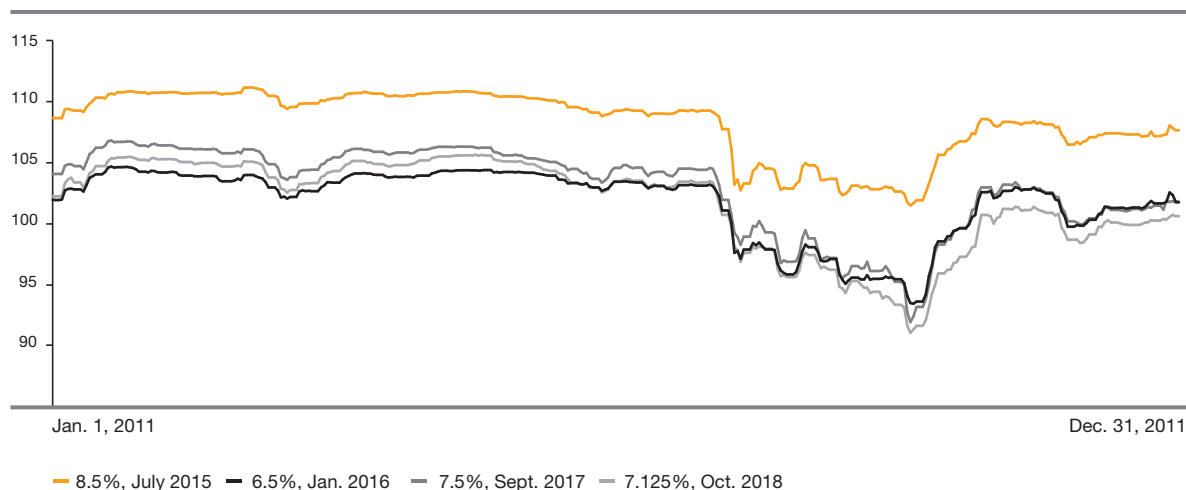
2011. Numerous attempts by European and international institutions and central banks to stabilize the debt crisis in Europe failed to restore the urgently needed investor confidence in European stock markets. In addition, the dispute between the political parties in the U.S.A. over the urgent need to raise the debt ceiling also took its toll on the markets. Measures focused on a sufficient supply of liquidity to the markets by central banks around the world and on combating the debt crisis in Europe. The successful ratification by all 17 member states of the agreement to extend the EFSF (European Financial Stability Facility) and the ESM (European Stability Mechanism) in October 2011 were partial successes and helped to steady the DAX back above the 6,000 line by the end of October 2011. Brightening economic data in the U.S.A.

on the one hand and an ever bleaker European outlook on the other then brought it to 5,898 points by the end of the year. This corresponds to a decline of around 15% over the year.

Consolidated net income attributable to the shareholders of the parent rises to a new high

As of December 31, 2011, earnings per share rose to €6.21 and were 115.7% higher than the previous year's figure of €2.88. This is calculated by dividing the consolidated net income for the year attributable to the shareholders of Continental AG in the amount of €1,242.2 million by the average number of shares outstanding in 2011. On average, Continental AG had 200,005,983 shares outstanding in 2011.

Performance of the Continental bonds



Proposed dividend distribution of 24.2% from consolidated net income attributable to shareholders

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. Assuming that the Annual Shareholders' Meeting accepts this proposal and based on the average share price for 2011, the dividend yield would amount to 2.6%. Accumulated profits of the parent company brought forward from the previous year amounted to €61.1 million.

Subscribed capital unchanged at €512 million

The subscribed capital of Continental AG did not change in 2011. It amounts to €512,015,316.48 and is divided into 200,005,983 no-par-value shares. Each share has the same dividend entitlement. In line with Article 20 of Continental AG's Articles of Incorporation, each share grants one vote at the Annual Shareholders' Meeting. There is authorized and contingent capital.

Share yield remains attractive over ten years

After Continental's shares posted positive absolute value growth for two years in a row in 2009 and 2010 of more than 30% and 62% respectively, the yield on shares fell by around 19% in the year under review despite the excellent business performance. Assuming that an investor had bought 1,000 Continental shares at the start of the year, his portfolio would have lost

around €11,000. Thus, performance would also have been around four percentage points worse than an alternative investment of the same amount in the DAX. However, it should be noted when considering this comparison that owing in particular to the economic problems that began in the second half of 2011, none of the equities listed in the sector index for European automotive or automotive supplier stocks posted positive value growth in 2011 (except for Pirelli). Thus, the return on the STOXX Automobiles & Parts in fiscal 2011 was -24.8%. Nonetheless, Continental shares are still an attractive investment over a ten-year view. Over this period, a stake of €14,850 would have risen by €33,250 as a result of the positive price performance alone. Adding the dividend distributions over the same period of analysis, the value of the investment would have increased to €54,870, a return of almost 14% p.a.

Performance of Continental bonds

The bonds enjoyed highly stable performance despite turbulence on credit markets. The renegotiation of terms for the syndicated loan of €6 billion at the end of March 2011 was received very positively by the credit markets. Continental's bonds reached new highs even before this, rising to over 111% for the €750 million bond maturing in 2015.

The five-year credit default swap fell to a new low for several years of 246 basis points at the start of February 2011, and therefore performed significantly better

German securities identification code	Coupon	Maturity	Volumes in € millions	Issue price	Price at Dec. 31, 2011	Price at Dec. 31, 2010
A1AY2A DE000A1AY2A0	8.500%	July 15, 2015	750.0	99.0047%	107.5870%	108.5818%
A1A1P0 DE000A1A1P09	6.500%	Jan. 15, 2016	625.0	98.8610%	101.7340%	101.8800%
A1AOU3 DE000A1AOU37	7.500%	Sept. 15, 2017	1.000.0	99.3304%	101.6670%	104.0150%
A1A1P2 DE000A1A1P25	7.130%	Oct. 15, 2018	625.0	99.2460%	100.5610%	102.1795%

than the index for securities with similar ratings (iTraxx Xover), which was at 396 basis points at this time. In the wake of the sell-out on the equity and credit markets that began at the start of August, Continental's bonds fell well below their issue price and reached their lowest points for the year on October 5 and 6, 2011. The only exception was again the bond maturing in 2015, which reached its low at 101.4410%. Prior to this, the five-year credit default swap had risen to over 600 basis points, a level last seen in September 2009.

However, unlike the shares, the bonds recovered significantly as the year progressed, with the bonds maturing in July 2015 and January 2016 almost returning at the end of 2011 to the same levels as at the end of 2010. The bond maturing in September 2017 and the one maturing in October 2018 closed 235 and 162 basis points below their December 31, 2010 levels respectively. As of the end of 2011, the five-year credit default swap was at 477 basis points and therefore more than 277 basis points better than the iTraxx Xover, which was at almost 755 basis points.

Positive business performance and rating diverging further

In spite of the substantial improvement in profitability and the key ratios of the Continental Corporation, the credit rating for Continental AG still lagged behind this development. Continental has had a Moody's rating of Ba3 outlook stable since April 2011, and a Standard & Poor's rating of B+ outlook positive since July 2011. The development of the last ten quarters is acknowledged such that the rating agencies would assign Continental a credit rating in the upper BB range if the company were judged on a standalone basis. The performance of the bonds is also hard to reconcile with the current ratings from the two agencies. We are standing by our goal of returning to a higher credit

category — investment grade — characterized by low default rates in the medium term. The minimum target ratings are BBB and Baa2. By the end of fiscal 2012 at the latest, the critical financial ratios as defined by the rating agencies should reach levels characteristic of the investment grade category.

Dec. 31, 2011	Rating	Outlook
Standard & Poor's	B+	positive
Moody's	Ba3	stable

Dec. 31, 2010	Rating	Outlook
Standard & Poor's	B	stable
Moody's	B1	stable

IR activities center on ongoing dialog with investors

A key task of Investor Relations (IR) at Continental is a systematic and ongoing dialog with potential investors in its shares and bonds as well as those already committed. Furthermore, and in order to reach these target groups in the best possible way, the dialog with equity and credit analysts as well as other capital market participants is regularly maintained just as intensively. The issues focused on include past, present and future business transactions. We provide all market participants with relevant and useful information at the same time. Our objective is to keep all market participants informed on an ongoing basis. For this and other reasons, Continental regularly assesses its free float shareholder structure. Roadshow activities are then geared towards the results of these analyses. Moreover, we regularly speak to interested investors, analysts and other market players about current and future business performance by conference call in the context

of quarterly and annual reporting. We invite analysts and investors to join us in Hanover or Frankfurt for the annual financial press conference. The Fact Book, which will appear for the twelfth time in a row this year, also serves as a basic presentation for all parties interested in Continental AG. In addition, during fiscal 2011 we prepared a basic presentation with key figures and content for the ever more important group of socially responsible investors (SRI). This and all other materials can be accessed on the Internet (www.continental-ir.de). The IR team can be contacted at the e-mail address ir@conti.de.

Investor Relations at Continental again receive multiple awards

Continental's IR activities received a number of accolades from key market observers in 2011. The team ranked highly in both the Institutional Investor Survey and Thomson Extel's Pan-European Extel Survey. In addition to the award from the Society of Investment Professionals in Germany (DVFA), one aspect of particular note in this regard is the German Investor Relations Prize for Best IR in the MDAX, which was presented in cooperation between Thomson Reuters Extel and *WirtschaftsWoche*. Here, Continental received second prize for best IR work from among the 50 MDAX companies.

Comprehensive Investor Relations activities extended once again; broad coverage by analysts ensures strong information flow

Precisely because of the natural disaster in Japan and the turbulence on the equity and credit markets in the second half of 2011, roadshow activities were stepped up once again. In addition to Europe, key areas of IR work included North America and Asia. The latter has now become a fixed component of the roadshow calendar with destinations in Hong Kong, Singapore and Tokyo. Overall, we spoke to more than 2,000 investors at conferences and roadshows. In Europe, we attended a total of 16 equity conferences and six credit conferences. This was in addition to our regular roadshow activities and field trips. In North America, we took part in seven conferences and held five roadshows. Destinations included the east and west coasts of the U.S.A. as well as Canada. In Asia, we attended two equity conferences and met around 100 interested investors during two roadshows. The Executive Board

was directly involved in around a third of activities but reached almost 60% of the investors spoken to.

Despite being in the MDAX, Continental is currently being monitored by 28 equity analysts and eight credit analysts. This broad coverage guarantees that the relevant information is disseminated relatively quickly and widely. 23 equity analysts are currently recommending investors to buy Continental. No analysts are advising investors to sell at this time.

A further focus of IR activities is personal contact with our private shareholders, schools and universities. At the heart of these activities was the Annual Shareholders' Meeting, held in Hanover on April 28, 2011. We are also attempting to consider investor fairs and shareholder associations to an appropriate degree. Thus, alongside the Annual Shareholders' Meeting, we also made contact with around 100 interested private investors in the past fiscal year.

Shareholder structure further diversified

As of December 31, 2011, we conducted a shareholder identification (SID) on the basis of the 200,005,983 shares outstanding. More than 93% of the shareholdings were identified.

Other than Schaeffler Group, which holds a total of 49.9% of shares according to its disclosure as of October 6, 2011, our major shareholders include the banks M.M.Warburg & CO KGaA and Metzler seel. Sohn & Co. Holding AG, which each held 5.19% of shares outstanding according to their disclosures of April 1 and 4, 2011.

Over 90% of the free float also identified by the start of February 2012, amounting to about 66 million of the 79.4 million remaining shares outstanding, is distributed among institutional investors. Around 5 million shares outstanding are held by private parties. The biggest single shareholder is the Government of Singapore Investment Corporation Pte Ltd (GIC), which holds 3.05% of shares outstanding according to its disclosure of October 20, 2011.

The identified free float breaks down geographically as follows: Around 28% is accounted for by the U.K. and Ireland, followed by Germany, where around 26% of shares is held. Other countries/regions within Europe in which larger numbers of shares are held are France (4%), Switzerland and Austria (5%) as well as Scandinavia (5%). The third-largest single region is the United States, where around 18% of identified free float is held. Roughly 10% of shares are held in Asia, due primarily to GIC's shareholding.