



Continental AG: Strategy & Future Trends

**Manfred Wennemer,
Chairman of the Executive Board**

**ANE Congress Prague
June 27, 2007**

Continental Corporation 2006

Sales	€14.9 billion
EBIT*	€1,601.9 million
Net income attributable to the shareholders of the parent	€981.9 million
Employees	85,224

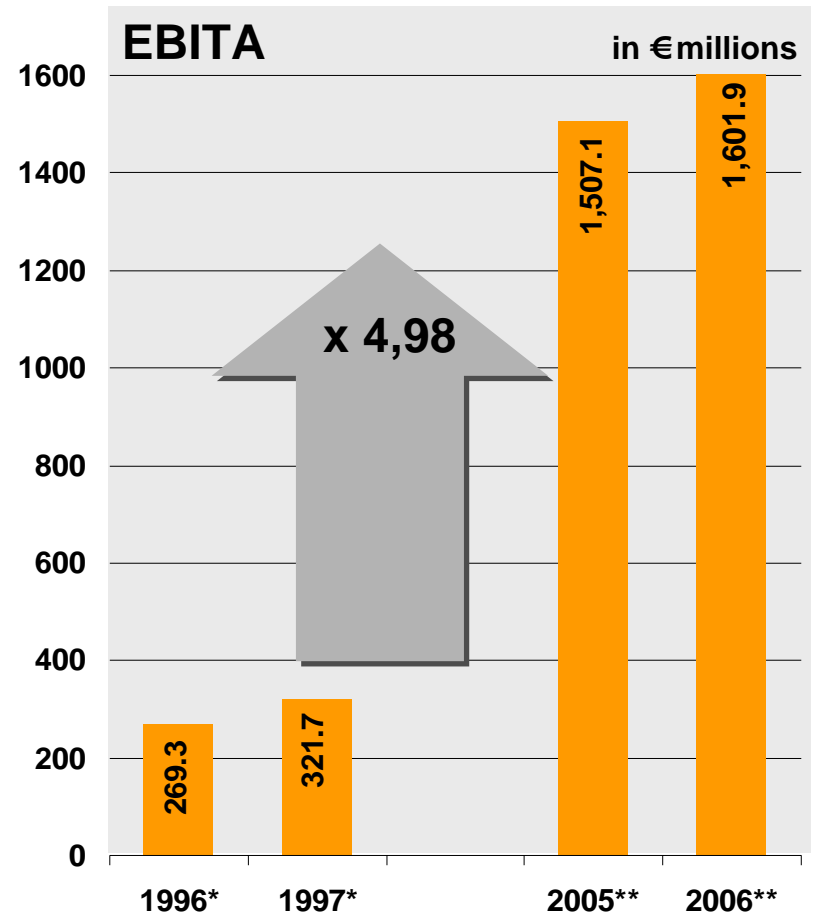
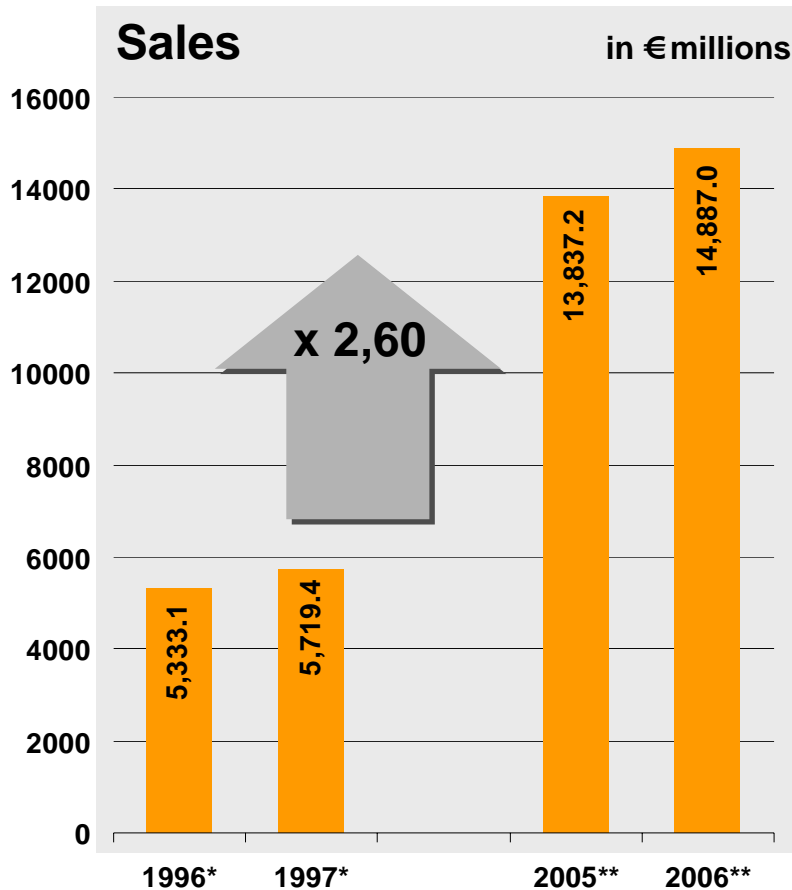
*Earnings before interest and taxes

Continental Corporation 2006



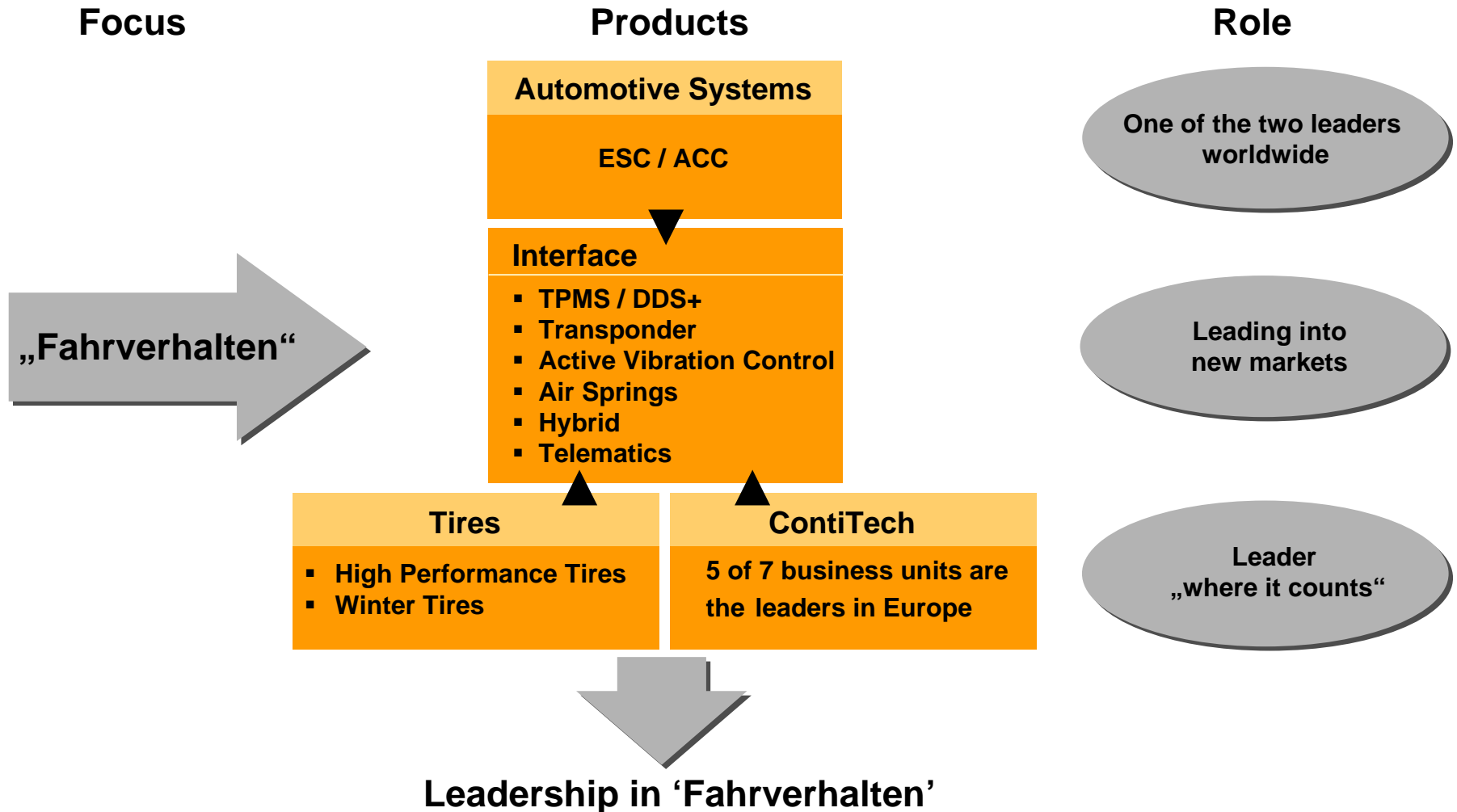
- ▶ **Approx. €800 million spent on acquisitions**
- ▶ **€630 million transferred to contractual trust arrangement**
- ▶ **Approx. €800 million invested**
- ▶ **Innovative strength further reinforced with some €680 million for research and development**

Continental Maintains Successful Long-Term Strategy



* HGB (German Commercial Code)
**IFRS

Continental Strategy – Unique Constellation of Continental

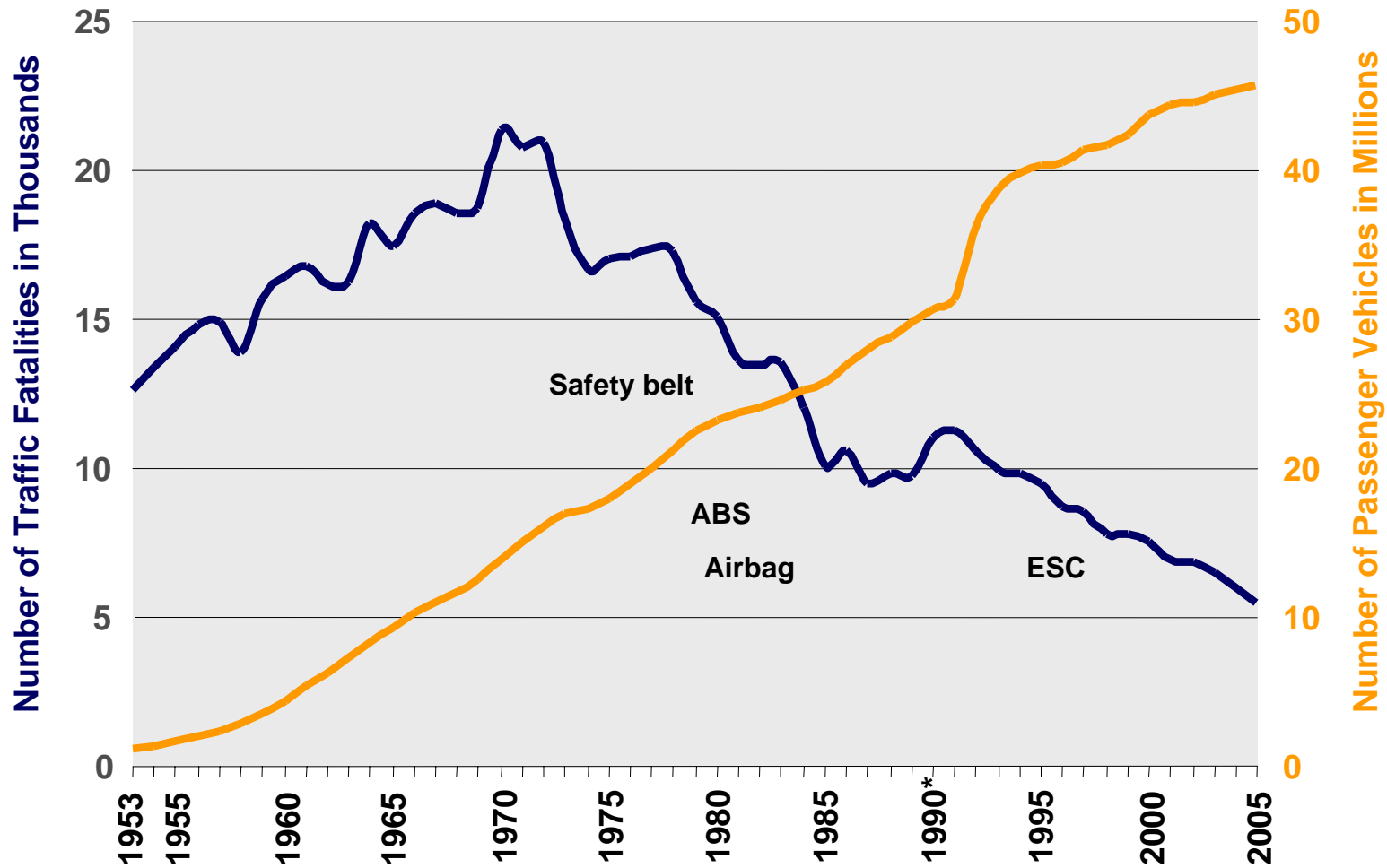


Our Vision



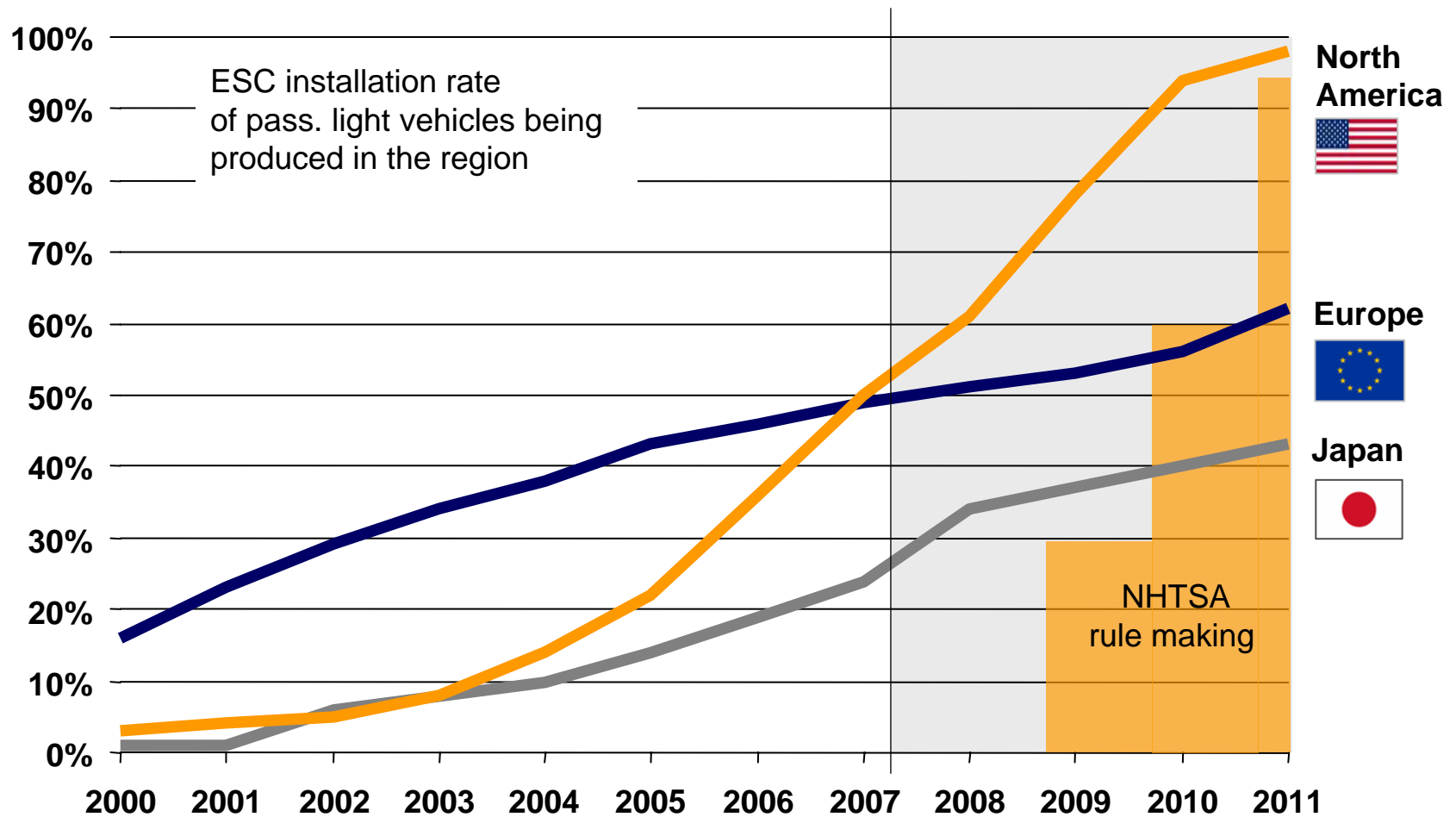
- ▶ **We make individual mobility safer and more comfortable**
- ▶ **Performance is our passion**
- ▶ **Creating value is our driving force**

Traffic Fatalities & Number of Passenger Vehicles in Germany

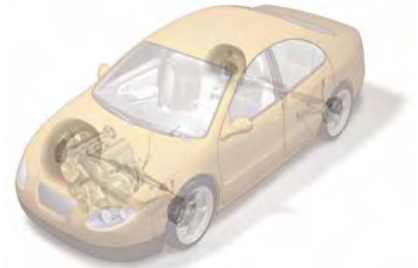
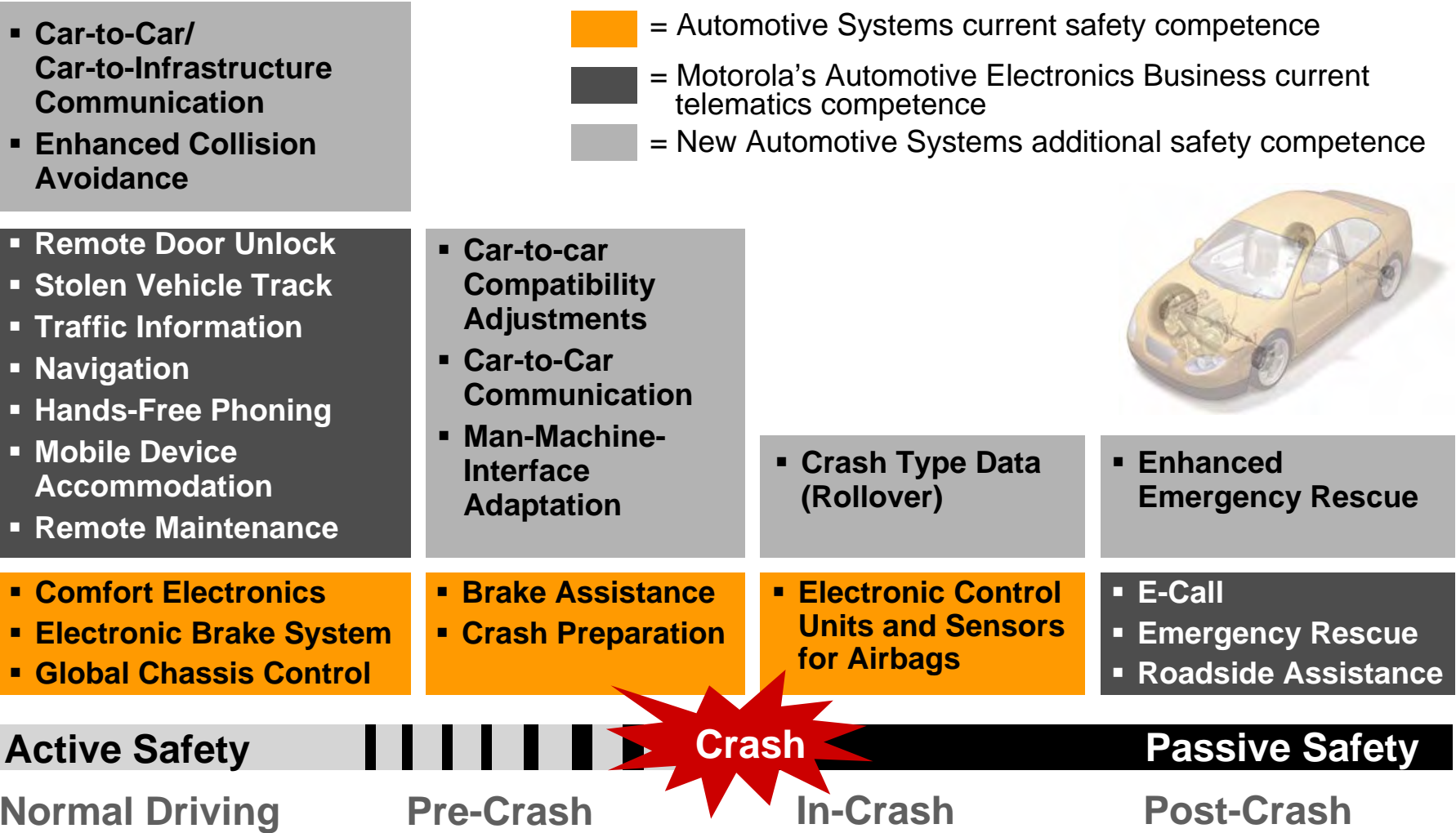


* from 1990 incl. new countries; Source: Destatis, KBA

Electronic Stability Control (ESC) Installation Rates



APIA – Active Passive Integration Approach



Telematics

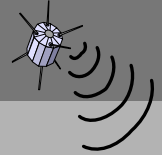
Consumer Infotainment

- Portable Devices



Outside World

- GPS Location Info
- Networking
- OTA programming
- Nav map, Info, Traffic
- 2 way Communications Cell, DSRC, Mesh



Continental Innovation

Passive Safety Components

- eCall
- Airbag
- Seatbelt Pre-tensioning

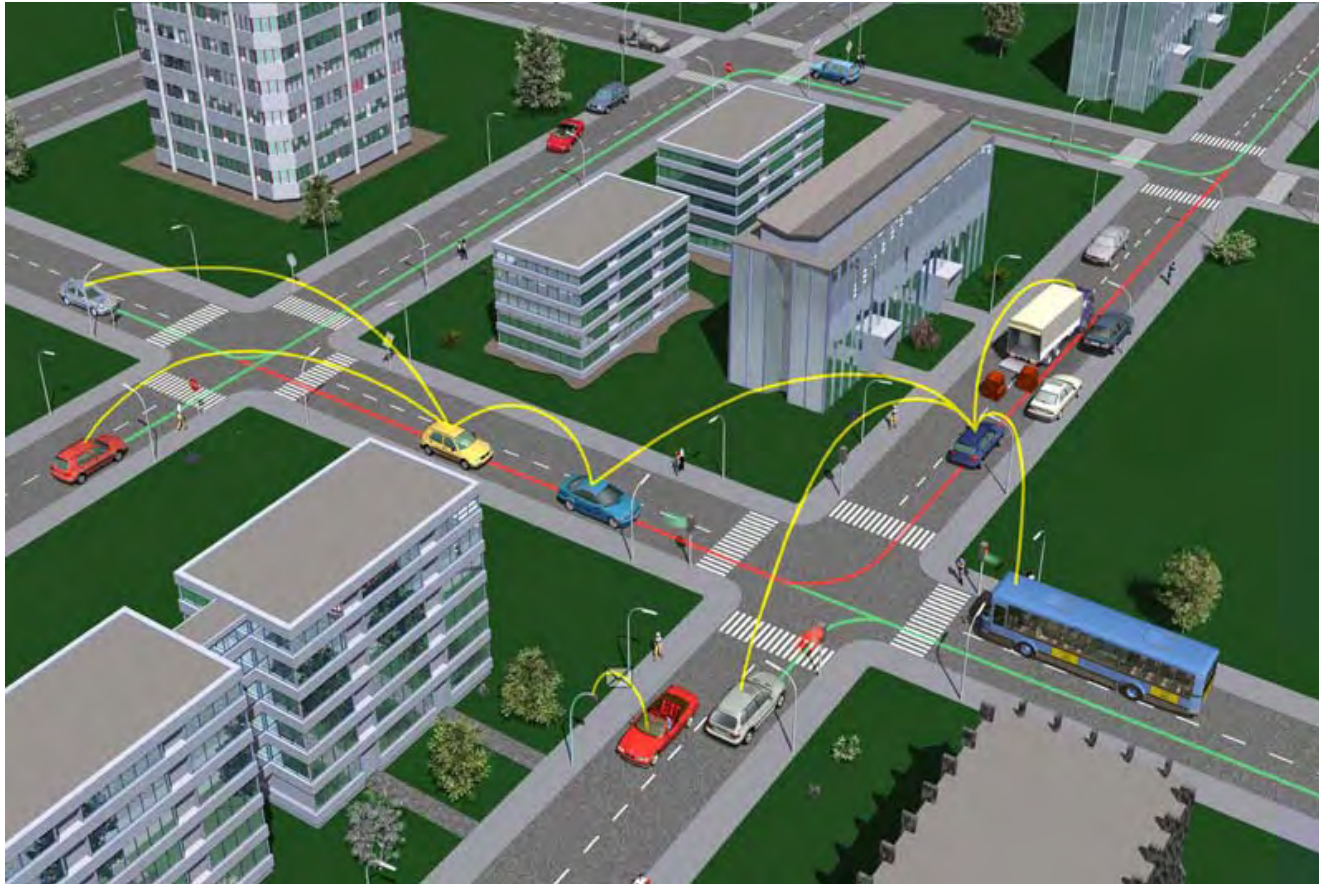


Active Safety Components

- Radar
- Camera
- Stability Control
- Lane Change Warning
- Blind Spot Detection
- Sensor Assy.
- Cluster, F/R
- Force Feedback
- Pedal



APIA Telematics - Car2X Communication



Continental is working with the Car 2 Car
Communication Consortium for standardization



CAR 2 CAR
COMMUNICATION CONSORTIUM
www.car-to-car.org

Continental Contributions



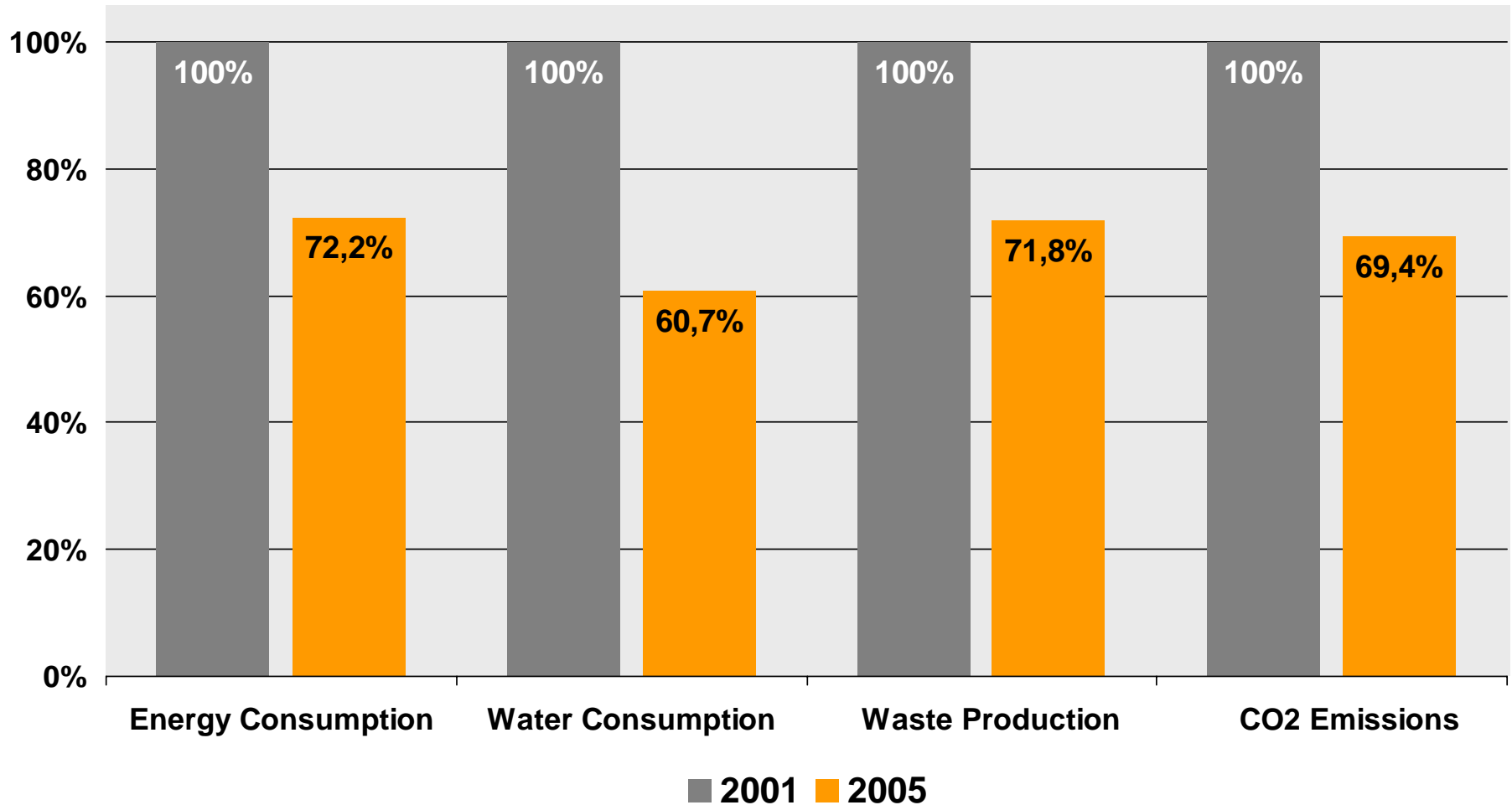
Reduction of CO₂ emission

Saving Resources

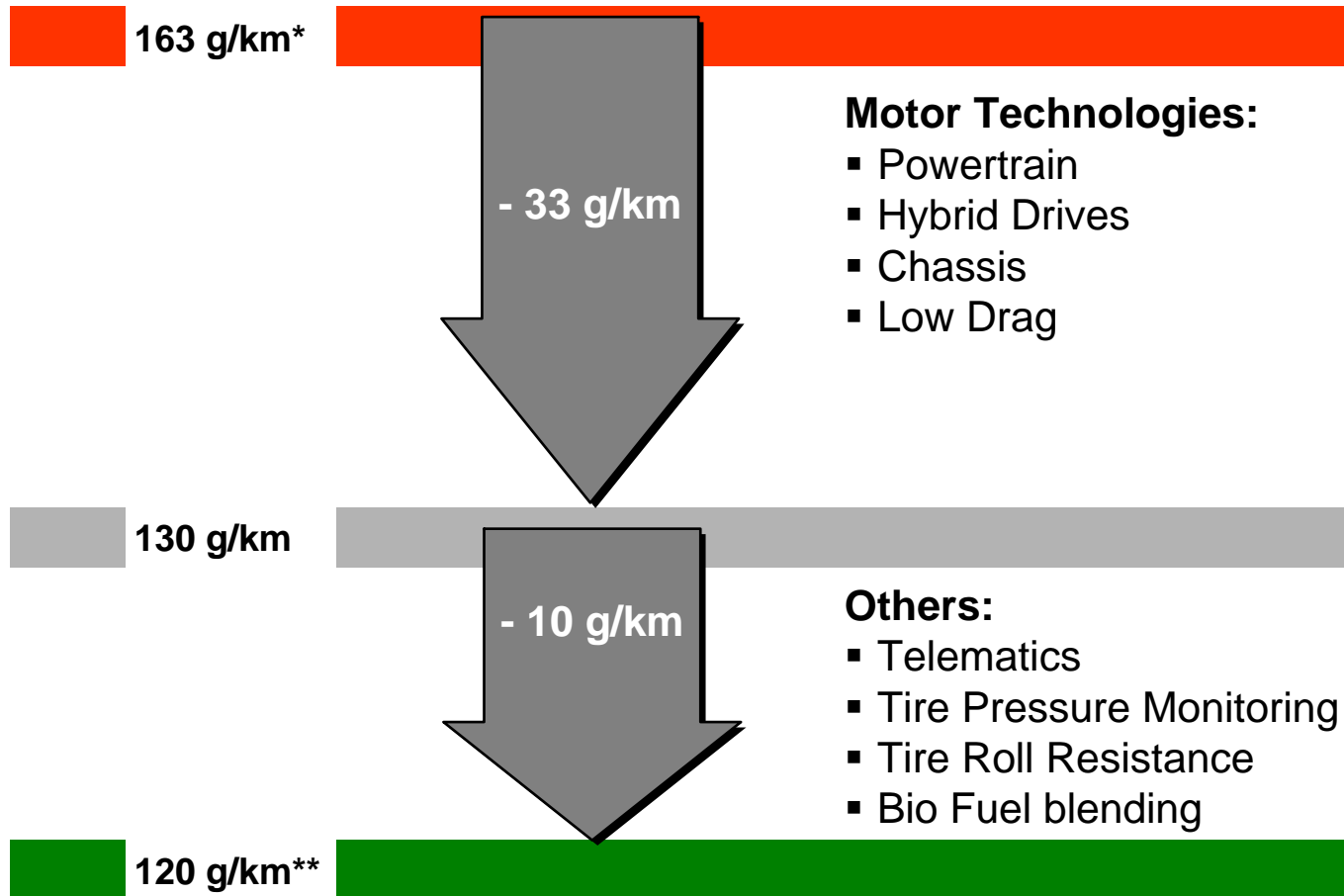


Driving pleasure by improved dynamics

Process Improvements (Per Ton Finished Goods)



EU CO₂ Emission Target for 2012



* average for new cars sold today, according to NEDC

** EU commission target proposal EurActiv Feb. 2nd, 2007

Continental Innovations Reduce CO₂ Emissions by 4-5% + Hybrid

Powertrain

CO₂ Reduction by

- ▶ Hybrid drive incl. respective components
- ▶ Exhaust gas after treatment (hoses)
- ▶ Timing belt in oil for chain substitution (Conti Oil Runner)

Brake System

CO₂ Reduction by

- ▶ Reduced weight of brake calipers, brake discs, brake actuations, ESC units
- ▶ Regenerative brake system (part of hybrid)
- ▶ Reduction / elimination of residual brake torque

Tires

CO₂ Reduction by

- ▶ Reduction of weight and rolling resistance
- ▶ Tire pressure monitoring systems (TPMS, DDS etc.)

Miscellaneous

CO₂ Reduction by

- ▶ Optimized traffic flow through telematics, ACC etc.
- ▶ Power-on-demand units (e.g. electric vacuum pump)
- ▶ Permeation-free hoses for passenger car A/C systems

Hybrid Components & Parallel Hybrid Systems - System Approach



Hybrid Components

Hybrid Module

Hybrid Transmission

Hybrid System



Electric motor



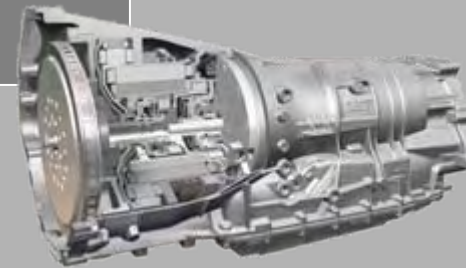
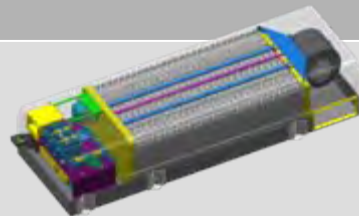
Power electronics functions



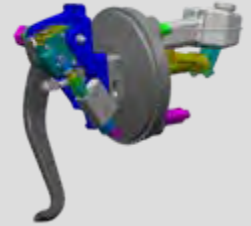
Clutches, Torsion dampers functions

Transmission functions

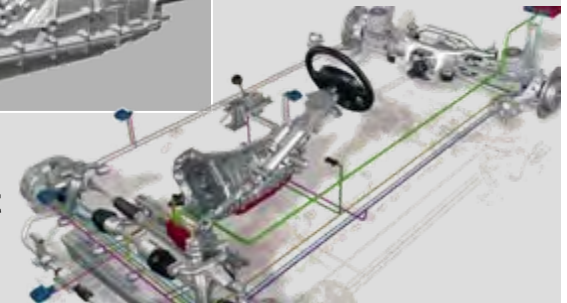
Energy storage system functions



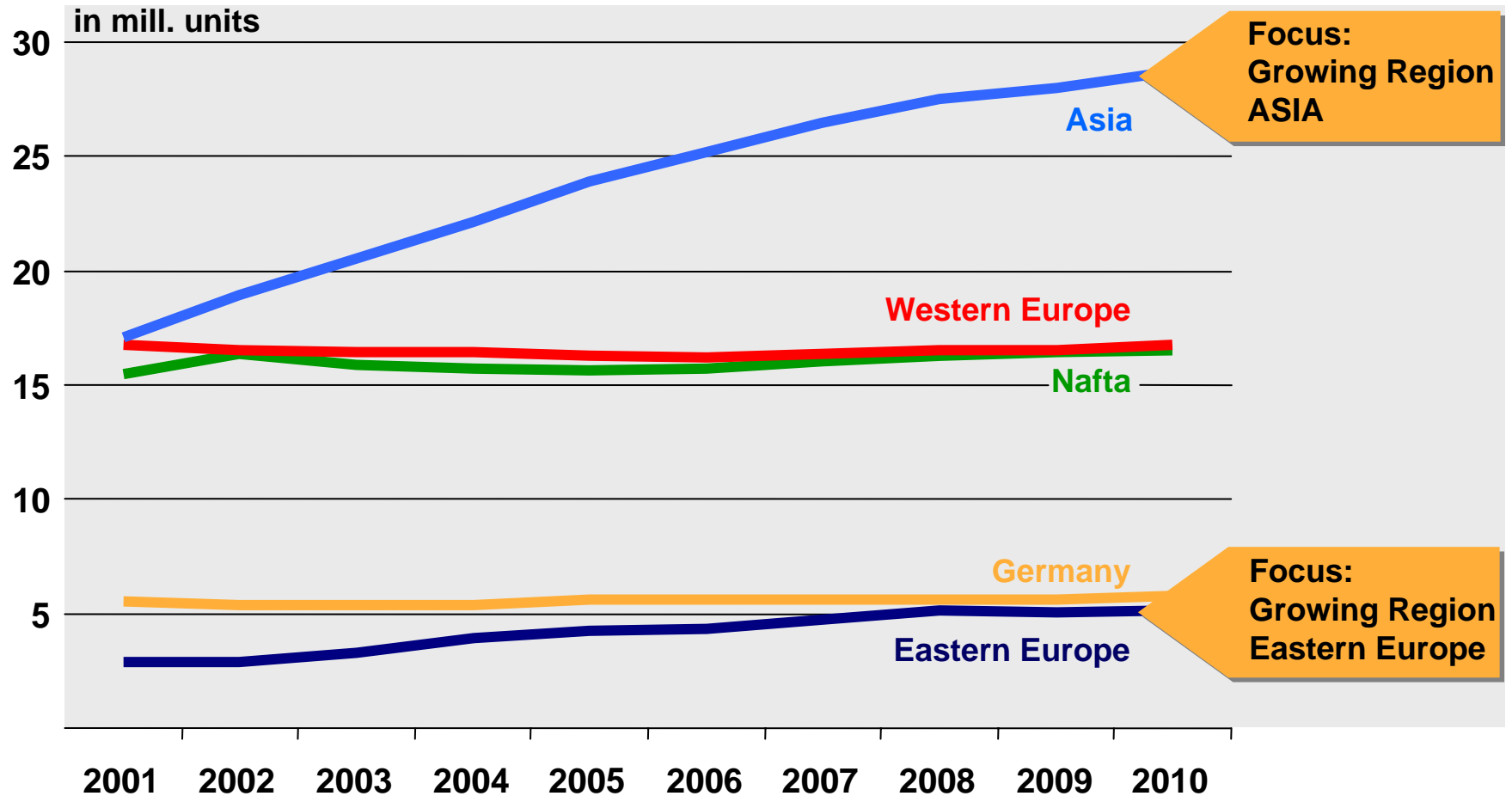
Engine control unit



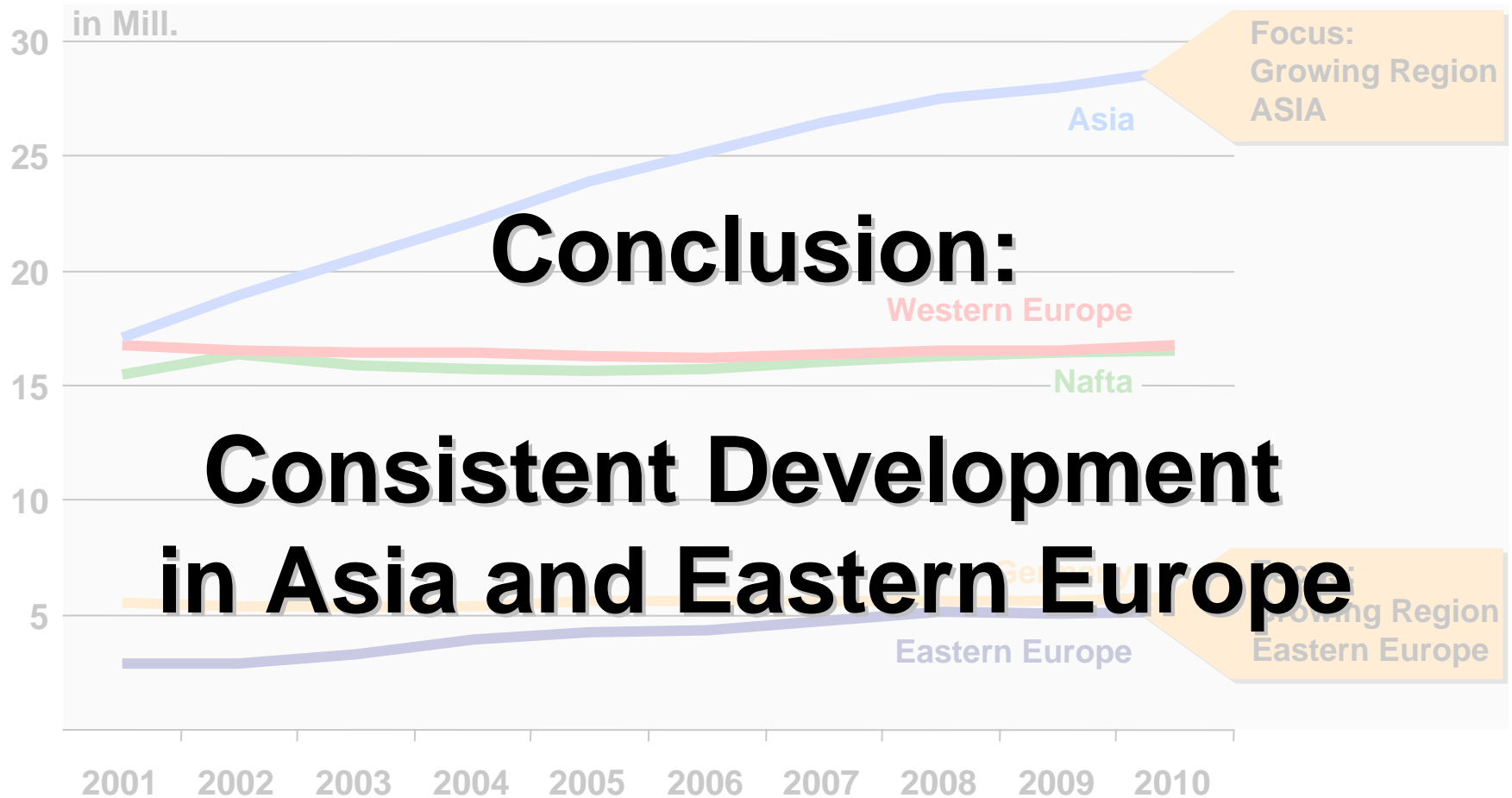
Regenerative brake functions



Production of all Automobile Manufacturers



Source: Global Insight

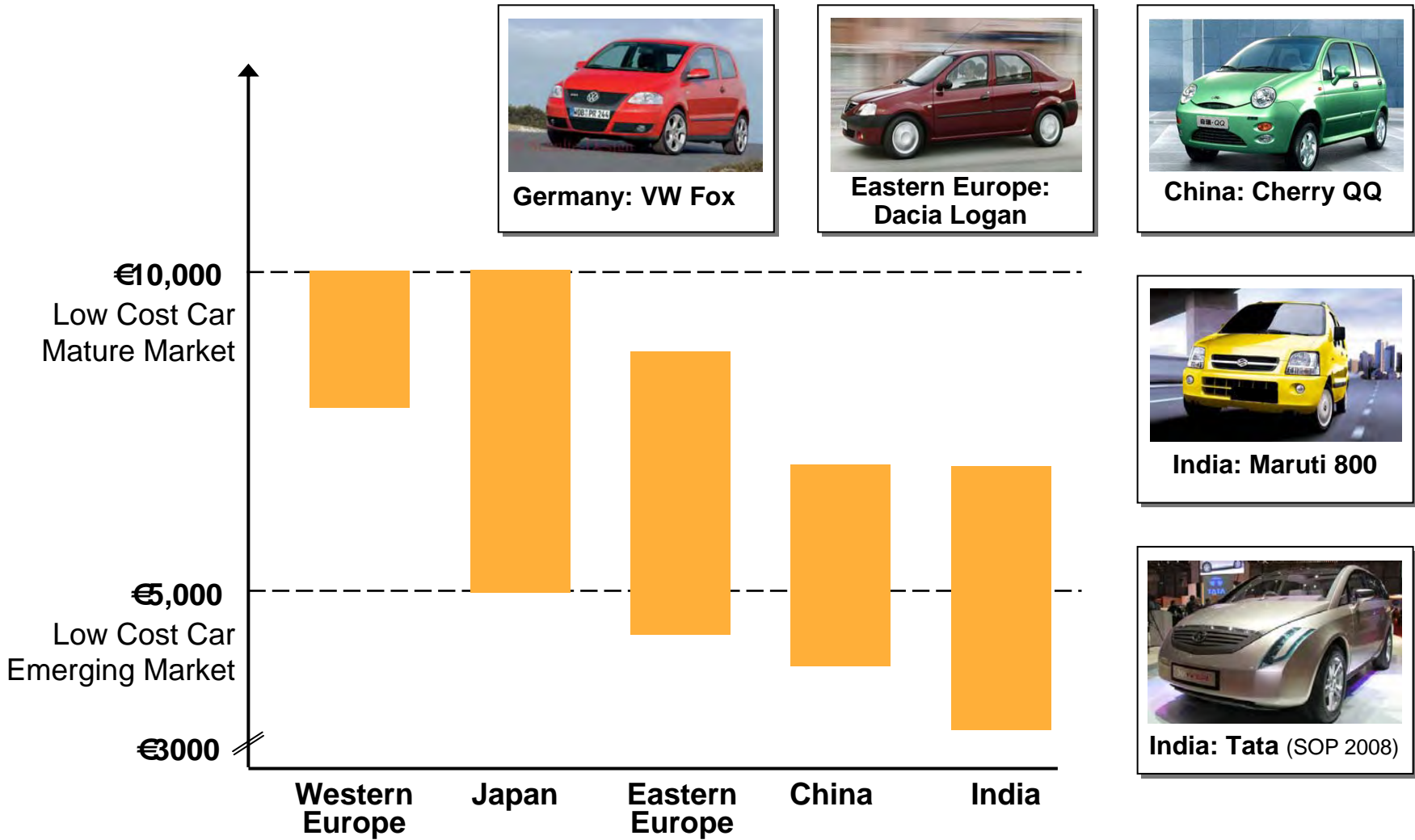


Conclusion:

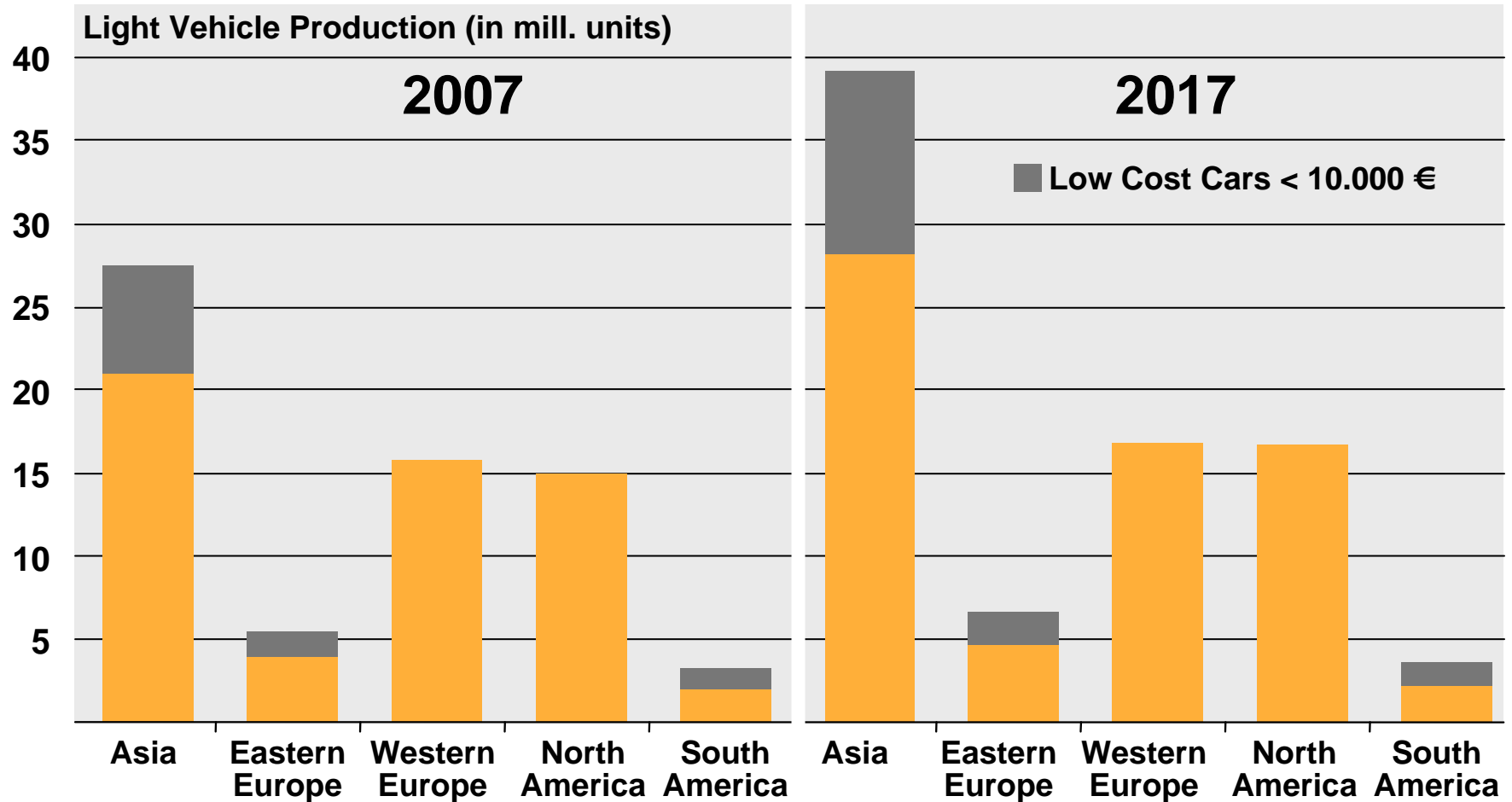
**Consistent Development
in Asia and Eastern Europe**

Source: Global Insight

Definition of 'Low Cost Car'



Global Light Vehicle Production



Source: Global Insight 03/2007

5% Growth
without acquisitions

Production in Eastern Europe

- ▶ **Czech Republic:** Otrokovice, Partizanske, Jicin (6,267 employees)
- ▶ **Slovakia:** Puchov, Zvolen (1,802 employees)
- ▶ **Romania:** Timisoara (50th million tires),
Sibiu (5th million control units),
Carei (2,754 employees)
- ▶ **Hungary:** Budapest, Veszprem, Vac, Mako, Nyiregyhaza, Szeged
(4,343 employees)

Production in Asia

- ▶ **China:** Lianyungang, Shanghai, Chanchun, Changzhi, Ningbo, Ninghai, Tianjin, Zhangjiagang (3,051 employees)
- ▶ **Japan:** Yokohama, Monbetsu, Asahi, Hamakita, Hiroshima (866 employees)
- ▶ **Malaysia:** Petaling, Alor Setar, Kulim (3,034 employees)
- ▶ **India:** Calcutta, Delhi, Bangalore (928 employees)
- ▶ **Korea:** Seoul, Busan (267 employees)
- ▶ **Philippines:** Manila, Calamba (1,488 employees)
- ▶ **Taiwan:** Tainan (15 employees)

Acquisitions in the Past Months

Acquisition

Focus

▶ 51% of Matador Rubber Group

Eastern Europe

▶ Automotive electronics business from Motorola

North America

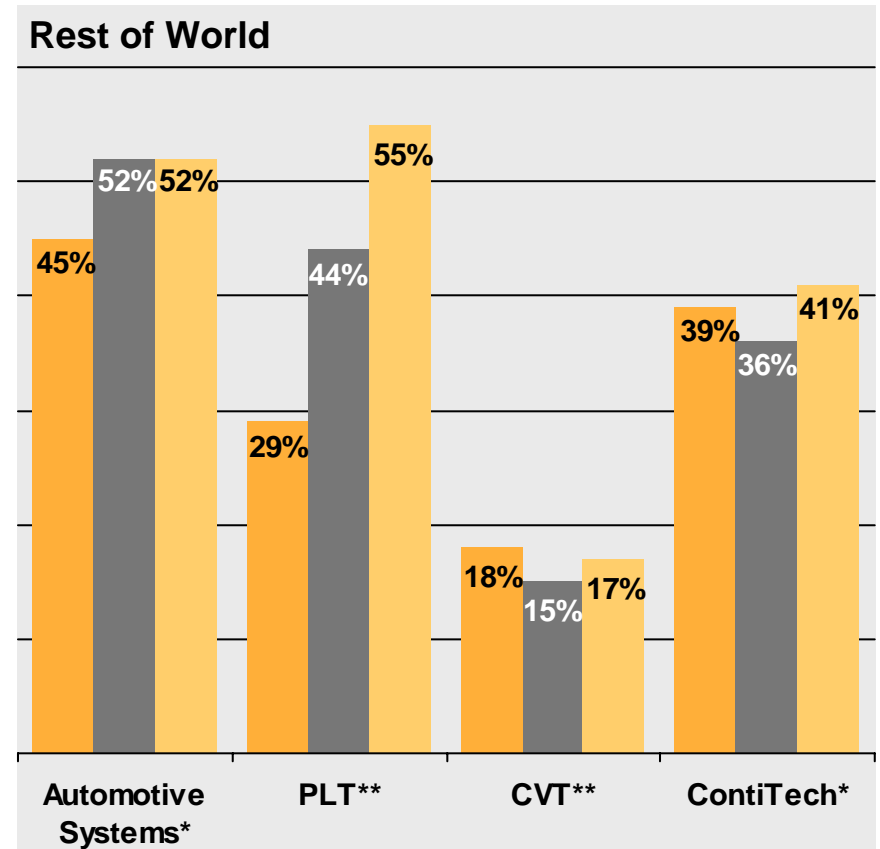
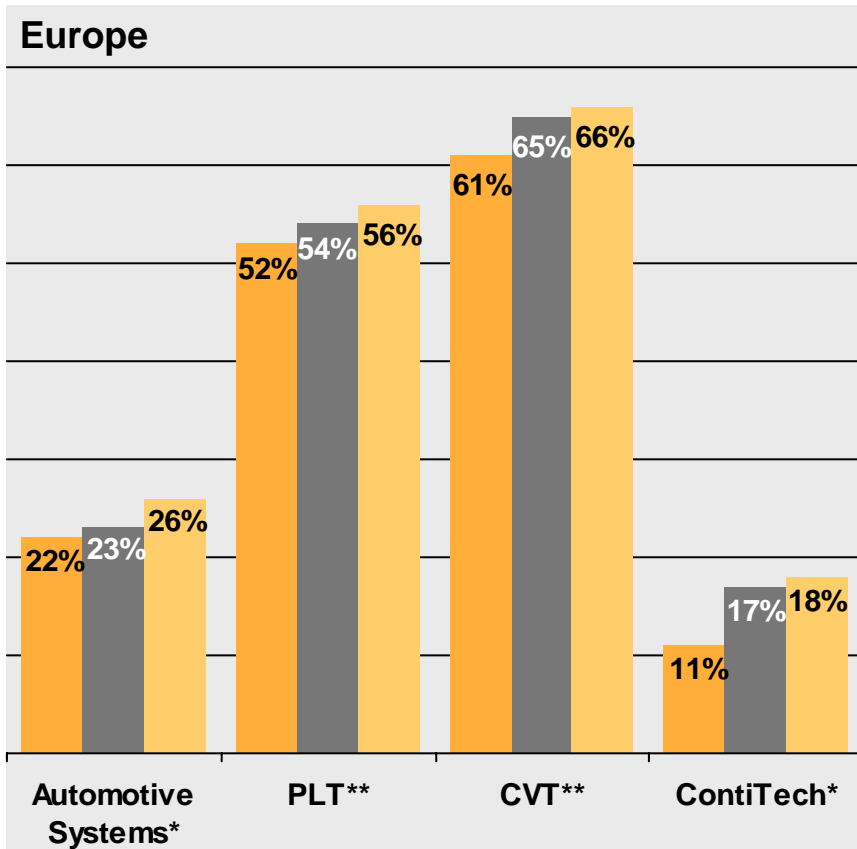
▶ Roulunds Rubber Group

Asia

▶ VTI Technologies

Asia, North America

'Cost Consciousness' – Production in Low-Cost Countries



■ 2004 ■ 2005 ■ 2006

PLT = Passenger and Light Truck Tires
 CVT = Commercial Vehicle Tires

* Based on sales
 ** Based on units

Outlook 2007

We expect 2007 to see

- ▶ an increase in consolidated sales of at least 5%.
- ▶ a further improvement in the operating result.
- ▶ a positive free cash flow – before potential acquisitions.

In 2007 we intend

- ▶ to spend approximately 4.6% of sales on research and development.
- ▶ to invest approximately 6% of sales.
- ▶ to achieve a better balance sheet structure (acquisitions, organic growth, higher dividend).



Continental 
Tyres – Engineered in Germany.