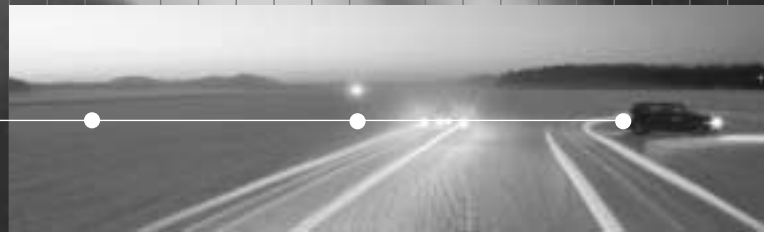


# Annual Financial Statements of Continental AG for the year ended December 31, 2001

## • Experience the future

Systems technology for tomorrow's mobility



**Continental** 

# Ten-Year Survey - Continental AG

		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Balance sheet</b>											
Fixed assets											
and investments	€ m	1,126.6	1,174.9	1,099.6	950.4	916.3	976.2	2,054.1	2,498.7	2,719.2	3,379.2
Current assets	€ m	446.1	462.7	434.1	596.9	645.7	955.5	951.7	1,012.2	1,062.1	1,241.8
Balance sheet total	€ m	1,572.7	1,637.6	1,533.7	1,547.3	1,562.0	1,931.7	3,005.8	3,510.9	3,781.3	4,621.0
Shareholders' equity	€ m	608.4	682.3	711.9	722.5	742.6	1,073.7	1,091.4	1,428.3	1,543.7	1,467.0
Long-term debt	€ m	247.7	347.7	357.0	209.3	343.3	346.7	1,279.0	1,000.3	710.9	1,352.7
Capital expenditure	€ m	99.6	91.8	69.2	49.2	50.6	53.0	51.5	61.9	65.4	59.7
Equity ratio	in %	38.7	41.7	46.4	46.7	47.6	55.6	36.3	40.7	40.8	31.7
Long-term financing											
of fixed assets and											
inventories	in %	64.5	79.4	92.6	90.4	106.4	137.5	114.2	97.0	84.2	85.7
Total indebtedness	€ m	530.3	337.0	213.8	98.7	18.8	+ 255.1	710.6	633.0	822.0	1,500.8
Self-financing ratio	in %	91.3	79.6	901.0	- 249.1	194.9	123.6	10.1	70.9	33.1	15.8
Liquidity ratio	in %	30.1	54.0	76.6	81.0	116.0	198.7	158.7	90.1	66.3	68.1
<b>Statement of Income</b>											
Sales	€ m	1,704.8	1,147.4	1,168.9	1,391.4	1,348.0	1,479.2	1,590.7	1,644.9	1,769.8	1,850.1
Foreign markets share	in %	37.4	34.6	34.9	32.6	37.0	38.3	39.1	43.2	47.7	50.5
Cost of sales <sup>1</sup>	in %	82.4	86.7	86.8	83.5	81.0	79.2	78.7	77.9	76.9	78.6
Selling expenses <sup>1</sup>	in %	7.6	7.9	8.5	8.4	10.6	11.9	10.7	10.2	10.5	10.5
Administrative expenses <sup>1</sup>	in %	5.8	5.4	4.9	5.5	5.8	4.9	4.7	5.1	4.7	5.0
Cost of materials	€ m	1,077.3	675.2	705.8	882.3	754.2	795.5	873.8	916.6	979.3	1,025.2
Personnel expenses	€ m	328.5	299.4	292.6	330.8	388.2	382.5	412.5	399.3	396.3	446.9
Depreciation <sup>2</sup>	€ m	85.8	86.9	84.6	49.3	51.8	57.4	60.2	64.4	68.9	71.0
Cash flow	€ m	139.8	108.3	112.0	108.1	161.5	157.7	156.0	292.3	151.9	171.2
Value added	€ m	411.5	378.4	350.0	380.6	446.2	442.8	492.1	609.6	607.1	499.0
Net income/loss	€ m	19.4	36.4	24.2	28.9	34.3	46.1	51.2	119.7	112.0	- 16.3
Dividend	€ m	-	18.5	19.2	24.0	29.0	41.0	47.0	58.8	64.1	-
<b>Employees</b>											
Annual average	Thousands	8.4	7.5	6.7	7.4	8.0	7.5	7.5	7.6	7.5	7.6

1 % of sales

2 Excluding writedowns on investments

# Continental Aktiengesellschaft Management Report

**Preliminary Remarks** This Management Report of Continental Aktiengesellschaft does not provide an overview of the position of the Continental Corporation as a whole, but rather refers solely to the parent company. For a comprehensive understanding of the Continental Corporation, please refer to Continental's Annual Report, which contains the group management report and the consolidated financial statements prepared in accordance with US GAAP.

## Economic Situation and Business Developments in 2001

**The Global Economy** Developments in the global economy were inconsistent. While Europe initially performed well, reaching the previous year's high levels, the US and Asia had a poor start to the 2001.

US economic development collapsed in the wake of the terrorist attacks, and Europe followed suit with a clear downturn.

An economic upswing is not expected until the second half of 2002.

**Automobile Production** Contrary to Q3 forecasts, which assumed a slight drop in Western European passenger car production in 2001, production reached the same level as the previous year at 16.8 million units. In the NAFTA area, fears of a significant downturn were confirmed. At 15.5 million vehicles, production was down by 10.0%.

Production of commercial vehicles in Europe was down by 4% to 0.39 million units. In the NAFTA area a major drop of 33% was recorded, to 0.34 million vehicles.

**Earnings** At €1,850.1 million, sales were up by €80.3 million on the previous year (+4.5%). The reason behind this clear improvement in sales was the positive trend in our original equipment business for passenger cars. There was a slight decline in our replacement business, while the commercial vehicle segment stagnated.

Gross profit on sales fell short of the previous year's figure by 3.1%; at €163.4 million, profit before the financial result was down on the previous year's figure of €165.0 million.

During the fiscal year, extensive restructuring measures were undertaken in consolidated companies, both in Germany and abroad. These measures are recorded on the balance sheet as unscheduled writedowns of equity investments, the assumption of loss from investments and as an extraordinary subsidy.

Losses in the amount of €94 million were absorbed from Continental Caoutchouc-Export-AG as a result of the write-down of the equity investment in UK-Holding following the sale of the trading activities in the United Kingdom. The fiscal year also saw the first-time assumption of a loss from Vergölst GmbH (€41 million) under the profit and loss transfer agreement still to be approved by the Annual General Meeting. A further loss of €11 million was absorbed from ContiTech Holding GmbH in 2001 following a profit in the previous year. This was mainly due to the write-down of ContiTech Ages S.p.A. and the one-off effect from the provision set up for potential early retirement obligations.

The total value of the losses assumed and the writedowns of financial assets and short-term investments, which came to €167.0 million, was offset by income from investments and profit transfers, which totaled €229.6 million. Despite setting up the provision for potential early retirement obligations (€22 million) and a €6.2 million rise in net interest expense, a result from ordinary activities of €171.5 million (previous year: €142.3 million) was generated. The extraordinary result was impacted by a subsidy of €174 million paid to Continental Automotive North America Inc., Charlotte, North Carolina (US), for restructuring measures introduced in 2001.

The tax expense amounted to €13.8 million. In total, this results in a net loss for the period of €16.3 million, which, after withdrawals from the reserve for treasury stock including retained profits brought forward, results in net retained profits of €2.1 million.

**Dividends** The drastic restructuring measures posed a considerable burden on earnings and cash flow in fiscal year 2001. Having carefully weighed the interests of the shareholders, we are convinced it is inappropriate to pay a dividend for a fiscal year with a loss and high indebtedness. Instead we will contribute to the long-term recovery of the corporation and ask our shareholders for their understanding for this decision. We expect a marked improvement in earnings after taxes and to distribute an appropriate dividend for 2002.

**Net Assets and Financial Position** The balance sheet total rose by 22.2% as against the previous year to € 4,621.0 million.

On the asset side, there was a € 659.9 million increase in investments, which was primarily due to the acquisition of the Temic Group and to other capital contributions to consolidated companies.

There was a drop in shareholders' equity on account of negative earnings and dividend payments for 2000. The equity ratio is now 31.7% (2000: 40.8%).

Total indebtedness (net) rose following deduction of cash, cash equivalents and marketable securities.

**Investments** The main focus of investments in property, plant and equipment in 2001 was on modernization with the aim of increasing efficiency and achieving further cost optimization.

#### **Personnel and Welfare**

	12/31/2001	12/31/2000
Wage earners	4,496	4,481
Salaried employees	3,080	3,006
Trainees	298	293

The number of employees as of December 31, 2001, had risen by 94 to 7,874, including trainees. Training is highly important to the Company.

**Environmental Protection** Rather than merely complying with legal requirements and regulations, we aim - as far as is economically viable - to go beyond minimum legal requirements by making continuous improvements.

**Research and Development** Research and development is an integral part of Corporation structures.

**Risk of Future Developments** Due to its global business, Continental is naturally exposed to a number of risks that are inherent in entrepreneurial activities. For instance, Continental is exposed to uncertainties in economic developments in key trading countries, further magnified by the strongly cyclical nature of demand in some of our key markets. The automotive sector in particular is characterized by stiff competition that will likely intensify in the future due to global surplus capacity. Like all international automotive suppliers, Continental is also affected by the increasingly stringent statutory regulations and safety standards in its markets.

**Risk Management** Continental AG has a Corporation-wide integrated risk management system that provides an early warning of potential risks, enabling management to assess and control exposure as well as exploit opportunities. In addition to basic principles and materiality levels, the system also contains instructions for capturing, measuring and reporting risks. It is integrated within the Corporation-wide strategy, planning and budgeting process. The system provides an extensive itemization of risks, their status and key changes as part of the regular reporting procedures. The immediate management is responsible for identifying and managing risks. A risk committee and regular internal audits support the process as a whole. We paid particular attention in the past year to our IT systems, interest rate and currency management and insurance coverage. The risk early warning system was audited by the auditors of the annual financial statements. It fully complies with the requirements of section 91 (2) of the AktG (German Stock Corporation Act).

**Events Subsequent to Fiscal Year 2001** The following events which occurred after the end of 2001 are of material importance to Continental AG and may lead to a different evaluation of the Company.

On February 13, 2002, DaimlerChrysler announced the exercise of its option for the sale of the remainder of its interest in Temic Telefunken microelectronic GmbH to Continental in April 2002.

On March 6, 2002, the Supervisory Board of Continental Gislaved Däck AB, Gislaved (Sweden), resolved to terminate tire production as of July 2002. This resolution followed the review that began during 2001.

**Outlook** The start of 2002 has confirmed our optimistic outlook.

Consolidated sales and earnings for the first few months are above the previous year's level. The Continental Automotive Systems, Passenger Tires, and Commercial Vehicle Tires divisions developed positively, while ContiTech and Continental Tire North America experienced slight declines in earnings.

The restructuring measures introduced in 2001 are progressing according to plan and we do not expect any special charges in 2002.

Economic developments and vehicle production figures remain difficult to forecast for the rest of the year.

Nevertheless, we are expecting a slight increase in sales and a clear improvement in the result of operations. The anticipated net income will enable us to distribute an appropriate dividend.

# Continental Aktiengesellschaft

## Balance Sheets

### Assets

in millions of €	see Note	12/31/2001	12/31/2000
Intangible assets		33.0	40.7
Property, plant and equipment		178.9	171.1
Investments	1	3,167.3	2,507.4
<b>Fixed assets and investments</b>		<b>3,379.2</b>	<b>2,719.2</b>
Inventories	2	129.7	135.1
Accounts receivable and other assets	3	652.7	714.2
Cash and cash equivalents	4	446.7	199.6
<b>Current assets</b>		<b>1,229.1</b>	<b>1,048.9</b>
<b>Prepaid expenses</b>	5	<b>12.7</b>	<b>13.2</b>
		<b>4,621.0</b>	<b>3,781.3</b>

### Shareholders' Equity and Liabilities

in millions of €	see Note	12/31/2001	12/31/2000
Common stock	6	343.4	342.5
Additional paid-in capital	7	967.9	965.1
Surplus reserve	8	153.6	171.5
Retained earnings		2.1	64.6
<b>Shareholders' equity</b>		<b>1,467.0</b>	<b>1,543.7</b>
<b>Special tax-allowable reserves</b>	9	<b>63.9</b>	<b>97.3</b>
<b>Provisions</b>	10	<b>546.4</b>	<b>469.0</b>
<b>Total liabilities</b>	11	<b>2,543.7</b>	<b>1,671.3</b>
		<b>4,621.0</b>	<b>3,781.3</b>

# Continental Aktiengesellschaft

## Statements of Income

in millions of €	see Note	2001	2000
<b>Sales</b>	12	<b>1,850.1</b>	<b>1,769.8</b>
Cost of sales		1,454.3	1,361.5
<b>Gross profit on sales</b>		<b>395.8</b>	<b>408.3</b>
Selling expenses		194.0	185.0
General administrative expenses		93.2	82.8
Other operating income	13	221.4	224.9
Other operating expenses	14	166.6	200.4
Net income/(expense) from financial activities	15	8.1	- 22.7
<b>Earnings before taxes</b>		<b>171.5</b>	<b>142.3</b>
Extraordinary expense	16	- 174.0	
Income tax expenses	17	13.8	30.3
<b>Net income</b>		<b>- 16.3</b>	<b>112.0</b>
Retained earnings brought forward from the prior year		0.5	1.2
Transfer from/to the reserve for treasury stock		17.9	- 15.1
Transfer to other surplus reserve		-	- 33.5
<b>Retained earnings</b>		<b>2.1</b>	<b>64.6</b>

# Continental Aktiengesellschaft

## Statements of Changes in Fixed Assets and Investments

in millions of €	Acquisition/Manufacturing cost				12/31/2001
	1/1/2001	Additions	Reclassifications	Disposals	
Franchises, operating licenses, industrial property and similar rights and assets and licenses for such rights and assets	115.1	12.0	7.0	1.3	132.8
Advances to suppliers	7.5	3.9	- 7.0		4.4
<b>Intangible assets</b>	<b>122.6</b>	<b>15.9</b>		<b>1.3</b>	<b>137.2</b>
Land, land rights and buildings including buildings (on third-party land) on land not owned	180.8	3.6	3.8	-	188.2
Technical equipment and machinery	425.7	13.3	28.5	25.5	442.0
Other equipment, factory and office equipment	235.5	29.6	3.1	31.2	237.0
Advances to suppliers and assets under construction	46.5	13.2	- 35.4		24.3
<b>Property, plant and equipment</b>	<b>888.5</b>	<b>59.7</b>		<b>56.7</b>	<b>891.5</b>
Shares in affiliated companies	2,469.0	662.0		8.8	3,122.2
Shares in associates	79.9	12.2		4.0	88.1
Other loans granted	1.0	1.3		0.1	2.2
<b>Investments</b>	<b>2,549.9</b>	<b>675.5</b>		<b>12.9</b>	<b>3,212.5</b>
	<b>3,561.0</b>	<b>751.1</b>		<b>70.9</b>	<b>4,241.2</b>



Depreciation						Book values	
	1/1/2001	Additions	Reclassifications	Disposals	12/31/2001	12/31/2001	12/31/2000
	81.9	23.5		1.2	104.2	28.6	33.2
						4.4	7.5
	<b>81.9</b>	<b>23.5</b>		<b>1.2</b>	<b>104.2</b>	<b>33.0</b>	<b>40.7</b>
	139.5	3.2			142.7	45.5	41.3
	379.1	19.9		24.5	374.5	67.5	46.6
	198.8	25.5		28.9	195.4	41.6	36.7
						24.3	46.5
	<b>717.4</b>	<b>48.6</b>		<b>53.4</b>	<b>712.6</b>	<b>178.9</b>	<b>171.1</b>
	40.3				40.3	3,081.9	2,428.7
	2.2	2.7			4.9	83.2	77.7
						2.2	1.0
	<b>42.5</b>	<b>2.7</b>			<b>45.2</b>	<b>3,167.3</b>	<b>2,507.4</b>
	<b>841.8</b>	<b>74.8</b>		<b>54.6</b>	<b>862.0</b>	<b>3,379.2</b>	<b>2,719.2</b>

# Continental Aktiengesellschaft

## Notes

### Preliminary Remark

In order to enhance transparency, the annual financial statements and management reports of Continental AG and of the Continental Corporation have been prepared separately.

### Accounting and Measurement Methods

**Assets** Purchased intangible assets are stated at their acquisition cost and are depreciated over their probable useful life using the straight-line method.

Fixed assets are carried at the cost of acquisition or production less regular depreciation. Moveable assets are depreciated using the declining balance method, while all other assets are depreciated using the straight-line method. Where the declining balance method is used, the straight-line method is substituted where this would produce higher depreciation. Special tax writedowns are charged where these are required to ensure compliance with the authoritative principle of the commercial financial statements for the tax accounts. Moveable assets acquired in the first half of the year are written down at the full rate of depreciation for the year; those acquired in the second half of the year are written down at half the annual depreciation charge. Low-value assets are written off in full in the year of their acquisition. As of fiscal 2001, acquisitions to moveable assets are regularly depreciated at the maximum declining balance rate of 20%.

Shares in affiliated companies and investments in associates are carried at cost less necessary depreciation. Interest-bearing loans are carried at their principal amount; interest-free and low-interest loans are discounted to their present value.

Inventories are carried at acquisition or production cost or at the lower fair value. The production costs comprise directly attributable costs and proportionate material and production overheads, as well as depreciation. Writedowns take account of inventory risks resulting from impaired marketability or excessive storage periods.

Appropriate valuation allowances take account of all identifiable risks in the receivables and other assets. Global valuation allowances are recognized for the general credit risk. Foreign currency receivables and liabilities are carried at the rate prevailing at the transaction date or, if they are hedged, at the hedging rates. Write-downs are charged to income for any unrealized exchange rate losses at the balance sheet date. Unrealized exchange rate gains are not recognized. Where permitted, extraordinary and tax writedowns charged on all fixed and current assets in previous years are rolled over.

**Equity and Liabilities** Provisions for pensions and similar obligations are generally measured on the basis of actuarial calculations in accordance with FAS 87 and are based on the 1998 mortality tables published by Prof. Dr. Klaus Heubeck in accordance with international principles. The other provisions have been set up for all identifiable risks, uncertain obligations and expected losses on the basis of prudent business practice. We have set up provisions for deferred maintenance that will be remedied by March 31, 2002, in the amount of the probable costs.

Liabilities are generally carried at their redemption amount.

# Notes to the Balance Sheet

## Assets

### 1 Investments

The increase in shares in affiliated companies was primarily due to capital contributions to the wholly-owned subsidiaries UMG Beteiligungsgesellschaft mbH, Hanover/Germany, for the pro-rata acquisition of the Temic Group and Continental Automotive North America Inc., Charlotte, North Carolina/US, as well as the acquisition of shares in Temic Mexico, S.A. de C.V., Villa de Ayala/Mexico, from the DaimlerChrysler Group.

Other capital contribution were implemented at ContiTech Holding GmbH, Hanover/Germany, Continental do Brasil Produtos Automotivos Ltda., São Paulo/Brazil, and the Continental Teves Corporation, Tokyo/Japan.

The companies CAS-One Holdinggesellschaft mbH, Hanover/Germany, CAS-Two Holdinggesellschaft mbH, Hanover/Germany, and Continental of Taiwan Co. Ltd., Taipei/Taiwan, were also formed.

Shares in the previously affiliated companies Deutsche Schlauchboot Hans Scheibert GmbH & Co.KG, Eschershausen/Germany, and Wesbild Ventures Inc., Toronto/Canada, were disposed of.

The increase in investments was mainly due to capital contributions to SupplyOn AG, Stuttgart/Germany.

The investment in Rubber Network.Com Ltd., Alpharetta, Georgia/US, was disposed of within the Group to Temic Automotive of North America Inc., Auburn Hills, Michigan/US.

A complete list of all equity interests has been filed with the Hanover Local Court.

Loans mainly comprise loans to customers.

### 2 Inventories

in thousands of €	12/31/2001	12/31/2000
Raw materials, consumables and supplies	26,810	25,101
Work in progress	19,905	22,393
Finished goods and merchandise	82,189	86,743
Payments on account	1,024	1,053
Advance payments received	196	186
	<b>129,732</b>	<b>135,104</b>

### 3 Accounts Receivable and Other Assets

in thousands of €	12/31/2001		12/31/2000	
	Total	Thereof with a maturity of > 1 Jahr	Total	Thereof with a maturity of > 1 Jahr
Trade accounts receivable	121,553	537	116,271	459
Amounts receivable from affiliated companies	501,684	-	555,410	-
Amounts receivable from associates	634	-	1,617	-
Other assets	28,775	4,916	40,873	9,934
	<b>652,646</b>	<b>5,453</b>	<b>714,171</b>	<b>10,393</b>

Trade accounts receivable declined by €62.1 million (2000: €62.7 million) as a result of the sale of receivables.

## 4 Cash and Cash Equivalents

in thousands of €	12/31/2001	12/31/2000
Securities	120,125	138,012
Cash in hand and central bank balances	106	405
Bank balances	320,030	57,278
Checks	6,509	3,975
	<b>446,770</b>	<b>199,670</b>

The Securities item only contains treasury stock (8.1 million shares, or approximately 6.0% of the share capital) that were acquired under the authorization resolved by the Annual General Meeting on May 19, 2000. It is not intended to retire these shares.

An amount of €0.3 million, earmarked for conversion to euro cash by the Central Bank, has not been included in cash and cash equivalents. The relevant payment for this was made in the new fiscal year.

## 5 Prepaid Expenses

in thousands of €	12/31/2001	12/31/2000
Loan redemption premium	12,067	12,738
Other prepaid expenses	566	470
	<b>12,633</b>	<b>13,208</b>

The redemption premium for a convertible bond with a nominal amount of €250 million is being written down using the straight-line method over the five-year life of the bond, and the redemption premium for a bond with a nominal amount of €500 million is being written down using the straight-line method over the seven-year life of the bond.

## Equity and Liabilities

### 6 Subscribed Common Stock

The subscribed common stock as against the previous year by €0.7 million as a result of the issue of employee shares and by a further €0.2 million as a result of conversions.

As a result of the resolution of the Annual Shareholders' Meeting on May 23, 2001, the Company has an authorized capital of €166 million that can be used to issue new shares until May 22, 2006.

As a result of the resolution of the Annual Shareholders' Meeting on June 5, 1998, the Company had an authorized capital originally amounting to €102.3 million that could be used to issue new shares until June 4, 2003. The unused authorized capital was revoked by way of the resolution of the last Annual Shareholders' Meeting.

As a result of the resolution of the Annual Shareholders' Meeting on June 4, 1997, the Company has authorized capital originally amounting to €5.1 million that can be used to issue employee shares. This authorized capital has since been reduced to €1.9 million as a result of the issue of employee shares since that date.

The Company's share capital amounts to €343,358,197.76 and is divided into 134,124,296 no-par value shares.

A total of 581,000 conversion rights granted under the 1996 stock option plan for Executive Board members and senior executives have not yet been utilized. Every €0.51 of the convertible loan entitles the holder to convert this to one share of Continental AG.

545,000 of the total of 1,564,664 options from the stock option plan for members of the Executive Board and senior executives set up in 1999 have been issued. Each option entitles the holder to subscribe for one share.

The 2% 1999/2004 convertible bond issued on October 25, 1999, is linked to the right to subscribe for 38.83 shares when exchanging a bond with a principal amount of €1,000. This amounts to up to 9,707,500 no-par value shares.

By way of the resolution of the Annual General Meeting on May 23, 2001, the conditional capital was increased by €140.0 million to grant conversion and option rights for new convertible bonds and warrants to be issued in the future. The existing conditional capital of €76.8 million intended to grant conversion and option rights was revoked by way of the resolution of the Annual General Meeting on May 23, 2001.

The change in conditional capital is shown in the table below:

in thousands of €	
Conditional capital as of December 31, 2000	107,765
Conversion and option rights	128
Revocation	76,800
New creation	140,000
<b>Conditional capital as of December 31, 2001</b>	<b>170,837</b>

## 7 Capital Reserves

The premium derived from the issue of shares in excess of their nominal value increased the capital reserves by €2.8 million. As a result, the capital reserves amounted to €967.9 million at the balance sheet date.

## 8 Surplus Reserve

in thousands of €	12/31/2001	12/31/2000
Reserve for treasury stock	120,125	138,012
Other surplus reserves	33,500	33,500
	<b>153,625</b>	<b>171,512</b>

Withdrawals from the reserve for treasury stock in the amount of €17.9 million are due to write-downs on treasury stock at the balance sheet date.

## 9 Special Tax-allowable Reserves

in thousands of €	12/31/2001	12/31/2000
Write-ups of financial assets	63,920	95,880
Write-ups of current assets	-	920
Reserve in accordance with section 6b EStG	-	484
	<b>63,920</b>	<b>97,284</b>

In accordance with section 52 (16) EStG (German Income Tax Act) as amended by the Steuerentlastungsgesetz (German Tax Relief Act) 1999/2000/2002, the special tax-allowable reserves contain 2/5 of the writeups of financial assets. The reserve in accordance with section 6b EStG were transferred to newly constructed factory buildings.

## 10 Provisions

in thousands of €	12/31/2001	12/31/2000
Pensions and similar obligations	233,042	215,765
Taxes	112,384	64,987
Other provisions	200,998	188,258
	<b>546,424</b>	<b>469,010</b>

Pension provisions are determined in accordance with US GAAP (FAS 87).

Other provisions cover identifiable risks and other uncertain obligations. In particular, they contain provisions for warranties, bonus payments, personnel and social security expenses, deferred maintenance as well as holiday and anniversary provisions. The increase is mainly due to the provision for potential early retirement.

## 11 Liabilities

in thousands of €						
	12/31/2001	thereof with a maturity of < 1 year	thereof with a maturity of > 5 years	12/31/2000	thereof with a maturity of < 1 year	thereof with a maturity of > 5 years
Loans, convertible	267,945	917	-	267,975	917	-
non-convertible	502,387	2,387	500,000			
Liabilities to banks	722,839	561,596	-	431,218	361,001	-
Trade accounts payable	57,133	57,133	-	73,032	73,032	-
Liabilities on bills accepted and drawn	133	133	-	111	111	-
Liabilities to affiliated companies	688,954	688,954	-	761,253	761,253	-
Liabilities to associates	10,653	10,653	-	10,062	10,062	-
Other liabilities	293,597	233,597	-	127,636	67,636	-
thereof: taxes	(5,347)			(3,625)		
for social security	(8,782)			(9,441)		
	<b>2,543,641</b>	<b>1,555,370</b>	<b>500,000</b>	<b>1,671,287</b>	<b>1,274,012</b>	<b>-</b>

### Guarantees

in thousands of €	12/31/2001	12/31/2000
Liabilities from bills of exchange	57,083	44,619
Liabilities from guarantees	1,052,060	955,054
Liabilities from warranties	174,800	170,062
Liability from shares in cooperative societies	28	28
Joint liability for pension obligations	45,503	47,363

The liabilities from bills of exchange resulted from the discounting of trade bills. The liabilities from guarantees relate, with the exception of € 3.0 million, to liabilities incurred by our subsidiaries and equity interests, and in particular sureties and guarantees amounting to € 1,005 million for capital market finance for Continental Rubber of America Corp., Wilmington, Delaware/US, Continental Tire North America Inc., Charlotte, North Carolina/US and Continental UK Group Holdings Ltd., West Drayton/United Kingdom. The joint liability for pension obligations is the result of the transfer of pension obligations to the spun-off ContiTech companies.

### Other Financial Obligations

Obligations in 2002 and later relate to rental and leasing contracts for real estate used for operations (€ 104.0 million), outsourced hardware and software (€ 90.1 million) and machinery and operating and office equipment (€ 33.0 million). Liabilities from orders relating to investments in fixed assets amount to € 25.4 million.

### Disclosure in accordance with the Wertpapierhandelsgesetz

In accordance with sections 21 and 22 of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act), Allianz Aktiengesellschaft, Munich, disclosed in July 2001 that it had exceeded the threshold of 5% of the voting rights in Continental AG. Allianz holds 7.44% of Continental's voting rights. This percentage contains 6.45% of the voting rights to be added in accordance with section 22 (1) no. 2 of the WpHG. Continental published this disclosure in the Börsen-Zeitung of August 8, 2001, in accordance with section 25 (1), sentence 1 of the WpHG.

## Notes to the Statements of Income

### 12 Sales

in millions of €	2001	2000	Change in %
<b>Broken down by segment</b>			
Tires	1,663.0	1,577.6	+ 5.4
Other income	187.1	192.2	- 2.6
	<b>1,850.1</b>	<b>1,769.8</b>	<b>+ 4.5</b>
<b>Broken down by region</b>			
Germany	916.1	924.7	- 0.9
Rest of Europe	797.1	737.3	+ 8.1
Other	136.9	107.8	+ 27.0

### 13 Other Operating Income

in thousands of €	2001	2000
Income from the disposal of fixed assets	25,826	1,583
Income from the reduction of allowances for doubtful accounts	20,771	-
Income from the reversal of provisions	4,137	41,433
Income from the reversal of special tax-allowable reserves	33,364	32,267
Other income	137,260	149,601
	<b>221,358</b>	<b>224,884</b>

Income from the disposal of fixed assets is mainly due to the disposal of Deutsche Schlauchboot Hans Scheibert GmbH & Co.KG, Eschershausen/Germany, and of Wesbild Ventures Inc., Toronto/Canada.

Other income contains cost allocations to other consolidated companies amounting to €93.3 million (2000: €91.9 million). In addition, this item also includes ongoing income from other ancillary business and other income.

### 14 Other Operating Expenses

in thousands of €	2001	2000
Losses from the disposal of fixed assets	563	225
Write-downs of current assets (excluding inventories)	3,184	29,004
Transfer to special tax-allowable reserves	-	484
Other expenses	161,650	169,693
Other taxes	1,158	972
	<b>166,555</b>	<b>200,378</b>

The other expenses comprise, among other things, expenses for ancillary business.

## 15 Net Income/(Expense) from Financial Activities

in thousands of €	2001	2000
<b>Operating result and loss</b>		
Income from profit transfer agreements	15,101	190,868
Income from investments		
in affiliated companies	213,912	134,381
in associated companies	312	3,451
in other companies	245	306
Loss absorption from profit and loss transfer agreements	- 146,355	- 264,200
	<b>83,215</b>	<b>64,806</b>
<b>Net interest income/(expense)</b>		
Income from other investments and long-term loans	44	2
Other interest and similar income		
From affiliated companies	26,228	25,014
From other companies	12,569	10,845
Interest and similar expenses		
to affiliated companies	- 16,516	- 21,621
to other companies	- 76,886	- 62,645
	<b>- 54,561</b>	<b>- 48,405</b>
<b>Amortization of financial assets and investments classified as current assets</b>	<b>- 20,581</b>	<b>- 39,080</b>
<b>Net income/(expense) from financial activities</b>	<b>8,073</b>	<b>- 22,679</b>

The operating result includes €81.9 million (previous year: €60.0 million) from profit transfer agreements and dividends from domestic companies.

After ongoing losses by our English dealer chain National Tyre Service Ltd., Stockport/United Kingdom had required an impairment of €260 million of the investment in the UK parent company, Continental UK Group Holdings Ltd., West Drayton/United Kingdom, last year. The disposal of trading activities resulted in a further write-down of €95 million. Continental AG absorbed this loss, which was incurred at Continental Caoutchouc-Export-AG, Hanover/ Germany, as part of the profit and loss transfer agreement that exists with that company. The loss takeover according to the profit and loss transfer agreement with Vergölst GmbH, Bad Nauheim/Germany, which has yet to be approved by the Annual General Meeting, amounts to €41 million. The absorption of losses from ContiTech Holding GmbH, Hanover/Germany, (€11 million) was mainly due to the write-down at CT Ages S.p.A., Santena/ Italy, and the one-off effect of the creation of the provision for potential early retirement.

The higher income from profit transfer agreements of €175.8 million in 2000 was mainly due to the one-off effect of the profit transfer agreement between Benecke-Kaliko AG, Hanover/Germany, and Göppinger Kaliko GmbH, Eisingen/Germany, which came into effect in that year, as well as the profit transfer from ContiTech Holding GmbH, Hanover/Germany.

A €17.9 million writedown (previous year: €20.2 million) was charged on the treasury stock acquired in fiscal 2000 at an acquisition cost of €158.2 million, due to the lower price at the balance sheet date.



## **16 Extraordinary Expense**

The extraordinary expense is due a subsidy paid to Continental Automotive North America Inc., Charlotte, North Carolina/USA, for restructuring measures in 2001.

## **17 Taxes on Income**

The tax expense of €13.8 million includes an income tax to related companies under profit and loss pooling agreements in the amount of €25.5 million.

## Other Disclosures

### Cost of Materials

in thousands of €	2001	2000
Cost of raw materials, consumables and supplies		
and of purchased merchandise	946,152	902,712
Cost of purchased services	79,019	76,562
	<b>1,025,171</b>	<b>979,274</b>

### Personnel Expenses

in thousands of €	2001	2000
Wages and salaries	356,122	315,295
Social security costs		
and other pension costs	90,782	81,041
thereof for retirement benefits	(29,804)	(21,771)
	<b>446,904</b>	<b>396,336</b>

### Average Number of Employees per Quarter

	2001	2000
Salaried employees	3,073	2,983
Wage earners	4,521	4,470
	<b>7,594</b>	<b>7,453</b>

### Depreciation and Amortization

The amortization of intangible assets and financial assets and the depreciation of fixed assets calculated in accordance with the principles of the German Commercial Code can be seen in the "Statement of Changes in Fixed Assets". Depreciation and amortization contain €732 thousand in tax depreciation and amortization in accordance with section 6b EStG.

### Remuneration of the Supervisory Board and the Executive Board

Expenditure on the remuneration of the Supervisory Board amounts to €621 thousand, while the amount of remuneration paid to the Executive Board, including the executive boards of subsidiaries, amounts to €3,966 thousand. Remuneration paid to former members of the Executive Board and their surviving dependents amounts to €9,028 thousand.

Provisions amounting to €46,679 thousand have been set up for pension obligations to former members of the Executive Board and their surviving dependents.

### Proposal for the Distribution of Earnings

After transfers from the reserve for treasury stock, and taking into account the net loss for the period and the retained profits brought forward, the retained earnings amount to €2.1 million. It is proposed to carry forward the retained earnings on new account.

Hanover, March 11, 2002

Continental Aktiengesellschaft

The Executive Board

## Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of Continental Aktiengesellschaft for the business year from January 1 to December 31, 2001. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions in the articles of incorporation/partnership agreement) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch: German Commercial Code"] and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitable presents the risks of future development.

Hanover, March 11, 2002

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Papenberg                      Schulze  
Wirtschaftsprüfer      Wirtschaftsprüfer

## Members of the Supervisory Board

### **Hubertus von Grünberg**

Chairman  
Member of various Supervisory Boards

### **Richard Köhler\***

Deputy Chairman  
Chairman of the Corporate Employee Council and of the  
Employee Council for the Korbach Plant,  
Chairman of the European Employee Council

### **Heidemarie Aschermann\***

Deputy Chairperson of the Employee Council for the  
Northeim Plant

### **Manfred Bodin**

Chairman of the Executive Board,  
Norddeutsche Landesbank Girozentrale

### **Diethart Breipohl**

Member of various Supervisory Boards

### **Werner Breitschwerdt**

Consultant

### **Michael Deister\***

Member of the Employee Council for the Stöcken Plant

### **Wilfried Eickmann\***

Member of the Supervisory Board  
(until June 30, 2001)

### **Michael Frenzel**

Chairman of the Executive Board,  
Preussag AG

### **Hans-Olaf Henkel**

President of the Wissenschaftsgemeinschaft  
Gottfried-Wilhelm-Leibniz

### **Karl-Heinz Hilker\***

Chairman of the Employee Council for the Vahrenwald Plant and  
Deputy Chairman of the Joint Employee Council Continental AG

### **H. Peter Hüttenmeister\***

Northern Region Manager,  
IG Bergbau, Chemie, Energie  
(Union of Mining, Chemical, Energy Industries)

### **Gerhard Knuth\***

Chairman of the Joint Employee Council of  
Continental Teves AG & Co. oHG

### **Hartmut Meine\***

District Manager of  
IG Metall (German Metalworkers' Union) District Hanover  
for Lower Saxony and Saxony-Anhalt  
(since July 11, 2001)

### **Werner Mierswa\***

Chairman of the Employee Council Headquarters Continental AG  
and Chairman of the Joint Employee Council Continental AG

### **Rainer Stark\***

Head of Corporate Quality and Environment

### **Fred G. Steingraber**

Chairman Emeritus A.T. Kearney

### **Dirk Sumpf\***

Hanover District Manager,  
IG Bergbau, Chemie, Energie  
(Union of Mining, Chemical, Energy Industries)

### **Giuseppe Vita**

Member of various Supervisory Boards

### **Bernd W. Voss**

Member of various Supervisory Boards

### **Ulrich Weiss**

Member of various Supervisory Boards

The information required by section 285 no. 10 HGB is contained in  
the Notes to the Annual Report 2001 for Continental Corporation  
on pages 78 - 79.

\* Employee representatives

# Members of the Executive Board

**Stephan Kessel**

Chairman  
Passenger Tires  
(until September 11, 2001)

**Manfred Wennemer**

Chairman  
Passenger Tires  
(since September 11, 2001)  
ContiTech

**Wolfgang Ziebart**

Deputy Chairman  
Continental Automotive Systems

**Bernd Frangenberg**

Continental Tire North America  
(until March 31, 2002)

**Klaus Friedland**

Finance, Controlling, Human Resources and Law  
Director of Personnel

**Hans-Joachim Nikolin**

Commercial Vehicle Tires, Quality and Environment,  
Conti International

**Generalbevollmächtigte****Bernadette Hausmann**

Procurement and Strategic Technology  
(until December 31, 2001)

**Werner P. Paschke**

Controlling and Accounting

The information required by section 285 no. 10 HGB is contained in the Notes to the Annual Report 2001 for Continental Corporation on page 80.

## Financial Calendar

### 2002

Preliminary figures for fiscal year 2001	March 8
Financials press conference	April 11
International analyst conference	April 11
Interim report on first three months 2002	May 2
Annual Shareholders' Meeting	May 29
Interim report on first six months 2002	July 31
Interim report on first nine months 2002	October 31
International analyst conference	October 31

### 2003

Preliminary figures for fiscal year 2002	March
Financials press conference	April
International analyst conference	April
Interim report on first three months 2003	May
Annual Shareholders' Meeting	May 23
Interim report on first six months 2003	July
Interim report on first nine months 2003	October
International analyst conference	October

This Annual Report is also published in German.

The full Annual Report of Continental Corporation is available in English and German.

To obtain a copy of any of these reports, please contact:

Continental Aktiengesellschaft  
Corporate Communications - Corporation  
Fax: +49 (0) 511 938-8 17 70  
e-mail: [prkonzern@conti.de](mailto:prkonzern@conti.de)

Continental Aktiengesellschaft  
P.O. Box 169  
30001 Hanover  
Germany  
Telephone +49 (0) 5 11 9 38-01  
Telefax +49 (0) 5 11 9 38-8 17 70  
Email: [mailservice@conti.de](mailto:mailservice@conti.de)  
[www.conti-online.com](http://www.conti-online.com)

Company address:  
Vahrenwalder Strasse 9  
30165 Hanover  
Germany

**Continental** 